GREKA
DRILLING

INTERIM REPORT **2015**

CONTENTS

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Revenue increased 33% to US$11.9 million (H1 2014: US$8.9 million)
- US$6.0 million of cash on hand as at 30 June 2015 (US$4.8 million restricted)(US$8.0 million (US$6.3 million restricted) as at 31 December 2014)
- US$6.2 million bank loans as at 30 June 2015 (US$11.9 million as at 31 December 2014)
- Loss of US$4.8 million (H1 2014: loss of US$4.0 million)

Number of wells drilled increased **by 47%**

OPERATIONAL HIGHLIGHTS

- 28 wells drilled in first half of 2015 versus 19 in the same period in 2014, a 47% increase
- 19 wells drilled in China, of which 2 were laterals and 17 were verticals and directionals
- 9 vertical and directional wells drilled in India
- 26,367 metres drilled, versus 21,159 metres in the same period in 2014, a 25% increase
- Fastest Vertical well was drilled to a total depth ("TD") of 652 metres in 9.9 days (spud to completion).
- Fastest Directional well was drilled to TD of 848 metres in 6.7 days (spud to completion).
- LiFaBriC well intersection rate of 100%
- 20,721 man-hours of training were conducted for Company staff in China and India during H1 2015, a 137% increase over H1 2014
- Maintained our zero Lost Time Incident Rate

MR. RANDEEP S. GREWAL, CHAIRMAN AND CHIEF EXECUTIVE OF GREKA DRILLING LIMITED, COMMENTED:

"While there were delays in mobilisation for our key clients in the first few months of 2015, the Green Dragon Gas 30-well LiFaBriC contract is now in full swing and we continue to expect this drilling campaign to be completed by year-end. As a result we still anticipate that the full year results for 2015 will be an improvement on those for 2014. The global E&P sector has seen a material reduction in drilling campaigns over the last year as operators struggle to fund their field developments and all service sector companies have felt the impact of such reductions. Our current focus areas of India and China have not been immune to this, for example we have seen a decrease in the drilling budgets for Chinese state-owned oil & gas companies. However, it is also evident that more funds are now being committed for the 2016 drilling campaigns than in 2015 for a number of Chinese and Indian CBM operators, in India because of a government drive to push CBM and in China because of the sustained high gas prices and demand growth relative to the rest of the world. We remain bullish about the opportunities for Greka Drilling as the leading independent driller for unconventional gas in Asia."

For further information on Greka Drilling, please refer to our website at **www.grekadrilling.com** or contact:

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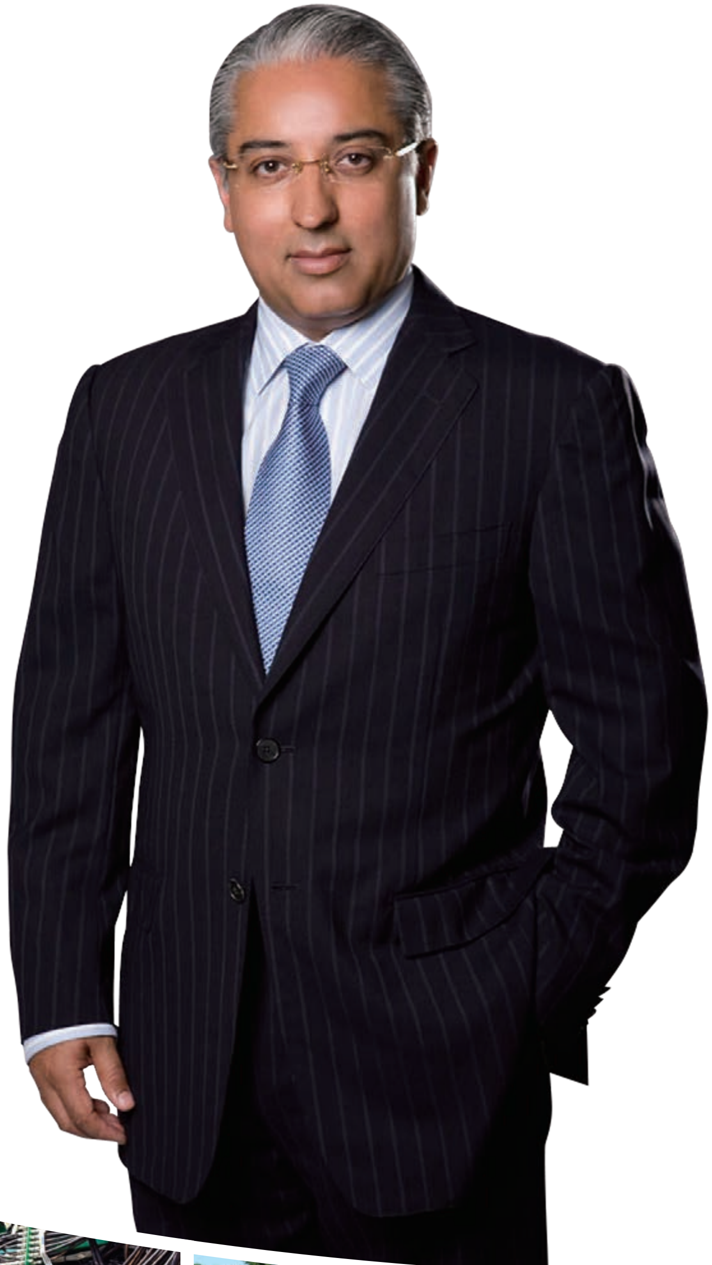
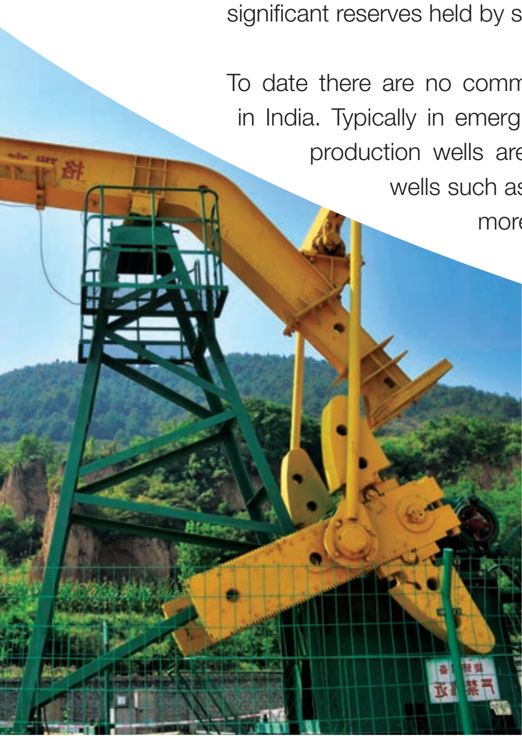
CHAIRMAN'S STATEMENT



As anticipated, the first six months of 2015 saw a significant increase in the number of wells drilled, with an almost 50% rise compared to the same period in 2014. This increase is in distinct contrast to the contraction that has been seen for almost every other drilling company in the oil & gas industry. It reflects the number of opportunities that lie within the unconventional gas sector in Asia and the ability of Greka Drilling to capitalise on them.

We continued to drill in India for Essar Oil Limited, for whom we drilled an additional 9 vertical and directional wells. This drilling campaign has been suspended, but there remains a stated intent from Essar to drill a pilot LiFaBriC so as to evaluate the application of horizontal wells in their CBM reservoirs. The Indian coal bed methane industry is still at an early stage with daily production of only 1 million m3/day, which is only 10% of the daily CBM production in China. This could double over the next few years under plans announced in June 2015 by the Government of India to better exploit the country's CBM reserves, including significant reserves held by state-owned ONGC.

To date there are no commercially producing horizontal wells in India. Typically in emerging CBM resource areas the initial production wells are verticals but gradually horizontal wells such as LiFaBriC are deployed as they are more cost effective and have a lower environmental impact; we



saw this in China and Australia and we expect to see the same in India. Our rig fleet is the most efficient for CBM drilling in India and we are currently training our Indian crews in China in anticipation of increasing demand for horizontal wells in the region. We are well-positioned for the upturn, when it materialises, but we are reducing our field costs in the interim.

The LiFaBriC drilling campaign in China for Green Dragon Gas commenced in June. The later than planned mobilisation exacerbated our losses in the first half of the year though we expect the 30 LiFaBriC well contract to be completed before year-end as budgeted. We have been particularly pleased by the continuing innovation in our China operations in 2015. For example, we are increasingly drilling multiple wells from the same drilling pad, in some cases re-drilling older wells to enhance production; and we recently intersected a LiFaBriC lateral into a directional production well at a 1,500 metre measured depth, which demonstrates our exceptional steering ability. In the first half of 2015 we continued to drill for third parties including the drilling of lateral wells for PetroChina and we anticipate new third party contracts later in the year.

While other drilling and E&P service companies are downsizing in response to the lower oil price, Greka Drilling is expanding its team: we see significant opportunities in the medium and long term within our niche of unconventional gas and look forward to capitalising upon them during this downturn in commodity prices.

I look forward to updating our shareholders on the growth of Greka Drilling.

Randeep S. Grewal

Chairman

21 September, 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months ended 30 June 2015 US$'000 Unaudited**	Six months ended 30 June 2014 US$'000 Unaudited	Year ended 31 December 2014 US$'000 Audited
Revenue	3	**11,892**	8,926	24,421
Cost of sales		**(12,428)**	(6,498)	(18,149)
Gross (loss)/profit		**(536)**	2,428	6,272
Administrative expenses		**(3,914)**	(4,567)	(9,082)
Total administrative expenses		**(3,914)**	(4,567)	(9,082)
Loss from operations		**(4,450)**	(2,139)	(2,810)
Finance income	4	**1**	286	390
Finance costs	5	**(480)**	(2,492)	(2,878)
Loss before income tax		**(4,929)**	(4,345)	(5,298)
Income tax charge	6	**122**	336	(452)
Loss for the period		**(4,807)**	(4,009)	(5,750)
Other comprehensive income:				
Exchange differences on translation of foreign operations		**228**	278	316
Total comprehensive expense for the period		**(4,579)**	(3,731)	(5,434)
(Loss)/profit for the period attributable to:				
— Owners of the company		**(4,791)**	(4,042)	(5,757)
— Non-controlling interests		**(16)**	33	7
		(4,807)	(4,009)	(5,750)
Total comprehensive (expense)/income attributable to:				
— Owners of the company		**(4,622)**	(4,059)	(5,514)
— Non-controlling interests		**43**	328	80
		(4,579)	(3,731)	(5,434)
(Loss) per share				
— Basic and diluted (cents)	7	**(1.22)**	(1.02)	(0.0144)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2015 US$'000 Unaudited	As at 31 December 2014 US$'000 Audited
Assets			
Non-current assets			
Property, plant and equipment	8	**91,013**	92,963
Intangible assets		**452**	492
		91,465	93,455
Current assets			
Inventories	10	**7,635**	6,740
Trade and other receivables	11	**4,983**	7,306
Cash and bank balances	12	**6,018**	8,017
		18,636	22,063
Total assets		**110,101**	115,518
Liabilities			
Current liabilities			
Trade and other payables	13	**34,498**	29,344
Loans and borrowings	14	**6,216**	11,930
		40,714	41,274
Non current liabilities			
Deferred tax liabilities	9	**1,091**	1,369
		1,091	1,369
Total net assets		**68,296**	72,875
Capital and reserves			
Share capital		**4**	4
Capital reserve		**77,186**	77,186
Merger reserve		**(1,533)**	(1,533)
Reserve fund		**917**	917
Foreign exchange reserve		**1,255**	1,086
Retained (deficit)/earnings		**(9,200)**	(4,409)
Total equity/(deficit) attributable to owners of the Company		**68,629**	73,251
Non-controlling interests		**(333)**	(376)
Total equity		**68,296**	72,875

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital US$'000	Share premium US$'000	Invested capital US$'000	Reserve fund US$'000	Foreign exchange reserve US$'000	Retained deficit US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
At 01 January 2014 – audited	**4**	**77,186**	**(1,533)**	**917**	**843**	**1,348**	**78,765**	**(456)**	**78,309**
Loss for the period	–	–	–	–	–	(4,042)	(4,042)	33	(4,009)
Other comprehensive (expense)/income:									
– Exchange difference on translation of foreign operations	–	–	–	–	(17)	–	(17)	295	278
Total comprehensive (expense)/income for the period	–	–	–	–	(17)	(4,042)	(4,059)	328	(3,731)
At 30 June 2014 – unaudited	**4**	**77,186**	**(1,533)**	**917**	**826**	**(2,694)**	**74,706**	**(128)**	**74,578**
At 01 January 2015 – audited	**4**	**77,186**	**(1,533)**	**917**	**1,086**	**(4,409)**	**73,251**	**(376)**	**72,875**
Loss for the period	–	–	–	–	–	(4,791)	(4,791)	(16)	(4,807)
Other comprehensive income:									
– Exchange difference on translation of foreign operations	–	–	–	–	169	–	169	59	228
Total comprehensive income/(expense) for the period	–	–	–	–	169	(4,791)	(4,622)	43	(4,579)
At 30 June 2015 – unaudited	**4**	**77,186**	**(1,533)**	**917**	**1,255**	**(9,200)**	**68,629**	**(333)**	**68,296**

CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 June 2015 US$'000 Unaudited	6 months ended 30 June 2014 US$'000 Unaudited	Year ended 31 December 2014 US$'000 Audited
Operating activities:			
Loss before income tax	**(4,929)**	(4,345)	(5,298)
Adjustments for:			
Depreciation	**2,037**	2,307	4,453
Amortisation of other intangible assets	**40**	40	80
Loss on disposal of property, plant and equipment	**—**	—	50
Finance losses	**156**	—	776
Finance income	**(1)**	(286)	(390)
Finance costs	**324**	2,492	2,102
Operating cash flows before changes in working capital	**(2,373)**	208	1,773
(Increase)/decrease in inventories	**(889)**	610	1,030
Decrease in trade and other receivables	**2,323**	5,756	2,208
Increase in trade and other payables	**5,154**	5,883	3,880
Cash generated from/(utilised by) operations	**4,215**	12,457	8,891
Income tax payment	**(172)**	(25)	(2)
Net cash from operating activities	**4,043**	12,432	8,889
Investing activities:			
Payments for purchase of property, plant and equipment	**(44)**	(9)	(1,247)
Payments for intangible assets	**—**	(9)	(9)
Proceeds from disposal of property, plant and equipment	**—**	—	—
Interest received	**1**	286	390
Net cash generated by/(used in) investing activities	**(43)**	268	(866)
Financing activities			
Transfers from/(to) restricted cash	**1,526**	(2,885)	6,523
Proceeds of loan	**6,216**	14,302	21,639
Repayment of short term loan	**(11,930)**	(22,880)	(35,819)
Finance costs paid	**(551)**	(1,622)	(2,356)
Net cash (used in)/from financing activities	**(4,739)**	(13,085)	(10,013)
Net (decrease)/increase in cash and cash equivalents	**(739)**	(385)	(1,990)
Cash and cash equivalents at start of year	**1,737**	3,994	3,994
	998	3,609	2,004
Effect of foreign exchange rate changes	**261**	(4)	(267)
Cash and cash equivalents at end of year	**1,259**	3,605	1,737

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The consolidated unaudited interim financial information set out in this report is based on the consolidated financial statements of Greka Drilling and its subsidiary companies (together referred to as the "Group").

2. ACCOUNTING POLICIES

The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union except for IAS 34. The financial statements of the Group for the 6 months ended 30 June 2015 were approved and authorised for issue by the Audit Committee and the Board on 12 September 2015.

The interim financial statements have been prepared in accordance with the accounting policies that are consistent with the December 2014 financial statements and the same policies are expected to apply for the year ended 31 December 2015. The financial information for the six months to 30 June 2015 does not constitute audited accounts of the Company or the Group. The accounts for the year ended 31 December 2014 were audited and the auditor's report for the year ended 31 December 2014 was unqualified and did not include any references to any matters to which auditors drew attention by way of emphasis. The comparative figures for the year ended 31 December 2014 have been extracted from audited accounts.

Basis of preparation

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly consolidated financial statements.

The consolidated financial information is presented in United States dollars and all values are rounded to the nearest thousand dollars (US$'000) except when otherwise indicated.

The consolidated financial information has been prepared in accordance with the requirements of the AIM Rules for Companies and in accordance with this basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with IFRS except as described above.

The preparation of consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial information are disclosed in note 2 to the financial information in the 31 December 2014 annual report. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

2. ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates

The Group makes estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk or cause a material adjustment to the carrying amounts of assets and liabilities during the years are as follows:

Impairment of property plant and equipment

Management reviews the carrying amounts and useful economic lives of property, plant and equipment at each reporting date to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

Circumstances that could indicate a potential impairment include significant adverse changes in industry trends, economic climate, legal factors and an adverse action or assessment by a regulator. More specifically, significant adverse changes in industry trends include significant declines in revenue rates, utilisation rates, natural gas market prices and industry rig counts for drilling rigs. In performing an impairment evaluation, management estimate the future discounted value of net cash flows from the use and eventual disposition of property plant and equipment grouped at the lowest level that cash flows can be identified. If the sum of the estimated future discounted value of net cash flows is less than the carrying amount of the property plant and equipment for these asset grouping levels, then an impairment charge is recognised. The amount of an impairment charge would be measured as the difference between the carrying amount and the fair value of these assets. The Group did not record an impairment charge on any property plant and equipment for period ending ended 30 June 2015. The key estimates made include the demand for drilling, estimated rig life, future prices, cost levels, long term growth rates and discount rates. The assumptions used in the impairment evaluation for property plant and equipment are inherently uncertain and require management judgment.

Depreciation

The Group depreciates drilling rigs and associated equipment on units of production basis. This requires estimates of the total drilling life of these assets. These estimates, derived in conjunction with the Group's engineers, are inherently judgmental.

3. REVENUE AND SEGMENTAL INFORMATION

The Group determines its operating segment based on the reports reviewed by the chief operating decision-makers ("CODMs") that are used to make strategic decisions.

The Group reports its operations as two reportable segments: the provision of contract drilling services in the PRC and India. The division of contract drilling operations into two reportable segments is attributable to how the CODMs manage the business. Intercompany eliminations and corporate balances are included in the "other" column.

Drilling services revenue and management services revenue represent the net invoiced value of contracted drilling services and management services provided to two major customers, one in the PRC (who is a related party) and the other in India.

Revenue	**Six months ended 30 June 2015 US$'000 Unaudited**	Six months Ended 30 June 2014 US$'000 Unaudited	Year ended 31 December 2014 US$'000 Audited
China	**8,785**	8,926	20,744
India	**3,107**	—	3,677
	11,892	8,926	24,421

Segmental assets	**As at 30 June 2015 US$'000 Unaudited**	As at 31 December 2014 US$'000 Audited
China	**86,898**	88,749
India	**20,507**	21,535
Other	**2,696**	5,234
	110,101	115,518

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segmental liabilities	**As at 30 June 2015 US$'000 Unaudited**	As at 31 December 2014 US$'000 Audited
China	**19,369**	20,796
India	**4,711**	2,650
Other	**17,724**	19,197
	41,804	42,643

4. FINANCE INCOME

	Six months ended 30 June 2015 US$'000 Unaudited	Six months ended 30 June 2014 US$'000 Unaudited	Year ended 31 December 2014 US$'000 Audited
Bank interest	**1**	286	390
	1	286	390

5. FINANCE COSTS

	Six months ended 30 June 2015 US$'000 Unaudited	Six months ended 30 June 2014 US$'000 Unaudited	Year ended 31 December 2014 US$'000 Audited
Interest expense on short term loans	**324**	1,376	2,102
Foreign exchange loss	**156**	1,116	776
	480	2,492	2,878

6. TAXATION

Taxation for the Group's operations in the PRC is provided at the applicable current tax rate of 25% on the estimated assessable profits for the year. Taxation for operations in India is taxed at 4.326% of gross revenue.

7. EARNINGS PER SHARE

	Six months ended 30 June 2015 US$'000 Unaudited	Six months ended 30 June 2014 US$'000 Unaudited	Year ended 31 December 2014 US$'000 Audited
Earnings for the purpose of basic and diluted (loss)/profit per share	**(4,791)**	(4,042)	(5,757)
Weighted average number of ordinary shares	**398,245,758**	398,245,758	398,245,758

The Group does not have any potentially dilutive instruments in issue therefore the basic and diluted EPS is the same.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred US$143,444 on additions to plant and equipment (31 December 2014 — US$1,247,000).

9. DEFERRED TAXATION

	As at 30 June 2015 US$'000 Unaudited	As at 31 December 2014 US$'000 Audited
Deferred tax liabilities		
Opening balance	**1,369**	1,098
Temporary difference charge	**773**	1,732
Tax losses recognised	**(1,051)**	(1,461)
At the end of the period	**1,091**	1,369

9. DEFERRED TAXATION *(Continued)*

The Group has not recognised potential deferred tax assets of US$0 (2014: US$248,000) arising on unrecognised losses due to insufficient expected taxable income in the relevant jurisdiction. The Group has not offset deferred tax assets and liabilities across different jurisdictions. Cayman Island losses of US$1,006,000 (2014: US$2,427,000) do not expire under current tax legislation. PRC tax losses of US$1,046,755 (2014: $992,858) expire after 5 years.

10. INVENTORIES

	As at 30 June 2015 US$'000 Unaudited	As at 31 December 2014 US$'000 Audited
Raw materials and consumables	**7,635**	6,740

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 US$'000 Unaudited	As at 31 December 2014 US$'000 Audited
Account receivable	**2,759**	3,055
Prepayments	**1,505**	3,580
Other receivables	**719**	671
Amount due from related parties	**—**	—
	4,983	7,306

12. CASH AND CASH EQUIVALENTS

	As at 30 June 2015 US$'000 Unaudited	As at 31 December 2014 US$'000 Audited
Cash and Cash Equivalents (Unrestricted)	**1,259**	1,737
Cash and Cash Equivalents (Restricted)	**4,759**	6,280
	6,018	8,017

The restricted bank balance represents deposits placed in financial institutions to secure bills payable of an equivalent amount related to trade payables of US$4.5million and bank loans of US$0.2million.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2015 US$'000 Unaudited	As at 31 December 2014 US$'000 Audited
Trade payables	**14,040**	17,179
Notes payable	**4,759**	2,430
Amount due to related parties	**15,699**	9,735
	34,498	29,344

14. LOANS AND BORROWINGS

Bank name	Period	Balance as at 31 Dec 2014	Interest rate	Repayment		New loan		Balance as at 30 June 2015
				Date	Amount	Date	Amount	
		US$'000			US$'000		US$'000	US$'000
CITIC Bank	One year	2,942	7.20%	12/3/2015	(2,942)	29/4/2015	2,944	2,944
SPD Bank	One year	3,268	6.00%	8/1/2015	(3,268)	9/1/2015	3,272	3,272
Ping An Bank	One year	5,720	7.50%	13/1/2015	(5,720)			
Total		**11,930**			**(11,930)**		**6,216**	**6,216**

15. RELATED PARTY TRANSACTIONS

(a) Amounts due from/to related parties and corresponding transactions

The related parties of the Group include companies that are subsidiaries of Green Dragon Gas Ltd, Greka Engineering & Technology Limited and Henan Greka Weino Alcohol Trading Limited. All the related parties are under common management and control of Mr. Randeep Grewal.

As at 30 June 2015, the Group had the following balances due to/from companies under common control of Mr Randeep Grewal:

- Net payable to the Green Dragon Gas Ltd. group of US$15.6m (2014: net payable: US$9.7m)
- Net payable to the Greka Engineering & Technology Ltd. group of US$102,000 (2014: US$52,000)

These balances are unsecured, interest-free and repayable on demand and represent receivables/payables for drilling and pre-well services.

Related party transactions during the year comprise:

- Drilling services provided to the Green Dragon Gas Ltd. group of US$8,091,000 (2014: US$18,489,000)
- Leasing income from the Green Dragon Gas Ltd. group of US$336,000 (2014: US$627,000), Greka Engineering & Technology Ltd. group of US$27,000 (2014: US$37,000), Henan Greka Weino Alcohol Trading Limited of US$1,000 (2014: US$2,000). The lease term was 1 year from 1 January 2015 to 31 December 2015 and 1 January 2014 to 31 December 2014 respectively.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

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Executive Director, Chairman and CEO

Lisa He
Executive Director, Chief Financial Officer

David Turnbull
Non-Executive Director

Stewart John, OBE
Non-Executive Director

Bryan Smart
Non-Executive Director

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