安東石油
Antonoil

安 東 油 田 服 務 集 團
Anton Oilfield Services Group
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3337)

Announcement

Operational Update on the Second Quarter of 2013 and Outlook for the Third Quarter of 2013

The Board of Directors of Anton Oilfield Services Group (the "**Company**", together with its subsidiaries, collectively the "**Group**") is pleased to announce the operational update and order backlog for the three months from 1 April 2013 to 30 June 2013 (the "**Quarter**").

OVERVIEW

In the Quarter, domestic oil and gas field exploration and development activities were widely rolled out. Oil companies stepped up efforts to add production capacity in major natural gas basins including the Tarim Basin, Erdos Basin and Sichuan Basin. According to a report by China Oil News on 27 June 2013, for undeveloped reserves and shale gas, PetroChina viewed "broadening the scope of opening-up and conducting a full range of pragmatic cooperation as critical drivers of deepening reform and opening-up" and suggested to "build closer partnerships with private capital, social capital and international capital". Facing the tremendous opportunities of domestic natural gas development, the Group reinforced its focus on increasing domestic market deployment and implementing a localized strategy for key natural gas basins, with a view to directing resources to meeting local demand and furthering local business development. Furthermore, in response to the need of oil companies for overall production growth, the Group sought to accelerate the development of integrated service capabilities as it developed stronger competencies for the evaluation and analysis of oil reserves and expedited the construction of service capacity for "Tongzhou Integrated Oilfield Technology Co., Ltd." ("**Tongzhou**

IPM"), a joint venture with Schlumberger. In the overseas market, oil companies continued to press ahead with capacity building in the Middle East. In the Quarter, oil companies progressed the Halfaya project on schedule with the main activity in oil pipeline construction before proceeding to oil block development. This has slightly affected the Group's performance in that project for the Quarter. In South America, the Group, after two years of laying the groundwork, is now poised to benefit from its business development efforts, and expects the region to emerge as the next growth area in the overseas market.

OPERATIONAL UPDATE ON THE SECOND QUARTER OF 2013

During the Quarter, the Group's core business, oil and gas field development technical services, continued to record positive growth. Major services saw both solid business development in existing markets and the successful introduction of new techniques and service models to provide strong support for business growth. In the Quarter, multistage fracking and drilling fluid services continued to win new volume orders in existing markets, further solidifying the market position of these businesses. With respect to new techniques and service models, the coiled tubing fracturing technique launched earlier and promoted under coiled tubing services established a strong market following proven successful field tests. In directional drilling, new techniques were developed in response to customer need for drilling optimization. In well completion services, the deployment of the newly launched fullbore acidizing and fracturing technique became scalable in the Tarim Basin. Also, a drill pad of ultra-deep wells of more than 6,500 meters in depth in the Tarim Basin employed one of the latest multistage fracking techniques marketed under the well completion services. The successful operation of this technique and the material yield improvement secured follow-on orders for the service. In drilling new technology services (previously known as "integrated services"), a successful marketing effort was made for horizontal well cementing services in the shale gas market. This further diversified the Group's offering of technical services for shale gas development.

As the Group accelerated its capacity building efforts, pressure pumping services has commenced job execution since in the Quarter. The first purchased equipment for rig services also started drilling in the Quarter.

In light of higher customer requirement for safety in natural gas development, the inspection business under tubular services expanded from drilling tool inspection to include oil casing inspection as well. Going forward, the focus will shift towards an integrated service model with inspection at the core while encompassing repair, leasing and operation for the provision of a full range of services. Such an integrated model will significantly increase the affinity of the tubular services cluster with its clients and its ability to offer one-stop services. It will benefit clients with cost savings and improved operation safety. This will also be a catalyst to scale up this cluster.

NEW ORDERS AWARDED OR MAJOR CONTRACTS SIGNED

— In the Tarim Basin, in the conventional gas space, drilling fluid services signed a "general contract of oil-based drilling fluid service for 8 wells"; well completion integration services signed a "contract of pilot demonstration for new multistage fracking technique" for a pad of ultra-deep wells.

— In the Erdos Basin, in the tight oil and gas space, multistage fracking services signed a "2013 horizontal well completion with open-hole packer and multistage fracking technical services contract" with a Sinopec subsidiary, with an estimated volume of over 15 jobs; the coiled tubing services signed a "2013 coiled tubing multistage fracking technical services contract" with a Sinopec subsidiary, with an estimated volume of over 10 jobs; pressure pumping services signed a "fracturing engineering service framework agreement" with a state-owned oilfield service company, with an estimated volume of approximately 20 jobs.

— In the Sichuan Basin, in the space of tight gas, directional drilling services signed a "geosteering service implementation agreement" for 5 wells. In shale gas, drilling new technology services signed a horizontal well cementing technical service contract for 2 wells.

— In the Halfaya project in Iraq, oil production services signed an agreement for the "provision of operation and maintenance for gas receiving station and gas export pipeline" for one firm year and one optional year.

PROGRESS IN ALIGNMENT OF STRATEGIC RESOURCES

To implement an integrated service strategy driven by high-end services and supported by regular services, the Group has accelerated its capacity building efforts in regular services related to stimulation. It invested more in regular services equipment essential for stimulation and the provision of integrated service. In the Quarter, the Group added new pressure pumping equipment with the total amount of 31,200 hydraulic horsepower ("**HHP**") and made plans to further increase the hydraulic horsepower capacity. Meanwhile, two purchased rigs in the 5,000-meter model were delivered in May and June 2013 respectively.

In addition to investing in regular services equipment, the Group made a greater effort in attracting the best talents in geology and oil reservoir areas to enhance the Group's oil reservoir evaluation and analysis capabilities in support of the integrated service model, which, going forward, will synergize with the strengths of the joint venture "Tongzhou IPM" and of the Group's individual service clusters to provide integrated services to its clients.

An important resource to supplement investments is talent. In the Quarter, the Group further accelerated the progress of talent recruitment. Campus recruitment headcount increased from 400 planned in January to 680 revised in the Quarter. The new recruits will arrive in the third quarter and receive training. Meanwhile, 110 experienced professionals were hired. In the Quarter, the Group launched a "succession plan" and completed the selection of successors for all key positions. Talents with high potential would be developed with customized career plans so as to shape up the talent pool for the sustainable growth of the Group.

In terms of the construction of business bases, the down-hole operation business headquarters in Suining, Sichuan province, funded and constructed by a strategic partner based on the Group's requests, has completed the engineering work for the principal structure of the buildings and is expected to become ready for use by year-end of 2013. Upon completion, the base will serve as the head office for the Group's down-hole operation and provide parking space, repair and maintenance facilities for down-hole equipment, staff training as well as frontline operational support facilities. It will also provide office space and accommodation for down-hole engineers. In addition, the well completion tools base in Tianjin Binhai New Area, funded and constructed by a strategic partner based on the Group's requests, is now in the stage of design validation with respect to the production lines. Civil engineering for the plant has commenced. Once completed, the base will integrate a full range of functions centered around well completion tools such as tool design, experimentation, assembly, testing and processing. The locational strength of Tianjin will also be leveraged to support such Group activities as procurement, warehousing, logistics and import and export.

On financing, the Group further broadened its access to offshore financing. On 14 June 2013, two wholly-owned subsidiaries of the Group signed a revolving trade financing and general facility letter with The Royal Bank of Scotland plc, Hong Kong Branch ("**RBS**") pursuant to which a revolving trade finance and general facility in the aggregate amount of US$40,000,000 was granted to the Group for a period of six months.

In other developments, the continuing connected transaction consummated by the Group's master mutual supply and purchase agreement with Schlumberger signed on 24 April 2013 had duly been approved by the independent shareholders of the Company at the extraordinary general meeting held on 3 June 2013. Pursuant to the master mutual supply and, purchase agreement, the Group would sell to and buy from Schlumberger Group in the drilling technology category, well completion category, down-hole operation category and IPM category.

OUTLOOK FOR OPERATIONS IN THE THIRD QUARTER OF 2013

Looking ahead to the third quarter, domestic and overseas markets are expected to witness steady growth, while preliminary projects on shale gas will commence early work in the domestic market. The Group will execute a full order backlog as scheduled, actively participate in several large tenders and speed up the marketing of new techniques and service models to achieve widespread adoption. It will continue to ensure the timely delivery of regular services equipment and promote the integrated services model.

ALIGNMENT OF STRATEGIC RESOURCES

The Group will continue to rally resources aligned with its strategy. In the third quarter, a fleet of ten 2,000-model pressure pumping equipment will be added, with a combined hydraulic horsepower of 20,000. One rig in the 5,000-meter model will be scheduled to arrive. In terms of human resources, the induction and training for new campus recruits will take place to ready them for field work. Meanwhile, the Group will focus on attracting and developing strategic talent and continue to improve the human resources system to ensure the long-term development of the Group. On financing, the Group plans to complete the issuance of the second tranche of medium-term note of a principal amount of RMB200 million.

By order of the Board
Anton Oilfield Services Group
LUO Lin
Chairman

Hong Kong, 12 July 2013

As at the date of this announcement, the executive Directors of the Company are Mr. Luo Lin, Mr. Wu Di and Mr. Liu Enlong; the non-executive director is Jean Francois POUPEAU; and the independent non-executive Directors are Mr. Zhang Yongyi, Mr. Zhu Xiaoping and Mr. Wang Mingcai.

APPENDICES:

OPERATIONAL SUMMARY OF OIL AND GAS FIELD DEVELOPMENT TECHNICAL SERVICES

Business cluster	Major Product Classification	Number of jobs completed in the Quarter (Well counts)			Number of jobs completed in the same quarter 2012 (Well counts)			Year-to-date total number of jobs completed (Well counts)			Remark
		Domestic	Overseas	**Sub-total**	Domestic	Overseas	**Sub-total**	Domestic	Overseas	**Sub-total**	
Drilling Technology Cluster	Directional drilling services	24	7	**31**	18	11	**29**	37	15	**52**	—
	Drilling fluid services	7	—	**7**	—	—	**—**	9	—	**9**	—
	Drilling new technology services	5	—	**5**	5	—	**5**	5	—	**5**	Previously called "integrated services"
	Rig services	1	—	**1**	—	—	**—**	2	—	**2**	—
	Sub-total	**37**	**7**	**44**	**23**	**11**	**34**	**53**	**15**	**68**	—
Well Completion Cluster	Well completion integration services	29	37	**66**	44	29	**73**	41	54	**95**	Well completion service work volume is disclosed only by the number of jobs performed and excludes product sales.
	Gravel packing services	121	—	**121**	159	—	**159**	210	—	**210**	Gravel packing service work volume is disclosed only by the number of jobs performed and excludes product sales.
	Sub-total	**150**	**37**	**187**	**203**	**29**	**232**	**251**	**54**	**305**	—
Down-hole Operation Cluster	Multistage fracking services	69	—	**69**	27	—	**27**	100	—	**100**	—
	Coiled tubing services	71	28	**99**	61	50	**111**	120	61	**181**	—
	Pressure pumping services	26	—	**26**	—	—	**—**	26	1	**27**	—
	Tubular helium testing services	100	—	**100**	87	—	**87**	125	—	**125**	—
	Sub-total	**266**	**28**	**294**	**175**	**50**	**225**	**371**	**62**	**433**	—
	Total	**453**	**72**	**525**	**401**	**90**	**491**	**675**	**131**	**806**	—

OPERATIONAL SUMMARY OF TUBULAR SERVICES

Business Cluster	Major Product Classification	Number of jobs completed in the Quarter (Number of tubular pipes)			Number of jobs completed in the same quarter 2012 (Number of tubular pipes)			Year-to-date total number of jobs completed (Number of tubular pipes)			Remark
		Domestic	Overseas	**Sub-total**	Domestic	Overseas	**Sub-total**	Domestic	Overseas	**Sub-total**	
Tubular Services Cluster	Inspection and evaluation (tubular inspection)	233,786	17,976	**251,762**	154,951	18,412	**173,363**	452,184	33,569	**485,753**	—
	Operation management and repair (repair, welding, coating)	144,593	6,291	**150,884**	90,738	3,056	**93,794**	213,219	7,922	**221,141**	—
	Tubular leasing	1,093,050	—	**1,093,050**	416,340	—	**416,340**	1,614,789	—	**1,614,789**	Tubular leasing service is measured by the number of tubulaar pipe days.

ORDER BACKLOG OF OIL AND GAS FIELD DEVELOPMENT TECHNICAL SERVICES

Business cluster	Major Product Classification	Confirmed jobs in the backlog as of 30 June 2013 (Well counts)			Remark
		Domestic	Overseas	**Sub-total**	
Drilling Technology Cluster	Directional drilling services	23	12	**35**	—
	Drilling fluid services	13	—	**13**	—
	Drilling new technology services	5	—	**5**	Previously called "integrated services"
	Rig services	7	—	**7**	—
	Sub-total	**48**	**12**	**60**	—
Well Completion Cluster	Well completion integration services	30	32	**62**	—
	Gravel packing services	200	—	**200**	—
	Sub-total	**230**	**32**	**262**	—
Down-hole Operation Cluster	Multistage fracking services	44	—	**44**	—
	Coiled tubing services	83	40	**123**	—
	Pressure pumping services	69	—	**69**	—
	Tubular helium testing services	70	—	**70**	—
	Sub-total	**266**	**40**	**306**	—
	Total	**544**	**84**	**628**	—

Notes:

- The confirmed jobs in the backlog are completed in different progress within the agreed contract period of the order, and the progress of job completion depends on a multitude of factors, including but not limited to the engineering schedules of the clients, the progress of upstream operations, weather conditions, and the availability of all service resources.

- Most of the jobs in the backlog mentioned above will be completed in the next 12 months.

ORDER BACKLOG OF TUBULAR SERVICES

Business Cluster	**Major Product Classification**	**Confirmed jobs in the backlog as of 30 June 2013 (Number of Tubular Pipes)**			**Remark**
		Domestic	Overseas	**Sub-total**	
Tubular Services Cluster	Inspection and evaluation (tubular inspection)	178,387	19,800	**198,187**	—
	Operation management and repair (repair, welding, coating)	120,620	7,100	**127,720**	—
	Tubular leasing	1,350,000	—	**1,350,000**	Tubular leasing service is measured by the number of tubular pipe days.