Hardy Oil and Gas plc

An India Story

Annual Report and Accounts
Year Ended 31 December 2010

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Hardy Oil and Gas plc is an upstream international oil and gas company whose operating assets are 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.

Contents

During 2010, the Company accomplished a number of key objectives and realised a significant improvement in its financial performance.

Operational Highlights

PY-3 – Gross daily production from the PY-3 field averaged 3,156 barrels per day (bbld) in 2010 (net: 568 bbld)

D3 – Announced the fourth consecutive natural gas discovery (Dhirubhai 52) which encountered a gross gas pay zone of 37.5 m in Pliocene aged sands

D3 – A proposal for the declaration of commerciality of the Dhirubhai 39, 41 and 52 natural gas discoveries was submitted to the DGH at the beginning of 2011

D9 – The second exploration well recorded gas shows while drilling but MDT testing of the penetrated sands indicated high water saturation. The well proved the existence of reservoir quality sands and a petroleum system in this frontier, deep water block. Following MDT testing the well was plugged and abandoned

GS-01 – A proposal for the declaration of commerciality of the Dhirubhai 33 natural gas discovery was submitted to the DGH mid 2010

CPR – An updated Competent Person's Report has been undertaken

Financial Highlights

Profit before taxation from continuing operations of $2.2 million (2009: loss $7.4 million)

Cash flow from continuing operations of $4.0 million† (2009: Cash deficiency $3.6 million†)

Capital expenditure of $6.1 million (2009: $13.6 million)

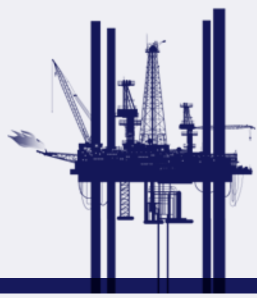
Sold Nigerian assets for net proceeds of $4.3 million

Equity issue in December 2010 raising $9.5 million (2009: $15.2 million)

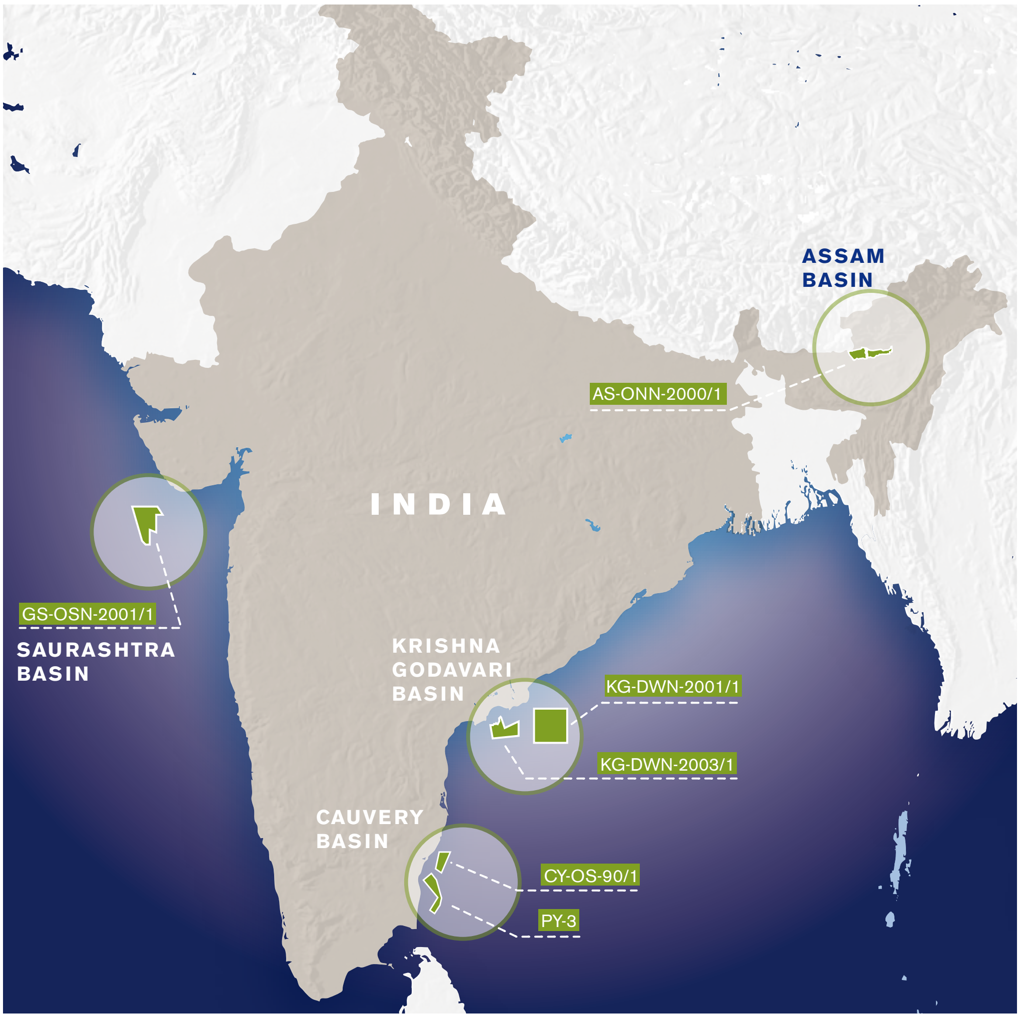
Cash and short-term investments at 31 December 2010 of $36.5 million (2009: $30.5 million) and no long-term debt

† Before changes in non-cash working capital, tax paid, interest and investment income and finance costs.
* All financial amounts in US dollars unless otherwise stated.

"BP's announced acquisition from Reliance of an interest in the Krishna Godavari Basin is a welcome development. BP brings considerable additional skills and resources to the joint ventures and we believe that their participation is an endorsement of the quality of our exploration assets."
Paul Mortimer, Chairman



An India story: the combination of prospective underexplored basins located within close proximity to a growing consumer market, presents an attractive upstream investment opportunity.



India's sedimentary basins are underexplored and significant accumulations of hydrocarbons remain to be found.

Krishna Godavari Basin

Located on the east coast of India, the KG basin is regarded as the most prolific gas basin in India. It is a proven oil and gas province with the world class D6 gas development and a number of significant producing oil fields (Ravva, MA). The Company has an interest in two blocks (D3 and D9) within the KG Basin. To date the Company has drilled six wells in the basin resulting in four consecutive natural gas discoveries on the D3 block.

Cauvery Basin

The Cauvery Basin is located in the south east of India. The basin is a proven oil and gas province. Hardy has interests in two licences (PY-3 and CY-OS/2) within this basin. PY-3 field has been producing since 1997 producing over 24 mmbbl to date. The Company believes that it can recover a further 21 mmbbls which will require the drilling of up to five additional wells.

Gujarat-Saurashtra Basin

Located in the relatively shallow waters off the west coast of India the Gujarat-Saurashtra Basin has many significant producing oil and gas fields. The Company's licence is held via the Dhirubhai 31 gas discovery. A declaration of Commerciality proposal has been submitted to the GOI for their review and adoption.

Assam Basin

Located in the north east of India the Assam Arakan basin is a proven oil province with many producing oil and gas fields. The Company's licence is located in the underexplored south western portion of the basin. It is located north of the Brahmaputra river.

India's political, legal, and upstream regulatory policies combined with globally competitive fiscal terms provides a positive foreign investment environment.

Transparent political environment

With a population of over 1 billion, India represents the world's largest democracy. This political framework provides a good level of transparency and provides a robust platform for political discussion.

Stable legal framework

The India legal system is based on common law providing a good platform to protect contractual rights and enforcement of obligations.

Domestic upstream technical expertise

As a result of the success of ONGC (majority owned by GOI), there is a strong community of upstream technical, operating and commercial professionals based in India.

Attractive fiscal platform

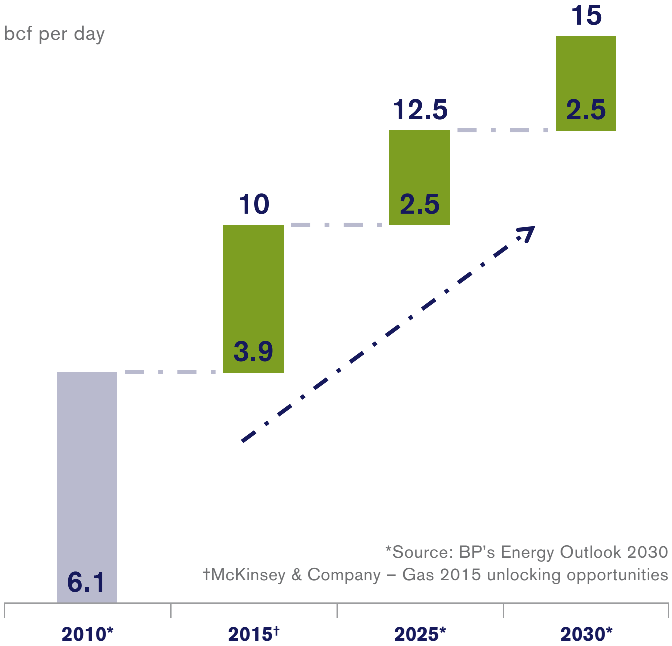
Production sharing contracts provide for fiscal stability; full cost recovery of investment; seven year tax holiday on mineral oil; and free market pricing provisions in PSC's.

India's economy is expected to continue its impressive growth and, as a result, the country's energy consumption, along with its infrastructure, will materially increase, far exceeding current domestic supply.

BP's Energy Outlook 2030 report states that energy consumption in India has grown by 190 per cent over the past 20 years and is likely to grow by 115 per cent over the next 20 years, a rate of over 4 per cent per annum. Gas is expected to be the fastest growing fossil fuel, with demand growing at a rate of nearly 5 per cent per annum between 2010 and 2030. India's gas consumption was 5.0 bcfd in 2009 and is estimated to have been 6.1 bcfd in 2010 (comprising 4.9 bcfd production plus 1.2 bcfd LNG imports). Total Indian gas consumption is projected to grow to 12.5 bcfd by 2025, and exceed 15 bcfd by 2030.

India's natural gas carrying capacity is expected to increase four-fold by 2015 to 490 mmscmd (length 24,000 km). Natural gas prices in India have progressively increased over the past ten years by over 250 per cent.

Natural gas demand growth is projected to average five per cent per annum



"Hardy is well positioned to participate in India's energy consumption growth due to its prospective exploration asset portfolio, an established offshore operating track record, and strong technical, financial and commercial capabilities critical to upstream exploration and production."

Our strategy has produced six gas discoveries from eleven explorational wells.

2005

June 2005

Listing on AIM

As an established exploration and production Company, Hardy successfully raised £15 million through an initial public offering. The AIM listing provided an excellent financing platform for successive placings to fund ongoing upstream exploration activity.

2007

January 2007

CY-OS/2 Fan-A natural gas discovery

The discovery, named Ganesha, was drilled to a depth of 4,089 m, encountering sandstone reservoir in the Campanian. The well flow tested at a peak rate of 10.7 mmscfd and gross contingent resources are estimated at 130 bcf.

March 2007

GS-01 B1 natural gas discovery

The discovery, named Dhirubhai 33, was drilled to a depth of 2,282 m and encountered fractured dolomitic reservoir in the middle and lower Miocene. The well flow tested at a rate of 18.6 mmscfd and condensate of 415 bcpd. Gross contingent resources are estimated at 83 bcf.

2008

February 2008

KGV-D3-A1 natural gas discovery

The discovery, named Dhirubhai 39, was drilled to a depth of 3,800 m encountering 84 m of gross pay in the Pleistocene. The well flow tested at a rate of 38 mmscfd and contingent resources are estimated at 210 bcf.

February 2008

LSE Main Market listing

The Company graduated to the main market of the LSE to provide a more extensive financing platform.

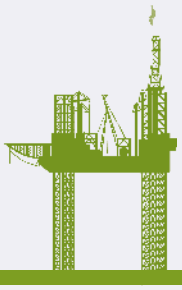
April 2008

KGV-D3-B1 natural gas discovery

The discovery, named Dhirubhai 41, was drilled to a depth of 2,730 m encountering 111 m gross pay in the Pleistocene and Pliocene. The well was tested via MDT and contingent resources are estimated at 213 bcf.

“The declaration of commerciality submission made in 2010 is the next step in reaching our ultimate objective of realising the monetisation of our exploration assets.”

2009



October 2009

KG-D9-A1 plugged and abandoned

The first well on the D9 block was drilled to a total depth of 4,861 m targeting upper and lower Miocene targets. The well encountered poor quality reservoir sands and was plugged and abandoned.

December 2009

KGV-D3-R1 natural gas discovery

D3-R1 natural gas discovery. The discovery, named Dhirubhai 44, was drilled to a depth of 4,113 m encountering 43 m of gross pay in the Miocene. The well was tested via MDT and gross contingent resources are estimated at 98 bcf.

2010

May 2010

Declaration of commerciality proposal for Dhirubhai 33

The GS-01 joint venture submitted a declaration of commerciality proposal for the B1 natural gas discovery. The initial development plan envisions the drilling of two further wells, the installation of an unmanned platform and approximately 100 km pipeline north to landing point.

August 2010

D3-W1 natural gas discovery

The discovery, named Dhirubhai 52, was drilled to a depth of 3,500 m encountering 37.5 m of gross pay in the Pliocene. The well was tested via MDT and gross contingent resources are estimated at 162 bcf.

October 2010

Nigerian disposal

The Company realised $4.3 million in net proceeds from the sale of its Nigerian assets. The sale freed-up limited technical resources and contributed to the Company’s working capital. As a result, the Company is now solely focused on its India operations.

2011

February 2011

Declaration of commerciality proposal for Dhirubhai 39, 41, 52

The D3 joint venture submitted a declaration of commerciality proposal for the A1, B1 and W1 natural gas discoveries. The development plan envisions a hub and spoke concept which provides sufficient flexibility to accommodate further discoveries in the block. The exploration programme on this block remains in the early stages with several play types remaining untested.

We believe that the Company has a sustainable platform to continue to participate in the India growth story.

"India's economy is expected to continue its impressive growth and, as a result, the country's energy consumption will materially increase far exceeding current domestic supply."
Paul Mortimer, Chairman

Corporate overview
During 2010, the Company accomplished a number of key objectives and realised a significant improvement in financial performance. The divestment of our Nigerian operations has resulted in freeing up of capital and management resources to focus on exploiting the full potential of our portfolio in India. Hardy's exploration programme on the Company's two blocks in the Krishna Godavari Basin progressed with the drilling of two further exploration wells. As a result of this activity, we were delighted to announce the fourth consecutive gas discovery in D3. We have subsequently submitted a declaration of commerciality proposal, for the Dhuribhai 39, 41 and 52 discoveries on this block, to the GOI for review. The second exploration well drilled in 2011 was on our D9 asset (KG-D9-B3) which recorded gas shows while drilling through good quality sands which, on testing, proved to be water bearing and the well was plugged and abandoned.

Despite fluctuating market conditions in 2010, the Company was pleased to raise $9.5 million in a successful equity placing at the end of 2010. The funds raised provide the Company with a strong working capital position with which to fund its planned work activity and provides some flexibility to explore other business development opportunities. We are delighted with the continued support of our core shareholder base.

Key financial results
Revenue was up from $7.7 million in 2009 to $13.2 million in 2010 due to higher production levels (there was an unplanned extended shut-in of the PY-3 field in 2009) and a higher average realised oil price. Administrative expenses were down significantly compared to 2009, resulting in an operating profit from continuing operations of $1.9 million in 2010 compared with an operating loss of $7.5 million in 2009.

The Company started 2010 with cash reserves of $30.5 million. Net cash generated from continuing operating activities (before changes in non cash working capital, tax paid, interest and investment income and finance costs) was $4.0 million. Cash used for investing activities amounted to $6.1 million in 2010 for the drilling of exploration wells on D3 and D9. An equity issue in December 2010 resulted in net cash infusion of $9.5 million augmenting our working capital. As a result, the Company's cash reserves at the end of 2010 were $36.5 million. The Company remains in a strong financial position and has no long-term debt.

Strategy
Hardy has a clear objective to create significant shareholder value through an India focused upstream exploration and development strategy. We believe that the India sedimentary basins are underexplored and, as our results in the Krishna Godavari Basin have shown, significant accumulations of hydrocarbons remain to be found. India's economy is expected to continue its impressive growth and, as a result, the country's energy consumption, along with its infrastructure, will materially increase, far exceeding current domestic supply. Our perception has been reinforced recently by the entry of BP into this exploration province.

India's natural gas carrying capacity is expected to increase fourfold by 2015 to 490 mmscmd (length 24,000 km). Natural gas prices in India have progressively increased over the past ten years by over 250 per cent. With demand growth projected to continue, we anticipate price inflation to continue at pace. The combination of prospective underexplored basin's located within close proximity to a growing consumer market, presents an attractive upstream investment opportunity.

In the recently announced transaction between Reliance Industries Limited (Reliance) and BP, (which represents one of the biggest single foreign direct investments in India) BP stated that the transaction met with their strategy to increase exposure to growing energy markets. BP's Energy Outlook 2030 report states that energy consumption in India has grown by 190 per cent over the past 20 years and is likely to grow by 115 per cent over the next 20 years, a rate of over 4 per cent per annum. Gas is expected to be the fastest growing fossil fuel, with demand growing at a rate of nearly 5 per cent per annum between 2010 and 2030. India's gas consumption was 5.0 bcfd in 2009 and is estimated to be 6.1 bcfd in 2010 (comprising 4.9 bcfd production plus 1.2 bcfd LNG imports). Total Indian gas consumption is projected to grow to 12.5 bcfd by 2025, and exceed 15 bcfd by 2030.

Hardy is well positioned to participate in this growth due to its prospective exploration asset portfolio, an established offshore operating track record, and strong technical, financial and commercial capabilities critical to upstream exploration and production. We believe that the Company has a sustainable platform to continue to participate in the India growth story. We also recognise that the addition of short to medium term production would enhance our prospects and management is considering various options to achieve this.

Over the past four years, our strategy has produced six gas discoveries from eleven exploration wells. The declaration of commerciality submissions made in 2010 are the next step in reaching our ultimate objective of realising the monetisation of our exploration efforts. Today we view the D3 exploration block with considerable optimism and continue to believe that our existing exploration portfolio offers significant organic growth potential for the Company. The arrival of BP as a partner in several blocks can only enhance the prospect of early development of our discoveries.

Governance

In 2010 Mr Yogeshwar Sharma succeeded Mr Sastry Karra as Chief Executive Officer of Hardy. Mr Karra remained as a Non-Executive Director until November 2010. Messrs Sharma and Karra co-founded Hardy and the Board wishes to thank Sastry for his immense contribution and sound leadership to Hardy over the past thirteen years and we wish him well in his future endeavours.

Following an appraisal of the Board and its members in 2009, the Board considers that its current structure, competencies and remuneration policies are appropriate for a publicly listed, early stage, oil and gas exploration company. In addition to a formal annual evaluation, the Board continually reviews the appropriateness of the Board's composition, structure and internal processes as the Company evolves.

Risk management

In 2010, the Board adopted a formal risk and uncertainties review process, involving the generation, identification of key risks and the formulation of mitigation strategies by the Company's senior management team. Through the review process the following principal risks for 2011 were identified:

- Exploration risk – The Company's current strategy involves offshore exploration and production activities. Exploration is intrinsically very uncertain and whilst substantial improvements in predictive/interpretation technology have reduced this uncertainty, it cannot be eliminated.
- Offshore drilling – the Company is directly and indirectly involved in drilling offshore wells. In the event of a loss of control of a well could have a material negative impact on the Company.
- High-cost environment – The effect of a high cost environment is the compounded financial impact of operational delays during drilling and other operations.
- Production – The Company's sole source of revenue is from a single producing oil well in the PY-3 field. An unexpected shut-in would have a material impact on the Company's ability to generate cash flow in the short to medium term.
- CY-OS/2 arbitration – In 2010 the Company and the GOI referred the dispute regarding our claim of entitlement to a licence extension for arbitration. Should the arbitration ruling not be in Hardy's favour the block would stand relinquished and impairment testing will be required.

Year end audit

The auditors have provided an emphasis of matter comment in their audit report with reference to the uncertainty concerning the Group's request for an extension of its exploration licence in block CY-OS/2 as disclosed in notes 2 and 15 to the consolidated financial statements.

Going concern

Having regard to the Company's existing working capital position and its ability to raise potential financing, 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.

Outlook

In 2011 we aim to continue to create significant shareholder value by focusing on high impact exploration in India. We are particularly looking forward to the continued exploration of our D3 block which, with four consecutive gas discoveries, is in the early stage of exploration with significant upside potential. We expect to drill at least two further exploration wells in the Krishna Godavari Basin by the end of 2011.

BP's announced acquisition from Reliance of an interest in the Krishna Godavari Basin is a welcome development. At the time of the announcement, BP noted that the transaction will allow them to access the most prolific gas basin in India (Krishna Godavari) and secure a place in the fast growing Indian gas markets. We believe that their participation is also an endorsement of the quality of our exploration assets and we share their outlook of India's substantial natural gas demand growth potential. We join our partner Reliance in welcoming BP's participation in our exploration blocks in the Krishna Godavari Basin.

Our existing exploration portfolio in the Krishna Godavari Basin remains the core to our organic growth. The Krishna Godavari Basin is an emerging world-class petroleum province and, together with rapidly improving Indian gas pipeline infrastructure and high demand for gas, the prospects for the economic development of gas resources in this area are excellent. The Company is well positioned to see itself through its key exploration activities in 2011.

Paul Mortimer
Chairman
15 March 2011

India is an excellent investment opportunity for upstream oil and gas activity.

"Although we have four discoveries on D3, we remain in the relatively early stages of exploration as there are many untested play types and an expanding prospect inventory."
Yogeshwar Sharma, Chief Executive Officer

Overall our efforts in 2010 resulted in a number of positive developments including a significant turnaround in the Company's financial results, the disposal of our Nigerian assets, and the drilling of two deepwater exploration wells resulting in a natural gas discovery. In 2011, we will continue to build on this positive momentum with further exploration drilling in the Krishna Godavari Basin and secure partner approval to set in place PY-3 development drilling in 2012.

Execution of Strategy

As a result of the disposal of our Nigerian assets in October 2010, the Company is now fully committed to its India focused strategy with a mandate of creating significant long-term shareholder value through the exploration and appraisal of our existing exploration portfolio. With India's robust economic growth and attractive upstream fiscal and regulatory regime, the Company continues to view India as an excellent investment opportunity for upstream oil and gas activity.

The highlight of 2010 was the fourth consecutive natural gas discovery on the Company's D3 asset in the Krishna Godavari Basin. Substantial independent evaluation and interpretation activities on D3 were undertaken by the Company in 2010. This independent work and continued drilling success have heightened our enthusiasm for the substantial prospectivity of the D3 exploration licence. Although we have four discoveries to date, we remain in the relatively early stages of exploration as there are many untested play types and an expanding prospect inventory.

The submission of declaration of commerciality on two blocks (D3 & GS-01) is further endorsement of our India focused strategy of de-risking our exploration assets and minimise the time cycle from discovery to development.

Maintaining and enhancing the Company's technical and commercial competencies is an integral component for the successful execution of our strategy. In this regard, we were pleased to announce the appointment of William Satterfield as Technical Director of HEPI. Mr Satterfield has extensive international upstream exploration, production and business development operating experience and has made a positive impact on our organisation. We will continue to look to enhance our organisation's core technical, financial and commercial competencies to maintain the Company's platform to capture the growth and value creating opportunities unique to India's upstream sector.

Resource potential: the Company has provided an updated CPR, undertaken by GCA, effective 31 December 2010. Set out below is a summary of the highlights of the report:

Reserves

Total net proven plus probable (2P) oil reserves amount to 2.1 mmbbl (2009: 2.5 mmbbl).

Resources

Contingent

Total net contingent gas resources amount to 174 bcf (2009: 158 bcf). Total net contingent oil resources amount to 0.2 mmbbl (2009: nil).

Prospective (Gas)*

Total net risked best estimate gas prospective resources for D3 increased to 396 bcf (2009: 387 bcf). The total net risked best estimate gas prospective resources for D9 decreased to 466 bcf (2009: 520 bcf).

Prospective (Oil)**

Total net risked best estimate oil prospective resources for D9 was unchanged at 18 mmbbl.

* The 2009 comparable estimates do not include volumes associated with Hardy Oil (Africa) limited which was sold during 2010.

** Aggregated risked prospective resources have been derived by Hardy and are not aggregated or provided as risked volumes by GCA.

Exploration Highlights

The highlight of our 2010 exploration programme was the drilling of two deep water wells on the Company's Krishna Godavari Basin blocks. As a result, the Company announced the fourth consecutive natural gas discovery (Dhirubhai 52) on the Company's D3 exploration block in the Krishna Godavari Basin. In February 2011, the Company submitted a proposal for the declaration of commerciality of the Dhirubhai 39, 41 and 52 natural gas discoveries on the D3 exploration block.

The second exploration well on the D9 exploration block recorded high percentage of gas while drilling through reservoir quality sands, however MDT testing recorded high saturation of water and as a result the well was plugged and abandoned. The well has proven the presence of a petroleum system on the North-Central portion of the block. The cost of this well, following MDT testing, was below budget due to efficient drilling.

In July 2010, the Cabinet Committee on Economic Affairs of the Government of India approved the grant of a drilling moratorium of three years up to 31 December 2010. As a result, the exploration phase I for the D3 licence is extended into 2013 and the D9 licence can be extended by up to 12 months. The D9 joint venture has subsequently applied for a six month extension in order to complete the minimum work commitment of two further exploration wells.

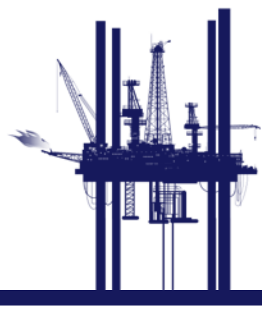
A summary of the report, providing a block by block breakdown, is provided on pages 72 and 73 and the complete report can be downloaded from Hardy's website www.hardyoil.com.

Development and Production

During 2010, the Company operated PY-3 field produced 1.15 mmbbl of oil compared with 0.56 mmbbl for 2009. The increase in production is principally attributable to the uninterrupted production from the field and better than expected performance of the field water flood.

The PY-3 field re-commenced production in January 2010 (following an unplanned six month shut-in) at an initial gross rate of 3,336 bbld and the field averaged 3,156 bbld (net: 568 bbld) through the year. For 2011, the PY-3 field is forecast to produce at an average daily rate of 3,100 bbld (net: 558 bbld).

The PY-3 production facilities are currently contracted through April 2011 and we are working closely with our partners and contractors to establish a longer-term arrangement for the offshore production facilities. This approval is expected in conjunction with the budget approval to drill two additional production wells in 2012.



BP's participation is an endorsement of the quality of our exploration assets in India.

Financial Highlights
As a result of sustained production from PY-3, the Company sold 192 mbbl of oil at an average price of $81.71 per bbl resulting in operating revenue of $12.9 million. As a result, Hardy enjoyed an increase in net cash generated from continuing operations from a deficiency of $3.6 million in 2009 to a surplus of $4.0 million, a turn-around of $7.6 million.

Key Partnerships
In 2010, Hardy increased its proactive involvement with respect to our non-operated assets, working closely with our strategic partners in India, contributing independent assessments in conjunction with collaborative dialogue. The Company interacts on a regular basis with its partners at multiple levels, to ensure that our goals and objectives are addressed and to facilitate planning of upcoming work programme schedules. Maintaining open and substantive relationships with existing partners and other key stakeholders in the upstream oil and gas sector in India are critical to the execution of the Company's strategy.

In early 2011, it was announced that BP will become a joint venture partner with Hardy and Reliance in both of our Krishna Godavari Basin blocks and the Assam block. At the time of the announcement, Reliance described BP as one of the finest deep water exploration companies in the world. They bring considerable additional skills and resources, backed by a quality research and development group, to our partnership. The combined skills of our companies will be focused on finding and developing more hydrocarbons in the deep water blocks of India and significantly contributing to India's energy security. We welcome BP and look forward to working with them and Reliance on our joint venture projects in the future.

2011 Programme
In 2011 we expect to drill at least two wells, one on each of our Krishna Godavari Basin blocks. As mentioned earlier, the fourth successive discovery on our D3 block has enhanced expectations of this promising block. Further seismic processing is required over the toe-thrust area (north east) prior to drilling in this area. The processing is expected to be ongoing through the first half of 2011.

As a result of the four consecutive discoveries that have been made on D3, this block now singularly stands out as the premier asset of Hardy. We have identified 26 prospects or leads with an average size of 233 bcf. We remain in the early stages of exploration on this block and with six different play types present; we view this asset with great optimism.

We firmly believe in the prospectivity of the D9 Block and although the KG-D9-B3 well was plugged and abandoned, we are encouraged that the well encountered reservoir quality sand and provided evidence of a working petroleum system. Hardy looks forward to recommencing drilling operations on this block during the second quarter of 2011.

We currently have submitted declaration of commerciality proposals on two blocks – D3 and GS-01. These are under review with the GOI and we expect to work closely with the operator to advance these projects in 2011.

For the Company's two operated assets, we are focused on securing budget approval for the development drilling programme proposed for the PY-3 field. Budget approval will need to be secured by mid 2011 to meet our objective of commencing drilling in 2012, and upgrade the production facilities to include artificial lift to extend the field life. The CY-OS/2 arbitration process is ongoing and further activity on this block is deferred until the arbitration tribunal has made its ruling.

Overall we are enthusiastic about 2011, as we continue our efforts to de-risk our exploration portfolio in the Krishna Godavari Basin in India through further exploration drilling. We are committed to continue with our disciplined capital allocation strategy by focusing on activities that have the potential to deliver a significant increase in shareholder value.

Beyond the Company's existing portfolio, the Company will continue to evaluate and assess potential acquisitions in India that offer short to medium term production additions and complement our existing assets and organisational competencies.

Staff

The Company made good progress in 2010 and we have generated some positive momentum leading into 2011. This can, for a large part, be attributed to our staff in India and the United Kingdom. The Group has demonstrated a tremendous level of dedication and commitment, having continued to work professionally and efficiently to meet our objectives in a challenging environment. In 2010 we were successful in recruiting some key individuals into our senior management team and we will endeavour to compliment them with additional mid-level technical and commercial expertise through 2011. This year, our India team will be relied upon to drive the core of our business and we will look to continue to retain and enhance our technical, operational and management expertise in this region. I would like to take this opportunity to acknowledge their important contributions in the past year.

Yogeshwar Sharma.

Yogeshwar Sharma
Chief Executive Officer
15 March 2011

"This year, our India team will be relied upon to drive the core of our business and we will look to continue to retain and enhance our technical, operational and management expertise in this region."

2010 highlighted the continued success of Hardy's exploration programme on the D3 block.

"We view the D3 exploration block with considerable optimism and believe that our existing portfolio offers significant organic growth potential."

Hardy's operations in 2010 are highlighted with the continued success of its exploration programme, on the D3 block in the Krishna Godavari Basin, and, in the Company's role as operator, the extensive efforts taken to advance planning, and obtain approvals, for the next phase of development on the oil producing asset PY-3.

2010 Performance

Production from the PY-3 field in 2011 exceeded expectations after the resumption of production on 24 January 2010. Gross production averaged 3,156 barrels per day (bbld) during 2010, compared with the Company's forecast of 3,000 bbld. The Company had targeted securing the necessary technical and budgetary approvals from partners in early 2010 in order to coordinate the drilling of two further producing wells (Phase III) in the PY-3 field at the beginning of 2011. Throughout 2010 the Company worked closely with all stakeholders to advance the process. Due to minimum time required for planning, preceding budgetary approval, and limited marine weather window, drilling is now planned to commence in the early part of 2012.

At the beginning of 2010 the Company had planned the drilling of up to four exploration wells in the Krishna Godavari Basin. In July 2010, the Government of India granted a three year drilling moratorium on all deepwater blocks including D3 and D9 to the end of 2010 allowing additional time for the joint venture to complete its minimum work programme. The Company subsequently participated in the drilling of two exploration wells and was delighted to announce the fourth consecutive natural gas discovery (Dhirubhai 52) on the Company's D3 exploration block in the Krishna Godavari Basin. The well encountered a gross gas pay zone of 37.5 m in Pliocene aged sands. The second exploration well on the D9 exploration block recorded gas shows while drilling and proved the existence of reservoir quality sands and a biogenic gas petroleum system in this frontier, deep water block, but MDT testing indicated high water saturation. The cost of this well, which was plugged and abandoned following MDT testing, was well below budget.

Appraisal of the earlier discoveries on the D3 (Dhirubhai 39 and 41) and GS-01 (Dhirubhai 33) exploration blocks was planned for 2010. Hardy was pleased to confirm the submission of declaration of commerciality proposals, for the two blocks, to the GOI.

Through 2010 the Company continued to participate in a formal dispute resolution process to extend the expiry date of the CY-OS/2 licence. The process is expected to continue through 2011.

In the last quarter of 2010, the Company completed the sale of its Nigerian assets realising net proceeds of $4.3 million. The transaction is consistent with Hardy's stated objective to concentrate on evaluating the Company's exploration interests and optimising its producing asset in India.

The table on page 13 provides a brief comparison of our stated operational objectives for 2010 and our subsequent accomplishments through the year.

2011 has commenced with a flurry of activity, and the Company is looking forward to the positive contribution BP, our new partner, will have on the exploration programmes on our assets in the Krishna Godavari Basin.

Outlook for 2011

PY-3 – Gross average daily production for January 2011 and February 2011 was 3,520 bbld and 3,512 bbld respectively. We anticipate that the PY-3 field will average gross daily production of approximately 3,100 bbld for 2011.

PY-3 – During 2011, Hardy will seek approval from its partners and the GOI to drill two further producing wells at PY-3 field in 2012, and upgrade the production facilities to include artificial lift to extend the field life.

KG Basin – As announced on 21 February 2011, BP is acquiring an interest in 23 blocks from Reliance in India. Following final approvals, BP will hold 30 per cent interest in the blocks which include Hardy's D3 and D9 blocks in the offshore Krishna Godavari Basin and AS-ONN-2000/1 in the Assam onshore basin.

D3 – The most recent W1 natural gas discovery on D3 brings the total number to four. The block has a large portfolio of undrilled prospects in various stages of maturation. Four of the six commitment wells have now been drilled on the D3 exploration block. Several material undrilled prospects exist on this block and the timing of drilling the two remaining commitment wells is pending the 3D seismic PSDM processing in the 'Panhandle' area and regional integration and prioritisation of prospects.

D3 – An application for commerciality of three of the discoveries was submitted to DGH during the first quarter of 2011, while an appraisal programme was submitted for the fourth discovery. The Krishna Godavari Basin is an emerging world-class petroleum province and, together with rapidly improving Indian gas pipeline infrastructure and high demand for gas, the prospects for the economic development of gas resources in this area are excellent.

D9 – Following the KG-D9-B3 exploration well result on D9 announced earlier this year, which was subsequently plugged and abandoned, Hardy is working with the operator to update plans for this extensive block. The joint venture has submitted a request for a six month extension to July 2011 for phase I and is likely to drill the third of a four-well commitment within this time period.

GS-01 – Hardy expects to receive approval of commerciality in respect of the application made for the West Coast offshore, GS-01 Dhirubhai 33 natural gas discovery, in the near future.

Competent Person's Report Update

The Company is commissioning the updating of a competent person's report (CPR) on an annual basis in conjunction with the year-end financial reporting process.

The 2011 Competent Persons Report has been undertaken by GCA. The report highlights the significant prospective resource potential of the Company's Krishna Godavari Basin assets.

Set out below is a summary of the key highlights of the reports.

		2010	2009	Variance
		2P	2P	
Reserves (net entitlement)	mmbbls	**2.1**	2.5	(0.4)
		2C	2C	
Contingent Resources (net)	bcf	**174**	158	16
	mmbbls	**0.2**	–	0.2
		Best	Best	
Risked Prospective Resources (net)*	bcf	**964**	1,005	(41)
	mmbbls	**18**	18	–

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

A summary of the report is provided on pages 72 and 73 and the complete report can be downloaded from Hardy's website www.hardyoil.com.

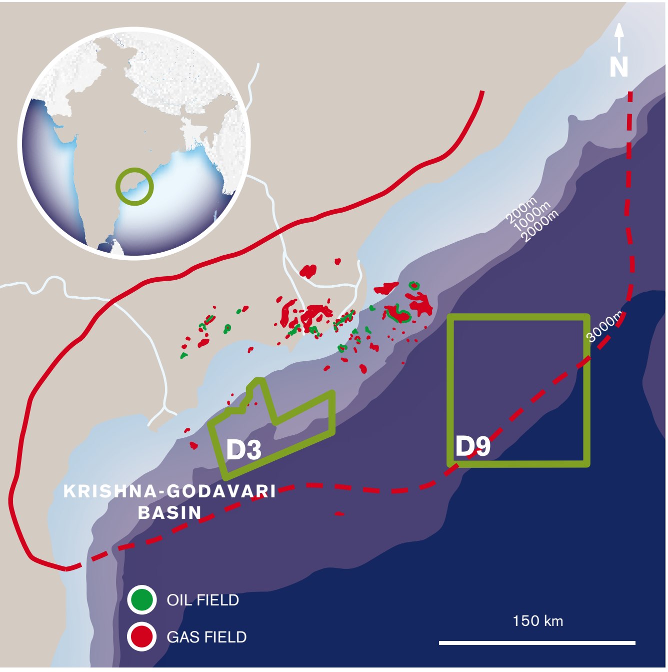
Asset Review

The Company's operations in India are conducted through its wholly-owned subsidiary Hardy Exploration & Production (India) Inc. (HEPI).

2010 Objectives

Block	Projection	Execution
D3	Drill three further exploration wells	Drilled KGV-D3-W1, resulting in the fourth consecutive natural gas discovery (Dhirubhai 52); moratorium granted extending phase 1
D3	Continue appraisal of Dhirubhai 39 and 41 gas discoveries	Submitted a DOC proposal to the GOI in February 2011
D9	Drill one exploration well	Drilled KG-D9-B3, which encountered reservoir and gas shows while drilling, was subsequently plugged and abandoned
GS-01	Take decision on commerciality	Submitted DOC for Dhirubhai 33 in May 2010
Assam	Interpretation of 2D data	Elected to enter into phase II for a two year period
PY-3	Gross daily production to average 3,000 bbld	Gross daily production average 3,156 bbld
PY-3	Planning for 2011 drilling programme	Joint venture budget approval continued. Drilling programme deferred to 2012
CY-OS/2	Ongoing dispute resolution	Arbitration proceedings have been initiated and are continuing
Oza	No activity planned	Disposed of asset
Atala	No activity planned	Disposed of asset
CPR	Publish updated report in Q1 2010	Published updated CPR in March 2010

Krishna Godavari Basin
Eastern India



Block KG-DWN-2003/1 (D3): Exploration (Hardy 10 per cent interest)

2010 Operations
The Company's D3 block provided the highlight of Hardy's exploration programme with the drilling and testing of the fourth successive discovery of gas on the Company's D3 block (Dhirubhai 52). The primary results of operations undertaken on this block in 2010 are listed below:

KGV-D3-W1
On 31 August 2010, the Company announced a fourth discovery on the D3 block (Dhirubhai 52). The well KGV-D3-W1, was drilled in a water depth of 1,653 m to a total measured depth of 3,501 m. A gross gas pay zone of 37.5 m was encountered in Pliocene aged sands. The potential of the pay was evaluated by wire-line based modular pressure testing tool and collection of gas samples. Following post drill data analyses and integration with regional data, the KGV-D3-W1 gas accumulation was included with the Dhirubhai 39 and 41 gas discoveries as part of the Declaration of Commerciality (DOC) submission.

Additional interpretation and processing of the block wide 3D seismic surveys was continued on previously acquired data, including PSTM and AVO/inversion studies.

"We are looking forward to the positive contribution BP will have on the exploration programmes on our assets in the KG Basin."

2011 Outlook
Exploration
The joint venture is planning for the drilling of at least one additional exploration well by the fourth quarter of 2011 following PSDM processing of the 'Panhandle' area 3D seismic and integration with the area geologic model. Current exploration analyses involve the multi-play evaluation and prospect ranking/risking in the prospect rich block. The drilling of the remaining two exploration wells will meet the block's phase one minimum work programme commitments.

DOC of Dhirubhai 39 and 41: In February 2011, the D3 joint venture Operating Committee reviewed and approved for Governmental submittal, a Commerciality Report of the Dhirubhai 39 and 41 gas discoveries in conjunction with the recently drilled Dhirubhai 52 discovery. The proposed development is a dry gas, subsea cluster development with the flexibility to add in additional zones and future area discoveries. It is anticipated that MC approval of the document will occur in 2011 following government review. This will in turn lead to preparation of a detailed field development plan for the discoveries.

Appraisal of Dhirubhai 44: In February 2011, the D3 joint venture Operating Committee reviewed and approved an appraisal programme for the evaluation of the Dhirubhai 44 gas discovery (KGV-D3-R1). The appraisal programme provides for the undertaking of various geological, geophysical and development concept studies.

Background
The D3 block, situated in the emerging world class Krishna Godavari Basin in India, encompasses an area of 3,288 km^2, is in water depths ranging from 400 m to 2,200 m, and is located approximately 45 km offshore. The block is operated by Reliance with BP as a new 30 per cent partner.

The minimum work programme for phase one of the licence requires the drilling of six exploration wells. To date, four exploration wells have been drilled and one well has been pre-drilled. The block encompasses several different play types ranging from shallow Pleistocene, stratigraphically trapped biogenic gas sands, to toe-thrust related Miocene structural traps with mixed biogenic and thermogenic sourcing.

Block KG-DWN-2001/1 (D9): Exploration (Hardy 10 per cent interest)

2010 Operations

2010 saw the continuation of the drilling and geotechnical evaluation of the block's exploration programme. There are three play types postulated to be present in the block: structural (anticlines – northern, central and southern); strati-structural; and stratigraphic. The D9 joint venture has initially focused exploration efforts in the north west corner of the block covering an area of approximately 3,640 km^2.

KG-D9-B3

On 5 January 2011, the Company announced the plugging and abandonment with gas shows of the second exploration well on the D9 block. The well KG-D9-B3, was drilled in a water depth of 2,948 m to a total measured depth of 3,829 m. The nearest well control is 47 km distant. The well encountered two Tertiary aged reservoir quality sand packages of gross thickness 70 and 40 m each, with gas shows ranging from 6 per cent to 9 per cent recorded while drilling. Testing was carried out with the MDT tool which indicated high water saturation in the sand packages.

2011 Outlook

Exploration

Although the KG-D9-B3 well results were disappointing, the presence of thick reservoir quality sands and the presence of a petroleum system are encouraging for further exploration efforts. The cost of this well, which was plugged and abandoned following MDT testing, was well below budget.

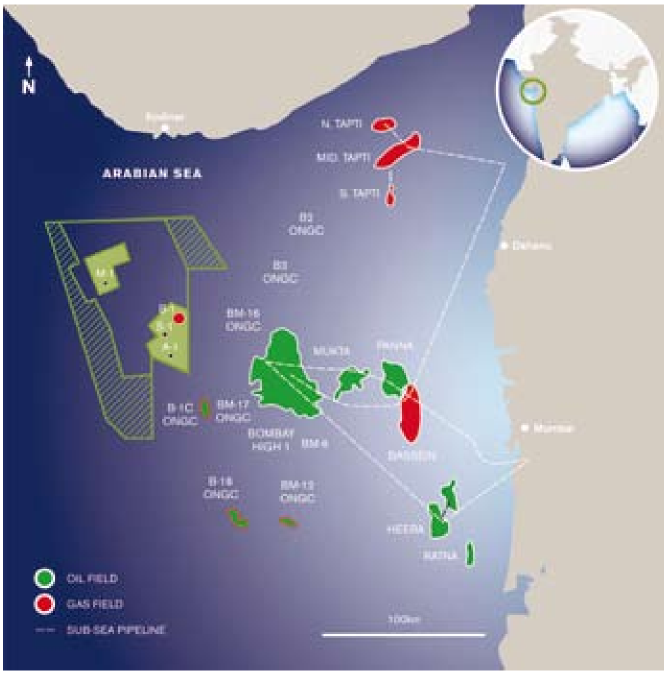
The joint venture is planning for the drilling of at least one additional exploration well during the second quarter of 2011 following geologic and geophysical analysis of the KG-D9-B3 well and integration with the area geologic model. The drilling of the remaining two exploration wells will meet the block's phase one minimum work programme commitments.

Background

The licence encompasses 11,605 km^2 in the Bay of Bengal where water depths vary from 2,300 m to 3,100 m. The block is operated by Reliance with BP as the new 30 per cent partner.

The joint venture has acquired over 4,188 km^2 of 3D seismic data. Regarding the status of the D9 block, the operator has been granted a drilling moratorium for three years from January 2008 to December 2010 on the basis that the Operator has not been able to complete the minimum work obligations of exploratory drilling in view of non-availability of suitable deep water rigs in the international market. The joint venture has applied for a six month extension to July 2011 in order to continue its minimum work programme.

Gujarat-Saurashtra Basin Western India



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

2010 Operations

The GS-01 joint venture concluded various geological and geophysical studies in relation to the appraisal of the GS01-B1 gas and condensate discovery (Dhirubhai 33), culminating in the submittal of a proposal for declaration of commerciality.

2011 Outlook

Hardy expects to receive approval of commerciality in respect of the application made for the GS-01 Dhirubhai 33 natural gas discovery in the near future.

Background

The GS-01 exploration licence is located in the Gujarat-Saurashtra offshore basin off the west coast of India, north west of the prolific Bombay High oil field. The original licence encompassed 8,841 km^2 (5,890 km^2 post relinquishment) and water depths vary between 80 m and 150 m.

The joint venture has previously acquired 2,216 km2 of 3D seismic data. As announced on 15 May 2007, the Dhirubhai 33 discovery (GS01-B1) flow-tested at a rate of 18.6 mmscfd gas with 415 bbld of condensate through a 56/64" choke at flowing tubing head pressure of 1,346 psi. Upon completion of phase one of the exploration programme the joint venture elected not to proceed to the second phase of exploration.

Assam Arakan Basin
North Eastern India

Block AS-ONN-2000/1 (Assam): Exploration (Hardy 10 per cent interest)

2010 Operations

In 2010 the Company processed and interpreted the newly acquired 390 line km of 2D data. The exploration block's phase one minimum work programme has now been completed. Two material structural prospects have been mapped in the block from the new seismic data and are now under additional G & G evaluation for possible drilling. A request for a six month extension of phase one was submitted to the GOI in the fourth quarter of 2010, which is under consideration.

2011 Outlook

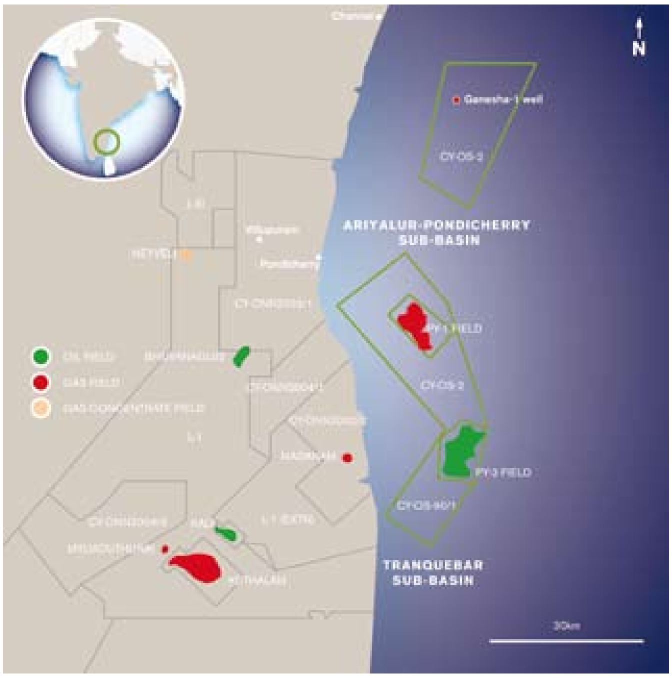
Subject to the extension request, the Assam joint venture will take a decision to enter into phase two of the exploration programme. The phase two work commitment consists of the drilling of one well within a two year period.

Background

The AS-ONN-2000/1 exploration licence is located onshore in the north eastern state of Assam, India and north of the Brahmaputra river. The block is operated by Reliance with BP as the new 30 per cent partner. The exploration licence covers an area of 5,754 km^2 and falls within the districts of Darrang and Sonitpur. The block is in phase one of a three phase exploration licence. Phase one (three years) expired in January 2011 for which an extension request has been made.

The topography of the area is primarily a plain of low relief and there is a reasonably established road network across the block. A national highway runs parallel to the Brahmaputra river and passes through the block. Different play types expected are structural (anticlinal and fault closures), stratigraphic (pinchout/wedgeout) within Palaeocene–Eocene and Gondwana packages and unconventional fractured/weathered basement.

Cauvery Basin
South Eastern India



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

2010 Production

Gross average daily field production for the year ended 31 December 2010 was 3,156 bbld (2009: 1,535 bbld; 2008: 2,542 bbld). The production facilities' uptime performance was 93 per cent (2009: 51 per cent). The increase in production was the result of a return to full production on 24 January 2010 following the extended shut down during 2009 and the positive effect of water injection based reservoir pressure support. The field recommenced production on 24 January 2010.

In 2010, the joint venture extended the contract of the PY-3 field's production facility to 23 April 2011 under same terms and conditions. Negotiation for a long term facility contract with upgraded facilities is ongoing as part of a combined field redevelopment plan which is under evaluation.

Gross average daily production for January 2011 and February 2011 was 3,520 bbld and 3,512 bbld respectively. We anticipate that the PY-3 field will average gross daily production of approximately 3,100 bbld for 2011.

2010 Operations

Hardy has revised its geological and reservoir simulation models to incorporate new data gathered from the PY3-PD4-RL well which was drilled in 2009 and additional 3D seismic processing and interpretation. PSDM (pre-stack depth migration) and seismic facies analysis (Stratamagic) processing of the previously acquired 3D seismic survey was completed and integrated into new reservoir models. The revised models are the basis for the planned drilling and production facility programmes.

2011 Outlook
The Company expects gross daily production of the PY-3 field to average 3,100 bbld in 2011. The PY-3 field joint venture's Technical and Operating Committees have recommended the drilling of two additional wells and facility upgrades including gas compression for gas lift and sales gas. Drilling of these wells is expected to commence in 2012, following the 2011 Monsoon (September – December). Commencement of drilling is subject to securing unanimous budget approval from the joint venture partners.

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 was developed using floating production facilities and subsea wellheads, a first for an offshore field in India. The facility at PY-3 consists of the floating production unit, 'Tahara', and a 65,000 DWT tanker, 'Endeavour', which acts as a floating storage and offloading unit. There are four sub-sea wells tied back to Tahara. Tahara has a three-stage crude oil separation system, with the first two stages being three-phase separators and the third stage a two-phase separator.

Liquid processing capacity on Tahara is 20,000 bbld with 17 mmscfd of gas handling capacity. The field currently produces associated gas in the range of 3.5 mmscfd. This produced gas is used as fuel gas with excess gas being flared. The stabilised crude oil is pumped from Tahara to Endeavour for storage and offloading to shuttle tankers. Crude oil from the PY-3 field is sold to CPCL at its refinery in Nagapattinam, approximately 70 km south of the PY-3 field.

"We anticipate that the PY-3 field will average gross daily production of approximately 3,100 bbld for 2011."

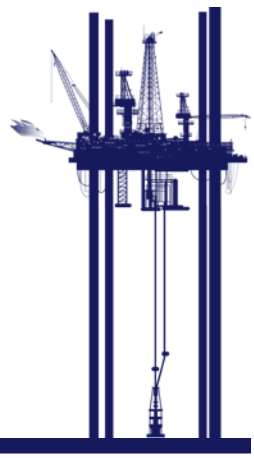
Block CY-OS/2: Exploration (Hardy 75 per cent interest – Operator)

2010 Operations
The formal dispute resolution process to extend the expiry date of this licence is progressing.

2011 Outlook
Following confirmation of the extension period, through the dispute resolution process, Hardy will undertake the activities necessary to fully appraise the Ganesha discovery. It is unlikely that an appraisal well will be drilled in 2011.

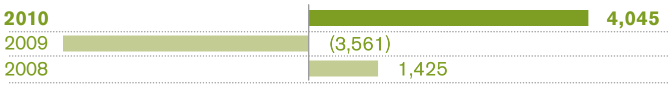
Background
Licence block CY-OS/2 is located in the northern part of the Cauvery Basin immediately offshore from Pondicherry and covers approximately 859 km^2. The CY-OS/2 licence comprises two retained areas. The northern area includes the Fan A-1 discovery and the southern area lies immediately adjacent to the HEPI operated PY-3 field. The PY-1 gas field, a separate ring-fenced licence, lies within the southern part of the acreage and commenced production in the third quarter of 2010.

Ganesha
On 8 January 2007, the Company announced that the Fan A-1 exploration well had discovered hydrocarbons. In August 2007, the Company announced that it would proceed to the appraisal phase of the Ganesha non-associated gas discovery to establish potential commerciality.



The company generated cash from continuing operations* of $4.0 million in 2010.

Cash flow from continuing operation* £'000



During 2010, the Company enjoyed an increase in revenue, resulting from higher production (72 per cent) and higher crude oil prices (54 per cent). This has resulted in an increase in gross profit, the recording of operating profit (compared with a loss for 2009) and a profitable year.

The Company generated cash flow from continuing operations (before non-cash working capital changes) of $4.0 million compared with a deficiency of $3.6 million. In October 2010, the Company sold its wholly owned subsidiary, Hardy Oil (Africa) Limited (including its wholly owned subsidiary Hardy Oil Nigeria Limited) for net cash consideration of $4.3 million. In December 2010, the Company successfully placed 3.37 million Ordinary Shares for net proceeds of $9.5 million. As a result, Hardy completed the year with cash and short-term investments of approximately $36.5 million and no long-term debt.

Key Performance Indicators

	Year ended 31 December	
	2010	2009
Production (barrels of oil per day – net entitlement basis)	**475**	276
Average realised price per barrel $	**81.71**	52.96
Average cost per barrel $	**40.23**	49.16
Revenue (thousands of $)	**13,176**	7,687
Net (loss) profit from continuing operations (thousands of $)	**4,032**	(5,927)
Cash flow from continuing operations* (thousands of $)	**4,045**	(3,561)
Diluted earnings (loss) per share from continuing operations $	**0.06**	(0.10)
Wells drilled	**2**	2

* Before changes in non-cash working capital, tax paid, interest and investment income and finance costs.

Operating Results

	Year ended 31 December	
	2010	2009
Production (barrels of oil per day)		
Gross field	**3,156**	1,535
Participating interest	**568**	475
Net entitlement interest	**475**	276
Sales (barrels of oil per day)		
Gross field	**2,919**	2,209
Participating interest	**525**	398
Average realised price per barrel $	**81.71**	52.96

Production, Sales and Revenue

The Company operates the PY-3 field in the Cauvery Basin with an 18 per cent participating interest. Gross average daily field production for the year ended 31 December 2010 amounted to 3,156 stbd compared with 1,535 stbd for 2009. The increase is due to the resumption of production from the PY-3 field on 24 January 2010 whereas there was unplanned six month shut-in of the field to undertake repair of the offshore facilities in 2009.

Revenue from oil sales (after profit oil) increased to $12.9 million in 2010 compared to $7.7 million in 2009. The average price realised per barrel increased significantly by 54 percent from $52.96 during 2009 to $81.71 in 2010. Average daily sales amounted to 525 stbd compared with 398 stbd. Hardy's share of profit oil to GOI amounted to $2.8 million in 2010. No profit oil was payable in 2009 as a result of unutilised capital cost recovery pool.

Cost of Sales

Cost of sales (production, depletion and decommissioning costs) for 2010 increased from $6.8 million in 2009 to $8.0 million in 2010 as a result of the PY-3 field being in production for more than eleven months in 2010 compared with six months in 2009. Average cost amounted to $40.23 per barrel in 2010 compared with $49.16 per barrel during 2009. Production cost per barrel was substantially reduced from $37.87 in 2009 to $25.66 in 2010.

Gross Profit
As a result, gross profit increased more than five-fold from $0.8 million in 2009 to $5.2 million in 2010. The substantial increase is principally the result of higher revenues from higher oil sales, a higher average crude oil price realised in 2010 as well as a reduction in production cost per barrel.

Administrative Expenses
Administrative expenses decreased substantially from $8.4 million in 2009 to $3.3 million in 2010. The decrease is principally the result of a share based credit of $0.9 million recorded in 2010 compared with a charge of $2.8 million in 2009. Also during 2009, additional costs associated with the drilling of PY3-PD4-RL well in early 2009 of $1.0 million were recorded of which $0.5 million was recovered in 2010.

Operating Profit
During October 2010, the Company divested of its operations in Nigeria. As a result, the Nigerian operations have been reported in the 2010 financial statements as discontinued operations.

The Company is reporting an operating profit from continuing operations of $1.9 million in 2010 compared with an operating loss of $7.5 million in 2009.

Interest and Investment Income
Investment and other income in 2010 amounted to $0.4 million compared with $0.3 million in 2009 as a result of higher average cash balances during 2010.

Finance Costs
Finance costs principally include the cost of providing bank guarantees to the GOI required by the provisions of production sharing contracts.

Profit before Taxation
The Company has recorded a profit before taxation from continuing operations of $2.2 million compared to a loss before taxation of $7.4 million in 2009. This results principally from higher revenues and a lower per barrel production cost, offset by lower general and administrative expenses.

Taxation
The Company has recorded a tax credit of $1.8 million during 2010 compared to a tax credit of $1.4 million in 2009. This arises principally as a result the crystallisation of loss with respect to an inter company loan from the Company to Hardy Oil (Africa) Limited of $3.7 million, Minimum Alternate Tax offset having regard to a ten-year carry forward period, and the non taxability of certain share based payments.

Net Profit from Continuing Operations
As a result, the Company recorded profit for the year from continuing operations of $4.0 million compared to a loss of $5.9 million for 2009.

Discontinued Operations
Effective 30 September 2010, the Company sold its Nigerian operations for net cash consideration of $4.3 million which approximated the net book value of underlying assets resulting in no gain or loss on the transaction. Overhead and depreciation expense was recorded amounting to $0.8 million and was recorded for the period to the end of September 2010.

Total Comprehensive Income
As a result, the Company recorded total comprehensive income of $3.2 million compared to a loss of $6.5 million in 2009.

Cash Flow from Operating Activities
During 2010, the Company generated cash flow from continuing operations activities, before changes in non-cash working capital, amounting to $4.0 million. This compares with cash used in operating activities, before changes in working capital, of $3.6 million in 2009. The positive cash flow results principally from higher oil sales (resulting from more than eleven months of production in 2010 compared with six months in 2009) and higher oil prices, as well as lower general administrative expenses. After non-cash working capital changes, cash used in continuing operating activities amounted to $0.9 million in 2010, compared to $0.4 million in 2009 resulting from increase in accounts receivable and a decrease in accounts payable at the end of 2010.

Cash used in discontinued operations amounted to $0.7 million in 2010 compared with $0.6 million in 2009 and principally represents ongoing overhead in connection with Nigerian operations.

Capital Expenditure
Capital expenditure amounted to $6.1 million during 2010, compared to $13.6 million incurred during 2009. Capital expenditures amounting to $3.4 million and $2.5 million were incurred on the D3 and D9 blocks respectively principally on the drilling of exploration wells.

Sale of Hardy Oil (Africa) Limited
During October 2010, the Company sold its entire investment in Hardy Oil (Africa) Limited for a net cash consideration of $4.3 million. As a result of this divestment, the Company no longer has any operations in Nigeria. All of its operating assets at the end of 2010 are in India.

Site Restoration Deposit
This represents the deposit for site restoration for future site restoration expenses for the PY-3 field. In 2010, the Company increased the site restoration deposit by $0.5 million compared with $0.4 million in 2009.

Financing Activities
During December 2010, the Company completed a placing of 3,370,000 Ordinary Shares at a price of £2.01 per share for net cash consideration of $9.5 million. During April 2009, the Company completed a placing of 6,208,997 Ordinary Shares at a price of £1.74 per share resulting in net proceeds from the equity issue of $15.2 million. In addition, the Company received investment income on its surplus cash resources amounting to $0.4 million.

Cash and Short-term Investments
The Company's cash and short-term investments increased by $6.0 million to $36.5 million at the end of 2010. The Company's net proceeds from financing ($9.5 million) coupled with net proceeds from the sale of its Nigerian operations ($4.3 million) exceeded its capital expenditure requirements and funds required for operations resulting in a $6.0 million increase in cash resources. The Company does not have any long-term debt.

Summary Statement of Financial Position
Hardy's non-current assets have essentially remained at $148.7 million. Current assets represent the Group's cash and short-term investments, trade and other receivables and inventory and have increased from $36.8 million to $43.6 million. At the end of 2010, of the $43.6 million of current assets, $36.5 million are represented by cash and short-term investments.

Current liabilities are principally trade and other accounts payable. The level of current liabilities is $13.4 million at the end of 2010 compared with $15.4 million at the end of 2009.

During 2010, the Company issued $9.5 million of equity and recorded a profit of $3.2 million. Consequently, the Company's net assets increased from $155.5 million at the end of 2009 to $167.3 million at the end of 2010.

Liquidity and Capital Resources

The Company has successfully raised financing in the past to provide funding for its ongoing exploration and development programmes and to augment its working capital. Having regard to Hardy's existing working capital position and its ability to raise potential financing, the directors are of the opinion that the Company has adequate resources to enable it to undertake its planned work programme of exploration, appraisal and development activities over the next 12 months. At the end of 2010, the Group has cash resources of $36.5 million and had no long term debt.

Dividends

The Company has limited internally generated cash flows and has a planned capital expenditure programme. In the circumstances, the directors have chosen to reinvest cash flows and do not recommend the payment of a dividend in the foreseeable future.

Risk Factors

Hardy is in the international upstream oil and gas business which faces a variety of strategic, operational, financial and external risks. Under these distinct classes, the Company has identified certain risks pertinent to its business including: exploration and reserve risks; loss of key human resources; drilling and operating risks; security risk in area of operations; costs and availability of materials and services; economic and sovereign risks, market risk, foreign currency risk, loss of or changes to production sharing or concession agreements, joint venture or related agreements; and volatility of future oil and gas prices.

Effective risk management is critical to achieving our strategic objectives and protecting our assets, personnel and reputation. Hardy manages its risks through compliance with the terms of its agreements and application of appropriate policies and procedures, and through the recruitment and retention of skilled individuals throughout the organisation. Further, the Company has focused its activities mainly in known hydrocarbon basins in jurisdictions that have previously established long-term oil and gas ventures with foreign oil and gas companies, existing infrastructure of services and oil and gas transportation facilities, and reasonable proximity to markets.

A summary of the principal risks and uncertainties facing the Company and the way in which these risks are mitigated is provided under: 'Risks and Uncertainties' section of this report.

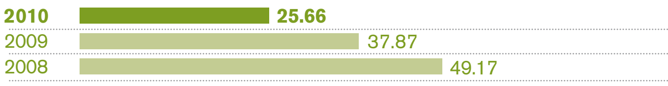
Key Financial Risks

In addition to the global financial risks described above, the Company is subject to the following specific financial risks.

Foreign Exchange Risk

The proceeds of the Group's domestic oil and gas sales in India are received in US dollars. The majority of the Group's expenditure requirements are in US dollars. The Group has general and administrative expenditure with respect to offices in India and the United Kingdom. Therefore the Group is exposed to foreign exchange risk against Indian rupees and, UK sterling.

Production cost per barrel $



The Company has raised equity capital in the past and has received proceeds in UK sterling. The Company generally keeps funds in sterling to meet ongoing requirements for the foreseeable future. Any surplus sterling funds are converted into US dollars. Funds are converted into other currencies as and when required.

Liquidity Risk

The Group's cash requirements and cash reserves are projected for the Group as a whole and for each country in which operations are conducted. Whereas the Group currently has no debt, going forward the Group expects to meet these requirements through an appropriate mix of available cash, equity funds and debt financing. The Group further mitigates liquidity risk by seeking funds well in advance of requirements and by maintaining an insurance programme to minimise exposure to insurable losses.

Commodity Price Risk

Historically, oil prices have fluctuated widely and are affected by numerous factors over which the Group has no control, including world production levels, international economic trends, exchange rate fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events. The aggregate effect of these factors is impossible to predict. The production estimates for PY-3 and the oil prices will vary depending upon market conditions, which are not within the control of the Group. The Group's production in India sold to CPCL is based on the 30 day average (14 day prior and 15 day after crude delivery) of Brent Crude less $0.35. The Board has no immediate intention to enter into fixed price contracts. Although oil prices may fluctuate widely, it is the Group's present policy not to hedge crude oil sales.

Status of CY-OS/2 Discovery Block

The auditors have provided an emphasis of matter comment in their audit report with reference to the uncertainty concerning the Group's request for an extension of its exploration licence in block CY-OS/2 as disclosed in notes 2 and 15 to the consolidated financial statements.

The Company's Chairman's Statement, Chief Executive Officer's Statement, Review of Operations, Financial Review, and Risks and Uncertainties have been prepared to substantially comply with the Accounting Standards Board Operating and Financial Review Reporting Statement issued in January 2006.

Dinesh Dattani
Finance Director
15 March 2011

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. It protects our reputation, supports our ability to do business and helps to create long-term competitive advantage. 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.

Clear responsibility

The Board is responsible for the overall group strategy, acquisition and divestment policy, approval of major capital expenditure projects, corporate costs, significant financing matters and the management of risk. The Board recognises that risk is inherent across Hardy's operations, and all activities are subject to an appropriate review to ensure that risks are identified monitored and managed to the extent possible.

Identification and monitoring

The Board has adopted a framework for risk assessment and monitoring providing for four distinct categories: strategic; financial; operational; and compliance. The Board's review of the Company's risks and uncertainties involves a detailed description of each risk and an assessment of its perceived relevance and likelihood of materially impacting Hardy's business. Risks that are identified as high and or trending upwards are noted and assigned to the executive directors to monitor and if possible pro-actively mitigated. The Board is provided regular updates of the identified principal risks at scheduled Board meetings.

The underlying risks and uncertainties inherent with Hardy's current business model are summarised below.

Strategy risk

The Group's strategy is predominantly driven by the exploration, appraisal, development and production of its existing assets in India. There are risks inherent in the exploration, appraisal, development and production of oil and gas reserves and resources. The Group's strategy includes acquiring additional oil and gas properties principally in India. The Group cannot guarantee that it will be able to identify appropriate properties, or negotiate acquisitions on favourable terms, or that it will be able to secure the financing necessary to complete such future acquisitions.

Financial risk

Any volatility and future decreases in crude oil prices could materially and adversely affect the Group's business, prospects, financial condition and results of operations. Other major financial risks facing the Company are: failure to receive extensions for expiring exploration and production contracts; inability to access debt and/or equity financing for further exploration and development; cost inflation or overruns associated with exploration; appraisal and development activities; and overall deterioration of shareholder sentiment. Additional discussion of financial risks is provided for in the Financial Review section.

Operations risk

Exploration and production activities by their nature involve significant risks. Risks such as delays in executing work programmes as a result of access to drilling rigs, in the construction and commissioning of drilling platforms 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.

Compliance risk

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.

Emphasis of matter

The Board notes that the auditors have provided an emphasis of matter comment in their audit report with reference to the uncertainty concerning the Group's request for an extension of its exploration licence in block CY-OS/2. In 2010, the Group formally commenced arbitration proceedings pursuant to dispute resolution provisions of the governing PSC.

The Group holds a 75 per cent participating interest in the block CY-OS/2 which is offshore on the south east coast of India. Intangible assets include an amount of $83,530,141 with respect to exploration expenditures on the block wherein a gas discovery was announced on 8 January 2007. The exploration period for the block ended on 23 March 2007 and the GOI has been requested to extend the block for appraisal and declaration of commerciality for its gas discovery for a period of five years from the date of discovery period.

Provisions of the PSC provide for an appraisal period of 60 months from the date of discovery. For an oil discovery, this period is limited to 24 months. DGH has informed HEPI that in their opinion the discovery is classified as an oil discovery and not a NANG discovery.

The Company has obtained third party legal and technical opinions that support the Company's view that the discovery is NANG and have referred the dispute to arbitration for adjudication. The Group believes that it will be successful in obtaining the extension of its licence in the arbitration.

In the event that HEPI's application for an extension of the CY-OS/2 licence was to be unsuccessful, the capitalised expenditure will be subject to impairment testing.

Principal risks for 2011

Throughout the year, Hardy's senior management and Board have critically reviewed and evaluated the risks facing the Group. As a result of this process, the Board has synthesised these risks in this year's report by defining the principle risks and uncertainties for 2011 and establishing clear policies and responsibilities to mitigate their possible negative impact to the business, a summary of which is provided below:

Risk	Mitigation
Strategic	**Ineffective or poorly executed strategy fails to create stakeholder value or fails to meet stakeholder expectations.**
Asset portfolio over-weighted to long-cycle exploration licences	Preferential allocation of resources to advance current discoveries to the development stage. Continually assessing acquisition opportunities, consistent with stated objectives, offering near-term production increases.
Overdependence on a single partner and lack of control to drive value creating activities	Proactive communication with partner to drive corporate interests and mandates. Each licence is governed by joint operating agreements, which provide for processes and procedures designed to ensure that the input and interests of non-operating partners are considered. The pending addition of BP as a partner to our key exploration licences should further facilitate progress.
Financial	**Asset performance and excessive leverage results in the Group being unable to meet its financial obligations as and when they are due.**
Cost overruns of exploration programme	Lower participating interest and maintaining strong working capital position to mitigate against operations exceeding budgeted number of drilling days.
Reliance on a single producing well for revenue	Advance phase III development programme with a view to increasing production from one to up to four wells. Maintain sufficient working capital to account for an extended shut-in of the field. Maintaining tight controls on overhead inflation.
Relinquishment of assets may result in impairment provision	Continue to work closely with partners to ensure minimum work programmes are complete within permitted time.
CY-OS/2 arbitration ruling may result in an impairment provision	Arbitration process is ongoing. The Company has obtained strong legal and technical opinions in support of its position, retained legal counsel in India and assigned the CFO of HEPI to manage the process.
Operational	**Operational event impacting staff, contractors, communities or the environment leading to loss of reputation and/or revenue.**
An accident or blowout could occur during offshore drilling operations	The Company's work programme for 2011 involves the drilling of at least two deepwater wells. These wells are on non-operated blocks and as such the Company relies on the HSE procedures mandated by the operator and the contractors. Liabilities associated with an accident are insured to the extent reasonably possible.
Sustained sub-commercial exploration results	Effective portfolio management (low interest, many assets) comprised with rigorous review and implementation of best practice exploration processes and techniques. Internal expertise review process and, when necessary third party consultation prior to Board approval.
Reliance on a single producing asset – limited life of field in absence of further development	The imminent approval of the GS-01 commerciality proposal will enable Hardy to advance plans for development. The Company is also indicating that it plans to evaluate acquisitions that have the potential to contribute short to medium term production.
Failure to secure budgetary approval for PY-3 Phase III drilling	Continue to communicate with partners and DGH to build consensus and obtain unanimous approval of operating and development budgets for the field.
Compliance	**The overall external political, industry or market environment may negatively impact on the Group's ability to independently grow and manage its business.**
Deteriorating stakeholder sentiment	Communicate with investors on a regular basis providing transparent and timely information. Effectively convey strategic goals and objectives and improve delivery.
Changing regulatory and political environment in India	Develop sustainable relationships with governments and communities. Indian PSC includes fiscal stability clauses. Actively collaborate with industry groups to formulate and communicate interests to government authorities.

Hardy is committed to applying high ethical standards to maintain its reputation as an employer and operator of choice.

To deliver this goal, our investment and operational decisions take appropriate account of the social, health, safety and environmental impacts that may arise during our activities.

Based on mutual respect and understanding, the Group strives to build and maintain enduring relationships with the GOI, local authorities, partners and business associates. Respecting the rich cultural diversity of the regions in which we engage in business, the Group strives to minimise our impact on the environment, taking into consideration the unique requirements of the region and local working practices to achieve optimum performance and timely delivery of projects.

Corporate social responsibility is a fundamental part of implementing the Group's corporate strategy and has both practical and ethical dimensions. It includes managing business concerns, such as risk, enhancing reputation in conjunction with investing in the community, and creating a place where people feel good about working.

The Group contributes to community and social development by carrying out its business activities in such a manner that provides energy and infrastructure, employment, skills development and trade to the areas in which the Group operates. The Group will consider monetary and human resource contributions to local social programmes which the Company deems appropriate to contribute or improve the overall well being of the communities in which we operate.

In 2010 the Company contributed donations to several charities in India. Hardy has consistently supported a Rotary International (District 3150) programme focused on increasing access to fresh water for agriculture and consumption in underdeveloped areas of southern India.

Health, Safety and Environment Activities

The Board has tailored the Group's health safety and environment (HSE) policy and management system taking reference from world class operations to suit Indian conditions. Safety, security and emergency procedures have been incorporated into the weave of the Group's operations. The central HSE Committee and Environment Management Committees meet on a monthly basis to assess and monitor compliance. The Group regularly undertakes internal and external HSE audits, including pre-mobilisation HSE audit of rigs and vessels. The Group undertakes periodical environmental marine monitoring around production facilities and around the drilling locations. Prompt compliance with applicable regulations by the Group has been recognised by concerned agencies.

All statutory requirements and certification for the operating facilities at PY-3 field were maintained. Compliance to ministerial and regulatory bodies such as OISD, DGH, MOEF, DGMS, ODAG, Coast Guard, Navy, TMB and others are maintained by forwarding necessary reports as required. Hardy participates in different meetings convened by these agencies. Senior officials from these agencies also visited our offshore facilities and appreciate our HSE management system.

The CHSE Committee, the Company's apex body on HSE activities, meet every month and review the HSE plans, activities, accidents/incidents pertaining to the month. Representatives from contractors are also invited for these meetings. Regular HSE audits, drills and emergency exercises are carried out in all facilities offshore.

2010 HSE Performance
The PY-3 floating production unit, Tahara, has operated for almost three years without an LTA.

Safety Performance at a Glance

Facility	Date of last LTA	Accident free days since last LTA (As on 31-01-2011)
FPU – Tahara	29-04-2008	1007
FSO – Endeavor	26-04-2010	280
OSV – Tanzanite[Δ]	Nil	380
OSV – Ocean Jade[*]	Nil	440
Bell 412 Helicopter[†]	Nil	671

Δ OSV – Tanzanite has been in service since 16-01-2010
* OSV – Jade has been in service after drydock maintenance since 18-11-2009
† Bell 412 Helicopter, of 'Swajas', has been flying since 01-04-2009

Accident Statistics at a Glance

	2010	2009	2008
Lost time accidents	**1**	0	2
Lost time incident frequency rate	**1.25**	0	2.43
Non lost time accidents	**6**	1	4
Non injurious accidents	**4**	4	16
No loss incidents	**3**	7	1
Environmental incidents	**0**	0	0
Total accidents/incidents	**14**	12	25

Key HSE activities in 2010:
- **September 2010** – Annual marine environmental monitoring programme around FPU-Tahara & FSO Endeavor covering up to a distance of 6 km radius.
- **January 2011** – the Indian Coast Guard officials visited PY 3 offshore field and inspected the Oil Spill response equipment and expressed satisfaction.
- **October 2010** – Oil Industry Safety Directorate officials have visited PY 3 field and carried out Safety Audit of operating facilities.
- **July 2010** – DNV (India) was contracted to carry out a third party external audit of PY3 field facilities.
- **August 2010** – a cyclone evacuation plan and oil spill Contingency Plan for PY3 field was reviewed and updated.
- Hardy participated in the National Level Pollution Response Exercise held in Mumbai.

Environmental Impact Policy and Performance
Offshore petroleum operations interact with marine environment which can lead to short-term and long-term physical, chemical and biological changes to the area.

Marine
As a part of the commitment for environmental protection and towards compliance to the conditions imposed by Ministry of Environment and Forests, Hardy has been regularly carrying out an environmental marine monitoring programme to assess the quality of the marine environment since 1998. A marine environmental survey was carried out in 2008 by Onshore & Offshore Environmental Consultants in collaboration with the Advanced Centre for Marine Biology, Annamalai University. This has been accomplished through implementation of adequate preventive and control measures.

Based on the detailed study and factors highlighted above, it clearly reveals that the marine environment in and around PY-3 oil field has not been altered or affected by the ongoing production activities. Numeration of phyto and zooplanktons shows that the populations and diversity of the region is maintained and the environment is healthy with good productivity. Infaunal analysis reveals that the sediments are rich in invertebrate fauna with diverse groups of marine organisms. Toxicological studies on fish and crustaceans indicate that the bio-accumulation is within permissible limits. The values obtained during the present study are in accordance with the other marine environments in this region.

Environmental Management System

Hardy's Environmental Management System is intended to mitigate the risks of marine pollution due to routine and accidental discharges of wastes and consequent adverse impacts on the marine environment.

Offshore oil platforms generally generate the following wastes:

– major produced water, drilling fluids and drill cuttings; and
– minor deck drainage, sanitary waste and domestic waste.

The various conventions held and agreements reached for setting limits for discharge from offshore oil/gas exploration and production activities provide necessary guidelines for monitoring required standards before discharging different wastes.

Set out below is a table outlining the major policies and measures that the Company undertakes as operator of the PY-3 field:

Routine discharges	Control measures
Produced water	Produced water recovered during crude oil or condensate gas treatment is generally warm and charged with salts and solids. The quantity of water produced given by the Water Oil Ratio (WOR) can increase considerably with the age of the oil field. Currently, the PY-3 field produces less than 10 stbd and is treated by gravity separation. Treated water is discharged overboard after confirming no oil content within allowable limits.
Drilling fluids	Drilling fluids are used in exploration and production drilling to maintain hydrostatic pressure control in the well and to lubricate the drill bits. Water-based drilling fluids are currently discharged directly to the ocean after ensuring that there is no oil contamination.
Drill cuttings	The drill cuttings removed from the well are rock debris and mineral particles generated by drilling into underground formations. The discharge of rock cuttings and mud may have adverse environmental effects especially by changing the sediment particle size distribution and also by the possible suffocation of benthic fauna. Except at sensitive areas such as corals and mangroves, water-based cuttings are allowed to be discharged directly into sea after clear separation from the drilling fluids and through washings.
Deck drainage	Deck drainage is either collected and treated separately for oil removal by gravity separation or is handled by the Oil Water Sewage (OWS) system before discharge. Typically, OWS systems are provided with online analysers and if the oil content is above the preset value, it will not allow the water to be discharged.
Domestic wastes	Domestic waste originates from kitchen, laundries and galleys located on drilling and production facilities. It typically comprises metal cans, glass or plastic bottles, papers, boxes and biodegradable wastes. This waste is segregated, stored and dispersed as per the waste management plans of the individual facilities concerned.
Sanitary wastes	Sanitary waste generated from toilets and lavatories need to be treated before discharge. Our facilities are required to maintain a residual chlorine concentration in sanitary waste discharge as close to 1 mg/l as possible for disinfection purposes.
Oil spill contingency plan	An oil spill contingency plan has been prepared in line with IMO guidelines and the National Oil Spill Disaster Contingency Plan. It has been approved by Indian Coast Guard and Oil Industry Safety Directorate (under Ministry of Petroleum & Natural Gas, GOI). As per the plan, resources required for an oil spill will be mobilised based on a tiered approach as follows: Tier 1 within local capability; Tier 2 over and above local capability, resources available with neighbour operations and national agencies (Viz. Indian Coast Guard) will also be mobilised; Tier 3 in addition to Tier 2 resources, resources from specialised agencies such as Oil Spill Response Ltd (OSRL), and EARL will also be mobilised.

"Grass roots level interaction give Hardy the awareness of local communities' sensibilities and needs."

Air Quality

Evaluation of environmental impact via regular ambient air quality studies, have confirmed that the air quality is not affected by offshore operations and the main focus of monitoring is of the impact on the immediate marine ecological system.

Flaring: Gas produced from the PY-3 field is associated gas which is separated from the crude oil through conventional processing at the Tahara. Currently the field produces approximately 3.9 MMscfd. The current method of disposal is via power generation (for use on the Tahara) and flaring offshore. The flaring practice will continue until some viable alternate emerges. Close to PY-3 field, PY-1 gas field commence production in 2009 and the PY-3 joint venture is evaluating possibility of routing a pipeline to the PY-1 gas field.

Employment Practices

Our policy is to ensure equal opportunities in career development, promotion, training and reward for all of our employees. We continually monitor the skills required to manage our activities and ensure there is a balance of skilled, experienced expatriate and local employees in our offices. We seek to avoid discrimination in the workplace in support of our aim to attract, develop and retain talented and committed people to deliver our business goals and objectives.

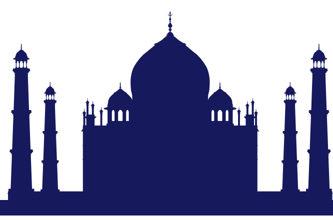
Our India team continues to drive the core of our business and we will look to continue to retain and enhance our technical, operational and management competencies in this region. In 2011 we will continue to need to receive excellence from our staff to effectively execute our 2011 work plan and beyond. The Board would like to take this moment to recognise the importance of our team and acknowledge their efforts in the past year.

Outlook

The Board believes that prevention of accidents, ill health and protection of the environment are essential to the efficient operation of its business. The Board is committed to high standards of HSE protection. These aspects command equal prominence with other business considerations in the decision making process. HSE protection are responsibilities shared by everyone working for the Company and the full support of all the Company's staff, corporate partners, and contractors is vital to the successful implementation of this policy. The Board ensures that personnel are aware of their delegated HSE responsibilities and are properly trained to undertake them diligently. The Board aims to ensure that the necessary resources are provided to support this policy fully and to seek continuous improvement in performance.

High corporate social responsibility standards and constant grass roots level interaction give the Group the awareness of local communities' sensibilities and needs. With an awareness driving the commitment, the Group provides its expertise and resources, wherever required, to be a responsible Company.

"As an international oil and gas company, we facilitate the development of leadership from the communities in which we operate."



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Hardy's employees and consultants play an integral part in executing its strategy and the overall success and sustainability of the organisation.

Hardy's Board of Directors comprises of individuals with extensive direct industry experience balanced with strong technical and financial backgrounds.

This composition provides the platform for sound corporate governance and robust leadership in implementing the Company's strategy to meet its stated goals and objectives.

Hardy's employees and consultants play an integral part in executing its strategy and the overall success and sustainability of the organisation. The Company has a highly skilled and dedicated workforce and places great emphasis on attracting and retaining quality staff. As part of our ongoing commitment to promote career development and enhance competencies, we encourage all our professional staff to stay current through relevant training schemes and courses as well as holding memberships in appropriate professional bodies.

"Our team in India will be relied upon to drive the core of our business and we will continue to retain and enhance our technical, operational and management expertise in this region."

As an international oil and gas company, we facilitate the development of leadership from the communities in which we operate. There is a large pool of qualified upstream oil and gas exploration and production professionals in the areas in which we operate, and we are committed to building and developing our teams from these talent pools. This is particularly true in India where the majority of our professional staff are citizens of India.

The Company holds its employees at all levels to high standards and expects the conduct of its employees to reflect mutual respect, tolerance of cultural differences, adherence to corporate code of conduct and ambition to excel in their various disciplines.

Yogeshwar Sharma.

Yogeshwar Sharma
Chief Executive Officer
15 March 2011

The Board consists of six directors

Paul Mortimer
(aged 77)
Non-Executive Chairman

Mr Mortimer has diverse board level experience and over 30 years experience in the oil, gas and mining industries. Mr Mortimer held various senior management roles through his 23 year career with Exxon Corporation including senior vice president of Exxon Minerals, New York, and director and vice president of Esso Argentina, Buenos Aires. After Exxon, he was responsible for corporate development and coal at Newmont Mining Corporation in New York and was a director of Peabody Coal. He has acted as a consultant to Morgan Stanley and a number of gold mining companies. He is a director of two oil and gas royalty funds, Gemini Oil and Gas Limited and Gemini Oil and Gas Management Limited. Mr Mortimer, a mining engineer from South Africa, was awarded a Rhodes Scholarship in 1957 and read Politics, Philosophy and Economics at Oxford. He also holds an MBA from the Harvard Business School.

Yogeshwar Sharma
(aged 59)
Chief Executive Officer

Mr Sharma, one of the two founders of Hardy, has over 30 years of international oil and gas industry experience. He has previously worked with Energy Resources Conservation Board and Pan Canadian in Calgary, Canada and ARAMCO in Saudi Arabia. He has held senior technical positions at Schlumberger and Elf International, where he helped found the Elf Geoscience Research centre in London in 1991. Mr Sharma was an external examiner at Heriot Watt University for three years. Mr Sharma was also responsible for the Group's finance and administrative functions until 1 July 2007. He is a non-executive director of LongReach Oil and Gas Ventures Limited, an oil and gas exploration company, incorporated in Jersey, Channel Islands with interests in Morocco.

Dinesh Dattani
(aged 60)
Finance Director

Mr Dattani was appointed to the Board effective 1 July 2007. Mr Dattani is a chartered accountant with over 30 years of industry and corporate experience principally with international upstream oil and gas companies. Prior to joining Hardy, Mr Dattani has served in senior finance capacities with companies including Canoro Resources Ltd., Bow Valley Energy Ltd., Sherritt International Corporation, and Home Oil Company Ltd. all of which are/were listed in either Canada and/or the United States.

Dr Carol Bell
(aged 52)
Senior Non-Executive Director

Dr Carol Bell was appointed as an independent Non-Executive Director in December 2005. Dr Bell has over 30 years' experience in the oil and gas sector, most recently as the managing director of Chase Manhattan's Global Oil & Gas Group. Prior to that she was the global head of J.P. Morgan's energy team in equity research. Dr Bell began her career in corporate planning and development with RTZ Oil and Gas and subsequently worked with Charterhouse Petroleum plc. She was awarded a PhD in the archaeology of ancient trade in May 2005. Dr Bell is a member of the investment advisory committee of Gemini Oil and Gas (an oil and gas royalty fund). She is also a director of global offshore seismic services company Petroleum Geo-Services ASA (PGS).

Pradip P. Shah
(aged 58)
Non-Executive Director

Mr Shah is the founder and chairman of IndAsia Fund Advisors Private Limited. He co-founded Indocean Fund in October 1994 with affiliates of Soros Fund Management and Chemical Venture Partners and founded and managed CRISIL, India's first and largest credit agency in 1988. Mr Shah also assisted in setting up Housing Development Finance Company in 1977 and acted as consultant to USAID, the World Bank and the Asian Development Bank. Mr Shah holds an MBA from Harvard Business School and is a chartered accountant and cost accountant.

Ian Bruce
(aged 57)
Non-Executive Director

Mr Bruce is currently co-chairman of Peters & Co. Limited, an independent, fully integrated investment dealer in the Canadian energy sector. Mr Bruce spent six years with a major Canadian chartered accountancy firm prior to starting in the investment business in 1983. He joined Peters & Co. Limited in 1998, following senior roles with RBC Dominion Securities (1985 to 1994) and Scotia Capital Markets (1994 to 1998). Mr Bruce is currently chairman and director of the investment industry association of Canada (2006), has been past chairman, director and executive committee member of Alberta Children's Hospital Foundation (1989 to 2004), and past director and executive committee member of the Investment Dealers Association of Canada. Mr Bruce holds an undergraduate degree from Queen's University; an MBA from the Richard Ivey School of Business at the University of Western Ontario; and the designations of chartered accountant, chartered business valuator and CF (Corporate Finance Qualification). In 2004, he became a Fellow of the Chartered Accountants of Alberta, Canada.

Introduction

Hardy Oil and Gas plc is incorporated in the Isle of Man. The Company is not subject to any corporate governance regime in its place of incorporation. The Company substantially complies with the Combined Code on Corporate Governance and supports high standards of corporate governance.

Although Hardy is a publicly listed company and has been listed on the London Stock Exchange's main market for listed securities since February 2008, the Company continues to be an explorer with limited cash flows and a modest employee base of approximately 50 people. The Company has a clear mandate to optimise the allocation of limited resources to support its exploration programme. As such, the Company strives to maintain a balance between conservation of limited resources and maintaining robust corporate governance practices. As the Company evolves the Board is committed to address specific Combined Code deficiencies and enhance the Company's corporate governance policies and practices deemed appropriate for the size and maturity of the organisation.

Set out below are Hardy's corporate governance practices for the year ended 31 December 2010. Disclosures below include matters where Hardy has not fully complied during 2010 and its plans for compliance during 2011.

Board of Directors

Composition

The Company's Board presently has six directors, comprised of two Executive Directors and four Non-Executive Directors.

Each of the existing executive directors has extensive knowledge of the oil and gas industry with combined experience in excess of 60 years. The Non-Executive Directors have either held senior appointments in oil and gas companies, companies with interests in the energy sector or have significant corporate and financial experience and bring a broad range of business and commercial experience to the Board. The Board believes that its composition is suitable for operating an effective publicly traded international junior oil and gas company.

Role and Operations of the Board

The Board is accountable to the shareholders for the creation of long-term shareholder value and delivery of strong, sustainable operating and financial performance. In order to accomplish its objectives, the Board directs and monitors the Group's affairs on an ongoing basis. It provides the Company with its overall strategic direction, ensures that the Company has the necessary financial and human resources in place, monitors performance of the Company and its management and adheres to strong corporate governance practices.

Board and Committee Meetings

Set out below is a table showing attendance at Board and committee meetings by the directors during 2010.

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Paul Mortimer	13/13		4/4	1/1
Yogeshwar Sharma	13/13			
Dinesh Dattani	13/13			
Carol Bell	13/13	3/3	4/4	
Sastry Karra	10/12			1/1
Pradip Shah	12/13	3/3	4/4	1/1
Ian Bruce	13/13	3/3		

The Board is pleased with the high level of attendance and participation by both Executive and Non-Executive Directors at Board and committee meetings.

In addition to the formal meetings of the Board, the Executive Directors maintain frequent verbal and written contact with the Non-Executive Directors to discuss various issues affecting the Company and its business. In addition, the Board executes a number of resolutions in writing to conduct Company business.

During the second half of 2009, the Non-Executive Chairman introduced a process whereby all of the Non-Executive Directors, including the Chairman, meet without the Executive Directors present, generally at the end of every Board meeting. Matters arising out of such discussions are communicated to the Executive Directors as appropriate.

Information Flow

The Chairman establishes the agenda for each Board meeting. Business set out on Board agendas is discussed at each meeting with sufficient information provided to all the directors. Board meeting agendas and supporting information are circulated to each director prior to each meeting. Directors are provided sufficient information on the basis of which to discuss relevant matters in order to allow directors to be appropriately informed and able to make informed decisions.

At most Board meetings, the Board reviews future cash flows and historical financial information with respect to the business and affairs of the Company. In addition, the Directors are provided a status report on each of its exploration, development and production assets and a meaningful dialogue takes place. The Board receives reports of its various committees – Audit, Remuneration and Nomination – and takes appropriate action. Matters requiring resolutions are voted upon and approved if appropriate. Matters reserved specifically for Board approval are discussed and evaluated prior to approval. Decisions requiring Board approval in between scheduled Board meetings are made by circulating supporting information and approved unanimously in writing by the Directors.

Independent Professional Advice
All of the Directors are aware that independent professional advice is available to each director in order to properly discharge his or her duties as a Director. In addition, each director and committee has access to the advice of the Company Secretary.

Matters Specifically Reserved by the Board
A formal schedule of matters is reserved for consideration by the Board. The matters reserved include management structure including appointments and remuneration, consideration of strategic policies and corporate direction, approval of annual and interim results, acquisitions and disposals, material contracts, major capital expenditure projects and budgets, approval of capital structure, debt and equity financing, dividends, and other matters. Subject to those reserved matters, the Board delegates authority for the management of the business primarily to the executive directors and certain other matters are delegated to the Board committees, namely the Audit, Remuneration and Nominations Committees.

Performance Evaluation
Hardy has a policy of appraising Board performance annually. Having reviewed various approaches to Board appraisal, Hardy has concluded that for a company of its current scale an internal process, in which all Board members submit answers to a questionnaire that considers the functionality of the Board and its committees, is most appropriate at this stage. This questionnaire also contains a series of questions to evaluate the performance of individual Board members and that of the Chairman. The Senior Independent Non-Executive Director is responsible for reporting on this matter to the Remuneration Committee and to the Board, including reviewing the performance of the Chairman, with the exception of reviewing her own performance (which is carried out by the Chairman). The process of completing the performance evaluation of the Board as a whole, its Chairman, and individual Executive and Non-Executive Directors, was completed in early 2011.

Each director's position is subject to satisfactory performance of their responsibilities and is subject to reappointment by shareholders at the Annual General Meeting. The Board of Directors is pleased with the attendance of all directors at Board and committee meetings, despite significant travel and time requirements. The Board of Directors is also satisfied with the participation by all the directors in formulating corporate strategies and for their engagement in meaningful dialogue and discussions at Board and committee meetings.

Chairman and Chief Executive Officer
There is a clear division of duties and responsibilities between the Non-Executive Chairman and the Chief Executive Officer of the Company. The Chairman provides leadership to the Board and ensures its effectiveness of its role and setting the agenda. The Chairman is also responsible in ensuring that the Board is provided with accurate, timely, and clear information in relation to the Group and its business. He is in regular communication with each of the Executive and Non-Executive Directors on an ongoing basis. The Chief Executive Officer is responsible for the running of the organisation and the execution of the Company's strategies, goals and objectives. The roles of Chairman and Chief Executive Officer are exercised by different individuals.

Mr Paul Mortimer is the Non-Executive Chairman of the Company. In addition to Hardy, he is also a director of two oil and gas royalty funds, Gemini Oil & Gas Limited and Gemini Oil & Gas Management Limited.

Non-Executive Directors
The Board has determined that Mr Paul Mortimer (Chairman), Mr Pradip Shah, Dr Carol Bell and Mr Ian Bruce are independent Non-Executive Directors.

The Board considers that independence is a matter of judgment and believes that the Non-Executive Directors should be free from any business or other relationships that could materially interfere in the exercise of their independent judgement. It is the Board's policy to provide its Non-Executive Directors fair remuneration for the contribution they make with respect to the business and affairs of the Company and the responsibilities they undertake in performing their duties as Non-Executive Directors. Each of Messrs Mortimer and Shah was granted 260,333 options to purchase Ordinary Shares in the Company on the admission of Ordinary Shares of the Company on AIM in June 2005. Dr Bell was granted a similar award on her appointment as a Non-Executive Director in December 2005. The Board has dispensed with the grant of stock options to the Non-Executive Directors since 2006. In addition, the Non-Executive Directors are entitled to an award of restricted shares on an annual basis.

Each of Messrs Mortimer and Shah has served as a Non-Executive Director for a period of more than nine years. All of the Non-Executive Directors continue to provide invaluable services to the Board, its committees and to the Company.

The Board acknowledges that all Non-Executive Directors have shareholdings in the Company thus expressing their confidence in the Company and its future.

Notwithstanding Non-Executive Directors' interest in Ordinary Shares or options of the Company, or their long standing service as directors of the Company, the Board considers that their independence is not prejudiced or compromised as a result of such positions.

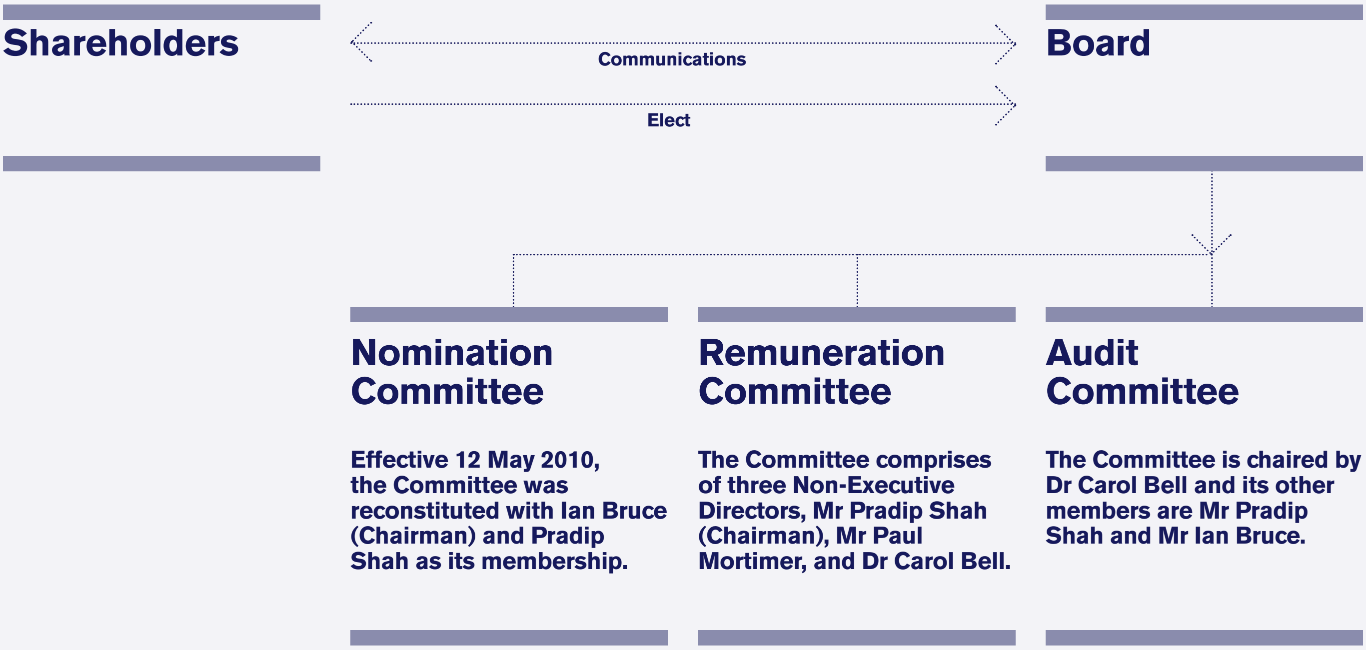
Board Committees
The Board has established Audit, Remuneration and Nomination Committees, each of which has terms of reference (approved by the Board) setting out its authority and duties. The terms of reference for Audit, Remuneration and Nomination Committees can be found on the Company's website.

The Board considered various issues that would normally fall within the terms of reference of the various committees. All members of the Audit Committee, the Remuneration Committee and Nomination Committee are Non-Executive Directors.

Board Committees continued

The Nomination Committee and Remuneration Committee meet as and when required, but at least once a year. The Audit Committee meets at least three times a year to review, among other things, financial reporting with respect to interim and annual results and for audit planning purposes. The Company's auditors attend at least two of these meetings to discuss any audit related issues and to review formally with committee members reports issued to the Company by the auditors. The Audit Committee ensures that any non-audit services conform to the ethical standards for auditors issued by the Auditing Practices Board of the UK Financial Reporting Council.

Governance Structure



Nomination Committee

The Company's Nomination Committee comprised three Non-Executive Directors – Mr Paul Mortimer (Chairman), Mr Pradip Shah and Mr Sastry Karra. Effective 12 May 2010, the Committee was reconstituted with Ian Bruce (Chairman) and Pradip Shah as its membership. The Nomination Committee considers the structure, size and composition of the Board, retirements, replacements and appointments of additional directors, reviews succession plans for the directors and makes recommendations to the Board on membership of the Board, its committees and other matters within its remit.

There was one meeting of the Nomination Committee held during 2010 with 100 per cent attendance by the committee members. Any new appointments to the Board are considered by the Nomination Committee and made after Board approval. Following appointment, a new director is given a detailed presentation of the activities of the Company. If an appointment is made without using an external search agency or open advertisement, the entire Board selects a new director.

Remuneration Committee

The Company's Remuneration Committee comprises of three Non-Executive Directors, Mr Pradip Shah (Chairman), Mr Paul Mortimer, and Dr Carol Bell. Hardy's Remuneration Committee operates within the terms of reference approved by the Board. There were four meetings of the Remuneration Committee held during 2010 with 100 per cent attendance.

The Remuneration Committee considers remuneration policy, employment terms and remuneration of the executive directors and also reviews the remuneration of senior management. The Remuneration Committee's role is advisory in nature and makes recommendations to the Board on the overall remuneration packages for executive directors in order to attract, retain and motivate high quality executives capable of achieving the Group's objectives. The Remuneration Committee also reviews proposals for the share option plans and other incentive plans, makes recommendations for the grant of awards under such plans as well as approving the terms of any performance related pay schemes.

None of the directors participate in any discussion or votes on any proposal relating to his or her own remuneration. The Board's policy is to remunerate the Group's senior executives fairly and in such a manner as to facilitate the recruitment, retention and motivation of suitably qualified personnel. The Remuneration Committee, while considering remuneration packages of Hardy executives, has reviewed the policies of comparable groups in the industry. The remuneration of the Non-Executive Directors is determined by the Chairman and the executive directors outside the framework of the Remuneration Committee.

Audit Committee

The Audit Committee is chaired by Dr Carol Bell and its other members are Mr Pradip Shah and Mr Ian Bruce. All of the committee members are independent Non-Executive Directors. Dr Carol Bell, Mr Pradip Shah and Mr Ian Bruce have extensive corporate, financing and banking experience. The Board is satisfied that the Audit Committee has recent and relevant financial experience. The Audit Committee is responsible for a wide range of financial matters and met three times during 2010 with 100 per cent attendance by committee members with external auditors attending two of the three meetings. It monitors the controls that are in place to ensure the integrity of the financial information reported to shareholders. In addition, it oversees an effective system of risk management within the Company.

The Audit Committee also oversees the relationship with the external auditors, reviews the scope and results of audits and provides a forum for reporting by the Group's auditors. The Company has a policy in place for the award of non-audit services provided by external auditors, which requires approval of the Audit Committee. The Audit Committee ensures that the independence and objectivity of the external auditors is safeguarded when securing non-audit services from the auditors. The Audit Committee also focuses on compliance with legal requirements, accounting standards and the Listing Rules and the Disclosure and Transparency Rules and ensures that an effective system of internal control and risk management systems are maintained. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the half yearly reports remains with the Board. Some or all executive directors attend meetings of the Audit Committee by invitation.

Shareholder Relations

Communication with shareholders is given high priority and there is regular dialogue with institutional investors, as well as general presentations made at the time of the release of the annual and interim results. All directors are kept aware of changes in major shareholders in the Company and are available to meet with shareholders who have specific interests or concerns. The Company issues its results promptly to individual shareholders and also publishes them on the Company's website – www.hardyoil.com. Regular updates to record news in relation to the Company and the status of its exploration and development programmes are included on the Company's website. Shareholders and other interested parties can subscribe to receive these news updates by email by registering on line on the website free of charge.

The Chairman and all executive directors are available to meet with institutional shareholders to discuss any issues and gain an understanding of the Company's business, its strategies and governance. At the 2010 Annual General Meeting of shareholders, all of the directors were present. Dr Carol Bell serves in the capacity as the Senior Independent Non-Executive Director of the Company and is available to shareholders if they have concerns that have not been resolved through the normal channels of Chairman or executive directors.

Internal Controls

The Board of Directors reviews the effectiveness of the Company's system of internal controls in line with the requirement of the Combined Code. The internal control system is designed to manage the risk of failure to achieve its business objectives. This covers internal financial and operational controls, compliances and risk management. The Company has necessary procedures in place for the year under review and up to the date of approval of the Annual Report and Accounts. The directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The Board confirms the need for an ongoing process for identification, evaluation and management of significant risks faced by the Company. A risk assessment for each project is carried out by a team consisting of the executive directors and senior management before making any commitments. This team meets as and when required. Internal and external risks, including exploration and development risks, regulatory and compliance obligations under various production sharing contracts, economics including oil price, interest rate and currency exposure, as well as natural catastrophes are continuously assessed.

During 2010, the Audit Committee reviewed and reported to the Board the effectiveness of the system of internal control through detailed consideration of the financial control procedures in place. Given the size of the Company, the relative simplicity of the systems and the close involvement of senior management, the Board considers that there is no current requirement for an internal audit function. The procedures that have been established to provide internal financial control are considered appropriate for a company of its size and include controls over expenditure, regular reconciliations and management accounts. Most of the assets are owned jointly with others, budgets and expenditures are rigorously reviewed and approvals as well as project audits take place with respect to capital and operating expenditures on a regular basis.

The directors are responsible for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Going Concern

The Company's business activities, together with factors likely to affect its future operations, financial position, and liquidity position are set out in the Chairman's Statement, Chief Executive Officer's Statement, Review of Operations, Financial Review, and the Risks and Uncertainties section of the Annual Report. In addition, note 26 to the consolidated financial statements discloses the Company's financial risk management practices with respect to its capital structure, foreign currency risk, liquidity risk, interest rate risk, commodity price risk, credit risk, and other related matters.

The directors, having made due and careful enquiry, are of the opinion that the Company has adequate working capital to execute its operations and has the ability to access additional financing, if required, over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements in accordance with Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009.

Share Options

The executive directors believe that equity incentives are and will continue to be an important means of retaining, attracting and motivating directors, senior management and key employees. Accordingly, in June 2005, the Board adopted the share option scheme entitling the Company to award options to directors and employees. The Company's share option scheme has been considered and approved by the shareholders in 2006. Options are not granted at a discount to the market value. Under the scheme, options are exercisable between the first and 10th anniversaries of the date of grant. Options granted in June 2005 were subject to performance conditions whereby the share price of Hardy would need to rise by 20 per cent, 45 per cent and 70 per cent of the price at which the Hardy IPO was undertaken. In the first year of the performance period, one third of the options will become exercisable at or after 12 months following the date of grant. One third of the options will become exercisable at or after 24 months following the date of grant. The remaining one third of the options will become exercisable at or after 36 months following the date of grant. All of such performance conditions have been met.

All options granted in 2010 and subsequent years, will generally vest between the third and fifth anniversary of the date of grant (the "Vesting Period") subject to the satisfaction of a Performance Condition. The Performance Condition shall be satisfied where at any time during the Vesting Period, the volume weighted average market price of an Ordinary Share for any ten consecutive London Stock Exchange trading days is equal to or greater than the Ordinary Share price of the Company on the date of grant as increased by compounded growth of 5 per cent per annum in the share price as at the end of such ten day period. In the event that the Performance Condition is not satisfied by the fifth anniversary of the date of grant, the options shall lapse. Options will vest immediately upon the occurrence of a Rule 8 Event under the unapproved share option scheme (relating to change of control etc).

No options were granted to Non-Executive Directors since 2005.

Non Compliance with Combined Code

The Company did not comply with the Combined Code with the following matters during 2010.

Code Provision	Subject Matter	Discussion
A3.1	Non-Executive Directors meeting independence requirements	Paul Mortimer and Pradip Shah have served for more than nine years. As a result, under the Company's policy, both directors are subject to annual re-election. Paul Mortimer, Pradip Shah and Carol Bell were granted share options in 2005 when the Company's Ordinary Shares were listed on AIM. The Board has confirmed, notwithstanding the above, that all of the Non-Executive Directors are independent.
B1.3	Remuneration of Non-Executive Directors should not include share options	Share options were granted in 2005 to Non-Executive Directors when the Company was listed on AIM and not subject to Combined Code. The Company has changed its policies whereby no share options are granted to Non-Executive Directors since 2005.

The Board believes that its composition is suitable having regard to its international stature with a focus on India. Notwithstanding the long tenure of some of the Directors, the Board believes all of the Non-Executive Directors are independent and provide valuable advice and counsel in furthering the business objectives of the Company.

Although Hardy is a publicly listed company and has been listed on the London Stock Exchange's main market for listed securities since February 2008, the Company continues to be an early stage exploration company with limited cash flows and a modest employee base of approximately 50 people. The Company has a clear mandate to optimise the allocation of limited resources to support its exciting exploration programme. As such, the Company strives to maintain a balance between conservation of limited resources and maintaining robust corporate governance practices. As the Company evolves the Board is committed to address specific Combined Code deficiencies and enhance the Company's corporate governance policies and practices deemed appropriate for the size and maturity of the organisation.

Paul Mortimer
Chairman
15 March 2011

The directors of Hardy Oil and Gas plc present their Annual Report together with the audited financial statements for the year ended 31 December 2010. Their reports will be presented before the shareholders at the Annual General Meeting scheduled to be held on 11 May 2011.

Business Review and Future Developments

Hardy is an international upstream oil and gas company focused in India. Hardy's objective is to be a leading independent exploration and production company in India and deliver consistent step change growth in shareholder value through exploration of hydrocarbons. A full review of the Company's activities during 2010 and plans for 2011 can be found in the Chairman's Statement, Chief Executive Officer's Statement, Review of Operations, Financial Review, Corporate Responsibility Statement, Directors' Remuneration Report and the Risks and Uncertainties section of the Annual Report, which are incorporated herein by reference.

Directors

Directors that served in office during 2010 are Paul Mortimer (Non-Executive Chairman), Sastry Karra (Chief Executive until 31 March 2010 and Non-Executive Director until 30 November 2010), Yogeshwar Sharma (Chief Operating Officer until 31 March 2010 and Chief Executive Officer since that time), Dinesh Dattani (Finance Director), Dr Carol Bell (Senior Non-Executive Director), Pradip Shah (Non-Executive Director), and Ian Bruce (Non-Executive Director).

Indemnity Provision for Directors

Subject to the Isle of Man Companies Acts 1931 to 2004, but without prejudice to any indemnity to which a director may otherwise be entitled, every director shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by the director in the actual or purported execution of his or her duties. The Company has a directors and officers liability insurance policy in place.

Results and Dividends

The Group is reporting total comprehensive income of $3,245,982 for 2010 compared to a loss of $6,517,176 for 2009. The directors do not recommend the payment of a dividend for 2010.

Election and Re-election of Directors

At the next Annual General Meeting of the Company to be held on 11 May 2011, Mr Paul Mortimer, Mr Yogeshwar Sharma, Mr Pradip Shah and Mr Ian Bruce will offer themselves for re-election.

Biographical details for Mr Paul Mortimer, Mr Yogeshwar Sharma, Mr Pradip Shah and Mr Ian Bruce are set out on pages 28 to 29.

Messrs Mortimer, Shah and Bruce have entered into engagement letters with the Company in respect of their appointments as Non-Executive Directors of the Company. The appointments are subject to termination upon at least three months' notice by either party.

Mr Sharma has entered into a service agreement as an executive director with the Company pursuant to which his engagement is subject to termination upon 6 months' notice by either party.

Mr Mortimer and Mr Shah have served as directors for more than nine years. The Company had remained unlisted until June 2005 when Ordinary Shares of the Company were listed on the Alternative Investment Market of the London Stock Exchange. Mr Mortimer is the Company's Non-Executive Chairman. Mr Shah chairs the Company's Remuneration Committee. Both Mr Shah and Mr Bruce are Non-Executive Directors of the Company. The Board of Directors believe that the contribution being made by all the directors continue to be invaluable and are satisfied that they conduct themselves in an appropriate manner in the best interest of shareholders. The Board of Directors is satisfied that the performance of all of the directors continues to be effective and is also satisfied as to their commitment to their role as director.

Capital Structure and Significant Shareholders

The Company's authorised and issued share capital and changes thereto are disclosed in note 22 to the consolidated financial statements. Disclosures with respect to share options are provided in note 8 to the consolidated financial statements and in the Directors' Remuneration Report.

At 31 December 2010 and at the date of this report, there were 71,922,533 and 71,944,504 Ordinary Shares of Hardy respectively that were issued and fully paid. Major interests in share capital of the Company, in excess of 3 per cent, as of the date of this report are as follows:

Shareholder	Number of Shares	Per cent
Lloyds TSB Group plc.	10,275,631	14.28
Universities Superannuation Scheme Limited	6,174,638	8.59
Aegon Asset Management	5,491,514	7.64
Sastry Karra	4,361,679	6.06
Yogeshwar Sharma	4,158,135	5.78
Aequitas Investments Limited	3,928,866	5.46
Grahame Whately	3,430,361	4.77
Standard Life Investments Ltd	3,111,312	4.33
NFU Mutual Insurance Society Limited	2,713,479	3.77
Gadus SE	2,554,829	3.55
Legal and General	2,479,938	3.45

Annual General Meeting

The Company's next Annual General Meeting will be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DU on 11 May 2011 at 10.00 am. The notice of meeting and the explanatory circular to shareholders setting out business to be conducted at the Annual General Meeting accompanies this Annual Report. The notice includes an item of special business which is explained by the Chairman in his letter contained in the Circular. The item of special business concerns the disapplication of the pre-emption rights set out in article 5.1 of the Company's Articles of Association.

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union. Under such requirements, the directors are required to prepare Consolidated and Parent Company financial statements of Hardy Oil and Gas plc for the year ended 31 December 2010, which comprise Consolidated Statement of Comprehensive Income, Consolidated and Parent Company Statements of Financial Position, Consolidated and Parent Company Statements of Cash Flows, Consolidated and Parent Company Statements of Changes in Equity, and related notes. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. The Directors are responsible for ensuring the Directors' Report and other information included in the Annual Report are prepared in accordance with company law of the Isle of Man and are also responsible for ensuring that the Annual Report includes information required by the rules of the London Stock Exchange.

In addition to the above, the Directors are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

Directors Responsibility Statement Pursuant to Disclosure and Transparency Rule 4.1.12

The Directors confirm that, to the best of their knowledge:

a) The financial statements, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

b) The Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face.

Internal Control and Risk Management Systems

The Board has the ultimate responsibility for the Group's internal control and risk management systems. The Audit Committee monitors internal controls and risk management systems on an annual basis. The Group has established a system of control and risk management involving an appropriate degree of oversight by senior management in each of the business units in which it operates.

Charitable and Political Donations

During 2010, the Company made a payment to The Geological Society of £1,300 for an affiliate sponsorship and a payment of £645 to Children's Safety Education Foundation. These were the only donations made in the UK or in the European Union during the year.

Payment Policy
Hardy's policy with respect to payments to its vendors is to establish terms of payment when contracting for goods or services and generally abide by those payment terms. Normal credit terms are generally 30 days.

Reappointment of Auditors
Crowe Clark Whitehill LLP (formerly Horwath Clark Whitehill LLP) has expressed their willingness to continue as auditors. In accordance with the Isle of Man Companies Acts 1931 to 2004, a resolution reappointing Crowe Clark Whitehill LLP as auditors of the Company will be proposed at the next Annual General Meeting.

Going Concern
The Company's business activities, together with factors likely to affect its future operations, financial position, and liquidity position are set out in the Chairman's Statement, Chief Executive Officer's Statement, Review of Operations, Financial Review, and the Risks and Uncertainties section of the Annual Report. In addition, note 26 to the financial statements discloses the Company's financial risk management practices with respect to its capital structure, foreign currency risk, liquidity risk, interest rate risk, commodity price risk, credit risk, and other related matters.

The Directors, having made due and careful enquiry, are of the opinion that the Company has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Events Subsequent to 31 December 2010
There have not been any material events that have occurred since 31 December 2010 to the date of this report.

Approved by the Board of Directors.

Paul Mortimer
Non-Executive Chairman
15 March 2011

Consideration by the Directors of Matters Relating to Directors' Remuneration

The Company has a Remuneration Committee comprised of Mr Pradip Shah (Non-Executive Director) as Chairman, Mr Paul Mortimer (Non-Executive Chairman of the Company), and Dr Carol Bell (Senior Non-Executive Director).

The Remuneration Committee had engaged Simon Patterson of Patterson Associates as a Remuneration Consultant to assist the committee in setting the remuneration of Executive Directors and Non-Executive Directors in the past. No remuneration advisors were retained by the Committee during 2010.

Statement of Hardy's Policy on Directors' Remuneration

The Company has established levels of remuneration that are appropriate to attract, retain and motivate Executive Directors of the quality required to run its business successfully. A significant proportion of Executive Directors' remuneration is structured so as to link rewards to corporate and individual performance, align their interests with those of shareholders and to incentivise them to perform at the highest levels. The Remuneration Committee considers remuneration policy and the employment terms and remuneration of the Executive Directors. The Remuneration Committee's role is advisory in nature and makes recommendations to the Board of Directors on the overall remuneration packages for Executive Directors in order to attract, retain and motivate high quality executives capable of achieving Hardy's objectives.

The main goals of the Hardy's remuneration policy are to reward past performance, incentivise future performance, encourage teamwork, retain Company talent and assure alignment with shareholders. These goals are achieved by maintaining appropriate base salaries, annual cash bonuses and providing a systematic annual grant of options. All incentive compensation levels are subject to recommendations of the Remuneration Committee and approved by the Board.

Base salaries of Executive Directors are reviewed on an annual basis. No changes to base salaries have been made since 1 July 2007 except for the Chief Executive Officer whose base salary was increased effective 1 April 2010. Although the Company has the policy of awarding cash bonuses, no such awards have been made to Executive Directors to date. In the future, the Remuneration Committee will consider recommending the total amount available for annual bonuses having regard to the cash requirement and overall performance of the Group. The size of the bonus will correspond to the salary of the Executive Director and each participant based upon performance targets, including corporate, team and individual performance measures. Any cash bonus shall be targeted at 20 per cent of base salary and shall not exceed 40 per cent of base salary. Each year, transparent objectives will be set for each participant.

The Company has adopted a policy of granting stock option awards on an annual basis although stock option awards cannot be made during close periods. None of the Directors participate in any discussion or votes on any proposal relating to his or her own remuneration. The policy of the Board of Directors is to remunerate Hardy's executive directors fairly and in such a manner as to facilitate the recruitment, retention and motivation of suitably qualified personnel. The remuneration of the Non-Executive Directors is determined by the Chairman and the executive directors outside the framework of the Remuneration Committee and approved by the Board of Directors.

The Directors (other than Ian Bruce) have been granted options to purchase Ordinary Shares of Hardy in the past. Executive directors were granted stock options during October 2010. No options have been granted to Non-Executive Directors since 2005.

All options granted in 2010 and subsequent years, will generally vest between the third and fifth anniversary of the date of grant (the "Vesting Period") subject to the satisfaction of a Performance Condition. The Performance Condition shall be satisfied where at any time during the Vesting Period, the volume weighted average market price of an Ordinary Share for any ten consecutive London Stock Exchange trading days is equal to or greater than the ordinary share price of the Company on the date of grant as increased by compounded growth of 5 per cent per annum in the share price as at the end of such ten day period. In the event that the Performance Condition is not satisfied by the fifth anniversary of the date of grant, the options shall lapse. Options will vest immediately upon the occurrence of a Rule 8 Event under the unapproved share option scheme (relating to change of control etc).

Previously, options were granted subject to vesting over a three-year period from date of grant. All of the options granted are at market prices based on the five-day average closing price prior to the date of grant.

Options will be forfeited if a Director resigns before the options vest. In other circumstances, the vesting of options will be at the discretion of the Remuneration Committee and Board approval. In the event of a change of control, all of the unvested options will vest.

Options granted following the initial public offering in June 2005 were subject to performance conditions based upon appreciation in the price of Ordinary Shares of the Company. All of the performance conditions have been met. Subsequent options granted have been subject to vesting provisions over a three-year period, commencing from the anniversary of the date of grant. Options granted in 2010 are subject to vesting and performance conditions described above.

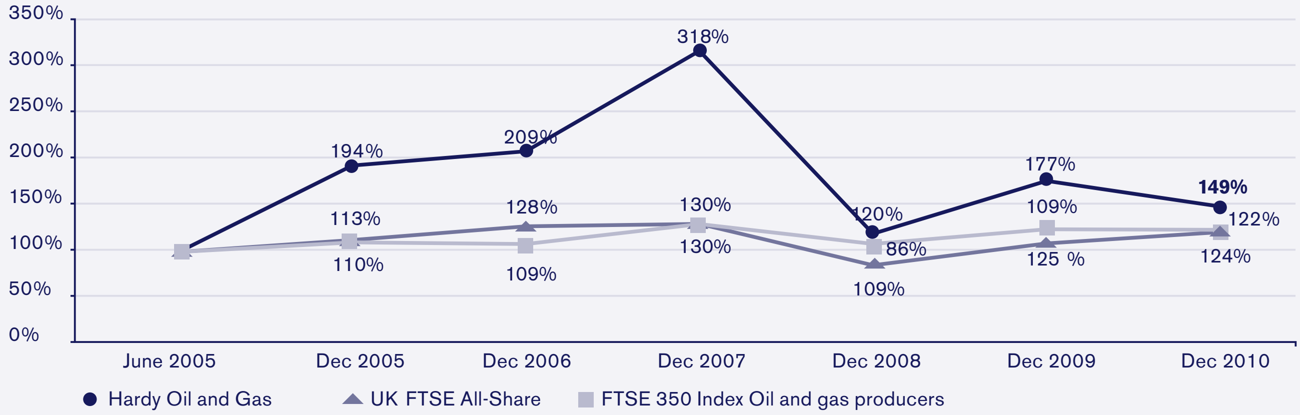
All of the service contracts with Directors are on an evergreen basis, subject to termination provisions. The Company may in lieu of notice terminate an executive's employment with immediate effect by making a payment which does not exceed a lump sum equal to basic salary at the rate prevailing at the date of termination for a period which does not exceed 12 months; and a bonus to the extent earned and awarded by the Company at the date of termination in lieu of the notice period. As a matter of Company policy, no bonuses shall accrue as a result of lapse of time in the event of termination. With respect to Mr Dattani, in the event of a change of control, the Company may be entitled to terminate the executive's employment on payment of 12 months' salary together with all benefits and bonuses. The appointments of Executive Directors are subject to termination of 12 months or less by either party. The appointments of Non-Executive Directors are subject to termination upon at least three months' notice.

The main goals of the Company's remuneration policy for the Chairman and Non-Executive Directors are to assure alignment with shareholders through independence, recognise time commitments devoted to corporate affairs and attract and retain outstanding candidates.

Effective 1 January 2009, restricted shares will be issued to the Chairman and each Non-Executive Director on an annual basis. The number of restricted shares to be issued will be equivalent to 25 per cent of their annual fee based on the market value of Hardy shares on the last trading day prior to the date of issue. These shares will remain restricted for three years from the date of issue. The shares will become unrestricted and are delivered to the individual three years after the date of issue. The share award will be in addition to the annual cash fee. In the event of a close period, such shares will not be issued until after the close period is over. In the event of change of control of Hardy and the participant is no longer a Director going forward, all of the restricted shares will vest. In the event of death of a Director, all shares will become fully vested. Upon the Director not being re-elected at a general meeting of shareholders after offering himself for re-election as a Director at a general meeting, the shares will vest. In all other circumstances, shares that will remain restricted are forfeited if the participant is no longer a Director of Hardy. In addition, the Board has discretion to accelerate vesting on a date determined by it.

A one-time restricted share award may be made to a new Non-Executive Director on joining the Board. Such an award was made to Mr Ian Bruce upon his appointment as a Non-Executive Director on 24 October 2008. Such shares are held in trust and will be released to Mr Bruce after three years from the date of issue (subject to earlier release in certain circumstances) provided he remains a Director of the Company provided for that period.

Ordinary Shares of the Company were listed on the AIM exchange from 10 June 2005, and on the Official List of the London Stock Exchange's market for listed securities ('Main Market') from 20 February 2008. In the circumstances, and since the Company's principal business is upstream oil and gas exploration, development and production, the Company has chosen to compare its performance with the FTSE All Share Index and FTSE 350 Oil and Producers Index.



Directors' Beneficial Interest in Shares

The Directors who held office at 31 December 2010 and who had beneficial interests in the Ordinary Shares of the Company can be summarised as follows:

		As at 31 December	
Name of Director	Position	**2010**	2009
Paul Mortimer	Non-Executive Chairman	**875,432**	870,051
Yogeshwar Sharma	Chief Executive Officer	**4,158,135**	4,158,135
Dr Carol Bell	Senior Non-Executive Director	**4,036**	–
Pradip Shah	Non-Executive Director	**668,471**	664,435
Ian Bruce*	Non-Executive Director	**439,822**	375,786

* Includes 11,192 ordinary Shares beneficially held for his children.
Also includes award of restricted shares to Non-Executive Directors (including the Chairman) as part of their remuneration.

In addition, in early January 2011, restricted shares were issued as follows:
Paul Mortimer (6,761), Carol Bell (5,070), Pradip Shah (5,070) and Ian Bruce (5,070).

Other than above, the Directors do not have any beneficial interest in the Ordinary Shares or any other securities of the Company, except for stock options (with the exception of Mr Ian Bruce).

Service Contracts

The service contracts of Mr Sharma is on an evergreen basis until terminated by not less than six months' written notice or such longer period as may be required by statute. If a written notice is given by either party, the Company may require the executive director to continue to perform such duties as the Board may direct during the notice period or require the executive director to perform no duties. In each case, the Company will continue to pay salary and provide all other benefits arising under the service contracts.

Yogeshwar Sharma entered into parallel services agreements with the Company and HEPI (with the payment of salary and other individual terms being governed by the agreement with HEPI) dated 2 June 2005. His services agreements with the Company and HEPI were updated effective 1 April 2010. His appointment is subject to termination upon six months' notice by either party. The agreement provided for an annual salary of $180,000, the use of a company car, membership of a private medical scheme, permanent health insurance, life assurance cover and pension contributions of 4 per cent of his salary. Effective 1 July 2008, Mr Sharma's salary was increased to £200,000 per annum. Effective 1 April 2010, his salary was increased to £225,000 per annum.

With respect to Mr Dattani, the Company has the right to terminate the service contract by giving written notice to that effect which notice shall provide for a termination date which is effective 12 months after the giving of the notice. In addition, the Company has the right to terminate the service contract at any time by paying a lump sum equal to basic salary at the rate prevailing at the date of termination and bonus to the extent earned and awarded by the Company in lieu of the 12 month notice period. As a matter of Company policy, no bonuses shall accrue as a result of lapse of time in the event of termination.

Dinesh Dattani entered into a service agreement with the Company with an effective date of 1 July 2007, subject to termination upon 12 months' notice by the Company and 90 days by Mr Dattani. The agreement provides for an annual salary of £191,250, membership of a private medical scheme, life assurance cover, travel costs and professional dues.

The services of Paul Mortimer, Sastry Karra, Pradip Shah, Carol Bell and Ian Bruce as Non-Executive Directors are provided under the terms of agreements with the Company and each Non-Executive Director dated 2 June 2005 with respect to Messrs Mortimer and Shah, 16 December 2005 with respect to Dr Bell, 1 April 2010 with respect to Sastry Karra and 24 October 2008 with respect to Ian Bruce. These appointments are subject to termination upon at least three months' notice. Effective 20 February 2008, the date Ordinary Shares of Hardy were listed on the Official List of the London Stock Exchange, the annual fees for Paul Mortimer, the Non-Executive Chairman, have amounted to £48,000 per annum plus restricted shares. In addition, the annual fee for Pradip Shah and Carol Bell has amounted to £36,000 each per annum plus restricted shares. On 24 October 2008, Ian Bruce was appointed a Non-Executive Director of the Company. On that date, he was issued 20,182 Ordinary Shares of Hardy, with a value of £50,000 under a Restricted Shares Agreement. Such Ordinary Shares are held in escrow and will be released to him after three years (subject to acceleration in certain circumstances), provided he remains a Director of the Company for a period of three years. In addition, his appointment is subject to termination upon at least three months' notice and a Director's fee at the rate of £36,000 per annum from the date of his appointment as a Director plus restricted shares.

Mr Karra was executive director for the first three months of 2010. His executive contract was similar to Mr Sharma. Mr Karra's appointment as a Non-Executive Director effective 31 March 2010 was on terms similar to other Non-Executive Directors of Hardy. Mr Karra ceased to be a Non-Executive Director effective 30 November 2010.

Under the Articles of Association of the Company, one third of the Directors, or if their number is not a multiple of three, the number nearest to but not exceeding one third are obliged to retire by rotation at each Annual General Meeting. The retiring Directors may be subject to re-election at the Annual General Meeting. In addition, in accordance with the Combined Code, any Non-Executive Director who has served for a minimum of nine years will be subject to annual election at the Annual General Meeting as well as any Director who has served for more than three years without re-election.

Information Subject to Audit

Directors' Emoluments and Compensation

Set out below are the emoluments of the Directors for the years indicated:

	Year ended 31 December 2010					Year ended 31 December
US$	Salaries/fees	Restricted Shares	Bonuses	Benefits	Total	2009 Total
Paul Mortimer	73,925	18,727	–	–	92,652	74,375
Yogeshwar Sharma	342,713	–	–	4,400	347,113	324,079
Dinesh Dattani	293,951	–	–	11,490	305,441	302,326
Carol Bell	55,443	14,047	–	–	69,490	55,781
Sastry Karra	434,576	–	–	4,856	439,432	318,563
Pradip Shah	55,443	14,087	–	–	69,490	55,781
Ian Bruce	55,443	14,047	–	–	69,490	55,781
Total	**1,311,494**	**60,868**	**–**	**20,746**	**1,393,108**	1,186,686

None of the remuneration paid, was subject to performance conditions. No bonuses were paid to any of the executive directors during 2009 or 2010. Remuneration of Mr Karra included payments for services rendered as an Executive as well as Non-Executive Director and on cessation of his employment.

Share Options

The Company has adopted a share option scheme which allows it to grant options to subscribe for Ordinary Shares at the discretion of the Board of Directors to directors and selected employees of Hardy and its subsidiary companies. The plan has not been approved by UK tax authorities. No options have been granted to Non-Executive Directors since 2005. Set out below is certain information pertaining to share options granted to directors who hold office at 31 December 2010:

Director	Number of options: Beginning of 2010	Number of options: Granted during 2010	Number of options: End of 2010	Date of grant	Number of options Vested at end of 2010	Expiry date	Exercise price per share (£)
Paul Mortimer	**260,233**	**–**	**260,233**	7 June 2005	**260,233**	6 June 2015	1.44
Yogeshwar Sharma	**780,700**		**780,700**	7 June 2005	**780,700**	6 June 2015	1.44
	300,000		**300,000**	2 July 2007	**300,000**	1 July 2017	4.31
		200,000	**200,000**	11 Oct 2010	**200,000**	10 Oct 2020	2.116
Dinesh Dattani	**400,000**		**400,000**	2 July 2007	**400,000**	1 July 2017	4.31
		150,000	**150,000**	11 Oct 2010	**150,000**	10 Oct 2020	2.116
Carol Bell	**260,233**	**–**	**260,233**	7 June 2005	**260,233**	6 June 2015	2.86
Pradip Shah	**260,233**	**–**	**260,233**	7 June 2005	**260,233**	6 June 2015	1.44

No price was paid for any grant of options by the Directors to the Company. There were no variations made during the year in the terms and conditions with respect to any outstanding share options granted by the Company.

Upon resignation of Mr Karra as a Non-Executive Director, all of his options lapsed; however, the board used its discretion to permit the exercise of 780,700 options at £1.44 per share for a six month period (up to 31 May 2011) that are in the money. None of such options have been exercised as at the date of this report.

Options granted on 7 June 2005 are subject to performance criteria based upon appreciation in the market value of Ordinary Shares of the Company. All of such performance conditions have been met. All subsequent options granted to the end of 2009 are subject to vesting provisions whereby one third of the options granted vest on each of the three anniversaries from the date of grant. All options granted in 2010 and subsequent years, will generally vest between the third and fifth anniversary of the date of grant (the "Vesting Period") subject to the satisfaction of a Performance Condition. The Performance Condition shall be satisfied where at any time during the Vesting Period, the volume weighted average market price of an Ordinary Share for any ten consecutive London Stock Exchange trading days is equal to or greater than the Ordinary Share price of the Company on the date of grant as increased by compounded growth of 5 per cent per annum in the share price as at the end of such ten day period. In the event that the Performance Condition is not satisfied by the fifth anniversary of the date of grant, the options shall lapse. Options will vest immediately upon the occurrence of a Rule 8 Event under the unapproved share option scheme (relating to change of control etc).

No share options were exercised by any of the Directors of the Company during 2010.

On 31 December 2010, the market price of an Ordinary Share of Hardy was £2.15 per share. The highest and lowest market price of an Ordinary Share of Hardy during 2009 was £1.55 and £2.73 respectively.

Restricted Shares

As mentioned above, the Board of Directors has adopted a policy whereby restricted shares will be issued to the Chairman and each Non-Executive Director on an annual basis. The number of restricted shares to be issued will be equivalent to 25 per cent of their annual cash fee based on the market value of Hardy shares on the last trading day prior to the date of issue. These shares will remain restricted for three years. The share award will be in addition to the annual cash fee. In the event of change of control of Hardy and the participant is no longer a Director going forward, all of the restricted shares will vest. In the event of death of a Director, all shares will become fully vested. Upon the Director not being re-elected at a general meeting of shareholders after offering himself for re-election as a Director at a general meeting, the shares will vest. In all other circumstances, shares that are still restricted are forfeited if the participant is no longer a Director of Hardy. In the event of a close period, the restricted shares will, subject to Board approval, be issued after the close period is over.

Other Matters
Mr Sharma is a Director of a publicly traded company and receives fees from the company. Mr Dattani is a Director of two private companies and has been awarded stock options from one company. They are entitled to retain earnings from such Directorships.

The Company does not have any long-term incentive schemes in place for any of the Directors.

The Company does not have any pension plans for any of the Directors.

The Company has not paid out any excess retirement benefits to any Directors or past Directors.

The Company has not paid any compensation to past Directors.

The Company has not paid any sums to third parties with respect to any services of Directors.

Approved on behalf of the Board of Directors.

Pradip Shah
Chairman Remuneration Committee
15 March 2011

Independent Auditor's Report
To the shareholders of Hardy Oil and Gas plc

We have audited the Group and parent company financial statements (the "financial statements") of Hardy Oil and Gas plc for the year ended 31 December 2010 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Isle of Man Companies Acts 1931 to 2004.

This report is made solely to the parent company's members, as a body, in accordance with section 15 of the Isle of Man Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Isle of Man Companies Acts 1931 to 2004; and
- the financial statements have been prepared in accordance with the requirements of the Isle of Man Companies Acts 1931 to 2004 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Emphasis of Matter – Request for extension of an Exploration Licence
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in notes 2 and 15 to the financial statements concerning the process of arbitration with the Government of India for an extension of its exploration licence in block CY-OS/2. In the event that the Group is not successful in the arbitration, the exploration expenditure capitalised in respect of this block will be subject to impairment testing. No adjustment has been made to the carrying value of this capitalised expenditure.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:
Under the Isle of Man Companies Acts 1931 to 2004 we are required to report to you if, in our opinion:
- the parent company and the Group have not kept proper accounting records;
- the financial statements are not in agreement with the accounting records and returns;
- if we have not received all the information and explanations we require for our audit; or
- if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implication for our report if we become aware of any apparent misstatements or inconsistencies within it. The information in the Directors' Report includes that specific information presented in the Review of Operations and Financial Review that is cross referred from the Business Review section of the Directors' Report.

Under the Listing Rules we are required to review:
- the Directors' statement in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board of Directors' remuneration.

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP
Statutory Auditors
London

15 March 2011

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

	Notes	2010 US$	2009 US$
Continuing Operations			
Revenue	3	**13,176,134**	7,687,355
Cost of sales			
Production costs	4	**(4,930,240)**	(5,661,574)
Depletion		**(2,835,172)**	(1,078,839)
Decommissioning charge		**(187,163)**	(104,859)
Gross profit		**5,223,559**	842,083
Administrative expenses		**(3,344,192)**	(8,384,184)
Operating profit (loss)	5	**1,879,367**	(7,542,101)
Interest and investment income	10	**401,566**	261,672
Finance costs	11	**(70,059)**	(71,378)
Profit (loss) before taxation		**2,210,874**	(7,351,807)
Taxation	12	**1,821,462**	1,424,702
Profit (loss) for the year from continuing operations		**4,032,336**	(5,927,105)
Discontinued operations			
Administrative expenses		**(743,457)**	(556,145)
Depreciation		**(42,897)**	(33,926)
Loss for the year from discontinued operations		**(786,354)**	(590,071)
Total comprehensive profit (loss) for the year		**3,245,982**	(6,517,176)
Earnings (loss) per share from continuing operations			
Basic	13	**0.06**	(0.10)
Diluted	13	**0.06**	(0.10)
Comprehensive earnings (loss) per share			
Basic	13	**0.05**	(0.10)
Diluted	13	**0.05**	(0.10)

Consolidated Statement of Changes in Equity
For the year ended 31 December 2010

	Share capital US$	Share premium US$	Shares to be issued US$	Retained earnings US$	Total US$
At 1 January 2009	623,210	93,351,938	3,926,870	46,329,855	144,231,873
Changes in equity for the year 2009					
Total comprehensive loss for the year	–	–	–	(6,517,176)	(6,517,176)
Share based payment	–	–	2,630,838	–	2,630,838
Issue of share capital	62,090	15,764,184	–	–	15,826,274
Issue expenses		(640,198)			(640,198)
At 31 December 2009	685,300	108,475,924	6,557,708	39,812,679	155,531,611
Changes in equity for the year 2010					
Total comprehensive profit for the year	**–**	**–**	**–**	**3,245,982**	**3,245,982**
Share based payment	**–**	**–**	**(961,287)**	**–**	**(961,287)**
Share options exercised	**50**	**10,904**	**–**	**–**	**10,954**
Restricted shares issued	**175**	**60,693**	**–**	**–**	**60,868**
Issue of share capital	**33,700**	**10,415,410**	**–**	**–**	**10,449,110**
Issue expenses	**–**	**(1,022,652)**	**–**	**–**	**(1,022,652)**
At 31 December 2010	**719,225**	**117,940,279**	**5,596,421**	**43,058,661**	**167,314,586**

Consolidated Statement of Financial Position
As at 31 December 2010

	Notes	2010 US$	2009 US$
Assets			
Non-current assets			
Property, plant and equipment	14	**7,027,856**	10,046,762
Intangible assets – exploration	15	**137,617,908**	134,725,547
Intangible assets – others	16	**16,439**	46,144
Site restoration deposit	24	**4,084,930**	3,630,471
Total non-current assets		**148,747,133**	148,448,924
Current assets			
Inventories	19	**2,499,191**	2,453,998
Trade and other receivables	20	**4,573,986**	3,822,520
Short term investments	21	**28,149,496**	20,505,130
Cash and cash equivalents	26	**8,375,388**	10,036,678
Total current assets		**43,598,061**	36,818,326
Total assets		**192,345,194**	185,267,250
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	22	**719,225**	685,300
Share premium		**117,940,279**	108,475,924
Shares to be issued		**5,596,421**	6,557,708
Retained earnings		**43,058,661**	39,812,679
Total equity		**167,314,586**	155,531,611
Non-current liabilities			
Provision for decommissioning	24	**4,500,000**	4,500,000
Provision for deferred tax	12	**7,122,647**	9,872,917
Total non-current liabilities		**11,622,647**	14,372,917
Current liabilities			
Trade and other payables	25	**13,407,961**	15,362,722
Total current liabilities		**13,407,961**	15,362,722
Total liabilities		**25,030,608**	29,735,639
Total equity and liabilities		**192,345,194**	185,267,250

Approved and authorised for issue by the Board of Directors on 15 March 2011.

Paul Mortimer
Chairman

Dinesh Dattani
Finance Director

Consolidated Statement of Cash Flows
For the year ended 31 December 2010

	Notes	2010 US$	2009 US$
Operating activities			
Cash flow (used in) operating activities	6	**(916,991)**	(444,732)
Cash flow (used in) discontinued operations		**(743,457)**	(556,145)
Taxation paid		**113,422**	(10,088)
Net cash (used in) operating activities		**(1,547,026)**	(1,010,965)
Investing activities			
Expenditure on property, plant and equipment		**(74,320)**	(2,853,122)
Expenditure on intangible assets – exploration		**(5,989,882)**	(10,712,286)
Purchase of intangible assets – others		**(17,545)**	–
Purchase of other fixed assets		**(29,716)**	(8,773)
Site restoration deposit		**(454,459)**	(418,641)
Short term investments		**(7,644,366)**	1,505,161
Disposal of discontinued operations		**4,275,047**	–
Net cash (used in) investing activities		**(9,935,241)**	(12,487,661)
Financing activities			
Interest and investment income		**392,756**	281,292
Finance costs		**(70,059)**	(71,378)
Issue of shares		**9,498,280**	15,186,076
Net cash from financing activities		**9,820,977**	15,395,990
Net increase (decrease) in cash and cash equivalents		**(1,661,290)**	1,897,364
Cash and cash equivalents at the beginning of the year		**10,036,678**	8,139,314
Cash and cash equivalents at the end of the year	26	**8,375,388**	10,036,678

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").

a) Basis of measurement

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

b) Going concern

The Group has a history of profitable operations and has successfully raised financing in the past to provide funding for its ongoing exploration and development programmes and to augment its working capital. Having considered the guidance given in the document "Going concern and liquidity risk: Guidance for Directors" issued in October 2009 by the Financial Reporting Council and having regard to the Group's existing working capital position and its ability to raise potential financing, 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 twelve months.

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, the following standards and interpretations were in issue but not yet effective:

IFRS 9 Financial instruments
IAS 24 Related Party Disclosures (Revised 2009)
Amendment to IAS 32 Classification of rights issues
IFRIC 19 Extinguishing financial liabilities with equity instruments
IFRIC 14 (Amendment) Prepayments of a minimum funding requirement
Improvement to IFRS issued May 2010
Amendment to IFRS 7 Financial instrument: Disclosures
Amendment to IAS12 Income Taxes

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 undertakings. The consolidated statement of comprehensive income and the consolidated statement of cash flows include the results and cash flows of subsidiary undertakings up to the date of disposal.
The Group conducts the majority of its exploration, development and production through unincorporated joint arrangements with other companies.

The consolidated financial statements reflect the Group's share of production revenues and costs attributable to its participating interests under the proportional consolidation method.

f) Revenue and other income

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 part of profit sharing, tariff, and income from technical services to third parties if any. Revenues are recognised when crude oil has been lifted and title has been passed to the buyer or when services are rendered.

g) Oil and gas assets

i) Exploration and evaluation assets

Hardy follows the full cost method of accounting for its oil and gas assets. Under this method, all expenditures incurred in connection with and directly attributable to the acquisition, exploration and appraisal having regard to the requirements of IFRS 6 "Exploration for and Evaluation of Mineral Resources" are accumulated and capitalised in a geographical cost pool, which is not larger than the Indian segment.

The capitalised exploration and evaluation costs are classified as Intangible assets – exploration which includes license acquisition, exploration and appraisal costs relating either to unevaluated properties or properties awaiting further evaluation but do not include costs incurred prior to having obtained legal right to explore an area, which are expensed directly to the statement of comprehensive income as they are incurred.

Intangible exploration and evaluation cost relating to each license or block remain capitalised pending a determination of whether or not commercial reserves exists. Commercial reserves are defined as proven and probable reserves on a net entitlement basis.

When a decision to develop these properties is taken or there is evidence of impairment, the costs are transferred to the cost pools within development/producing assets when the commercial reserves attributable to the underlying asset have been established.

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 on 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 in 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. Future decommissioning costs are estimated and stated at an amount representing the costs which would be incurred should decommissioning occur at the year end date and the estimates are reassessed each year. The provision is assessed at prices ruling at the year end date and, accordingly, it is not appropriate to discount this provision. The decommissioning asset is included within the property, plant and equipment with the cost of the related assets installed and is adjusted for any revision to the decommissioning costs and the provision thereof. The amortisation of the asset, calculated on a unit of production basis based on proved and probable reserves, is shown as “Decommissioning charge” in the statement of comprehensive income.

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. Gain or loss arising on disposal of a subsidiary is also recorded 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 taking into consideration future development expenditures necessary to bring the reserves into production. 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, if any, 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 are carried out 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, the excess amount is recognised in the statement of comprehensive income as impairment.

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

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

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 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.

1. Accounting Policies continued

m) Inventory

Inventory of crude oil is valued at the lower of average cost and 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 and the Group are recorded at net proceeds after direct issue costs.

p) Taxation

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 subsequently 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 against which deductible temporary differences can be utilised.

Deferred income tax liabilities are recognised for all temporary differences except in respect of taxable temporary differences associated with investment in subsidiaries, associates and interest in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is possible that the temporary differences will not reverse in the foreseeable future.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the year end date, where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax.

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 or substantively 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.

Rates of exchanges are as follows:

	31 December 2010	31 December 2009
£ to US$	**1.5544**	1.6154
US$ to Indian Rupees	**44.92**	46.67

r) Leasing commitments

Rental charges or charter hire charges payable under operating leases are charged to the statement of comprehensive income as part of production cost 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 conditions other than the 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.

2. Critical accounting estimates and judgments

Estimates and judgements 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

The Group holds a 75 percent participating interest in the block CY-OS/2 off the east coast of India. Intangible assets include an amount of US$83,530,141 with respect to exploration expenditures on the block wherein where a gas discovery was announced on 8 January 2007. The exploration period for the block ended on 23 March 2007. The Government of India ("GOI") has been requested to extend the block for appraisal and declaration of commerciality for its gas discovery until 7 January 2012. This request was declined. Production Sharing Contract ("PSC") provides for a period of 60 months from the date of discovery for declaration of commerciality in case of a discovery being Non–Associated Natural Gas ("NANG"). This period will be limited to 24 months for an oil discovery.

The Group has obtained third party legal and technical opinions that support the Group's view that the discovery is NANG and has referred the dispute to arbitration for adjudication. The Group believes that it will be successful in obtaining the extension of its licence in block CY-OS/2 in the arbitration. Therefore, the intangible assets arising from expenditure on this block continue to be recognised in full and the directors do not believe that any impairment of these costs has arisen.

The arbitration process is continuing as at the date of approval of these financial statements.

(ii) Decommissioning

The liability for decommissioning is based on estimates of the costs of decommissioning that will arise in the future. Significant changes in costs as a result of technical advancements and other factors can result in a material change to this provision. A 5% change in the liability for decommissioning will impact the decommissioning charge by US$17,330. A 5% change in proven and probable reserves will impact the decommissioning charge by US$8,665.

(iii) Depletion

Depletion is based on best estimates of commercial reserves existing as at the year end date. The determination of commercial reserves is based on assumptions which include those relating to the future prices of crude oil and natural gas, capital expenditure plans, cost of production and other factors. A 5% change in proven and probable reserves will impact the depletion charge by US$124,776. A 5% change in future development costs will impact the depletion charge by US$109,178.

3. Segment analysis

The Group is organised into two business units as at end of the year: India and United Kingdom. The India business unit is operated by the wholly owned subsidiary, Hardy Exploration & Production (India) Inc. In addition, Hardy Oil and Gas plc operates in the United Kingdom. A Nigeria business unit was operated by Hardy Oil Nigeria Limited, which was sold on 27 October 2010 with an effective date of 30 September 2010.

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.

3. Segment analysis continued

2010 US$

	India	Nigeria Discontinued Operations	UK	Inter-Segment Eliminations	Total
Revenue					
Oil sales	15,667,643	–	–	–	15,667,643
Profit oil to government	(2,783,447)	–	–	–	(2,783,447)
Management fees	–	–	180,000	(180,000)	–
Other income	–	–	291,938	–	291,938
	12,884,196	–	471,938	(180,000)	13,176,134
Operating profit (loss)	3,246,914	(786,354)	(5,465,435)	4,097,888	1,093,013
Interest income	350,709	–	50,857		401,566
Interest on inter corporate loan	–	–	1,274,231	(1,274,231)	–
Finance costs	(70,059)	–	–	–	(70,059)
Profit (loss) before taxation	3,527,564	(786,354)	(4,140,347)	2,823,657	1,424,520
Taxation	102,363	–	1,719,099	–	1,821,462
Profit (loss) for the year	3,629,927	(786,354)	(2,421,248)	2,823,657	3,245,982
Segment assets	158,363,331	–	33,981,863	–	192,345,194
Inter corporate loan	–	–	94,429,751	(94,429,751)	–
Segment liabilities	23,425,963	–	1,604,645	–	25,030,608
Inter corporate borrowings	(94,429,751)	–	–	94,429,751	–
Capital expenditure	6,101,046	–	10,417	–	6,111,463
Depreciation, depletion and amortisation	3,022,335	42,897	34,578	–	3,099,810

2009 US$

	India	Nigeria Discontinued Operations	UK	Inter-Segment Eliminations	Total
Revenue					
Oil sales	7,687,355	–	–	–	7,687,355
Management fees	–	–	180,000	(180,000)	–
	7,687,355	–	180,000	(180,000)	7,687,355
Operating loss	(2,967,105)	(590,071)	(4,574,996)	–	(8,132,172)
Interest income	142,801	–	118,871	–	261,672
Interest on inter corporate loan	–	–	1,282,445	(1,282,445)	
Finance costs	(71,378)	–	–	–	(71,378)
Loss before taxation	(2,895,682)	(590,071)	(3,173,680)	(1,282,445)	(7,941,878)
Taxation	323,233	–	1,101,469	–	1,424,702
Loss for the year	(2,572,449)	(590,071)	(2,072,211)	(1,282,445)	(6,517,176)
Segment assets	154,454,229	4,407,428	26,405,593		185,267,250
Inter corporate loan	–	–	97,576,000	(97,576,000)	–
Segment liabilities	26,392,711	9,708	3,333,220		29,735,639
Inter corporate borrowings	(90,368,000)	(7,208,000)	–	97,576,000	–
Capital expenditure	13,566,820	–	7,361		13,574,181
Depreciation, depletion and amortisation	1,279,846	33,926	43,956	–	1,357,728

The Group is engaged in one business activity, the production and exploration for oil and gas. Other income relates to technical services to third parties, overhead recovery from joint venture operations and miscellaneous receipts, if any. Revenue arises from the sale of oil produced from the contract area CY-OS-90/1 India and the revenue by destination is not materially different from the revenue by origin.

Hardy Oil (Africa) Limited ("HOAL") a wholly owned subsidiary of Hardy Oil and Gas plc, holding exploration assets through its subsidiary Hardy Oil Nigeria Limited was sold with effect from 30 September 2010. Accordingly, the loss relating to Nigerian operations is presented as loss on discontinued operations.

4. Cost of sales

Production cost included in the cost of sales consists of:

	2010 US$	2009 US$
Opening stock of crude oil	**–**	1,843,226
Cost of crude oil produced and saved	**5,320,041**	3,818,348
Closing stock of crude oil	**(389,801)**	–
Production cost	**4,930,240**	5,661,574

5. Operating profit (loss)

Operating profit is stated after charging:

	2010 US$	2009 US$
Depletion charge of property, plant and equipment-producing	**2,835,172**	1,078,839
Decommissioning charge of property, plant and equipment	**187,163**	104,859
Depreciation charge of property, plant and equipment-others	**147,857**	174,030
Movement in inventory of oil	**(389,801)**	1,843,226
Operating lease costs		
– Plant and machinery	**3,571,626**	2,681,983
– Land and buildings	**536,075**	426,396
External auditors' remuneration		
– Fees payable to the company's auditors for the audit of the Group's financial statements	**78,571**	55,731
– Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the company or any of its associates	**98,245**	–
– All other services	**12,310**	18,424
Exchange (gain)	**(591,560)**	(669,110)

In 2009, administrative expenses included US$1,008,905 of additional cost associated with the re-entry of the PD-4 well in the PY-3 field. In 2010, a credit of US$482,884 was recorded for a partial recovery of such cost.

The Group has a policy in place for the award of non audit services to be provided by the auditors, which requires approval of the Audit Committee.

6. Reconciliation of operating profit (loss) of continuing operations to operating cash flows

	2010 US$	2009 US$
Operating profit (loss)	**1,879,367**	(7,542,101)
Depletion and depreciation	**2,940,132**	1,218,943
Decommissioning charge	**187,163**	104,859
Share based payments	**(961,287)**	2,657,572
	4,045,375	(3,560,727)
Decrease (increase) in inventory	**(45,193)**	1,282,439
Decrease (increase) in trade and other receivables	**(2,364,766)**	228,933
(Decrease) increase in trade and other payables	**(2,552,407)**	1,604,623
Cash flow (used in) operating activities	**(916,991)**	(444,732)

7. Staff costs

	2010 US$	2009 US$
Wages and salaries	**4,050,752**	3,398,707
Social security costs	**218,971**	179,520
Share based payments charge	**(897,337)**	2,789,471
	3,372,386	6,367,698

7. Staff costs continued

Staff costs include executive directors' salaries, fees, benefits and shares based payments and are shown gross before amounts recharged to joint ventures.

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

	2010	2009
Management and administration	**21**	25
Operations	**26**	26
	47	51

8. Share based payments

Share options had been granted to subscribe for the Ordinary Shares of US$0.01 each in the capital of the Company ("Ordinary Shares"), which are exercisable between 2010 and 2020 at prices of £1.44 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 price 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 and with respect to 2010 options, the period is three years. The options are exercisable for a period of ten years from the date of grant.

Details of the share options outstanding during the years are as follows:

	2010		2009	
	Number of options	Weighted average price £	Number of options	Weighted average price £
Outstanding at beginning of the year	**4,752,101**	**2.92**	4,707,101	2.94
Granted during the year	**1,140,000**	**2.12**	50,000	1.74
Forfeited/lapsed during the year	**(1,433,702)**	**2.67**	(5,000)	7.69
Exercised during the year	**(5,000)**	**1.44**	–	–
Outstanding at the end of the year	**4,453,399**	**2.80**	4,752,101	2.92
Exercisable at the end of the year	**3,224,399**	**2.88**	3,885,434	2.34

The aggregate of the estimated fair values of the options granted outstanding as at 31 December 2010 is US$8,628,684. The inputs into the binomial model for computation of value of options are as follows:

Share price at grant date	varies from £1.44 to £7.69
Option exercise price at grant date	varies from £1.44 to £7.69
Expected volatility	8% – 40%
Expected life	6 years from grant date
Risk free rate	4.35% – 4.70%
Expected dividend	Nil

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 are as follows:

	2010		2009	
Exercisable between	Number	WAEP	Number	WAEP
2005-2016	**1,796,399**	**£1.68**	2,617,099	£1.60
2006-2017	**30,000**	**£3.03**	35,000	£3.03
2007-2018	**1,180,000**	**£3.81**	1,650,002	£3.89
2008-2019	**327,000**	**£7.69**	400,000	£7.69
2009-2020	**–**	**–**	50,000	£1.74
2010-2021	**1,120,000**	**£2.12**	–	–

On 24 October 2008, the Company issued 20,182 Ordinary Shares having a face value of US$0.01 per share and an aggregate market value of US$80,203 (£50,000) to Mr Ian Bruce upon his appointment as a Non-Executive Director. Such shares are held in trust and will be released to Mr. Bruce after three years from the date of issue (subject to earlier release in certain circumstances) provided he remains a director of the Company. The cost of issuing such shares is charged to the statement of comprehensive income over a three year period from the date of issue. In 2010, an amount of US$26,734 has been expensed as a share based payment with the remaining amount of US$22,279 treated as a prepayment. During the restricted period, Mr Bruce may from time to time direct all voting rights vested in the registered holder of the restricted shares.

The Group has reversed a net amount of US$961,287 in the current year and expensed an amount of US$2,816,204 in 2009 towards equity settled share based payments, which includes US$26,734 (2009: US$26,733) towards restricted shares and share options issued to Non Executive Directors. Equity shares to be issued are revalued at the exchange rate as at 31 December 2010. The revaluation gain for the year 2010 is US$63,950 (2009: US$158,632). The value of shares to be issued as at 31 December 2010 is US$5,596,421 (2009: US$6,557,708).

9. 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 32.

10. Interest and investment income

	2010 US$	2009 US$
Bank interest	**381,500**	198,197
Dividend	**20,066**	63,475
	401,566	261,672

11. Finance costs

	2010 US$	2009 US$
Bank guarantee charges	**70,059**	71,378

12. Taxation

a) Analysis of taxation (credit) for the year

	2010 US$	2009 US$
Current tax charge		
UK Corporation Tax	**–**	–
Foreign Tax – India		
Minimum Alternate Tax	**928,808**	–
Foreign tax – USA	**–**	–
Total current tax charge	**928,808**	–
Deferred tax (credit) charge	**(2,750,270)**	(1,424,702)
Taxation (credit)	**(1,821,462)**	(1,424,702)

	2010 US$	2009 US$
Deferred tax (credit) charge	**–**	–
Origination and reversal of temporary differences	**(2,750,270)**	(1,424,702)

Deferred tax analysis:

	2010 US$	2009 US$
Differences between accumulated depletion, depreciation and amortisation and capital allowances	**(13,570,502)**	(12,956,107)
Other temporary differences	**6,447,855**	3,083,190
Deferred tax (liability)	**(7,122,647)**	(9,872,917)

b) Factors affecting tax charge for the year

	2010 US$	2009 US$
Profit (loss) before taxation from continuing operations	**2,210,874**	(7,941,878)
Profit (loss) before taxation multiplied by the rate of tax in UK of 28%	**619,045**	(2,223,726)
Foreign tax on overseas income – current year	**928,808**	–

Indian operations of the Group are subject to a tax rate of 42.23 percent 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. 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.

13. Earnings (loss) per share

Earnings per share for continuing operations are calculated on a profit of US$4,032,336 for the year 2010 (loss for 2009: US$5,927,105) on a weighted average of 68,597,410 Ordinary Shares for the year 2010 (2009: 66,506,242).

The diluted earnings per share for continuing operations are calculated on a profit of US$4,032,336 for the year 2010 (loss for 2009: US$5,927,105) on a weighted average of 70,068,576 Ordinary Shares for the year 2010 (2009: 71,258,343). For the year 2009, the weighted average shares are calculated after giving impact to dilutive potential Ordinary Shares of 1,471,166 relating to share options after excluding 2,982,233 options wherein the strike price exceeds the average market price of the shares of the Company.

Comprehensive earnings per share are calculated on a profit of US$3,245,982 for the year 2010 (loss for 2009: US$6,517,176) on a weighted average of 68,597,410 Ordinary Shares for the year 2010 (2009: 66,506,242).

The diluted earnings per share on profit (loss) attributable to parent company are calculated on a profit of US$3,245,982 for the year 2010 (loss for 2009: US$6,517,176) on a weighted average of 70,068,576 Ordinary Shares for the year 2010 (2009: 71,258,343).

14. Property, plant and equipment

Oil and gas assets represent interests 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 January 2009	32,798,667	2,689,803	35,488,470
Additions	2,853,122	8,773	2,861,895
Deletions	–	(89,304)	(89,304)
At 1 January 2010	**35,651,789**	**2,609,272**	**38,261,061**
Additions	**74,320**	**29,716**	**104,036**
Deletions	**–**	**(463,888)**	**(463,888)**
At 31 December 2010	**35,726,109**	**2,175,100**	**37,901,209**
Depletion, depreciation and amortisation			
At 1 January 2009	24,576,755	2,434,616	27,011,371
Charge for the year	1,183,698	108,534	1,292,232
Deletions	–	(89,304)	(89,304)
At 1 January 2010	**25,760,453**	**2,453,846**	**28,214,299**
Charge for the year	**3,022,335**	**100,607**	**3,122,942**
Deletions	**–**	**(463,888)**	**(463,888)**
At 31 December 2010	**28,782,788**	**2,090,565**	**30,873,353**
Net book value at 31 December 2010	**6,943,321**	**84,535**	**7,027,856**
Net book value at 31 December 2009	9,891,336	155,426	10,046,762

15. Intangible assets – exploration

	India US$	Nigeria US$	Total US$
Cost and net book value			
At 1 January 2009	120,915,740	3,097,521	124,013,261
Additions	10,712,286	–	10,712,286
At 1 January 2010	**131,628,026**	**3,097,521**	**134,725,547**
Additions	**5,989,882**	**–**	**5,989,882**
Deletions	**–**	**(3,097,521)**	**(3,097,521)**
At 31 December 2010	**137,617,908**	**–**	**137,617,908**

The Group holds a 75 per cent participating interest in the block CY-OS/2 off the east coast of India. Intangible assets include an amount of US$83,530,141 with respect to exploration expenditures on the block wherein where a gas discovery was announced on 8 January 2007. The exploration period for the block ended on 23 March 2007. The Government of India ("GOI") has been requested to extend the block for appraisal and declaration of commerciality for its gas discovery until 7 January 2012. The GOI have declined this request.

Provisions of the PSC provide for an appraisal period of 60 months from the date of discovery. For an oil discovery, this period is limited to 24 months. The Company has obtained third party legal and technical opinions that support the Company's view that the discovery is NANG. Accordingly, the dispute has been referred to arbitration for adjudication. The arbitration process is continuing at the date of approval of these financial statements.

In the event that Hardy's application for an extension of the CY-OS/2 licence was to be unsuccessful, the capitalised expenditure will be subject to impairment testing.

Hardy Oil (Africa) Limited was sold on 27 October 2010 with an effective date of 30 September 2010. Therefore the exploration expenditure relating to the Nigeria cost pool is deleted.

16. Intangible assets – others

Cost	US$
At 1 January 2009	491,183
Additions	–
At 1 January 2010	**491,183**
Additions	**17,545**
At 31 December 2010	**508,728**
Accumulated depreciation	
At 1 January 2009	379,543
Charge for the year	65,496
At 1 January 2010	**445,039**
Charge for the year	**47,250**
At 31 December 2010	**492,289**
Net book value as at 31 December 2010	**16,439**
Net book value as at 31 December 2009	46,144

Intangible assets – others represent the cost of software used for geological and geophysical studies and other software for normal business operations.

17. Disposal of undertaking

The entire share capital of HOAL, a holding company of Hardy Oil Nigeria Limited, which had exploration assets in the blocks Oza and Atala, was sold for a net consideration of US$4,275,047 (net of expenses) on 27 October 2010 with an effective date of 30 September 2010.

The net book value of the assets of HOAL as at 30 September 2010 was US$4,275,047 and therefore no loss or gain is recognised on disposal.

18. Members of the Group

The Group comprises 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.

19. Inventories

	2010 US$	2009 US$
Crude oil	**389,801**	–
Drilling and production stores and spares	**2,109,390**	2,453,998
	2,499,191	2,453,998

In the year 2009, obsolete stores and spares of drilling inventory of US$117,795 were written-off.

20. Trade and other receivables

	2010 US$	2009 US$
Trade receivables	**3,687,777**	–
Other receivables	**837,113**	3,282,416
Advance tax paid in India	**–**	399,535
Prepayments and accrued income	**49,096**	140,569
	4,573,986	3,822,520

In the year 2009, other receivables included an amount of US$1,813,879 with respect to excess profit oil which was recovered in 2010.

21. Short term investments

	2010 US$	2009 US$
HSBC US$ Liquidity Fund Class-A	**25,184,787**	19,863,924
HSBC £ Liquidity Fund Class-A	**2,964,709**	641,206
	28,149,496	20,505,130

The above investments are in liquid funds which can be converted into cash at short notice. Book value of these investments approximates fair values.

22. Share Capital

	Number $0.01 Ordinary Shares	US$
Authorised Ordinary Shares		
At 1 January 2009	200,000,000	2,000,000
At 1 January 2010	200,000,000	2,000,000
At 31 December 2010	**200,000,000**	**2,000,000**
Allotted, issued and fully paid Ordinary Shares		
At 1 January 2009	62,321,047	623,210
Shares issued during the year	6,208,997	62,090
At 1 January 2010	68,530,044	685,300
Share options exercised during the year	**5,000**	**50**
Restricted shares issued during the year	**17,489**	**175**
Shares issued during the year	**3,370,000**	**33,700**
At 31 December 2010	**71,922,533**	**719,225**

Ordinary Shares issued in the years 2010 and 2009 were as a result of placings in December 2010 and April 2009 respectively. Ordinary Shares issued have equal voting and other rights with no guarantee to dividend or other payments.

23. 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.

Shares to be issued

The shares to be issued represent the fair value of share options issued to Directors and employees.

24. Provision for decommissioning

	US$
At 1 January 2009	4,500,000
Additional cost for decommissioning	–
At 1 January 2010	4,500,000
Additional cost for decommissioning	–
At 31 December 2010	**4,500,000**

Provision has been made by estimating the decommissioning cost at current prices using existing technology. Decommissioning costs are expected to be incurred between 2017 and 2020.

An amount of Rs.183,495,070 (US$4,084,930) 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.

25. Trade and other payables

	2010 US$	2009 US$
Trade payables	**8,080,059**	8,878,471
Other payables	**1,587,289**	1,503,041
Accruals	**3,740,613**	4,981,210
	13,407,961	15,362,722

Trade and other payables are unsecured, payable on demand and are outstanding for a period of less than 12 months. Trade payables, other payables and accruals are all expected to be settled within normal credit terms.

26. 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 treasury functions are responsible for managing fund requirements and investments which includes banking and cash flow management. Interest and foreign exchange exposure are key functions of treasury management 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 for the purpose of meeting its requirements for operations.

Hardy's main risks arising from financial instruments are foreign currency risk, liquidity 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 all costs except a portion towards 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 year.

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 year 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 and ensure security of capital at the time of issue.

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 for the 30 day 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 negligible.

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 term 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 year 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 financed assets as on the year end date.

26. Financial risk management continued

Maturity of non-current financial liabilities

The maturity of non-current financial liabilities as at 31 December 2010 and 31 December 2009 is as follows:

	2010 US$	2009 US$
In more than two years but not more than five years	–	–
In more than five years	4,500,000	4,500,000

The Group does not have any fixed maturity or interest bearing financial liabilities as at 31 December 2010 or 31 December 2009.

Interest rate risk profile of financial assets

The interest rate risk profile of the financial assets of the Group as at 31 December 2010 is as follows:

	Fixed rate financial asset US$	Floating rate financial asset US$	Financial asset – no interest is earned US$	Total US$
US Dollar	5,000,000	400,277	1,089,285	6,489,562
Pound Sterling	–	238	207,986	208,224
Indian Rupee	1,274,007	–	403,595	1,677,602
Cash and cash equivalents	6,274,007	400,515	1,700,866	8,375,388

An amount of Rs.183,495,070 (US$4,084,930) 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$66,745 for every one per cent change in interest rates.

Financial assets include cash and deposits and the floating interest rates are based on market rates.

The interest rate risk profile of the financial assets of the Group as at 31 December 2009 is as follows:

	Fixed rate financial asset US$	Floating rate financial asset US$	Financial asset – no interest is earned US$	Total US$
US Dollar	5,000,000	2,687,030	526,243	8,213,273
Pound Sterling	–	267	317,810	318,077
Indian Rupee	565,788	–	937,895	1,503,683
Nigerian Naira	–	–	1,645	1,645
Cash and cash equivalents	5,565,788	2,687,297	1,783,593	10,036,678

An amount of Rs.169,434,082 (US$3,630,471) 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 is sensitive to increase or decrease by US$82,530 for every one percent change in interest rates.

Financial assets include cash and deposits and the floating interest rates are based on market rates.

Currency exposures

The currency exposures of the monetary assets denominated in currencies other than US dollars of the Group as at 31 December 2010 are as follows:

	Indian Rupees US$	Pound Sterling US$	Total US$
US$	5,762,532	3,172,933	8,935,465

An amount of US$227,031 was recognised as a foreign exchange gain on account of exchange rate fluctuations on bank balances and investments made in currencies other than US dollars for the year 2010.

Exchange gain will increase by US$25,325 for every one percent appreciation of Indian rupee and sterling and a loss of US$26,478 for one percent depreciation of Indian rupee and sterling.

The currency exposures of the monetary assets denominated in currencies other than US dollars of the Group as at 31 December 2009 were as follows:

	Indian Rupees US$	Pound Sterling US$	Nigerian Naira US$	Total US$
US$	5,134,154	959,283	1,645	6,095,082

An amount of US$409,067 was recognised as a foreign exchange gain on account of exchange rate fluctuations on bank balances and investments made in currencies other than US dollars for the year 2009.

Exchange gain will increase by US$41,257 for every one per cent appreciation of Indian rupee, sterling and Naira and a loss of US$42,283 for one per cent depreciation of Indian rupee, sterling and Naira.

27. Financial instruments

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

Financial assets

Primary financial instruments	**Book value 2010 US$**	**Fair value 2010 US$**	Book value 2009 US$	Fair value 2009 US$
Short term investments	**28,149,496**	**28,149,496**	20,505,130	20,505,130
Cash and short term deposits	**8,375,388**	**8,375,388**	10,036,678	10,036,678
Trade and other receivables	**4,573,986**	**4,573,986**	3,822,520	3,822,520
Site restoration deposit	**4,084,930**	**4,084,930**	3,630,471	3,630,471
	40,609,814	**40,609,814**	34,172,279	34,172,279

Financial liabilities

Primary financial instruments	**Book value 2010 US$**	**Fair value 2010 US$$**	Book value 2009 US$	Fair value 2009 US$
Accounts payable	**(13,407,961)**	**(13,407,961)**	(15,362,722)	(15,362,722)
Provisions for decommissioning	**(4,500,000)**	**(4,500,000)**	(4,500,000)	(4,500,000)
	(17,907,961)	**(17,907,961)**	(19,862,722)	(19,862,722)

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

28. Capital commitments

	2010 US$	2009 US$
Oil and gas expenditures	**–**	–

29. Pension commitments

The Group has no pension commitments as at the year end date.

30. 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:

	2010 US$	2009 US$
Land and buildings:		
One year	**289,511**	288,313
Two to five years	**74,645**	227,957
After five years	**–**	–
Other:		
One year	**8,200**	20,213
Two to five years	**649**	23,626
After five years	**–**	–

31. Contingent liabilities

Bank guarantees for US$3,522,750 have been issued to the Government of India. The guarantees were obtained by placing a fixed deposit of Rs.27, 228,384 (US$606,153) with a bank with the interest rate of 6.25 per cent.

The Group issues guarantees in respect of obligations under various production sharing contracts ("PSC") in the normal course of business. The Group has provided guarantees of US$3,522,750 as at 31 December 2010 issued under a facility with a bank for the Group's share of minimum work programme commitments for the year to 31 March 2011. The details of the bank guarantees provided are as follows:

PSC	Guarantee Number	US$
KG-DWN-2001/1	ILG010/42465/07	1,946,035
KG-DWN-2003/1	ILG011/42465/07	1,534,295
AS-ONN-2000/1	ILG046/42465/08	42,420

In addition, the parent company guarantees the Group's obligations under various PSC's to the Government of India.

The Guarantees are deemed to have negligible fair value and are therefore accounted for as contingent liabilities.

32. Related party transactions

The aggregate remuneration of Directors and the key management personnel of the Group is as follows.

	2010 US$	2009 US$
Short term employee benefits	**2,412,582**	1,545,116
Share based payments	**813,431**	1,787,730
	3,226,013	3,332,846

Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report which forms part of the Group's 2010 Annual Report.

The entire share capital of HOAL was sold to Inergia Petroleum Limited ("IPL") on 27 October 2010. Mr Sastry Karra, who was at that time a Non-Executive Director of Hardy, held a significant interest in IPL. Accordingly, the transaction between Hardy and IPL on the disposal of HOAL was approved by the shareholders of the Company at an Extraordinary General Meeting held on 27 October 2010.

Parent Company Statement of Changes in Equity
For the year ended 31 December 2010

	Share capital US$	Share premium US$	Shares to be issued US$	Retained earnings US$	Total US$
At 1 January 2009	623,210	93,351,938	3,926,870	13,172,293	111,074,311
Changes in equity for the year 2009					–
Total comprehensive loss for the year	–	–	–	(2,072,211)	(2,072,211)
Share based payment	–	–	2,630,838	–	2,630,838
Issue of share capital	62,090	15,764,184	–	–	15,826,274
Issue expenses	–	(640,198)	–	–	(640,198)
At 31 December 2009	685,300	108,475,924	6,557,708	11,100,082	126,819,014
Changes in equity for the year 2010					**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**(2,421,248)**	**(2,421,248)**
Share based payment	**–**	**–**	**(961,287)**	**–**	**(961,287)**
Share option exercised	**50**	**10,904**	**–**	**–**	**10,954**
Restricted shares issued	**175**	**60,693**	**–**	**–**	**60,868**
Issue of share capital	**33,700**	**10,415,410**	**–**	**–**	**10,449,110**
Issue expenses	**–**	**(1,022,652)**	**–**	**–**	**(1,022,652)**
At 31 December 2010	**719,225**	**117,940,279**	**5,596,421**	**8,678,834**	**132,934,759**

Total comprehensive loss for the year of US$2,421,248 includes an amount of US$4,097,888 written-off with respect to inter corporate loan given to HOAL and equity contribution to HOAL of US$387,835 consequent to the disposal of the undertaking on 27 October 2010.

Parent Company Statement of Financial Position
As at 31 December 2010

	Notes	2010 US$	2009 US$
Assets			
Non-current assets			
Property, plant and equipment	9	**48,467**	72,628
Intangible assets – others	10	**–**	–
Investments	12	**100,557,539**	103,746,639
Total non-current assets		**100,606,006**	103,819,267
Current assets			
Trade and other receivables	13	**448,681**	99,477
Short term investments	14	**28,149,496**	20,505,130
Cash and cash equivalents	18	**5,335,219**	5,728,360
Total current assets		**33,933,396**	26,332,967
Total assets		**134,539,402**	130,152,234
Equity and Liabilities			
Equity attributable to the owners			
Equity			
Called-up share capital	15	**719,225**	685,300
Share premium		**117,940,279**	108,475,924
Shares to be issued		**5,596,421**	6,557,708
Retained earnings		**8,678,834**	11,100,082
Total equity		**132,934,759**	126,819,014
Non-current liabilities			
Provision for deferred tax	16	**1,337,353**	3,056,452
Current liabilities			
Trade and other payables	17	**267,290**	276,768
Total liabilities		**1,604,643**	3,333,220
Total equity and liabilities		**134,539,402**	130,152,234

Approved and authorised for issue by the Board of Directors on 15 March 2011.

Paul Mortimer
Chairman

Dinesh Dattani
Finance Director

Parent Company Statement of Cash Flows
For the year ended 31 December 2010

	Notes	2010 US$	2009 US$
Operating activities			
Cash flow (used in) operating activities	4	**(3,001,732)**	(2,555,298)
Net cash (used in) operating activities		**(3,001,732)**	(2,555,298)
Investing activities			
Purchase of other property, plant and equipment		**(10,417)**	(7,361)
Disposal of subsidiary undertaking (net of expenses)		**4,275,047**	–
Short term investments		**(7,644,366)**	1,505,161
Net cash (used in) from investing activities		**(3,379,736)**	1,497,800
Financing activities			
Interest and investment income		**1,328,898**	1,381,696
Inter corporate loan		**(4,838,851)**	(10,788,000)
Issue of shares		**9,498,280**	15,186,076
Net cash from financing activities		**5,988,327**	5,779,772
Net (decrease) increase in cash and cash equivalents		**(393,141)**	4,722,274
Cash and cash equivalents at the beginning of the year		**5,728,360**	1,006,086
Cash and cash equivalents at the end of the year		**5,335,219**	5,728,360

1. Accounting policies
The Company follows the accounting policies of the Group.

2. Revenue

	2010 US$	2009 US$
Overhead recovery	**291,938**	(132,172)
Management fees from subsidiary	**180,000**	180,000
	471,938	47,828

In the year 2009, parent company overhead recovery of US$297,000 to the subsidiary operated production sharing contracts for the year 2008 was reversed. As a result the overhead recovery is negative in 2009.

The Directors do not consider there to be more than one class of business or geographic segment for the purposes of reporting. The Company operates in one geographical area, the United Kingdom and the Company's activity is one class of business as holding company for the Group.

3. Statement of comprehensive income
The Company has taken advantage of the exemption provided under section 3 of the Isle of Man Companies Act 1982 not to publish its statement of comprehensive income and related notes. The Company's loss for the year was US$2,421,248 (2009: US$2,072,211).

4. Reconciliation of operating loss to operating cash flows

	2010 US$	2009 US$
Operating loss	**(1,367,547)**	(4,574,996)
Depreciation	**34,578**	43,956
Share based payments	**(1,306,271)**	1,637,800
	(2,639,240)	(2,893,240)
(Increase) decrease in trade and other receivables	**(353,014)**	176,993
(Increase) decrease in trade and other payables	**(9,478)**	160,949
Cash flow (used in) operating activities	**(3,001,732)**	(2,555,298)

5. Staff costs

	2010 US$	2009 US$
Wages and salaries	**1,210,302**	1,190,114
Social security costs	**118,725**	113,788
Share based payments	**(1,242,321)**	1,796,433
	86,706	3,100,335

Staffs costs include executive Directors' salaries, fees, benefits and share based payments. The Company has no pension commitments as at the year end dates.

The weighted average monthly number of employees, including executive Directors and individuals employed by the Company, are as follows:

	2010	2009
Management and administration	**7**	9

6. Share based payments
Share based payments are disclosed in note 8 to the consolidated financial statements.

7. Audit fees
Audit fees payable to the Company's auditors for the audit of the parent company financial statements for the year 2010 is US$10,000 (2009: US$10,000).

8. Interest and investment income

	2010 US$	2009 US$
Bank interest	**30,791**	55,396
Interest on inter corporate loan	**1,274,231**	1,282,445
Dividend	**20,066**	63,475
	1,325,088	1,401,316

9. Property, plant and equipment

	Total US$
Cost	
At 1 January 2009	350,556
Additions	7,361
At 1 January 2010	**357,917**
Additions	**10,417**
At 31 December 2010	**368,334**
Depreciation	
At 1 January 2009	242,083
Charge for the year	43,206
At 1 January 2010	**285,289**
Charge for the year	**34,578**
At 31 December 2010	**319,867**
Net book value at 31 December 2010	**48,467**
Net book value at 31 December 2009	72,628

10. Intangible assets – others

	US$
Cost	
At 1 January 2009	131,250
At 1 January 2010	**131,250**
At 31 December 2010	**131,250**
Accumulated depreciation	
At 1 January 2009	130,500
Charge for the period	750
At 1 January 2010	**131,250**
Charge for the year	–
At 31 December 2010	**131,250**
Net book value as at 31 December 2010	**–**
Net book value as at 31 December 2009	–

Intangible assets represent the software used for office automation and other business applications of the Group.

11. Disposal of undertaking

The entire share capital of HOAL, a holding company of Hardy Oil Nigeria Limited which had exploration assets in the blocks Oza and Atala were sold for a net consideration of US$4,275,047 (net of expenses) to Inergia Petroleum Limited on 27 October 2010 with an effective date of 30 September 2010.

The intercompany loan provided to HOAL for value US$7,985,100 was recovered by US$4,275,047 and the balance US$3,710,053 was written-off. In addition, the equity contribution of US$387,835 by the parent company to HOAL was written off.

12. Investments

	Shares in subsidiary US$	Loan to subsidiary US$
Carrying value at 1 January 2009	5,177,601	86,788,000
Additional investment during the year	993,038	10,788,000
Carrying value at 1 January 2010	**6,170,639**	**97,576,000**
Additional investment during the year	**344,984**	**4,838,851**
Sale of subsidiary undertaking	**(387,835)**	**(7,985,100)**
Carrying value at 31 December 2010	**6,127,788**	**94,429,751**

Shares in subsidiary represent the investment made as at 31 December 2010 in Hardy Exploration & Production (India) Inc, the wholly owned subsidiary of Hardy Oil and Gas plc. Full detail of this subsidiary is given in Note 17 of the consolidated financial statements.

Loan to subsidiary at 31 December 2010 consists of US$94,429,751 to Hardy Exploration & Production (India) Inc. This loan is long term and is repayable on commercial production of the ongoing exploration projects. Interest on these loans is LIBOR plus one 1 percent.

During the year, HOAL was sold for a total cash consideration of US$4,275,047 net of expenses.

13. Trade and other receivables

	2010 US$	2009 US$
Other receivables	**417,541**	37,793
Prepayments and accrued income	**8,861**	12,671
Prepaid expenses – share based payments	**22,279**	49,013
	448,681	99,477

14. Short term investments

	2010 US$	2009 US$
HSBC US$ Liquidity Fund Class-A	**25,184,787**	19,863,924
HSBC £ Liquidity Fund Class-A	**2,964,709**	641,206
	28,149,496	20,505,130

The above investments are in liquid funds which can be converted into cash at short notice. Fair value of these investments approximates book values as at 31 December 2010 and 2009.

15. Share Capital

	Number $0.01 Ordinary Shares "000"	US$
Authorised Ordinary Shares		
At 1 January 2009	200,000	2,000,000
At 1 January 2010	**200,000**	**2,000,000**
At 31 December 2010	**200,000**	**2,000,000**
Allotted, issued and fully paid Ordinary Shares		
At 1 January 2009	62,321,047	623,210
Shares issued during the year	6,208,997	62,090
At 1 January 2010	**68,530,044**	**685,300**
Share options exercised during the year	**5,000**	**50**
Restricted shares issued	**17,489**	**175**
Shares issued during the year	**3,370,000**	**33,700**
At 31 December 2010	**71,922,533**	**719,225**

Shares issued in the years 2010 and 2009 were as a result of placing in December 2010 and April 2009 respectively. Ordinary shares issued have equal voting and other rights with no guarantee to dividend or other payments.

16. Deferred taxation

Deferred tax analysis:

	2010 US$	2009 US$
Differences between accumulated depreciation and capital allowances	**49,215**	39,533
Other temporary differences	**2,630,787**	921,370
Group relief availed	**(4,017,355)**	(4,017,355)
Deferred tax (liability)	**(1,337,353)**	(3,056,452)

17. Trade and other payables

	2010 US$	2009 US$
Trade payables	195,747	187,996
Accruals	71,543	88,772
	267,290	276,768

18. Financial risk management

The company follows the risk management policy stipulated in note 25 to the consolidated financial statements.

Interest rate risk profile of financial assets

The interest rate risk profile of the financial assets of the company as at 31 December 2010 is as follows:

	Fixed rate Financial asset US$	Floating rate Financial asset US$	Financial asset – no interest is earned US$	Total US$
US Dollars	**5,000,000**	**–**	**127,858**	**5,127,858**
Pound Sterling	**–**	**238**	**207,123**	**207,361**
Cash and cash equivalents	**5,000,000**	**238**	**334,981**	**5,335,219**

Financial assets include cash and deposits and the floating interest rates are based on the base rate of the relevant central bank.

The interest rate risk profile of the financial assets of the company as at 31 December 2009 is as follows:

	Fixed rate Financial asset US$	Floating rate Financial asset US$	Financial asset – no interest is earned US$	Total US$
US Dollars	5,000,000	–	411,061	5,411,061
Pound Sterling	–	267	317,032	317,299
Cash and cash equivalents	5,000,000	267	728,093	5,728,360

Financial assets include cash and deposits and the floating interest rates are based on the base rate of the relevant central bank.

Currency exposures

The currency exposures of the monetary assets denominated in currencies other than US Dollar of the company are as follows:

	Pound Sterling in Equivalent US$	
	2010	2009
US$	**3,172,070**	958,505

Foreign exchange gain recognised on account of exchange rate for the year 2010 is US$20,491 (2009: US$232,286).

19. Financial instruments

Book values and fair values of the Company's financial assets and liabilities as follows:

Financial assets

Primary financial instruments	Book value 2010 US$	Fair value 2010 US$	Book value 2009 US$	Fair value 2009 US$
Short term investments	**28,149,496**	**28,149,496**	20,505,130	20,505,130
Cash and short term deposits	**5,335,219**	**5,335,219**	5,728,360	5,728,360
Trade and other receivables	**448,681**	**448,681**	99,477	99,477
	33,484,715	**33,484,715**	26,233,490	26,233,490

All of the above financial assets are current and unimpaired as at the year end date.

Financial liabilities

Primary financial instruments	Book value 2010 US$	Fair value 2010 US$	Book value 2009 US$	Fair value 2009 US$
Accounts payable	**(267,290)**	**(267,290)**	(276,768)	(276,768)

All of the above financial liabilities are current as at the year end date.

20. Other financial commitments under operating leases

The company has entered into commercial leases for land and building and office equipment. These leases have an average life of 1 to 5 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:

	2010 US$	2009 US$
Land and buildings:		
One year	**148,711**	154,547
Two to five years	**70,638**	227,957

21. Related party transactions

a) The company's wholly owned subsidiaries are listed in note 17 to the consolidated financial statements. The following table provides the details of balances outstanding with subsidiary companies at year end dates:

	2010 US$	2009 US$
Amount owed from subsidiary undertakings	**94,429,751**	97,576,000

b) The following table provides the details of the transactions with subsidiary companies all of which were carried out at on arm length basis:

	2010 US$	2009 US$
Parent company fees to joint venture operations of subsidiary	**291,938**	–
Management fees	**180,000**	180,000
Inter company interest income	**1,274,231**	1,282,445

The interest income is based on market rates.

c) The entire share capital of HOAL was sold to Inergia Petroleum Limited ("IPL") on 27 October 2010. Mr. Sastry Karra, who was at that time a Non-Executive Director of Hardy, held significant interest in IPL. Accordingly, the agreement executed for the disposal of HOAL between the Company and IPL was approved by shareholders at an Extraordinary General Meeting held on 27 October 2010.

2010 Reserves and Resources

Provided below are summary and comparison tables for Hardy's reserve and resources as at 31 December 2010. In 2010 the Company disposed of Hardy Oil (Africa) Limited, which held interest in the Oza and Atala licences via Hardy Oil Nigeria Limited. The reserves and resources associated with those assets are not provided for in the tables below (Oza – reserves 0.41 mmbbl, contingent resources 1.2 mmbbl; Atala contingent resources 43.5 bcf, 1.3 mmbbl).

Reserves (Proven Plus Probable)

Net PY-3 oil production from the date of the previous report (31 December 2009) to the effective date (31 December 2010) of GCA's report was 207 mbbl.

				Current		Previous	
				Gross	**Net[4]**	Gross	Net
PY-3	Producing	Oil	mmbbl	**15.1**	**2.1**	16.3	2.5
Total Reserves (2P)		Oil	mmbbl	**15.1**	**2.1**	16.3	2.5

Notes:
1. The GCA has used the Petroleum Resources Management System published by the Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers in March 2007 (SPE PRMS) as the basis for its classification and categorisation of hydrocarbon volumes.
2. On 19 April 2007, the PY-3 joint venture management committee had approved gross expected ultimate 2P oil Reserves of 44.4 mmbbl. As of 31 December 2010 the field had produced 24.1 mmbbl giving 2P oil Reserves of 20.3 mmbbl, about 5 mm bbl higher than the 2P estimate by GCA.
3. The Company has filed the updated GCA Competent Persons Report (March 2011) with the Directorate General of Hydrocarbons, of the Ministry of Petroleum and Natural Gas, of the Government of India ('DGH').
4. Net entitlement reserves are reserves based on Hardy's entitlement of cost oil plus a share of profit oil.

Contingent Resources (2C)

Net 2C gas Contingent Resources have increased by 10 per cent to 16.2 bcf as a result of the W1 discovery on the D3 block.

			Current		Previous	
			Gross	**Net**	Gross	Net
GS-01 B1 (Dhirubhai 33)	Gas	bcf	**83.0**	**8.3**	83.0	8.3
CY-OS/2 Ganesha 1	Gas	bcf	**130.0**	**97.5**	130.0	97.5
D3 A1 (Dhirubhai 39)	Gas	bcf	**210.0**	**21.0**	210.0	21.0
D3 B1 (Dhirubhai 41)	Gas	bcf	**213.0**	**21.3**	213.0	21.3
D3 R1 (Dhirubhai 44)	Gas	bcf	**98.0**	**9.8**	98.0	9.8
D3 W1 (Dhirubhai 52)	Gas	bcf	**162.4**	**16.2**	–	–
GS-01 B1 (Dhirubhai 33)	Oil	mmbbl	**1.85**	**0.19**	–	–
Total Contingent Resources[1] (2C)	Gas	bcf	**896.4**	**174.1**	734.0	157.9
	Oil	mmbbl	**1.85**	**0.19**	–	–

Notes
1. GCA has used the Petroleum Resources Management System published by the Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers in March 2007 (SPE PRMS) as the basis for its classification and categorisation of hydrocarbon volumes.
2. With respect to Ganesha-1 (CY-OS/2) non-associated natural gas discovery, in 2010 the Group formally commenced arbitration proceedings pursuant to dispute resolution provisions of the governing PSC regarding a licence extension request.
3. In the event of a commercial development of a discovery, ONGC has the option to back-into the CY-OS/2 licence at an interest of 30 per cent.

Prospective Resources

D3 – Having drilled W1 prospect and mapped additional prospects/leads in 2010, the total number of identified prospects and leads has increased to 29 (December 2009: 26) with an average size of 233 bcf per prospect. PSDM processing in the 'Panhandle' area is on-going and updated mapping of the block is in progress.

D9 – The overall risked Prospective Resources of the D9 block remain substantial. The data gathered from the KG-D9-B3 well (encountering reservoir with gas shows) has led to a limited revision of the risking. The oil Prospective Resources in the Cretaceous and Palaeocene remain unchanged.

				Current		Previous	
				Gross	**Net**	Gross	Net
CY-OS/2 3, 4	Prospects	Gas	bcf	**113**	**84**	113	84
GS-01	Prospects	Gas	bcf	**142**	**14**	142	14
D3	Prospects and Leads	Gas	bcf	**3,959**	**396**	3,870	387
D9	Prospects and Leads	Gas	bcf	**4,655**	**466**	5,197	520
D9	Prospects and Leads	Oil	mmbbl	**180**	**18**	180	18
Assam	Leads	Oil	mmbbl	**2.5**	**0.3**	2.5	0.3

Notes:
1. Aggregated risked Prospective Resources have been derived by Hardy and are not aggregated or provided as risked volumes by GCA.
2. The GCA has used the Petroleum Resources Management System published by the Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers in March 2007 (SPE PRMS) as the basis for its classification and categorisation of hydrocarbon volumes.
3. With respect to Ganesha-1 (CY-OS/2) non-associated natural gas discovery, in 2010 the Group formally commenced arbitration proceedings pursuant to dispute resolution provisions of the governing PSC regarding a licence extension request.
4. In the event of a commercial development of a discovery, ONGC has the option to back-into the CY-OS/2 licence at an interest of 30 per cent.

The complete report can be downloaded from Hardy's website www.hardyoil.com.

Notes

Definitions and Glossary of Terms

Definitions:
Assam block: Licence AS-ONN-2000/1
Board: The Board of Directors of Hardy Oil and Gas plc
the Company: Hardy Oil and Gas plc
CPCL: Chennai Petroleum Company Limited, formerly known as Madras Refinery Limited
CPR: Competent persons report
D3: Licence KG-DWN-2003/1 awarded in NELP V
D9: Licence KG-DWN-2001/1 awarded in NELP III
DGH: Directorate General of Hydrocarbons
Dhirubhai 33: Gas discovery on GS-01-B1 well
Dhirubhai 39: Gas discovery on KGV-D3-A1 well
Dhirubhai 41: Gas discovery on KGV-D3-B1 well
Dhirubhai 44: Gas discovery on KGV-D3-R1 well
Dhirubhai 52: Gas discovery on KGV-D3-W1 well
FDP: Field development plan
FSO: Floating storage and offloading vessel
GAIL: Gas Authority of India Limited
Ganesha: Gas discovery on Fan-A1 well located in CY-OS/2
GCA: Gaffney, Cline & Associates Ltd
GOI: Government of India
Group: The Company and its subsidiaries
GS-01: Licence GS-OSN-2000/1 awarded under NELP II
H2: Second half of the year
Hardy: Hardy Oil and Gas plc
HEPI: Hardy Exploration & Production (India) Inc.
HOA: Hardy Oil (Africa) Limited
HOEC: Hindustan Oil Exploration Company Limited
HON: Hardy Oil Nigeria Limited
HSE: Health, safety and environment
IFRS: International Financial Reporting Standards
IPO: Initial public offering
KG Basin: Krishna Godavari sedimentary basin comprising an area on the south east India continental shelf
London Stock Exchange: London Stock Exchange plc
LSE: London Stock Exchange
LTA: Lost time accident
Main Market: Official List of the London Stock Exchange's market for listed securities
Management Committee: As per India PSCs the Management Committee comprises representatives of each participating interest holder, DGH and the Ministry of Petroleum and Natural Gas of India
NANG: Non-associated natural gas
NELP: New Exploration Licensing Policy of the Ministry of Petroleum and Natural Gas of India
ONGC:
Operating Committee: As per India PSCs the Operating Committee comprises representatives of the various participating interest holders in the licence
Ordinary Share: The Ordinary Share of US$ 0.01 each in the capital of the Company
OSV: Offshore veshile
OWS: Oil water sewage
Panhandle: the north east portion of the D3 block
Phase III: the drilling of two further wells and installation of gas composites on PY-3
PSC: Production sharing contract
PY-3: Licence CY-OS-90/1
Reliance: Reliance Industries Limited
SPE: Society of Petroleum Evaluation Engineers
UK: United Kingdom
US: United States of America
WOR: Water oil ratio

Glossary of terms:
$: United States dollars
2D/3D: Two dimensional/three dimensional
2P: Proven plus probable
API°: American Petroleum Institute gravity
AVO: Amplitude variations with offset
bbl: Barrel
bbld: Barrel per day
bcfd: Billion cubic feet per day
bcpd: Barrels of condensate per day
bn: Billion
BOP: Blow-out preventer
bwpd: Barrels of water per day
Contingent Resources: Those quantities of petroleum estimates, 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
Prospective Resources: Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations
DOC: Declaration of commerciality
DST: Drill stem test
DWT: Dead weight tonnage
IPL: Inergia Petroleum Limited
km: Kilometre
km^2: Kilometre squared
LNG: liquid natural gas
lkm: Line kilometre
m: Metre
mbbl: One thousand barrels
MC: Management Committee includes the GOI and JV partners
MDT: Modular formation dynamics tester
mmbbl: Million stock tank barrels per day
mmcfd: Million standard cubic feet per day
mmcmd: Million standard cubic metres per day
PSDM: Pre-stack depth migration
psi: Pounds per square inch
scf: Standard cubic feet
scfd: Standard cubic feet per day
TCF: Trillion cubic feet
TVD: Total vertical depth
TVDRT: Total vertical depth from rotary table

Company Information

Hardy Oil and Gas plc
Lincoln House
137–143 Hammersmith Road
London, W14 0QL, UK
Phone: +44 (0) 20 7471 9850
Fax: +44 (0) 20 7471 9851
Email: ir@hardyoil.com
Website: www.hardyoil.com

Board of Directors
E. P. Mortimer (Chairman)
Yogeshwar Sharma (Chief Executive Officer)
Dinesh Dattani (Finance Director)
Dr Carol Bell (Senior Non-Executive)
Pradip Shah (Non-Executive)
Ian Bruce (Non-Executive)

Hardy Exploration & Production (India) Inc.
5th Floor, Westminister Building
108, Dr Radhakrishnan Salai
Chennai, India, 600 004
Phone: +91 (44) 284 71990
Fax: +91 (44) 284 71064
Email: info@hardyoil.co.in

Directors of HEPI
Yogeshwar Sharma (President and Chief Executive Officer)
R Jeevanandam (Chief Financial Officer)
William Satterfield (Technical Director)

Broker
Arden Partners plc
125 Old Broad Street
London, EC2N 1AR

Company Secretary
Richard Vanderplank LLB
Registered Office
Fort Anne
Douglas, Isle of Man, IM1 5PD

UK Solicitors
Lawrence Graham LLP
4 More London Riverside
London, SE1 2AU

Isle of Man Legal Advisers
Cains Advocates Limited
Fort Anne
Douglas, Isle of Man, IM1 5PD

Auditors
Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London, EC4Y 8EH

Financial PR
Buchanan Communications Limited
107 Cheapside
London, EC2V 6DU

Principal Bankers
HSBC Holdings Plc
8 Canada Square
London, E14 5HQ

and

Barclays Bank Plc
54 Lombard Street
London, EC3P 3AH

Registrars
Cains Fiduciaries Limited
Fort Anne
Douglas, Isle of Man, IM1 5PD

CREST Agent
Computershare Investor Services (Channel Islands) Limited
Ordnance House
31 Pier Road, St. Helier
Jersey, JE4 8PW

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Telephone **+44 (0)20 7729 9090 www.emperordesign.co.uk**

Hardy Oil and Gas plc

Hardy Oil and Gas plc
Lincoln House
137–143 Hammersmith Road
London
W14 0QL

www.hardyoil.com