



GREAT EASTERN ENERGY CORPORATION LTD.

ANNUAL FINANCIAL REPORT **2011-12**





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Yogendra Kr. Modi-Chairman & CEO

Mr. Kashi Nath Memani

Mr. Pejavar Murari

Mr. Haigreve Khaitan

Mr. Paul Sebastian Zuckerman

Mr. Gurvirendra Singh Talwar (Rana Talwar)

Mr. Ashok Jha

PRESIDENT & CHIEF OPERATING OFFICER

Mr. Prashant Modi

NAME OF BANKERS

1. State Bank of India
2. State Bank of Travancore
3. State Bank of Patiala
4. State Bank of Mysore
5. Union Bank of India
6. Canara Bank
7. ICICI Bank Limited

CHAIRMAN'S STATEMENT

Financials

In the 12 months to 31 March 2012 Great Eastern made excellent progress across the business, in line with our expectations and delivering significant growth in production, revenue and profit.

The increase in revenue and profit was as a result of the significant uplift in gas production and corresponding sales. With existing gas sales contracts / MOUs in place, any increase in production is immediately reflected in enhanced revenue, which in turn falls through to enhanced cash flow.

Total revenue increased by 76% to US\$23.72m as compared to the corresponding previous financial year, while EBITDA increased by 119% to US\$14.30m. On a constant currency basis total revenue has increased 85% to Rs. 1,137m (Year ended 31 March 2011 Rs. 614m).

At the PAT level (pre MTM) the company has made a significant profit of US\$5.41m as compared to profit (pre MTM) of US\$1.62m during the last financial year. MTM (Mark to Market) is on account of the restatement of the foreign currency loans and derivatives.

The Company has a long term debt of US\$89.14m as at 31 March 2012. The Company is in negotiations to arrange further debt facilities, which are expected to be in place during H1 2012.

The supply and demand dynamic for Indian gas, and the pricing environment, remains extremely attractive and is likely to remain so for some years to come.

Reserves, Drilling & Production

In February we announced a significant increase in our reserve numbers, as provided by independent reserve engineers Netherland Sewell & Associates, Inc. (NSAI). There has been a substantial increase of 411% in gross Proven, Probable and Possible reserves (3P) at Raniganj (South) Block and Contingent Resources (3C) have increased by 295 BCF.

We continue to make progress in the ramp up of production. A total of 116 wells have now been drilled at our world-class Raniganj block, with a total of 89 wells dewatering and producing gas, a 57% increase over the previous year.

As announced in February 2012, an independent assessment by Advanced Resources International, Inc. indicated that the coal seams of the southern area of our Raniganj block are under-saturated. Because of under-saturation character of coal seams, the dewatering time has been pushed out to 8-12 months instead of 2-3 months.

This under-saturation of coal seams is widely seen in some CBM fields in USA. For example, Powder River, North Appalachian, and portions of the Uinta and San Juan basin where, despite under-saturation, more than 30,000 wells are commercially producing.

Historical studies demonstrate that under-saturation has minimal long term effect on commercial production of the wells, and also the percentage Expected Ultimate Recovery (EUR) per well. Consequently the sole impact of under-saturation is on the time required to dewater the well to achieve initial production. 9 wells in the southern area of our Raniganj block are now producing, as opposed to 3 wells in February 2012.

Since the announcement of the half yearly results we have fraced a further 20 wells, which puts us on track to achieve our target of fracing 40 wells per year.

The commencement of drilling deviated wells from a single well site and the drilling of multiple wells from the same location will also accelerate production, with increased time efficiency and faster completions. To date 17 deviated wells have been drilled.

Oil and Natural Gas Corporation Limited (ONGC) has opened an offer process for partners in its various CBM blocks. The Company has submitted its offer for their Raniganj (North) block which is located adjacent to the existing Raniganj (South) block of the Company. The said ONGC block covers an area of 350 sq. km and according to Directorate General of Hydrocarbons, it has a resource potential of 1.52 TCF, which is comparable with Great Eastern Energy's producing block in its vicinity.



Sales, Marketing, & Distribution

Since November 2011 additional contracts were signed for 3.24 mmscfd. In total, the Company has 37.53 mmscfd gas under contract / MOU. This represents an increase of 20% over the year.

Great Eastern is well placed to be the supplier of choice for gas resources in the highly industrialised area of West Bengal, where demand is both substantial and growing. Our position as supplier of choice to our local customers is underpinned by our fully-functioning infrastructure, including our pipeline which runs through the key industrial areas.

Mannargudi CBM Block

The Mannargudi Block covers an effective area of 667 sq. km. and is located in the southern part of the country.

The Company signed a CBM Contract for the Mannargudi block with the Government of India on 29 July 2010, and has signed the Petroleum Exploration License (PEL) with the Government of Tamil Nadu. The Company has also applied for the Environment Clearance which is in process. The approvals are expected to be in place in H1 2012 and the work will start soon thereafter which will consist of 30 pilot production wells and 50 core holes.

CSR

Great Eastern views itself as an integral part of the community in which it works, with the business designed to not only create value for the company but also to make a positive contribution to the sustainable development of the local area. The Company has added value not only in economic terms, but also through improving the quality of life in its surroundings.

While achieving high levels of safety in its operations, the company has contributed towards create primary and secondary employment in the area. Great Eastern has contributed towards improving the environment in its operational area through substitution of polluting fuels with the use of clean energy.

To encourage better mental and physical health Great Eastern sponsors a number of medical camps, blood donation camps, sporting activities, and community health initiatives in the region.

I would like to thank our management team and all personnel for their ongoing contribution to our continuing success.

Outlook

We are well placed to build on the success of the 12 months to 31 March 2012 in the current year to 31 March 2013. We will continue to drive production growth in the Raniganj Block, and project execution will be facilitated by the second rig and best-of-breed fracturing technology.

We have the infrastructure in place to meet the needs of the multiple large industrial customers in the region, and consequently each increase in production feeds directly through to revenue.

We look forward to commencing work at the Mannargudi Block on the basis of receiving the expected approvals in Q2 2012.

Looking further ahead we have an exciting drilling schedule with some 184 wells planned to be drilled over the next five years on the Raniganj block alone. We are confident that our consistent execution in growing our production will continue to deliver value to our shareholders.

Yours truly,

Yogendra Kr. Modi
Chairman & CEO
Great Eastern Energy Corporation Limited

May 14, 2012

INDEPENDENT AUDITORS' REPORT

To the Members of
Great Eastern Energy Corporation Limited

We have audited the accompanying financial statements of Great Eastern Energy Corporation Limited ("the Company"), which comprise the statement of financial position as at 31 March 2012, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Date : 11 May 2012

Place : Gurgaon



All amounts in US dollars unless otherwise stated

Statement of financial position

| | Notes | As at 31 March | |
|---|-------|--------------------|--------------------|
| | | 2012 | 2011 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 99,273,933 | 98,725,859 |
| Capital work-in-progress | 7 | 67,657,015 | 43,773,525 |
| Intangible assets | 8 | 551,093 | 360,252 |
| Available for sale-financial assets | 12 | 195 | 224 |
| Prepayments | 9 | 148,799 | 117,374 |
| Trade and other receivables | 11 | 68,151 | 20,367 |
| Other assets | | 319,177 | 170,981 |
| Total non-current assets | | 168,018,363 | 143,168,582 |
| Current assets | | | |
| Trade and other receivables | 11 | 1,764,440 | 1,780,576 |
| Other current assets | | 70,549 | 89,792 |
| Derivative asset | 5 | – | 603,953 |
| Prepayments | 9 | 284,913 | 928,905 |
| Available for sale-financial assets | 12 | – | 173,179 |
| Current tax assets | | 345,490 | 245,337 |
| Restricted deposits with banks | 13 | 4,302,704 | 4,903,471 |
| Deposits with banks | 10 | 1,521,160 | 16,419,133 |
| Cash and cash equivalents | 14 | 1,514,854 | 514,780 |
| Total current assets | | 9,804,110 | 25,659,126 |
| Total assets | | 177,822,473 | 168,827,708 |
| Equity | | | |
| Share capital | 15 | 13,306,007 | 13,021,808 |
| Share premium | | 91,006,858 | 78,502,121 |
| Reserves | | (7,270,546) | 1,624,906 |
| Retained earnings | | (22,824,341) | (20,077,651) |
| Total equity attributable to equity holders of the Company | | 74,217,978 | 73,071,184 |
| Liabilities | | | |
| Loans and borrowings | 17 | 78,616,244 | 81,430,534 |
| Employee benefits | 18 | 671,356 | 571,732 |
| Employee share based payment liability | 16 | 146,286 | – |
| Derivative liabilities | 5 | 3,410,694 | – |
| Provisions | 20 | 185,013 | 71,932 |
| Total non-current liabilities | | 83,029,593 | 82,074,198 |
| Loans and borrowings | 17 | 10,523,792 | 5,178,470 |
| Trade and other payables | 19 | 8,335,949 | 7,501,362 |
| Employee benefit liability | 18 | 75,937 | 80,791 |
| Employee share based payment liability | 16 | 27,333 | – |
| Other current liabilities | | 860,351 | 689,969 |
| Derivative liabilities | 5 | 751,540 | 231,734 |
| Total current liabilities | | 20,574,902 | 13,682,326 |
| Total liabilities | | 103,604,495 | 95,756,524 |
| Total equity and liabilities | | 177,822,473 | 168,827,708 |

The accompanying notes form an integral part of the financial statements

On behalf of Board of DirectorsYogendra Kr. Modi
Chairman and Chief Executive OfficerKashi Nath Memani
DirectorPlace: New Delhi
Date : 11 May 2012Place: New Delhi
Date : 11 May 2012

All amounts in US dollars unless otherwise stated

Income Statement

| | Notes | For the year ended 31 March | |
|--|-----------|-----------------------------|--------------------|
| | | 2012 | 2011 |
| Revenue | | | |
| – Sale of gas | | 22,648,286 | 13,059,419 |
| – Other operating revenue | | 717,281 | 377,375 |
| Other income | 24 | 356,849 | 46,997 |
| | | 23,722,416 | 13,483,791 |
| Stores and consumables | | (1,156,487) | (859,298) |
| Employee benefit expenses | 23 | (2,163,110) | (1,978,591) |
| Depletion, depreciation and amortisation | | (2,845,562) | (2,351,243) |
| Other operating expenses | 22 | (6,105,836) | (4,106,935) |
| Results from operating activities | | 11,451,421 | 4,187,724 |
| Finance income | 25 | | |
| – Exchange fluctuation gain and change in fair value of derivative instruments | | – | 894,260 |
| – Other finance income | | 542,389 | 1,058,161 |
| | | 542,389 | 1,952,421 |
| Finance expenses | 26 | | |
| – Exchange fluctuation loss and change in fair value of derivative instruments | | (8,154,900) | (1,885,403) |
| – Other finance expenses | | (6,588,031) | (5,685,673) |
| | | (14,742,931) | (3,800,270) |
| Listing expenses | 35 | – | (718,337) |
| Net finance costs | | (14,200,542) | (4,451,589) |
| Loss before tax | | (2,749,121) | (263,865) |
| Income tax expense | | – | – |
| Loss for the year | | (2,749,121) | (263,865) |
| Loss per share | 27 | | |
| Basic loss per share (USD) | | (0.047) | (0.005) |
| Diluted loss per share (USD) | | (0.047) | (0.005) |

The accompanying notes form an integral part of the financial statements

On behalf of Board of Directors

Yogendra Kr. Modi
Chairman and Chief Executive Officer

Kashi Nath Memani
Director

Place: New Delhi
Date : 11 May 2012

Place: New Delhi
Date : 11 May 2012



All amounts in US dollars unless otherwise stated

Statement of comprehensive income

| | For the year ended 31 March | |
|--|-----------------------------|------------------|
| | 2012 | 2011 |
| Loss for the year | (2,749,121) | (263,865) |
| Other comprehensive income | | |
| Net change in fair value of available-for-sale financial assets | – | 9,168 |
| Net change in fair value of available-for-sale financial assets reclassified to profit or loss | (13,465) | (541,608) |
| Foreign currency translation adjustment | (8,704,227) | 792,305 |
| Total other comprehensive income | (8,717,692) | 259,865 |
| Tax expense | – | – |
| Total comprehensive income for the year | (11,466,813) | (4,000) |
| Loss attributable to: | | |
| Owners of the Company | (2,749,121) | (263,865) |
| Total comprehensive loss attributable to: | | |
| Owners of the Company | (11,466,813) | (4,000) |

The accompanying notes form an integral part of the financial statements

On behalf of Board of Directors

Yogendra Kr. Modi
Chairman and Chief Executive Officer

Kashi Nath Memani
Director

Place: New Delhi
Date : 11 May 2012

Place: New Delhi
Date : 11 May 2012