HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Registered Office: 'HOEC HOUSE' Tandalja Road, Off Old Padra Road, Vadodara 390 020

PART I

Statement of Standalone Unaudited Results for the Quarter Ended June 30, 2012

Rupees in Lacs

Sr. No.	Particulars	Unaudited for three Months			Audited standalone for the Year
		Ended on 30.06.2012	Ended on 30.06.2011	Ended on 31.03.2012	Ended on 31.03.2012
1	**Income From Operations**				
	a) Net Sales / Income from Operations (See Note 2 & 3)	2,680.37	6,173.73	2,597.42	15,139.23
	b) Other Operating Income				
	c) (Decrease) / Increase in Stock of Crude Oil, Condensate and Natural Gas	(167.36)	176.59	17.71	(739.23)
	Total Income From Operations (Net)	**2,513.01**	**6,350.32**	**2,615.13**	**14,400.00**
2	**Expenses**				
	a) Purchase of Stock in Trade				
	b) (Increase) / Decrease in Inventories of stock-in-trade				
	c) Employee Benefit Expenses	255.06	240.73	367.44	1,083.06
	d) Other Expenses				
	- Operating Expenditure	957.19	1,804.60	1,517.41	5,349.31
	- Administrative and other Expenses	543.86	211.13	152.74	885.32
	e) - Recovery of Expenses	(552.72)	(369.62)	(472.65)	(1,471.52)
	f) Depreciation, Depletion and Amortisation (See Note 4)	1,154.95	2,076.12	988.05	5,545.98
	Total Expenses	**2,358.34**	**3,962.96**	**2,552.99**	**11,392.15**
3	Profit from Operations before Other Income, Finance Cost and Exceptional Items (1-2	154.67	2,387.36	62.14	3,007.85
4	Other Income (Net)	298.69	314.68	1,231.24	2,501.26
5	Profit from Operations before Finance Cost and Exceptional Items (3+4)	453.36	2,702.04	1,293.38	5,509.11
6	Finance cost	285.70	260.51	297.98	1,089.82
7	Profit from Operations after Finance Cost but before Exceptional Items (5-6)	167.66	2,441.53	995.40	4,419.29
8	Exceptional Items				
9	**Profit from Ordinary Activities before Tax (7-8)**	**167.66**	**2,441.53**	**995.40**	**4,419.29**
10	Tax Expenses				
	a) Provision for Current Income Tax	10.00	460.00	160.00	690.00
	b) Provision for Deferred Tax	20.00	740.00	240.00	1,070.00
	c) MAT Credit Entitlement (Net)	(10.00)	(460.00)	(160.00)	(690.00)
11	**Net Profit from Ordinary Activities after Tax (9-10)**	**147.66**	**1,701.53**	**755.40**	**3,349.29**
12	Extraordinary Items (net of tax expenses)	-	-	-	-
13	**Net Profit for the Period (11-12)**	**147.66**	**1,701.53**	**755.40**	**3,349.29**
14	Paid up Equity Share Capital (Face Value of Rs. 10/- each)	**13,050.93**	**13,050.93**	**13,050.93**	**13,050.93**
15	**Reserves excluding Revaluation Reserve as per balance sheet of previous accounting year**				104,373.90
16	Basic and Diluted EPS (Rs.) - Not Annualised - before and after Extraordinary Items	**Rs. 0.11**	**Rs. 1.30**	**Rs. 0.58**	**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
	Percentage of Shareholding	52.82%	52.82%	52.82%	52.82%
2	Promoters and Promoter Group Shareholding (See Note 7)				
	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
	Percentage of shareholding (as a % of the total shareholding of promoter and promoter group)	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%

	Particulars	Three Months Ended June 30, 2012
B	**INVESTOR COMPLAINTS**	
	Pending at the beginning of the quarter	0
	Received during the quarter	3
	Disposed of during the quarter	3
	Remaining unresolved at the end of the quarter	0

Hindustan Oil Exploration Company Ltd Chennai

FOR IDENTIFICATION PURPOSES ONLY S.R. BATLIBOI & ASSOCIATES CHENNAI CHARTERED ACCOUNTANTS

Notes:

1. 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".

2. During the quarter ended June 30, 2012, the production from PY-1 Field was shut down for a cumulative of 34 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.

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

4. Consequent to intermittent production shut downs in PY-1 Field (refer note 2 above), the Company has charged additional depreciation of Rs. 146 lacs for the quarter ended June 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.

5. As per the Company's Accounting Policy and in compliance with GSR 225 (E) dated March 31, 2009 and notification dated December 29, 2011 by the Government of India, exchange differences arising on reporting of long term foreign currency monetary items including inter-alia long term foreign currency borrowing, as defined in the Accounting Standard - 11, relating to the acquisition of a depreciable capital asset, have been added to/deducted from the cost of the asset consistently since March 31, 2009.
The Auditors in their report for the Financial Year 2011-12 and quarter ended June 30, 2012 have observed that the Company has not considered any part of the foreign exchange fluctuations on the underlying borrowing as interest cost, as required under AS-16. In this regard the Company has to state the following:
(a) Company's business is significantly denominated in United States Dollar (USD), which is also considered as a controlling currency under the Production Sharing Contracts with the Government of India. Company's decision to borrow in USD was never driven on the basis of interest cost arbitrage but to meet the end use of such borrowing to finance USD denominated capital expenditure. Consequently, any exchange difference is incidental and in the view of the Company the same should not be recognized as part of the interest cost. Accordingly, the applicability of para 4(e) of AS 16 does not arise in the present context and hence the Company believes its accounting treatment is appropriate.
(b) Even if para 4(e) of AS 16 was to be applied, the Company does not have any comparative interest rate in INR for a structured borrowing undertaken in 2009 to compute the interest rate differential given the fact that the Company never evaluated option to borrow in local currency in 2009 considering the end use of such borrowing as explained hereinabove.
(c) Finally, AS 16 states that borrowing costs ***may* include exchange differences to the extent they are regarded as an adjustment to interest costs** - it does not therefore mandate such specific adjustment to be effected to the borrowing cost.
In view of the explanation stated above, the Company does not regard such exchange differences as an adjustment to interest cost. Consequently, para 4 (e) of AS-16 is not applicable to the referred borrowing and the Company is in compliance with the Accounting Standards.
This may be treated as our response to the observations in the Auditor's report for FY 2011-12 and Limited Review report for the quarter ended June 30, 2012.

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 report for the quarter ended June 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 earlier Financial Years with reference to treatment of survey cost, is in compliance with International Oil and Gas Industry accounting practices and International Financial Reporting Standards, 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 report for FY 2011-12 and Limited review report for the quarter ended June 30, 2012.

7. The details of Promoters Shareholding is based on their declarations giving the status that no share has been pledged for respective periods.

8. Figures for the previous period / year have been regrouped / reclassified to make them comparable with the current period, wherever necessary.

9. 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 July 31, 2012.

In terms of our report of even date attached
SR Batliboi & Associates
For S. R. Batliboi & Associates
Chartered Accountants
(Firm Registration Number: 101049W)

per Subramanian Suresh
Partner
Membership No.: 83673
Place : Chennai
Date : July 31, 2012

FOR IDENTIFICATION PURPOSES ONLY
CHENNAI

Hindustan Oil Exploration Company Ltd
Chennai

BY ORDER OF THE BOARD
For Hindustan Oil Exploration Company Limited

Manish Maheshwari
Managing Director
Place : Chennai
Date : July 31, 2012

S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

6th & 7th Floor- "A" Block
Tidel Park, (Module 601, 701 & 702)
No. 4, Rajiv Gandhi Salai, Taramani
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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 June 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 of accounting for its exploration and production activities, the Company has capitalised costs of Rs.121.79 million (including 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. 121.79 million (including prior period charge of Rs 64.49 million) 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. 82.28 Million. Our audit opinion on the financial statements for the year ended March 31, 2012 was also qualified in respect of the above matter.

5. *As more detailed in note 5 of the Statement, the Company has either capitalized or accumulated in foreign currency monetary item translation difference account, exchange loss of Rs. 1,369.91 million (including Rs. 764.57 Million to March 31, 2012)in respect of long term borrowings in foreign currency outstanding as at June 30, 2012. However, in determining the amount of exchange loss to be accounted in this manner, the Company has not excluded exchange differences to the extent that the same can be regarded as an adjustment to interest costs as required by Paragraph 4(e) of Accounting Standard 16, "Borrowing Costs. The Company has not computed / estimated the extent of such adjustment to interest costs and, in the absence of such information, we are unable to comment on the extent to which the finance costs are stated lower and also the consequential impact on profits for the quarter and the reserves and surplus as at June 30, 2012. 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 ★ SR BA CHENNAI

S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

6. Based on our review conducted as above, *except for the effect of the matter stated in paragraph 4 and the possible effects of the matter stated in paragraph 5 above,* 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.

SR Batliboi & Associates
For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants
Firm registration number: 101049W

S.R. BATLIBOI & ASSOCIATES CHENNAI CHARTERED ACCOUNTANTS

per Subramanian Suresh
Partner
Membership No.: 083673

Place: Chennai
Date : July 31, 2012