

Limited Review Report

**Review Report to
The Board of Directors
Hindustan Oil Exploration Company Limited**

1. We have reviewed the accompanying statement of unaudited financial results of Hindustan Oil Exploration Company Limited ("the Company") for the quarter ended September 30, 2012 (the "Statement"), except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been reviewed by us. This Statement is the responsibility of the Company's management and has been approved by the Board of Directors/ committee of Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. The Company's proportionate share in the Unincorporated Joint Ventures where the Company is having participating interest has been considered in the unaudited standalone financial results and has been incorporated by the Company on the basis of the information obtained from the Operator of the respective Unincorporated Joint Ventures or the information available with the Company.
4. *As more detailed in note 6 of the Statement, the Company follows "Successful Efforts Method" method of accounting for its exploration and production activities, the Company has capitalised costs of Rs.122.35 million (including Rs. 121.79 million to June 30, 2012 and Rs. 64.49 Million to March 31, 2012), incurred in respect of surveys and studies relating to exploration activities.*

The "Guidance Note on Accounting for Oil and Gas Producing Activities" (Guidance Note) issued by the Institute of Chartered Accountants of India requires costs of surveys and studies relating to exploration activities to be expensed when incurred under the "Successful Efforts Method" of accounting. Had the Company followed the recommendation of the Guidance Note, survey costs of Rs. 122.35 million (including prior period charge of Rs. 121.79 million to June 30, 2012 and Rs 64.49 million to March 31, 2012) would have been written off as an expense and the net profit for the quarter and reserves and surplus after considering the related tax effects would have been lower by Rs. 82.65 Million (including Rs. 82.28 million to June 30, 2012 and Rs. 43.06 million to March 31, 2012). Our review opinion for the quarter ended June 30, 2012 and our audit opinion on the financial statements for the year ended March 31, 2012 was also qualified in respect of the above matter.



S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

5. Based on our review conducted as above, *except for the effect of the matter stated in paragraph 4* nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting", notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended) and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

S.R. Batliboi + Associates

For S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

Firm registration number: 101049W

Amesh

per Subramanian Suresh

Partner

Membership No.: 083673

Place: *New Delhi*

Date : October 26, 2012



HINDUSTAN OIL EXPLORATION COMPANY LIMITED
Registered Office: 'HOEC HOUSE' Tandajia Road, Off Old Padra Road, Vadodara 390 020

PART I

Statement of Standalone Unaudited Results for the Quarter and Six Months Ended on September 30, 2012

Sr. No.	Particulars	Rupees in Lacs					
		Unaudited for three Months			Unaudited Year to date figures		Audited standalone for the Year Ended on 31.03.2012
		Ended on 30.09.2012	Ended on 30.09.2011	Ended on 30.06.2012	Current Period 30.09.2012	Previous Period 30.09.2011	
1	Income From Operations						
a)	Net Sales / Income from Operations (See Note 3 & 4)	2,533.56	3,098.05	2,680.37	5,213.93	9,271.78	15,139.23
b)	Other Operating Income						
c)	(Decrease) / Increase in Stock of Crude Oil, Condensate and Natural Gas	128.97	(1,048.82)	(167.36)	(38.39)	(872.23)	(739.23)
	Total Income From Operations (Net)	2,662.53	2,049.23	2,513.01	5,175.54	8,399.55	14,400.00
2	Expenses						
a)	Purchase of Stock in Trade						
b)	(Increase) / Decrease in inventories of stock-in-trade						
c)	Employee Benefit Expenses						
d)	Other Expenses	257.23	239.25	255.06	512.29	479.98	1,083.06
	- Operating Expenditure						
	- Administrative and other Expenses (See Note 8)	954.46	917.34	957.19	1,911.65	2,721.94	5,349.31
e)	- Recovery of Expenses	224.04	311.10	543.86	629.90	522.23	885.32
f)	Depreciation, Depletion and Amortisation (See Note 5)	(503.59)	(263.74)	(552.72)	(1,056.31)	(633.36)	(1,471.52)
	Total Expenses	1,117.26	694.63	1,154.95	2,272.21	2,770.75	5,545.98
3	Profit from Operations before Other Income, Finance Cost and Exceptional Items (1-2)	2,049.40	1,898.58	2,358.34	4,269.74	5,861.54	11,392.15
4	Other Income (Net)	613.13	150.65	154.67	905.80	2,538.01	3,007.85
5	Profit from Operations before Finance Cost and Exceptional Items (3+4)	332.34	642.50	298.69	493.03	957.18	2,501.26
6	Finance cost	945.47	793.15	453.36	1,398.83	3,495.19	5,509.11
7	Profit from Operations after Finance Cost but before Exceptional Items (5-6)	258.19	261.95	285.70	543.89	522.46	1,089.82
8	Exceptional Items	687.28	531.20	167.66	854.94	2,972.73	4,419.29
9	Profit from Ordinary Activities before Tax (7-8)	687.28	531.20	167.66	854.94	2,972.73	4,419.29
10	Tax Expenses						
a)	Provision for Current Income Tax						
b)	Provision for Deferred Tax	120.00	40.00	10.00	130.00	500.00	690.00
c)	MAT Credit Entitlement (Net)	210.00	120.00	20.00	230.00	860.00	1,070.00
	Net Profit from Ordinary Activities after Tax (9-10)	(120.00)	(40.00)	(10.00)	(130.00)	(500.00)	(690.00)
11	Extraordinary Items (net of tax expenses)	477.28	411.20	147.66	624.94	2,112.73	3,349.29
12	Net Profit for the Period (11-12)	-	-	-	-	-	-
13	Paid up Equity Share Capital (Face Value of Rs. 10/- each)	477.28	411.20	147.66	624.94	2,112.73	3,349.29
14	Reserves excluding Revaluation Reserve as per Balance Sheet of Previous Accounting Year	13,050.93	13,050.93	13,050.93	13,050.93	13,050.93	13,050.93
15	Basic and Diluted EPS (Rs.) - Not Annualised - before Extraordinary Items	Rs. 0.37	Rs. 0.32	Rs. 0.11	Rs. 0.48	Rs. 1.62	Rs. 2.57
16	Basic and Diluted EPS (Rs.) - Not Annualised - after Extraordinary Items	Rs. 0.37	Rs. 0.32	Rs. 0.11	Rs. 0.48	Rs. 1.62	Rs. 2.57
PART II							
A PARTICULARS OF SHAREHOLDING							
1	Public Shareholding						
	Number of Shares	68,924,155	68,924,155	68,924,155	68,924,155	68,924,155	68,924,155
	Percentage of Shareholding	52.82%	52.82%	52.82%	52.82%	52.82%	52.82%
2	Promoters and Promoter Group Shareholding (See Note 9)						
a)	Pledged / Encumbered						
	Number of shares	-	-	-	-	-	-
	Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-	-
	Percentage of shares (as a % of the total share capital of the company)	-	-	-	-	-	-
b)	Non - encumbered						
	Number of shares	61,569,134	61,569,134	61,569,134	61,569,134	61,569,134	61,569,134
	Percentage of shareholding (as a % of the total shareholding of promoter and promoter group)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	Percentage of shareholding (as a % of the total share capital of the company)	47.18%	47.18%	47.18%	47.18%	47.18%	47.18%
B INVESTOR COMPLAINTS							
	Particulars	Six Months Ended September 30, 2012					
	Pending at the beginning of the quarter	0					
	Received during the quarter	5					
	Disposed of during the quarter	5					
	Remaining unresolved at the end of the quarter	0					

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Notes:

1 Statement of Assets and Liabilities as per clause 41(1)(ea) of the Listing Agreement for the half year ended September 30, 2012 on standalone basis.

Particulars	Rupees in Lacs	
	Unaudited As at Sep 30, 2012	Audited As at March 31, 2012
A EQUITY AND LIABILITIES		
1 Shareholders' Funds		
a. Share Capital		
b. Reserves and Surplus	13,050.93	13,050.93
Sub-total - Shareholders funds	108,348.16	107,723.21
2 Non - current liabilities	121,399.09	120,774.14
a. Long-term borrowings		
b. Deferred tax liabilities (net)	50,658.65	52,411.19
c. Long-term provisions	4,538.52	4,308.52
Sub-total - Non-current liabilities	9,357.36	9,081.36
3 Current liabilities	64,554.53	65,801.07
a. Trade payables		
b. Other current liabilities	2,455.39	1,820.11
c. Short-term provisions	24,406.95	10,802.87
Sub-total - Current liabilities	11.45	17.19
TOTAL - EQUITY AND LIABILITIES	26,873.79	12,640.17
	212,827.41	199,215.38
B ASSETS		
1 Non-current assets		
a. Fixed assets		
b. Non-current Investment	189,196.13	165,856.35
c. Long-term loans and advances	50.00	50.00
d. Other bank balances	10,764.03	10,401.22
e. Other non-current assets	3,300.08	3,708.13
Sub-total - Non - current assets	24.16	39.89
2 Foreign Currency Monetary Item Translation Difference Account	203,334.40	180,055.59
3 Current assets	46.19	41.19
a. Current investments		
b. Inventories	1,892.43	7,129.08
c. Trade receivables	3,951.47	4,688.94
d. Cash and Bank Balances	1,075.01	1,996.53
e. Short-term loans and advances	1,110.34	4,236.84
f. Other current assets	1,215.19	1,017.73
Sub-total - Current assets	202.38	49.48
TOTAL ASSETS	9,446.82	19,118.60
	212,827.41	199,215.38

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2 The Company is primarily engaged in a single business segment of "Hydrocarbons and other incidental services". All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. Hence, there are no separate reportable segments as per AS-17 "Segmental Reporting".

3 Production from PY-3 Field, operated by Hardy Exploration & Production (India) Inc., remained shut since July 31, 2011.

4 During the quarter ended September 30, 2012, the production from PY-1 Field was shut down for a cumulative of 36 days as Gail India Limited, the buyer of PY-1 Gas, was not able to off-take the gas supply due to shut down of downstream user plant.

5 Consequent to intermittent production shut downs in PY-1 Field (refer note 4 above), the Company has charged additional depreciation of Rs. 132 lacs for the quarter ended September 30, 2012 (over and above the Unit of Production "(UOP)" method) in line with the Company's Accounting Policy to comply with minimum rates of depreciation under Schedule XIV of the Companies Act, 1956.

6 As per the Company's Accounting Policy, the survey costs are initially capitalized as "Exploration Expenditure" and subsequently either expensed if the exploration activity is determined as unsuccessful or transferred to "Producing Properties" in case the activities are determined to be successful.

The Auditors, for the first time have observed in their Audit Report for FY 2011-12 and subsequently in their Limited Review Reports for the quarter ended September 30, 2012, non-adherence of Guidance Note (Accounting for Oil and Gas Producing Activities, issued by Institute of Chartered Accountants of India in 2003) requirement that costs of surveys relating to exploration activities is to be expensed in the year incurred. In this regard the Company has to state that:

(a) the aforesaid Guidance Note is not mandatory and only recommendatory in nature;

(b) the Company's Accounting Policy, which has been followed consistently during the earlier quarters in the Financial Year 2011-12 and in the Financial Years prior to 2011-12 with reference to treatment of survey cost, is in compliance with international Oil and Gas Industry accounting practices and International Financial Reporting Standards (IFRS), and has been accepted by the auditors in the past without modification; and

(c) the accounting for the cost of surveys is in compliance with the terms of the Production Sharing Contract signed with the Government of India.

This may be treated as our response to the observations in the Auditor's Limited Review Report for the quarter ended September 30, 2012.

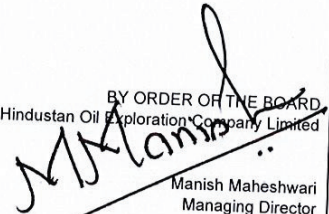
7 The Government of India, vide circular no. 25/2012 dated August 9, 2012, has confirmed that para 4(e) of AS-16 shall not apply to a company which is applying clause 46A of Accountant Standard 11. Accordingly, the accounting treatment of foreign exchange fluctuations as considered by Company is in compliance with AS-11 and AS-16 and the earlier observation as made in the Auditor's Limited Review Report for the quarter ended June 30, 2012 no longer holds good. Thus no qualification on this matter is observed in the Auditors Limited Review report for the quarter ended September 30, 2012.

8 The Company has netted off an amount of Rs. 138 lacs on account of Foreign Exchange gain for the quarter ended September 30, 2012 against Foreign Exchange loss for the quarter ended June 30, 2012.

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- 9 The details of Promoters Shareholding is based on their declarations giving the status that no share has been pledged for respective periods.
- 10 Figures for the previous period / year have been regrouped / reclassified to make them comparable with the current period, wherever necessary.
- 11 The above results and notes thereto were reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on October 26, 2012.

BY ORDER OF THE BOARD
For Hindustan Oil Exploration Company Limited



Manish Maheshwari
Managing Director
Place : New Delhi
Date : October 26, 2012