Hardy Oil and Gas plc

Final Results

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Hardy Oil and Gas plc
("Hardy", the "Company")

Preliminary Results for the year ended 31 March 2019

Hardy Oil and Gas plc (LSE: HDY), the oil and gas exploration and production company reports its results for the year ended 31 March 2019 (FY19).

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

SUMMARY
CY-OS/2

- The Supreme Court of India (SC), after 48 listings over 24 months, overruled a previous Delhi High Court (HC) order and deemed that India Courts did have jurisdiction to hear the Government of India's (GOI) appeal of the CY-OS/2 international arbitration award (Award) Hardy is evaluating options available to the Company.
- In June 2018 the Washington District Court declined to Confirm the CY-OS/2 award reasoning that the restoration of the block was against US public policy and given the two parties did not agree on the methodology of computing the compensation portion of the award it could not be confirmed. Hardy Exploration & Production (India) Inc. (HEPI) had been seeking a lower figure than the GOI had represented. HEPI has not appealed the order.

PY-3

- The GOI review, of PY-3 unincorporated joint venture's (uJV) unanimously recommended Revised Full Field Development Plan (RFFDP) and application for an extension of the Production Sharing Contract (PSC), has been ongoing for more than 17 months which is beyond the time prescribed within the of GOI's own PSC extension policy. The PSC is due to expire in December 2019.
- In March 2019 ONGC notified Hardy that it had been instructed by Directorate General of Hydrocarbons (DGH) to exercise its right to assume operatorship of PY-3. ONGC's notification included several conditions which are not in accordance with the PSC.
- An arbitration between HEPI and the PY-3 uJV partners continues and the matter is reserved for judgment since November 2018.

Financial

- Having considered India's SC ruling, to allow an appeal of the CY-OS/2 award in India courts, Intangible Assets associated with CY-OS/2 exploration expenditures was written-down by $51.1 million. This resulted in a significantly higher total comprehensive loss of $56.3 million for FY19 compared to a loss of $4.7 million for FY18. General and administrative expenditure included legal expense of $2.5 million compared with $1.8 million in FY18.
- Cash and short-term investments at 31 March 2019 amounted to $4.2 million.

OUTLOOK

- CY-OS/2 - The GOI appeal of the CY-OS/2 arbitration Award in the Delhi HC has been adjourned until September 2019. This is the third time that the matter has been adjourned and is consistent with the past ineffectiveness of the India Judiciary. It is expected that the appeal process will take three to five years to conclude and the Board are evaluating options available to the Group.
- PY-3 - The GOI's protracted review of the uJV's unanimously agreed revised full field development plan (RFFDP) and extension application has compromised the likelihood that production can recommence prior to the expiry of the PY-3 PSC.
- PY-3 - The arbitration tribunal, overseeing the arbitration between HEPI and the other uJV partners, is expected to issue a decision by the end of July 2019.
- Strategic Review - review the Group's strategic objectives which could include one or more of the following, a sale of HEPI, individual asset sales, securing litigation funding or the other means of raising capital.

Alasdair Locke, Chairman of Hardy, commented: "Our considerable efforts to enforce the CY-OS/2 Arbitration Award, handed down in 2013, have not produced a meaningful outcome. The GOI has consistently been allowed by the judicial institutions in India, UK and US to abuse legal process and frustrate enforcement. Consequently, we initiated a strategic review of the Group to consider all options including the possible sale of HEPI. I will report back the conclusions of this review to shareholders in due course."

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

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NOTES TO THE EDITORS

Hardy Oil and Gas plc is an upstream oil and gas company focused in India. Its portfolio includes a blend of exploration, appraisal, and production assets. Hardy's goal is to evaluate and exploit its asset base with a view to creating significant value for its shareholders.

Hardy Oil and Gas plc is the operator of the PY-3 oil field (shut-in July 2011) located offshore India's east coast in the Cauvery basin. Hardy also has interests in two offshore exploration blocks in India's Saurashtra and Cauvery basins.

Hardy is incorporated under the laws of the Isle of Man and headquartered in Aberdeen, UK. Ordinary shares of Hardy were admitted to the Official List and the London Stock Exchange's market for listed securities effective 20 February 2008 under the symbol HDY.

The Company's Indian assets are held through the wholly owned subsidiary Hardy Exploration & Production (India) Inc, located in Chennai, India.

For further information please refer to our website at www.hardyoil.com

STRATEGIC REPORT

OVERVIEW

The Group's strategy has been to be an active participant in the upstream oil and gas industry, realise value from our current India focused portfolio and pursue new opportunities as they arise. The events surrounding Hardy Exploration & Production (India) Inc's (HEPI) attempts to enforce the CY-OS/2 Award has lead the Board to conclude that contracts entered into with the GOI do not provide basic protection from unilateral amendment to, deviation from, and termination of agreements. In November 2018 the Board initiated a strategic review which remains ongoing.

Activity

Notwithstanding the GOI's documented abuse of legal process, the Supreme Court of India (SC) order, allowing the GOI to appeal the CY-OS/2 arbitration Award, was fundamentally flawed. The order made no reference to, or acknowledgement of, HEPI's arguments. The contractual provisions regarding international arbitration were put in place precisely to avoid the sovereign appealing an award within its own judiciary. We are further disappointed that the GOI has not completed its review of the PY-3 RFFDP and extension application. It is understood that the delay in calling a Management Committee meeting is a deliberate attempt to compromise the health of HEPI. On the Ministry of Petroleum and Natural Gas's (MOPNG) instruction ONGC, a state-owned company, notified the uJV partners that it intended to assume operatorship of the PY-3 field. Finally, one of the PY-3 uJV partners has written to the MOPNG and other uJV partners proposing an alternative development plan thereby reneging on its previous Operating Committee (OC) approvals.

The GOI continued to escalate pressure on HEPI. On 14 June 2019, HEPI received an order from India's Commissioner of GST and Central Excise (CGCE) levying service tax of INR 29 crores and a penalty of INR 29 crores ($8.2 million). On 15 November 2018, the Customs Excise & Service Tax Appellate Tribunal (CESTAT) passed an order upholding HEPI's claim of a service tax refund (initially filed in May 2009) of over $1.9 million. The written order was received on 11 January 2019 and HEPI formally requested the refund on 12 April 2019. Notwithstanding the finality of the order the CGCE authorities have asked for many clarifications and required in person meetings. HEPI has fully cooperated but as of this date we are not in receipt of our entitlement.

Strategy

We continue to be frustrated by India specific constraints including the GOI's avoided adherence to the dispute resolution procedures provided for in the Production Sharing Contracts. Further it is apparent that the GOI is not prepared to sanction any activity wherein HEPI is involved including the approval for the PY-3 Revised full field development plan (RFFDP) and GOI sanctioning of an extension of the production sharing contract (PSC). The state owned ONGC's action to assume operatorship is further evidence of the challenges facing HEPI in India. Having carefully considered the deteriorating environment Hardy has initiated a review to identify possible alternative activity to realise value for shareholders in the near term. The focus being on a reduced level of participation in the India Upstream industry. This review remains ongoing and we will update shareholders in due course.

Market overview

The EIA forecasts Brent spot prices will average $67 per barrel in 2019 and remain at $67 per barrel in 2020. EIA's lower 2019 Brent price path reflects rising uncertainty about global oil demand growth. We do not anticipate much change in the cost of upstream services and equipment.

Financial

While the CY-OS/2 award remains valid, having considered that it has been over five years since the tribunal issued the award and the GOI appeal in the Delhi High Court is expected to take a considerable amount of time, the intangible asset associated with the CY-OS/2 block was written down at the time of the Group's interims in November 2018. This resulted in a significant increase in the consolidated loss of the Group.

The Group is reporting a total comprehensive loss of $56.2 million for the year ended 31 March 2019 (FY19) compared to a loss of $4.7 million for the year ended 31 March 2018 (FY18). This included a write-down of $51.1 million of intangible assets associated with past exploration expenditures on the CY-OS/2 asset. General and administrative expenditure of $4.8 million included legal expenses of over $2.5 million.

Conservation of cash resources is paramount for the Group and the Board has acted to reduce certain legal and administrative expenditures. The Group is considering other actions to reduce ongoing administrative expenditures while the strategic review is ongoing. The Group projects administrative expenses for FY20 to be around $1.6 million.

Cash used in operating activities amounted to $5.4 million for the year ended 31 March 2019 compared to a cash outflow of $5.4 million for the year ended 31 March 2018. The Group's capital expenditure was marginal and investment income was $0.5 million.

Governance

On 10 September 2018, Pradip Shah stepped down as Non-Executive Director of Hardy Oil and Gas plc on medical grounds. On 31 October 2018, T.K. Ananth Kumar stepped down as a Director of Hardy Exploration & Production (India) Inc. Considering the current circumstances of the Company the composition of the Board will be maintained. The non-executive directors of Hardy have voluntarily reduced their director fees to £30,000 per annum each to conserve the Group's cash resources.

Further details of the Board's activities this year can be found in the Corporate Governance section of the Annual Report. The Group's near-term principal risks remain that the timing or execution of planned activities may not commence as forecast; the possible relinquishment of appraisal acreage; liabilities related to ongoing disputes and cost associated with noted disputes.

In accordance with provision C.2.2 of the 2016 UK Code, the Directors have assessed the prospects of the Group over a period longer than the 12 months required for the "Going Concern" statement. The Board conducted this review for a period of three years to 31 March 2022, considered the current challenges facing the Group in India and the ongoing strategic review. The underlying conditions, described in note 1.b. of the Accounts, indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern within the adopted viability horizon. The Directors have however 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 to operate for the 12 months from the date of approval of these financial statements.

Objectives and outlook

Our considerable efforts to enforce the CY-OS/2 Arbitration Award, handed down in 2013, have not produced a meaningful outcome. The GOI has consistently been allowed by the judicial institutions in India, UK and US to abuse legal process and frustrate enforcement. Consequently, we initiated a strategic review of the Group to consider all options including the sale of HEPI. I will report back the conclusions of this review to shareholders in due course.

Alasdair Locke
Chairman
27 June 2019

Market Overview
The IFC estimated that global growth will be 2.6 per cent in 2019 and rise to 2.8 per cent by 2021. The IFC predicts continued benign global financing conditions, as well as a modest recovery in emerging market and developing economies (EMDEs) previously affected by financial market pressure. However, EMDEs are expected to remain constrained by subdued investment, which is dampening prospects and impeding progress toward achieving development goals. Risks are also firmly on the downside, in part reflecting the possibility of destabilizing policy developments, including a further escalation of trade tensions between major economies; renewed financial turmoil in EMDEs; and sharper-than-expected slowdowns in major economies.

Brent crude oil spot prices averaged $71 per barrel in May almost $6/b lower than the price in May of last year. The EIA forecasts Brent spot prices will average $67 per barrel in 2019 and remain at $67 per barrel in 2020. EIA's lower 2019 Brent price path reflects rising uncertainty about global oil demand growth. The EIA also predict that the United States becomes a net energy exporter in 2020 and remains so throughout their projection period due in part to large increases in crude oil, natural gas, and natural gas plant liquids (NGPL) production coupled with slow growth in U.S. energy consumption. Natural gas prices are expected to remain comparatively low compared with historical prices, leading to increased use of this fuel across end-use sectors and increased liquefied natural gas exports. The EIA also expect an increase in energy efficiency across end-use sectors to keep U.S. energy consumption relatively flat, even as the U.S. economy continues to expand.

India
In India, the economy continues to enjoy strong economic growth outlook with the country's median GDP growth forecast at 7.1 per cent for FY20 and 7.2 per cent for FY 21, according to a survey. The industry body FICCI's economic outlook survey said the minimum and maximum growth estimate stood at 6.8 per cent and 7.3 per cent, respectively, for 2019-20. CPI inflation in FY2019 is estimated at 4.0 per cent, close to the midpoint of the target band (4 per cent ±2 per cent). The country recently concluded a national election wherein Prime Minister Narendra Modi and the Bharatiya Janata Party was handed another significant majority.

According to PNGRB - Vision 2030 Natural Gas Infrastructure, India's demand for natural gas is expected to grow by about 19 per cent per annum (from 370 mmscmd in 2016 to 516 mmscmd in FY2023) 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. The GOI's New Domestic Natural Gas Guidelines, benchmarked domestic natural gas prices to market prices of net exporting countries. As a result, prices are much lower than the cost of replacement fuels in India and up to three times lower than LNG prices in Asia. The current notified price is $3.1 per mmbtu based on the net calorific value (NCV) of the sales gas.

Transparency International ranked India 78 out of 180 countries noting that India had one of the highest bribery rates of all the countries surveyed, where nearly seven in 10 people, who had accessed public services, had paid a bribe[1]. In the World Bank's assessment of the ease of doing business India ranked 166 for enforcement of contracts. It noted that the average case takes over 1,400 days and legal expenses on average amount to one third of the claim value. HEPI has experienced first-hand exceptionally protracted and expensive judicial resolutions due, in part, to the under resourced and inefficient judicial system. As a result, the Hardy Board is not confident that the contracts entered into in India can be enforced within reasonable timelines and resources.

[1] *PEOPLE AND CORRUPTION: ASIA PACIFIC - GLOBAL CORRUPTION BAROMETER, Transparency International, March 2017*

OPERATIONAL REVIEW

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

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

Block CY-OS/2:
Appraisal (Hardy 75 per cent interest - Operator)
Hardy is the operator of the CY-OS/2 exploration block and holds a 75 per cent participating interest. The block is in the northern part of the

Cauvery Basin immediately offshore from Pondicherry, India and covers approximately 859 km^2. The Ganesha-1 discovery well was drilled to a depth of 4,089 m and on testing, the well flowed natural gas at a peak rate of 10.7 mmscfd.

In 2009 the GOI notified HEPI that the CY-OS/2 block stood relinquished. Subsequently, HEPI has undertaken to rely on the contractual rights provided to it under the CY-OS/2 Production Sharing Contract between HEPI, GAIL and the GOI. The table below summarises the extraordinary actions the GOI has taken to deny responsibility for the illegal expropriation of the CY-OS/2 licence.

Date	Event	Description
2007	Discovery	Natural Gas discovery "Ganesha-1"
January 2009	GOI Unilateral Relinquishment	GOI unilaterally notified Hardy that the CY-OS/2 block was deemed relinquished citing they had classified the discovery as Oil which allowed for 2 years appraisal wherein Gas discoveries allowed for 5 years.
May 2010	Arbitration initiated	HEPI, with the formal consent of its uJV partners GAIL and ONGC, initiated a dispute under the provisions of the CY-OS/2 PSC.
February 2013	Award	A tribunal, comprising of three former Chief Justices of India, unanimously judged that the relinquishment of the Block by the MOPNG of the GOI was illegal and the block should be returned. The uJV 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; the uJV shall be paid compensation calculated at the simple rate of 9 per cent per annum on the amount of Rs. 5.0 billion from the date of relinquishment till the date of the award; interest will then accrue at a rate of 18 per cent per annum on the amount of Rs. 5.0 billion until the block is restored to the uJV.
July 2013	GOI Appeal - India	GOI files Section 34 appeal (initial) petition to the Delhi High Court under the Indian Arbitration Act. The Delhi High Court ignored the delay and accepted the application.
July 2015	Appeal dismissed	The Delhi HC dismissed the GOI appeal due to the GOI withdrawal of the Section 34 application.
February 2016	GOI Appeal - India	GOI files Section 37 appeal (challenging the July 2015 order) petition before Division Bench of Delhi High Court.
July 2016	GOI Appeal Dismissed	Delhi HC Division Bench dismisses GOI Section 37 appeal petition on grounds of jurisdiction citing; Arbitration in accordance with UNICTRAL Model Law, Award written and handed down in Kuala Lumpur, Malaysia. Therefore, concluded that Malaysian law has jurisdiction and not India.
Oct 2016	GOI filed SLP to SC	GOI files a Special Leave Petition (SLP) requesting the SC to consider overturning the Delhi HC dismissal.
1 May 2018	SC Order	The GOI SLP was listed before the SC bench, comprising of Hon'able Judges Rajesh Kumar Agrawal and Abhay Manohar Sapre, on 41 occasions covering over 17 months. At the request of the GOI, the SC bench allowed the matter to be adjourned over 30 times. Following this protracted and costly process, the India SC bench took the decision not to pass judgement and instead referred the matter to a larger SC bench.
June - September 2018	HEPI Arguments	HEPI argued before the Special Bench of the SC that: 1. The arbitration agreement within the CY-OS/2 Production Sharing Contract (PSC) specified that the venue of arbitration shall be Kuala Lumpur. The Pre-NELP bid round was the first to invite non-Indian companies to participate with a neutral venue designated for dispute resolution. 2. The arbitration agreement within the PSC makes mention of the Permanent Court of Arbitration at the Hague in three places thereby conferring international influence on the process. 3. The arbitration agreement within the PSC specifies that the arbitration proceedings shall be conducted in accordance with the UNCITRAL Model Law on International Commercial Arbitration 1985 (a departure from reference to Indian domestic law i.e. the Indian Arbitration and Conciliation Act 1996). 4. The final hearings of the arbitration proceedings were held at Kuala Lumpur, Malaysia. 5. The arbitration award was made, signed and handed down (delivered) by the Tribunal sitting in Kuala Lumpur, Malaysia 6. Kuala Lumpur was not a convenient place for all the parties involved in the arbitration process thereby it was to establish the seat outside of India. 7. Hardy presented a number of precedent cases from both the courts of India and England & Wales wherein similar arbitration agreements which contained the term 'venue' was determined to mean 'seat' (of arbitration).
25 September 2018	SC Order	The Special Bench of the SC consisting of Chief Justice D Misra, Justice Dr DY Chandrachud and Justice AM Khanwilkar judged that Indian courts have jurisdiction over the Award, thereby allowing the Civil Appeal filed by GOI to be heard by the High Court. The Special Bench of the SC order did not acknowledge or make reference to HEPI's arguments
24 October 2018	HEPI Review Petition	HEPI files a Review Petition before the newly appointed Chief Justice Ranjan Gogoi (D Misra had superannuated on 2 October 2018.) and was rejected on 2 February 2019
October 2018	GOI Section 34 Appeal	GOI files request for their Section 34 Appeal to challenge the Tribunals award. It has been listed 5 times and adjourned 3 times at the request of the GOI. . It has now been adjourned until 23 September 2019

The summary table above illustrates that India's Judiciary required over five years to conclude that the Seat of arbitration was India and not Malaysia. The significance of this decision was to allow the GOI to appeal the Award in India courts. HEPI notes that the India Arbitration Act allows a significant wider ground to appeal compared with the Malaysia Arbitration Act. There is also the obvious conflict of the Judiciary considering a negative Award against the GOI that is in favour of a foreign company.

International Enforcement

USA - On 8 June 2018, Judge Rudolph Contreras denied HEPI's confirmation petition which would have allowed HEPI to enforce the award within the US. He concluded that the restoration of the CY-OS/2 exploration license and post-Award interest was against USA public policy wherein the CY-OS/2 exploration license was within the GOI sovereign boundary and the post interest award interlinked to the former action. He further concluded that the initial Award of compensation was not confirmed as HEPI and the GOI had presented different methodologies for computing the intended magnitude of such. Of note HEPI had represented that the Award provided for compensation to be calculated on a simple interest basis where the GOI had represented that a compounding computation was provided. The result being that HEPI was claiming a significantly smaller amount than that represented by the GOI.

Judge Contreras did note that the GOI appeal in India *"…which has been delayed over and over again due to the actions of the Government of India and the Supreme Court*". Notwithstanding this fact, Judge Contreras granted, over the course of the proceedings, the GOI time extensions totaling 22 weeks and also took over nine months to issue his order.

HEPI is particularly aggrieved that Judge Contreras relied on the parties' divergent representation of compensation calculation as a basis of denial, particularly given that he elected to not convene an oral hearing to clarify. The GOI had formally requested an oral hearing.

UK - On 27 July 2018 Deputy Judge Peter Macdonald-Eggars, of the London Commercial High Court of Justice, discharged an interim third-party debt order (TPDO) that HEPI had secured against a guarantee fee payable from India Infrastructure Finance Company UK Limited (IIFC) to the GOI. Judge Macdonald-Eggars discharged the TPDO accepting the GOI arguments;

- The Debt was not situs in the UK - *(IIFC is a UK registered company, the GOI guarantee is for funds borrowed by IIFC, IIFC primary business is in the UK and the guarantee fee was to be made from one UK account to GOI Ministry of Finance.)*
- Real risk that payment to HEPI would not discharge IIFC liability to GOI resulting in double payment - (*the GOI is the sole shareholder of IIFC, GOI had not issued default notices to IIFC)*.
- The debt under the Guarantee Fee Agreements was not "due or accruing due" on 28th February 2018 and 5th March 2018 when the Interim Order was made and served.

Further, IIFC and the GOI were awarded substantial costs which fell due in August 2018.

There remains in place an enforcement order which the GOI is currently contesting. A hearing is expected to take place in FY20. In May 2018 HEPI had contested the late filing of the GOI set aside application of the enforcement order. The GOI represented to Justice Moulder that the late filing was an "honest mistake" and had no record of receipt of service. HEPI produced a copy of the British High Commission's service note which clearly outlined purpose and date of service. Justice Moulder scolded HEPI for suggesting that the "honest mistake" was not possible, accepted the GOI representations and granted their extension of time.

FY20 Objectives - The immediate impact of the SC order was to allow the GOI to have their Section 34 appeal of the Award heard. It is expected that should the HC uphold the Award, the GOI will file a Section 37 appeal and should that fail to overturn the Award the GOI will appeal to the SC which we have seen is prepared to extend the maximum privilege to the GOI. It is therefore expected that the process will take three to five years to conclude.

As at 31 March 2019, Hardy's 75 per cent share of the compensation awarded by the Hon'ble Arbitration Tribunal amounted to approximately $80.0 million.

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

Operations - The PY-3 field was shut-in in July 2011. Since then Hardy has been working diligently to establish a consensus amongst stakeholders regarding the optimal development of the field with an objective to recommence production at the earliest opportunity.

PY-3's Production Sharing Contract (PSC) is due to expire in December 2019 and it is eligible for an extension of up to ten years. In December 2017, HEPI had submitted an extension application, in accordance with the GOI PSC Extension Policy No. O-19025/10/2005-ONG-D-V (Part-II) dated 28 March 2016 (Extension Policy). As per the Extension Policy, DGH, the technical regulator wing of the Ministry of Petroleum, GOI had six months and then MOPNG had 3 months to conclude its review of the application. HEPI addressed all queries issued by the regulator however after 10 months, since the application was submitted, an MC meeting has not been called, despite repeated requests from the HEPI to both MOPNG and DGH officials.

The application included, among other requirements, a Revised Full Field Development Plan (RFFDP) that has been unanimously approved by the uJV partners and has been recommended to the Management Committee which includes the GOI. The RFFDP programme envisions;

- Contracting a floating production, storage and offloading vessel or equivalent;
- Recommencing production from an existing well prior to December 2019,
- Drilling one development well in the first half of 2020; and
- A tie-in to the PY-1 gas field infrastructure to export produced gas.

ONGC operatorship - on 1 March 2019 ONGC wrote to the uJV partners informing them of their intention to assume operatorship of PY-3 as provided for under Article 6.1 of the joint operating agreement. ONGC placed several conditions including;

1. *Each Party confirm that ONGC, as Operator shall not be responsible and liable for any of the past liabilities / claims /disputes / litigation incurred before the effective date by HEPI in its capacity as operator and the same shall continue to be the liability of HEPI, as operator.*
2. *Each Party to the contract become Joint Licensee / Lessee for the Block in proportion to your PI and to pay cess, royalty, taxed and statutory dues as applicable on respective license and lease directly to the Government in terms of Gazette Notification dated 14.08.2018 issued by Government of India. Each Party to apply to the Government for the same within 30 days from receipt of notice.*
3. *The transfer of Operatorship to ONGC will be effective on fulfilment of above condition precedents or 180 days from the date of issue of notice, whichever is later.*
4. *ONGC to subsequently form a Joint Operatorship model, the modalities of which shall be discussed mutually amongst all JV partners.*

HEPI has acknowledged ONGC's right to assume the operatorship but has rejected all pre-conditions. It is understood that ONGC's above action is due to instructions from the MOPNG and are intended to undermine the viability of HEPI and its activity in CY-OS/2 enforcement.

Samson Maritime Limited (Samson) has previously secured an award, amounting to $5.3 million, against HEPI for offshore services provided in the PY-3 field during 2011 and 2012. The full amount of the award is included in current liabilities. Samson has subsequently filed an execution petition with the Madras High Court and secured an attachment order on HEPI's Indian based bank accounts. HEPI has implemented measures to allow it to continue to make payments in India and is seeking partial relief from the attachment order. On 6 June 2018 the Madras High Court issued an order for HEPI to write to the MOPNG to have funds held in the PY-3 Site restoration fund (SRF) to meet the liability to Samson. The Madras High Court accepted MOPNG's representation that the funds held in the special scheme between the PY-3 uJV and the GOI is not a legally attachable asset. On 13 March 2019, Justice R Subramanian of the Madras High Court issued an order to detain an employee of HEPI. On 20 March 2019, Justice M.M. Sundresh and Justice C Saravanan issued an order staying the detainment.

In March 2017, Hardy initiated arbitration with the uJV partners to collect approximately $11 million associated with expenditures incurred by HEPI in fulfilling its responsibilities as Operator of PY-3, including the amounts due to Samson. The uJV partners have made several counter claims for substantial damages they attribute to alleged Gross Negligence and Wilful Misconduct. In addition, ONGC is claiming reimbursement of Cess and Royalty paid since commencement of production that was in excess of their participating interest. The ONGC claim states that HEPI, as Operator, was negligent in not collecting the amounts from TPL and HOEC. We believe that all counter claims are baseless and without merit. Final written arguments have been submitted and the Tribunals' decision was initially expected to be issued by the end of 2018. In May 2019 the tribunal notified the parties that an order would not be passed until July 2019, more than 8 months after final submissions.

FY20 Objective - The sequence of events for FY20 is to:

- Secure MC approval of RFFDP and Budgets, and of a request to GOI for extension of PSC
- Obtain confirmation of GOI sanctioning of extension
- Initiate tendering process
- Obtain unanimous consent from uJV partners to award contracts (if required secure MC approval of revised estimates)
- Collect cash-calls from all uJV partners prior to entering into contracts with vendors

It is expected that offshore activity could commence within 9 to 12 months of the sanctioning of the RFFDP by the Management Committee. The development plans under consideration would require funding of more than HEPI's current cash 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 licence covers 81 km^2 and produces high quality light crude oil. 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 absence of approval to extend the contract.

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

Operations - The matter of possible liquidated damages associated with unfinished minimum work programme (UMWP), which has been under consideration since 2009, continued to be deliberated by the GOI and the Operator. It is our understanding that this is a common matter for NELP I to NELP VII licences starting from 2005 to 2016, including the HEPI D9 licence which was relinquished in 2012. HEPI and other operators have been working with industry associations to develop a policy to facilitate a resolution. The GS-01 uJV has conveyed to the GOI that this matter needs to be closed out prior to the progression of further activity on the block. HEPI has previously provided for $0.3 million of liquidated damages which is HEPI's share of the Operator's estimate.

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 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 km^2.

FINANCIAL REVIEW

In the year ended 31 March 2019, the Group recorded a total comprehensive loss of $56.3 million. As at 31 March 2019 the Group held total cash and short-term investments of $4.2 million with no debt.

	FY19 (audited) US$ million	FY18 (audited) US$ million
Operating expense - $0.3 million of expenses associated with direct expenditures of HEPI operated blocks and an Inventory charge of $0.6 million associated with the write-down of two subsea trees.	**(0.9)**	**0.0**
Exploration Cost Provision - Block CY-OS/2 - the write-down charge has been incurred having considered that; whilst the award remains valid; it has been over five years since a tribunal issued the order for the block to be reinstated; the SC ruling has allowed the Delhi HC to hear an appeal of the award; it is expected that the appeal process will take a considerable amount of time.	**(51.1)**	-
Administrative expense The Group incurred a significant increase in administrative expenses almost entirely due to an increase in legal fees. Legal fees and other dispute related expenditure amounted to $2.5 million. Excluding legal costs and exchange lose of 0.4 million, G&A expenditure was $1.9 million a decrease of $0.2 million from FY18. Overall to date HEPI has incurred $4.8 million in legal expenditures to dispute the GOI appeal of the CY-OS/2 Award. Due to the extraordinarily protracted process in India's judicial system, HEPI had initiated enforcement of the award in the US and the UK. HEPI continues to be involved in two arbitrations with Aban Offshore, and the PY-3 uJV partners.	**(4.8)**	**(5.2)**
Interest and investment income The Group realised interest and investment income of $0.5 million and incurred no finance costs.	**0.5**	**0.5**
Taxation No current tax is payable. Having consideration for the outstanding sanctioning of the OC approved RFFDP and extension of the PY-3 PSC, the projected tax payable in the future that may be offset by the Group's carried forward loss amount was not recognised in the year.	**-**	**-**
Total comprehensive loss The Group's increase in total comprehensive loss is attributable to the write-down of CY-OS/2.	**(56.3)**	**(4.7)**

Statement of financial position	**FY19 (audited) US$ million**	FY18 (audited) US$ million

Non-current assets The Group fully wrote down the intangible asset of $51.1 million attributable to CY-OS/2. This non-current asset represented successful or work-in-progress exploration expenditure incurred ten years ago. The rationale for the write down is provided in the statement of consolidated loss. Any compensation is likely to be subject to tax. The remaining non-current asset comprises of an Indian Rupee denominated site restoration deposit of $5.2 million relating to PY-3. The Company regularly reviews the underlying assumptions used to support the carrying value of the assets.	**5.1**	**56.2**
Current assets The Group's cash and short-term investments reduced by $5.0 million to $4.2 million. This is primarily due to the payment of general and administrative expenses. Trade and other receivables of $5.4 million represents net amounts due to be recovered from joint arrangements operated by HEPI regarding PY-3 and CY-OS/2. Inventory comprising of two subsea trees was written-down by a further $0.6 million.	**9.7**	**14.6**
Provisions The Group's provisions represent a provision for the decommissioning of the PY-3 field. The provision has been estimated based on observed long-term industry cost trends.	**3.9**	**3.9**
Current liabilities Trade and other accounts payable comprise amounts due to vendors and other provisions associated with various joint arrangements including the award of $5.3 million due to Samson Maritime plus interest accruing thereon.	**9.3**	**9.1**

Statement of cash flow

	FY19 (audited) US$ million	FY18 (audited) US$ million
Cash flow (used in) operating activities Cash used in operating activities of $4.0 million comprised primarily of administrative costs. Net debtor and creditor movement was $(0.5) million.	**(5.4)**	**(5.4)**
Capital expenditure The Company did not incur any material capital expenditures in the year. A $0.2 million charge is associated with the reinvestment of interest accrued on a deposit committed to site restoration of the PY-3 field.	**(0.0)**	**(0.3)**
Financing activity Interest and investment income realised from Indian rupee and USD deposits, amounted to $0.3 million and $0.1 million respectively.	**0.5**	**0.5**
Cash and short-term investments Hardy has resources available to meet specific operating and administrative expenditure. Hardy and HEPI have no debt.	**4.2**	**9.2**

Service Tax Claims - On 14 June 2019, HEPI received an order from India's Commissioner of GST and Central Excise (CGCE) levying service tax of INR 29 crores and a penalty of INR 29 crores ($8.2 million gross). The CGCE issued the demand on the basis that the Production Sharing Contract entered into with the GOI is a service contract and consideration is the Cost Oil recovered expenditures. The GOI has been classified the service recipient and as such the liability to pay the service tax falls with them. The CGCE however, has issued a fine on HEPI for not collecting from the GOI to remit back to the GOI. Management have not provided for the Cost Oil claim as it is not believed to be legally maintainable and will have far greater consequence for all producers. Notwithstanding the finality of the court order service tax refund there remains a level of uncertainty regarding likelihood and timing of receipt from the GOI.

In a separate matter, On 15 November 2018, the Customs Excise & Service Tax Appellate Tribunal (CESTAT) passed an order upholding HEPI's claim of a service tax refund (initially filed in May 2009) of over $1.9 million. The written order was received on 11 January 2019 and HEPI formally requested the refund on 15 April 2019. Notwithstanding the finality of the order the CGCE authorities have asked for many clarifications and required in person meetings. HEPI has fully cooperated but as of this date we are not in receipt of our entitlement.

Transparency International ranked India 78 out of 180 countries noting that India had one of the highest bribery rates of all the countries surveyed, where nearly seven in 10 people, who had accessed public services, had paid a bribe.

Principal Risks and Uncertainties

The Group has adopted a systematic approach to risk identification and risk 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 Board has formed a sub-committee on risk which reports periodically to the Audit Committee. The Board is provided with regular updates of the identified principal risks at scheduled Board meetings.

Principal Risks and Uncertainties
The underlying risks and uncertainties inherent in Hardy's current business model have been grouped into four categories: strategic, financial, operational and compliance. The Board has identified principal risks and uncertainties for FY20 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 is reconsidering strategic options to mitigate exposure to ongoing arbitration and litigation and the outcomes of such. The Group has sought to mitigate risks inherent with such litigious matters, however duration is out of the control of the Group and the risk of an adverse outcome cannot be fully mitigated.	
Asset portfolio exclusively in one geopolitical region	Convey business constraints to accomplishing our objective via direct and open dialogue with government officials.

Financial - financial risks facing the Group could be: adverse results from ongoing or pending arbitration and litigation; cost overruns; financing constraints for further development;	
Prolonged delay in enforcement of CY-OS/2 Award	Secure high-quality cost effective and reputable legal counsel. Secure litigation specific funding
Arbitration and Litigation - the Group is involved in disputes with service providers, uJV partners and Indian tax authorities	The Group has secured high quality, reputable professional advisors and legal counsel in India and other jurisdictions.
Cost of litigation	Estimated cost to continue litigation remain high. The Group mitigates costs through effective management and the monitoring of advisory costs. The Group has employed strict funding constraints to HEPI related litigation.
Liquidated damages started (LD), unfinished Minimum Work Programme (MWP)	Engagement with industry lobby groups to facilitate formulation of industry wide resolution. A provision has been made based on management's assessment of a reasonable outcome.
Operational - Offshore exploration and production activities by their nature involve significant risks. Hardy is the operator of two blocks. However, currently there are no committed plans to undertake offshore operations. The role of operator of an asset introduces additional responsibilities and commensurate potential liabilities.	
Securing approval for further development of PY-3 including extension of the PSC	We have complied with all criteria outlined in the GOI's extension policy. Lobby regulatory and Ministry personnel.
PY-3 HSE - status of PY-3 wells	Four subsea wells were securely shut-in in March 2012. The shut-in of wells has been longer than expected and, in the absence of an extension of the PSC, full abandonment of the PY-3 field may need to be initiated.
Contractual dispute with uJV partners	Initiated the dispute resolution procedures provided for under the PY-3 joint operating agreement. PY-3 uJV partners have filed counter claims. Matter expected to conclude in 2019
Enforcement of arbitration award	Samson Maritime Limited has secured an award against HEPI on PY-3 which is enforceable in India. Samson has frozen India bank accounts of HEPI. This has resulted in some business disruption and the Company is seeking various legal remedies. Processes and procedures are in place to mitigate the impact of enforcement proceedings.
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.	
Regulatory and political environment in India	Ensure full compliance of all laws, regulations and provision of contracts. Develop sustainable relationships with government and communities.
Taxation and significant 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.

Viability Statement

In accordance with the provision of section C.2.2 of the 2016 UK Code, the Directors have assessed the viability of the Group over a three-year period to 31 March 2022, considering 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 maintain a positive cash position to September 2021.

In making this statement, the Directors have considered the resilience of the Group, 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 assessment highlighted that the cashflow position is projected to fall to a level wherein a funding deficit is likely to arise should cash outflow in respect of payment of current liabilities (including Samson Maritime) without commensurate recovery of debts due from uJV partners; or the materialisation of contingent liabilities or unprovided for claims by third parties and government authorities.

Most liabilities of a material nature are limited to the wholly owned subsidiary Hardy Exploration & Production (India) Inc and the Group's cash and short-term investments are held within Hardy Oil and Gas plc.

The Directors have previously determined that the three-year period is an appropriate period over which to provide its Viability Statement. The current assessment covers the period when the Group hopes to have the PY-3 RFFDP and PSC extension approved as well as clarity regarding its holdings in CY-OS/2 and GS-01. The PY-3 RFFDP is an asset that will require additional funding during this period. In making our assessment, the Directors have considered the Group's current cash position, that no capital is committed, and they have not considered the receipt of funds from a claim against the GOI of $80.0 million, recovery from uJV partners in excess of the Samson liability and other tax refund claims.

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2019

	Notes	Year ending 31 March 2019 US$	Year ending 31 March 2018 US$
Continuing Operations			
Revenue	3	**-**	-
Cost of Sales			
Production costs	4	**(867,363)**	21,679
Impairment of Block CY-OS/2	14	**(51,128,272)**	-
Gross (loss) / profit		**(51,995,635)**	21,679
Administrative expenses		**(4,760,806)**	(5,241,983)
Operating loss	5	**(56,756,441)**	(5,220,304)
Interest and investment income	10	**456,691**	484,117
Loss before taxation		**(56,299,750)**	(4,736,187)

Taxation	11	**-**	-
Loss after taxation		**(56,299,750)**	(4,736,187)
Total other comprehensive income		**-**	-
Total comprehensive loss for the year attributable to owners of the parent		**(56,299,750)**	(4,736,187)
Loss per share			
Basic & diluted	12	**(0.76)**	(0.06)

Consolidated Statement of Changes in Equity
For the year ended 31 March 2019

	Share capital US$	Share Premium US$	Shares option reserve US$	Retained earnings / (loss) US$	Total US$
At 31 March 2017	**737,641**	**120,936,441**	**764,488**	**(59,842,294)**	**62,596,276**
Total Comprehensive loss for the year	-	-	-	(4,736,187)	(4,736,187)
At 31 March 2018	**737,641**	**120,936,441**	**764,488**	**(64,578,481)**	**57,860,089**
Total Comprehensive loss for the year	**-**	**-**	**-**	**(56,299,750)**	**(56,299,750)**
Adjustment of lapsed vested options	**-**	**-**	**(659,545)**	**659,545**	**-**
At 31 March 2019	**737,641**	**120,936,441**	**104,943**	**(120,218,686)**	**1,560,339**

Consolidated Statement of Financial Position
As at 31 March 2019

	Notes	31 March 2019 US$	31 March 2018 US$
Assets			
Non-current assets			
Property, plant and equipment	13	**16,811**	22,863
Intangible assets	14	**-**	51,128,774
Site restoration deposits	20	**5,076,807**	5,059,523
Total non-current assets		**5,093,618**	**56,211,160**
Current assets			
Inventories	15	**20,000**	659,656
Trade and other receivables	16	**5,486,731**	4,740,148
Short-term investments	17	**3,957,079**	8,934,123
Cash and cash equivalents	23	**204,160**	241,952
Total current assets		**9,667,970**	14,575,879
Total assets		**14,761,588**	**70,787,039**
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	18	**737,641**	737,641
Share premium	19	**120,936,441**	120,936,441
Shares option reserve	19	**104,943**	764,488
Retained loss		**(120,218,686)**	(64,578,481)
Total equity		**1,560,339**	57,860,089
Provisions			
Provision for decommissioning	20	**3,854,995**	3,854,995
Total provisions		**3,854,995**	3,854,995
Current liabilities			
Trade and other payables	21	**9,346,254**	9,071,955
Total current liabilities		**9,346,254**	9,071,955
Total liabilities		**13,201,249**	12,926,950
Total equity and liabilities		**14,761,588**	70,787,039

Approved and authorised for issue by the Board of Directors on 26 June 2019

Consolidated Statement of Cash Flows
For the year ended 31 March 2019

	Notes	**Year ending 31 March 2019 US$**	Year ending 31 March 2018 US$
Operating activities			
Cash flow (used in) operating activities	6	**(5,448,232)**	(5,428,470)
Tax (deducted) / refund		**(1,719)**	-
Net Cash (used in) operating activities		**(5,449,951)**	(5,428,470)
Investing activities			
Expenditure on other fixed assets		**(4,292)**	(9,193)
Site restoration deposit		**(17,284)**	(336,286)
Realised from short term investments		**4,977,044**	5,244,903
Net cash from investing activities		**4,955,468**	4,899,424
Financing activities			
Interest and investment income		**456,691**	484,117
Net cash from financing activities		**456,691**	484,117
Net (decrease) in cash and cash equivalents		**(37,792)**	(44,929)
Cash and cash equivalents at the beginning of the year		**241,952**	286,881
Cash and cash equivalents at the end of the year	23	**204,160**	241,952

Notes

1. Accounting Policies

The following accounting policies have been applied in the 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.

The financial information contained in this announcement does not constitute the Company's statutory financial statements for the year ended 31 March 2019 but has been extracted from them. The auditors have reported on these financial statements, and their report was unqualified but the report highlights a material uncertainty in relation to going concern as follows:

Material Uncertainty Related to Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Notes 1 b) and 2 in the financial statements concerning the Group's and Company's ability to continue as a going concern within the adopted Viability horizon. As set out in note 1 b), the Groups pursuit of strategic objectives and the financing of on-going overheads will require additional funding, with the directors identifying how that funding may be sourced.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

These financial statements are for the year ending 31 March 2019.

a) Basis of measurement

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

b) Going Concern

The financial information has been prepared assuming the Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. As at the 31 March 2019 the Group had cash and short-term investments of US $4.2 million. The Group recognises that it is faced with challenges isolated within India which are symptomatic of its ongoing dispute with the Union of India including a claim against the UOI amounting to $80 million. Having regard for this, the Group's pursuit of strategic objectives and the financing of on-going overhead will require additional funding. This funding may be sourced through collection from joint venture partners, collection of tax refund, share issues, private equity litigation funding, sale of certain assets or other means. The Board has formed its view on Going Concern assuming that the Group will satisfy the outstanding amount due to Samson Maritime ($5.3 million) once outstanding amounts from PY-3 uJV partners ($11.0 million) have been collected. Projections provided for further cost control measures and the continuing pursuit of several litigation matters. These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern within the adopted Viability horizon. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern. The Directors have formed a judgement considering a review of the strategic options available to the Group, that the going concern basis should be adopted in preparing the financial statements.

c) Basis of Preparation

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

The Group adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' for the year commencing 1 April 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces a new impairment model for financial assets, as well as new rules for hedge accounting, this did not have a material impact on the financial statements. The Group has no revenue from customers which falls to be accounted for under the new IFRS 15 standard and the introduction of the standard has no effect on current or prior year results, assets or liabilities shown in these financial statements.

At the date of authorisation of these financial statements, a number of Standards and Interpretations were in issue but not yet effective. The adoption of these standards and interpretations, or any of the amendments made to existing standards as a result of the annual improvements cycle, including the introduction of IFRS 16, will not have a material effect on the financial statements in the year of initial application nor will require restatement of prior year results, assets or liabilities.

d) Presentational currency

These financial statements are presented in US dollars. All financial information presented is rounded to the nearest US dollar, with some disclosures rounded to the nearest million. The functional currency for Group's Indian operations are Indian Rupees and for the UK operations it is British Pound.

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. ('HEPI') which is incorporated under the Laws of State of Delaware, United States of America. The members of the Group are engaged in the business of exploration and production of oil and gas and all are included in the consolidated financial statements.

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

f) Revenue

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

g) Oil and gas assets

i) Exploration and evaluation assets

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

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

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

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

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

ii) Oil and gas development and producing assets

Development and production assets are accumulated on a field-by-field basis. These comprise the cost of developing commercial reserves discovered to put them into production and the exploration and evaluation costs transferred from intangible exploration and evaluation assets, as stated in the policy above. In addition, interest payable 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 is 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 within the depletion charge on oil and gas assets 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, an impairment review is performed. In such circumstances, if the exploration asset has a corresponding development / producing cost pool, then the exploration costs are transferred to the cost pool and depleted on unit of production. In cases where no such development/producing cost pool exists, the impairment of exploration costs is recognised in the Statement of Comprehensive Income.

Impairment reviews on development / producing oil and gas assets for each field are carried out when indicators of impairment exist 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. 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) Investments

Investments by the parent company in its subsidiary are stated at cost less any impairment provisions.

j) 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.

k) 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.

l) Financial instruments

Financial assets and financial liabilities are initially 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 any necessary provisions for estimated irrecoverable amounts. Trade payables are not interest bearing and their fair value is deemed to be their nominal value.

m) Equity

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

n) 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 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.

o) 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 exchange rate. Exchange difference arising from transactions during the year and from the year end retranslation are reflected in the Statement of Comprehensive Income.

Rate of exchanges were as follows:

	31 March 2019	31 March 2018

US$ to £1	**1.32**	1.40
Indian Rupees to US$1	**69.18**	64.89

p) 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 considered. 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.

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

2. Critical accounting estimates and judgments
The preparation of the Group's financial statements requires the use of estimates and judgements that affect the carrying value of assets and liabilities at the reporting date and the reported amounts of revenue and expenditure for the year. These estimates and judgements are made based on management's knowledge of the facts, taking into account historical experiences and expectations of future events that are believed to be reasonable under the particular circumstances. By definition the actual results will most likely differ from the estimates made. The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are addressed below:

i) Going Concern - The financial information has been prepared assuming the Group will continue as a going concern. The basis to which the Directors have formed this Critical accounting estimates and judgment is further outlined in note 1.b of the Group's consolidated accounts.

ii) Intangible assets- exploration
Intangible assets comprise of capitalised exploration expenditures associated with a natural gas discovery on the CY-OS/2 exploration licence. The GOI had notified the Group of the relinquishment of the licence to which Hardy and the GOI entered arbitration to resolve the dispute. The arbitration tribunal ruled in favour of HEPI and ordered the reinstatement of the licence. The GOI has subsequently appealed the award at several levels of the Indian judicial system. Full details are disclosed in note 14 to these financial statements. This is regarded as a significant area of judgment and Management having considered that the arbitration tribunal has confirmed that the relinquishment was illegal, the appeal by the GOI was dismissed by the District Bench of the High Court of Delhi, and legal advice maintains a legal right to the licence. As a result, it has been adjudged that there is an indication of impairment and fully written-down.

iii) Recoverability of Receivables from PY-3 Joint Venture Partners
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. However these have not been paid, pertaining to period from 2011 to 2018 and the Group commenced arbitration against PY-3 partners in FY17 seeking $8.36 million (plus interest). The Group has strong legal advice that its claim is valid and it will continue to pursue this amount by all legal means. Due however to the length of time the amounts have been outstanding prudent provision has been made against the sums due totalling US$ 5.3 million (2018: US$ 5.1 million). There is always uncertainty associated with any arbitration process and the amount recovered may therefore materially differ both from that claimed and from the amount recognised. This is regarded as a significant estimate and Management have considered the correspondence between the Group and the Debtors, standing of the individual organisations and legal advice.

iv) Provisions
The Group records provisions where it considers it has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate of the amount thereof can be made. The recording of provisions is an area which requires the exercise of management's judgement relating to the nature, timing and probability of the liability. The Group's balance sheet includes provisions for liquidated damages on minimum work programmes, Indian taxes, and contractual disputes**.**

v) Decommissioning
The liability for decommissioning is reviewed based on cost estimates which are predominated by the charter hire charges of drill ships and supply boats. Accordingly, the provision made in the books will reflect the risk free discounted estimated future cost for decommissioning. Further details are contained in note 20.

vi) Carrying value of Oil & Gas and Exploration assets
Management has fully impaired the Group's oil and gas assets due to ongoing uncertainty of likelihood of development and the availability of extension at the end of the current Production Sharing Agreement in 2019. If a development was sanctioned the calculation of the recoverable amount would require the estimation of future cash flows. Previously Management's key assumptions and estimates in the impairment models related to: commodity prices that are based on forward commodity price estimates, fiscal structuring specific to individual assets, commercial reserves and the related cost profiles. On approval of development plan by Government of India we will review the economic model to determine the appropriate asset value. If circumstances change the total impairment recognised in FY16 and FY17 of $5.8m could be written back. Further details are contained in note 13.

3. Segment analysis
The Group is organised into two business units: 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.

	2019 US$			
	India	**UK**	**Inter-segment eliminations**	**Total**
Revenue				
Other income	-	-	-	-
Operating loss	**(55,326,687)**	**(1,429,754)**	**-**	**(56,756,441)**
Interest income	**332,719**	**123,972**	**-**	**456,691**

Interest income on inter-corporate loan	**-**	**3,332,366**	**(3,332,366)**	**-**
Impairment of investment in & loan to Subsidiary	**-**	**(55,561,950)**	**55,561,950**	**-**
Interest expense on inter-corporate loan	**(3,332,366)**	**-**	**3,332,366**	**-**
Loss before taxation	**(58,326,334)**	**(53,535,366)**	**55,561,950**	**(56,299,750)**
Taxation	**-**	**-**	**-**	**-**
Loss for the period	**(58,326,334)**	**(53,535,366)**	**55,561,950**	**(56,299,750)**
Non-current assets	**5,086,852**	**6,766**		**5,093,618**
Current assets	**5,557,062**	**4,110,908**		**9,667,970**
Total Segment assets	**10,643,914**	**4,117,674**		**14,761,588**
Inter-corporate loan (net of impairment)	**-**	**-**	**-**	**-**
Non-current liabilities	**(3,854,995)**	**-**	**-**	**(3,854,995)**
Current liabilities	**(9,217,487)**	**(128,767)**	**-**	**(9,346,254)**
Total Segment liabilities	**(13,072,482)**	**(128,767)**	**-**	**(13,201,249)**
Inter-corporate borrowings	**(122,909,635)**	**-**	**122,909,635**	**-**
Capital expenditure	**2,821**	**1,471**	**-**	**4,292**
Depreciation, depletion and amortisation	**6,755**	**4,091**	**-**	**10,846**

	2018 US$ India	UK	Inter-segment eliminations	Total
Revenue				
Other income	-	-	-	-
Operating loss	(3,637,805)	(1,582,499)	-	(5,220,304)
Interest income	339,700	144,417	-	484,117
Interest income on inter-corporate loan	-	2,288,570	(2,288,570)	-
Impairment of investment in & loan to Subsidiary	-	(5,586,675)	5,586,675	-
Interest expense on inter-corporate loan	(2,288,570)	-	2,288,570	-
Loss before taxation	(5,586,675)	(4,736,187)	5,586,675	(4,736,187)
Taxation	-	-	-	-
Loss for the period	(5,586,675)	(4,736,187)	5,586,675	(4,736,187)
Non-current assets	56,201,774	9,386		56,211,160
Current assets	5,354,740	9,221,139		14,575,879
Total Segment assets	61,556,514	9,230,525		70,787,039
Inter-corporate loan (net of impairment)	-	48,120,580	(48,120,580)	-
Non-current liabilities	(3,854,995)	-	-	(3,854,995)
Current liabilities	(8,885,544)	(186,411)	-	(9,071,955)
Total Segment liabilities	(12,740,539)	(186,411)	-	(12,926,950)
Inter-corporate borrowings	(115,827,839)	-	115,827,839	-
Capital expenditure	2,982	6,211	-	9,193
Depreciation, depletion and amortisation	7,480	5,462	-	12,942

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.

4. Production costs

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

	2019 US$	2018 US$
Production costs	**227,707**	293,533
Write down of inventories	**639,656**	282,709
Change in decommissioning estimate	-	(597,921)
Cost of Sales	**867,363**	(21,679)

As the PY-3 asset has been fully impaired the change in the value of the decommissioning provision has been recognised immediately in production costs.

5. Operating loss

Operating loss is stated after charging:

	2019 US$	2018 US$

Depreciation and amortisation	**10,846**	12,942
Impairment of Block CY-OS/2	**51,128,272**	-
Operating lease costs - Land and buildings	**152,761**	159,142
External auditors' remuneration		
- Fees payable to the Group's auditors for the audit of the Group's annual accounts	**72,600**	75,205
- Audit related assurance services	**10,958**	11,234
Exchange loss	**349,320**	15,423

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

6. Reconciliation of operating loss to operating cash flows

	2019 US$	2018 US$
Operating loss	**(56,756,441)**	(5,220,304)
Impairment of Block CY-OS/2	**51,128,272**	-
Depletion, amortisation and depreciation	**10,846**	12,942
	(5,617,323)	(5,207,362)
Decrease in inventory	**639,656**	282,709
Increase in trade and other receivables	**(744,864)**	(877,492)
Increase in trade and other payables	**274,299**	373,675
Cash (used in) operating activities	**(5,448,232)**	(5,428,470)

The only movement in debt during the year was arising from cash flows.

7. Staff costs

	2019 US$	2018 US$
Wages and salaries	**974,440**	1,032,506
Social security costs	**170,340**	186,564
	1,144,780	1,219,070

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

The average monthly number of employees, including executive Directors, employed by the Group are as follows:

	2019	2018
Management and administration	**8**	8
Operations	**5**	5
	13	13

The number of permanent employees of the Group as at 31 March 2019 is 13 (2018: 13).

8. 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 2018 and 2024 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, 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:

	2019 Number of options	**Weighted average price**	2018 Number of options	Weighted average price
Outstanding at beginning of the year	**675,000**	**£1.74**	**675,000**	**£1.74**
Granted during the year	**-**	**-**	**-**	**-**
Lapsed during the year	**425,000**	**£2.37**	**-**	**-**
Outstanding at the end of the year	**250,000***	**£0.65**	**675,000**	**£1.74**
Exercisable at the end of the year	**-**	**-**	**100,000**	**£7.69**

Details of outstanding options at the end of the year with the weighted average exercise (WAEP) price as follows:

	1 April 2018		Lapsed FY 2019		31 March 2019	
FY	Number	WAEP	Number	WAEP	Number	WAEP
2009	100,000	7.69	100,000	7.69	-	-
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
Total	**675,000**	**1.74**	**-**	**-**	250,000	0.65

The weighted average contractual life of options outstanding is 5 years (2018: 4.82 years).

* - These options expired on 11 April 2019 due to non-vesting

9. Directors' emoluments
Details of each Director's remuneration and share options are set out in the Directors' Remuneration Report that forms part of the Company's Annual report. Directors' emoluments are included within the remuneration of the key management personnel in note 26.

10. Interest and investment income

	2019 US$	2018 US$
Bank interest	**331,035**	339,198
Other interest income	**1,684**	502
Dividend	**123,972**	144,417
	456,691	484,117

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

	2019 US$	2018 US$
Current tax charge		
UK corporation Tax	**-**	-
Foreign Tax - India	**-**	-
Minimum alternate tax	**-**	-
Foreign tax - USA	**-**	-
Total current tax charge	**-**	-
Deferred tax charge	**-**	-
Taxation charge	**-**	-

	2019 US$	2018 US$
Charge in respect of change in tax rates	**-**	-
Losses incurred during the year	**(23,220,650)**	(1,659,847)
Origination and reversal of temporary differences	**562,381**	75,409
De-recognition due to potential non-reversal of deferred tax asset	**22,658,269**	1,584,438
Deferred tax charge		**-**

b) Factors affecting tax charge for the year

	2019 US$	2018 US$
Loss before taxation from continuing operations	**(56,360,802)**	(4,736,187)
Loss before taxation multiplied by the appropriate rate of tax in respective countries (2018: 41.2%)	**(23,220,650)**	(1,951,309)
Adjustment for expired carried forward losses	**-**	291,462
Others	**562,381**	75,409
De-recognition due to potential non-reversal of deferred tax asset	**22,658,269**	1,584,438
Total tax charge	**-**	-

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

No deferred tax asset has been recognised in FY19.

12. Loss per share
Loss per share is calculated on a loss of US$56,299,750 for the year ended 31 March 2019 (2018: US$4,736,187) on a weighted average of 73,764,035 Ordinary Shares for the year ended 31 March 2019 (2018: 73,764,035). No diluted loss per share is calculated.

13. 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 2017	**35,465,279**	**1,786,498**	**37,251,777**
Additions	-	9,193	9,193
Disposals	-	-	-
At 31 March 2018	**35,465,279**	**1,795,691**	**37,260,970**
Additions	-	4,292	4,292
Disposals	-	-	-
At 31 March 2019	**35,465,279**	**1,799,983**	**37,265,262**
Depletion, depreciation and amortisation			
At 1 April 2017	35,465,279	1,761,613	37,226,892
Charge for the year	-	11,215	11,215
Disposals	-	-	-

At 31 March 2018	**35,465,279**	**1,772,828**	**37,238,107**
Charge for the year	**-**	**10,344**	**10,344**
Disposals	-	-	-
At 31 March 2019	**35,465,279**	**1,783,172**	**37,248,451**
Net book value at 31 March 2019	**-**	**16,811**	**16,811**
Net book value at 31 March 2018	-	22,863	22,863

14. Intangible assets

	Exploration US$	Others US$	Total US$
Costs and net book value			
At 1 April 2017	51,128,272	2,229	51,130,501
Amortisation for the year	-	(1,727)	(1,727)
At 31 March 2018	**51,128,272**	**502**	**51,128,774**
Impairment of Block CY-OS/2	**(51,128,272)**	**-**	**(51,128,272)**
Amortisation for the year	**-**	**(502)**	**(502)**
At 31 March 2019	**-**	**-**	**-**

Legal proceedings concerning block CY-OS/2

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

The arbitrators ruled on 2 February 2013 that the discovery was a gas discovery and consequently that the order for the relinquishment of the block was illegal. The arbitrators have ordered the Government of India to restore the block to HEPI and its partners and to allow them a period of three years from the date of restoration to complete the appraisal programme. In addition, the arbitrators awarded costs of $0.2 million and interest on the exploration expenditure incurred to date. As at 30 September 2018, HEPI's 75 per cent share of the interest awarded is approximately $71.6 million.

On 2 August 2013, the GOI filed an appeal, against the arbitration award, with the High Court (HC) Delhi. On 27 July 2016, the GOI's second appeal to the Delhi HC was dismissed based on jurisdiction. The GOI subsequently filed a Special Leave Petition with the Supreme Court of India (SC) challenging the Delhi HC ruling. On 25 September 2018, the SC overruled the HC ruling and ordered that India Courts did have jurisdiction and that the GOI could recommence its appeal of the Arbitration award. HEPI had filed a Review Petition with the SC and this was dismissed without an open hearing. Based on the SC ruling and past performance in the matter it is uncertain how long the judiciary will take to conclude the appeal process. As the GOI is the appellant, impartiality of the India judiciary may not be assured.

While the CY-OS/2 award remains valid, having considered that it has been over five years since the tribunal issued the award and the GOI allowed appeal in the Delhi High Court is expected to take considerable amount of time, the intangible asset associated with the CY-OS/2 block has been provided against.

15. Inventories

	2019 US$	2018 US$
Drilling and production stores and spares	**20,000**	**659,656**
	20,000	**659,656**

An amount of US$282,709 was recognised as an expense in the previous year relating to a write down in the carrying value of inventory.

16. Trade and other receivables

	2019 US$	2018 US$
Amounts due from joint venture partners	**5,332,406**	**4,533,773**
Other receivables and prepayments	**154,325**	**206,375**
	5,486,731	**4,740,148**

17. Short term investments

	2019 US$	2018 US$
HSBC US$ Liquidity Fund	**3,956,841**	**8,933,870**
HSBC £ Liquidity Fund	**238**	**253**
	3,957,079	**8,934,123**

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 a level 1 valuation under IFRS 13.

Income will increase or decrease by US$39,571 (2018: US$89,341) for every one percent change in interest rates.

18. Share Capital

	Number $0.01 Ordinary Shares	US$
Authorised Ordinary Shares		
At 1 April 2018	200,000,000	2,000,000
At 31 March 2019	**200,000,000**	**2,000,000**
Allotted, issued and fully paid Ordinary Shares		
At 1 April 2017	**73,764,035**	**737,641**
At 1 April 2018	**73,764,035**	**737,641**

At 31 March 2019	**73,764,035**	**737,641**

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

19. 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.

20. Provision for decommissioning

	US$
At 1 April 2017	**4,452,916**
Change in decommissioning estimate	**(597,921)**
At 1 April 2018	**3,854,995**
Change in decommissioning estimate	**-**
At 31 March 2019	**3,854,995**

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 provision has been calculated using a drillship day-rate of US$143,000. The estimate is calculated based on decommissioning occurring after the end of the current Production Sharing Contract in December 2019. These underlying assumptions are reviewed on a regular basis. A 5 per cent change in the underlying assumption for the drillship rate would result in an adjustment of approximately $0.14 million to the Decommissioning Provision.

An amount of Rs. 351,213,465 (US$5,076,807) (2018: Rs. 328,312,446 (US$5,059,523)) is on deposit with State Bank of India for site restoration obligations. This amount has been treated as a non-current asset as this deposit has end use restriction for site restoration.

21. Trade and other payables

	2019 US$	2018 US$
Trade payables	**7,162,319**	**7,231,255**
Accruals and other payables	**2,183,935**	**1,840,700**
	9,346,254	**9,071,955**

Trade and other payables are unsecured.

22. 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 objective 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 to meet cash requirements.

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

Interest rate risk
Surplus funds are placed in deposits and short-term investments at fixed or floating rates. Hardy's policy is to place deposits only with well-established banks or financial institutions that offer competitive interest rates. Further details are disclosed in note 17.

Credit risk
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. The Group is currently engaged in arbitration proceeding against partners in respect of unpaid cash calls; further details are disclosed in note 2.

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. At the year-end credit risk existed in respect of unpaid cash calls as disclosed in note 2. The maximum financial risk exposure relating to the financial assets is the carrying value of such financial assets as at the year-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 2019

Maturity of financial liabilities
The maturity of financial liabilities, which consists of trade and other payables and the decommissioning provision as at 31 March 2019 and 31 March 2018 are as follows:

	2019 US$	2018 US$
Within one year	**9,346,254**	**9,071,955**
In more than one year but not more than two years	**3,854,995**	**3,854,995**
In more than two years but not more than five years	**-**	**-**
In more than five years	**-**	**-**

Included within current liabilities is an amount of $4.9m on which interest of 5 per cent per annum is charged until payment.

Interest rate risk profile of financial assets
The interest rate risk profile of the financial assets of the Group as at 31 March 2019 is as follows:

2019	Fixed rate Financial assets US$	Floating rate Financial assets US$	Financial assets - no interest is earned US$	Total US$
US Dollars	**-**	**9,636**	**61,527**	**71,163**
Pound Sterling	**-**	**74**	**85,311**	**85,385**
Indian Rupees	**-**	**-**	**47,612**	**47,612**
Short term investments	**-**	**3,957,079**	**-**	**3,957,079**
Cash and cash equivalents	**-**	**3,966,789**	**194,450**	**4,161,239**

2018	Fixed rate Financial assets US$	Floating rate Financial assets US$	Financial assets - no interest is earned US$	Total US$
US Dollars	**-**	**8,324**	**32,682**	**41,006**

Pound Sterling	-	**95**	**195,701**	**195,796**
Indian Rupees	-	-	**5,150**	**5,150**
Short term investments	-	**8,934,123**	-	**8,934,123**
Cash and cash equivalents	-	**8,942,542**	**233,533**	**9,176,075**

An amount of Rs. 351,213,465 (US$5,076,807) (2018: Rs. 328,312,446 (US$5,059,523)) deposited with State Bank of India for site restoration obligation is treated as a non-current asset. The interest rate of this deposit is based on the highest rate of interest as applicable for the period paid by the State Bank of India.

Interest income will increase or decrease by US$39,668 (2018: US$89,425) for every one percent change in interest rates.

Currency exposures

The currency exposures of the monetary assets denominated in currencies other than US dollars of the Group as at 31 March 2019 are as follows:

2019	Indian Rupees US$	Pound Sterling US$	Total US$
US$	**5,124,419**	**85,385**	**5,209,804**

2018	Indian Rupees US$	Pound Sterling US$	Total US$
US$	**5,064,673**	**195,796**	**5,260,469**

An amount of US$ 73,835 was recognised as foreign exchange loss (2018: exchange gain of US$74,140) because of exchange rate fluctuations on bank balances and investments made in currencies other than US dollars.

Exchange gains will increase by US$52,619 (2018: US$53,131) for every one percent appreciation of Indian rupee and sterling and loss of US$51,577 (2018: US$52,079) for one percent depreciation of Indian rupee and sterling.

23. 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 2019 US$**	**Fair value 2019 US$**	Book value 2018 US$	Fair value 2018 US$
Short term investments	**3,957,079**	**3,957,079**	8,934,123	8,934,123
Financial assets - loans and receivables				
Cash and short term deposits	**204,160**	**204,160**	241,952	241,952
Trade and other receivables	**5,486,731**	**5,486,731**	4,740,148	4,740,148
Site restoration deposits	**5,076,807**	**5,076,807**	5,059,523	5,059,523
	14,724,777	**14,724,777**	18,975,746	18,975,746

Financial liabilities

Financial liabilities measured at amortised cost	**Book value 2019 US$**	**Fair value 2019 US$**	Book value 2018 US$	Fair value 2018 US$
Accounts payable	**9,346,254**	**9,346,254**	9,071,955	9,071,955

All the above financial assets (except site restoration deposits) and liabilities are current at the period end dates.

24. 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:

	2019 US$	2018 US$
Land and buildings:		
One year	**16,234**	15,707
Two to five years	**-**	-

25. Contingent liabilities

Liquidated Damages

The Group has minimum work commitments associated with various exploration licences granted by sovereign authorities through joint arrangements. A number of these commitments have not been fulfilled and consequently 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 exists estimated at $1.7 million associated with unfinished minimum work programme liquidated damages. Management does not expect this to be resolved in the next twelve months.

Litigation and taxation

In the normal course of business, the Group may be involved in legal and tax 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

Disputed claims amounting to approximately $0.4 million by the suppliers to the Group have not been acknowledged as debt.

26. Related party transactions

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

	2019 US$	2018 US$
Short term employee benefits	**945,950**	1,095,593

Share based payments	**-**	-
	945,950	1,095,593

Key management personnel include the Directors and members of the Management Committee of the Group as set out in the overview of the Board of Directors in the business review. Further information about the remuneration of individual Directors is provided in the Director's Remuneration Report which forms part of the Group's 2018 Annual Report.

GLOSSARY OF TERMS

2C Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies
2D/3D	two dimensional/three dimensional
$	United States Dollar
API°	American Petroleum Institute gravity
The Award	CY-OS/2 arbitration award
Bbld	stock tank barrel per day
BCF	billion cubic feet
CNG	compressed natural gas
CY-OS/2	Offshore exploration licence CY-OS/2 located on the east coast of India
DGH	Directorate General of Hydrocarbons
Dhirubhai 33	gas discovery on GS-01-B1 announced on 15 May 2007
DOC	Declaration of Commerciality
DRDO	Defence Research & Development Organisation of India
FFDP	comprehensive full field development plan
FY	financial year ended 31 March
GAIL	Gas Authority of India Limited
Ganesha-1	Non-associated natural gas discovery on Fan-A1 well located in CY-OS/2
GOI	Government of India
GS-01	Exploration Licence GS-OSN-2000/1
Hardy	Hardy Oil and Gas plc
HEPI	Hardy Exploration & Production (India) Inc
HC	High Court
HSE	Health Safety and Environment
IPO	initial public offering
JA	joint arrangement
KPI	key performance indicator
Km	Kilometre
km^2	square kilometre
LSE	London Stock Exchange
M	Metre
mmbtu	million British Thermal Units
mmscfd	million standard cubic feet per day
mmscmd	million standard cubic metres per day
MC	management committee
MOD	Ministry of Defence Government of India
MOPNG	the Ministry of Petroleum and Natural Gas of the Government of India
MWP	minimum work programme
NANG	non-associated natural gas
ONGC	Oil & Natural Gas Corporation
Profit Petroleum	Gross revenue from production of petroleum less costs incurred in realising such revenue
Prospective Resources	those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations
PSC	production sharing contract
PSDM	pre-stacked depth migration
Psi	pounds per square inch
PY-3	licence CY-OS-90/1
Reliance	Reliance Industries Limited
Rs.	Indian Rupee
the Company	Hardy Oil and Gas plc
the Group	Hardy Oil and Gas plc and Hardy Exploration & Production (India) Inc.
TRI	total recordable injuries
uJV	unincorporated joint venture
UMWP	unfinished minimum work programme

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