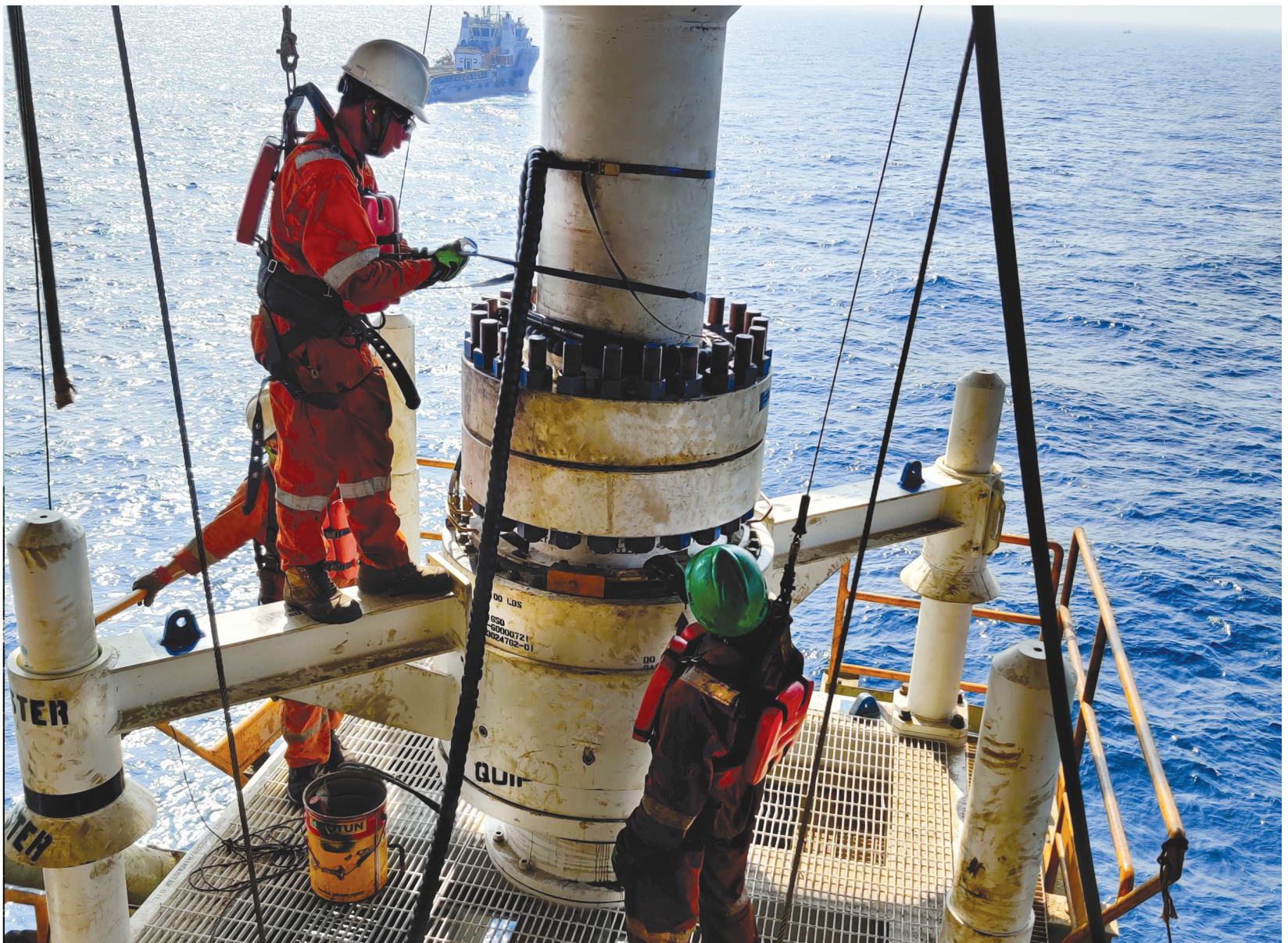




Chairman's Statement 2019-2020

INDIA'S FIRST PRIVATE OIL AND GAS COMPANY

Growing Responsibly



HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Transforming Through Talent And Technology



Ladies and Gentlemen,

Good morning. On behalf of the Board of Directors, I am delighted to welcome you all to this 36th Annual General Meeting of your Company. It is being held in virtual mode for the first time. Hope all of you are safe and fine during this extraordinary pandemic.

The Company's Annual Report has been dispatched to all shareholders. I trust you received the Annual Report on time. I seek your permission and take it as read.

Unprecedented Times

All of us are experiencing an unprecedented period in our lifetime. It is like few pages of our book of life have suddenly turned blank. It is indeed a time for introspection.

The Global Oil and Gas industry was hit by a geo-political missile even before the onslaught of COVID -19. Let us take a look at some dramatic events of FY 2019-20.

During the Calendar Year 2019, Brent crude price went up by 18%. Prices were expected to rally further, in anticipation of additional production cuts by OPEC plus in 2020. However, the group failed to reach an agreement. On March 07, 2020, Saudi Aramco, in a dramatic move, aggressively cut its official selling prices to signal a price war. On March 09, 2020 oil prices fell by around 20%.

As COVID-19 spread, World Health Organization declared it as a Pandemic on March 11, 2020.

These two events of March 2020 have changed the near term prospects for the Oil and Gas industry dramatically. Coupled with the existential challenge of climate change and the energy transition under way, the oil and gas industry is sailing in uncharted waters.

Next Normal

Experts expect three major trends to define the Next Normal for Global Oil and Gas Industry.

1. Pandemic will fast track the Global Energy Transition;
2. Global Gas and LNG will have a favourable role in this Energy Transition; and
3. Discipline in capital allocation, risk management and environmental governance is critical for oil and gas companies to successfully navigate this Energy Transition.

The pandemic has affected all sectors across the world. Our sector too was severely impacted as the waves of lockdowns reduced the demand for oil & gas sharply. Industry indeed is under tremendous stress. Clearly, oil and gas companies need to re-imagine and re-position themselves.

India's Unique Position

India occupies a unique position in the global energy landscape. Its demand for energy will continue to grow in the foreseeable future. Its dependence on imported oil and gas is also projected to remain well above 80% over the next three - four decades. The Indian domestic market for oil and gas is unique in that it offers huge potential for growth. The rising interest of global oil and gas companies to invest in India, especially in the midstream and downstream segment, is testimony to this market potential.

The Indian energy sector has limited players and continues to be dominated by the public sector. Energy resources are under explored and energy production is at sub-optimal levels. Energy pricing, especially gas pricing, continues to be determined by arcane formula which disincentivize production. This needs to change so that domestic exploration and production is energized. The burden of energy subsidies should be borne by the Government and not by producers.

HOEC, with its track record of low-cost operations, prudent capital management, and proven capabilities in execution, is well-positioned to cope with these challenges.

Your Company will continue to grow by leveraging the opportunities from India's transition towards gas as the fuel of choice, while also tapping the potential for oil.

HOEC Enters Western Offshore

For HOEC, FY 2019-20 will be a special year, as it marked its entry into Western Offshore. Your Company successfully completed the drilling of two wells in B-80, which have tested production of more than 8,000 boepd (Oil & Gas).

Team HOEC's resolve and commitment was showcased as the first lockdown was announced when the Company was halfway through drilling the second well. While maintaining all precautions, operations were continued and two wells were safely drilled.

Successful execution of this drilling campaign, with both wells completed by Sub-sea well head & tree, installed through a Jack-up Rig, is a unique feat in India by a private oil and gas producer. This adds significant muscle to the capability of HOEC in offshore marginal field development.

Team HOEC is sharply focused on executing the remaining portion of the project. Installation works are planned to commence post monsoon to deliver First Oil during Q4 of this financial year.

Commencement of production from B-80 will transform HOEC from an independent E&P producer with significant potential, to an E&P player who has successfully demonstrated fast track execution of low-cost, short cycle onshore and offshore projects efficiently and innovatively.

The HOEC management team, led by the MD and CFO, and the entire staff deserve our congratulations for this excellent performance.

During FY 2019-20 your Company:

1. Clocked 1.17 million hours operations across all its producing assets and in its offshore drilling campaign without losing any time;
2. Won the FIPI Award for Oil and Gas Production & Development Company of the Year (Small Category);
3. Maintained down time free operations in Hollong Modular Gas Processing Plant, enabling delivery of 29 mmscfd of gas on an average to customers in North East Region. Dirok field is maintaining uninterrupted operations during the lockdown;
4. Strengthened its wholly owned subsidiary Hindage Oilfield Services Limited by investments in floating assets that could provide sustainable revenue, preparing its foray into Oil Field Services (OFS) segment.

Business Responsibility

Your Company is acutely aware of the hazardous nature of oil and gas operations and committed to adapt best in class Health, Safety and Environment practices.

The Pandemic helped us to turn our focus on employee health, hygiene and housekeeping to implement prescribed COVID-19 preventive measures. These measures enabled the business operations to continue. When warranted, operations at PY-1 were temporarily shut down to protect the health of operating personnel and the community around the operating areas.

I am pleased to share with you that HOEC has published its first ever Business Responsibility Report as mandated. We have also published the Sustainability Report for FY 2019-20. This is to demonstrate our commitment to sustainability and responsible operations, beyond regulatory requirement. These Reports highlight actions taken by the Company to enhance sustainability and outline the CSR projects implemented in its area of operation. The Reports are available on the Company's website and I would encourage all of you to read them.

HOEC has a balanced portfolio of assets with resource potential that can assure production growth over a long period. Your Company has demonstrated capability across the Exploration and Production value chain. Fast track project execution and low cost operations places HOEC in a very unique position in the Indian Oil and Gas sector.

As a Board, we are conscious of our responsibility as custodians of Corporate Governance.

I assure you that your Board will continue to discharge its responsibilities in the interest of all stakeholders and endeavour to grow the Company in a responsible and sustainable manner.

Thank you very much.

Vivek Rae

Chairman

September 30, 2020