Hardy Oil and Gas plc

Cooperation
Progress
Value

Hardy Oil and Gas plc
Annual Report and Accounts
FY2016

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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"Our main objectives remain to secure Key Stakeholders' approvals and initiate activity that will take us closer to realising production from our portfolio of assets."

Alasdair Locke
Chairman

Summary FY2016

- PY-3 – A Management Committee meeting was held in June 2015. However, the minutes of meeting documenting the matters agreed is pending ratification. Recent GOI (Government of India) fiscal and PSC (Production Service Contract) policies have not facilitated the uJV's (Unincorporated Joint Venture) proposed Full Field Development Project (FFDP). The proposed FFDP remained under consideration by MOPNG (Ministry of Petroleum and Natural Gas).
- Well monitoring has been proposed to the uJV and the sanctioning of such activity is pending.
- GS-01 – Resolution of the quantification of liquidated damages associated with the Unfinished Minimum Work Programme (UMWP) is awaited, the GOI's agreement with the uJV's proposal would facilitate the Company's plans going forward.
- CY-OS/2 – The GOI's appeal of the international arbitration award (the CY-OS/2 Award) was dismissed due to withdrawal by the GOI. The GOI subsequently filed a second appeal in the Delhi High Court (HC), and the Company's execution petition in the same court has been adjourned four times and most recently (in February 2016) until July 2016.
- To avoid statute of limitation constraints, the Company initiated the process of having the international award confirmed by a court in the US.
- Financial – Due to the prevailing adverse market conditions the Company provided for the write-down of the PY-3, GS-01 and deferred tax assets amounting to $12.9 million resulting in a total comprehensive loss of $16.8 million.
- Cash and short-term investments at 31 March 2016 amounted to $17.6 million; Hardy has no debt.

Outlook

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

Chairman's Statement

Alasdair Locke
Chairman

The Group remains in a strong financial position

Introduction
FY2016 did not deliver several of our primary objectives for the year. Early in the year we had built a consensus with stakeholders of the PY-3 field. However, this was subsequently side-tracked by parties to this consensus linking unrelated issues and reneging on commitments. The GOI demonstrated its intent to take decisions and move quickly with several key policy announcements. Policies such as the marketing and pricing freedom for deep water and high temperature, high pressure discoveries, dated 21 March 2016, are a positive step towards effective free market pricing of gas. However, the new policies on levies and extensions of PSCs are unlikely to be effective in facilitating new investment and enhancing recovery.

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

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

Market overview
Commodity markets continued to experience a high level of volatility throughout the year and into FY2017. The volatility has been driven by a number of factors, including the resilience of US unconventional supply, the Organization of the Petroleum Exporting Countries' (OPEC's) strategy of pursuing market share over price, the return of Iran to the global oil market and concerns around global economic growth. We remain optimistic on the long-term pricing profile for oil, as future

supply should be impacted by the significant reduction in capital investment we are observing today. Current market conditions have resulted in an industry focus on reducing its cost base which presents an opportunity to potentially implement our development plans at much lower costs.

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

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

Governance
The composition of the Board remained constant throughout the year. Hardy complies with all aspects of the UK Corporate Governance Code (the UK Code) with one exception which is explained later in the report. Further details of the Board's activities this year can be found in the Corporate Governance section of this Annual Report. In accordance with provision C.2.2 of the 2014 revision of the UK Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required for the "Going Concern" statement. The Board conducted this review for a period of three years to 31 March 2019.

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

I would like to express my thanks to Hardy's staff for the hard work and effort put into the business. Their continued dedication and enthusiasm, in what are trying times for Hardy and the industry, is welcome and appreciated.

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

Alasdair Locke
Chairman
8 June 2016

"We can achieve tangible value creation provided we have the constructive collaboration of all stakeholders."

Chief Executive Officer's Review

Ian MacKenzie
Chief Executive Officer

Committed to the enforcement of the CY-OS/2 Award

Introduction
Achieving meaningful progress in India remained a challenge throughout the year. We had made good progress with the PY-3 FFDP early in FY2016 but further deterioration in oil prices and new GOI policies side-tracked our momentum with field stakeholders. More recently we are encouraged by the improved pace of the CY-OS/2 legal process in India and the more broadly renewed impetus of GOI officials to address specific constraints on the smaller independents operating in India.

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

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

Operations
Realising value from our Indian portfolio remains largely in the hands of the GOI. In the near term our focus has shifted to the enforcement of the CY-OS/2 Award.

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

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

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

India is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (New York Convention). This allows entities/nation states the right to enforce foreign arbitral awards in any jurisdiction which is a signatory to the New York Convention. Statute of limitation constraints prompted Hardy to initiate legal proceedings in early 2016 in the US to preserve our rights to enforce the CY-OS/2 Award. Our preference remains to conclude the process within the framework of India's judicial system.

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

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

Financial

The Group is reporting a total comprehensive loss of $16.7 million for the 12 months ended 31 March 2016 compared to a loss of $25.0 million for the 12 months ended 31 March 2015. The loss is attributable to the write-down of intangible assets – exploration associated with GS-01 ($5.0 million), property, plant and equipment associated with the PY-3 oil field ($2.8 million) and associated deferred tax asset ($5.2 million). In FY2015, the Company's comprehensive loss was primarily attributed to a $22.6 million write-down of intangible assets – exploration due to the relinquishment of the D3 exploration licence. During the year the Company took further steps to reduce our administrative expenditure, including the reduction of staff, although total general and administrative expenditure increased to $4.0 million. The increase is primarily due to non-recurring expenditures amounting to $1.6 million. The Group expects administrative expenses for FY2017 to remain at around this level due to legal expenditures of approximately $1.0 million.

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

Outlook

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

Ian MacKenzie
Chief Executive Officer
8 June 2016

Market Overview

Economic and political overview
The overall global economy continued to experience volatility but has continued to show improvement driven by US Gross Domestic Production (GDP) growth. European, 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, albeit at reduced rates.

Oil price – Oil prices continue to show a high level of volatility ranging from a high of \$60 to below \$30 per bbl. Demand growth remains relatively steady. The Dated Brent ICE Forward curve suggests prices will trade between \$50 and \$60 per bbl for the foreseeable future.

Industry costs – The sustained fall in oil prices has resulted in a reduction in planned capital expenditures and many development projects being indefinitely postponed. As a result, the market rates for services have fallen significantly with redundancies announced across the sector. Of note is the materially reduced daily rate for drillships as the services sector has reacted to the fall in demand with significant cost cutting measures.

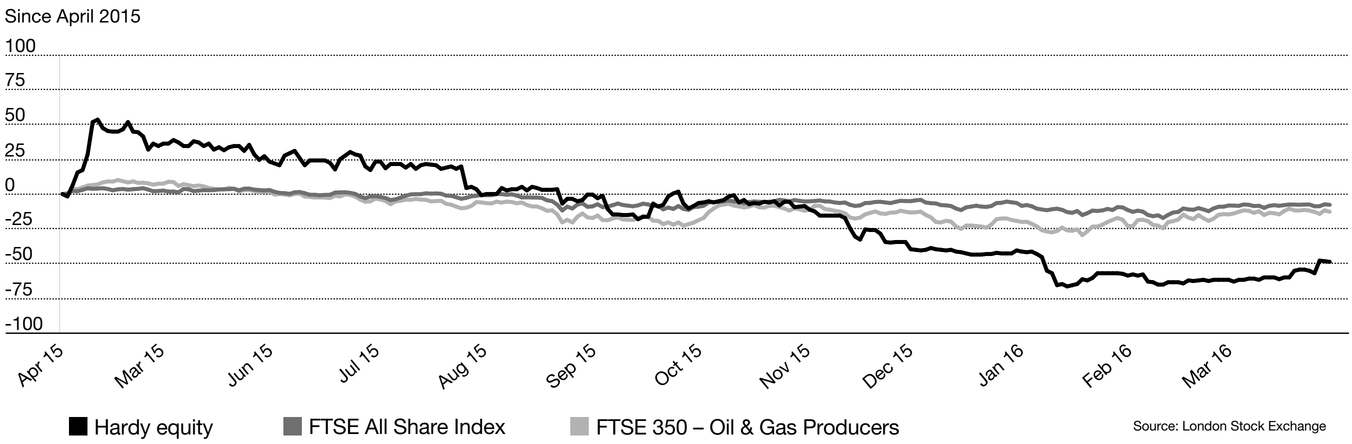
Natural gas – India's demand for natural gas is expected to grow by about 19 per cent per annum (from 194 mmscmd in 2013 to 466 mmscmd in 2017) to meet the ever increasing requirements of the power, fertiliser and other industries. The Compressed Natural Gas (CNG) and city gas sector are also projected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

In 2014, the GOI issued the New Domestic Natural Gas Guidelines (the Guidelines), prices benchmarked to Canadian and Russian market prices. Both of these countries are net exporters of gas. As a result, prices are much lower than the cost of replacement fuels in India. Current prices are \$3.1 per mmbtu based on the net calorific value (NCV) of the sales gas and are projected to fall further in the near term. In its current form the pricing policy is unlikely to facilitate the significant investment required to offset the projected shortfall in supply. The GOI's recent policies regarding the auction of Small Discovered Fields and HELP, which provided for freedom to market gas, and a more market aligned benchmark criteria for deep water, high pressure and temperature discoveries are possible indications of an intention to migrate to full marketing freedom.

Equity markets – The upstream oil and gas sector generally underperformed the market due in part to the fall in commodity prices. It is our observation that mainstream 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 to poor exploration results. Hardy's share price underperformed the market which was primarily the result of the lack of identifiable progress in the advancement of the Company's stated goals and objectives.

India oversight – The upstream oil and gas industry's more coordinated voice through the AOGO, an oil and gas operator association, of which Hardy is an active member, proved effective in FY2016. The federal government (which was elected in 2014) implemented several new policies aimed at providing better clarity to participants, addressing ongoing disputes and facilitating new investment in the sector. Some of the policies may not have been as constructive as they could have been and other critical reforms are pending. However, the GOI's actions this past year clearly illustrate its intent to implement change through timely decision making and implementation. The GOI's continued pursuit of retrospective taxation claims and an enthusiastic application of the judicial system are areas of concern for the industry and Hardy. The continued frustration of the enforcement of the CY-OS/2 Award is a particular impediment to achieving our objectives in India. The fall in commodity prices has quieted the energy security narrative and the overarching targets to reduce import dependence remain the MOPNG's key objectives.

Hardy share closing price data



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

Growing economy – The Indian economy realised GDP growth of over 8 per cent per annum in the past decade and continues to enjoy a substantial rate of over 7.0 per cent in FY2016. Annual inflation rates remain relatively high, ranging from 4.5 to 5.5 per cent but this has come down markedly from 13.0 per cent in 2013.

Improving infrastructure – Infrastructure has struggled to keep pace with economic and population growth. The GOI has identified infrastructure improvement as an area of focus and meaningful progress is observed, particularly in areas of transportation and distribution. The FY2017 budget provided for approximately $35 billion of investment in infrastructure.

Democratic pillars – India represents the world's largest democracy with a population of over 1 billion. The country has an active electorate with the 2014 national election enjoying a participation rate of 65 per cent.

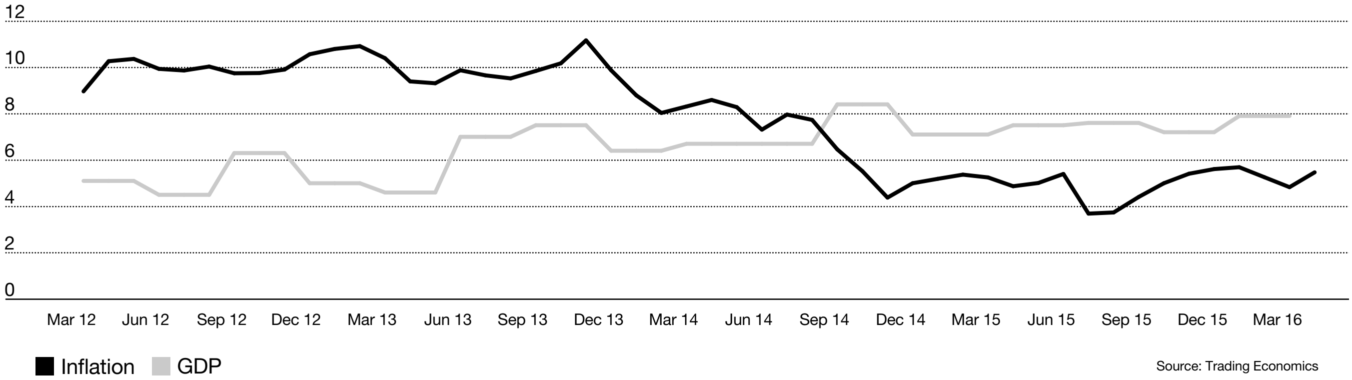
- Legislative – Law-making institutions comprising of publicly elected members.
- Judicial – India's independent union judicial system is based on common law providing protection of contractual rights and enforcement of obligations. India has more than 22 million legal cases pending, 6 million of which have been stuck in the courts for five years or longer. This is due, in large part, to a lack of resources (working judges – 14 per million people compared with 107 in the US).
- Media – The press are free and independent which provides lively and diverse discussion and debate. There are around 12,000 newspaper titles in India. India has more than 150 million homes with a TV. In 2014, there were more than 243 million internet users and there is no systematic filtering of the internet.
- Executive – The executive have sole responsibility for managing the daily administration of the country. The civil servants implement the decisions of the executive. In 2015, India was ranked 76th (2013: 94th) out of 175 countries in Transparency International's Corruption Perceptions Index. The causes of corruption in India include excessive regulations, complicated taxation and licensing systems, numerous government departments each with discretionary powers, monopoly by government controlled institutions on certain goods and services delivery, and the lack of transparent laws and processes.

Industry specific

- 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 the 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.
- Maturing oversight: Experience of regulator and Ministerial oversight is improving. Lack of clear mandate (long-term ultimate recovery of hydrocarbons vs short-term maximisation of revenue) has resulted in inconsistent decision making and compounded uncertainty.

India economy

GDP vs inflation



Source: Trading Economics

Business Model

"Realising value from our Indian portfolio remains largely in the hands of the GOI."

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)

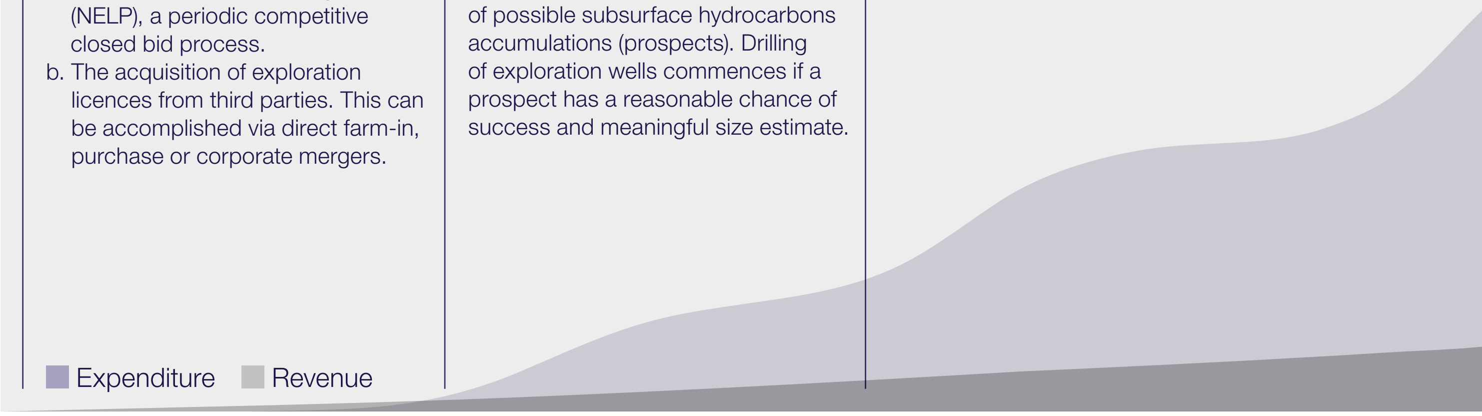
Geoscience surveys and studies, high-grade prospects, verify via drilling

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. Markets to monetise the discovered hydrocarbons are also identified at this time.



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.

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.

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. Divestment 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.

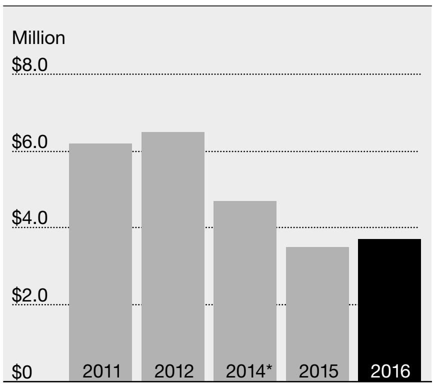
The measures reflect the Company's development focused strategy, the importance of a positive cash position and our underlying commitment to ensuring safe operations. A summary is provided in the table below:

Category	Operational	
KPI	**Approval of PY-3 FFDP**	**Resolution of litigation**
Definition	Management Committee (MC) approval of a FFDP including all technical aspects of the implementation plan and required capital and operating budgets.	The Company is involved in a number of litigation proceedings initiated by third parties and the Company. Where reasonably feasible the Company may seek the conclusion of disputes in a timely manner.
Relevance	Approval of an FFDP will provide a tangible milestone for creating value and mitigate ongoing or pending disputes between stakeholders.	Litigation proceedings heavily detract management from focusing on value creation activities. Mitigation of costs and liabilities.
Progress	Management and independent partners successful in conveying required action to achieve recommencement of production.	A number of disputed matters have been progressed or resolved.
FY2017 outlook/target	Reach consensus on fiscal framework and secure MC approval of FFDP.	Timely resolution or avoidance of matters largely dependent on PY-3 results.
Key activity	Facilitate discussion between GOI and ONGC to establish an equitable distribution of combined cash flow.	Where practical, approach counterparts to reach mutually equitable conclusion to proceedings.

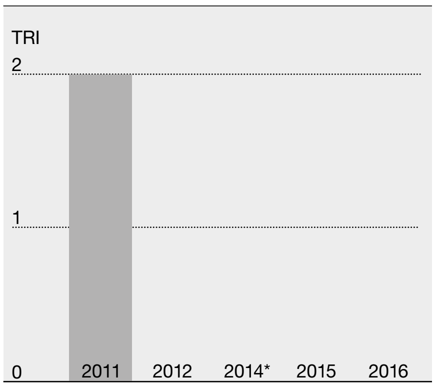
Financial

HSE

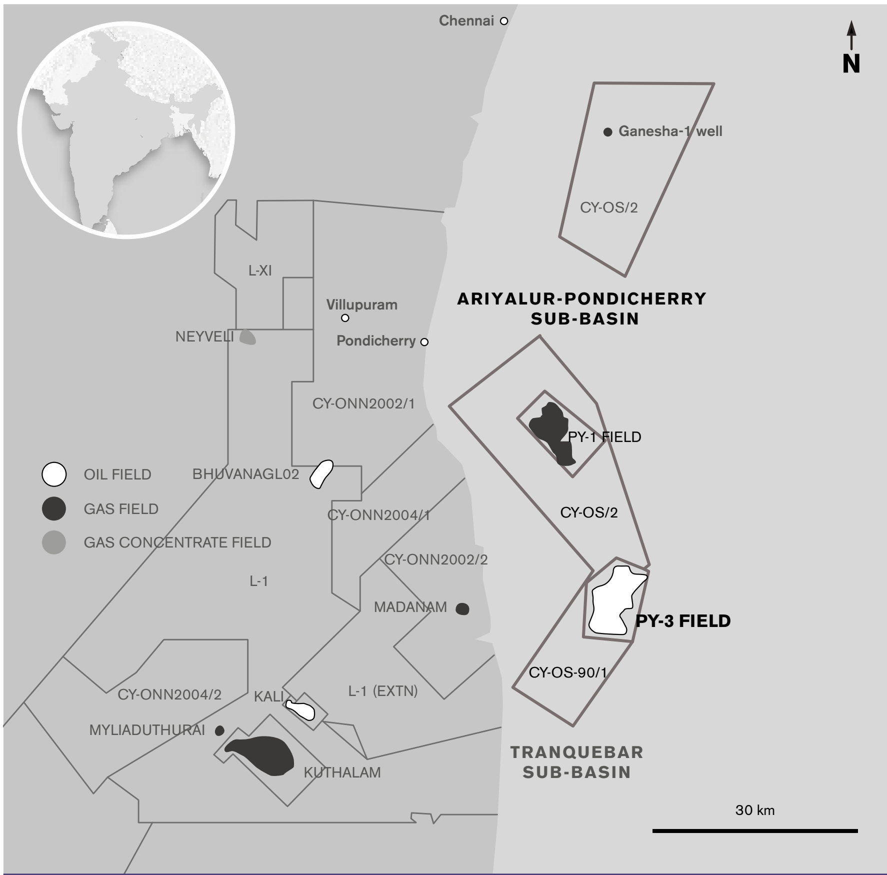
Enforcement of the Award	Control of overhead cash flow	Total recordable injuries (TRIs)
Enforcement of the CY-OS/2 Award which provides for the reinstatement of the exploration licence and payment of compensation.	Cash administrative expense in India and UK less partner recharges.	TRIs include fatalities, lost time injuries, cases restricted for work, cases of substitute work due to injury and medical treatment cases by medical professionals. It does not include any first aid injury.
Reinstatement of the exploration block will permit the recommencement of appraisal of the Ganesha discovery. Compensation of approximately $52.9 million to significantly improve the Company's financial position.	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 Group.	This metric is used to provide guidance as to the Group's HSE performance.
Initial GOI appeal dismissed in Delhi HC. Initiation of enforcement in the US.	Reduced underlying cost base of business. Further reductions may be counterproductive.	Absence of field activity and diligent onshore procedures have maintained no recordable injuries.
Conclusion of the GOI appeal and progress enforcement proceedings in India. Confirmation of award in the US.	Maintain current levels.	No TRIs.
Preparation and delivery of robust representations in Indian and US courts.	Close monitoring of all expenditures.	Prior to recommencement of field operations, management will undertake a comprehensive review and roll-out of HSE policy and practice to staff and contractors.



* 15 months ended 31 March



Operations



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).

HSE

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

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

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

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

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

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

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

Objectives – Secure timely approval of the FFDP from the GOI after which we intend to target the recommencement of production in FY2018. This may be achieved by securing the appropriate offshore production and storage facilities while simultaneously initiating planning for a development drilling programme. This may require funding in excess of the Company's current resources.

Background – The PY-3 field is located off the east coast of India, 80 km south of Pondicherry in water depths between 40 m and 450 m. The Cauvery Basin was developed in the late Jurassic/early Cretaceous period and straddles the present day east coast of India. The licence, which covers 81 km², produces high quality light crude oil (49° gravity American Petroleum Institute (API)). The field has produced over 24.8 mmbbl and was shut-in in July 2011 due to the expiry of the production facilities' marine classification and the refusal by the GOI to allow the extension of the contract.

Block CY-OS/2
Appraisal (Hardy 75 per cent interest – Operator)
The GOI's appeal in the Delhi HC, against the unanimous award, passed by three former Chief Justices of India, to restore the block to the joint venture continued. The GOI is appealing against the jurisdiction of the tribunal and merit of the award. We are disappointed that the GOI has chosen not to comply with the tribunal award and pursued an appeal in the HC. In our opinion:

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

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

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

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

Operations continued

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

Objective – We will continue to seek the restoration of the block to the CY-OS/2 joint venture in a timely manner. The appeal and enforcement process in India is likely to continue throughout 2016. The Company believes that it has a strong position as the unanimous international award is well reasoned. Hardy will recommence work on the appraisal of the Ganesha-1 natural gas discovery once the block has been restored to the CY-OS/2 joint venture.

Background – Hardy is the operator of the CY-OS/2 exploration block and holds a 75 per cent participating interest, through its wholly owned subsidiary HEPI and Gas Authority of India Limited (GAIL) holds the remaining 25 per cent participating interest. The block is located in the northern part of the Cauvery Basin immediately offshore from Pondicherry, India and covers approximately 859 km². The licence comprises two retained areas with the Ganesha-1 natural gas discovery located in the northern area of approximately 300 km².

Ganesha-1 – The natural gas discovery, announced in January 2007, was drilled to a depth of 4,089 m, encountering a sandstone reservoir within the Cretaceous section. The well flow tested at a peak rate of 10.7 mmscfd.

A dispute between the GOI and Hardy was referred to arbitration under the PSC to a Hon'ble Tribunal consisting of three Arbitrators who were former Chief Justices of India. The Hon'ble Tribunal passed the arbitral award on 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 non-associated natural gas.
b. The order of relinquishment by the MOPNG of the GOI was illegal, being on the erroneous impression that the discovery was oil.
c. That the Parties shall be immediately relegated to the position in which they stood prior to the order of relinquishment and the block shall be restored to Hardy and GAIL.
d. Hardy shall be entitled to a period of three years from the date on which the block is restored to it, to carry out further appraisal.
e. MOPNG shall pay to Hardy and GAIL interest at the simple rate of 9 per cent per annum on the amount of Rs. 5.0 billion spent by them on the block, from the date of relinquishment till the date of the award.
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 2016 – $52.9 million net to Hardy).

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

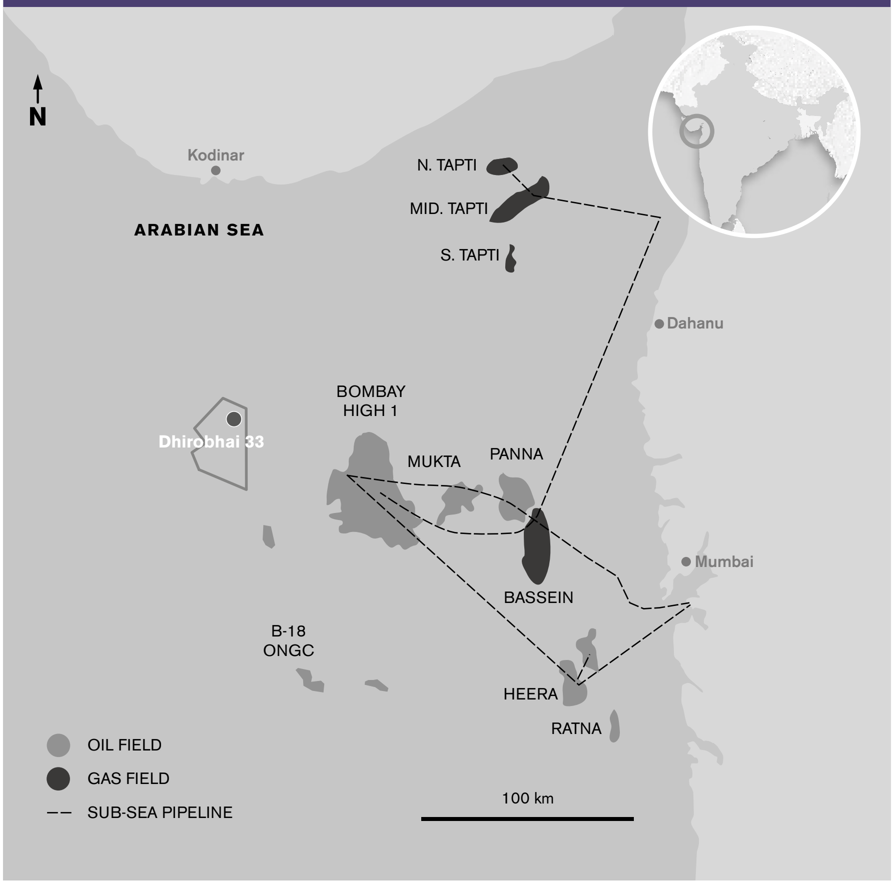
Operations – A number of meetings were held with Directorate General of Hydrocarbons (DGH) and MOPNG representatives to facilitate the timely conclusion to Hardy's acquisition of Reliance's 90 per cent interest and Operatorship. General commercial terms have been agreed and a draft farm-out agreement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

An Field Development Plan (GS-O1 FDP), for the Dhirubhai 33 natural gas discovery, was submitted to the GOI for review and approval in 2012. The GS-O1 FDP plan provides for several dry tree wells, an unmanned platform, multiphase pipeline to shore and onshore processing and export facilities. As noted earlier, the GOI Natural Gas Pricing Policy, announced in 2014, benchmarks against a basket of markets which are predominantly net exporters of natural gas. As a result current gas prices have fallen substantially to $3.08 per mcf and projected to fall further through 2016. The proposed GS-O1 FDP was based on an assumption of realised natural gas and condensate prices being higher than current rates. We have noted that the GOI's recent marketing of Small Discovered Fields and HELP auctions, which provided for freedom to market gas and recent gas pricing policies indicate a possible intent to progressively migrate to full marketing freedom.

GS-01

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

Appraisal (Hardy 10 per cent interest)



Objective – Finalise the quantum of liquidated damages outstanding prior to concluding discussions with Reliance to acquire its participating interest and the Operatorship of the block. Following this, a priority will be to revisit the proposed GS-O1 FDP and establish a consensus amongst stakeholders regarding a viable FDP. As noted above, due to current GOI gas pricing policy the prevailing prices do not support the previously proposed FDP development plan and as a result the plan may need to be modified. A change in the GOI natural gas pricing policy would also facilitate development of the Dhirubhai 33 discovery.

Background – In 2011, the GS-01 joint venture secured the GOI's agreement for the declaration of commerciality (DOC) proposal for the Dhirubhai 33 discovery GS01-B1 (drilled in 2007) which flow-tested at a rate of 18.6 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, north west of the prolific Bombay High oil field, with water depths varying between 80 m and 150 m. The retained discovery area covers 600 km².

Financial Review

Overview

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

Summary statement of comprehensive income	FY2016 (audited) US$ million	FY2015 (audited) US$ million
Operating expense The Company has considered the fall in offshore services and made an adjustment to the underlying cost assumptions associated with decommissioning. As a result a write-back to the Decommissioning Provision of $0.4 million was credited. The Company has provided for $0.6 million due to an award issued against Hardy, as operator, in regard to a claim made by a former service provider to the PY-3 field. The Company is currently appealing the award in the Madras High Court (MHC).	**(0.2)**	–
Unsuccessful exploration write-down The GOI's natural gas pricing policy benchmarks against prices in gas exporting countries. As a result, despite continued growth in demand in India pricing is well below replacement fuel alternatives and has recently fallen from $4.8 per mcf to $3.1 per mcf. Providing for current pricing, the GS-01 development is not considered viable and the Group has fully impaired exploration costs associated with the Dhirubhai 33 discovery in the block. This amounted to a provision of $5.0 million being made. In the previous year the Company had expensed $22.1 million of exploration costs incurred in association with the drilling of gas discoveries on the relinquished D3 block. These expenses had previously been capitalised and recorded under intangible asset – exploration.	**(5.0)**	(22.6)
Impairment of PY-3 The PY-3 asset was partially impaired resulting in a write-down of property, plant and equipment of $2.7 million. Management has considered the prevailing oil price, new GOI policies (outlining an increase in levy rates and additional terms and conditions required for the extension of the PSC) and recent dialogue amongst stakeholders. It was concluded that the proposed PY-3 development plan remains viable but an impairment in value has occurred. The Company remains committed to implementing the proposed plan, provided the GOI and the state owned company ONGC can establish an equitable framework to distribute their collective cash flows.	**(2.7)**	–
Administrative expense Administrative expense increased by $0.2 million. Having consideration for the depressed macro environment and uncertainty regarding the sanctioning of development projects, management took steps to further reduce the underlying overhead of the Company with a reduction of staff and contracted services in India. The net increase was primarily due to various provisions and non-recurring costs amounting to $1.6 million. FY2017 administrative expenses are expected to remain at current levels due a budgeted increase in legal costs associated with the enforcement of CY-OS/2 Award and other ongoing litigation.	**(4.0)**	(3.8)
Investment income and finance cost The Company realised interest income of $0.3 million (FY2015: $0.4 million) and no finance costs. The Company had incurred finance costs of $0.2 million associated with bank guarantee charges and the unwinding of future value discounting of the PY-3 decommissioning provision.	**0.3**	0.2
Taxation No current tax is payable for the 12 months ended 31 March 2016. Having consideration for the medium-term outlook for the oil price and continued delay of sanctioning of the PY-3 asset, the projected tax payable that may be offset by the Group's carried forward losses is reduced. As a result a write-down of the deferred tax asset of $5.2 million was provided for.	**(5.2)**	1.7
Total comprehensive loss The Group's significant total comprehensive loss is largely attributable to the write-downs associated with PY-3 and GS-01 and the deferred tax assets.	**(16.8)**	(24.5)

Summary statement of financial position

	31 March 2016 (audited) US$ million	31 March 2015 (audited) US$ million
Non-current assets Non-current assets primarily represent successful or work-in-progress exploration expenditure. The $13.0 million decrease is the result of the $5.0 million write off of GS-01, a $2.8 million impairment charge against PY-3 and a write-down of the deferred tax asset by $5.2 million. The downward revision of values for PY-3 and the deferred tax asset is due to the medium-term outlook for oil prices and management's assessment of the impact of changes to GOI policy. The assessment of GS-01 impairment was based on the current low gas price. Management plan to conclude the acquisition of GS-01 and subsequently evaluate alternative development concepts. For the Dhirubhai 33 discovery, should the GOI gas pricing policy change to allow free market pricing, the current proposal could become viable.	**63.0**	76.0
Current assets The Group's cash and short-term investments reduced by $3.4 million to $17.6 million. This is essentially due to the payment of general and administrative expenses. The Group incurred an inventory write-down of $0.2 million following a third-party inspection of well tubing and casing, and other equipment. Trade and other receivables of $3.2 million represent amounts due to be recovered from joint arrangements operated by Hardy.	**21.8**	23.0
Non-current liabilities The Group's non-current liabilities represent a provision for the decommissioning of the PY-3 field. The provision has been estimated based on observed long-term industry cost trends. Management also considered the current depressed cost environment and uncertainty regarding the timing of decommissioning. As a result, the provision was reduced in the current year. Management will continue to evaluate its underlying assumptions.	**5.3**	5.6
Current liabilities Trade and other accounts payable comprises of amounts due to vendors and other provisions associated with various joint arrangements.	**7.8**	5.0

Summary statement of cash flows

	FY2016 (audited) $ million	FY2015 (audited) $ million
Cash flow (used in) operating activities Cash used in operating activities comprised $4.4 million of administrative costs. Net debtor and creditor movement was $0.5 million and there was a decrease in inventory of $0.2 million.	**(3.7)**	(3.5)
Capital expenditure The Company did not incur any material capital expenditures in the year.	**0.0**	(0.2)
Financing activity Interest and investment income realised predominantly from its Indian rupee deposits amounted to $0.3 million.	**0.3**	0.4
Cash and short-term investments Sufficient resources are available to meet ongoing capital, operating and administrative expenditure. The Group has no debt.	**17.6**	21.0

Liquidity risk management and going concern and long-term viability
The Company closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including changes in timing of developments and cost overruns of our activity. At 31 March 2016, the Company had liquid resources of approximately $17.6 million, in the form of cash and short-term investments, which is available to meet ongoing capital, operating and administrative expenditure. The Company's forecasts, taking into account possible changes as described above, show that the Company will have sufficient financial resources for the 12 months from the date of approval of the Preliminary Results Statement and Accounts for the 12 months ended 31 March 2017. At the present time, the Group does not have any debt.

Principal Risks and Uncertainties

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

Board
The Group has a systematic approach to risk identification and management which combines the Board's assessment of risk with risk factors originating from, and identified by, the Group's senior management team. Risks are identified, assessed for materiality, documented, and monitored through a risk register with senior management involved in the process. Risks that are identified as high and/or trending upwards are noted and assigned to the Executive Director to monitor and, if possible, proactively 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.

Viability Statement
In accordance with the provision of section C.2.2 of the 2014 revision of the UK Code, the Directors have assessed the viability of the Group over a three-year period to March 2019, taking into account the Group's current position and the potential impact of the principal risks documented in this report. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2019.

In making this statement, the Directors have considered the resilience of the Group, taking into account its current position, the principal risks facing the business in severe but reasonable scenarios and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period.

The Directors have determined that the three-year period to March 2019 is an appropriate period over which to provide its Viability Statement. This covers the period when the Group hopes to have established clear development plans for PY-3, CY-OS/2 and GS-01. The PY-3 development is the only asset that could require additional funding during this period. In making their assessment, the Directors have taken into account the Group's current cash position and that no capital is committed at this time.

The Group has considered that additional funding needs may be met, as appropriate, by access to the debt and capital markets, although there are no immediate plans to do so, along with the possible divestment of assets in which the Company holds a significant working interest.

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

Risk or uncertainty	Mitigation action
Strategic	**The Group's strategy is predominantly driven by the appraisal, development and production of its existing assets in India. There are risks inherent in the appraisal, development and production of oil and gas reserves and resources.**
1. Asset portfolio over-weighted to long-cycle appraisal and development licences	Preferential allocation of resources to advance current discoveries to the development stage. Assess acquisition opportunities, consistent with stated objectives, offering near-term production increases.
2. Asset portfolio exclusively in one geopolitical region	Convey business constraints to accomplishing our objective via direct and open dialogue with government officials, active participation in industry lobby groups including the Association of Oil and Gas Operators. Further additions to the India portfolio will not be considered until tangible progress in our existing portfolio. Screening of acquisition opportunities to be focused in other geographical locations wherein most likely management have direct experience.

Risk or uncertainty	Mitigation action
Financial	**Volatility and decreases in international crude oil prices and Indian natural gas prices has adversely affected some of the Group's prospects and projected results from future operations. Other major financial risks facing the Company could be: financing constraints for further appraisal and development; cost overruns; and adverse results from ongoing or pending litigation.**
1. Prolonged delay in enforcement of CY-OS/2 Award	Secure high quality and reputable legal counsel. Management of stakeholder expectation. Settlement unlikely without court order for enforcement. Preserve right to enforce in other jurisdictions including the US and UK.
2. Litigation – the Company is involved in a number of disputes with service providers, uJV partners and Indian tax authorities	Sanctioning of the PY-3 FFDP could mitigate a number of outstanding or pending disputes. The Company has secured high quality reputable legal counsel in India and other jurisdictions. Proactive and constructive engagement with uJV partners. In some instances security may be required to avoid business disruption.
3. Cost of litigation	Budget for litigation has increased substantially. Effective management and monitoring of advisory costs. Explore timely resolution of disputes not strategic in nature.
4. Liquidated damages started (LD), unfinished Minimum Work Programme (MWP) (GS-01 and D9)	Monitor through media and dialogue with operator, prepare for dispute. The operator is expected to initiate arbitration. Provision made based on management's view on likely outcome. Contingent liability assigned for D9. Risk of uJV partners trading favour with GOI by "trading" LD from other blocks to D9 and GS-01.
Operational	**Offshore exploration and production activities by their nature involve significant risks. Risks such as delays in executing work programmes, construction and commissioning of production facilities or other technical difficulties, lack of access to key infrastructure, adverse weather conditions, environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, unusual or unexpected geological formations, explosions and other acts of God are inherent to the business.**
1. Securing timely final approval for the PY-3 FFDP	Proactive communication with partners to address individual interests and agendas. Clearly formulate and articulate mutual beneficial proposals. Articulate that total combined benefit to the GOI several multiples of ONGC projected loss. Mitigate expenditures prior to budget approvals.
2. PY-3 HSE – status of PY-3 wells	Three subsea wells were securely shut-in on March 2012. The shut-in of wells has been longer than expected and, in the absence of timely sanctioning of the FFDP, monitoring of wells or full abandonment of the PY-3 field will be initiated.
3. Contractual dispute with uJV partners	Maintain communication with senior members of PY-3 uJV partners. Written MC approval of budgets for FY2012 to present remain outstanding. To minimise statute of limitation risk, dispute resolution process will be initiated in FY2017. Highly reputable law firm secured to facilitate initiation of dispute.
Compliance	**The Group's current business is dependent on the continuing enforceability of the PSCs, farm-in agreements, and exploration and development licences. The Group's core operational activities are dependent on securing various governmental approvals. Developments in politics, laws, regulations and/or general adverse public sentiment could compromise securing such approvals in the future.**
1. Regulatory and political environment in India	Develop sustainable relationships with governments and communities. Actively collaborate with industry groups to formulate and communicate interests to government authorities. Ensure full compliance of all laws, regulations and provision of contracts.
2. Taxation and third-party claims	Secured the services of leading professional and legal service providers. Proactive communication with taxation authorities to ensure queries are addressed and assessments are agreed or challenged as required.

Corporate Responsibility Summary

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

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 behaviour 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 does not tolerate retaliation against an individual reporting in good faith.

HSE

The Company is committed to excellent health and safety practices which are at the forefront of all of our activities. Although all offshore activities are currently suspended, maintaining high HSE standards throughout the organisation remains core to all our undertakings.

Greenhouse gas (GHG) emissions

Hardy Oil and Gas plc's total GHG emissions for the period 1 April 2015 to 31 March 2016 have been calculated as 153 tCO_2e which equates to 10.2 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 plc'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
2015/16	25	128	153	10.2
2014/15	77	138	216	10.3
2013/14	76	160	236	11.2

Total GHG emissions and the intensity metric for the reporting period 01/04/2015–31/03/2016. 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 staffing of our India-based professionals and staff.

Development

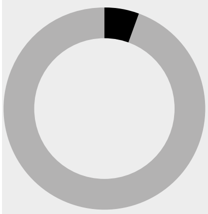
We recognise that our success is clearly linked to the knowledge, skills, experience and motivation of our team, and their ability to develop innovative and creative solutions to our opportunities and challenges. Management have set ambitious targets which will require Hardy employees to maintain their high level of proficiency and to 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 5 India 13

Employees*



Female 1 Male 17

* including Non-Executive Directors

Board of Directors

Alasdair Locke (aged 62)

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

Mr Locke is also chairman of Argenta Holdings plc, an unlisted holding company which trades in Lloyds of London, and chairman of Motor Fuel Group.

Committee membership

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

Ian MacKenzie (aged 59)

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 the Risk Sub-Committee.

Peter Milne (aged 62)

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

Member of the audit committee of the University of Aberdeen.

Committee membership

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

Pradip Shah (aged 63)

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 Kansai Nerolac, Grindwell Norton Ltd, Sonata Software and a director of BASF (India), Godrej & Boyce, 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 Ananth 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 Navratna company and India's second largest exploration and production state enterprise. Mr Ananth 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 Ananth Kumar's recent achievements include leading the GOI's 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 and 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 20 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 30 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 of special projects and has been heading the operations team as general manager – PY-3 since 2010. He holds a BE (Mechanical) from Calcutta University.

CH. V. Satya Sai

Vice President Geoscience of HEPI

Terms of appointment

Mr Satya Sai joined HEPI in 2006 and was appointed vice president in 2014.

Background and experience

Mr Satya Sai has over 30 years of Geological and Geophysical (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 master's 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 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 2014 (the UK Code). The UK Code is publicly available on the Financial Reporting Council's website at www.frc.org.uk.

Introduction
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.

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 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 2016. Disclosures below include matters where Hardy has not fully complied with the provision of the UK Code during the reporting period.

Leadership
The Company is headed by a 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 2016, the Board met on five occasions. 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 disposals, material contracts, major capital expenditure projects and budgets;
- capital structure, debt and equity financing, and other related matters;
- risk management and internal controls (supported by the Audit and Risk Committees);
- 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 Management Committee. Certain other matters are delegated to the Board Committees, namely the Audit, Remuneration and Nomination Committees.

Summary of the Board's work in the period

For the 12 months ended 31 March 2016, 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 Indian focused portfolio;
- financial management;
- regulatory/compliance;
- environment, health and safety;
- stakeholder relations.

Attendance at meetings

Member	Meetings attended
Alasdair Locke (Chairman)	5 of 5
Ian MacKenzie	5 of 5
Peter Milne	5 of 5
Pradip Shah	5 of 5

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 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.

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 the Audit, Remuneration and Nomination Committees. The memberships, roles and activities of these Committees are detailed in separate reports: the Audit Committee on pages 30 to 33, the Remuneration Committee on pages 34 to 42, and the Nomination Committee on pages 43 to 44. 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.

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.

Governance Report continued

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 22 to 23 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 3 September 2015, shareholders re-elected Pradip Shah and Alasdair Locke as Non-Executive Directors.

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. 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 the Chief Executive Officer was appointed in 2012 with whom Mr Shah has had no previous professional interaction. Notwithstanding Mr 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 Management 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 reviews the 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 undertakes an internal appraisal of the Board's performance on an annual basis. This process comprises of a confidential questionnaire submitted by each Director. The questionnaire provides members with a platform to comment on the effectiveness of the Board and performance of each Director.

The Senior Independent Non-Executive Director is responsible for overseeing the reporting of the review. 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 2016. 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 Peter Milne and Pradip Shah will stand for re-election at the Company's 2016 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 18 to 19. The Board has delegated to the Audit Committee oversight of the relationship with the Company's auditor as outlined in the Audit Committee report on page 30.

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.

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.

Viability Statement
The Financial Reporting Council (FRC) has revised the UK Code to include a Viability Statement and the Company's full statement can be found on page 18 of the Strategic Report.

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 to consider internal and external risks, including operational, compliance, financial and strategic risks 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.

Governance Report continued

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 which are 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 under-explored sedimentary basins. When we have made a significant discovery of hydrocarbons we undertake appraisal programmes which may include the drilling of wells and further geotechnical analysis to determine the size and quality of the discovery. Once the appraisal programme confirms that the development of a discovery is commercially viable, we begin work on a development plan. This maps out how we will realise the production of the discovered hydrocarbon to achieve the ultimate objective to generate revenue and cash flow. Beyond this further value may be create 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 34 to 42 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 to major shareholdings 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 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 2015 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 2015 Annual General Meeting six resolutions were presented. Below is a summary of the voting results:

#	Description	Type	For	Against	Withheld	Total	Votes for %
1	Adopt annual accounts for year ended 31 March 2015	Ordinary	59,049,033	–	–	59,049,033	100.0
2a	To receive and consider the Directors' Remuneration Report	Ordinary	54,798,207	4,250,676	150	59,049,033	92.8
3	To re-elect Pradip Shah as a Director of the Company	Ordinary	52,725,903	5,576,373	746,757	59,049,033	89.3
4	To re-elect Alasdair Locke as a Director of the Company	Ordinary	52,754,315	1,333,376	4,961,342	59,049,033	89.3
5	Reappointment of Crowe Clark Whitehill LLP as auditor	Ordinary	59,012,136	36,897	–	59,049,033	99.9
6	Disapplication 5% of issued share capital	Special	59,046,666	2,367	–	59,049,033	100.0
	Total shares issued						73,331,342
	Total instructed						59,049,033

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 2016:

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 Mr 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
8 June 2016

Audit Committee Report

The Committee's focus in FY2016 was the evaluation of the Group's asset values in light of volatile market conditions and the assessment of the updated UK Code and the new guidelines on Risk Management, Internal Control, and Related Financial and Business Reporting published in 2014 by the FRC and which apply to the Group for the first time this year. The Audit Committee has assessed the implications of the new requirements to ensure that the Group complies as is practical for a Group of our size and resources and that the Committee will continue to oversee the implementation of internal control and risk management process enhancements.

Peter Milne
Chairman of the Audit Committee
8 June 2016

Governance
The Audit Committee comprises of two Non-Executive Directors and oversees the Group's financial reporting and internal control procedures as well as providing a formal reporting link with the external auditor. 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 auditor were invited as appropriate. The external auditor has unrestricted access to the Audit Committee Chairman.

The Committee has noted the updated UK 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 continue to monitor the implications of the new requirements particularly in regard remuneration, risk management and long-term viability, in order to ensure that the Group is compliant as is practical for a Group 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 2016 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

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 accounting policies, significant financial reporting issues and relevant 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 auditor and, where appropriate, the selection of new external auditor;
- approving non-audit services provided by the external auditor and ensuring the independence and objectivity of the external auditor is safeguarded when appointing them to conduct non-audit services; and
- ensuring compliance with legal requirements, accounting standards and the UKLA Listing and Disclosure and Transparency Rules.

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 2016

- The Audit Committee monitored the current business and geopolitical environment in India and in particular the continuing commodity price volatility in the oil and gas markets while considering the appropriateness of the Group's statements.
- The Audit Committee met with the external auditor 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 auditor for the interim review and year-end statutory audit.
- Considered and adopted new requirements provided for in the 2014 updated UK 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 and Board meetings 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 both 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 also oversaw the implementation of other improvements including the successful upgrading of accounting software leading to better functionality and reporting capabilities.

Review of the effectiveness of the Audit Committee

- During the year the Board completed a review of its effectiveness which included the assessment of the Audit Committee. The review was coordinated by the Treasurer with oversight by the Senior Non-Executive Director. 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 auditor 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 2016 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 2016 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 page 65.	The Audit Committee reviewed and considered the external legal advice obtained by management concerning the enforcement of the CY-OS/2 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.
PY-3 field and deferred tax asset The PY-3 field has been shut-in since July 2011 and had a carrying value of $5.8 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 and market conditions. The deferred tax asset carrying value of $9.7 million is recoverable only if sufficient profits are generated after the restart of production on PY-3.	The Committee reviewed the progress made by management in seeking to achieve Management Committee approval of the proposed FDP. In light of the sustained fall in oil price and new GOI policies the Committee challenged management's assumptions provided for in the field's financial model including revenue and cost estimates, fiscal structure and production profiles. The Committee is satisfied that management's conclusion that impairment has occurred and the level of write-down in the value of these assets is appropriate.
GS-01 field The GS-01 had a carrying value of $5.0 million. The GOI gas pricing policy has resulted in current pricing levels being lower than that required to allow for the development of GS-01. Management intend however to continue its efforts to acquire its partners interest in the field.	The Committee reviewed management's proposed development plan for GS-01 and the underlying cost estimates and production profiles. The Committee considered the status of the Group's efforts to acquire the operator's interest and longer-term pricing projections. As a result the Committee is satisfied that the write-off of GS-01 is appropriate.
Provisions for decommissioning costs Estimates of the cost of future decommissioning and restoration of the PY-3 field are based on current legal and constructive requirements, technology and price levels, while estimates of when decommissioning will occur depend on assumptions made regarding the economic life of fields which in turn depend on such factors as oil prices and operating costs.	The Committee discussed with management the estimation process and the basis for the principal assumptions underlying the cost estimates, noting in particular the reasons for any major changes in estimates as compared with the previous year. The Committee was satisfied that the approach applied was fair and reasonable. Further information on decommissioning provisions is provided in note 22 on page 67.
Legal matters The Group is currently involved in a number of disputes with third parties and taxation authorities which in the event of adverse findings could result in an unexpected material cash outflow.	The Committee reviewed with management and its professional advisors 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.

Viability Statement
One of the principal requirements of UK Code is to include a Viability Statement requiring the Board to state whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities. In making this statement the Directors are expected to look forward significantly longer than 12 months. The Company's Viability Statement can be found on page 18 of the Strategic Report. The Committee has reviewed and concurred with the basis on which the Viability Statement has been prepared.

External auditor
The Company's external auditor is 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 2016 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 2015.

The external auditor has 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 auditor's 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 auditor, Crowe Clark Whitehill LLP, was 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 auditor. 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 auditor at the Company's 2016 Annual General Meeting.

Peter Milne
Chairman of the Audit Committee
8 June 2016

Directors' Remuneration Report

The Remuneration Committee's Report for the 12 months ended 31 March 2016 comprises of two sections:

- 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.
- An annual statement providing a summary of the Committee's activities in the 12 months ended 31 March 2016 and its intention going forward.

Following open and constructive dialogue with major shareholders the Non-Executive Directors have voluntarily agreed indefinitely to forego the equity award entitlement of 25 per cent of the Director's annual fee. Further Mr Locke has agreed to a reduction in his annual fee from £115,000 to £90,000.

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 ir@hardyoil.com.

Pradip Shah
Chairman of the Remuneration Committee
8 June 2016

Directors' remuneration policy (voluntary disclosure)
This part of the Directors' 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 2017.

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 contributions 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 Director, 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 (eg 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. Effective 1 April 2016, the Chairman of the Board will receive an additional annual fee of £40,000 (FY2016: £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 Director may receive additional fees to compensate for time spent in excess of what would normally be expected in the execution of their roles and 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.

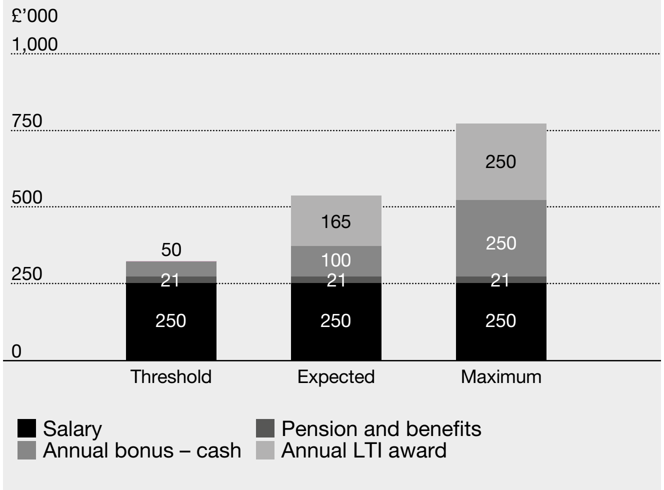
Chairman's additional remuneration

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.

Remuneration potential



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 Director 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.

Directors' Remuneration Report continued

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 (eg 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 (ie cash for cash, equity for equity), vesting periods (ie 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 the 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 (a structured option plan) 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.

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; • retention risk; and • 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 2016/17" 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 FY2017[1]	Executive Director Base salary £250,000 (may be reviewed annually by the Committee effective 1 January).

1 Not part of the policy report.

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	None.
Application of policy in FY2017[1]	No change.

Incentives

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.
Opportunity	Annual bonus plan – the maximum annual level of award is 100 per cent of salary for the Executive Director. Annual long-term share or option award – the maximum face value for an annual award of option or share-based Long-term Incentives (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 FY2017[1]	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.

1 Not part of the policy report.

Directors' Remuneration Report continued

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 FY2017[1]	Current Non-Executive Director fees:	
	Basic annual non-executive	£50,000
	Additional fees	
	Chairman of the Board	£40,000
	Chairman Audit Committee	£10,000
	The Chairman fee reduced from £65,000 to £40,000.	
	Other fees to remain at the same level as FY2016.	

1 Not part of the policy report.

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	4	12 January 2012
Peter Milne	2012	4	29 February 2012
Pradip Shah	1999	17	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 2016 (including payment and awards in respect of incentive arrangements) and how shareholders voted at the 2016 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 36 to 37.

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 the Executive Director 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 three times in the 12 months ended 31 March 2016 and all Committee members served in office throughout the year. The attendance of members at the Remuneration Committee meetings was as follows:

Committee member	Number of meetings attended
Pradip Shah (Chairman)	3 of 3
Alasdair Locke	3 of 3
Peter Milne	3 of 3

Committee evaluation
The performance of the Remuneration Committee was evaluated as part of the Board evaluation which was completed in early 2016. The review was coordinated by the Senior Non-Executive Director 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 2016.

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 Officer's base salary remained unchanged at £250,000. The base salary is below industry average. The Chief Executive Officer's remuneration was last revised in 2013.

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	Benefits	Bonuses	LTI vesting	Pension contribution	Other	Total
		(a)	(b)	(c)	(d)	(e)	(f)	
Ian MacKenzie[1]	FY2016	376,968	2,911	–	–	32,103	–	411,982
	FY2015	403,703	2,915	–	–	34,341	–	440,959
	FY2014[4]	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	FY2016	176,354	–	–	40,959	–	–	217,313
	FY2015	183,540	–	–	43,102	–	–	226,642
	FY2014[4]	204,698	–	–	79,347	–	–	284,045
Peter Milne[2]	FY2016	91,652	–	–	21,370	–	–	113,022
	FY2015	95,760	–	–	22,488	–	–	118,248
	FY2014[4]	120,018	–	–	36,525	–	–	156,543
Pradip Shah[3]	FY2016	75,189	–	–	17,808	–	–	92,997
	FY2015	79,800	–	–	18,740	–	–	98,540
	FY2014[4]	83,087	–	–	28,565	–	–	111,652

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 FY2013/14 comprised of 15 months ended 31 March.

Directors' Remuneration Report continued

Long-term incentive plans
Unapproved Share options
The Committee did not recommend an award under this scheme FY2016.

The last award provided under this scheme was on 11 April 2014 wherein 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 10 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 are to 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 2016:

Director	As at 31 March 2015	Granted during FY2016	Forfeited during FY2016	As at 31 March 2016	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
Total	**1,000,000**	**–**	**–**	**1,000,000**				

1 Mr MacKenzie's options awarded in 2012 and 2014 are subject to the conditions outlined above.

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.

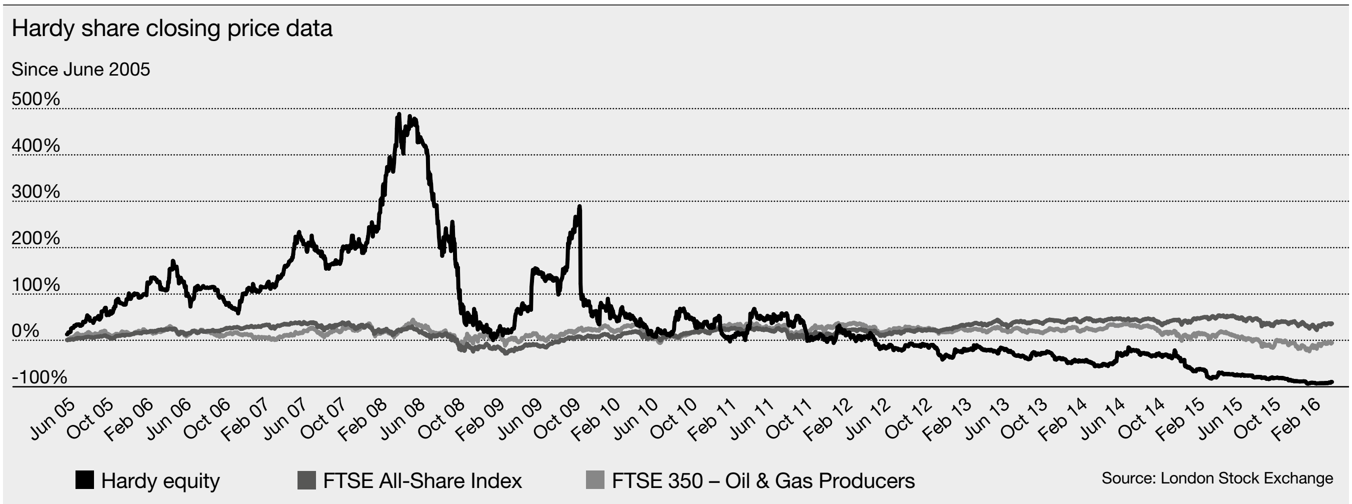
Material contract
There have been no other contracts or arrangements during the financial year in which a Director of the Company was materially interested and/or which were significant in relation to the Group's business.

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 2016



Chief Executive Officer's remuneration

	2010	2011	2012[1]	FY2014	FY2015	**FY2016**
Total remuneration ($)	347,113	399,350	359,077	508,954	440,636	**411,982**
Months of service	12	12	11	15	12	**12**
Total remuneration ($/mth)	28,926	33,279	32,646	33,930	36,720	**34,332**
Annual bonus (%)[2]	Nil	Nil	Nil	Nil	Nil	**Nil**
Option vesting	Nil	Nil	Nil	Nil	Nil	**Nil**

1 Chief Executive Officer's remuneration figure includes Mr MacKenzie's total remuneration in 2012, he was appointed Chief Executive Officer designate effective 1 February 2012.
2 The Chief Executive Officer was entitled to a bonus of nil to 100 per cent of annual salary equivalent. No bonus has been awarded by the Board.

On 31 March 2016, the market price of an Ordinary Share of Hardy was £0.14 per share. The highest and lowest market price of an Ordinary Share of Hardy during the 12 months ended 31 March 2016 was £0.42 and £0.09 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 2015 and financial year 31 March 2016 compared to that of the average for all employees of the Group.

	Salary	Benefits	Bonus
Chief Executive Officer	0	0	0
Average employees	0	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.

	2014/15	2015/16	%[1]
Total employee remuneration ($ million)	1.5	1.4	(6)
Dividend and share buyback	0	0	0

1 Weighted average change.

Directors' Remuneration Report continued

Shareholder voting at the last Annual General Meeting

At last year's Annual General Meeting (3 September 2015) the Company's Remuneration Report received the following votes from shareholders:

		For	Against	Votes withheld	Total issued share capital instructed
Report	Total number of votes	54,798,207	4,250,676	150	59,049,033
	% of votes cast	92.8	7.2		

Directors' interests in the share capital of the Company

The Directors who held office at 31 March 2016 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 2016**	As at 31 March 2015
Alasdair Locke	Non-Executive Chairman	**1,198,153**	976,999
Peter Milne	Senior Non-Executive Director	**319,595**	204,210
Ian MacKenzie	Chief Executive Officer	**352,969**	352,969
Pradip Shah	Non-Executive Director	**835,690**	739,536

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
8 June 2016

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 organisation's strategic objectives.

The Hardy Board comprises of four members including three Non-Executive Directors and one Executive Director. 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.

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 of the Committee. The Nomination Committee met three times in the 12 months ended 31 March 2016. The membership and attendance of members at Committee meetings held are provided below:

Committee member	Meetings attended
Alasdair Locke (Chairman)	3 of 3
Peter Milne	3 of 3
Pradip Shah	3 of 3

Committee activities
The principal activities of the Committee during the 12 months ended 31 March 2016 and subsequent to year end.

Board composition – The structure, size and composition of the Board was assessed. It was agreed that the current composition of the Board is adequate and provides the appropriate balance of experience and expertise to effectively fulfil its obligations to stakeholders.

Management resources – The Committee members arrange a site visit of the Company's India project office to facilitate the ongoing 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 – The Committee recommended membership of Board Committees remains unchanged. A copy of the Committee's terms of reference can be found on the Company's website www.hardyoil.com.

Committee evaluation – The performance of the Nomination Committee was evaluated as part of the Board evaluation which was completed in early 2016. 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 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.

Nomination Committee Report continued

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.

Alasdair Locke
Chairman of the Nomination Committee
8 June 2016

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 2016. These will be presented before the shareholders at the Annual General Meeting scheduled to be held on 8 September 2016.

Business review and future developments

Hardy is an international upstream oil and gas company holding exploration and production rights 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 2016 and plans for the year ended 31 March 2017 can be found in the Strategic Report section on pages 1 to 21 of the Annual Report, which are incorporated herein by reference.

Directors

The Directors that served in office throughout the 12 months ended 31 March 2016 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

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 $16,757,159 for the 12 months ended 31 March 2016 compared to a comprehensive loss of $24,494,385 for the 12 months ended 31 March 2015. 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 8 September 2016, Peter Milne and Pradip Shah will offer themselves for re-election as Non-Executive Directors. Biographical details for Mr Milne and Mr Shah are set out on page 22.

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.

Peter Milne is the Senior Non-Executive Director of the Board and Chairs the Company's Audit Committee and is a member of the Remuneration Committee and Nomination. Mr Milne has been a member of Hardy's Board and served as the Non-Executive Director for more than four years.

Pradip Shah Chairs the Company's Remuneration Committee and is a member of the Audit and Nomination Committees. Mr Shah has served as a Director for more than 17 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 2016 and at the date of this report, there were 73,764,035 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:

Richard Griffiths and controlled undertaking	21,931,218	29.91%
Universities Superannuation Scheme Limited	9,243,931	12.61%
Aberforth Partners LLP	8,161,830	11.13%
Robert Quested	5,279,354	7.20%
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%
John Grahame Whateley	2,438,169	3.32%
Legal & General Group Plc (L&G)	2,245,667	3.06%
Total	**57,953,489**	**79.03%**

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 Regulatory News Service (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 21.

Directors' Report continued

Diversity
The disclosures concerning Director, management and employee gender diversity as required by law are included in the Strategic Report on page 21.

Annual General Meeting
The Company's next Annual General Meeting will be held at Skene House, Rosemount Viaduct, Aberdeen AB25 1NX, Scotland on 8 September 2016 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 2016, 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 2016, 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 auditor
Crowe Clark Whitehill LLP have expressed their willingness to continue as auditor. In accordance with the Isle of Man Companies Acts 1931 to 2004, a resolution reappointing Crowe Clark Whitehill LLP as auditor of the Company will be proposed at the next Annual General Meeting.

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 2016
There have not been any material events that have occurred since 31 March 2016 to the date of this report.

Approved by the Board of Directors.

Alasdair Locke
Chairman
8 June 2016

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 2016 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 (International Accounting Standards) 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 Directors' statement on page 27 regarding the appropriateness of the going concern basis and the Directors' Viability Statement of the Group contained within the Strategic Report on page 18. We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 46 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity and the disclosures on pages 18 to 19 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 1 of the accounting policies about whether they consider it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the Directors' explanation within the Strategic Report on page 18 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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 and have not identified any material uncertainties. 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.

Overview of our audit approach

Risks of material misstatement	• Carrying value of the PY-3 field included within property, plant and equipment. • Carrying value of the GS-OS1 exploration costs included within intangible assets. • Estimation of the future liability in respect of the decommissioning liability. • Recoverability of the deferred tax asset. • Status of the legal dispute in respect of CY-OS2. • Status of ongoing legal disputes.
Changes in our risk assessment – risks reported for the first time this year	Due to the decline in daily rig hire charges, a key input into the estimate of the decommissioning provision, we also considered that the risk concerning the valuation of the decommissioning provision had increased. We did not report on this risk last year.
Changes in our risk assessment – areas where our assessment of the risk has increased since the prior year	Due to the decline in the oil and gas price since the prior year we considered that the risk concerning the carrying value of the PY-3 and GS-01 fields has increased. Given that the recovery of the deferred tax asset is linked to the resumption of production from the PY-3 field this risk has also increased.
Audit scope	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.
Materiality	Overall Group materiality of US$800,000 which represents 1% of the Group's total assets.

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 included within property, plant and equipment The carrying value of the field at 31 March 2016 is US$3.0 million and the Group has recognised a charge in respect of this asset of US$2.8 million. As outlined within the "Critical accounting estimates and judgements section" the carrying value of property, plant and equipment by management is a critical accounting judgement and key source of estimate uncertainty. The PY-3 field has been shut in since July 2011. Since the previous year end global oil prices have continued to decline. In addition the GOI has issued new policies outlining an increase in the levy rates. The combination of these factors has increased our assessment of the risk of overstatement to the carrying value of the assets in comparison to the previous year.	We have discussed the plans for the recommencement of production from the field with management and have reviewed the FDP. We reviewed the underlying economic models challenging the key assumptions made by management. This included: • comparison of oil prices assumptions to futures prices; and • performing of scenario analysis of the various underlying assumptions. We assessed the potential impairment by considering a number of scenarios modelling different oil prices, costs and fiscal terms. We then assessed impairment by considering the range of valuations indicated by the different scenarios.
Status of the legal dispute in respect of CY-OS2 The carrying value of the field at 31 March 2016 is US$51.1 million. As outlined within the "Critical accounting estimates and judgements section" whilst the Group has been awarded costs and interest after arbitration the dispute with the GOI remains ongoing. If the block is relinquished it would be an indication of impairment as per the criteria of IFRS 6: Exploration for and Evaluation of Mineral Resources and a test would subsequently be required which could have a material impact on the Group.	We have reviewed the 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. We have discussed the matter directly with the Group's legal advisors. We reviewed the disclosure made concerning this matter in note 16 to ensure that it is consistent with our understanding of the current legal position.
Carrying value of the GS-OS1 exploration costs included within intangible assets The Group has fully impaired the carrying value of the GS-OS1 exploration costs resulting in a charge of US$5.05 million to the Statement of Comprehensive Income. There has been a decline in the Indian gas price, which is determined by the GOI which is set every six months at a discount to the open market price. There is a risk at the current level of prices the assets may not be recoverable.	We have obtained the underlying economic models challenging the key assumptions made by management. We have discussed with management and relevant personnel, the status on the block and the likelihood of future development based on the current gas price environment.
Recoverability of the deferred tax assets The carrying value of deferred tax assets as at 31 March 2016 is US$4.5 million and relate to historical losses made by the Group. US$5.2 million of the brought forward assets have been released in the year. The recoverability of the deferred tax assets is dependent on the future profitability of the Group and the period for which these losses may be used is limited by statute. The decline in the global oil and gas prices as well as delays to recommencing production increased the risk the assets may not be recovered in comparison to the previous year.	We have obtained and reviewed the calculation of deferred tax assets and assessed the likelihood considering the adequacy of future profits enabling the utilisation of the losses and the timing for recommencing production taking into account the expiry of the losses. We have assessed the competence of the Group's external tax specialists. We communicated with the tax specialists and analysed their reports ensuring these were consistent with the calculation of deferred tax.
Status of ongoing legal disputes 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 management's assessment of the likely outcome of ongoing disputes. This included: • assessment of the progress of the outstanding cases; • considered for any evidence of additional legal disputes which we were not previously made aware; and • reviewing the legal advice received and discussing matters directly with Hardy's legal and professional advisors. We have considered the adequacy of liabilities recognised and disclosures made within the financial statements.
Estimation of the future liability in respect of the decommissioning liability The carrying value of the decommissioning provision, relating to the PY-3 field, is US$5.3 million which has been revised downward from the previous year by US$0.4 million.	We reviewed the underlying economic models challenging the key assumptions made by management. This included: • comparison of rig rate assumptions to available market data; • considering the appropriateness of the assumption concerning the timing of the cash flows; and • performing of scenario analysis of the various underlying assumptions.

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 page 32.

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.

We determined materiality of the Group to be US$800,000 (2015: US$900,000) which is 1% of the Group's total assets and 1% of the Group's net assets. The reduction in materiality reflects the decrease in the Group's assets following the impairments during the year.

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 auditor, disclosure was required on qualitative grounds.

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 under respective responsibilities of Directors and auditor. In performing our audit, as required by those standards, we complied with the FRC 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.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Isle of Man Companies Acts 1931 to 2004 we are required to report to you if, in our opinion:
- the Parent Company and the Group have not kept proper accounting records;
- the financial statements are not in agreement with the accounting records and returns;
- if we have not received all the information and explanations we require for our audit; or
- if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

Under the Listing Rules we are required to review:
- the Directors' statement, set out on page 27, in relation to going concern and longer-term viability;
- the part of the Corporate Governance Report on page 29 relating to the Company's compliance with the 11 provisions of the 2014 UK Code specified for our review; and
- certain elements of the Board of Directors' Remuneration Report to shareholders.

Respective responsibilities of Directors and auditor
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 ISA (UK and Ireland). Those standards require us to comply with the FRC 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
8 June 2016

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

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

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

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

Consolidated Statement of Financial Position
As at 31 March 2016

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

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

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

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

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

1. Accounting policies
The following accounting policies have been applied in preparation of the 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 Directors' Report.

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

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

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

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

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

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

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

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

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

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

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

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

1. Accounting policies continued

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

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

ii) Oil and gas development and producing assets

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

iii) Decommissioning

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

iv) Disposal of assets

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

h) Depletion and impairment

i) Depletion

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

ii) Impairment

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

i) Property, plant and equipment

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

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

Depreciation expenses are included within administrative expenses.

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2016

1. Accounting policies continued

j) Intangible assets

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

	Annual rate (%)	Depreciation method
Computer software	33	Straight line

Amortisation charges are included within administrative expenses.

k) Investments

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

l) Short-term investments

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

m) Inventory

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

n) Financial instruments

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

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

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

o) Equity

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

p) Taxation

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

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

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

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

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

1. Accounting policies continued

q) Foreign currencies

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

Rate of exchanges were as follows:

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

r) Leasing commitments

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

s) Share-based payments

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

t) Contingent assets

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

2. Critical accounting estimates and 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$52.9 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 drillships and supply boats. Accordingly, the provision made in the books will reflect the risk free discounted estimated future cost for decommissioning. Further details are contained in note 22.

iii) Deferred tax asset

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2016

2. Critical accounting estimates and judgements continued

iv) Carrying value of oil and gas, and exploration assets

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

3. Segment analysis

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

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

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

3. Segment analysis continued

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

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

4. Cost of sales

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

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

Production cost for FY2016 includes a provision in respect of an arbitration award which is made in favour of a service provider for Block PY-3.

5. Unsuccessful exploration costs

Unsuccessful exploration costs consist of:

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

Notes to the Consolidated Financial Statements continued
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6. Operating loss
Operating loss is stated after charging:

	2016 US$	2015 US$
Unsuccessful exploration costs	4,935,149	22,560,297
Depreciation and amortisation	27,004	40,800
Operating lease costs – land and buildings	167,220	159,663
External auditor's remuneration		
– Fees payable to the Company's auditor for the audit of the Company's annual accounts	94,754	82,456
– Audit related assurance services	12,754	13,287
Exchange loss/(gain)	372,050	(189,331)

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

7. Reconciliation of operating loss to operating cash flows

	2016 US$	2015 US$
Operating loss	(11,906,029)	(26,391,742)
Unsuccessful exploration costs	4,935,149	22,560,297
Impairment of Block PY-3	2,754,273	–
Depletion, amortisation and depreciation	27,005	40,800
Share-based payment expense	164,951	211,247
	(4,024,653)	(3,579,398)
Decrease in inventory	222,623	524,959
Increase in trade and other receivables	(2,441,647)	(77,651)
Increase/(decrease) in trade and other payables	2,505,598	(405,023)
Cash (used in) operating activities	(3,738,079)	(3,537,113)

8. Staff costs

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

Staffs costs, including the Executive Director's salary, fees, benefits and share-based payments, are shown gross before amounts recharged to joint arrangements.

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

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

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

9. Share-based payments

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

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

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

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

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

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

	1 April 2015		Lapsed FY2016		31 March 2016	
FY	Number	WAEP	Number	WAEP	Number	WAEP
2006	1,140,933	1.52	**1,140,933**	**1.52**	**–**	**–**
2007	115,000	3.07	**15,000**	**3.08**	**100,000**	**3.07**
2008	300,000	4.31	**300,000**	**4.31**	**–**	**–**
2009	120,000	7.69	**20,000**	**7.69**	**100,000**	**7.69**
2010	–	–	**–**	**–**	**–**	**–**
2011	419,000	2.12	**229,000**	**2.12**	**190,000**	**2.12**
2012	750,000	1.55	**–**	**–**	**750,000**	**1.55**
2013	50,000	1.19	**–**	**–**	**50,000**	**1.19**
2014	275,000	0.66	**–**	**–**	**275,000**	**0.66**
2015	250,000	0.65	**–**	**–**	**250,000**	**0.65**
2016	–	–	**–**	**–**	**–**	**–**
Total	3,419,933	1.98	**1,704,933**	**2.18**	**1,715,000**	**0.90**

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2016

9. Share-based payments continued
Restricted Ordinary Shares are issued to Non-Executive Directors in consideration for services rendered in 2015 at a price of 13p 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 2016.

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

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

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

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

11. Interest and investment income

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

12. Finance costs

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

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

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

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

13. Taxation continued

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

Deferred tax analysis:

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

b) Factors affecting tax charge for the year

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

Indian operations of the Group are subject to a tax rate of 41.2 per cent which is higher than UK and US corporation tax rates. To the extent that the Indian profits are taxable in the US and/or the UK, those territories should provide relief for Indian taxes paid, principally under the provisions of double taxation agreements. When considering deferred tax assets the Group considers the highest and best use of the losses available, this is considered to be in India. Based on the current expenditure plans, the Group anticipates that the tax allowances will continue to exceed the depletion charge of each year, though the timing of related tax relief is uncertain.

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

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

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

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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 April 2014	35,465,279	1,780,255	37,245,534
Additions	–	20,820	20,820
Disposals	–	(714)	(714)
At 1 April 2015	**35,465,279**	**1,800,361**	**37,265,640**
Additions	**–**	**22,294**	**22,294**
Disposals	**–**	**(42,485)**	**(42,485)**
At 31 March 2016	**35,465,279**	**1,780,170**	**37,245,449**
Depletion, depreciation and amortisation			
At 1 April 2014	29,684,318	1,721,188	31,405,506
Charge for the year	–	40,800	40,800
Disposals	–	(714)	(714)
At 1 April 2015	**29,684,318**	**1,761,274**	**31,445,592**
Charge for the year	**–**	**25,779**	**25,779**
Impairment of Block PY-3 asset	**2,754,273**	**–**	**2,754,273**
Disposals	**–**	**(42,485)**	**(42,485)**
At 31 March 2016	**32,438,591**	**1,744,568**	**34,183,159**
Net book value at 31 March 2016	**3,026,688**	**35,602**	**3,062,290**
Net book value at 31 March 2015	5,780,961	39,087	5,820,048

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

The future cash flows were estimated using an oil price assumption of approximately US$50 to US$55 per bbl which is comparable to an average price per barrel of Dated Brent forward contract against the projected production profile provided for in the proposed FFDP. These projected cash flows were discounted at a rate of 10 per cent. Other assumptions involved in the impairment measurement included estimates of commercial reserves and production volumes, and the level and of timing of expenditures all of which are inherently uncertain. The principal cause of the impairment charge recognised in the year is a reduction in the medium-term oil price assumption and changes to GOI policies in regard to calculation of levies and the criteria for extension of the PSC.

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

16. Intangible assets

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

16. Intangible assets continued

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

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

Impairment of Block GS-01

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

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

Legal proceedings concerning Block CY-OS/2

In March 2009, Hardy were informed by the GOI 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 GOI 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$52.9 million. On 2 August 2013, the GOI filed an appeal, against the Award, with the HC Delhi, and the Company subsequently filed an execution petition before the HC Delhi. 17 hearings have been scheduled and adjourned, and the next hearing is scheduled in July 2016.

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

Impairment of Block D3 in prior year

On 23 December 2014, the 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 Group's intangible assets, which were attributable to the D3 block, have been written off in the previous financial year.

17. Inventories

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

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

Notes to the Consolidated Financial Statements continued
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18. Trade and other receivables

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

19. Short-term investments

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

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

Income will increase or decrease by US$167,680 (2015: US$177,632) for every 1 per cent change in interest rates.

20. Share capital

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

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

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

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

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

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

22. Provision for decommissioning

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

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

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

An amount of Rs. 286,047,976 (US$4,311,198) (2015: Rs. 266,216,197 (US$4,285,515)) 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

	2016 US$	2015 US$
Trade payables	**6,381,696**	3,811,799
Accruals and other payables	**1,442,038**	1,229,983
	7,823,734	5,041,782

Trade and other payables are unsecured and payable on demand.

24. Financial risk management

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

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

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

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

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

Foreign currency risk

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

Liquidity risk

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

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24. Financial risk management continued

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 GOI's nominee Chennai Petroleum Corporation Limited. The sale price is arrived at based on an average price of Brent crude for the 30-day period commencing 15 days before and ending 15 days after the delivery of crude oil. No commodity price hedging contracts have been entered into by the Group.

Credit risk

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

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

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

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

Capital management

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

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

Maturity of non-current financial liabilities

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

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

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

24. Financial risk management continued

Interest rate risk profile of financial assets

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

2016	Fixed rate financial assets US$	Floating rate financial assets US$	Financial assets no interest is earned US$	Total US$
US dollars	–	516,935	115,790	632,725
Pound sterling	–	131	99,534	99,665
Indian rupees	–	–	95,989	95,989
Cash and cash equivalents	–	517,066	311,313	828,379

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

An amount of Rs. 286,047,976 (US$4,311,198) (2015: Rs. 266,216,197 (US$4,285,515)) 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$5,417 (2015: US$28,046) for every 1 per cent change in interest rates.

Currency exposures

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

2016	Indian rupees US$	Pound sterling US$	Total US$
US$	4,407,187	124,299	4,531,486

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

An amount of US$284,392 (2015: US$158,583) was recognised as foreign exchange loss on account of exchange rate fluctuations on bank balances and investments made in currencies other than US dollars.

Exchange gains will increase by US$45,768 (2015: US$46,170) for every 1 per cent appreciation of Indian rupee and sterling, and loss of US$44,862 (2015: US$45,256) for 1 per cent depreciation of Indian rupee and sterling.

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2016

25. Financial instruments
Book values and fair values of Hardy's financial assets and liabilities are as follows:

Financial assets

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

Financial liabilities

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

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

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

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

27. Contingent liabilities

Liquidated damages

The Group has minimum work commitments in associated with various exploration licences granted by sovereign authorities through joint arrangements. A number of these commitments have not been fulfilled and as a consequence the Group is liable to pay liquidated damages. When a liquidated damage payment is probable a provision is created based on management's best judgement. In some instances there may be a high degree of uncertainty. In such instances an additional contingent liability is recognised. Currently a contingent liability estimated at 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 obligations under various PSCs to the GOI. These guarantees are deemed to have negligible fair value and are therefore accounted for as contingent liabilities.

28. Related party transactions

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

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

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

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

	Share capital US$	Share premium US$	Shares to be issued US$	Retained earnings US$	Total US$
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
Total comprehensive loss for the year	**–**	**–**	**–**	**(609,497)**	**(609,497)**
Share-based payment	**–**	**–**	**84,814**	**–**	**84,814**
Adjustment of lapsed vested options	**–**	**–**	**(1,899,530)**	**1,899,530**	**–**
Restricted shares issued	**4,327**	**75,810**	**–**	**–**	**80,137**
At 31 March 2016	**737,641**	**120,936,441**	**1,854,350**	**4,216,343**	**127,744,775**

Parent Company Statement of Financial Position
As at 31 March 2016

	Notes	31 March 2016 US$	31 March 2015 US$
Assets			
Non-current assets			
Property, plant and equipment	9	**17,821**	35,085
Investments	10	**111,745,695**	111,252,574
Total non-current assets		**111,763,516**	111,287,659
Current assets			
Trade and other receivables	11	**73,541**	11,409
Short-term investments	12	**16,767,941**	17,763,245
Cash and cash equivalents	16	**133,148**	258,507
Total current assets		**16,974,630**	18,033,161
Total assets		**128,738,146**	129,320,820
Equity and liabilities			
Equity attributable to the owners			
Equity			
Called-up share capital	13	**737,641**	733,314
Share premium		**120,936,441**	120,860,631
Shares to be issued		**1,854,350**	3,669,066
Retained earnings		**4,216,343**	2,926,310
Total equity		**127,744,775**	128,189,321
Non-current liabilities			
Provision for deferred tax	14	**836,229**	959,934
Current liabilities			
Trade and other payables	15	**157,142**	171,565
Total current liabilities		**157,142**	171,565
Total liabilities		**993,371**	1,131,499
Total equity and liabilities		**128,738,146**	129,320,820

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

Parent Company Statement of Cash Flows
For the year ended 31 March 2016

	Notes	Year ending 31 March 2016 US$	Year ending 31 March 2015 US$
Operating activities			
Cash flow (used in) operating activities	4	**(1,892,285)**	(2,179,161)
Net cash (used in) operating activities		**(1,892,285)**	(2,179,161)
Investing activities			
Purchase of other property, plant and equipment		**(4,953)**	(17,316)
Short-term investments		**995,304**	2,889,135
Net cash (used in) from investing activities		**990,351**	2,871,819
Financing activities			
Interest and investment income		**1,246,416**	1,128,016
Inter corporate loan		**(469,841)**	(2,075,912)
Net cash (used in) from financing activities		**776,575**	(947,896)
Net (decrease) increase in cash and cash equivalents		**(125,359)**	(255,238)
Cash and cash equivalents at the beginning of the year		**258,507**	513,745
Cash and cash equivalent at the end of the year	16	**133,148**	258,507

Notes to the Parent Company Financial Statements continued
For the year ended 31 March 2016

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

2. Revenue

	2016 US$	2015 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$609,497 (2015: US$1,031,743).

4. Reconciliation of operating loss to operating cash flows

	2016 US$	2015 US$
Operating loss	(1,979,618)	(2,455,145)
Depreciation	22,216	38,540
Share-based payments	141,671	27,512
	(1,815,731)	(2,389,093)
(Increase)/decrease in trade and other receivables	(62,132)	211,860
(Increase)/decrease in trade and other payables	(14,422)	(1,928)
Cash flow (used in) operating activities	(1,892,285)	(2,179,161)

5. Staff costs

	2016 US$	2015 US$
Wages and salaries	698,999	805,126
Social security costs	180,370	197,094
Share-based payments	61,534	(56,817)
	940,903	945,403

Staff costs include the Executive Director's salary, 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 the Executive Director and individuals employed by the Company, are as follows:

	2016	2015
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 auditor for the audit of the Parent Company financial statements for the year ended 31 March 2016 is US$10,000 (2015: US$10,000).

Notes to the Parent Company Financial Statements continued
For the year ended 31 March 2016

8. Interest and investment income

	2016 US$	2015 US$
Interest on inter-corporate loan	**1,218,911**	1,117,150
Dividend	**27,505**	10,866
	1,246,416	1,128,016

9. Property, plant and equipment

	Total US$
Cost	
At 1 April 2014	214,792
Additions	17,318
Deletion	–
At 31 March 2015	232,110
Additions	**4,952**
Deletion	**(42,485)**
At 31 March 2016	**194,577**
Depreciation	
At 1 April 2014	158,485
Charge for the year	38,540
Deletion	–
At 31 March 2015	197,025
Charge for the year	**22,216**
Deletion	**(42,485)**
At 31 March 2016	**176,756**
Net book value at 31 March 2016	**17,821**
Net book value at 31 March 2015	35,085

10. Investments

	Shares in subsidiary US$	Loan to subsidiary US$
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
Additional investment during the year	**23,280**	**469,841**
Carrying value at 31 March 2016	**4,593,733**	**107,151,962**

Shares in subsidiary represent the investment made as at 31 March 2016 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 2016 consists of US$107,151,962 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

	2016 US$	2015 US$
Other receivables	3,127	4,663
Prepayments and accrued income	70,414	6,746
	73,541	11,409

12. Short-term investments

	2016 US$	2015 US$
HSBC US$ Liquidity Fund Class-A	16,743,307	17,763,242
HSBC £ Liquidity fund class-A	24,634	3
	16,767,941	17,763,245

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 2016 and 31 March 2015.

13. Share capital

	Number $0.01 Ordinary Shares '000	US$
Authorised Ordinary Shares		
At 1 April 2014	200,000	2,000,000
At 31 March 2015	200,000	2,000,000
At 31 March 2016	**200,000**	**2,000,000**
Allotted, issued and fully paid ordinary shares		
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
Restricted shares issued	432,693	4,327
At 31 March 2016	**73,764,035**	**737,641**

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

14. Deferred taxation

Deferred tax analysis:

	2016 US$	2015 US$
Differences between accumulated depreciation and capital allowances	63,382	56,579
Other temporary differences	1,405,511	1,288,610
Group relief availed	(2,305,122)	(2,305,122)
Deferred tax (liability)	(836,229)	(959,933)

15. Trade and other payables

	2016 US$	2015 US$
Trade payables	51,066	68,151
Accruals	106,076	103,414
	157,142	171,565

Notes to the Parent Company Financial Statements continued
For the year ended 31 March 2016

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 2016 is as follows:

2016	Fixed rate financial assets US$	Floating rate financial asset US$	Financial asset no interest is earned US$	Total US$
US dollars	–	–	42,261	42,261
Pound sterling	–	131	90,756	90,887
Cash and cash equivalents	–	131	133,017	133,148

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

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

Currency exposures
The currency exposures of the monetary assets denominated in currencies other than US$ of the Company are as follows:

	Pound sterling in equivalent US$	
	2016	2015
US$	**115,521**	105,808

Foreign exchange loss recognised on account of exchange rate for the year ended 31 March 2016 is US$4,171 (2015: US$36,162).

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 2016 US$	Fair value 2016 US$	Book value 2015 US$	Fair value 2015 US$
Short-term investments	16,767,941	16,767,941	17,763,245	17,763,245
Cash and short-term deposits	133,148	133,148	258,507	258,507
Trade and other receivables	73,541	73,541	11,409	11,409
	16,974,630	16,974,630	18,033,161	18,033,161

All of the above financial assets are current and unimpaired as at 31 March 2016.

Financial liabilities

Primary financial instruments	Book value 2016 US$	Fair value 2016 US$	Book value 2015 US$	Fair value 2015 US$
Accounts payable	(157,142)	(157,142)	(171,565)	(171,565)

All of the above financial liabilities are current as at 31 March 2016.

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:

	2016 US$	2015 US$
Land and buildings		
One year	38,466	15,041
Two to five years	53,252	–

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:

	2016 US$	2015 US$
Amount owed from subsidiary undertaking	107,151,962	106,682,121

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:

	2016 US$	2015 US$
Inter-company interest income	1,218,911	1,117,150

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 mmbbl.

Reserves (Proven plus Probable)[1,3]				31 December 2010 Gross	31 December 2010 Net[4]
PY-3[2]	Producing	Oil	mmbbl	**15.1**	**2.1**
Total Reserves (Proven plus 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 GOI (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	31 December 2010 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.

Risked Prospective Resources (Best Estimate)[1, 2]				31 December 2010 Gross	31 December 2010 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 km², 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 km².

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 km². 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 km².

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 ONGC are a party and operator to a 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 GOI, 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:
- The Ganesha-1 discovery made by Hardy and GAIL is NANG:
- The order of relinquishment by the MOPNG was illegal, being on the erroneous impression that the discovery was oil.
- 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.
- 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.
- 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).
- 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.

1 In the event of a declaration of commerciality, the GOI'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.

Definitions and Glossary of Terms

%:	Per cent
$:	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
the CY-OS/2 Award:	CY-OS/2 international arbitration award as described on page 81
bbl:	Barrel
bbld:	Barrel per day
bcf:	Billion cubic feet
Board:	The Board of Directors of Hardy Oil and Gas 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-OS/2:	Offshore exploration licence CY-OS/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 of the Ministry of Petroleum and Natural Gas
Dhirubhai 33:	Gas discovery on GS01-B1 on pages 15 and 81
ExSOP:	A structured option plan
FDP:	Field development 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
IAS:	International accounting standard
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
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
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
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$0.01 each in the capital of the Company
Prospective Resources:	Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations
PSC:	Production sharing contract
psi:	Pounds per square inch
PY-3:	Offshore Licence CY-OS-90/1
Reliance:	Reliance Industries Limited
Rs.:	Indian rupee
RNS:	Regulatory news service
scf:	Standard cubic feet
scfd:	Standard cubic feet per day
TRI:	Total recordable injuries
UK:	United Kingdom
The UK Code:	UK Corporate Governance Code 2014
UMWP:	Unfinished minimum work programme
uJV:	Unincorporated joint venture
US:	United States of America
US$:	United States dollars
WAEP:	Weighted average exercise price

Company Information
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