RISK MANAGEMENT

The Board remains committed to the philosophy of effective business risk management as a core managerial competency. The Board has established a structured approach to risk management through the formulation of a risk management policy. The Company is in a continuous process to implement, monitor and improve its risk management. The Company's risk management system requires approaching risk identification in a systematic manner by developing an understanding of the Company's strategic and operational objectives, opportunities and threats related to the achievement of these objectives as well as analyzing the significant functions undertaken within the Company to identify significant risks which flow from these activities. Risks are required to be formally identified, prioritized and incorporated into a risk management response to effectively address risks.

The following is an outline of some of the material risks being faced by the Company and steps being taken to mitigate these risks:

Financial

	MAJOR RISKS & CHALLENGES	MITIGATING FACTORS
Oil price volatility	The pricing for the company's oil and gas production is benchmarked with international prices of crude oil and related products. Any unfavorable variance in the international prices is likely to adversely affect the Company's profitability.	The pricing for the company's oil and gas production is benchmarked with international prices of crude oil and related products. Any unfavorable variance in the international prices is likely to adversely affect the Company's profitability. The Company has expanded its LPG marketing business as a strategy of diversification.
Economic and political risks	Volatile economic and financial market conditions resulting from economic or political instability.	The company is mitigating this risk by continuous monitoring of politico-economic factors in area of operations and detailed risk assessment for informed decision making.
Lost in hole/damage beyond repair	During drilling costly equipment are run in the hole for several jobs at different depths.	Only certified tools are run into the well and where ever possible insurance cover is obtained for these tools.

Operational

	MAJOR RISKS & CHALLENGES	MITIGATING FACTORS
Under performance of major oil and gas fields	The Company's future earnings and profitability is dependent upon the production and reserves of its oil and gas fields. The actual production from fields may differ materially from estimates due to possible underperformance of the oil and gas reservoirs related to mechanical issues or other production related factors, like unforeseen appearance of water, increase in water cut and reservoir performance.	The company is mitigating this risk through rigorous monitoring of production fluids, conducting regular pressure surveys and use of PSPs to monitor individual fluid contribution of different producing horizons. Based on the result of above monitoring techniques, workovers, acidization / stimulation jobs and other appropriate mitigation measures are undertaken to arrest the decline in production.
Procurement planning related risk	Managing risk in business is not a new phenomenon, but managing it well in a changing global environment is producing some significant challenges, especially for the procurement function. Vulnerability in the procurement process can be seen as a weakness or possible threat to the Company's profitability. The vulnerability can give rise to the following risks • Commercial risks • Operational - not having materials • Contractual – exposure to liquidated damages	Procurement department is closely aligned with the drilling, engineering and production departments. Orders are placed and contracts are executed / renewed in time so that all the relevant materials and services are available when required.
Reservoir engineering and process	The over estimation of reserves and production can lead to investment of significant capital in the form of plant design by the engineering function.	The company is mitigating this risk by obtaining third party reserve certification and reservoir simulation studies for proper estimation of reserves.
Exploration risk	Exploration activity is prone to the risk of not finding commercial quantities of hydrocarbons due to number of reasons such as incorrect selection of exploration acreage, error in processing or interpretation of seismic data, incorrect selection of drilling site.	The Company is mitigating exploration risks by using latest technologies; hiring experienced professional. The company is in a continuous process to explore new opportunities and enter into joint venture agreements to dilute risks. Consultation with external experts is also done whenever required.

Operational

	MAJOR RISKS & CHALLENGES	MITIGATING FACTORS
Information technology failures	The Company's operations may be adversely affected due to information technology failures especially in today's environment of reliance on IT systems, regulation and reporting deadlines.	The company has a separate IT wing to control and monitor all related functions including policies for back-up and business continuity.
Security risks	A terrorist attack could have a material and adverse effect on our business	POL's fields are located in areas where security situation is generally satisfactory, yet strict security controls are implemented at our areas of operations. The company has also taken a terrorist insurance cover for all its material installations to mitigate this risk.
Third party liability	A third party liability could have a material and adverse effect on our business	HSE department closely monitors regular operations and new jobs in order to prevent accidents. Company has also taken a third party liability insurance which covers its drilling areas, pipelines and material installations
Drilling risk	Oil and gas drilling inherently is a high risk activity. The Company is exposed to a number of hazards during drilling of wells including well blow out, fishing, mechanical failure, fire hazards and personal injury. In addition, the risk of not reaching the target depth would have adverse effect on earnings.	The Company identifies and then mitigates this risk by using appropriate risk management tools, training and techniques that facilitate and enhance the quality of decision-making. Risk control measures are implemented to avoid or reduce undesired exposures to loss or unwanted volatility. Strict criterion is in place for selecting staff, rig and other allied services/equipment. Staff is regularly nominated to relevant training programs. The Company also obtains control of well insurance cover for all wells under drilling.

Strategic

	MAJOR RISKS & CHALLENGES	MITIGATING FACTORS
Environmental regulations	The Company is subject to laws and regulations relating to health, safety and the environment. Changes to these laws and regulations may result in increased costs of compliance as well as penalties for non-compliance.	The company has deployed dedicated resources to ensure compliance with laws and regulations relating to health, safety and environment.
Increased competition	With increased competition in the oil and gas exploration and production sector, particularly in relation to the application and award of exploration concessions, the Company may be faced with higher competition than before. In addition, the Company's LPG marketing business may be adversely affected due to increased competition, decline in margins or disruption to LPG supply sources.	The Company is mitigating this risk through a continuous process to explore new opportunities by joining hands with other E & P companies by way of farm-in and farm-out agreements. In LPG marketing business, the Company has established a good storage capacity for continuous supply to keep margins intact and continues exploring for sustainable cost-effective sources of further supplies.
Joint Venture Partners	We are also operating in a joint venture environment and many of our projects are operated by other partners. Our ability to influence partners is sometimes limited, due to our small share in non-operated ventures. Non-alignment on various strategic decisions in joint ventures may result in operational and production inefficiencies or delay.	The company is mitigating this risk by continuously and regular engagement of joint venture partners in operated and non-operated projects.