Hardy Oil and Gas plc

India focused Development driven

Hardy Oil and Gas plc
Annual Report and Accounts
FY2015

Who we are

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 appraisal and development assets.

Hardy's goal is to evaluate and exploit its asset base with a view to creating significant value for its shareholders.

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"We have clear deliverables for each asset and management are fully accountable for the implementation of the agreed plans. The Group remains in a strong financial position from which to either fund its planned work activity for the Indian asset portfolio or to implement a change of geographical focus."

Alasdair Locke
Chairman

Summary FY2015

- PY-3 – Achieved a consensus amongst partners on the PY-3 full field development plan (FFDP) and subsequently submitted an Operating Committee (OC) recommendation to the regulator for its review.
- GS-01 – A draft farmout agreement is under review by both parties and the final outcome of these negotiations will be known in the near term. A field development plan for the Dhirubhai 33 natural gas discovery is with the Government of India (GOI).
- CY-OS/2 – The GOI's appeal, against the Hon'ble tribunal award, in the High Court of Delhi has been listed eight times and adjourned, at the GOI's request, on five occasions. The matter is now scheduled to be heard again in July 2015.
- D3 – Having carefully considered the complex development scenarios for existing discoveries, low projected natural gas pricing and possible liability associated with unfinished minimum work programme (UMWP) the D3 Joint Arrangement (JA) elected to exercise a one-time option to exit the production sharing contract (PSC) with no further liability.
- An unsuccessful exploration cost of $22.6 million resulted in a total comprehensive loss of $24.5 million (2013/14 – $4.8 million).
- Cash and short-term investments at 31 March 2015 amounted to $21.0 million; Hardy has no debt.

Outlook

- PY-3 – Secure the GOI's approval, via the Management Committee (MC), of the recommended FFDP and corresponding budgets so that the Company can commence work to target recommencement of production in 2016.
- GS-01 – Conclude discussions with the Company's joint venture partner to acquire their participating interest in the block.
- CY-OS/2 – Hardy will recommence work on the appraisal of the Ganesha-1 natural gas discovery once the block has been restored to the CY-OS/2 joint venture.

Chairman's Statement

A strong working capital position

Alasdair Locke
Chairman

Introduction

The 2015 financial year (FY) presented several challenges and opportunities for Hardy and the upstream oil and gas industry generally. We started the year with great enthusiasm. A new government had been elected in India with a clear mandate for change and we have observed improvements in the overall working environment. Further, the GOI has issued several policies designed to resolve issues that had created decision paralysis within a bureaucracy concerned with potential audit consequence to the detriment of value creation activity.

We are disappointed in the GOI's appeal, to the High Court of Delhi, of the CY-OS/2 international arbitration award and successive requests for adjournments prolonging due process. In our opinion the GOI's appeal is in contravention of the PSC which states the arbitration process is final and binding on all parties, and inconsistent with the latest Supreme Court precedent that such international awards are not appealable under India laws.

The second half of the year witnessed the rapid and significant decline in global oil prices which has put pressure on the robustness of development projects everywhere, including ours. Management remained focused on building a consensus with stakeholders regarding resumption of production on our PY-3 asset and we are pleased to have established an equitable way forward that is now being considered by the GOI. Should we not make tangible progress within our portfolio in a reasonable time frame we will consider alternative courses of action to secure value for our shareholders that complement our India based technical expertise and experience in other geographical locations.

Market overview

Following successive years of stable high oil prices and correlated cost inflation, in 2014/15 the industry has endured a rapid decline in prices prompting a dramatic scaling back of the capital investment plans of global producers. The reduced activity has left industry service providers with the challenge of rationalising overcapacity. As a result we have observed a significant downward trend in overall costs.

India's economic recovery is projected to gain further traction in 2016 as improved investment and household consumption expenditure push GDP growth. However, India's oil and gas import dependence is 77 and 37 per cent respectively. Domestic supply will need to double to achieve the Prime Minister's publicly stated target of reducing import dependence by 10 per cent by 2022. Without significant investment domestic supply will not keep pace with demand growth and a significant supply deficit will continue to grow.

Performance

We made considerable progress on our near-term production project at PY-3. Until the objective of recommencement of PY-3 production is achieved, management will maintain tight control of the Group's administrative expenditure. Having consideration for the resource constraints of the Group and the overall economic backdrop facing the Industry, salaries remained unchanged in FY2015. Key strategic objectives set for management in FY2015 were not achieved and as a result no bonus was awarded to the Executive in the 12 months ended 31 March 2015. The Group's net cash used in continuing operating activities was $3.5 million and as a result cash reserves at 31 March 2015 decreased to $21.0 million. The Group remains in a strong financial position with no debt.

Governance

Following the resignation of Mr Yogeshwar Sharma, Non-Executive Director, we reviewed the composition of the Board and concluded that the current membership is sufficient to guide the Company to achieve its strategic objectives. We will continue to assess the Group's leadership requirements and the overall effectiveness and composition of the Board. We are committed to constructive engagement with our shareholders.

The Board wishes to acknowledge Mr Sharma's immense contribution to Hardy, which he co-founded in 1997 and led in its early period of rapid growth. He helped build the Company's spread of exploration acreage in India that led to Hardy's successful listing, first on AIM and later on the Main Market of the London Stock Exchange.

Risk management

The Group maintains robust internal control and risk management systems appropriate for a Company of our size and resources. The Group's near-term principal risks remain: the timing or execution of activities may not commence as forecast and delays may be experienced; the possible relinquishment of appraisal acreage; and other liabilities related to ongoing disputes (see pages 16 to 17).

Objectives and outlook

Our objectives remain to secure key stakeholders' approvals and initiate activity that will take us closer to realising production from our portfolio of assets. We have clear deliverables for each asset and management are fully accountable for the implementation of the agreed plans. Should the status quo in India remain and tangible progress not be made in a reasonable time frame we will re-evaluate our current strategy of geographical focus on India. The Board and management have the benefit of significant experience of other oil and gas provinces worldwide. The Group remains in a strong financial position from which to either fund its planned work activity for the Indian asset portfolio or to implement a change of geographical focus.

Alasdair Locke
Chairman
10 June 2015

Our business model

Stage 1 – Hardy creates value through the exploration and production of hydrocarbons. In order to explore we must first be granted a licence by the government of the countries in which we choose to invest. After extensive analysis, exploration campaigns are planned to try to discover oil and gas fields within under-explored sedimentary basins. When we have a significant discovery we undertake appraisal programmes which may include the drilling of wells and further geotechnical analysis to determine the size and quality of the discovery.

Current focus

Stage 2 – If the appraisal programme confirms that development of a discovery will be commercially and financially viable, we begin work on a development plan. This maps out how we will get the hydrocarbons into production to generate revenue and cash flow. We also create value through the implementation of enhanced production strategies to optimise the value of recoverable hydrocarbons from existing producing fields.

Chief Executive Officer's Strategic Review

Evaluating and exploiting our asset base

Ian MacKenzie
Chief Executive Officer

Introduction

Through FY2015 we made progress on a number of initiatives set out for our India focused portfolio. As operator of the PY-3 oil field, we successfully facilitated a consensus amongst partners outlining a mutually equitable way forward. The proposed comprehensive PY-3 FFDP is now under review by the GOI. The D3 exploration asset was drawn to its conclusion with the parties' exit from the block without any residual liability. Other key objectives, including the enforcement of the CY-OS/2 arbitration award and farm-in to the GS-01 block, remained outstanding. Cost mitigation remained a focus and as a result, administrative expenses remained flat after adjustments for the duration of the reporting period and non-cash charges. The Group reported a significant increase in loss due to the D3 unsuccessful exploration charge.

Implementing our strategy

We believe Hardy's India focused asset portfolio provides a good platform from which to create shareholder value. The outcome of planned activity through 2015 and 2016 is expected to endorse this view on the longer-term prospects of our portfolio. We intend to undertake further direct recruitment or engagement of support personnel and resources, as we advance execution of our plans for the PY-3, GS-01 and CY-OS/2 assets.

For the FY2016 we have set ourselves targets to accelerate progress within our portfolio of Indian assets. Should these targets not be achieved, we will consider shifting our strategic geographical focus to activities that continue to leverage the Group's India-based technical expertise and complement management's experience and expertise in other geographical locations.

Health, safety and environment (HSE)

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

Operations

The Company's activities are firmly focused on the implementation of the PY-3 comprehensive FFDP which will enable us to meet our target to recommence production in 2016. In FY2015 we achieved key milestones by building a consensus amongst parties to the OC on the PY-3 FFDP and subsequently submitted an OC recommendation to the India upstream regulator (DGH) for its review. Key milestones remain including MC's approval of the FFDP and associated budgets, the completion of tendering for major contracts and long lead items and finally the execution of required field activity. The MC comprises the PY-3 participating interest holders and the GOI's representatives including DGH.

The OC proposal requires contractual concessions by the independent participants and the GOI to accommodate a minimum return for the GOI nominee Oil and Natural Gas Corporation ltd (ONGC) whilst retaining robust economic and technical parameters. The project's viability is based on several key assumptions including oil prices remaining at or above current levels and various contractual events including the extension of the PSC term and levies being cost recoverable at original contracted rates. Providing for the excess capacity in the service sector we would expect to realise significantly lower costs than projected in the FFDP. The Group's share of the PY-3 FFDP capital expenditure will be funded from current resources plus a certain amount of financing which we are confident of achieving.

On 23 December 2014 the D3 joint arrangement (JA) elected to exit the PSC under the provisions of a GOI Notification O-22013/27/2012-ONG-D-V dated 10 November 2014. The GOI policy permitting a one-time option to exit the D3 PSC was a compromised solution to access restrictions having been imposed by the GOI post award of the contract. The parties to the D3 PSC had deliberated at length over the optimal course of action taking into account the complex development scenarios for existing discoveries, low projected natural gas pricing under current GOI policy and the regulator's aggressive approach to calculating liquidated damages payable toward UMWP.

The GOI's appeal, against the Hon'ble Tribunal award in respect of CY-OS/2 (the Award), in the High Court of Delhi has been listed eight times, spanning a period of over 22 months and adjourned at the GOI's request five times. The next hearing is scheduled to be called in July 2015 and we anticipate the process of enforcing the Award to continue through 2015. The Company believes that the unanimous international tribunal award is well reasoned and, as per the India Arbitration & Conciliation Act 1996, may not be subject to appeal in Indian courts. We believe that this position is further supported by the recent Indian Supreme Court judgement in a similar matter where the award of a foreign seated arbitration tribunal has been upheld.

The Company is continuing to pursue the acquisition of the operator's participating interest in the GS-01 block and subsequently progress the approval of the proposed field development plan. A draft agreement is under review by both parties. The timely resolution regarding liquidated damages associated with UMWP should facilitate timely completion of our farm-in efforts.

Financial

The Group is reporting a total comprehensive loss of $24.5 million for the 12 months ended 31 March 2015 compared to a loss of $4.8 million for the 15 months ended 31 March 2014. The significant increase is attributable to the relinquishment of the D3 exploration license which resulted in an unsuccessful exploration cost of $22.1 million. Our administrative expenditure of $3.8 million was a modest reduction compared to the previous 12 month period. Previously we had reported administrative expenditure of $6.2 million for the 15 months ended 31 March 2014. Adjusting for the reduced reporting duration the further reduction in expenditure can be attributed to foreign exchange income of $0.4 million compared to a $0.4 million expense in the previous 15 month period and the expected recovery of JA costs amounting to $0.4 million.

Cash used in operating activities amounted to $3.6 million for the 12 months ended 31 March 2015 compared to a cash outflow of $4.7 million for the 15 months ended 31 March 2014. The Group's capital expenditure and investment income were nominal at $0.4 million each. With cash and short-term investments of $21.0 million as at 31 March 2015, and no debt, the Group is well funded to meet its future work commitments on the Indian asset portfolio.

Outlook

Our primary objectives remain to secure key stakeholders' approvals, initiate activity that will take us closer to realising production from our portfolio of assets including PY-3 in 2016. We have clear deliverables for each asset and management are fully accountable for the implementation of the agreed plans. Energy demand in India continues to grow at an exceptional rate and the GOI has set some ambitious domestic production targets. To achieve its targets, GOI policy will need to continue to evolve to facilitate the timely exploitation and development of the country's natural resources. We will continue to seek opportunities to build value for shareholders.

Ian MacKenzie
Chief Executive Officer
10 June 2015

Market Overview

Economic and political overview
The overall global economy has continued to show improvement driven by US GDP growth. Europe, South American and Asian economic growth slowed or stagnated. Global geopolitical tensions continued in the Middle East and Eastern European regions. Overall energy demand continues to grow.

Oil price – Global oil prices suffered a material downgrade in the latter part of 2014 with Brent crude falling from an average of over $100 per bbl to as low as $45 per bbl. Oil prices continue to show a high level of volatility but have settled to a narrower band between $55 and $70 per bbl. The dramatic fall is likely the result of sluggish demand growth, additional US unconventional oil production and OPEC unwillingness to cut production levels to balance the supply/demand environment. Currently the Brent ICE forward contract are trading around $65 to $75 per bbl over the next two years. Our current projects remain viable under the current oil price environment.

Industry costs – The fall in oil price has resulted in a significant reduction in planned capital expenditures and other development projects being indefinitely postponed. The service sector has reacted with consolidation as evidenced by the Halliburton Baker Hughes merger and significant redundancies announced across the sector. In the long-term this consolidation may result in further cost inflation however Hardy expects near-term costs to fall as the service sector rationalises overcapacity issues.

Natural gas – India's demand for natural gas is expected to grow by about 19 per cent per annum (from 194 mmscmd in 2013 to 466 mmscmd in 2017) to meet the ever increasing requirements of the power, fertiliser and other industries. The CNG and city gas sector are also projected to see a quantum growth in natural gas use. Furthermore, it is expected that by 2017, 300 cities will have the infrastructure for gas distribution. Domestic supply by 2017 is projected to be 231 mmscmd, falling well short of expected demand.

The GOI issued the New Domestic Natural Gas Guidelines, 2014 (the "Guidelines"). The Guidelines are based on a modification to the Rangarajan formula by:

a. Removal of both the Japanese and Indian LNG import components in the formula.
b. Consideration of Alberta Gas Reference price in place of Henry Hub Prices for Canadian consumption.
c. Consideration of Russian actual price in place of National Balancing Point price for the Russian consumption considered under Former Soviet Union (FSU) countries.
d. $0.5 deductions on account of transportation and treatment charges to apply to all sectors of the economy, along with prevailing gas allocation policy.

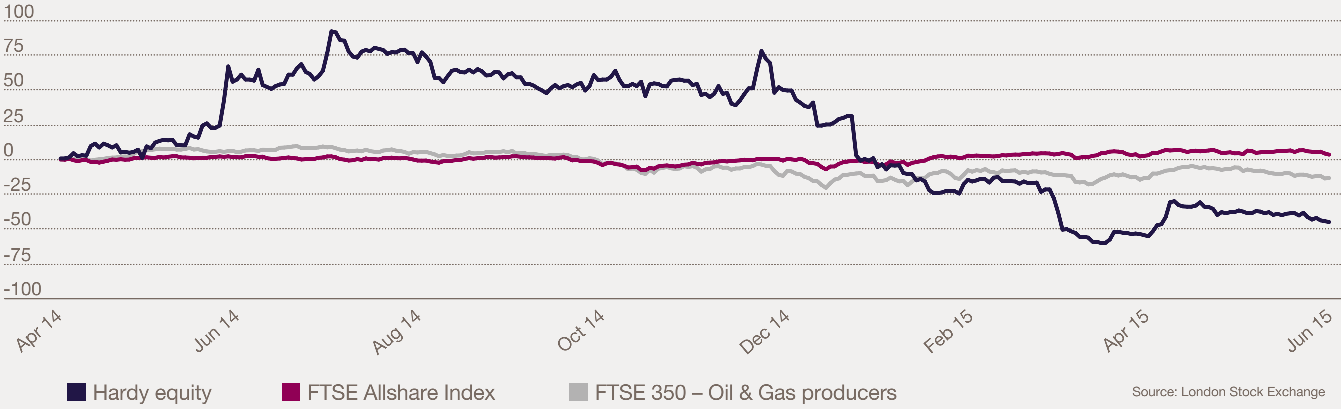
This price equates to approximately $5.0 per mmbtu based on the net calorific value (NCV) of the sales gas. This is an increase of 30 per cent from the previous notified price. Providing for the projected shortfall in supply the gas pricing policy is below expectation and is inconsistent with PSC provisions which require gas value to be determined by a regional competitive arms-length price discovery process.

Equity markets – The Upstream Oil and Gas sector generally underperformed the market due in part to a fall in commodity prices. It is our observation that in general institutional investors' appetite for mid to small cap exploration and production companies has diminished in the past 18 months due to a perception of better returns in other sectors and to a lesser extent poor exploration results. Hardy's share price underperformed the market which was primarily the result of the relinquishment of the D3 exploration asset and prolonged delays in securing sanction of development and appraisal programmes.

India oversight – A new federal government was elected in 2014 with a clear majority government and an unprecedented mandate to see through its plans. Energy security is continuing to be an active topic on the national agenda. Industry is providing a more coordinated voice through the AOGO, an oil and gas operator association, of which Hardy is an active member. We have observed the beginnings of a positive trend in the level of urgency in decision making and an effort to foster a more collaborative and constructive regulatory environment. Notwithstanding the GOI's business friendly narrative we have recently observed the GOI's continued pursuit of retrospective taxation claims and an enthusiastic application of the judicial system which continues to frustrate the enforcement of many high profile international arbitration awards including our own.

Hardy share closing price data

Since April 2014

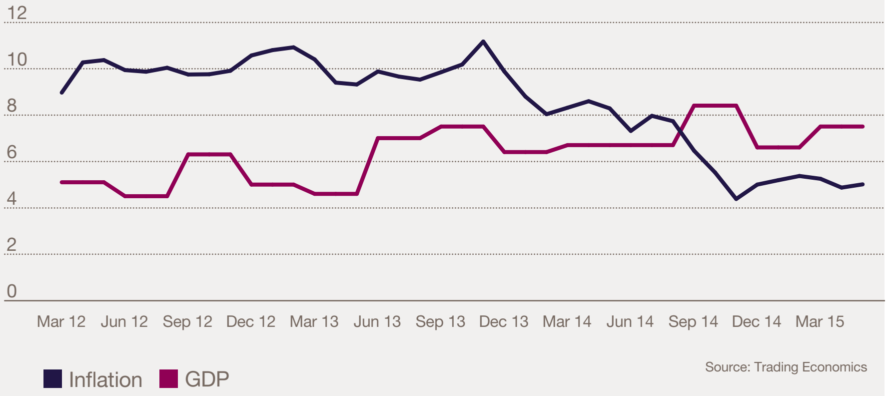


Source: London Stock Exchange

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

India Econmy

GDP vs Inflation



Source: Trading Economics

Dynamic political environment: India represents the world's largest democracy with over a 1 billion population. The 2014 national election enjoyed over 65 per cent participation. Combined with independent news agencies, this political framework provides a good level of transparency and a solid platform for political discussion.

Robust institutions: The Indian legal system is based on common law providing protection of contractual rights and enforcement of obligations.

Improving infrastructure: The pace of economic and population growth has outstripped investment in infrastructure. The government has identified infrastructure improvement as an area of focus and meaningful progress is observed, particularly in areas of transportation and distribution.

Growing economy: The Indian economy realised GDP growth over 8 per cent per annum in the past decade. Of late, GDP growth had slowed to 5 per cent but is now projected to increase to 7.5 per cent in 2014/15. Inflation remains relatively high at 4.5 per cent but has come down markedly from 8.5 per cent in 2014.

Competitive fiscal platform: PSCs provide for fiscal stability; full cost recovery of investment; seven-year tax holiday on mineral oil; and free market pricing provisions.

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. An established services industry is present with some degree of competition.

Business Model

Value creation

Our objective is to create value through the discovery of commercial quantities of hydrocarbons, and monetise such discoveries through the process of development, production and subsequent sale of hydrocarbons. This value creation process requires significant capital over a long investment life cycle (see chart below) and mitigation of significant risks and uncertainties including operational, environmental, technical and financial risk.

Value differentiator

Hardy's has some distinct attributes which are identified as value differentiators in the pursuit of our strategic objectives.

Governance practice – A Main Market LSE listed company, Hardy maintains high standards of governance.

Offshore operator – 20 years of experience as a qualified offshore operator achieving an excellent HSE record.

Local presence – Cultivated a robust and diverse network in the India upstream petroleum sector.

Technical expertise – Full cycle track record with focus on small to medium size fields.

Obtaining exploration rights (1–3 years)

Acquire directly through national authorities or indirectly via purchase or farm-in

Obtaining hydrocarbon exploration rights is accomplished through:

a. The granting of exploration licences by the Government of the countries in which we choose to invest. In India this is accomplished via the New Exploration Licensing Policy (NELP), a periodic competitive closed bid process.

b. The acquisition of exploration licences from third parties. This can be accomplished via direct farm-in, purchase, or corporate mergers.

Exploration (2–5 years)

Geoscience surveys and studies, high-grade prospects, verify via drilling

Exploration campaigns are planned to try to discover oil and gas fields within under-explored sedimentary basins. Initial activity will typically involve investment in extensive geotechnical analysis which will typically include geological modelling of sedimentary basins and the acquisition of seismic and other data, which is then integrated to facilitate the identification of possible subsurface hydrocarbons accumulations (prospects). Drilling of exploration wells commences if a prospect has a reasonable chance of success and meaningful size estimate.

Appraisal (2–5 years)

Geotechnical and engineering studies to assess commerciality of discoveries

When we have a significant discovery we undertake appraisal programmes which may include the drilling of wells and further geotechnical analysis to determine the size and quality of the discovery. Initial development concepts are also formulated at this time to facilitate the determination of commerciality. Presence of markets to monetise the discovered hydrocarbon are identified at this time.

CY-OS/2

➜ Page 13 for the full review of CY-OS/2

GS-01

➜ Page 13 for the full review of GS-01

Cash flow illustration

"Our India focused portfolio is a good platform from which to create value"

Expenditure Revenue

HARDY FOCUS

Development (3–10 years)

Finalise optimal development plan implement plan and commence production

If the appraisal programme confirms that the development of a discovery will be commercially and financially viable, we begin work on a development plan. The plan will map out the optimal process to extract the hydrocarbons in a cost effective manner and identify which markets the production may be sold into. Field developments are complex, require significant capital investment and may take many years to implement.

GS-01

➜ Page 13 for the full review of GS-01

Production optimisation and enhanced recovery

Monitor production and performance, identify viable enhanced recovery techniques

Once a discovery is in production we use our expertise and knowledge to ensure strategies optimise recovery in a safe and cost effective manner. Later in a field's life we create value through the implementation of enhanced production strategies to optimise the value of recoverable hydrocarbons from existing producing fields.

PY-3

➜ Page 12 for the full review of PY-3

Return profits to shareholders

Establish sustainable business, return capital to shareholders

After retaining sufficient profit to reinvest in the business, we return profits to our shareholders. Dispositions and farm-downs, throughout the investment cycle described above, may also accelerate the return of profits to shareholders.

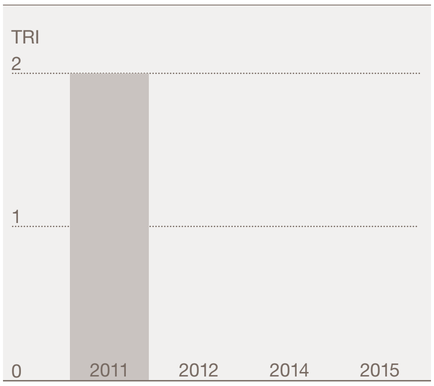
Key Performance Indicators (KPIs)

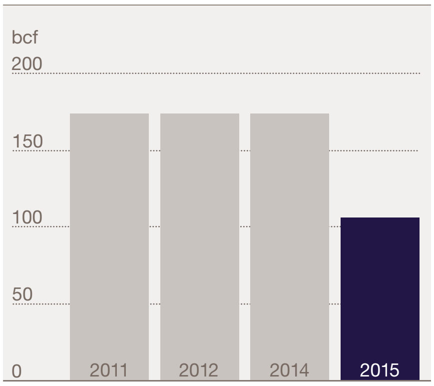
KPIs provide an illustration of management's ability to successfully deliver against the Company's strategic objectives.

The Board periodically reviews the KPIs of the Group taking into account the strategic objectives and the challenges facing implementation of such. The Board has identified two financial and three non-financial measures as KPIs for Hardy. The measures reflect the Company's appraisal and development focused strategy, the importance of a positive cash position and our underlying commitment to ensuring safe operations. In addition to the five key measures the Company also recognises that timely stakeholder approvals of our FDPs are important milestones in our pursuit of realising production and creating significant shareholder value.

We measure our progress through five KPIs closely aligned with delivering our strategy. A summary is provided in the table below:

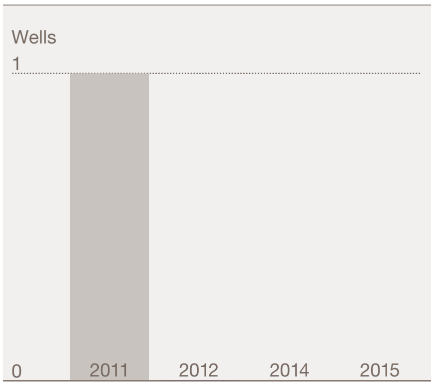
Category	HSE	Operational
KPI	**Total recordable injuries (TRIs)**	**Contingent resource**
Definition	TRI includes fatalities, lost time injuries, cases restricted for work, cases of substitute work due to injury, and medical treatment cases by medical professionals (doctors, nurses, etc). It does not include any first aid injury	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
Relevance	This metric is used to provide guidance as to the Group's HSE performance	Increasing contingent resources is a good metric for the results of our exploration activities. Objective to migrate to Reserves
Progress	Absence of field activity and diligent onshore procedures have maintained no LTIs	Contingent resource reduced due to the relinquishment of the D3 exploration block which had four gas discoveries.
FY 2016 Outlook/target	No TRIs	Increase via GS-01
Key activity	Prior to recommencement of field operations management will undertake a comprehensive review and roll-out of HSE policy and practice to staff and contractors	Robust geotechnical evaluation adopting industry best practice and external advisors when required

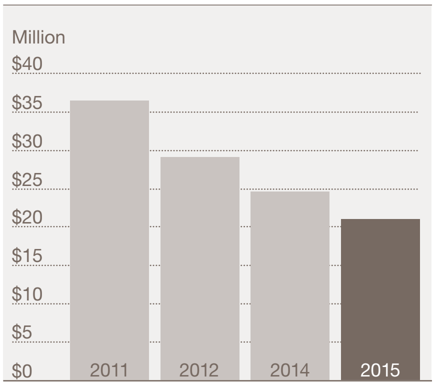


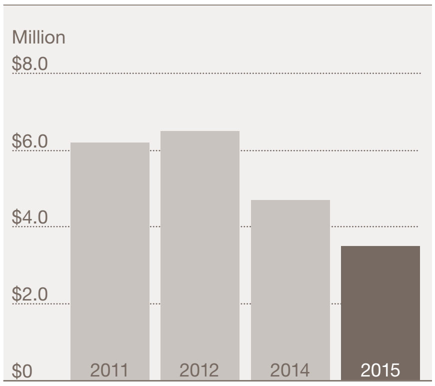


Financial

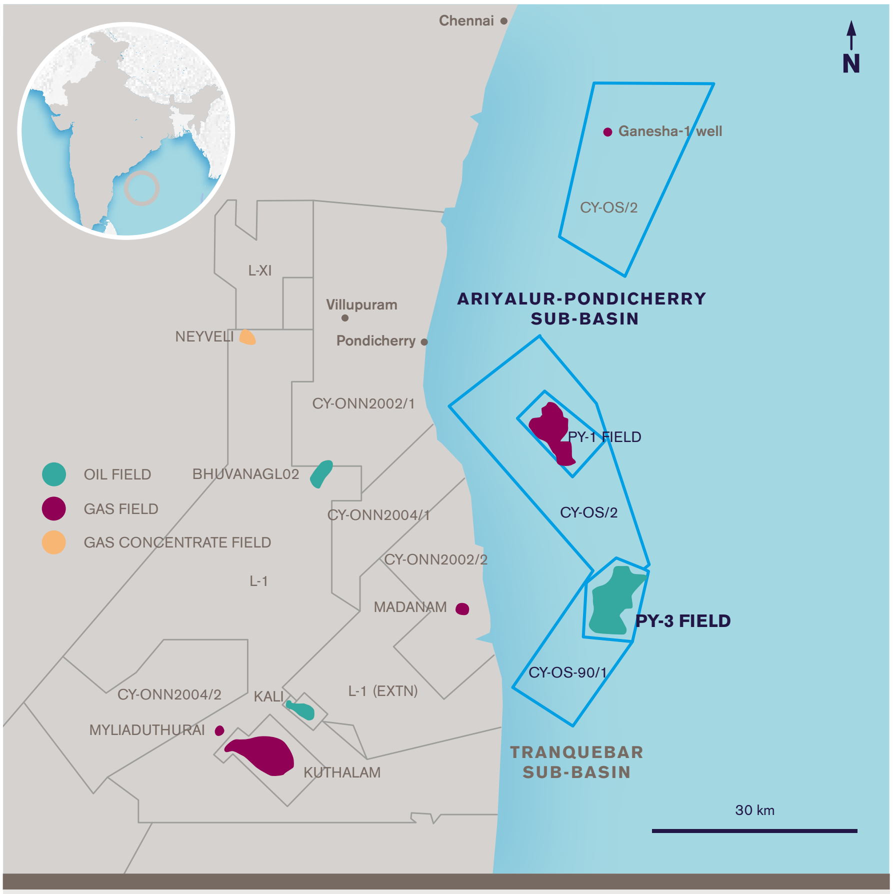
Wells drilled	Cash and short-term investments	Cash flow overhead
The number of appraisal and development wells in India	Liquid assets held as cash in term deposits or liquidity funds that are redeemable within one business day	Cash administrative expense in India and UK less partner recharges
Frequency of drilling of wells is a key factor in realising value for Hardy	Funding considerations play an important role in the Company's ability to execute its planned activities	Preservation of capital is an important consideration of the Board. Net cash from operating activities provides a good measure of the level of capital erosion or accretion experienced by the organisation
Operating Committee approval of the PY-3 FFDP was secured in 2015. The implementation of drilling activity remains subject to Management Committee approval	Tight controls of expenditures management facilitated conservation of liquid resources in 2015/16	Reduced underlying cost base of business. Further reductions may be counterproductive
Two wells in PY-3 (subject to timely MC approval)	Maintain $5 million	Maintain current levels
Approval of PY-3 FDP and restoration of CY-OS/2 will facilitate commencement of planning for drilling campaigns	Robust budget process and regular update of cash flow projections. Postpone major expenditures until operations are sanctioned	Robust budget process. Internal control review undertaken in 2014







Operational Summary



PY-3

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

Oil Field (Hardy 18 per cent interest – Operator)

The Company's exploration and production assets are based in India and are held through its wholly owned subsidiary Hardy Exploration & Production (India) Inc. (HEPI).

Health, safety and environment

The Company is committed to excellent health and safety practices which are at the forefront in all of our activities. Although all offshore activities are currently suspended, maintaining high HSE standards throughout the organisation remains core to all our undertakings. The Company's HSE policy document is regularly reviewed and amended. Recent amendments provided for an increased focus on leadership and accountability.

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

Operations – As operator of the PY-3 asset, Hardy convened multiple Operating Committee meetings with partners to build a consensus on a proposed field development plan for the resumption of production from the oil field. One of the primary constraints has been fiscal considerations being sought by the Government of India nominee ONGC which under the provisions of the PSC are subject to additional levies. The independent partners subsequently agreed to proportionally share fiscal obligations in the future. This concession is subject to confirmation of PSC extension and recognition of levies as a Contract Cost. The Operating Committee recommended FFDP has been under review by the GOI since February 2015 and further activity is subject to sanctioning of the recommended FFDP by the Management Committee.

Outlook – Secure timely approval of the FFDP from the GOI after which we intend to target the recommencement of production in 2016. This will be achieved by securing the appropriate offshore production and storage facilities while simultaneously initiating planning for a development drilling programme. The FFDP envisages a resumption of production from one well at the rate of around 3,000 bbld and subsequently drill two new producers and undertake the workover of a third well. Production is estimated to peak around 8,000 bbld.

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).

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

Operations – Hardy continued discussions with the operator to acquire their 90 per cent interest and Operatorship. General commercial terms have been agreed and a draft farm-out agreement is under review by both parties, following which an agreement will be subject to the GOI approval of the transfer of interest and operatorship. A FDP, for the Dhirubhai 33 natural gas discovery, was submitted to the GOI for review and approval in 2012. The development plan provides for several dry tree wells, an unmanned platform, multiphase pipeline to shore and onshore processing and export facilities.

Outlook – Conclude discussions with our joint venture partner to acquire their participating interest and the Operatorship of the block. The timely resolution of liquidated damages for UMWP could accelerate conclusion of the acquisition process. Following this, a priority will be to secure GOI approval of the FDP and initiate planning for development.

Background – In 2011, the GS-01 joint venture secured the GOI's approval for a DOC proposal for the Dhirubhai 33 discovery

(GS01-B1, drilled in 2007) which flow-tested at a rate of 18.6 mmscfd gas with 415 bbld of condensate through a 56/64 inch choke at flowing tubing head pressure of 1,346 psi. The GS-01 licence is located in the Gujarat-Saurashtra offshore basin off the west coast of India, northwest of the prolific Bombay High oil field, with water depths varying between 80 m and 150 m. The retained discovery area covers 600 km^2.

Block CY-OS/2:
Appraisal (Hardy 75 per cent interest – Operator)
The GOI's appeal against the unanimous international arbitration award (further detail provided on page 78) to restore the block to the joint venture in the Delhi High Court of India continued. The GOI appeal is challenging the jurisdiction of the tribunal.

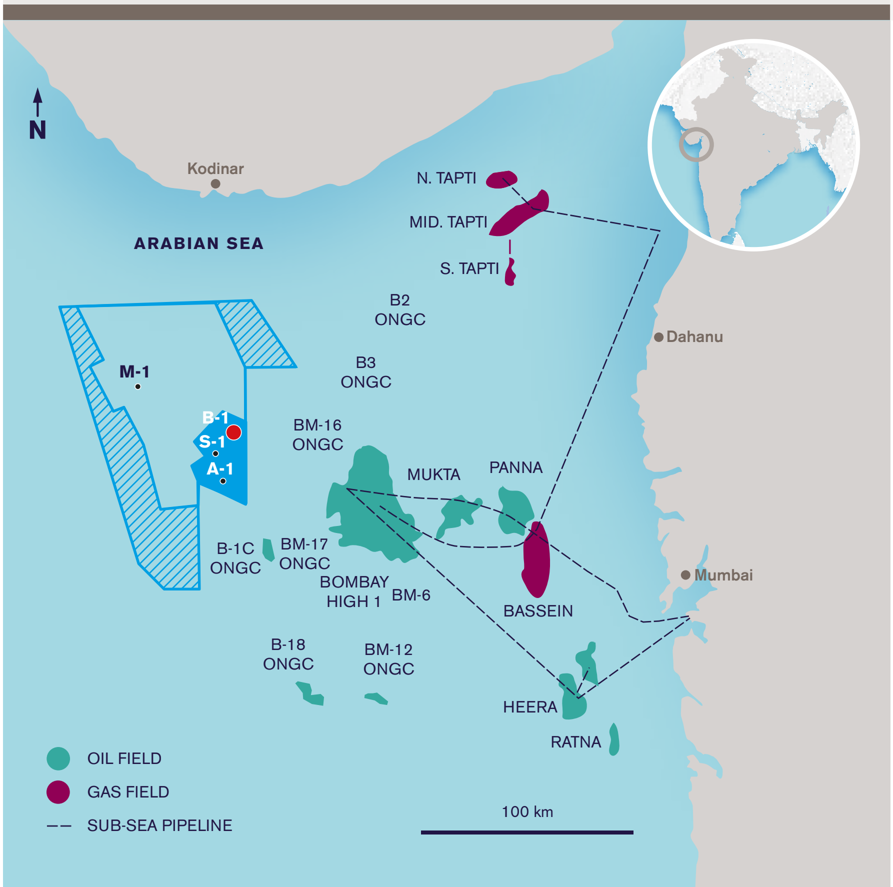
Hardy has also filed an execution petition with the Delhi High Court. To date the High Court has listed the case eight times and, at the request of the GOI, adjourned the hearing on five occasions. The next hearing is scheduled to be called in July 2015.

Outlook – We will continue our endeavours to facilitate the restoration of the block to the CY-OS/2 joint venture in a timely manner. The GOI appeal is being heard in the Delhi High Court and this is likely to continue through 2015. The Company believes that it has a strong position as the unanimous international award is well reasoned and, as per the India Arbitration & Conciliation Act 1996, may not be subject to appeal in Indian courts. Hardy will recommence work on the appraisal of the Ganesha-1 natural gas discovery once the block has been restored to the CY-OS/2 joint venture.

GS-01

Block GS-OSN-2000/1 (GS-01):

Appraisal (Hardy 10 per cent interest)



Contingent Asset – As at 31 March 2015, Hardy's 75 per cent share of the interest awarded by the international tribunal amounted to approximately $45.6 million.

Block KG-DWN-2003/1 (D3): (relinquished)
Exploration (HEPI 10 per cent interest)
Operations – On 23 December 2014, the D3 Management Committee considered a proposal from Reliance Industries Limited, the operator of the D3 block, in which the Company holds a 10 per cent interest, for the relinquishment of the block. The proposal set out that, as per the GOI notification O-22013/27/2012-ONG-D-V dated 10 November 2014 (Policy), access restrictions have been imposed by the GOI and the Operator recommended the relinquishment of the block with immediate effect under clause 3.1 (a), and (e) and 3.2, of the referenced GOI Policy.

The Operator conveyed that the previously announced access restrictions imposed by the Ministry of Defence (MOD) rule out any further exploration/development activities in the impact zone area and inhibited the Contractor from undertaking any further work and investment in the unrestricted area of the Block due to the anticipated increase in cost and risk. This untenable position was further compounded by the uncertainty of long-term natural gas pricing in India following the GOI policy announced earlier in the year which imposed pricing at a significant discount to our expectation of regional market pricing.

The relinquishment of the block will release Hardy from any further liabilities including possible liquidated damages related to the UMWP. However, $22.1 million of the Company's Intangible Assets, which are attributable to the D3 block, has been written-down in the reporting financial year.

Group outlook
Our primary objectives remain to secure key stakeholders' approvals and initiate activity that will take us closer to realising production from our portfolio of assets. Importantly, energy demand in India is growing at an exceptional rate and the country's structural supply shortfall should promote a geopolitical environment to complement our efforts. The Company remains in a strong working capital position from which to fund its planned work activity and we look forward to updating the market further in due course.

Financial Review

Overview

In the 12 months ended 31 March 2015, the Group recorded total comprehensive loss of $24.5 million and at year end had total cash and short-term investments of $21.0 million with no debt.

Summary statement of comprehensive income

	FY 31 March 2015 (audited) $ million	15 months ended 31 March 2014 (audited) $ million
Unsuccessful exploration write-down Following the relinquishment of D3 the Group has expensed $22.1 million of exploration costs incurred in association with the drilling of gas discoveries on the D3 block. These expenses had previously been capitalised and recorded under Intangible asset – exploration.	(22.6)	–
Administrative expense Administrative expense fell by $2.3 million. Approximately $1.1 million is attributed to the previous reporting period representing 15 months (due to adjustment in accounting reference date). A share-based payment credit of $0.4 million was a result of a foreign exchange adjustment for prior year awards compared to a $0.4 million charge in 2014. The India operations administration expense was reduced by $0.4 million as a result of the recovery of expenditures incurred on behalf of joint arrangements to which Hardy is the designated Operator.	(3.8)	(6.2)
Finance cost Finance cost is primarily a decommissioning provision charge incurred due to the unwinding of future value discounting.	(0.2)	(0.4)
Taxation No current tax is payable for the 12 months ended 31 March 2015. The Group has recorded a deferred tax credit of $1.7 million. The deferred tax asset is expected to be realised with the recommencement of production from the PY-3 oil field.	1.7	0.6
Total comprehensive loss The Group's significant increase in total comprehensive loss is attributable to the unsuccessful exploration expense resulting from the relinquishment of D3.	(24.5)	(4.8)

Summary statement of financial position

	31 March 2015 (audited) $ million	31 March 2014 (audited) $ million
Non-current assets Non-current assets primarily represents successful or work-in-progress exploration expenditure. The $20.0 million decrease is largely the result of the D3 asset being relinquished and capitalised expenditure attributable to exploration activity, including the drilling of four gas discoveries, was written-off and expensed ($22.0 million) and an increase in deferred tax asset of $1.7 million.	76.0	96.0
Current assets The Group's cash and short-term investments reduced by $3.6 million. This is essentially due to the payment of general and administrative expenses. The Group incurred an inventory write-down of $0.5 million following a third party inspection of drilling tubing and other equipment. Trade and other receivables of $0.8 million represent amounts due to be recovered from joint arrangements operated by Hardy.	23.0	27.3
Non-current liabilities The Group's non-current liabilities is exclusively attributed to a decommissioning provision for the PY-3 asset. The provision was increased by $0.1 million due to the unwinding of future value discounting. The provision has been estimated based on observed long-term industry cost trends. Recent volatility in global commodity prices has resulted in a reduction in costs. Management will look for evidence of a sustained reduction in industry costs prior to reviewing its underlying assumptions.	5.6	5.5
Current liabilities Trade and other accounts payable comprises of amounts due to vendors and other provisions associated with various joint arrangements.	5.0	5.0

Summary statement of cash flows

	FY 31 March 2015 (audited) $ million	15 months ended 31 March 2014 (audited) $ million
Cash flow (used in) operating activities Cash used in operating activities comprised of $(3.5) million of administrative costs. Debtors and Creditors movement of $(0.5) million was offset by a decrease in inventory of an equivalent amount. As a result there was a minor change in working capital.	**(3.5)**	(4.7)
Capital expenditure The Company incurred $0.2 million in capital expenditures in the year which was primarily associated with the non-operated joint arrangement expenditure.	**(0.2)**	(0.2)
Financing activity Interest and investment income realised predominantly from its Indian rupee deposits amounted to $0.4 million	**0.4**	0.6
Cash and short-term Investments Sufficient resources are available to meet ongoing capital, operating and administrative expenditure. The Group has no debt.	**21.0**	24.7

Liquidity risk management and going concern

The Company closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including changes in timing of developments and cost overruns of our activity. At 31 March 2015, the Company had liquid resources of approximately $21.0 million, in the form of cash and short-term investments, which is available to meet ongoing capital, operating and administrative expenditure. The Company's forecasts, taking into account possible changes as described above, show that the Company will have sufficient financial resources for the 12 months from the date of approval of the Preliminary Results Statement and Accounts for the 12 months ended 31 March 2015. At the present time, the Group does not have any debt.

Principal Risks and Uncertainties

As an oil and gas exploration and production company with operations focused in India, Hardy is subject to a variety of risks and uncertainties. Managing risk effectively is a critical element of our corporate responsibility and underpins the safe delivery of our business plans and strategic objectives. The Group has a systematic approach to risk identification and management which combines the Board's assessment of risk with risk factors originating from and identified by the Group's senior management team. Risks are identified, assessed for materiality, documented, and monitored through a risk register with senior management involved in the process. Risks that are identified as high and/or trending upwards are noted and assigned to the Executive Director to monitor and, if possible, pro-actively mitigate. The risk register is a part of a dynamic database in which new risks may be added when identified or removed as they are eliminated or become immaterial. The Board has formed a sub-committee on risk which reports periodically to the Audit Committee. The Board is provided with regular updates of the identified principal risks at scheduled Board meetings.

Principal risks and uncertainties

The underlying risks and uncertainties inherent with Hardy's current business model have been grouped into four categories; strategic, financial, operational and compliance. The Board has identified principal risks and uncertainties for 2015/16 and establishing clear policies and responsibilities to mitigate their possible negative impact on the business, a summary of which is provided below:

Risk or uncertainty	Mitigating action
Strategic	**The Group's strategy is predominantly driven by the appraisal, development and production of its existing assets in India. There are risks inherent in the exploration, appraisal, development and production of oil and gas reserves and resources.**
1. Asset portfolio over-weighted to long-cycle appraisal and development licences	Preferential allocation of resources to advance current discoveries to the development stage. Continually assessing acquisition opportunities, consistent with stated objectives, offering near-term production increases.
2. Asset portfolio exclusively in one geopolitical region	Convey business constraints to accomplishing our objective via direct and open dialogue with government officials, active participation in industry lobby groups including the Association of Oil and Gas Operators (AOGO). The Group has experienced a persistently challenging business environment which has frustrated the achievement of key strategic objectives. In the absence of tangible progress the Company may consider further opportunities outside of India.
Financial	**Any volatility and further decreases in international crude oil prices or India natural gas prices could materially and adversely affect the Group's business, prospects, financial condition and results of operations. Other major financial risks facing the Company could be financing constraint for further exploration and development; cost inflation and overruns.**
1. Absence of PY-3 stakeholder approval for proposed development and appraisal programmes	Regular and proactive communication with stakeholders to identify and maintain an understanding of key agendas and constraints. Maintain sufficient working capital to allow for extended delays and maintain tight controls on overhead costs.
2. GS-01 – Failure to secure the operator's interest in the block may result in deemed relinquishment of the block	Hardy has advised the operator and the GOI of its intent to continue with the asset. Hardy has issued a request for assignment by Reliance and is in regular communication with senior GOI officials. The Group's intangible assets include an amount of $5.0 million with respect to exploration expenditure for the GS-01 block.
3. CY-OS/2 – significant delay in enforcement of Tribunal award	Contracted local legal expertise to effectively apply India Law to ensure the enforcement of the International Tribunal's award. The Group's intangible assets include an amount of $51.0 million with respect to CY-OS/2. The Tribunal award provides for interest on investment amounting to $45.6 million as at 31 March 2015. Due to the uncertainty of the timing of enforcement this amount is treated as a Contingent Asset (note 27 and page 68).
4. Liquidated damages for incomplete minimum work programmes	The Group has minimum work commitments on its exploration assets. The GS-01 and D9 blocks reached the end of their exploration phase with outstanding MWP commitment. The Group makes provisions for estimated liquidated damages based on management's best estimate. The process of agreeing damages between the operator and GOI can take several years.

Risk or uncertainty	Mitigating action
Operational	**Offshore exploration and production activities by their nature involve significant risks. Risks such as delays in executing work programmes, construction and commissioning of production facilities or other technical difficulties, lack of access to key infrastructure, adverse weather conditions, environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, unusual or unexpected geological formations, explosions and other acts of God are inherent to the business.**
1. Securing timely final approval for the PY-3 full field development plan	Proactive communication with partners to address individual interests and agendas. Clearly formulate and articulate mutual beneficial proposals. Mitigate expenditures prior to budget approvals.
2. Loss of key staff and succession planning	The Company's ability to compete in the upstream oil and gas exploration and production industry is dependent on being able to retain and attract experienced technical personnel. Structured performance based remuneration practices and the promotion of a positive and rewarding work environment.
Compliance	**The Group's current business is dependent on the continuing enforceability of the PSCs, farm-in agreements and exploration and development licences. The Group's core operational activities are dependent on securing various governmental approvals. Developments in politics, laws, regulations and/or general adverse public sentiment could compromise securing such approvals in the future.**
1. Regulatory and political environment in India	Develop sustainable relationships with governments and communities. Indian PSC includes fiscal stability clauses. Actively collaborate with industry groups to formulate and communicate interests to government authorities.
2. Taxation and third party claims	Secured the services of leading professional and legal service providers. Proactive communication with taxation authorities to ensure queries are addressed and assessments are agreed or challenged as required.

"We conduct our business safely and in a fair, honest and ethical manner."

Corporate Responsibility Summary

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

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.

Governance – managing our business ethically and with integrity

Code of Business Conduct

We have a comprehensive Code of Business Conduct that was adopted in 2013 (the "Code") which details the levels of behavior we expect all employees to adhere to when representing Hardy. Everyone working for Hardy is personally responsible for following the Code and ensuring that we conduct our business safely and in a fair, honest and ethical manner. Full details of the policy are available on our website www.hardyoil.com.

Compliance awareness

The Chief Executive Officer personally introduces the Code to all employees and the Board and Executive are committed to ensure that the Code is embedded throughout the business.

Raising concerns

Hardy employees and contractors are encouraged to promptly report any concerns they have about the Company's business practices or where someone is concerned or suspects that the Code has been breached. Where members of staff do not feel comfortable reporting concerns to their line manager or executive they have been invited to contact the Senior Non-Executive Director directly through a confidential email address. The Board will not tolerate retaliation against an individual reporting in good faith.

Health, safety and environment

The Company is committed to excellent health and safety practices which are at the forefront in all of our activities. Although all offshore activities are currently suspended, maintaining high HSE standards throughout the organisation remains core to all our undertakings. The Company's HSE policy document was reviewed and amended with increased focus on leadership and accountability.

Greenhouse gas (GHG) emissions

Hardy Oil and Gas plc's total GHG emissions for the period 1 April 2014 to 31 March 2015 have been calculated as 216 tCO_2e which equates to 10.3 tCO_2e/FTE. Calculations have been carried out in accordance with the Defra Environmental Reporting Guidelines (2013) and emissions factors have been sourced from the Defra 2013 UK Government Conversion Factors for Company Reporting. The figure presented includes all material Scope 1 and Scope 2 emissions from all assets under Hardy Oil and Gas pic's operational control.

Reporting period	Scope 1 emissions tCO_2e	Scope 2 emissions tCO_2e	Total carbon footprint tCO_2e	Intensity metric tCO_2e/FTE
2014/15	77	138	216	10.3
2013/14	76	160	236	11.2

Total GHG emissions and intensity metric for the reporting period 01/04/2014-31/03/2015. Department for Environment Food & Rural Affairs (2013) Environmental Reporting Guidelines: Including mandatory GHG emissions reporting guidance.

Our people – being a rewarding, challenging and pleasant place to work

Local content

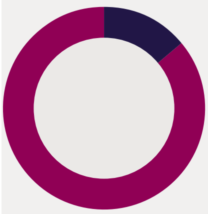
India has an extensive pool of upstream oil and gas professionals. As a result we have been fortunate to assemble and maintain 100 per cent local content of our India-based professionals and staff.

Development

We recognise that our success is clearly linked to the knowledge, skills, experience and motivation of our team and their ability to develop innovative and creative solutions to our opportunities and challenges. Management have set ambitious targets which will require Hardy employees to maintain their high level of proficiency and strive for excellence.

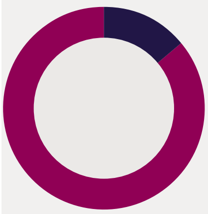
The Board would like to take this opportunity to recognise the importance of our team and acknowledge their efforts and patience in the past year.

Employees



UK   India

Employees



Female   Male

Board of Directors

Alasdair Locke (aged 61)

Non-Executive Chairman

Terms of appointment

Mr Locke was appointed to Hardy's Board as Non-Executive Chairman in January 2012.

Background and experience

Mr Locke is the former executive chairman of Abbot Group plc, an oil services company which he founded in 1992. It was listed on the London Stock Exchange from 1995 until its sale in 2008 for £906 million to Turbo Alpha Ltd, a company controlled by a US private equity fund. He sold his remaining interest in the group and stepped down altogether in 2009. His early career started in investment banking at Citigroup in 1974, where he specialised in shipping and oil.

Mr Locke holds a History and Economics degree from Oxford. He was the recipient of the Grampian Industrialist of the Year (2001) award, the Scottish Business Achievement Awards Trust International Business Achievement Award (2000) and the Scottish Business Achievement Awards Entrepreneur of the year (1999).

External appointments

He is also chairman of Argenta Holdings pic, an unlisted holding company which trades in Lloyds of London, and chairman of Ceramic Fuel Cells Limited.

Committee membership

Chairman of Nomination Committee, member of Risk Committee and Remuneration Committee.

Ian MacKenzie (aged 58)

Chief Executive Officer

Terms of appointment

Mr MacKenzie was appointed to Hardy's Board as Chief Executive Officer in February 2012.

Background and experience

Mr MacKenzie has a proven track record of knowledge, experience and achievement of high performance in the management of oil and gas operations, technical support functions, and major design and construction projects developed through 30 years in the oil and gas industry.

Mr MacKenzie was a group director and member of the executive team of KCA DEUTAG Drilling as well as a director of group subsidiaries including chairman of the main Norwegian operating entity KCA DEUTAG Norge A/S. Mr MacKenzie gained an honours degree in Engineering Science from Aberdeen University and a postgraduate diploma in Offshore Engineering from Robert Gordon University, Aberdeen. He also has formal qualifications in Finance and Accounts. He is a Chartered Mechanical Engineer; FEANI registered European Engineer, member of the Institution of Mechanical Engineers, Energy Institute, Society of Petroleum Engineers, Institute of Directors and a past External Examiner in the RGU Oil & Gas MSc course.

External appointments

None

Committee membership

Chairman of Risk Sub-Committee.

Peter Milne (aged 61)

Senior Non-Executive Director

Terms of appointment

Mr Milne was appointed to Hardy's Board as Senior Non-Executive Director in March 2012.

Background and experience

Mr Milne has a proven track record in the oil sector. For over 15 years he was the finance director of Abbot Group plc, the largest UK headquartered drilling contractor. During that period the company grew from being a largely UK focused business, with turnover of £50 million, into a global organisation with more than £1 billion turnover, operations in 20 countries and employing over 8,000 people. This transformation was achieved through a strategy of organic and acquisition led growth. Mr Milne qualified as a chartered accountant with Deloittes in 1977 and was an executive director of Abbot Group plc (a former FTSE 250 company) and KCA DEUTAG Drilling Group up until 2010.

External appointments

None

Committee membership

Chairman of the Audit Committee, a member of the Remuneration Committee, Nomination Committee and Risk Committee.

Pradip Shah (aged 62)

Non-Executive Director

Terms of appointment

Mr Shah was appointed to Hardy's Board as Non-Executive Director in 1999.

Background and experience

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.

External appointments

Mr Shah is founder and chairman of IndAsia Fund Advisors, chairman of Wyeth, Sonata Software and Shah Foods and a director of BASF (India), Godrej & Boyce, Panasonic Energy India, Pfizer and Tata Investment Corporation amongst other companies.

Committee membership

Chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee.

Management committee

T.K. Ananth Kumar

Non-Executive Director of HEPI

Terms of appointment

Mr Ananth Kumar was appointed to HEPI's board as Non-Executive Director in 2014.

Background and experience

Mr Kumar has over 30 years of experience in the oil and gas sector in financial, accounts, treasury, strategic and business development initiatives. He recently superannuated as director finance of Oil India Limited a $5 billion Navaratna Company and India's second largest exploration and production state enterprise. Mr Kumar is a qualified chartered accountant, a member of the Institute of Chartered Accountants of India and has a bachelors degree in Commerce from Osmania University, India. Mr Kumar's recent achievements include leading the GOI successful $590 million Offer for Sale in Oil India; the $2.5 billion joint acquisition of Videocon's stake in Mozambique gas fields in 2013, and in 2009 the landmark $550 million Initial Public Offering (IPO) for Oil India.

Richard Galvin

Treasurer & Corporate Affairs Executive

Terms of appointment

Mr Galvin joined Hardy in 2005 and was appointed to HEPI's Board in 2013.

Background and experience

Mr Galvin has over 15 years of commercial and corporate finance experience in the upstream oil and gas industry. Mr Galvin started his career at Encana (formally AEC) working in progressively senior commercial roles over seven years. Mr Galvin holds a master of business administration from the London Business School and a bachelor of commerce from the University of Calgary. Mr Galvin joined Hardy in 2005 as Business Development Manager and was appointed an Executive Officer of the Company in 2011. Mr Galvin is a Director of HEPI.

Sankalpa Mitra

Senior Vice President Production of HEPI

Terms of appointment

Mr Mitra joined HEPI in 2006 and was appointed Senior Vice President in 2014.

Background and experience

Mr Mitra has over 31 years of experience in the oil and gas industry. He previously worked for ONGC over 23 years holding a position of chief engineer – production having experience in both onshore and offshore operations and project implementation. Mr Mitra joined HEPI in 2006 as manager special projects and has been heading the operations team as general manager – PY3 since 2010. He holds a BE (Mechanical) from Calcutta University.

CH. V. Satya Sai

Vice President Geoscience of HEPI

Terms of appointment

Mr Sai joined HEPI in 2006 and was appointed Vice President in 2014.

Background and experience

Mr Satya Sai has over 29 years of G&G experience in the oil and gas industry. Mr Satya Sai previously worked at ONGC for over 21 years, holding a position of superintending geophysicist prior to leaving. He holds a masters degree in Geophysics and a bachelor degree in Science from Andhra University. Mr Satya Sai joined Hardy in 2006 as Chief Geophysicist and has been the Head of G&G since 2012.

Governance Summary

Chairman's introduction

The Board recognises that good governance is key to the future development and performance of the Company's business and to the attainment of the Board's strategic objectives. This summary outlines the Group's governance framework and describes the key governance issues that have been addressed by the Board and its Committees during 2014/15, together with the governance issues that will be a key focus for 2015/16.

Governance framework

Audit Committee	Nomination Committee	Remuneration Committee
Key areas of responsibility Monitor integrity of interim and annual financial statements; review of internal control and risk management systems; monitor effectiveness of external audit function.	**Key areas of responsibility** Board composition and effectiveness, oversight of Board performance; assess organisational requirements and evaluate corporate competencies.	**Key areas of responsibility** Implementing policy on executive remuneration; fixing remuneration of individual Directors and monitoring level and structure of remuneration of the senior executive.

Risk Sub-Committee
Oversee risk management systems and report to the Audit Committee.

Succession planning

A focus of the Board and Nomination Committee through 2014/15 has been review of management competencies and future needs. To facilitate assessment of senior management and corporate competencies the Board made adjustments to its meeting schedule to incorporate more regular site visits to the Company's Chennai based office.

Following the resignation of Mr Yogeshwar Sharma the Board undertook a review of the composition of the Board and the current executive and senior management structure. It was concluded that the current structure is appropriate. However to deliver on our longer-term strategy additional resources will be required. The Chairman will continue to assess the appropriateness of the Board's composition as the business develops.

Board composition and diversity

Provided below is a breakdown by gender of the number of persons who were Directors, senior managers and employees as at 31 March 2015. Those persons included in the category of "senior management" are those with responsibility for planning, directing or controlling the activities of a strategically significant part of the Company.

	Board	Senior management	Employees
Female	–	–	19%
Male	100%	100%	81%

The Strategic Report, as set out on pages 1 to 20, has been approved by the Board.

Alasdair Locke
Chairman
10 June 2015

Governance Report

The UK Corporate Governance Code

The Company maintains a listing on the London Stock Exchange and under the UK Listing Rules, is required to comply with the UK Corporate Governance Code published in September 2012 (the UK Code). The UK Code is publicly available on the Financial Reporting Council's website at www.frc.org.uk.

Introduction

The Board is committed to ensuring that high levels of corporate governance are achieved. Hardy Oil and Gas plc is incorporated in the Isle of Man and is not subject to any corporate governance regime in its place of incorporation. The Board remains focused on effective risk management and strong corporate governance. We have reviewed the changes to the 2014 UK Corporate Governance Code (the "UK Code") and the key changes to the Code relate to remuneration, risk management and long-term viability. We believe that Hardy is already largely compliant, but further assessment and actions will take place in 2015. We believe that the remuneration policy approved by shareholders at the AGM in 2014 remains compliant.

This corporate governance report describes the manner in which the Group has applied the main principles of governance set out in the UK Code throughout the year. The Company is also required to disclose whether it has complied with the provisions of the UK Code during the year and, to the extent it has not done so, to explain any deviations from them.

The Company is a small cap upstream oil and gas company with a modest resource base. The Board has outlined a clear mandate to optimise the allocation of limited resources to support its exploration programme and development plans. 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 enhancing 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 12 months ended 31 March 2015. Disclosures below include matters where Hardy has not fully complied during the reporting period.

Leadership

The Company is headed by an effective Board which is collectively responsible for the long-term success of the Company.

The role of the Board

The Board sets the Group's strategy, ensuring that the necessary resources are in place to achieve the agreed strategic priorities, and reviews management and financial performance. It is accountable to shareholders for the creation and delivery of both strong, sustainable financial performance and long-term shareholder value. To achieve this, the Board directs and monitors the Group's affairs within a framework of controls which enable risk to be assessed and managed effectively. The Board also has responsibility for setting the Group's core values and standards of business conduct and for ensuring that these, together with the Group's obligations to its stakeholders, are widely understood throughout the Group. The Board has a formal schedule of matters reserved which is provided later in this report.

Board meetings

The core activities of the Board are carried out in scheduled meetings of the Board and its Committees. These meetings are timed to link to key events in the Group's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During the 12 months ended 31 March 2015, the Board met on four occasions. The Board endeavours to arrange for at least one meeting to be held at its Indian based office. This provides senior managers from across several disciplines with the opportunity to present to the Board and to meet the Board members informally. It also provides the Board with an opportunity to meet a broad cross-section of staff and to assess senior managers at first hand.

Outside the scheduled meetings of the Board, the Chairman and Chief Executive Officer make frequent contact with each other and the other Directors to discuss any issues of concern they may have relating to the Group or their areas of responsibility, and to keep them fully briefed on the Group's operations.

Matters reserved specifically for the Board

The Board has a formal schedule of matters reserved that can only be decided by the Board. The key matters reserved are the consideration and approval of:

- the Group's overall strategy;
- financial statements and dividend policy;
- management structure including succession planning, appointments and remuneration (supported by the Nomination Committee);
- material acquisitions and disposal, material contracts, major capital expenditure projects and budgets;
- capital structure, debt and equity financing and other matters;
- risk management and internal controls (supported by the Audit Committee);
- the Company's corporate governance and compliance arrangements; and
- corporate policies.

Subject to those reserved matters, the Board delegates authority for the management of the business primarily to the Executive Director and members of the Group's Senior Executive team. Certain other matters are delegated to the Board Committees, namely the Audit, Remuneration and Nomination Committees.

Governance Report continued

Summary of the Board's work in the period

For the 12 months ended 31 March 2015, the Board considered all relevant matters within its remit, but focused in particular on the following key issues:

- strategy and management with a particular focus on the optimisation of the Group's India focused portfolio;
- financial management;
- regulatory/compliance;
- environment, health and safety;
- appointment and succession planning – this is dealt with more fully in the Nomination Committee's Report on pages 40 and 41; and
- stakeholder relations.

Attendance at meetings:

Member	Meetings attended
Alasdair Locke (Chairman)	4 of 4
Ian MacKenzie	4 of 4
Peter Milne	4 of 4
Pradip Shah	4 of 4
Yogeshwar Sharma[1]	2 of 2

1 Yogeshwar Sharma retired from the Board on 30 September 2014 all other Directors served in office for the 12 months ended 31 March 2015.

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

Division of responsibility

There is a defined separation of the responsibilities between Alasdair Locke, the Non-Executive Chairman and Ian MacKenzie, the Chief Executive Officer, which has been set out in writing and agreed by the Board. The Chairman is primarily responsible for the effective working of the Board, whilst the Chief Executive Officer is responsible for the operational management of the business, for developing strategy in consultation with the Board and for implementation of the strategy.

The Chairman

The Chairman sets the Board agenda and ensures adequate time for discussion. On appointment as Chairman on 16 January 2012, Alasdair Locke met the independence criteria set out in the UK Corporate Governance Code.

Non-Executive Directors

The Non-Executive Directors bring a broad range of business and commercial experience to the Company and have a particular responsibility to challenge independently and constructively the performance of the executive management and to monitor the performance of the management team in the delivery of the agreed objectives and targets. As part of this responsibility, the Non-Executive Directors periodically meet without the Executive Director present. Separately, the Chairman and Chief Executive Officer hold informal discussions with the Non-Executive Directors in respect of current issues affecting the Group.

As Senior Independent Non-Executive Director, Peter Milne is available to meet shareholders if they have concerns that cannot be resolved through discussion with the Chairman and/or Chief Executive Officer or where such contact is considered inappropriate. Efforts are made to ensure that the Non-Executive Directors are briefed on the more technical and operational aspects of our activities.

Non-Executive Directors are initially appointed for a term of three years, which may, subject to satisfactory performance and re-election by shareholders, be extended by mutual agreement. Pradip Shah has been a member of the Board for over nine years. As a result he is subject to re-election on an annual basis.

Delegations of authority

Board Committees

The Board has delegated matters to three Committees namely Audit, Remuneration, and Nomination Committees. The memberships, roles and activities of these Committees are detailed in separate reports: the Audit Committee on pages 28 to 30, the Remuneration Committee on pages 31 to 39, and the Nomination Committee on pages 40 to 41. Each Committee reports to the Board and the issues considered at meetings of the Committees are tabled by the respective Committee chairmen. The terms of reference of each Committee are reviewed by the Board every other year.

In 2013 the Board agreed to form a sub-committee of the Audit Committee responsible for overseeing the risk and uncertainty assessment function. The Board appointed Ian MacKenzie (Chair), Alasdair Locke and Peter Milne as members. The Risk Committee's terms of reference are available on the Company's website.

Other governance matters

All of the Directors are aware that independent professional advice is available to each Director in order to properly discharge their duties as a Director. In addition, each Director and Board Committee has access to the advice of the Company Secretary.

The Company Secretary

The Company Secretary is Richard Vanderplank who is retained on a consultancy basis. He is available to Directors and is responsible for the Board complying with Isle of Man procedures. He is supported by the Treasurer & Corporate Affairs Executive in the provision of company secretarial services to the Company.

Effectiveness

The Board currently comprises of a Non-Executive Chairman, Chief Executive Officer, and two Non-Executive Directors. Biographical details of the Board members are set out on page 20 to 21 of this report.

The Directors are of the view that the Board and its Committees consist of Directors with an appropriate balance of skills, experience, independence and diverse backgrounds to enable them to discharge their duties and responsibilities effectively.

At the Company's Annual General Meeting held on 7 August 2014, shareholders re-elected Pradip Shah a Non-Executive Director.

Independence

The Non-Executive Directors bring a broad range of business and commercial experience to the Company. The Board considers Alasdair Locke, Peter Milne and Pradip Shah to be independent Directors in character and judgement.

Pradip Shah has served as a Director for a period of more than nine years. He held 260,233 employee stock options to purchase Ordinary Shares in the Company which were awarded prior to the Company listing on AIM in June 2005. Effective 7 June 2015 the employee stock options reached the end of their term and as a result lapsed. Mr Shah is based in India and is actively involved in many business endeavours holding executive and non-executive roles across a diverse range of industries and is well established within India's commerce and political communities. The Board considers that Mr Shah is independent of management because a Chief Executive Officer was appointed in 2012 with whom Mr Shah has had no previous professional interaction. Notwithstanding Pradip Shah's tenure, the Board is fully satisfied that he demonstrates complete independence, robustness of character and judgement both in his designated role and as a Board member.

Appointments

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board with regards to any required changes. The Committee is also concerned with succession planning which includes assessment of senior management capabilities and development requirements to compliment the Group's requirements.

Commitments

All Directors have disclosed to the Board any significant commitments outside their respective duties as Non-Executive Directors and confirmed that they have sufficient time to discharge their duties.

Induction

All new Directors receive an induction as soon as practical on joining the Board. This includes meetings with the Executive Committee members and other senior management and visits to the Group's principal office of operation. New Directors are also provided an overview of their duties as a Director, corporate governance policies and established Board procedures as part of the induction process.

Training

The Chairman regularly reviews training and development needs with each Director. During the reporting period it was agreed that each Director had the necessary current and relevant experience and expertise to effectively discharge their respective responsibilities.

Conflict of interest

A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Group. The Board has satisfied itself that there is no compromise to the independence of those Directors who have appointments on the boards of, or relationships with, companies outside the Group. The Board requires Directors to declare all appointments and other situations which could result in a possible conflict of interest.

Board performance and 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 Board, including reviewing the performance of the Chairman, with the exception of reviewing his 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 2015. The evaluation resulted in constructive feedback which has resulted in actionable items primarily regarding enhancement of communication between Non-Executive Directors and the executive. Overall, it was felt that the Board was functioning well.

Re-election

The Board has agreed that Alasdair Locke and Pradip Shah will stand for re-election at the Company's 2015 Annual General Meeting. The 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.

Accountability

The Board is committed to providing shareholders with a clear assessment of the Group's position and prospects. This is achieved through this report and, as required, other periodic financial and trading statements.

The arrangements established by the Board for the application of risk management and internal control principles are detailed on pages 16 to 17. The Board has delegated to the Audit Committee oversight of the relationship with the Company's auditors as outlined in the Audit Committee report on page 28.

Going concern

The Group's business activities, together with factors likely to affect its future operations, financial position, and liquidity position are set out in the Strategic Report section of the Annual Report. In addition, note 24 to the consolidated financial statements discloses the Group'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.

Governance Report continued

The Directors, having made due and careful enquiry, are of the opinion that the Group and the Company have adequate working capital to execute their operations and have 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 these financial statements, that there is a reasonable expectation that the Group and the Company have 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.

Internal controls

The Board of Directors reviews the effectiveness of the Group's system of internal controls in line with the requirement of the UK 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 Group had the necessary procedures in place for the period under review and up to the date of approval of the Annual Report and Accounts. The Directors acknowledge their responsibility for the Groups' 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 Group and has formed a Risk Committee which reports to the Audit Committee. A risk assessment for each project is carried out by a team consisting of the Executive Director and senior management and report to the Risk Committee before making any material 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.

The Audit Committee regularly reviews and reports to the Board on the effectiveness of the internal control systems. Given the size of the Group, 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 by joint venture partners, and approvals as well as external 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 Group and to prevent and detect fraud and other irregularities.

Business model

Hardy strives to create value through participating in the full exploration and production cycle. The cycle requires first the acquisition of permits to explore issued by government authorities of the countries in which we choose to invest. After extensive analysis, exploration campaigns are planned to try to discover oil and gas fields within underexplored sedimentary basins. When we have a significant discovery we undertake appraisal programmes which may include the drilling of wells and further geotechnical analysis to determine the size and quality of the discovery. If the appraisal programme confirms that development of a discovery is commercially viable, we begin work on a development plan. This maps out how we will realise the production of and ultimately generate revenue and cash flow. We also create value through the implementation of enhanced production strategies to optimise the value of recoverable hydrocarbons from existing producing fields.

Remuneration

The Board has delegated to the Remuneration Committee responsibility for agreeing the remuneration policy for the Chairman, Chief Executive Officer and senior executives. The Directors' Remuneration Report on pages 31 to 39 contains full details of the role and activities of the Remuneration Committee.

Shareholder relations

Communication and dialogue

Open and transparent 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 Group issues its annual results promptly to individual shareholders and also publishes interim and annual results on the Company's website: www.hardyoil.com. Regular updates to record news in relation to the Group and the status of its 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 online on the website free of charge.

The Chairman and Executive Director are available to meet with institutional shareholders to assist them in gaining an understanding of the Group's business, its strategies and governance. At the 2014 Annual General Meeting of shareholders, the Chairman was present and the Committee chairs participated via conference call. Peter Milne currently serves 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 Director. Meetings are also held with the corporate governance representatives of institutional investors when requested.

Annual General Meeting

At every Annual General Meeting individual shareholders are given the opportunity to put questions to the Chairman, Committee chairs and other members of the Board. Notice of the Annual General Meeting is sent to shareholders at least 20 working days before the meeting. Details of proxy votes for and against each resolution, together with the votes withheld are announced to the London Stock Exchange and are published on the Company's website as soon as practical after the meeting.

At the Company's 2014 Annual General Meeting eight resolutions were presented. Below is a summary of the voting results:

#	Description	Type	For	Against	Withheld	Total	Votes for %
1	Adopt annual accounts for the period ended 31 March 2014	Ordinary	45,736,967	83,747	0	45,820,714	99.82%
2a	To approve the Report on Remuneration	Ordinary	34,198,822	10,762,311	859,581	45,820,714	74.64%
2b	To approve the Directors' Remuneration Policy	Ordinary	33,696,491	12,106,030	18,193	45,820,714	73.54%
3	To re-elect Pradip Shah as a Director of the Company.	Ordinary	34,124,353	11,454,445	241,916	45,820,714	74.74%
4	To re-elect Yogeshwar Sharma as a Director of the Company.	Ordinary	36,225,572	9,335,033	260,109	45,820,714	79.06%
5	To re-elect Ian MacKenzie as a Director of the Company	Ordinary	45,817,301	3,413	0	45,820,714	99.99%
6	Reappointment of Crowe Clark Whitehill LLP as auditor	Ordinary	45,482,975	58,596	279,143	45,820,714	99.26%
7	Disapplication 5% of issued share capital	Special	45,818,332	2,382	0	45,820,714	99.99%
	Total shares issued		73,148,416				
	Total issued share capital instructed		63 per cent				

The Board has made note of the lower proportion of votes in favour of resolutions 3 and 4 which relate to remuneration and the reappointment of Mr Shah. As outlined above Mr Shah is an important member of the Board and there are currently no plans to change the composition of the Board and this is further discussed in the Nomination Committee report (page 41). In regard to remuneration we have maintained an open dialogue with major shareholders and will re-evaluate our remuneration practices once circumstances change. Further detail in regard to actions taken to address shareholder concerns and the rationale for current remuneration practices can be found in the Director's Remuneration Report (page 31).

Non-compliance with the UK Code

The Company did not comply with the UK Code in the following matters during the 12 months ended 31 March 2015:

Code provision	Subject matter	Discussion
B.1.1	Non-Executive Directors meeting independence requirements	Pradip Shah has served on the Board for more than nine years. Notwithstanding the Board considers Pradip Shah to be independent of management as the Chief Executive Officer was appointed in 2012 with whom Mr Shah has had no previous professional interaction. Furthermore Mr Shah contributes relevant skills, expertise and insight towards the Company's stated strategic objectives and provides valuable advice as to the business and political environment in India.

The Board believes all of the Non-Executive Directors provide valuable advice and counsel in furthering the business objectives of the Group.

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 is a small cap upstream oil and gas company with a modest resource base. The Group has a clear mandate to optimise the allocation of limited resources to support its appraisal and development programmes. As such, the Group 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 enhancing the Company's corporate governance policies and practices deemed appropriate considering the size and maturity and complexity of the organisation.

Alasdair Locke
Chairman
10 June 2015

Audit Committee Report

A commitment to good corporate governance and risk management are a key part of any successful business model. The Audit Committee plays an integral role in achieving and maintaining high standards. Internal control and risk management processes were a key consideration in the past year. We are pleased that throughout 2014 the internal controls have been improved and initiatives are in place to further enhance and streamline processes and practices within the Group.

The Committee will continue to oversee the implementation of the agreed internal control and risk management process enhancements. Another agenda item for the Audit Committee will be the adoption of changes to the UK Corporate Governance Code and revisions to the Financial Reporting Councils (IFRS) guidelines published in 2014.

Peter Milne
Chairman of the Audit Committee

Governance

The Audit Committee comprises of two Non-Executive Directors and oversees the Group's financial reporting and internal controls, and provides a formal reporting link with the external auditors. Mr Milne, who has been the Chairman of the Audit Committee since 2012, is a chartered accountant with over 30 years of oil and gas sector experience. Pradip Shah, who was a member of the Audit Committee throughout the year, is also a chartered accountant. The Committee is satisfied that Mr Milne and Mr Shah's membership of the Committee satisfy the UK Code requirements regarding recent and relevant financial experience.

The Chief Executive Officer and Treasurer were invited to attend all meetings and other senior management and representatives of the external audit were invited as appropriate. The external auditors have unrestricted access to the Audit Committee Chairman.

The Committee has noted the updated UK Corporate Governance Code and the new guidelines on Risk Management, Internal Control and Related Financial and Business Reporting published in 2014 by the FRC. The Audit Committee are assessing the implications of the new requirements and ensure that the Company complies as practical for a Company of our size and resources.

Summary of responsibilities

The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the half-yearly reports remains with the Board. The Audit Committee met four times in the 12 months ended 31 March 2015 and the attendance of members at the Audit Committee meetings held in the current reporting period were as follows:

Committee member	Meetings attended
Peter Milne (Chairman)	4 of 4
Pradip Shah	4 of 4
Yogeshwar Sharma[1]	2 of 2

1 Yogeshwar Sharma retired from the Board on 30 September 2014.

Main responsibilities

The Audit Committee acts as a preparatory body for discharging the Board's responsibilities in a wide range of financial matters by:

- monitoring the integrity of the financial statements and formal announcements relating to the Company's financial performance;
- reviewing significant financial reporting issues and accounting policies and disclosures in financial reports;
- overseeing that an effective system of internal control and risk management systems are maintained;
- ensuring that effective whistle-blowing, anti-fraud and bribery procedures are in place;
- considering the Company's internal audit requirements and make recommendations to the Board;
- overseeing the Board's relationship with the external auditors and, where appropriate, the selection of new external auditors;
- approving non-audit services provided by the external auditors and ensuring the independence and objectivity of the external auditors is safeguarded when appointing them to conduct non-audit services; and
- ensuring compliance with legal requirements, accounting standards and the Listing Rules and the Disclosure and Transparency Rules.

Following the stepping down of Mr Sharma, the Board agreed to amend the Audit Committee's terms of reference to require a minimum of two members. The Audit Committee terms of reference can be accessed via the Company's website www.hardyoil.com. The Committee fully discharged its responsibilities during the year.

Consideration and review of six month interim statements and results for the 12 months ended 31 March 2015

- The Audit Committee monitored the current business environment and in particular commodity price volatility and the geopolitical environment in India while considering the appropriateness of the Group's statements.
- The Audit Committee met with the external auditors as part of both the six month interim statements and annual accounts approval processes.
- The Audit Committee considered the most appropriate treatment and disclosure of any new or judgemental matters identified during the audit of the 12 month accounts or interim statement review, as well as any other recommendation or observation made by the external auditor.

The Audit Committee audit planning and update on relevant accounting developments

- The Company prepares financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union.
- The Audit Committee continued to review the appropriateness of the Company's accounting policies and was satisfied that the policies adopted by management are currently appropriate.
- The Audit Committee approved the scope of the work to be undertaken by the external auditors for the interim review and year-end statutory audit.
- Considered new requirements provided for in the 2014 updated UK Corporate Governance Code, EU's Transparency and Accounting Directives and other IFRS.

Review of risk management systems and internal control process and procedures

- The management via the Risk Committee provided the Audit Committee with clear updates of risk and uncertainties facing the Company and accompanying actions to mitigate such risk.
- Following a review the Audit Committee was satisfied with the appropriateness of the risk management framework which provides for 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.
- The Audit Committee mandated several internal control enhancements following observations made by the External Auditor. The Audit Committee is currently overseeing the implementation of other improvements including the upgrading of accounting software which will be in place in 2015.

Review of the effectiveness of the Audit Committee

- During the period the Board completed a review of its effectiveness which included the assessment of the Audit Committee. The review was coordinated by the Treasurer. As a result the Audit Committee was considered to be operating effectively and in accordance with the UK Code.

Review of the requirement for an internal audit function

- The Committee considered the requirement for an internal audit function. The Audit Committee considered the size of the Group, the relative simplicity of the systems and the close involvement of senior management. Following the Committee's review it was recommend to the Board that an internal audit function is not appropriate at this time.

Financial reporting

The Committee monitored the integrity of the Financial Statements and the Group's other financial reports and reviewed the significant financial reporting issues and accounting policies and disclosures in the financial reports. The Committee met with the external auditors as part of the full year and interim accounts approval processes. The process included the consideration of key audit risks identified as being significant to the 2015 accounts.

Audit Committee Report continued

Significant issues considered in relation to the financial statements

The primary areas of judgement considered by the Audit Committee in relation to the 2015 accounts and how these were addressed are detailed below:

Issue	Action taken by the Committee
Intangible assets – exploration CY-OS/2 There is continuing uncertainty over the status of the block due to the ongoing legal dispute with the GOI. The value of the intangible asset in relation to CY-OS/2 is material to the Group balance sheet. Details of the dispute and arbitration award are provided for on Note 16 on pages 62 to 63.	The Audit Committee reviewed and considered the external legal advice obtained by management concerning the enforcement of the CY-OS/2 arbitration award in favour of Hardy and is satisfied to continue to recognise CY-OS/2 as an intangible asset, valued at $51.0 million in the Group balance sheet and that the disclosures concerning the dispute are fair and balanced.
PY3 field and deferred tax asset The PY3 field has been shut-in since July 2011 and has a carrying value of $5.78 million. In order to assess whether any impairment in value has taken place the financial viability of the field has to be assessed in light of current circumstances. The deferred tax asset carrying value of $9.7 million is recoverable only if sufficient profits are generated after the restart of production on PY3.	The Committee has reviewed the progress made by management in achieving approval of the Field Development Plan by all partners at Operating Committee level and the subsequent steps taken to date to achieve final approval at Management Committee level in order that production may recommence. In light of a recent fall in oil price the Committee challenged management's assumptions provided for in the field's financial model including fiscal structure production profiles, and cost estimates. The Committee is satisfied that no impairment in the value of these assets has occurred.
GS-01 field The GS-01 has a carrying value of $5.0 million. If the Group is unable to reach agreement with the operator to acquire its interest in the field, the block will be relinquished to the GOI and the value of the asset written off in full.	The Committee has reviewed the status of the Group's advanced stage of negotiations with Reliance and is satisfied that no write-off is currently necessary.
Legal matters The Group is currently involved in a number of disputes with taxation authorities and third parties which in the event of adverse findings could result in an unexpected material cash outflow.	The Committee has reviewed with management and its professional advisers the current status of various disputed matters and their likely outcomes. Taking into account the range of possible outcomes and their probabilities the Committee is satisfied that sufficient provisions or contingent liabilities have been recognised in the financial statements where necessary

External auditor

The Company's external auditors are Crowe Clark Whitehill LLP. Authorisation of non-audit services provided to the Group is a matter reserved for the Audit Committee. In the 12 months ended 31 March 2015 Crowe Clark Whitehill LLP did not provide any non-audit related services to the Company. Crowe Clark Whitehill did undertake a review of the Company's Interim Statement and Accounts for the six months ended 30 September 2014.

The external auditors have unrestricted access to the Audit Committee Chairman. During the current audit process, the Audit Committee Chairman met with the audit engagement partner from Crowe Clark Whitehill LLP, without the presence of management.

The Committee is satisfied that Crowe Clark Whitehill LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence are maintained. The external auditors report to the Audit Committee annually on their independence from the Company. In accordance with professional standards, the partner responsible for the audit is changed every five years, and last changed in December 2012. The current auditors, Crowe Clark Whitehill LLP were first appointed by the Company in 1999 and the current partner is due to rotate off the engagement after completing the March 2017 audit. Taking into consideration the transitional rules issued by the Competition Commission as an indication of best practice, the Company would intend to put the audit out to tender after the end of the 2019 audit at the latest.

The UK Code states that the Audit Committee should have primary responsibility for making a recommendation on the appointment, reappointment or removal of the external auditors. On the basis of the Audit Committee's review of the external auditor's performance, effectiveness and independence, the Committee recommends to the Board that it recommends to shareholders the reappointment of the auditors at the Company's 2015 Annual General Meeting.

Peter Milne
Chairman of the Audit Committee
10 June 2015

Directors' Remuneration Report

On behalf of the Board, I am presenting the Remuneration Committee's report for the 12 months ended 31 March 2015, the report comprises three sections;

- An annual statement providing a summary of the year under review and the Committee's forward plans;
- The Directors' Remuneration Policy Report, which sets out the three-year Directors' remuneration policy for the Company which commenced on 1 April 2014. This section has been included in line with best practice; and
- An Annual statement providing a summary of the Committee's activities in the 12 months ended 31 March 2015 and its intention going forward.

Summary of major decisions for

Executive Director Remuneration Policy for 2015 – The Committee has set out short to medium-term performance objectives, which are linked to the Company's strategy, for the award of bonus and equity based long-term incentives (LTI). We maintain that the Company's remuneration policy, including vesting conditions placed on stock option awards, provides competitive remuneration for the executive is appropriate for a company of our size, scope and circumstance. Once normal operations commence, meaningful and measurable criteria will be at the disposal of the committee. This will facilitate the adoption of other conventional industry specific performance criteria.

Remuneration policy – The Committee regularly considers the guidelines on executive remuneration set out by the Association of British Insurers. Hardy is an Isle of Man incorporated company and is therefore not subject to the UK company law requirement to submit its remuneration report to a binding policy vote on Director pay to shareholders. However, we adopted the new remuneration report format and sought approval from shareholders at the Company's 2014 Annual General Meeting. The Remuneration Committee has not recommended any changes to the current policy.

Shareholder dialogue – At the Company's 2014 Annual General Meeting the resolutions to adopt the remuneration report and approve the Remuneration Policy received approximately 75 per cent in favour. General reason cited for not voting in favor of the report were in regard to the terms and conditions of stock options awarded to the Executive Director including vesting provisions being subject to a single performance condition, multiple testing, and the absence of personal targets. Throughout the year we have discussed the Company's remuneration policy and practices with major shareholders and we have committed to review vesting conditions once circumstances allow.

On behalf of the Board I would like to thank shareholders for their continued support. Should any shareholder wish to contact me in connection with the Company's senior executive remuneration policy, please email me at investor.relations@hardyoil.com.

Pradip Shah
Chairman of the Remuneration Committee
10 June 2015

Directors' Remuneration Report continued

Directors' remuneration policy (voluntary disclosure)

This part of the Remuneration Report sets out Hardy's remuneration policy for the Company which commenced 1 April 2014. This section further outlines how the remuneration policy will be operated during the 12 months ended 31 March 2016.

Policy overview

The principles of the Remuneration Policy are to ensure that remuneration promotes the attraction, motivation and retention of the highest-quality executives who are key to executing our strategy and delivering substantial returns to shareholders. A meaningful proportion of executive remuneration is structured to link rewards to corporate and individual performance, conservation of limited capital resources, and an alignment of interests with those of shareholders and to incentivise them to perform at the highest levels.

The remuneration package for the executive and senior management will comprise of base salary, annual bonus, taxable benefits, pension payments and participation in the Company's share incentive arrangements.

Consideration of shareholders' views

The Remuneration Committee considers shareholder feedback received at the Annual General Meeting each year and, more generally, guidance from shareholder representative bodies. This feedback, plus any additional feedback received from time to time, is considered as part of the Company's review of remuneration policy.

Employment conditions elsewhere in the Group

In setting the remuneration policy and remuneration level for the Executive Directors, the Committee is cognisant of the approach to rewarding employees in the Group and levels of pay increases generally.

Operation of share plans

The Committee will operate the Unapproved Share Option Plan, Executive Share Option Plan and Restricted Share awards according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee retains discretion over a number of areas relating to the operation and administration of the plans in relation to senior management including the Executive Directors. These include (but are not limited to) the following:

- who participates;
- the timing of grant of awards and/or payment;
- the size of awards and/or payment;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes and a good leaver's treatment;
- adjustments to awards required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

Non-executive remuneration

Policy

The main goals of the Company's Remuneration Policy for the Chairman and Non-Executive Directors is designed to assure alignment with shareholders, maintain independence, recognise time commitments and attract and retain outstanding candidates.

The remuneration of the Non-Executive Directors is determined by the Chairman and the Executive Director outside the framework of the Remuneration Committee and approved by the Board of Directors. The fees paid are set at a level to attract individuals with the necessary experience and ability to make a significant contribution to the Group's activities, while also reflecting the time commitment and responsibility of the role. None of the Directors participate in any discussion or votes on any proposal relating to his or her own remuneration.

Director fees

Each Non-Executive Director currently receives a basic annual fee of £50,000. The Chairman of the Board will receive an additional annual fee of £65,000 to reflect his additional responsibilities as Chairman of the Board. The Audit Committee Chairman will receive an additional annual fee of £10,000 to reflect additional responsibilities. Each Non-Executive Director is also entitled to the reimbursement of necessary travel and other expenses. In certain circumstances a non-executive may receive additional fees to compensate for time spent in excess of what would normally be expected in the execution of responsibilities.

Non-Executive Directors are entitled to an annual restricted shares award equivalent to 25 per cent of their basic 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 basic 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 will remain restricted are forfeited if the participant is no longer a Director of Hardy. In addition, for a Good Leaver (defined as death, injury or disability, redundancy, retirement, his office or employment being either with a company which ceases to be in the Group or relating to a business or part of a business which is transferred to a person who is not a party to the Group or any other reason the Committee so decides) the Board has discretion to accelerate vesting on a date determined by it.

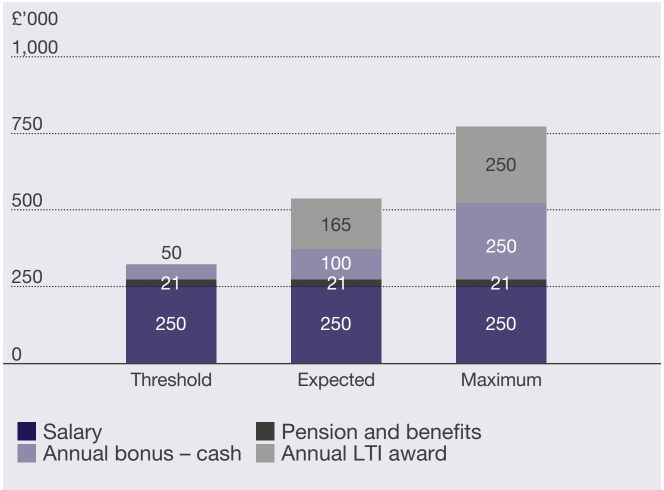
Chairman's additional remuneration

Alasdair Locke's terms of agreement provide for a one time award of restricted shares equivalent to £50,000 in the event that the average price of the Company's Ordinary Shares remains above £3.00 for any consecutive three-month period during the term of his appointment.

Remuneration scenarios for the Executive Director

The chart below shows how the composition of the Executive Director's remuneration package varies at different levels of performance under the remuneration policy, as a percentage of total remuneration opportunity and as a total value.

Chief Executive Officer



Service agreement

All of the service contracts with Directors are on an evergreen basis, subject to termination provisions. The Company may, in lieu of notice, terminate the Executive Director's employment with immediate effect by making a payment which does not exceed: a lump sum equal to basic salary, pension entitlement and other benefits 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. The appointment of the Executive Directors is subject to termination by no greater than 12 months by either party. The appointments of Non-Executive Directors are subject to termination upon at least three months' notice.

Chief Executive Officer

The service contract of Ian MacKenzie is on an evergreen basis until terminated by not less than 12 months written notice by either party. 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 contract until the end of the notice period.

External appointment

The Board has not introduced a formal policy in relation to the number of external directorships that an Executive Director may hold. Currently the Executive Director does not hold any other external appointment.

Policy for new appointments

Executive

Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be realigned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

The Committee may consider buying out incentive awards which an individual would forfeit upon leaving their current employer although any compensation would, where possible, be consistent with respect to currency (i.e. cash for cash, equity for equity), vesting periods (i.e. there would be no acceleration of payments), expected values and the use of performance targets.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Non-executive

A one-time restricted share award will be made to a new Non-Executive Director on joining the Board under the same terms and conditions outlined for non-executive annual restricted share award. The market value of the one-time award of Hardy Ordinary Shares will not be greater than 100 per cent of the annual fee entitlement. In exceptional circumstance this amount may be revised as deemed appropriate by the Remuneration Committee with Board approval.

Policy for loss of office

The Chief Executive Officer's service contract is terminable by him or the Company on 12 months notice. There are no specific provisions under which the Executive Directors are entitled to receive compensation upon early termination, other than in accordance with the notice period. On termination of an Executive Director's service contract, the Committee will take into account the departing Director's duty to mitigate his loss when determining the amount of any compensation. Disbursements such as legal and outplacement costs and incidental expenses may be payable where appropriate.

Any unvested awards held under the Unapproved Share Option Plan, ExSOP plan or restricted shares awards will lapse at cessation unless the individual is a Good Leaver in which case the Board may permit the extension of unvested options to a later date not to exceed 12 months from date of cessation.

The appointments of any Non-Executive Director may be terminated by either party on three months written notice.

Directors' Remuneration Report continued

Summary Directors' remuneration policy

The table below sets out a summary of each element of the Directors' remuneration packages, their link to the Company's strategy, the policy for how these are operated, the maximum opportunity and the performance framework.

Summary of Directors' remuneration policy

EXECUTIVE DIRECTOR

Base salary

Purpose and link to strategy	To provide an appropriate level of fixed cash income to attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy.
Operation	Generally reviewed annually with increases effective from 1 January. Base salaries will be set by the Committee taking into account the: – scale, scope and responsibility of the role; – skills, experience and performance of the individual; and – retention risk. Base salary of other individual undertaking similar roles in companies of comparable size and complexity.
Opportunity	Increases to the current Executive Director salary, presented in the "Application of policy in 2014/15" row below, will not normally exceed the average increase awarded to other UK-based employees. Increases may be above this level in certain circumstances, for instance if there is an increase in the scale, scope or responsibility of the role or to allow the base salary of newly appointed executives to move towards market norms as their experience and contribution increase.
Framework for recovery	None.
Application of policy in 2015/16[1]	Executive Director Base salary £250,000 (will be reviewed annually by the Committee effective 1 January).

Pension and benefits

Purpose and link to strategy	To attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy.
Operation	Salary supplement contribution to personal pension plan. Membership of a medical scheme, life and long-term disability assurance cover, and professional dues and other professional services.
Opportunity	Pension: 7.5 per cent of base salary. Benefits: The range of benefits that may be provided is set by the Committee after taking into account local market practice in the country where the executive is based. Additional benefits may be provided, as appropriate.
Framework for recovery Application of policy in 2015/16[1]	None. No change.

Incentive

Purpose and link to strategy	To provide a simple, competitive, incentive plan that: will attract, retain and motivate individuals with the required personal attributes, skills and experience; provide a real incentive to achieve our strategic objectives; and align the interests of management to shareholders.
Operation	Annual bonus plan – personal performance targets are set for the executive which the Committee deem appropriate and effective in aligning and motivating the executive toward the achievement of the Company's short-term objective: – Annual award of cash bonus based on personal target linked performance ranging from nil up to the equivalent of 100 per cent of the executive base salary.
	Annual long-term equity-based award will be made in line with the Committee's assessment of the strategic targets: – Unapproved Share Option Plan, ExSOP (a structured option plan) or restricted shares; – annual long-term equity based award based on performance of the Company and personal performance; and – option and restricted share awards will normally vest after three years, subject to certain performance conditions and continued service.

Incentive

Opportunity	Annual bonus plan – the maximum annual level of award is 100 per cent of salary for Executive Directors. Annual long-term share or option award – the maximum face value for an annual award of option or share-based LTIs is equivalent to 100 per cent of the executive's base salary. Face value is the product of market value at time of award and number of options/shares awarded.
Framework for recovery	Claw back: Unvested restricted shares and options can be terminated by the Board in instances of material misstatement or serious misconduct.
Application of policy in 2015/16	Award will be based on the Boards assessment of performance in meeting strategic targets

	Bonus	LTI (Option based award)
Threshold	20%	nil%
Target	40%	65%
Cap	100%	100%

LTI – Option vesting will be conditional on the Company's share price appreciating at an average compounded rate of 5 per cent over three to five years from the date of grant. At the time of award the Board may apply additional vesting conditions as it deems appropriate.

The Board has adopted a simple and effective incentive arrangement which it believes best serves the mission that management is charged with, which is to create additional value leading to a higher share price for all shareholders, subject to general market conditions.

NON-EXECUTIVE DIRECTOR

Purpose and link to strategy	To provide an appropriate fee level to attract individuals with the necessary experience and ability to make a significant contribution to the effectiveness of the Board and to the Group's activities while also reflecting the time commitment and responsibility of the role.
Operation	The Chairman and the Non-Executive Directors are paid a basic annual fee with additional responsibility fees for the chairing of the Audit Committee. Fees are normally reviewed annually. Each Non-Executive Director is also entitled to a reimbursement of necessary travel and other expenses and when applicable extra fees for additional work beyond the normal Non-Executive Director responsibilities. Restricted shares are issued to the Chairman and each Non-Executive Director on an annual basis equivalent to 25 per cent of their basic annual fee.
Opportunity	There is no maximum prescribed fee increase although fee increases for Non-Executive Directors will not normally exceed the average increase awarded to the Executive Director. Increases may be above this level if there is an increase in the scale, scope or responsibility of the role.
Framework for recovery	None.
Application of policy in 2015/16	Current Non-Executive Director fees Basic annual non-executive £50,000 **Additional fees** Chairman of the Board £65,000 Chairman Audit Committee £10,000 Fee's remained at the same level as 2014/15 Each Director will be entitled to Restricted Share award equivalent to 25 per cent of basic annual fee in the first quarter of 2015.

1 Not part of the policy report.

Directors' Remuneration Report continued

Non-Executive Director terms of appointment

The services of Alasdair Locke, Peter Milne and Pradip Shah are, as Non-Executive Directors, provided under the terms of agreements with the Company dated as follows:

Non-Executive Director	Year of appointment	Number of years completed	Date of current engagement letter
Alasdair Locke	2012	3	12 January 2012
Peter Milne	2012	3	29 February 2012
Pradip Shah	1999	16	2 June 2005

Annual Report on Remuneration

This part of the report provides details of the operation of the Remuneration Committee, how the remuneration policy was implemented in the 12 months ended 31 March 2015 (including payment and awards in respect of incentive arrangements) and how shareholders voted at the 2014 Annual General Meeting. This part of the report is to include a summary of how the policy will be operated for the next financial year however, for ease of reference, this is presented within the Remuneration Policy Report on pages 31 to 39.

The Remuneration Committee – Governance

The Company's Remuneration Committee comprises of three Non-Executive Directors: Pradip Shah (Chairman), Alasdair Locke and Peter Milne.

Hardy's Remuneration Committee operates within the terms of reference approved by the Board. A copy of the Remuneration Committee's terms of reference can be found on the Company's website www.hardyoil.com.

Committee's main responsibilities

- The Remuneration Committee considers remuneration policy, employment terms and remuneration of the Executive Director and also reviews the remuneration of senior management.
- The Remuneration Committee's role is advisory in nature and it makes recommendations to the Board on the overall remuneration packages for Executive Directors and senior management 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.
- 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 the 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 Director outside the framework of the Remuneration Committee.

The Remuneration Committee met two times in the 12 months ended 31 March 2015 and all Committee members served in office throughout the period. The attendance of members at the Remuneration Committee meetings was as follows:

Committee member	Number of meetings attended
Pradip Shah (Chairman)	2 of 2
Alasdair Locke	2 of 2
Peter Milne	2 of 2

Committee evaluation

The performance of the Remuneration Committee was evaluated as part of the Board evaluation which was completed in 2015. The review was coordinated by the Chairman of the Audit Committee and the Treasurer. As a result the Remuneration Committee was considered to be operating effectively.

Committee advisors

No remuneration advisors were retained by the Remuneration Committee during the 12 months ended 31 March 2015.

The Company also consults with the Company's major investors and investor representative groups as appropriate. No Director takes part in any decision directly affecting their own remuneration. The Company Chairman also absents himself during discussion relating to his own fees.

Remuneration review

Executive

The Chief Executive Director's base salary remained unchanged at £250,000. The base salary is below industry average. The Chief Executive Director's remuneration was last revised in 2013. The Group did not achieve the performance objectives set out by the Board and as a result the Remuneration Committee did not recommend a bonus payment during the 12 months ended 31 March 2015.

Non-Executive

The Non-Executive Director fees remained unchanged.

Single total figure of remuneration for each Director (audited)

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

Executive		Fixed		Long term				
Name of Director		Salaries/fees (a)	Benefits (b)	Bonuses (c)	LTI Vesting (d)	Pension Contribution[5] (e)	Other (f)	Total
Ian MacKenzie[1]	2014/15	403,703	2,915	–	–	34,341		440,959
	2013/14	469,145	5,415	–	–	42,722	–	517,282

Non-Executive		Fixed		Long term				
Name of Director		Salaries/fees	Benefits	Bonuses	Share Awards	Pension Contribution	Other	Total
		(a)	(b)	(c)	(d)	(e)	(f)	
Alasdair Locke	2014/15	183,540	–	–	43,102	–	–	226,642
	2013/14	204,698	–	–	79,347	–	–	284,045
Peter Milne[2]	2014/15	95,760	–	–	22,488	–	–	118,248
	2013/14	120,018		–	36,525			156,543
Pradip Shah[3]	2014/15	79,800	–	–	18,740	–	–	98,540
	2013/14	83,087	–	–	28,565	–	–	111,652
Yogeshwar Sharma[6]	2014/15	41,520	–	–	–	–	–	41,520
	2013/14	77,267	–	–	22,898	–	–	100,165

1 Ian Mackenzie's benefits included life and medical insurance.
2 Peter Milne was awarded an extra fee of $16,546 due to extraordinary services provided to the Company in FY2013/14.
3 Pradip Shah was awarded an extra fee of $5,820 due to extraordinary services provided to the Company in FY2013/14.
4 Remuneration figures for 2013/14 comprised of 15 months ended 31 March.
5 Includes Employer NI savings attributed to HSBC salary sacrifice scheme.
6 Retired from the Board effective 30 September 2014.

Long-term incentive plans

Unapproved Share options

As announced on 11 April 2014, the Committee recommended the award of 250,000 options to the Chief Executive Officer. The options awarded will 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 10-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).

ExSOP scheme

The Committee did not recommend any awards under the ExSOP scheme.

Directors' Share Options

Set out below is certain information pertaining to share options granted to Directors who held office at 31 March 2015:

Director	As at 31 March 2014	Granted during 2014/15	Forfeited during 2013/14	As at 31 March 2015	Date of grant	Vested at end of 2014	Expiry date	Exercise price per share (£)
Ian MacKenzie[1]	750,000	–	–	750,000	14–Mar–12	–	13–Mar–22	1.55
		250,000		250,000	11–Apr–14	–	10–Apr–24	0.65
Pradip Shah[2]	260,233	–	–	260,233	7–Jun–05	260,233	6–Jun–15	1.44
Total	**1,010,233**	**250,000**	**–**	**1,260,233**		**260,233**		

1 Mr MacKenzie's options awarded in 2012 and 2014 are subject to the conditions outlined above.
2 The legacy share options awarded to Non-Executive Director Mr Shah lapsed on 6 June 2015.

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.

Directors' Remuneration Report continued

Termination payments

Mr Sharma stepped down as Non-Executive Director 30 September 2014. No compensation for loss of office was paid.

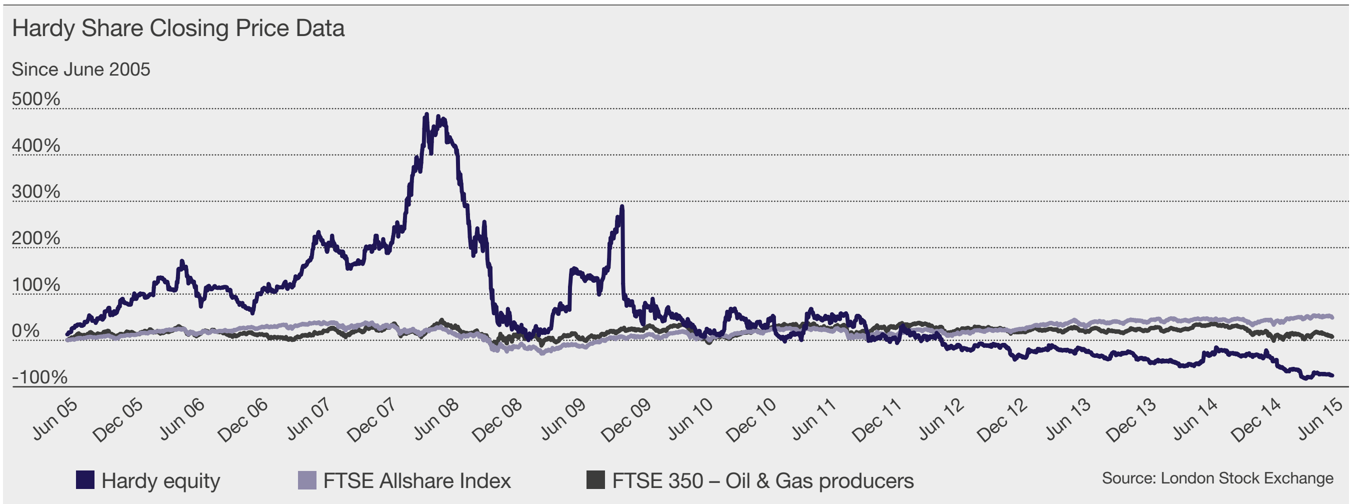
Material contract

There have been no other contracts or arrangements during the financial year in which a Director of the Company was materially interested and/or which were significant in relation to the Group's business.

Performance graph

Ordinary Shares of the Company were listed 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.

Shareholders return and index performance
5 June 2005–31 March 2015



Chief Executive Officer remuneration

	2010	2011	2012[1]	2013/2014	2014/15
Total remuneration ($)	347,113	399,350	359,077	508,954	440,636
Months of service	12	12	11	15	12
Total remuneration ($/mth)	28,926	33,279	32,646	33,930	36,720
Annual bonus (%)[2]	Nil	Nil	Nil	Nil	Nil
Option vesting	Nil	Nil	Nil	Nil	Nil

1 CEO remuneration figure includes Mr MacKenzie's total remuneration in 2012, he was appointed CEO designate effective 1 February 2012.
2 The CEO was entitled to a bonus of nil to 40 per cent of annual salary equivalent. No bonus has been awarded by the Board.

On 31 March 2015, the market price of an Ordinary Share of Hardy was £0.285 per share. The highest and lowest market price of an Ordinary Share of Hardy during the 12 months ended 31 March 2015 was £1.20 and £0.25 respectively.

Percentage change in Chief Executive Officer's remuneration

The table below shows the percentage change in the Chief Executive Officer's total remuneration between the financial period ended 31 March 2014 and financial year 31 March 2015 compared to that of the average for all employees of the Group.

	Salary	Benefits	Bonus
Chief Executive	6.50%	0	0
Average employees	10.60%	0	0

Note: Percentage figures provided in the table above are determined based on the currency in which individuals are paid.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay for all employees relative to dividends.

	2013/14[2]	2014/15	%[1]
Total employee remuneration ($ million)	2	1.5	(6)
Dividend and share buyback	0	0	Nil

1 Weighted average change.
2 15 months ended 31 March 2014.

Shareholder voting at the last Annual General Meeting

At last year's Annual General Meeting (7 August 2014) the Company's Remuneration Report and Policy received the following votes from shareholders:

		For	Against	Total cast for and against	Votes withheld	Total issued share capital instructed
Report	Total number of votes	34,198,822	10,762,311	45,820,714	859,581	73,148,416
	% of votes cast	74.64	23.48			62.64
Policy	Total number of votes	33,696,491	12,106,030	45,820,714	18,193	73,148,416
	% of votes cast	73.54	26.42			62.64

A number of shareholders voted against the 2013/14 Remuneration Report and Remuneration Policy. The general reasons cited for not voting in favour of the report were regarding the terms and conditions of stock options awards to the Executive Director. Specific concerns were regarding vesting provisions being subject to a single performance condition (share price appreciation); multiple testing; the absence of linked to personal targets and no individual limits. We maintain that the Company's remuneration policy including the vesting conditions placed on stock option awards to the executive are appropriate for a company of our size and scope as we strike a balance between conserving resources and maintaining robust governance practices. It is our intention to review our remuneration policies and practices as the Company circumstances evolves.

Directors' interests in the share capital of the Company

The Directors who held office at 31 March 2015 and who had beneficial interests in the Ordinary Shares of the Company are summarised in the table below. There are no minimum shareholding requirements for Directors:

Name of Director	Position	**As at 31 March 2015**	As at 31 March 2014
Alasdair Locke	Non-Executive Chairman	**976,999**	883,503
Peter Milne	Senior Non-Executive Director	**204,210**	155,430
Ian MacKenzie	Chief Executive Officer	**352,969**	352,969
Pradip Shah	Non-Executive Director	**739,536**	698,886

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.

Other matters

The Company does not manage any pension scheme 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 of the Remuneration Committee
10 June 2015

Nomination Committee Report

The main role of the Nomination Committee is to ensure that the Board has the necessary skills and expertise to support the Company's current and future activities. Further we work to ensure that the Company's senior management have the necessary competencies to execute the organisations strategic objectives.

The Hardy Board comprises of four members including three Non-Executive Directors and one Executive Director. Mr Yogeshwar Sharma, Non-Executive Director, stepped down as a Director at the end of September 2014. Following Mr Sharma's departure the Committee reviewed the composition of the Board and concluded that the current membership is sufficient to guide the Company to achieve its strategic objectives. The Nomination Committee will continue to assess the Group's leadership requirements and the overall effectiveness and composition of the Board.

Alasdair Locke
Chairman of the Nomination Committee
10 June 2015

Committee's role

The Nomination Committee reviews the composition and balance of the Board and senior executive team on a regular basis to ensure that the Board and senior management have the right structure, skills and experience in place for the effective management of the Company's business.

Main responsibilities

The main duties of the Nomination Committee are summarised below:

- review the structure, size and composition of the Board and make recommendations to the Board with regard to any changes;
- succession planning for Directors and other senior executives;
- identifying and nominating, for Board approval, candidates to fill Board vacancies as and when required;
- reviewing annually the time commitment required of Non-Executive Directors; and
- make recommendations to the Board regarding membership of the Audit and Remuneration Committee in consultation with the Chairman of each Committee.

Committee membership

The Nomination Committee currently comprises of three Non-Executive Directors with Alasdair Locke as Chairman. The Nomination Committee met twice in the 12 months ended 31 March 2015. The membership and attendance of members at Committee meetings held are provided below:

Committee member	Meetings attended
Alasdair Locke (Chairman)	2 of 2
Peter Milne	2 of 2
Pradip Shah	2 of 2
Yogeshwar Sharma[1]	1 of 1

1 Yogeshwar Sharma retired from the Board on 30 September 2014.

Committee activities

The principal activities of the Committee during the 12 months ended 31 March 2015 and subsequent to year end.

Board membership changes – As announced on 29 August 2014 Mr Yogeshwar Sharma stepped down as Director of the Company. Mr Sharma had co-founded Hardy in 1997 and led Hardy in its early period of growth. Mr Sharma was a member of the Audit and Nomination Committees. The Committee subsequently recommended to the Board that the reduced membership continued to provide an effective balance of skills and experience.

Management resources – The Committee had recommended that the Board arrange periodic site visits of the Company's India project office to facilitate assessment of the Company's senior management capabilities and expertise. The Committee is satisfied that the Company currently has sufficient human resources to achieve the Company's short-term objectives and has identified areas of enhancement to be put in place as our projects mature.

Board Committee membership – As a result of the reduced board membership the Committee recommended the amendment of all Committee terms of reference to require a minimum of two members. A copy of the Committee's terms of reference can be found on the Company's website www.hardyoil.com. The Committee recommended membership of Board Committees remains unchanged.

Committee evaluation – The performance of the Nomination Committee was evaluated as part of the Board evaluation which was completed in early 2015. The review was coordinated by the Senior Non-Executive Director with the assistance of management. The review showed that the Nomination Committee was considered to be operating effectively.

UK Code compliance – The Committee has noted shareholder feedback regarding independence of non-executives.

Independence – Mr Pradip Shah, a Non-Executive Director, does not meet the requirements for independence within the framework of the UK Code, primarily due to term of service. The Committee considers that Mr Shah is independent of management as the Chief Executive Officer was appointed in 2012 and with whom Mr Shah has had no previous professional interaction. Furthermore Mr Shah's contributes relevant skills, expertise and insight towards the Company's stated strategic objectives and provides valuable advice as to the business and political environment in India.

The Committee have concluded that the current Board members are the most appropriate for the needs of the organisation. We will continue to closely monitor the composition of the Board in this regard and take action when appropriate.

Gender diversity – All of the Executive and Non-Executive Directors are male reflecting the relatively low level of gender diversity at senior levels in the upstream oil and gas industry generally. The Committee recognises the benefit of gender diversity however with due consideration for current circumstances there is no immediate plan to change the composition of the Board. The Board is diverse in respect to skills, experience and cultural background.

Directors' Report

The Directors of Hardy Oil and Gas plc present their annual report together with the audited financial statements for the 12 months ended 31 March 2015. These will be presented before the shareholders at the Annual General Meeting scheduled to be held on 3 September 2015.

Business review and future developments

Hardy is an international upstream oil and gas company focused in India. The Company is incorporated in the Isle of Man and its registered office is Fort Anne, Douglas, Isle of Man, IM1 5PD. 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 the exploration of potential commercial hydrocarbon accumulations. A full review of the Group's activities during the 12 months ended 31 March 2015 and plans for the 2015/16 financial year can be found in the Strategic Report section on pages 1 to 20 of the Annual Report, which are incorporated herein by reference.

Directors

The Directors that served in office throughout the 12 months ended 31 March 2015 were:

Board member	Position	Committee member
Alasdair Locke	Non-Executive Chairman	Remuneration, Nomination, (Chairman) Risk
Ian MacKenzie	Chief Executive Officer Executive Director	Risk (Chairman)
Peter Milne	Non-Executive Director	Audit (Chairman), Remuneration, Nomination Risk
Pradip Shah	Non-Executive Director	Remuneration (Chairman), Audit, Nomination
Yogeshwar Sharma[1]	Non-Executive Director	Audit, Nomination

1 Yogeshwar Sharma retired from the Board on 30 September 2014.

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 Group has a Directors' and officers' liability insurance policy in place.

Results and dividends

The Group is reporting a total comprehensive loss of $24,494,385 for the 12 months ended 31 March 2015 compared to a comprehensive loss of $4,793,638 for the 15 months ended 31 March 2014. The Directors do not recommend the payment of a dividend.

Election and re-election of Directors

At the next Annual General Meeting of the Company, to be held on 3 September 2015, Alasdair Locke and Pradip Shah will offer themselves for re-election as Non-Executive Directors. Biographical details for Mr Locke and Mr Shah are set out on pages 20 to 21.

Messrs Locke, Milne and Shah 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.

Alasdair Locke is the Non-Executive Chairman of the Board and chairs the Company's Nomination Committee and is a member of the Remuneration Committee. Mr Locke has been a member of Hardy's Board and served as the Non-Executive Chairman for more than three years.

Pradip Shah chairs the Company's Remuneration Committee and is a member of the Audit and Nomination Committees. Pradip Shah has served as a Director for more than 16 years.

The Board of Directors believe that the contribution being made by these Directors continue to be invaluable and is satisfied that they conduct themselves in an appropriate manner and in the best interest of shareholders. The Board of Directors is satisfied that the performance of all Directors continues to be effective and is also satisfied as to their commitment to their role as Directors.

Capital structure and significant shareholders

The Company's authorised and issued share capital and changes thereto are disclosed in note 20 to the consolidated financial statements. Disclosures with respect to share options are provided in note 9 to the consolidated financial statements and in the Directors' Remuneration Report.

At 31 March 2015 and at the date of this report, there were 73,331,342 Ordinary Shares of Hardy issued and fully paid. Major interests in share capital of the Company, in excess of 3 per cent[1], as of the date of this report are as follows:

Seren Capital Management Limited	16,286,017	22.21%
Universities Superannuation Scheme Limited	9,243,931	12.61%
Aberforth Partners LLP	8,161,830	11.13%
Aequitas Investments Limited	3,928,866	5.36%
Henderson Global Investors	3,277,403	4.47%
NFU Mutual Insurance Society Limited	2,713,479	3.70%
Yogeshwar Sharma	2,662,438	3.63%
Gadus SE	2,554,829	3.48%
John Grahame Whateley	2,438,169	3.32%
Legal & General Group Plc (L&G)	2,245,667	3.06%
Total	**53,161,026**	**72.49%**

1 The Company relies on TR-1 notifications to track major shareholdings. Such notification is to be issued by the shareholder to the Company and appropriate authority following which the Company is required to disclose via an RNS. There is no mechanism in place for the Company to verify the accuracy of such disclosures.

GHG emissions
The disclosure concerning GHG emissions is included in the Strategic Report on page 19.

Diversity
The disclosures concerning Director, management and employee gender diversity as required by law are included in the Strategic Report on page 19.

Annual General Meeting
The Company's next Annual General Meeting will be held at Skene House, Rosemount Viaduct, Aberdeen, AB25 1NX, Scotland on 3 September 2015 at 11.00 BST. 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 IFRS 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 12 months ended 31 March 2015, 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 judgements 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 ensuring that proper accounting records are kept and which 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 IFRS 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; and
b) the Annual Report and statement of accounts 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.

Charitable and political donations
During the 12 months ended 31 March 2015, the Group made no payments to charitable institutions or political associations.

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 have 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.

Directors' Report continued

Going concern
The Group's business activities, together with factors likely to affect its future operations, financial position, and liquidity position are set out in the Strategic Report section of the Annual Report. In addition, note 24 to the financial statements disclosed the Group'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 Group 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 March 2015
There have not been any material events that have occurred since 31 March 2015 to the date of this report.

Approved by the Board of Directors.

Alasdair Locke
Chairman
10 June 2015

Independent Auditor's Report to the Shareholders of Hardy Oil and Gas plc

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Parent Company's state of affairs as at 31 March 2015 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

The financial statements of Hardy Oil and Gas plc 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 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.

Going concern

As required by the Listing Rules we have reviewed the Director's statement on page 44 that the Group is a going concern.
We confirm that:

- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern which we believe would need to be disclosed in accordance with IFRSs as adopted by the European Union; and
- we have concluded that the Director's use of the going concern basis of accounting for the preparation of the financial statements to be appropriate.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Basis for opinions

We have audited the consolidated financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described below under Respective Responsibilities of Directors and Auditor. In performing our audit, as required by those standards, we complied with the Financial Reporting Council's Ethical Standards for Auditors including those requiring us to be independent and objective.

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.

In addition, we read all the financial and non-financial information in the Chairman's Statement, Strategic Report, Directors' Report, Governance Report, Audit Committee Report, Nomination Committee Report and the unaudited sections of the Directors' Remuneration Report to identify material inconsistencies with the audited financial statements or with knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditor's Report to the Shareholders of Hardy Oil and Gas plc continued

Auditor commentary

Our assessment of risks significant to the audit

We identified the following risks which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope addressed the assessed risk
Carrying value of the PY-3 field and the deferred tax asset The PY-3 field has been shut in since July 2011. With the fall in global oil prices there is a risk that the carrying value of the field, US$5.78 million, is impaired. The deferred tax asset totalling US$9.67 million will only be recoverable in the short to medium term from profits generated from the PY-3 field. If the field is considered uneconomic then there is a risk that the deferred tax asset is not recoverable.	We have discussed the plans for the recommencement of production from the field with Management and have reviewed the Field Development Plan which has been approved by the block Operating Committee. We reviewed the underlying economic models and considered sensitivities, including changes in the oil price and the blocks taxation arrangements. To assess the recoverability of the deferred tax asset we considered the potential for profits to be available in the future, against which the deferred tax asset may be utilised.
Intangible Assets – CY-OS/2 There is an ongoing legal dispute over the status of the CY-OS/2 block, if the block is relinquished an impairment test will be required which could have a material impact on the Group.	We have reviewed the arbitration award, made in Hardy's favour, in February 2013 and considered the legal advice received by the Group in respect of the enforcement of the award. As part of our procedures we discussed the matter directly with Hardy's legal advisors.
Intangible Assets – GS-01 Under accounting standards the point at which a formal impairment test is required on the exploration assets of the Group can be a matter of judgement and this could have a material impact on the Group.	We have discussed with Management, and relevant personnel, the status on the block and their future plans. We have considered the impairment indicators contained in IFRS 6 *Exploration for and Evaluation of Mineral Resources*. As exploration is not planned in the next 12 months we challenged Management as to whether a formal impairment assessment needed to be undertaken.
Legal matters The Group is involved in a number of legal disputes with taxation authorities and third parties. In the event of adverse findings there could be a material cash outflow from the Group.	We have reviewed the progress on the outstanding cases, the legal advice received and where necessary discussed matters directly with Hardy's legal and professional advisors. Following this review we considered the adequacy of liabilities recognised.
Process for making accounting estimates Included in the financial statements are a number of material estimates and judgements. We were alert to the risk of management exercising those judgements in an inappropriate way, either individually or collectively.	We examined whether there was any evidence of management bias in the preparation of the financial statements This included an examination, review and challenge of critical estimates and judgements including an assessment of whether estimates are consistently made at the prudent or aggressive end of the possible range.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole, they were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

The Audit Committee's consideration of these matters is set out on pages 29 to 30.

Our assessment of materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

When assessing the level of materiality we considered the pre-tax loss, and the net and gross assets of the Group. We determined overall materiality for the Group financial statements as a whole to be US$900,000. We conducted our audit of particular groups of balances or transactions at a level of materiality less than overall materiality ("performance materiality"). We agreed with the Audit Committee to report all errors identified to the Committee in excess of US$20,000. Errors below that threshold would be reported to the Committee if, in our opinion as auditors, disclosure was required on qualitative grounds.

Unadjusted errors totalling US$62,000 were reported to the Audit Committee, these would have increased the reported loss.

The scope of our audit

The Parent Company and its subsidiary are accounted for from one central operating location in Chennai, India. Our audit was conducted from the central operating location which the Responsible Individual visited during the course of the audit work.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- proper books of account have not been kept by the Parent Company and proper returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company's statement of financial position and statement of comprehensive income are not in agreement with the books of account and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Respective responsibilities of Directors and auditors

Responsibility of Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibility

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 Financial Report Council's Ethical Standards for Auditors.

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 auditor's 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.

Matthew Stallabrass
Responsible Individual
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London
10 June 2015

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2015

	Notes	Year ending 31 March 2015 US$	15 months ending 31 March 2014 US$
Continuing operations			
Revenue	3	–	–
Cost of sales			
Production costs	4	–	486,095
Unsuccessful exploration costs	5	(22,560,297)	–
Gross profit/(loss)		(22,560,297)	486,095
Administrative expenses		(3,831,445)	(6,160,451)
Operating loss	6	(26,391,742)	(5,674,356)
Interest and investment income	11	393,131	689,803
Finance costs	12	(171,230)	(420,709)
Loss before taxation		(26,169,841)	(5,405,262)
Taxation	13	1,675,456	611,624
Loss after taxation		(24,494,385)	(4,793,638)
Total other comprehensive income		–	–
Total comprehensive loss for the period attributable to owners of the parent		(24,494,385)	(4,793,638)
Loss per share			
Basic & diluted	14	(0.33)	(0.07)

Consolidated Statement of Changes in Equity
For the year ended 31 March 2015

	Share capital US$	Share premium US$	Shares option reserve US$	Retained earnings/(loss) US$	Total US$
At 1 January 2013	730,327	120,611,951	4,598,745	(9,517,575)	116,423,448
Total comprehensive loss for the period	–	–	–	(4,793,638)	(4,793,638)
Share-based payment	–	–	939,120	–	939,120
Adjustment of lapsed vested options	–	–	(1,835,262)	1,835,262	–
Restricted shares issued	1,157	166,180	–	–	167,337
At 31 March 2014	**731,484**	**120,778,131**	**3,702,603**	**(12,475,951)**	**112,736,267**
Total comprehensive loss for the period	**–**	**–**	**–**	**(24,494,385)**	**(24,494,385)**
Share-based payment	**–**	**–**	**355,904**	**–**	**355,904**
Share-based payment – Forex adjustment	**–**	**–**	**(389,441)**	**–**	**(389,441)**
Restricted shares issued	**1,830**	**82,500**	**–**	**–**	**84,330**
At 31 March 2015	**733,314**	**120,860,631**	**3,669,066**	**(36,970,336)**	**88,292,675**

Consolidated Statement of Financial Position
As at 31 March 2015

	Notes	31 March 2015 US$	31 March 2014 US$
Assets			
Non-current assets			
Property, plant and equipment	15	**5,820,048**	5,840,028
Intangible assets – exploration	16	**56,175,450**	78,049,506
Site restoration deposits	22	**4,285,515**	4,083,776
Deferred tax asset	13	**9,672,992**	7,997,536
Total non-current assets		**75,954,005**	95,970,846
Current assets			
Inventories	17	**1,164,988**	1,689,947
Trade and other receivables	18	**829,600**	915,269
Short-term investments	19	**17,763,245**	20,652,380
Cash and cash equivalents	24	**3,267,097**	4,004,674
Total current assets		**23,024,930**	27,262,270
Total assets		**98,978,935**	123,233,116
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	20	**733,314**	731,484
Share premium	21	**120,860,631**	120,778,131
Shares option reserve	21	**3,669,066**	3,702,603
Retained loss		**(36,970,336)**	(12,475,951)
Total equity		**88,292,675**	112,736,267
Non-current liabilities			
Provision for decommissioning	22	**5,644,478**	5,512,694
Current liabilities			
Trade and other payables	23	**5,041,782**	4,984,155
Total current liabilities		**5,041,782**	4,984,155
Total liabilities		**10,686,260**	10,496,849
Total equity and liabilities		**98,978,935**	123,233,116

Approved and authorised for issue by the Board of Directors on 10 June 2015.

Consolidated Statement of Cash Flows
For the year ended 31 March 2015

	Notes	Year ending 31 March 2015 US$	15 months ending 31 March 2014 US$
Operating activities			
Cash flow (used in) operating activities	7	**(3,537,113)**	(5,013,695)
Taxation refund		**1,635**	297,373
Net cash (used in) operating activities		**(3,535,478)**	(4,716,322)
Investing activities			
Expenditure on intangible assets – exploration		**(223,584)**	(230,710)
Expenditure on other fixed assets		**(20,820)**	(1,737)
Site restoration deposit		**(201,739)**	(113,148)
Realised from short-term investments		**2,889,135**	5,380,427
Net cash from investing activities		**2,442,992**	5,034,832
Financing activities			
Interest and investment income		**394,355**	694,079
Bank guarantee charges		**(39,446)**	(60,065)
Net cash from financing activities		**354,909**	634,014
Net increase/(decrease) in cash and cash equivalents		**(737,577)**	952,524
Cash and cash equivalents at the beginning of the period		**4,004,674**	3,052,150
Cash and cash equivalents at the end of the period	24	**3,267,097**	4,004,674

Notes to the Consolidated Financial Statements
For the year ended 31 March 2015

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

These financial statements are for the year ending 31 March 2015. The prior period was for 15 months ending 31 March 2014 and hence is not entirely comparable. Last year a change in accounting reference date was done to synchronise the period end date with other reporting requirements and to introduce budgetary and reporting efficiencies.

a) Basis of measurement
Hardy prepares its financial statements on a historical cost basis except as otherwise stated.

b) Going Concern
The Group has in the past generated working capital from its production activities and successfully raised finance to provide additional funding for its ongoing exploration and development programmes. The Directors have considered the guidance given in the document "Going concern and liquidity risk; Guidance for Directors" issued in October 2009 by the Financial Reporting Council. The Directors have also reviewed the Group's ongoing activities including its future intentions in respect of the drilling of exploration wells and having regard to the Group's existing working capital position and its ability to potentially raise finance, if required, the Directors are of the opinion that the Group has adequate resources to enable it to undertake its planned work programme of exploration, appraisal and development activities over the next 12 months from the date of these financial statements (in coming to this opinion the Directors have not included the receipt of any funds from the CY-OS/2 arbitration award).

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

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

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

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

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

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

1. Accounting policies continued

g) Oil and gas assets

i) Exploration and evaluation assets

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

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

Expenditure incurred in connection with and directly attributable to the acquisition, exploration and appraisal of oil and gas assets are capitalised for each licence granted under the production sharing contracts and are undepleted within intangible exploration assets until the licence to explore the contract area has ended or commercial reserves have been declared.

Exploration expenditure incurred for geological and geophysical activities before the commencement of exploratory drilling is initially capitalised within intangible exploration assets. Exploration drilling costs are initially capitalised on a well-by-well basis until the success or otherwise of the well has been established. The success or failure is assessed on a well-by-well basis. Exploration well costs are written off on completion of the well unless the results indicate the presence of hydrocarbons which have reasonable commercial potential.

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

ii) Oil and gas development and producing assets

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

iii) Decommissioning

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

iv) Disposal of assets

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

h) Depletion and impairment

i) Depletion

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

ii) Impairment

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2015

1. Accounting policies continued

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

Amortisation charges are included within administrative expenses.

k) Investments

Investments by the Parent Company in its subsidiaries are stated at cost.

l) Short-term investments

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

m) Inventory

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

n) Financial instruments

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

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

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

o) Equity

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

p) Taxation

The tax expense represents the sum of current tax and deferred tax.

Current tax is based on the taxable profit of the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income as it excludes certain items of income or expenses that are taxable or deductible in years other than the current year and it further excludes items that are never taxable or deductible. The current tax liability is calculated using the tax rates that have been enacted or substantially enacted by the year end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

1. Accounting policies continued

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

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

q) Foreign currencies

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

Rate of exchanges were as follows:	31 March 2015	31 March 2014
£ to US$	**1.49**	1.66
US$ to Indian Rupees	**62.12**	59.93

r) Leasing commitments

Rental 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 market conditions are taken into account. Fair value is derived by use of the binomial model. The expected life used in the model is based on management estimates and considers non-transferability, exercise restrictions and behavioural considerations. In case of lapsed vested options, the amount recognised in the shares option reserve is adjusted to retained earnings as a reserve movement.

t) Contingent assets

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

2. Critical accounting estimates and judgements

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

Hardy has been awarded costs and interest after the conclusion of the arbitration on the CY-OS/2 block, in which it holds a 75 per cent participating interest. Hardy's share of these awards totals approximately US$45.6 million and has been disclosed as a contingent asset. This is regarded as a significant area of judgement and full details are disclosed in note 16 to these financial statements.

ii) Decommissioning

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2015

2. Critical accounting estimates and judgements continued

iii) Deferred tax asset

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

iv) Carrying value of property, plant and equipment

Management has performed an impairment test on the Group's oil and gas assets due to the substantial falling during the year. The calculation of the recoverable amount requires estimation of future cash flows. Key assumptions and estimates in the impairment models relate to: commodity prices that are based on forward commodity price estimates, fiscal structuring specific to individual assets, commercial reserves and the related cost profiles. Further deterioration of market prices will require further assessment and may result in an impairment.

3. Segment analysis

The Group is organised into two business units as at end of the year: India and United Kingdom. The Indian business unit is operated by the wholly owned subsidiary, Hardy Exploration & Production (India) Inc. and Hardy Oil and Gas plc operates in the United Kingdom.

The India business unit focuses on exploration and production of oil and gas assets in India. The United Kingdom business unit is the holding company. Management monitors these business units separately for resource allocation, decision making and performance assessment.

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

3. Segment analysis continued

	2014 US$			
	India	UK	Inter-segment eliminations	Total
Revenue				
Other income	–	–	–	–
Operating loss	(1,763,244)	(3,911,112)	–	(5,674,356)
Interest income	665,711	24,092	–	689,803
Interest income on inter-corporate loan	–	1,400,810	(1,400,810)	–
Finance costs	(420,709)	–	–	(420,709)
Interest expense on inter-corporate loan	(1,400,810)	–	1,400,810	–
Loss before taxation	(2,919,052)	(2,486,210)	–	(5,405,262)
Taxation	73,823	537,801	–	611,624
Loss for the period	(2,845,229)	(1,948,409)	–	(4,793,638)
Segment assets	103,042,734	20,190,382	–	123,233,116
Inter-corporate loan	–	104,606,209	(104,606,209)	–
Segment liabilities	(10,323,356)	(173,493)	–	(10,496,849)
Inter-corporate borrowings	(104,606,209)	–	104,606,209	–
Capital expenditure	231,432	1,015	–	232,447
Unsuccessful exploration costs	–	–	–	–
Depreciation, depletion and amortisation	(13,242)	(41,089)	–	(54,331)

The Group is engaged in one business activity, the exploration, development and production of oil and gas. Other income relates to technical services to third parties, overhead recovery from joint arrangement operations and miscellaneous receipts, if any. Revenue arises from the sale of oil produced from the contract area PY-3 India and the revenue by destination is not materially different from the revenue by origin.

4. Cost of sales

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

	2015 US$	2014 US$
Production costs	**–**	(58,925)
Reversal of over accrual in prior years	**–**	545,020
Production cost net credit (expense)	**–**	486,095

5. Unsuccessful exploration costs

Unsuccessful exploration costs consist of:

	2015 US$	2014 US$
Impairment of Block D3	**22,097,640**	–
Other liquidated damages accrual	**462,657**	–
	22,560,297	–

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2015

6. Operating loss
Operating loss is stated after charging:

	2015 US$	2014 US$
Unsuccessful exploration costs	22,560,297	–
Depreciation and amortisation	40,800	54,331
Operating lease costs – Land and buildings	159,663	195,645
External auditors' remuneration		
– Fees payable to the Company's auditors for the audit of the Company's annual accounts	82,456	81,820
– Audit related assurance services	13,287	26,560
Exchange (gain)/ loss	(189,331)	605,045

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

7. Reconciliation of operating loss of continuing operations to operating cash flows

	2015 US$	2014 US$
Operating loss	(26,391,742)	(5,674,356)
Unsuccessful exploration costs	22,560,297	–
Depletion, amortisation, and depreciation	40,800	54,331
Share-based payment expense	211,247	1,328,323
Other non-cash movements	–	59,117
	(3,579,398)	(4,232,585)
Decrease in inventory	524,959	334,555
(Increase) in trade and other receivables	(77,651)	(27,809)
(Decrease) in trade and other payables	(405,023)	(1,087,856)
Cash (used in) operating activities	(3,537,113)	(5,013,695)

8. Staff costs

	2015 US$	2014 US$
Wages and salaries	1,231,738	1,819,890
Social security costs	222,473	178,451
Share-based payments charge	139,803	479,643
	1,594,014	2,477,984

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

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

	2015	2014
Management and administration	10	12
Operations	11	11
	21	23

9. Share-based payments

Share options have been granted to subscribe for Ordinary Shares of US$0.01 each in the capital of the Company, which are exercisable between 2015 and 2025 at prices of £0.66 to £7.69 per Ordinary Share.

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

	2015		2014	
	Number of options	Weighted average price	Number of options	Weighted average price
Outstanding at beginning of the year	3,169,933	£1.98	3,626,933	£2.94
Granted during the year	250,000	£0.66	275,000	£0.66
Lapsed during the year	–	–	(732,000)	£3.45
Outstanding at the end of the year	3,419,933	£1.98	3,169,933	£1.98
Exercisable at the end of the year	2,094,933	£2.48	1,675,933	£2.57

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

	2015	2014
Share price at grant date	£0.65	£0.66
Option exercise price at grant date	£0.65	£0.66
Expected life	5	5
Expected volatility	40%	40%
Expected dividend	–	–
Risk free rate	2.2%	1.9%
Cost per option	£0.28	£0.28

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

	2015		2014	
	Number	WAEP	Number	WAEP
2005–2015	1,130,933	£1.51	1,130,933	£1.51
2006–2016	30,000	£3.02	30,000	£3.02
2007–2017	395,000	£4.01	395,000	£4.01
2008–2018	120,000	£7.69	120,000	£7.69
2010–2020	419,000	£2.12	419,000	£2.12
2012–2022	800,000	£1.52	800,000	£1.52
2014–2024	275,000	£0.66	275,000	£0.66
2015–2025	250,000	£0.66	–	–

The weighted average contractual life of options outstanding is 4.6 years (2014: 5.5 years).

Restricted Ordinary Shares are issued to Non-Executive Directors in consideration for services rendered in 2014 at a price of 30.75 pence per Ordinary Share, being the closing price on the day prior to issue. The cost of issuing such shares is charged to the Statement of Comprehensive Income for the year ending 31 March 2015.

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2015

9. Share-based payments continued
On 11 March 2015, the Company issued 182,926 restricted Ordinary Shares having an aggregate market value of US$84,330 (£56,250) to its Non-Executive Directors and Chairman in the following manner;

Name	Number of Ordinary Shares Issued
Alasdair Locke (Chairman)	93,496
Peter Milne	48,780
Pradip Shah	40,650
Total	182,926

The Group has expensed a net amount of US$211,247 in the current period (2014: US$1,328,323) towards equity settled share-based payments. Equity shares option reserve is revalued at the exchange rate as at 31 March 2015. The revaluation gain for the year ended 31 March 2015 is US$389,441 (2014: Revaluation loss US$390,836). The value of share option reserves as at 31 March 2015 are US$3,669,066 (2014: US$3,702,603).

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

11. Interest and investment income

	2015 US$	2014 US$
Bank interest	382,265	589,118
Other interest income	–	84,980
Dividend	10,866	15,705
	393,131	689,803

12. Finance costs

	2015 US$	2014 US$
Bank guarantee charges	39,446	60,065
Other finance costs	131,784	360,644
	171,230	420,709

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

13. Taxation
a) Analysis of taxation (credit) for the year

	2015 US$	2014 US$
Current tax charge		
UK corporation tax	–	–
Foreign tax – India	–	–
Minimum alternate tax	–	–
Foreign tax – USA	–	–
Total current tax (credit)	–	–
Deferred tax (credit)	(1,675,456)	(611,624)
Taxation (credit)	(1,675,456)	(611,624)

13. Taxation continued

	2015 US$	2014 US$
Charge in respect of change in tax rates	**2,251,461**	761,670
Losses incurred during the year	**(6,958,713)**	–
Origination and reversal of temporary differences	**3,031,796**	(1,373,294)
Deferred tax credit	**(1,675,456)**	(611,624)

Deferred tax analysis:

	2015 US$	2014 US$
Difference between accumulated depletion, depreciation and amortisation and capital allowances	**(1,562,789)**	3,577,657
Carried forward losses	**11,235,781**	4,419,879
Deferred tax asset	**9,672,992**	7,997,536

b) Factors affecting tax charge for the year

	2015 US$	2014 US$
Loss before taxation from continuing operations	**(26,169,841)**	(5,405,262)
Profit before taxation multiplied by the rate of tax in India of 42.23% (2014: 23%)	**(10,343,979)**	(1,243,210)
Adjustment for expired carried forward losses	**6,484,019**	–
Disallowable expenditure	**–**	208,171
Other	**(66,958)**	(338,257)
Effect of change in tax rates	**2,251,462**	761,670
Foreign tax on overseas income – current year	**–**	–
Total tax credit	**(1,675,456)**	(611,624)

Indian operations of the Group are subject to a tax rate of 43.26 per cent which is higher than UK and US corporations tax rates. To the extent that the Indian profits are taxable in the US and/or the UK, those territories should provide relief for Indian taxes paid, principally under the provisions of double taxation agreements. When considering deferred tax assets the Group considers the highest and best use of the losses available, this is considered to be in India (2014: UK). 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.

The deferred tax asset will be realised upon production from the PY-3 field which Management expect to recommence during 2016.

14. Loss per share

Loss per share is calculated on a loss of US$24,494,385 for the year ended 31 March 2015 (2014; US$4,793,638) on a weighted average of 73,158,941 Ordinary Shares for the year ended 31 March 2015 (2014: 73,066,870). No diluted loss per share is calculated.

Diluted loss per share on loss attributable the Parent Company for the year ended 31 March 2015 and 31 March 2014 have not been calculated.

Notes to the Consolidated Financial Statements continued
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15. Property, plant and equipment
Oil and gas assets represent interest in producing oil and gas assets falling under the India cost pool. Other fixed assets consist of office furniture, computers, workstations and office equipment.

	Oil and gas assets US$	Other fixed assets US$	Total US$
Cost			
At 1 January 2013	35,524,396	1,783,890	37,308,286
Additions	(59,117)	1,737	(57,380)
Disposals	–	(5,372)	(5,372)
At 1 April 2014	**35,465,279**	**1,780,255**	**37,245,534**
Additions	–	20,820	20,820
Disposals	–	(714)	(714)
At 31 March 2015	**35,465,279**	**1,800,361**	**37,265,640**
Depletion, depreciation and amortisation			
At 1 January 2013	29,684,318	1,676,765	31,361,083
Charge for the period	–	49,795	49,795
Disposals	–	(5,372)	(5,372)
At 1 April 2014	**29,684,318**	**1,721,188**	**31,405,506**
Change for the year	–	40,800	**40,800**
Disposals	–	(714)	**(714)**
At 31 March 2015	**29,684,318**	**1,761,274**	**31,445,592**
Net book value at 31 March 2015	**5,780,961**	**39,087**	**5,820,048**
Net book value at 31 March 2014	5,780,961	59,067	5,840,028

Oil and gas assets relate to the PY-3 field which has not produced since July 2011 and therefore no depletion has been charged.

The (negative) additions figure of US$59,117 in the 15 months period ended 31 March 2014 represents the reversal of an over accrual in previous periods of a capitalised cost.

16. Intangible assets – exploration

	India US$
Costs and net book value	
At 1 January 2013	77,818,796
Additions	230,710
Unsuccessful exploration cost	**–**
At 1 April 2014	**78,049,506**
Additions	**223,584**
Unsuccessful exploration cost	**(22,097,640)**
At 31 March 2015	**56,175,450**

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

	US$
Exploration expenditure – block CY-OS/2	51,128,272
Exploration expenditure – block GS-01	5,047,178
Total	**56,175,450**

16. Intangible assets – exploration continued

Legal proceedings concerning block CY-OS/2

In March 2009, Hardy were informed by the Government of India that the block CY-OS/2, in which Hardy holds a 75 per cent participating interest, was relinquished as Hardy had failed to declare commerciality within the two years from the date of discovery which is applicable to an oil discovery. Hardy disputed this ruling believing that the discovery was a gas discovery and consequently that it was entitled to a period of five years from the date of discovery to declare commerciality. As no agreement was reached the dispute was referred to arbitration under the terms of the PSC.

The arbitrators ruled on 2 February 2013 that the discovery was a gas discovery and consequently that the order for the relinquishment of the block was illegal. The arbitrators have ordered the Government of India to restore the block to Hardy and its partners and to allow them a period of three years from the date of restoration to complete the appraisal programme. In addition, the arbitrators awarded costs of US$0.2 million and interest on the exploration expenditure incurred to date. As at 31 March 2015, Hardy's 75 per cent share of the interest awarded is approximately US$45.6 million. On 2 August 2013 the Government of India filed an appeal, against the arbitration award, with the High Court Delhi, and the Company subsequently filed an execution petition before the High Court Delhi. Five hearings have been scheduled and adjourned and the next hearing is scheduled in July 2015.

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

Impairment of block D3

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

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

17. Inventories

	2015 US$	2014 US$
Drilling and production stores and spares	**1,164,988**	1,689,947
	1,164,988	1,689,947

An amount of US$524,959 (2014: US$334,555) has been recognised as an expense in the period relating to an impairment in the carrying value of inventory.

18. Trade and other receivables

	2015 US$	2014 US$
Other receivables	**822,309**	746,811
Prepayments	**7,291**	168,458
	829,600	915,269

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19. Short-term investments

	2015 US$	2014 US$
HSBC US$ Liquidity Fund Class-A	**17,763,242**	20,652,379
HSBC £ Liquidity Fund Class-A	**3**	1
	17,763,245	20,652,380

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

Interest income will increase or decrease by US$177,632 (2014: US$206,524) for every 1 per cent change in interest rates.

20. Share capital

	Number US$0.01 Ordinary Shares	US$
Authorised Ordinary Shares		
At 1 April 2014	200,000,000	2,000,000
At 31 March 2015	**200,000,000**	**2,000,000**
Allotted, issued and fully paid Ordinary Shares		
At 1 January 2013	73,032,706	730,327
Restricted shares issued during the period	115,710	1,157
At 1 April 2014	**73,148,416**	**731,484**
Restricted shares issued during the period	**182,926**	**1,830**
At 31 March 2015	**73,331,342**	**733,314**

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

Included within the Ordinary Shares are 510,978 restricted shares in issue (2014: 328,052 restricted shares) with a value of US$779,153 (2014: US$694,823). The shares have been issued to certain Directors and will unconditionally vest three years from the date of issue provided the individual is still a Director of Hardy. During the period of restriction, while Directors are eligible for voting rights and dividend, they are not allowed to dispose these shares.

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

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

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

22. Provision for decommissioning

	US$
At 1 January 2013	5,152,050
Change in decommissioning estimate	360,644
At 1 April 2014	**5,512,694**
Change in decommissioning estimate	**131,784**
At 31 March 2015	**5,644,478**

The provision has been made by estimating the decommissioning cost at the current prices using existing technology. Decommissioning of PY-3 is expected to be incurred between 2020 and 2025.

An amount of Rs. 266,216,197 (US$4,285,515) (2014: Rs. 244,740,699 (US$4,083,776)) has been deposited with the State Bank of India for site restoration obligations. This amount has been treated as a non-current asset as this deposit has end use restriction for site restoration.

23. Trade and other payables

	2015 US$	2014 US$
Trade payables	**3,892,977**	4,115,631
Other payables	**–**	123,162
Accruals	**1,148,805**	745,362
	5,041,782	4,984,155

Trade and other payables are unsecured and payable on demand.

24. Financial risk management

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

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

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

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

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

Foreign currency risk

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

Liquidity risk

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

Interest rate risk

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

Commodity price risks

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

Credit risk

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

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

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

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

Capital management

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

The Board manages the structure of its capital and makes necessary adjustments to accommodate the changes in the economic conditions. To maintain or adjust the capital structure, the Board may issue new shares for cash. No significant changes were made in the objectives, policies or processes during the year ended 31 March 2015.

Maturity of non-current financial liabilities

The maturity of non-current financial liabilities, which consist of the decommissioning provision as at 31 March 2015 and 31 March 2014 are as follows:

	2015 US$	2014 US$
In more than two years but not more than five years	**–**	–
In more than five years	**5,644,478**	5,512,694

The Group does not have any fixed maturity or interest bearing financial liabilities as at 31 March 2015 or 31 March 2014.

Interest rate risk profile of financial assets

The interest rate risk profile of the financial assets of the Group as at 31 March 2015 is as follows:

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

2014	Fixed rate Financial assets US$	Floating rate Financial assets US$	Financial assets – no interest is earned US$	Total US$
US dollars	1,855,500	749,085	96,777	2,701,362
Pound sterling	–	195	438,000	438,195
Indian Rupees	746,941	–	118,176	865,117
Cash and cash equivalents	2,602,441	749,280	652,953	4,004,674

An amount of Rs. 266,216,197 (US$4,285,515) (2014: Rs. 244,740,699 (US$4,083,776)) deposited with the 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$28,046 (2014: US$33,517) for every 1 per cent change in interest rates.

24. Financial risk management continued

Currency exposures

The currency exposures of the monetary assets denominated in currencies other than US dollars of the Group as at 31 March 2015 are as follows:

2015	Indian rupees US$	Pound sterling US$	Total US$
US$	4,458,718	112,582	4,571,300

2014	Indian rupees US$	Pound sterling US$	Total US$
US$	4,948,893	438,196	5,387,089

An amount of US$158,583 (2014: US$455,960) was recognised as foreign exchange loss on account of exchange rate fluctuations on bank balances and investments made in currencies other than US dollars.

Exchange gains will increase by US$46,170 (2014: US$54,410) for every 1 per cent appreciation of Indian rupee and sterling and loss of US$45,256 (2014: US$53,332) for 1 per cent depreciation of Indian rupee and sterling.

25. Financial instruments

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

Financial assets

Financial assets at fair value through profit or loss	Book value 2015 US$	Fair value 2015 US$	Book value 2014 US$	Fair value 2014 US$
Short-term investments	17,763,245	17,763,245	20,652,380	20,652,380
Financial assets – loans and receivables				
Cash and short-term deposits	3,267,097	3,267,097	4,004,674	4,004,674
Trade and other receivables	829,600	829,600	915,269	915,269
Site restoration deposit	4,285,515	4,285,515	4,083,776	4,083,776
	26,145,457	26,145,457	29,656,099	29,656,099

Financial liabilities

Financial liabilities measured at amortised cost	Book value 2015 US$	Fair value 2015 US$	Book value 2014 US$	Fair value 2014 US$
Accounts payable	(5,041,782)	(5,041,782)	(4,984,155)	(4,984,155)

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

26. Other financial commitments under operating leases

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

	2015 US$	2014 US$
Land and buildings:		
One year	28,989	118,188
Two to five years	–	30,048
After five years	–	–
Other:		
One year	4,117	10,242
Two to five years	–	4,580
After five years	–	–

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27. Contingent liabilities

Liquidated damages

The Group has minimum work commitments in associated with various exploration licences granted by sovereign authorities through joint arrangements. A number of these commitments have not been fulfilled and as a consequence the Group is liable to pay liquidated damages. When a liquidated damage payment is probable a provision is created based on management's best judgement. In some instances there may be a high degree of uncertainty. In such instances an additional contingent liability is recognised. Currently a contingent liability estimated at US$1.7 million associated with unfinished minimum work programme liquidated damages. Management do not expect this to be resolved in the next 12 months.

Litigation

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

Others

In addition, the Parent Company guarantees the Group's obligation 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.

28. Related party transactions

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

	2015 US$	2014 US$
Short-term employee benefits	915,810	1,121,541
Share-based payments	333,244	425,634
	1,249,054	1,547,175

Key management personnel include the Directors and the Chief Executive Officer of the Group as set out in the overview of the Board of Directors in the business review. Further information about the remuneration of individual Directors is provided in the Director's Remuneration Report which forms part of the Group's 2015 Annual Report.

Parent Company Statement of Changes in Equity
For the year ended 31 March 2015

	Share capital US$	Share premium US$	Shares to be issued US$	Retained earnings US$	Total US$
At 1 January 2013	**730,327**	**120,611,951**	**4,598,745**	**5,527,928**	**131,468,951**
Total comprehensive loss for the period	–	–	–	(1,948,409)	(1,948,409)
Share-based payment	–	–	939,120	–	939,120
Adjustment of lapsed vested options	–	–	(1,835,262)	378,534	(1,456,728)
Restricted shares issued	1,157	166,180	–	–	167,337
At 1 April 2014	**731,484**	**120,778,131**	**3,702,603**	**3,958,053**	**129,170,271**
Total comprehensive loss for the year	**–**	**–**	**–**	**(1,031,743)**	**(1,031,743)**
Share-based payment	**–**	**–**	**355,904**	**–**	**355,904**
Share-based payment – Forex adjustment	**–**	**–**	**(389,441)**		**(389,441)**
Adjustment of lapsed vested options	**–**	**–**	**–**	**–**	**–**
Restricted shares issued	**1,830**	**82,500**	**–**	**–**	**84,330**
At 31 March 2015	**733,314**	**120,860,631**	**3,669,066**	**2,926,310**	**128,189,321**

Parent Company Statement of Financial Position
As at 31 March 2015

	Notes	31 March 2015 US$	31 March 2014 US$
Assets			
Non-current assets			
Property, plant and equipment	9	**35,085**	56,307
Investments	10	**111,252,574**	109,153,382
Total non-current assets		**111,287,659**	109,209,689
Current assets			
Trade and other receivables	11	**11,409**	223,270
Short-term investments	12	**17,763,245**	20,652,380
Cash and cash equivalents	16	**258,507**	513,745
Total current assets		**18,033,161**	21,389,395
Total assets		**129,320,820**	130,599,084
Equity and liabilities			
Equity attributable to the owners			
Equity			
Called-up share capital	13	**733,314**	731,484
Share premium		**120,860,631**	120,778,131
Shares to be issued		**3,669,066**	3,702,603
Retained earnings		**2,926,310**	3,958,053
Total equity		**128,189,321**	129,170,271
Non-current liabilities			
Provision for deferred tax	14	**959,934**	1,255,319
Current liabilities			
Trade and other payables	15	**171,565**	173,494
Total current liabilities		**171,565**	173,494
Total liabilities		**1,131,499**	1,428,813
Total equity and liabilities		**129,320,820**	130,599,084

Approved and authorised for issue by the Board of Directors on 10 June 2015.

Parent Company Statement of Cash Flows
For the year ended 31 March 2015

	Notes	Year ending 31 March 2015 US$	Fifteen months ending 31 March 2014 US$
Operating activities			
Cash flow (used in) operating activities	4	**(2,179,161)**	(2,617,303)
Net cash (used in) operating activities		**(2,179,161)**	(2,617,303)
Investing activities			
Purchase of other property, plant and equipment		**(17,316)**	(1,015)
Short-term investments		**2,889,135**	5,380,427
Net cash (used in) from investing activities		**2,871,819**	5,379,412
Financing activities			
Interest and investment income		**1,128,016**	1,424,902
Inter corporate loan		**(2,075,912)**	(3,944,331)
Net cash (used in) from financing activities		**(947,896)**	(2,519,429)
Net (decrease)/increase in cash and cash equivalents		**(255,238)**	242,680
Cash and cash equivalents at the beginning of the year		**513,745**	271,065
Cash and cash equivalent at the end of the year	16	**258,507**	513,745

Notes to the Parent Company Financial Statements
For the year ended 31 March 2015

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

2. Revenue

	2015 US$	2014 US$
Overhead recovery	–	–
Management fees from subsidiary	–	–
	–	–

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$1,031,743 (2014: US$1,948,409).

4. Reconciliation of operating loss to operating cash flows

	2015 US$	2014 US$
Operating loss	(2,455,145)	(3,911,113)
Depreciation	38,540	41,089
Share-based payments	27,512	1,052,768
	(2,389,093)	(2,817,256)
Decrease in trade and other receivables	211,860	246,851
(Increase) in trade and other payables	(1,928)	(46,898)
Cash flow (used in) operating activities	(2,179,161)	(2,617,303)

5. Staff costs

	2015 US$	2014 US$
Wages and salaries	805,126	1,014,512
Social security costs	197,094	148,049
Share based payments	(56,817)	425,954
	945,403	1,588,515

Staff 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:

	2015	2014
Management and administration	3	3

6. Share-based payments
Share-based payments are disclosed in note 9 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 ended 31 March 2015 is US$10,000 (2014: US$10,000).

8. Interest and investment income

	2015 US$	2014 US$
Bank interest	–	8,387
Interest on inter-corporate loan	1,117,150	1,400,810
Dividend	10,866	15,705
	1,128,016	1,424,902

9. Property, plant and equipment

	Total US$
Cost	
At 1 January 2013	213,777
Additions	1,015
Deletion	–
At 1 April 2014	**214,792**
Additions	17,318
Deletion	–
At 31 March 2015	**232,110**
Depreciation	
At 1 January 2013	117,396
Charge for the period	41,089
Deletion	–
At 1 April 2014	**158,485**
Charge for the year	38,540
Deletion	–
At 31 March 2015	**197,025**
Net book value at 31 March 2015	**35,085**
Net book value at 31 March 2014	56,307

10. Investments

	Shares in subsidiary US$	Loan to subsidiary US$
Carrying value at 1 January 2013	5,950,211	100,661,878
Additional investment during the year	(1,403,038)	3,944,331
Carrying value at 1 April 2014	**4,547,173**	**104,606,209**
Additional investment during the year	23,280	2,075,912
Carrying value at 31 March 2015	**4,570,453**	**106,682,121**

Shares in subsidiary represent the investment made as at 31 March 2015 in Hardy Exploration & Production (India) Inc., the wholly owned subsidiary of Hardy Oil and Gas plc. Full details of this subsidiary are given in note 1(e) of the consolidated financial statements.

Loan to subsidiary at 31 March 2015 consists of US$106,682,121 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 1 per cent

11. Trade and other receivables

	2015 US$	2014 US$
Other receivables	4,663	41,834
Prepayments and accrued income	6,746	14,203
Prepaid expenses – share-based payments	–	167,233
	11,409	223,270

Notes to the Parent Company Financial Statements continued
For the year ended 31 March 2015

12. Short-term investments

	2015 US$	2014 US$
HSBC US$ Liquidity Fund Class-A	**17,763,242**	20,652,379
HSBC £ Liquidity fund class-A	**3**	1
	17,763,245	20,652,380

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 March 2015 and 31 March 2014.

13. Share capital

	Number US$0.01 Ordinary shares "000"	US$
Authorised Ordinary Shares		
At 1 January 2013	200,000	2,000,000
At 1 April 2014	200,000	2,000,000
At 31 March 2015	200,000	2,000,000
Allotted, issued and fully paid Ordinary Shares		
At 1 January 2013	**73,032,706**	**730,327**
Restricted shares issued	115,710	1,157
At 1 April 2014	**73,148,416**	**731,484**
Restricted shares issued	182,926	1,830
At 31 March 2015	**73,331,342**	**733,314**

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

14. Deferred taxation
Deferred tax analysis:

	2015 US$	2014 US$
Differences between accumulated depreciation and capital allowances	**56,579**	47,465
Other temporary differences	**1,288,610**	1,117,594
Group relief availed	**(2,305,122)**	(2,420,378)
Deferred tax (liability)	**(959,933)**	(1,255,319)

15. Trade and other payables

	2015 US$	2014 US$
Trade payables	**68,151**	32,734
Accruals	**103,414**	140,760
	171,565	173,494

16. Financial risk management

The Company follows the risk management policy stipulated in note 24 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 March 2015 is as follows:

2015	Fixed rate financial assets US$	Floating rate financial asset US$	Financial asset no interest is earned US$	Total US$
US dollars	–	–	152,699	152,699
Pound sterling	–	155	105,653	105,808
Cash and cash equivalents	–	155	258,352	258,507

The interest rate risk profile of the financial assets of the Company as at 31 March 2014 is as follows:

2014	Fixed rate financial assets US$	Floating rate financial asset US$	Financial asset no interest is earned US$	Total US$
US dollars	–	–	83,460	83,460
Pound sterling	–	195	430,090	430,285
Cash and cash equivalents	–	195	513,550	513,745

Financial asset 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 dollars of the Company are as follows:

	Pound sterling in equivalent US$	
	2015	2014
US dollars	105,808	430,283

Foreign exchange loss recognised on account of exchange rate for the year ended 31 March 2015 is US$36,162 (2014: Gain US$59,104)

17. Financial instruments

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

Financial assets

Primary financial instruments	Book value 2015 US$	Fair Value 2015 US$	Book value 2014 US$	Fair Value 2014 US$
Short-term investments	17,763,245	17,763,245	20,652,380	20,652,380
Cash and short-term deposits	258,507	258,507	513,745	513,745
Trade and other receivables	11,409	11,409	223,270	223,270
	18,033,161	18,033,161	21,389,395	21,389,395

All of the above financial assets are current and unimpaired as at 31 March 2015.

Financial liabilities

Primary financial instruments	Book value 2015 US$	Fair Value 2015 US$	Book value 2014 US$	Fair Value 2014 US$
Accounts payable	(171,565)	(171,565)	(173,494)	(173,494)

All of the above financial liabilities are current as at 31 March 2015.

Notes to the Parent Company Financial Statements continued
For the year ended 31 March 2015

18. 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 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:

	2015 US$	2014 US$
Land and buildings		
One year	15,041	44,898
Two to five years	–	17,259

19. Related party transactions
a) The Company's wholly owned subsidiary is Hardy Exploration & Production (India) Inc. The following table provides the details of balances outstanding with subsidiary companies at year end dates:

	2015 US$	2014 US$
Amount owned from subsidiary undertakings	106,682,121	104,606,209

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

	2015 US$	2014 US$
Inter company interest income	1,117,150	1,400,810

Reserves and Resources

Due to limited drilling activity in 2012 and the uncertainty surrounding the recommencement of production in the PY-3 asset, the Company has taken the decision to postpone the updating of a competent person's report until further data is acquired. The estimates provided in the Company's 2011 CPR are provided below.

Reserves (Proven Plus Probable)

Net PY-3 oil production from 31 December 2010 to 31 December 2012 was 129 mmbl.

				31 December 2010	
RESERVES (Proven + Probable)[1,3]				Gross	Net[4]
PY-3[2]	Producing	Oil	mmbbl	**15.1**	**2.1**
Total reserves (Proven + Probable)		Oil	mmbbl	**15.1**	**2.1**

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 mmbbl higher than the 2P estimate by GCA.
3 The Company has filed the 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 are BCF.

				31 December 2010	
				Gross	Net
GS-01	B1 (Dhirubhai 33)	Gas	bcf	**83.0**	**8.3**
CY-OS/2[2, 3]	Ganesha-1	Gas	bcf	**130.0**	**97.5**
GS-01	B1 (Dhirubhai 33)	Oil	mmbbl	**1.9**	**0.2**
Total Contingent Resources[1] (2C)		Gas	bcf	**213.0**	**105.8**
		Oil	mmbbl	**1.9**	**0.19**

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

Net Best Estimate Risked Prospective Resources are 494 BCF

				31 December 2010	
Risked Prospective Resources (Best Estimate) [1, 2]				Gross	Net
CY-OS/2[3, 4]	Prospects	Gas	bcf	**113**	**84**
GS-01	Prospects	Gas	bcf	**142**	**14**
Total Risked Prospective Resources (Best Estimate)[1, 2]		Gas	bcf	**255**	**98**

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.

Asset Description

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

Block GS-OSN-2000/1 (GS-01): ***Appraisal (HEPI 10 per cent interest)***
In 2011, the GS-01 joint venture secured the GOI's approval for a DOC proposal for the Dhirubhai 33 discovery (GS01-B1, drilled in 2007) which flow-tested at a rate of 18.6 mmscfd gas with 415 bbld of condensate through a 56/64 inch choke at flowing tubing head pressure of 1,346 psi. The GS-01 licence is located in the Gujarat-Saurashtra offshore basin off the west coast of India, northwest of the prolific Bombay High oil field, with water depths varying between 80 m and 150 m. The retained discovery area covers 600 km^2.

Block CY-OS/2: ***Appraisal (HEPI 75 per cent interest – Operator)***
Hardy is the operator of the CY-OS/2 exploration block and holds a 75 per cent participating interest[1], through its wholly owned subsidiary Hardy Exploration & Production (India) Inc and Gas Authority of India Limited (GAIL) holds the remaining 25 per cent participating interest. The block is located in the northern part of the Cauvery Basin immediately offshore from Pondicherry, India and covers approximately 859 km^2. The licence comprises of two retained areas with the Ganesha-1 natural gas discovery located in the northern area, which comprises an area of approximately 300 km^2.

Ganesha-1 – The natural gas discovery Ganesha-1, announced in January 2007, was drilled to a depth of 4,089 m, encountering a sandstone reservoir within the Cretaceous section. The well flow tested at a peak rate of 10.7 mmscfd. The Company published a competent person report, prepared by Gaffney, Cline & Associates, dated March 2011, which estimates gross 2C Contingent Resources of approximately 130 BCF.

A brief summary of the Hon'ble Tribunal's award is provided below;

Dispute – Hardy along with GAIL and Oil & Natural Gas Corporation (ONGC) are a party and operator to a Production Sharing Contract (PSC) for the CY-OS/2 block. Hardy holds 75 per cent participating interest in the block. Hardy and GAIL declared a gas discovery on 8 January 2007 which discovery qualified as Non Associated Natural Gas (NANG) under the terms of the PSC. The Government of India, Ministry of Petroleum and Natural Gas (MOPNG) however, stated that the discovery being oil and the commerciality of the block not having been declared within 24 months from the date of the notification of the discovery, the block stood relinquished. Hardy had disputed the characterisation of the discovery as oil and the consequential relinquishment.

Hon'ble Tribunal – This dispute was referred to Arbitration under the PSC to a Tribunal consisting of 3 Arbitrators who were former Chief Justices of India. The Hon'ble Tribunal passed the award on 2 February 2013 at Kuala Lumpur, Malaysia.

Award summary – The Hon'ble tribunal has awarded and directed as follows:
a) The Ganesha-1 discovery made by Hardy and GAIL is NANG;
b) The order of relinquishment by the MOPNG was illegal, being on the erroneous impression that the discovery was oil;
c) That the parties shall be immediately relegated to the position in which they stood prior to the order of relinquishment and the block shall be restored to Hardy and GAIL;
d) Hardy shall be entitled to a period of three years from the date on which the block is restored to it, to carry out further appraisal;
e) MOPNG shall pay to Hardy and GAIL interest at the simple rate of 9 per cent per annum on the amount of Rs. 5.0 billion spent by them on the block, from the date of relinquishment till the date of the award (as at 31 December 2013 – US$22.2 million net to Hardy).
f) From the date of award interest will accrue at a rate of 18 per cent per annum on the amount of Rs. 5.0 billion until such time as the block is restored to the parties (as at 31 March 2015 – US$45.6 million net to Hardy).

1 In the event of a declaration of commerciality, the Government of India's nominee is entitled to assume a 30 per cent participating interest in the block. As a result Hardy's participating interest would be 52.5 per cent.

Block KG-DWN-2003/1 (D3): ***Exploration (HEPI 10 per cent interest)***
As previously announced on 23 December 2014, the D3 block was relinquished by the Joint Venture. This decision was taken after careful consideration of overall prospectivety of the block, access restrictions to over a third of the license area, GOI natural gas pricing policy and potential liquidated damages due to unfulfilled minimum work programme.

Situated in the Krishna Godavari Basin, a prolific petroleum province on the East coast of India, the D3 exploration licence encompassed an area of 3,288 km^2, in water depths of 400 m to 2,200 m, and is located approximately 45 km offshore. The D3 block was operated by Reliance while BP and Hardy held participating interests of 30 per cent and 10 per cent respectively. Four consecutive gas discoveries have been made via the Dhirubhai 39, 41, 44 and 52 (KGV-D3-A1, B1, R1 and W1) exploration wells. The joint venture had acquired approximately 3,250 km^2 of 3D seismic data over the block.

Definitions and Glossary of Terms

%:	percent
$:	United States dollars
tCO_2e:	Tonnes of carbon dioxide equivalent
tCO_2e/FTE:	Tonnes of carbon dioxide equivalent for full time equivalent
2D/3D:	Two dimensional/three dimensional
2P:	Proven plus probable
AGM:	Annual General Meeting
AIM:	Alternative Investment Market of the LSE
AOGO:	Association of oil and gas operators
API°:	American Petroleum Institute gravity
bbl:	barrel
bbld:	barrel per day
bcf:	billion cubic feet
Board:	The Board of Directors of Hardy Oil and Gas plc
BP:	BP plc
the Code:	Hardy's Code of Business Conduct
the Company:	Hardy Oil and Gas plc
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
CNG:	Compressed natural gas
CPR:	Competent persons report
CY-0S/2:	Offshore exploration licence CY-0S/2 located on the east coast of India
D3:	Offshore Licence KG-DWN-2003/1 awarded in NELP V
D9:	Offshore Licence KG-DWN-2000/1 awarded in NELP III
DOC:	declaration of commerciality
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 announced on 31 August 2010
ExSop:	a structured option plan
FFDP:	Full field development plan
FRC	Financial Reporting Council
FY:	Financial year ended 31 March
GAIL:	Gas Authority of India Limited
Ganesha:	Gas discovery on Fan-A1 well located in CY-OS/2
GCA:	Gaffney, Cline & Associates Ltd
GDP:	Gross Domestic Product
GOI:	Government of India
the Group:	The Company and its subsidiaries
GS-01:	Offshore Licence GS-OSN-2000/1 awarded under NELP II
Hardy:	Hardy Oil and Gas plc
HC:	High Court
HDY:	LSE trading symbol for the Company
HEPI:	Hardy Exploration & Production (India) Inc.
HSE:	Health, safety and environment
IFRS:	International Financial Reporting Standards
IPO:	Initial public offering
ISA:	International Standards on Auditing
JA:	Joint Arrangement
KG Basin:	Krishna Godavari sedimentary basin comprising an area on the south east India continental shelf
km:	Kilometre
km^2:	Kilometre squared

Definitions and Glossary of Terms continued

KPI:	Key performance indicator
LSE:	London Stock Exchange plc
LNG:	Liquefied natural gas
LTI:	Long-term incentives
m:	Metre
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
MC:	Management Committee
mmscfd:	Million standard cubic feet per day
mmscmd:	Million standard cubic metres per day
mmbbl:	Million stock tank barrels per day
mmbtu	Million British thermal units
MOPNG:	Ministry of Petroleum and Natural Gas
MOD:	Ministry of Defence
MWP:	minimum work programme
NANG:	non-associated natural gas
NCV:	Net calorific value
NELP:	New Exploration Licensing Policy of the Ministry of Petroleum and Natural Gas of India
OC:	Operating Committee
ONGC:	Oil and Natural Gas Corporation Limited
OPEC:	Organization of the Petroleum Expanding Countries Percent
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$0.01 each in the capital of the Company
Prospective Resources:	Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations
PSC:	Production sharing contract
psi:	Pounds per square inch
PY-3:	Offshore Licence CY-OS-90/1
Reliance:	Reliance Industries Limited
Rs.:	Indian rupee
scf:	Standard cubic feet
scfd:	Standard cubic feet per day
TRI:	Total recordable injuries
UK:	United Kingdom
The UK Code:	UK Corporate Governance code 2014
UMWP:	Unfinished minimum work programme
US:	United States of America
US$:	United States dollars
WAEP:	Weighted average exercise price

Company Information
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Peter Milne (Senior Non-Executive)
Pradip Shah (Non-Executive)

Executive Officer
Richard Galvin (Treasurer & Corporate Affairs Executive)

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Directors of HEPI
Ian MacKenzie (President and Chief Executive Officer)
Richard Galvin (Treasurer)
T.K. Ananth Kumar (Non-Executive Director)

Executive Officers
Sankalpa Mitra (Senior Vice President Production of HEPI)
Satya Sai (Vice President Geoscience of HEPI)

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