ANNUAL REPORT **2014**

GREKA DRILLING

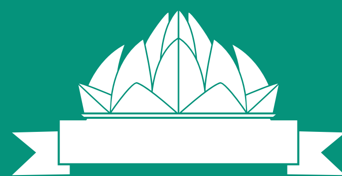
CONTENTS

HIGHLIGHTS

OPERATIONAL HIGHLIGHTS:

Expanded operations into India and recruited approximately **200** staff for India operations

Indian head office established in New Delhi



Field operational hub set-up including warehouse and yard in Durgapur, West Bengal

Started drilling operations in West Bengal on 4 October 2014 under a contract with Essar Oil Ltd ("Essar")

A 100% successful first attempt at intersecting the vertical well in a LiFaBriC completion in China with the Company's own Rotating Magnet Ranging Systems ("RMRS")

A 10-well LiFaBriC contract commenced and completed for Green Dragon Gas Ltd ("GDG ")

A further 30-well LiFaBriC contract awarded by GDG for their 2015 drilling campaign has been mobilised

Contracted parties include GDG, CNPC, Sinopec (via BOFA) and Essar

The 2015 pipeline includes the 30 contracted LiFaBriC wells for GDG and an additional 100 wells for third parties. Mobilisation on these contracts and thus the pace of drilling are at the discretion of the contracted parties

FINANCIAL HIGHLIGHTS:

Annual revenues of
US$24.4m
(2013: US$30.5m)

Second half revenues significantly above H1 2014 revenues

Losses before tax widened to US$5.3m (2013: profit US$1.1m) due to investment in Indian operations and contracted drilling moved by client into 2015

Year-end cash and bank deposits of
US$ 8.0m
(including restricted cash) (2013: US$16.1m)

Gross margin of 26%, compared with
28%
in the same period last year

NON-FINANCIAL KPIs

The maximum metres drilled in a single LiFaBriC well was 3,571m in 2014 (2013: 4,554m)

The longest MD of a single LiFaBriC section, surface to intersect, was 1,600m in 2014 (2013: 1,917.5m)

The deepest TVD of a directional well was
1,556.6m
(1,594m MD), (2013: 1,280.9m TVD (1,351m MD))

Fastest vertical well was drilled in 5.1 days to a depth of 620m or 121.6m/day; 2013: fastest well 9.35 days to a depth of 795m or 85m/day — a
43% improvement

Fastest directional well was drilled in 7.8 days to a depth of 1,494m or 191.5m/day; 2013: fastest well drilled in 6.48 days but to a depth of only 752m or 116m/day — a
65% improvement

Fastest LiFaBriC well was drilled in 22.9 days to 1,412.4m MD (TVD 566.7m) or 61.7m/day. 2013: fastest LiFaBriC drilled in 35.6 days to 1,882.5m MD (TVD 862m) or 52.9m/day — a
17% improvement

Zero lost time in the period due to injury or accident

CHAIRMAN'S STATEMENT

We are pleased to have navigated through a difficult 2014 for Greka Drilling. While we were prepared for a robust drilling campaign, our contracted clients were, for reasons outside of Greka Drilling's control, not in a position to mobilise the drilling campaigns. The Company had little alternative but to wait and we are delighted that in Q4 2014 the first well was spudded for Essar and 2015 has seen further wells drilled under the Essar contract and mobilisation of the 30 contracted LiFaBric wells for GDG. The lack of drilling during the course of 2014 is reflected in the lower turnover and widening losses.

Randeep S. Grewal
Founder & Chairman

During the downtime the management's focus was on internal infrastructure and we have continued to strive to improve operational performance for our clients throughout the year. Indeed, improvements in both accuracy and efficiency were well demonstrated in actual drilling results on the 45 wells drilled during the year of which 10 were LiFaBriC. Demonstrating our competency and efficiency are core to our clients' needs and allow us to stand out from any alternatives in our specialised sector.

Further operational accomplishments included a 100% success in first attempt intersections to the vertical wells for our LiFaBriC well completions. Additionally, there were considerable improvements in drilling efficiencies. We drilled 43% faster for vertical wells, 65% for directional wells and 17% on the LiFaBriC when compared to the previous year. Operational efficiencies added to lower rig utilisation rates and higher idle time as improved drilling and shorter drill times created more rig availability.

Similar to the China rig and personnel expansion during 2011/2012, we demonstrated in India a repeat capability to successfully launch a drilling service company from grass-roots. Two hundred degree-educated engineers were selected, recruited, trained and tested to launch the first-of-its-kind drilling company in India. The new workforce was complemented by members of Greka Drilling's experienced Chinese teams and led by seasoned Company drilling professionals. The new company in India was launched in Durgapur on 24 July 2014 and spudded its first well on 4 October 2014. The teams continue to drill wells with complete precision and are delivering wells to the client's satisfaction on a monthly basis.

We have demonstrated that Greka Drilling's strategy and plan to be pan-Asia's largest unconventional drilling service provider can be executed. The successful on-going drilling operations, in China and India, the two largest growing unconventional gas markets, demonstrate such capability. We continue to evaluate other geographies in which to expand. While strategic geographic expansion is within our long term objective, in the immediate term the local business development teams are focused on client expansion within China and India, which we expect to do in 2015.

Following two consecutive years of weakness, we are looking forward to a robust 2015. I am pleased to report that the year has started with increased activity levels and firm drilling mobilised orders such that we expect to significantly increase activity levels over 2014. As a service company the level of drilling activity is dependent upon factors outside of the Company's control. Greka Drilling has the capability to deliver the contracted 130 well drilling programmes for our clients within 2015; however this will be dependent upon our clients' own schedule and requirements.

Greka Drilling's performance, which is driven by contracts with its key clients, is less exposed to oil price volatility than the wider oil field service sector. Our clients' businesses operate exclusively within a regulated gas market which is de-coupled from global oil price volatility. The regional nature of these regulated gas markets in China and India provide for a stable long term transparent view of government objectives within which our clients have planned their drilling campaigns. We expect these markets to continue their stable expansion and for our clients continued confidence to be reflected in their drilling campaigns. Greka Drilling has focused on these very gas markets as a matter of strategy.

We look forward to an exciting 2015.

Randeep S. Grewal
Chairman and Chief Executive Officer
10 April 2015

BUSINESS REVIEW

Greka Drilling Limited is one of the largest independent and specialised unconventional gas drillers in China. In the first half of 2014, our major client Green Dragon Gas mainly engaged in resolving its title issue. Additionally, more complicated land lease approval procedure and delayed civil work slowed the drilling operations of the Group. Even under such circumstances, GDL successfully completed its 10 LiFaBriC well campaign for Green Dragon Gas.

The Group secured third party contracts in 2014, including Sinopec/BOFA, GCGB and CNPC. However, the Group also gave up Shanxi CBM third party contracts due to poor profitability.

In 2014 GDL has been consolidating its internal management, optimising its employee performance evaluation policy and carrying out drilling-related training. As a result, drilling efficiency has greatly improved. The efficiencies we can provide through our highly trained and skilled workforce, aligned with our modern drilling fleet, differentiate us from our competitors.

With the gradual recovery of the Coal Bed Methane ("CBM") market, the Group is expecting a larger client base and higher profit margins in 2015. The Company also retains a healthy backlog and demand for wells with the existing customers, putting the Company on a positive track for 2015.

OVERVIEW

Our 2014 financial and operating results include:

- Loss per share of US$0.0144, compared with earnings per share of US$0.0008 in 2013.
- Cash and bank deposits of US$8.0m including restricted cash (FY 2013 US$16.1m).
- Gross margin 26%, compared with 28% in 2013.
- US$11.9m of bank loans compared with US$26.2m at 31 December 2013.

EQUIPMENT

- Early indications from use of our Solid Control System indicate that our down-hole motors increased their durability in excess of 25%.

MAINTENANCE

- Successfully completed a 10 LiFaBriC well campaign with minimal maintenance downtime.
- All maintenance personnel completed approved electrics and welding training
- Workshop in accordance with HSE regulations.

HUMAN RESOURCES

- A new Beijing-based business development team and a field public relations team were built up to improve interactions with third parties, and the OCC (Operational Control Centre) was restructured.
- A new model of drilling crew performance assessment was implemented to improve the drilling performance.
- Significantly reduced risks from working injuries and drilling HSE non-compliance; supported by training over 200 drilling crew for HSE qualification and certification courses.
- Slimmed and optimised the drilling teams to deliver a more effective labour cost management.
- Recruited total of 200 staff for India Operations.
- Established an office in New Delhi and set up an office, warehouse and yard in Durgapur, West Bengal.

DRILLING

- A 100% successful first attempt at intersection was completed with the Company's own Rotating Magnet Ranging Systems ("RMRS").
- The maximum metres drilled in a single LiFaBriC well were 3,571m in 2014 (4,554m in 2013).
- The longest MD of a single LiFaBriC section, surface to intersect, was 1,600m in 2014 (1,917.47m in 2013).
- The deepest TVD of a directional well was 1,556.6 m (and 1,594m MD), compared to 1,280.9m TVD and 1,351m MD in 2013.
- Fastest Vertical well was drilled in 5.1 days to a depth of 620m. The fastest vertical well drilled in 2013 was drilled in 9.35 days to a depth of 795m.
- Fastest Directional well was drilled in 7.8 days to a depth of 1,494m. The fastest directional well in 2013 was drilled in 6.48 days but to a depth of only 752m.
- Fastest LiFaBriC well was drilled in 22.9 days to 1,412.4m MD (TVD 566.7m). The fastest LiFaBriC drilled in 2013 was drilled in 35.6 days to 1882.51m MD (TVD 862m).
- High quality of wells being drilled and completed.

BUSINESS DEVELOPMENT

- Expanded internationally into India. Moved 5 rigs and equipment, established an office in New Delhi, warehouse in Durgapur, and drilled 7 wells for Essar.
- Received award from Sinopec for establishing twice the record for drilling 8 1/2" holes, drilling 506m in 24 hours and 528.54m in 24 hours.

RESULTS FOR THE YEAR

The Group recorded a revenue of US$24.4 million (2013: US$30.5 million) and a loss of US$5.8 million (2013: profit of US$0.3 million) for the year ended 31 December 2014. The general and administrative expenses amounted to US$9.1 million (2013: US$9.0 million). Loss per share was US$0.0144 (2013: earnings per share US$0.0008).

LIQUIDITY AND CAPITAL

As at 31 December 2014, the Group had total assets of US$115.5 million (2013: US$130.6 million) and liabilities and equity holders' equity of US$42.6 million and US$72.9 million respectively (2013: US$52.3 million and US$78.3 million respectively).

As at 31 December 2014, the Group's cash and bank balance (including restricted cash) was US$8.0 million (2013: US$16.1 million) with total borrowings of US$11.9 million (2013: US$26.2 million).

The Company has raised US$11.9 million of bank loans through the mortgage of office buildings and 25 rigs. These bank loans have a one year term with an average interest rate of 6.3%.

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

RANDEEP S. GREWAL, CHAIRMAN AND CEO

Randeep Grewal has been Chairman and Chief Executive Officer of Greka since its inception in 1999 and Green Dragon Gas Ltd. since inception in 2006. He is also Chairman and Chief Executive Officer of Greka Integrated Inc., a US-based heavy oil and gas transportation, refining and real estate business with interests in oil and gas properties and refining assets. From April 1997 to September 1997, Mr. Grewal served as Chairman and Chief Executive Officer of Horizontal Ventures, Inc., an oil and gas horizontal drilling technology company. In August 1997, Horizontal Ventures merged with Petro Union Inc. and Mr Grewal became Chairman and Chief Executive Officer of the reorganised company. This Company merged in turn with Saba Petroleum Corporation in March 1999 to form Greka Energy Corporation. From 1993 to 1996, Mr. Grewal was Corporate Vice President for the Rada Electronic Industries Ltd with principal responsibility for its global expansion and related operations. He has also been involved in various joint ventures, acquisitions, mergers and reorganisations since 1986 in the United States, Europe and the Far East with a range of businesses. Mr. Grewal has a Bachelor of Science Degree in Mechanical Engineering from Northrop University.

LISA HE, CHIEF FINANCIAL OFFICER

Lisa He joined Green Dragon Gas Ltd. on 1 February 2008 as Chief Accounting Officer and is now Chief Financial Officer at Greka Drilling Limited. She has 22 years of experience in accounting and financial management. Prior to joining Greka, she worked for AES Wanfang Company as Chief Financial Controller from 2004 to 2007. From 2007 to 2008, she was Chief Accounting Officer for Xinyuan Real Estate Group and was a key member of the Account and Finance team involved in listing the company on the New York Stock Exchange. Ms He is a Certified Public Accountant and Certified Tax Agent in China, and holds a Master's degree in Business Administration at Xi'an Jiaotong University.

NON-EXECUTIVE DIRECTORS

DAVID TURNBULL, NON-EXECUTIVE DIRECTOR

David Turnbull has been the Executive Chairman of Pacific Basin Shipping Limited since July 2008. Previously he had been an independent non-executive director of Pacific Basin Shipping Limited since May 2006.

Mr Turnbull spent 30 years with the Swire Group where he held various senior management positions. He was the Chairman of Swire's Hong Kong-listed companies Swire Pacific, Cathay Pacific Airways and Hong Kong Aircraft Engineering Company.

He is currently a non-executive director of Sands China and The Wharf (Holdings) since October 2009 and November 2013 respectively.

Mr Turnbull has a Master of Arts Degree in Economics from Cambridge University.

STEWART JOHN — OBE, NON-EXECUTIVE DIRECTOR

Stewart John has over 50 years of experience in the aviation industry, half of which were in Hong Kong. He worked for Cathay Pacific and British Airways for 17 and 22 years respectively. Mr. John was Deputy Chairman of Hong Kong Aircraft Engineering Company and has served as non-executive director of Rolls-Royce Commercial Aero Engines, British Aerospace Aviation Services, Airlines of Britain Holdings, HK Aero Engine Services Ltd, Aviation Exposure Management and Newall Aerospace. He is currently a non-executive director of Taikoo Aircraft Engineering Co., Technical Director of Aviation Exposure Management and a trustee of Brooklands Museum.

BRYAN SMART, NON-EXECUTIVE DIRECTOR

Bryan Smart is a Chartered Accountant with over 40 years of experience in finance both in professional and commercial roles. He presently holds non-executive director roles in AB Dynamics plc, a company that designs and manufactures robotic test equipment for the automotive industry, and also in Greka Drilling plc and Greka Engineering plc, both AIM listed companies which are engaged in coal bed methane drilling in China and India. From 1996 to 2014, he held non-executive directorships of the Supervisory Board of CarboTech AG, a company based in Salzburg which manufactures carbon fibre components for the automotive industry. Prior to that, he has worked for Daimler Chrysler (UK) Ltd rising from internal auditor to financial controller in 1985 and was appointed CFO in 1996. During this period, he completed the acquisition and assimilation of Chrysler Jeep in the UK, Lex Auto sales and all Mercedes Benz dealers in metropolitan areas and also served on the board of Brunel University. Mr Smart is a chartered accountant and worked for Deloitte in both external auditor and management consultancy roles.

DIRECTORS' REPORT

The Directors of Greka Drilling Limited have the pleasure in submitting their Report of the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

Greka Drilling Limited is the ultimate holding company, the indirect parent company of Greka (Zhengzhou) CBM Technical Services Co. Ltd, a company incorporated in the PRC which operates in China, and another project office which operates in India. The principal activities of the Group are providing drilling services for Coal Bed Methane. Greka Drilling Limited was incorporated in the Cayman Islands on 1 February 2011 and was registered as a Public Company on 8 March 2011. It acts as a holding company and provides financing and management services to its subsidiaries. The company is domiciled in the Cayman Islands.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A summary of the Group's main business developments for the year ended 31 December 2014 and potential future developments is contained within the Chairman's Statement, Business Review and Financial Review.

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (as adopted by the EU, refer to note 2 in the financial statements).

SHARE CAPITAL AND RESERVES

Details of the Group's authorised and issued share capital and reserves as at 31 December 2014 and 2013 are contained in note 21 and the statement of changes in equity of the financial statements respectively.

RESULTS AND DIVIDENDS

An overview of the Group's results, covering the years ended 31 December 2014 and 2013, is provided in the Financial Review on page 9. Detailed financial information is included from pages 17 to 51 of the report. No dividend will be paid.

DIRECTORS REMUNERATION

See note 9 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The table below sets out the interests of the Directors in Greka Drilling Limited as at 31 December 2014.

Directors	Number of ordinary shares	% of issued share capital
Mr. Randeep S. Grewal (including holdings through GDGH LTD)	264,919,233	66.52%
Stewart John OBE	7,800	0.002%
David Turnbull	6,000	0.002%

SUBSTANTIAL SHAREHOLDINGS

The Group is aware of the following beneficial shareholdings, representing 10 per cent or more of the issued ordinary share capital of the Group, as at 31 December 2014.

	Number of ordinary shares	% of issued share capital
GDGH LTD	262,205,082	65.84%

Mr. Randeep S. Grewal is the ultimate controlling party of GDGH LTD.

THE BOARD

The Board of Directors is composed of five members: two Executive Directors, who are also the Executive Chairman and Chief Financial Officer, and three Non-Executive Directors. The Board has established Audit and Remuneration Committees with formally delegated duties, responsibilities and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues as and when the need arises.

AUDIT COMMITTEE

The Audit Committee helps the Board discharge its responsibilities regarding financial reporting, external and internal Audits, and controls, as well as reviewing the Group's annual financial statements. It also assists by reviewing and monitoring the extent of non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and financial statements and the half-yearly reports remains with the Board. The Audit Committee comprises all three Non-Executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration. This includes making recommendations to the Board on the Group's policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of senior management below Board level. The Remuneration Committee comprises two Non-Executive Directors and one Executive Director (Bryan Smart, Stewart John and Randeep Grewal).

RELATIONS WITH SHAREHOLDERS

The Directors attach importance to the provision of clear and timely information to shareholders and the broader investment community. Information about the company is available on its website (www.grekadrilling.com). The Group's annual and interim reports will also be sent to shareholders and be made available through the Group's website.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Group has in place a Directors and Officers insurance policy to cover relevant individuals against claims arising from their work on behalf of the Company. The Board intends to keep the level of cover provided under annual or more frequent review, as appropriate.

GOING CONCERN

Based on the Group's budgets and cash flow projections for 2015, the Directors are satisfied that the Group has adequate resources to continue its operations and meet its commitments for the foreseeable future.

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting will be held at 11:00am on Friday, 24 July 2015 at the office of Smith & Williamson located at 25 Moorgate, London EC2R 6AY. The Notice of Meeting, together with an explanation of the items of special business, is provided separately to shareholders with this report.

AUDITORS

BDO LLP has expressed its willingness to continue in office as auditors and a resolution for their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

Randeep S. Grewal
Chairman and Chief Executive Officer
10 April 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' report and the financial statements for the Group. The Directors have prepared the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

The Directors have chosen to use the International Financial Reporting Standards ("IFRS") as adopted by the European Union in preparing the Group's financial statements.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

- state that the group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of financial statements.

Financial information is published on the Company's website. The maintenance and integrity of this website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the website.

Legislation in the Cayman Islands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF GREKA DRILLING LIMITED

We have audited the group financial statements of Greka Drilling Limited for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's Directors, as a body in accordance with our engagement letter. Our audit work has been undertaken so that we might state to the Company's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with IFRS as adopted by the European Union and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with International Standards on Auditing (International Federation of Accountants). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the group financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit for the year then ended and have been properly prepared in accordance with IFRS as adopted by the European Union.

BDO LLP
Chartered Accountants
London
10 April 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 31 December 2014 US$'000	Year Ended 31 December 2013 US$'000
Revenue	4	**24,421**	30,528
Cost of sales		**(18,149)**	(21,863)
Gross profit		**6,272**	8,665
Administrative expenses		**(9,082)**	(8,966)
Loss from operations	5	**(2,810)**	(301)
Finance income	6	**390**	2,992
Finance costs	7	**(2,878)**	(1,605)
(Loss)/profit before income tax		**(5,298)**	1,086
Income tax charge	11	**(452)**	(778)
(Loss)/profit for the year		**(5,750)**	308
Other comprehensive expense, net of tax:			
Exchange differences on translation of foreign operations		**316**	(949)
Total comprehensive income for the year		**(5,434)**	(641)
Profit for the period attributable to:			
— Owners of the company		**(5,757)**	175
— Non-controlling interests		**7**	133
		(5,750)	308
Total comprehensive (expense)/income attributable to:			
— Owners of the company		**(5,514)**	(574)
— Non-controlling interests		**80**	(67)
		(5,434)	(641)
Earnings per share			
— Basic and diluted (in US dollar)	10	**(0.0144)**	0.0008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2014 US$'000	As at 31 December 2013 US$'000
Assets			
Non-current assets			
Property, plant and equipment	12	**92,963**	96,651
Intangible assets	13	**492**	564
		93,455	97,215
Current assets			
Inventories	14	**6,740**	7,770
Trade and other receivables	15	**7,306**	9,514
Cash and bank balances (including restricted cash)	16	**8,017**	16,077
		22,063	33,361
Total assets		**115,518**	130,576
Liabilities			
Current liabilities			
Trade and other payables	17	**29,344**	25,009
Loans and borrowings	18	**11,930**	26,160
		41,274	51,169
Non-current liabilities			
Deferred tax liabilities	20	**1,369**	1,098
		1,369	1,098
Total Liabilities		**42,643**	52,267
Net assets		**72,875**	78,309
Capital and reserves			
Share capital	21	**4**	4
Share premium account		**77,186**	77,186
Invested capital		**(1,533)**	(1,533)
Reserve fund		**917**	917
Foreign exchange reserve		**1,086**	843
Retained (deficit)/earnings		**(4,409)**	1,348
Total equity attributable to owners of the Company		**73,251**	78,765
Non-controlling interests		**(376)**	(456)
Total equity		**72,875**	78,309

The financial statements were authorised and approved by the Board on 10 April 2015 and signed on their behalf by:

Randeep S. Grewal

Director

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$'000	Retained (deficit)/ earnings US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2013	4	77,186	(1,533)	917	1,592	1,173	79,339	(389)	78,950
Profit for the year	—	—	—	—	—	175	175	133	308
Other comprehensive expense									
— Exchange difference on translation of foreign operations	—	—	—	—	(749)	—	(749)	(200)	(949)
Total comprehensive (expense)/ income for the year	—	—	—	—	(749)	175	(574)	(67)	(641)
At 31 December 2013	4	77,186	(1,533)	917	843	1,348	78,765	(456)	78,309
Loss for the year						(5,757)	(5,757)	7	(5,750)
Other comprehensive income:									
— Exchange difference on translation of foreign operations	—	—	—	—	243	—	243	73	316
Total comprehensive (expense)/ income for the year	—	—	—	—	243	(5,757)	(5,514)	80	(5,434)
At 31 December 2014	**4**	**77,186**	**(1,533)**	**917**	**1,086**	**(4,409)**	**73,251**	**(376)**	**72,875**

The following describes the nature and purpose of each reserve within owners' equity.

Share capital: Amount subscribed for share capital at nominal value.

Share premium: Amount subscribed for share capital in excess of nominal value.

Invested capital: Amount represents the difference between the nominal value of the Company's share of the paid-up capital of the subsidiaries acquired and the Company's cost of acquisition of the subsidiaries under common control.

Reserve fund: The rules and regulations of the People's Republic of China require that one tenth of profits as determined in accordance with China Accounting Standards for Business Enterprises in each period be reserved for making good previous years' losses, expanding business, or for bonus issues, provided that the balance after such issue is not less than 25% of the registered capital. The amount is non-distributable.

Foreign exchange reserve: Foreign exchange differences arising on translating the financial statements of foreign operations into the reporting currency.

Retained (deficit)/earnings: Cumulative net gains and losses recognised in profit or loss.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2014 US$'000	Year ended 31 December 2013 US$'000
Operating activities			
Profit before income tax		**(5,298)**	1,086
Adjustments for:			
Depreciation		**4,453**	5,643
Amortisation of other intangible assets		**80**	76
Loss on disposal of property, plant and equipment		**50**	25
Finance (loss)/gains		**776**	(2,953)
Finance income		**(390)**	(39)
Finance costs		**2,102**	1,605
Operating cash flows before changes in working capital		**1,773**	5,443
Decrease/(increase) in inventories		**1,030**	(1,401)
Decrease/(increase) in trade and other receivables		**2,208**	(4,497)
(Increase)/decrease in trade and other payables		**3,880**	2,518
Cash generated from operations		**8,891**	2,063
Income tax payment		**(2)**	(392)
Net cash from operating activities		**8,889**	1,671
Investing activities			
Payments for purchase of property, plant and equipment		**(1,247)**	(751)
Acquisition of subsidiaries			
Payments for intangible assets		**(9)**	(41)
Movement in restricted cash		**6,523**	(11,106)
Proceeds from disposal of property, plant and equipment		**—**	16
Interest received		**390**	39
Net cash used in investing activities		**5,657**	(11,843)
Financing activities			
Proceeds of short term loan		**21,639**	26,160
Repayment of short term loan		**(35,819)**	(12,301)
Finance costs paid		**(2,356)**	(1,605)
Net cash from financing activities		**(16,536)**	12,254
Net (decrease)/increase in cash and cash equivalents		**(1,990)**	2,082
Cash and cash equivalents at beginning of the year		**3,994**	2,162
		2,004	4,244
Effect of foreign exchange rate changes		**(267)**	(250)
Cash and cash equivalents at end of year		**1,737**	3,994

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1 GENERAL

Greka Drilling Limited (the "Company") was incorporated in the Cayman Islands on 1 February 2011 under the Companies Law (2010 Revision) of the Cayman Islands. The registered office and principal place of business of the Company are located at PO Box 472, Harbour Place 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands and 29th Floor, Landmark Plaza, No. 1 Business Outer Ring Road, Central Business District, Henan Province, Zhengzhou 450000, PRC respectively.

The Company was established as an investment holding company for a group of companies whose principal activities consist of the provision of coal bed methane drilling services in China and India. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

The financial statements are presented in United States dollars which is same as the functional currency of the Company. The functional currencies of the subsidiaries are Renminbi (RMB) for China and Rupee for India.

2 PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with IFRS as adopted by the European Union, that are effective for accounting periods beginning on or after 1 January 2014. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared under the historical cost basis.

The preparation of financial statements 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 consolidated financial statements are disclosed in note 3 to the financial statements. 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.

Going concern

Based on the Group's budgets and cash flow projections, the Directors are satisfied that the Group has adequate resources to continue its operations and meet its commitments for the foreseeable future and at least for the next 12 months from the date of the approval of the financial statements.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Business combinations

Accounting for the Company's acquisition of the controlling interest in Greka Technical Service Limited.

On 1 February 2011, the Company was incorporated as a wholly-owned subsidiary of Green Dragon Gas Ltd and on 8 March 2011 the Company acquired the entire share capital of a fellow wholly-owned subsidiary of Green Dragon Gas Ltd, Greka Technical Service Limited. The Company's controlling interest in Greka Technical Service Limited was acquired through a transaction under common control. The Directors note that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRS covering such transactions.

FRS 6 (and US GAAP) does include guidance for accounting for group reconstructions of this nature. Having considered the requirements of IAS 8 and the related UK and US guidance the transaction by which the company acquired its controlling interest in Greka Technical Service Limited was accounted for on a merger or pooling of interest basis as if both entities had always been combined. The combination was accounted for using book values, with no fair value adjustments made nor goodwill created.

The subsidiaries of Greka Technical Service Limited have been consolidated using the acquisition method.

New Accounting Standards

The following new standards and amendments to standards are mandatory for the first time for the Group for the financial year beginning 1 January 2014. Except as noted, the implementation of these standards is not expected to have a material effect on the Group.

Standard	Effective date	Impact on initial application
IFRS 10 — Consolidated Financial Statements	1 January 2014	No impact
IFRS 11 — Joint Arrangements	1 January 2014	No impact
IFRS 12 — Disclosure of Interests in Other Entities	1 January 2014	No impact
IAS 27 — Amendment — Separate Financial Statements	1 January 2014	No impact
IAS 28 — Amendment — Investments in Associates and Joint Ventures	1 January 2014	No impact
IAS 32 — Offsetting Financial Assets and Financial Liabilities	1 January 2014	No impact
IAS 36 — Recoverable amounts disclosures for non-financial assets	1 January 2014	No impact
IAS 39 — Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	No impact

No other IFRS issued and adopted but not yet effective are expected to have an impact on the Group's financial statements.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

New Accounting Standards (continued)

The following standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements, have not been adopted early:

Standard	Description	Effective date
IFRIC 21	Levies	17 June 2014
IAS 19	Defined Benefit Plans (Amendments)	1 February 2015
IFRS 11[1]	Joint Arrangements (Amendments)	1 January 2016
IAS 16 and IAS 38[1]	Acceptable Methods of Depreciation and Amortisation (Amendments)	1 January 2016
IAS 27[1]	Separate Financial Statements	1 January 2016
IFRS 10 and IAS 28[1]	Investments in Associates and Joint Ventures (Amendments)	1 January 2016
IFRS 15[1]	Revenue from Contract with Customers	1 January 2017
IFRS 9[1]	Financial Instruments	1 January 2018
IAS 1[1]	Presentation of Financial Statements (Amendments)	1 January 2016
IFRS 10, 12 and IAS 28	Investment Entities (Amendments)	1 January 2016
Annual Improvements to IFRS	(2010-2012 Cycle)	1 February 2015
Annual Improvements to IFRS	(2011-2013 Cycle)	1 January 2015
Annual Improvements to IFRS[1]	(2012-2014 Cycle)	1 January 2016

[1] Not yet endorsed by the EU

The Directors have not fully assessed the impact of all standards but do not expect them to have a material impact.

Foreign currency translation

Transactions entered into by any of the group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the exchange rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated statement of comprehensive income.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated statement of comprehensive income in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

On consolidation, the results of foreign operations are translated into the presentation currency of the Group (i.e. United States dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the rate approximating to those ruling when the transactions took place is used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of foreign operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment are depreciated so as to write off their costs net of expected residual value over their estimated useful lives on a straight-line basis or units of production basis, depending on the nature of the asset. The useful lives and residual value are reviewed, and adjusted if appropriate, at each reporting date. The methods of property, plant and equipment depreciation are as follows:

Buildings and structures:	20-30 years straight line basis
Motor vehicles:	5 years straight line basis
Fixtures, fittings and equipment:	3-10 years, for drilling equipment according to units of production
Rigs:	Units of production

The units of production calculation multiplies the asset net book value by the ratio of the drilling activity relative to the estimate total drilling activity over the life of the asset based on design capacity and empirical norms.

Construction in progress is stated at cost less impairment losses. Cost comprises direct cost of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated statement of comprehensive income as consumed.

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the consolidated statement of comprehensive income on disposal.

Impairment of property plant and equipment

The Group reviews the carrying amounts of property, plant and equipment 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.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible assets

Intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the statement of comprehensive income as incurred and included in administrative expenses.

Amortisation is recognised in the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software — 10 years

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Inventories

Inventories include materials and consumable tools and spare parts which are expected to be used within 12 months. Inventory is initially recognised at cost, and subsequently measured at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Inventories of ancillary materials, spare parts and small tools used in providing services are stated at cost less impairment losses for obsolescence.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the Board of Directors.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs to its tax base, except for differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis; or
- to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Revenue recognition

Revenue is recognised when services are provided and the amount of the revenue and associated costs incurred in respect of the relevant transaction can be reliably measured.

Revenues generated on a metre rate-basis from drilling contracts, labour contracts and management services are recognised as services are performed. Rig mobilisation fees are recognised over the period in which drilling services are delivered.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Financial instruments

(i) Financial assets

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, and cash and cash equivalents.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are principally trade and other receivables and also incorporate other types of contractual monetary asset. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Loans and receivables (continued)

A provision for impairment is established when there is objective evidence that the asset will not be collectible in full according to the original terms of the instruments. Significant financial difficulties of the customers, probability that the customers will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income. When loans and receivables are uncollectible, they are written off against the allowance account for loans and receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash includes cash on hand and demand deposits with any bank or other financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value and have an original maturity of less than 3 months.

(ii) Financial liabilities

Financial liabilities held at amortised cost

Trade payables and other short-term monetary liabilities are recognised initially at fair value and subsequently carried at amortised cost using the effective interest rate method.

Loan and borrowings are initially recognised at fair value being the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. "Interest expense" in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract has been discharged, cancelled or expired.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Employee benefits

(i) Defined contribution pension plan

Contributions to defined contribution pension plan are recognised as an expense in the consolidated statement of comprehensive income as the services giving rise to the company's obligations are rendered by the employees.

The employees of the operations in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions payable are charged to the consolidated statement of comprehensive income when they become payable in accordance with the rules of the central pension scheme and are disclosed under Employer's national social security contributions in note 8.

(ii) Other benefits

Other benefits, being benefits in kind, are charged to the consolidated statement of comprehensive income in the period to which they relate.

Leases

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to profit or loss on a straight-line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purpose of lease classification.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3 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. We did not record an impairment charge on any property plant and equipment for any of the years ended 31 December 2014 or 2013. 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.

4 REVENUE AND SEGMENT 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.

The accounting policies of the reportable segments are the same as those described in the summary of principal accounting policies (see Note 2). We evaluate the performance of our operating segments based on revenues from external customers and segmental profits.

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. The rest of the revenue is derived from other customers from each of whom less than 10% of total revenue is derived in 2014 and 2013. Please refer to note 22 for details of the revenue derived from the related party customer.

For the Year Ended 31 December 2014

	PRC US$'000	**India** US$'000	**Intercompany** US$'000	**Consolidated** US$'000
Revenue	20,975	3,678	(232)	24,421
Cost of sales	(13,109)	(5,272)	232	(18,149)
Gross profit/(loss)	7,866	(1,594)	—	6,272

As at 31 December 2014

	PRC	**India**	**Others**	**Intercompany**	**Consolidated**
Segment assets	88,749	21,535	135,298	(130,064)	115,518
Segment liabilities	20,796	2,650	1,716	17,481	42,643

No comparatives segmental results have been presented as at 31 December 2013, the Group only had one reportable segments, being the PRC.

5 LOSS FROM OPERATIONS

Profit from operations is stated after charging:

	2014 US$'000	2013 US$'000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the annual financial statements	**127**	124
Fees payable to the Company's auditors for the review of the interim results	**16**	41
Cost of inventories recognised as expense	**6,065**	6,938
Staff costs (note 8)	**8,088**	9,927
Depreciation of property, plant and equipment	**4,453**	5,643
Operating lease expense (property)	**576**	374
Amortisation of intangible assets	**80**	76
Loss on disposal of property, plant and equipment	**50**	25

6 FINANCE INCOME

	2014 US$'000	2013 US$'000
Foreign exchange gains	**—**	2,953
Bank interest	**390**	39
	390	2,992

7 FINANCE COSTS

	2014 US$'000	2013 US$'000
Foreign exchange losses	**776**	—
Interest expense on short term loans	**2,102**	1,605
	2,878	1,605

8 STAFF COSTS

	2014 US$'000	2013 US$'000
Staff costs (including directors' remuneration (note 9)) comprise:		
Wages and salaries	**6,120**	7,435
Employer's national social security contributions	**1,652**	2,148
Other benefits	**316**	344
	8,088	9,927

9 DIRECTORS & KEY MANAGEMENT PERSONNELS REMUNERATION

The remuneration of Directors is set as follows:

Executive directors	Fees and Salaries US$'000	Social Security Contribution US$'000	2014 US$'000	2013 US$'000
Randeep Grewal	600	—	**600**	600
Lisa He	97	9	**106**	106
Sub-total	697	9	**706**	706
Non-executive directors				
Bryan Smart	64	—	**64**	64
David Turnbull	59	—	**59**	59
Steward John OBE	64	—	**64**	64
Sub-total	187	—	**187**	187
Total	884	9	**893**	893

10 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2014 US$'000	2013 US$'000
(Loss)/profit for the year	**(5,757)**	175
Number of shares	**398,245,758**	398,245,758
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousands)	**398,246**	398,246
Weighted average number of ordinary shares for the purposes of diluted earnings per share (thousands)	**398,246**	398,246
Basic (loss)/earnings per share (US$)	**(0.0144)**	0.0008
Diluted (loss)/earnings per share (US$)	**(0.0144)**	0.0008

There were no potentially dilutive instruments are issued in 2014 and 2013. No potentially dilutive instruments have been issued between 31 December 2014 and the date of the approval of these financial statements.

11 TAXATION

	2014 US$'000	2013 US$'000
Current tax charge/(credit)	**181**	(69)
Deferred tax charge	**271**	847
Tax charge recognised in the income statement	**452**	778

The reasons for the difference between the actual tax charge for the years and the standard rate of corporation tax in the PRC applied to the (loss)/profit for the year are as follows:

	2014 US$'000	2013 US$'000
(Loss)/profit before income tax	**(5,298)**	1,086
Expected tax charge based on the standard rate of corporation tax in the PRC of 25% (2013: 25%)	**(1,325)**	271
Effect of:		
Income tax in overseas jurisdictions	**1,354**	—
Tax losses and other temporary differences not recognised	**423**	429
Under provision of prior year	**—**	78
Income tax charge	**452**	778

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.

Refer to note 20 for details of deferred tax and unrecognised tax losses and other deductible temporary differences.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures US$'000	Motor vehicles US$'000	Fixtures, fittings and equipment US$'000	Construction in process US$'000	Total US$'000
Cost					
At 1 January 2013	8,652	3,973	103,267	3,460	119,352
Additions	—	—	686	65	751
Transfers of construction in progress	3,525	—	—	(3,525)	—
Disposals	(9)	(183)	(61)	—	(253)
Exchange Differences	376	125	2,862	—	3,363
At 31 December 2013	12,544	3,915	106,754	—	123,213
Additions	4	—	1,243	—	1,247
Transfer of construction-in-progress upon completion	—	—	—	—	—
Disposals	(20)	(33)	—	—	(53)
Exchange differences	(45)	(14)	(386)	—	(445)
At 31 December 2014	12,483	3,868	107,611	—	123,962
Depreciation					
At 1 January 2013	1,116	1,363	17,918	—	20,397
Charge for the year	1,404	681	3,558	—	5,643
Eliminated upon disposals	(3)	(160)	(35)	—	(198)
Exchange differences	57	51	612	—	720
At 31 December 2013	2,574	1,935	22,053	—	26,562
Charge for the year	1,590	593	2270	—	4,453
Eliminated upon disposals	—	(3)	—	—	(3)
Exchange differences	(9)	(7)	3	—	(13)
At 31 December 2014	4,155	2,518	24,326	—	30,999
Net book value					
At 31 December 2014	8,328	1,350	83,285	—	92,963
At 31 December 2013	9,970	1,980	84,701	—	96,651

Loans and borrowings are secured by drilling equipment included in fixtures, fittings and equipment and properties included in buildings and structures with a carrying amount US$8,988,000 (2013: US$20,419,000) and US$2,942,000 (2013: US$5,741,000) respectively (note 18).

13 INTANGIBLE ASSETS

	Software US$'000
Cost	
At 1 January 2013	**725**
Additions	**41**
Exchange differences	**23**
At 31 December 2013	**789**
Additions	**9**
Exchange differences	**(2)**
At 31 December 2014	**796**
Amortisation	
At 1 January 2013	**144**
Charge for the year	**76**
Exchange differences	**5**
At 31 December 2013	**225**
Charge for the year	**80**
Exchange differences	**(1)**
At 31 December 2014	**304**
Net book value	
At 31 December 2014	**492**
At 31 December 2013	**564**

14 INVENTORIES

	2014 US$'000	2013 US$'000
Raw materials and consumables	**6,740**	7,770
	6,740	7,770

Details of cost recognised in the consolidated statement of comprehensive incomes in respect of inventories are included in note 5.

15 TRADE AND OTHER RECEIVABLES

	2014 US$'000	2013 US$'000
Trade receivables	**3,055**	1,531
Prepayments	**3,580**	867
Other receivables	**671**	833
Amounts due from related parties (note 22a)	**—**	6,283
	7,306	9,514

The fair values of trade and other receivables approximate their respective carrying amounts at the end of each reporting period due to their short maturities. There is no allowance for impairment of receivables.

The ageing analysis of trade receivables prepared based on allowed credit terms that are past due but not impaired as of the end of the reporting period is set out below. The debtors are not considered to be impaired given post year end receipts.

	2014 US$'000	2013 US$'000
Less than 60 days past due	**3,055**	1,531

16 CASH AND BANK BALANCES

	2014 US$'000	2013 US$'000
Cash and cash equivalents	**1,737**	3,994
Restricted bank balance*	**6,280**	12,083
	8,017	16,077

* The restricted bank balance represents deposits placed in financial institutions to secure bills payable of an equivalent amount related to trade payables of US$6.3m.

17 TRADE AND OTHER PAYABLES

	2014 US$'000	2013 US$'000
Trade payables	**17,179**	23,029
Other current liabilities	**2,430**	1,936
Amounts due to related parties (note 22a)	**9,735**	44
	29,344	25,009

Trade and other payables are expected to be settled within one year. The fair values approximate their respective carrying amounts at the end of each reporting period due to their short maturities.

18 LOANS AND BORROWINGS

	2014 US$'000	2013 US$'000
Bank loans	**11,930**	26,160

The banks loans are all secured. The detailed information regarding loan maturity dates and interest rates are below:

	Balance as at Dec 31, 2014			Balance as at Dec 31, 2013		
Bank name	**Interest rate**	**USD**	**Expire Date**	Interest rate	USD	Expire Date
CITIC Bank	**7.200%**	**2,941,657**	**12/Mar/2015**	6.900%	2,460,267	4/Mar/2014
SPD Bank	**6.000%**	**3,268,508**	**3/Mar/2015**	7.200%	3,280,356	25/Dec/2014
SPD Bank	**N/A**	**N/A**	**N/A**	8.000%	6,559,891	8/Mar/2013
Yunnan International Trust CO., LTD	**N/A**	**N/A**	**N/A**	5.900%	4,100,444	26/Mar/2014
Ping An Bank	**7.500%**	**5,719,889**	**13/Jan/2015**	7.200%	8,200,889	13/Jan/2014
Ping An Bank	**N/A**	**N/A**	**N/A**	6.000%	1,394,151	21/May/2014
Randeep Grewal	**N/A**	**N/A**	**N/A**	9.000%	164,018	30/Dec/2014
Total		**11,930,054**			26,160,016	

Loans due to Shanghai Pudong Bank, CITIC Bank and Ping An Bank have been repaid post year end. Refer to note 22 for details of related party loans.

19 SUBSIDIARIES

The principal subsidiaries of the Company as at 31 December 2014, all of which have been included in the consolidated financial statements, are as follows:

Name	Country of Incorporation	Percentage of ownership		Principal activities
		Direct	Indirect	
Greka (Zhengzhou) CBM Technical Service Co. Ltd	People's Republic of China	—	100%	Drilling and related services
Greka Technical Service Limited	British Virgin Islands	100%	—	Investment holding
Pace Drilling Co.	Cayman	—	100%	Investment holding
Pace Mitchell Drilling Co Ltd	British Virgin Islands	—	50%*	Investment holding
Greka India Drilling Ltd	British Virgin Islands	100%	—	Investment holding
Greka (Zhengzhou) Drilling Technical Consult Service Co Ltd	People's Republic of China	—	100%	Provision of drilling services

* Notwithstanding the ownership interest of 50%, the Company controls the financial and operating policies of this company. Therefore, the Company is considered to be a subsidiary of the Group.

20 DEFERRED TAXATION

The following table summarises the movement in the deferred tax balance:

	2014 US$'000	2013 US$'000
Opening balance at 1 January	**1,098**	453
Tax losses recognised	**(1,461)**	(1,070)
Temporary difference change	**1,732**	1,715
Closing balance at 31 December	**1,369**	1,098

Operations in the PRC have recorded taxable losses during the year. The deferred tax asset on these taxable losses has been offset against the deferred tax liability arising on the difference in the tax base and net book value of the Group's drilling assets as they are depreciated on a unit of production basis. The Group has not recognised potential deferred tax assets of US$248,000 (2013: US$160,000) 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$2,427,000 (2013: US$2,370,000) do not expire under current tax legislation. PRC tax losses of US$992,858 (2013: $640,000) expire after 5 years.

21 SHARE CAPITAL

	Authorised		**Issued and fully paid**	
	No. of shares	**US$**	**No. of shares**	**US$**
At 31 December 2013 and 2014	5,000,000,000	50,000	398,245,758	3,982

The shares have a par value of US$0.00001

22 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 and 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 31 December 2014, the Group had the following balances due to/from companies under common control of Mr Randeep Grewal

- Net payable to the Green Dragon Gas group of US$9.7m (2013: net receivable: 6.3m)
- Net payable to the Greka Engineering and Technology group of US$52,000 (2013: US$33,000)
- Net receivable from Henan Greka Weino Alcohol Trading Limited of US$5,000 (2013: US$2,000)

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 of

- Drilling services provided to the Green Dragon Gas group of US$18,489,000 (2013: US$28,304,000)
- Leasing income from the Green Dragon Gas group of US$627,000 (2013: US$575,000m), Greka Engineering and Technology group of US$37,000 (2013: US$63,000) and from Henan Greka Weino Alcohol Trading Limited of US$2,000 (2013: US$2,000)

The lease term was 1 year from 1 January 2014 to 31 December 2014 and 1 January 2013 to 31 December 2013 respectively

(b) Subsidiary companies

Transactions and balances among the Company and its subsidiaries have been eliminated on combination and consolidation and are not disclosed in the consolidated financial statements.

22 RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel

Other than the Directors' remuneration disclosed in note 9 to the consolidated financial statements and the loan noted below in (d), there were no other transactions with key management personnel during the years ended 31 December 2014 and 2013.

(d) Loans to Directors

Loans and borrowings during the year included US$164,000 payable to Mr. Randeep Grewal, majority shareholder and Director of the Company (2013: US$164,000). The total outstanding loan amount of US$268,000 was repaid during the year.

23 OPERATING LEASES

At the end of the reporting period, the Group had commitments, as lessee, for future minimum lease payments under a non-cancellable operating lease in respect of land and buildings which fall due as follows:

	2014 US$'000	2013 US$'000
No later than 1 year	**708**	180
Later than 1 year and no later than 5 years	**21**	71
	729	251

At the end of the reporting period, the Group had the right to the following minimum lease payments, as a lessor, under operating leases in respect of equipment, vehicle and land and buildings as a lessor

	2014 US$'000	2013 US$'000
No later than 1 year	**673**	586
	673	586

24 CAPITAL COMMITMENTS

	2014 US$'000	2013 US$'000
Capital expenditure contracted but not provided for in respect of	**1,794**	7,372
Acquisition of property, plant and equipment	**1,794**	7,372

25 FINANCIAL INSTRUMENTS

	2014 US$'000	2013 US$'000
Financial assets		
Loans and receivables:		
Cash and bank balances	**8,017**	16,077
Trade and other receivables	**3,726**	2,364
Amounts due from related parties	**—**	6,283
	11,743	24,724
Financial liabilities		
At amortised cost:		
Trade and other payables	**19,609**	24,965
Amounts due to related parties	**9,735**	44
Loans and borrowings	**11,930**	26,160
	41,274	51,169

25 FINANCIAL INSTRUMENTS (continued)

(a) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has not entered into any cash flow interest rate hedging contracts or any other derivative financial instruments for hedging purposes. However, management closely monitors the Group's exposure to future cash flow as a result of changes in market interest rates, and will consider hedging such changes should the need arise.

The interest rate profile of the Group's financial assets at the end of each reporting periods was as follows:

	2014 US$'000	2013 US$'000
Cash and cash equivalents		
US dollars (Floating rate)	**889**	49
HK dollars(Floating rate)	**—**	27
RMB (Floating rate)	**6,849**	16,001
Rupee (Floating rate)	**279**	—
Other financial assets		
RMB (Non-interest bearing)	**1,998**	8,503
US dollars(Non-interest bearing)	**1,288**	144
Rupee(Non-interest bearing)	**440**	—
	11,743	24,724

The weighted average interest rate earned was 0.10% p.a. for the year (2013: 0.10% p.a.) on floating rate US dollar cash balances, and 0.385% p.a. (2013: 0.36% p.a.) on floating rate RMB balances. At the reporting date, the Group had restricted cash in a short-term deposit for six months, which is restricted to settle certain liabilities expiring after six months.

25 FINANCIAL INSTRUMENTS (continued)

(a) Interest rate risk (continued)

The interest rate profile of the Group's financial liabilities at the end of the reporting period was as follows:

	2014 US$'000	2013 US$'000
Bank loans		
RMB (Fixed rate)	**11,930**	26,160
Other financial liabilities		
US dollars (Non-interest bearing)	**3,315**	20,703
RMB (Non-interest bearing)	**24,977**	4,306
Rupee (Non-interest bearing)	**1,052**	—
	41,274	51,169

The weighted average interest rate bank loans and loans from a related company for the year was 7.08% p.a. (2013: 7.59% p.a.). If all interest rates had been 50 basis points higher, with all other variables held constant, post-tax profit and equity would have been US$147,000 lower.

b) Foreign currency risk

The Group's active subsidiaries undertake transactions principally in RMB and Rupee. While the Group continually monitors its exposure to movements in currency rates, it does not utilise hedging instruments to protect against currency risks. The Directors consider the foreign currency exposure to be limited.

	In RMB US$'000	In Rupee US$'000
As at 31 December 2014		
Financial assets		
Cash and cash equivalents	6,849	279
Trade and other receivables	1,998	440
Amount due from related parties	—	—
	8,847	719
Financial liabilities		
Trade and other payables	15,242	1,052
Loans and borrowings	11,930	—
Amount due to related parties	9,735	—
	36,907	1,052

25 FINANCIAL INSTRUMENTS (continued)

b) Foreign currency risk (continued)

	In RMB US$'000	In Rupee US$'000
As at 31 December 2013		
Financial assets		
Cash and cash equivalents	16,001	—
Trade and other receivables	2,220	—
Amount due from related parties	6,283	—
	24,504	—
Financial liabilities		
Trade and other payables	20,703	—
Loans and borrowings	26,160	—
Amount due to related parties	44	
	46,907	—

A 5% (2014: 5%) increase or decrease in the US dollar/RMB exchange rate would result in reported profit and net assets for the year US$57,000 (2013: US$203,000) higher or lower respectively.

(c) Liquidity risk

The liquidity risk of each group entity is managed centrally by the group treasury function. The investment budgets and work plans are set by the operating teams in the PRC and agreed by the board annually in advance, enabling the Group's cash requirements to be anticipated. Where facilities of group entities need to be increased, approval must be sought from the board.

All surplus cash is held centrally to maximise the returns on deposits through economies of scale while required cash will be remitted to the PRC based on a monthly cash-call basis.

25 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted payments is summarised below:

	Six months or less US$'000	Six months to one year US$'000	Undiscounted payments US$'000 (note i)	Adjustments US$'000 (note ii)	Carrying value US$'000 (note iii)
At 31 December 2014					
Trade and other payables and other current liabilities	**13,954**	**5,655**	**19,609**	**—**	**19,609**
Amounts due to related parties	**9,735**	**—**	**9,735**	**—**	**9,735**
Loans and borrowings	**11,930**	**—**	**11,930**	**—**	**11,930**
	35,619	**5,655**	**41,274**	**—**	**41,274**
At 31 December 2013					
Trade and other payables and other current liabilities	24,863	102	24,965	—	24,965
Amounts due to related parties	44	—	44	—	44
Loans and borrowings	23,102	3,567	26,669	(509)	26,160
	48,009	3,669	51,678	(509)	51,169

Notes:

(i) Undiscounted payments are drawn up based on the earliest date on which the Group can be required to pay. They include both principal and interest cash outflows.

(ii) Adjustments in relation to the bank loans represent the possible future interest payment based on the effective interest rate prevailing at the reporting date.

(iii) Carrying value represents the balance at the reporting date shown on the consolidated statement of financial position.

25 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk

The Group's credit risk is primarily attributable to its cash and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, The Group has adopted a credit policy to monitor and mitigate credit risk arising from trade and other receivables. The credit assessment focus on the customer's past due record, trading history and financial condition.

The Group does not hold any collateral as security and the Group does not hold any significant provision in the impairment account for trade and other receivables as they mainly relate to receivables with no default history.

The Group's cash balance is held with large reputable banks and management monitors the spread of funds and any credit risk regularly.

(e) Capital risk management

The Company considers its capital to comprise its ordinary share capital, share premium and retained earnings as well as the invested capital reserve.

The Group's objectives when managing capital are to ensure the ability of the entities in the Group to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the capital structure, the Group considers the macro-economic conditions, prevailing borrowing rates in the market and adequacy of cash flows generated from operations and may adjust the amount of dividends paid or payable to shareholders, raise funding through capital markets or seek additional borrowings as necessary. No changes were made to the objectives or policies during the years ended 31 December 2014 and 2013.

(f) Fair value

The carrying value of significant financial assets and liabilities approximate their respective fair values as at 31 December 2014 and 2013.

26 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 10 April 2015.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

DIRECTORS

Randeep S. Grewal
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

REGISTERED OFFICE

PO Box 472
Harbour Place 2nd Floor
103 South Church Street
George Town
Grand Cayman KY1-1106
Cayman Islands

Principal Corporate Office
29th Floor, Landmark Plaza,
No.1 Business Outer Ring Road,
Business District,
Henan Province,
Zhengzhou, 450000, PRC

Share Registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

COMPANY SECRETARY

International Corporation Services Ltd.

NOMINATED ADVISER

Smith & Williamson Corporate Finance Limited
25 Moorgate
London EC2R 6AY

AUDITORS

BDO LLP
55 Baker Street
London W1U 7EU

LEGAL ADVISERS

As to Chinese Law
Guantao Law Firm
17/F, Tower 2,
Yingtai Centre, NO. 28
Finance Street, Lichen District
Beijing 100140, PRC

As to Cayman Islands & BVI Law
Travers Thorp Alberga
1205A The Centrium
60 Wyndham Street
Central, Hong Kong

GREKA
DRILLING

www.grekadrilling.com