



REKA

Greka Drilling



Admission to Aim

Smith & Williamson Corporate Finance

Evolution 
SECURITIES



MACQUARIE

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Greka Drilling Limited

(Incorporated in the Cayman Islands under the Companies Law (2010 Revision) with registered number 251502)

Admission to trading on AIM

Smith & Williamson Corporate Finance Limited

Nominated adviser

Evolution Securities Limited

Macquarie Capital (Europe) Limited

Joint Brokers

Smith & Williamson Corporate Finance Limited ("Smith & Williamson"), which is authorised and regulated by the Financial Services Authority, is acting exclusively as nominated adviser to the Company in connection with the arrangements set out in this document and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Smith & Williamson or for advising any other person in connection with the arrangements set out in this document. In particular, Smith & Williamson as nominated adviser to the Company under the AIM Rules, owes certain responsibilities solely to the London Stock Exchange which are not owed to the Company or the Directors or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. Smith & Williamson has not authorised the contents of any part of this document and without limiting the statutory rights of any person to whom this document is issued, no liability whatsoever is accepted by Smith & Williamson for the accuracy of any information or opinions contained in this document or for any omissions of material information. The information contained in this document has been prepared solely for the purposes of the Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

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Your attention is drawn to Part II of this document, which sets out the risk factors relating to an investment in Ordinary Shares. All statements regarding the Company's business, financial position and prospects should be viewed in light of the factors set out in Part II of this document.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or the securities laws of any state or other jurisdiction of the United States or under the applicable securities laws of Canada, Japan, Australia or South Africa and, subject to certain exceptions, may not be offered for sale or subscription, or sold or subscribed directly or indirectly, within the United States, Canada, Japan, Australia or South Africa or to or by any national, resident or citizen of such countries.

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CONTENTS

	<i>Page</i>
DIRECTORS AND ADVISERS	3
SHARE STATISTICS	5
EXPECTED TIMETABLE	5
DEFINITIONS	6
GLOSSARY	9
PART I INFORMATION ON THE GROUP	10
PART II RISK FACTORS	19
PART III FINANCIAL INFORMATION	28
PART IV UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP	52
PART V ADDITIONAL INFORMATION	53

DIRECTORS AND ADVISERS

Directors	Randeep Singh Grewal (<i>Chairman and Chief Executive Officer</i>) Dongju (Lisa) He (<i>Chief Financial Officer</i>) Stewart Morris John OBE (<i>Non-executive Director</i>) Frederick Bryan Smart (<i>Non-executive Director</i>) David Muir Turnbull (<i>Non-executive Director</i>)
Registered Office	PO Box 472 Harbour Place 2nd Floor 103 South Church Street George Town Grand Cayman KY1-1106 Cayman Islands
Nominated Adviser	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
Joint Broker	Evolution Securities Limited 100 Wood Street London EC2V 7AN
Joint Broker	Macquarie Capital (Europe) Limited Citypoint 1 Ropemaker Street London EC2Y 9HD
Solicitors to the Company	<i>As to English law:</i> Pillsbury Winthrop Shaw Pittman LLP Tower 42, Level 23 25 Old Broad Street London EC2N 1HQ <i>As to Chinese law:</i> Guantao Law Firm 17/F, Tower 2 Yingtai Center No. 28 Finance Street Xicheng District Beijing 100140 China <i>As to Cayman Islands and British Virgin Islands law:</i> Thorp Alberga 2606 The Centrium 60 Wyndham Street Central Hong Kong
Solicitors to the Introduction	Kaye Scholer LLP 140 Aldersgate Street London EC1A 4HY
Auditors and Reporting Accountant	BDO LLP 55 Baker Street London W1U 7EU (<i>member firm of the Institute of Chartered Accountants in England and Wales</i>)

Registrars	Capita Registrars (Guernsey) Limited Longue Hougue House Longue Hougue Lane St Sampson Guernsey GY2 4JN
Banker	UBS AG 52/F Two International Finance Centre 8 Finance Street Central Hong Kong
Depository	Capita IRG Trustees Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

SHARE STATISTICS

Number of Ordinary Shares in issue on Admission (<i>see note below</i>)	388,165,758
ISIN code	KYG411101002
SEDOL code	B3PH493
AIM symbol	GDL

Note: The number of Ordinary Shares in issue on Admission shown above is based on the number of Green Dragon Shares in issue at the close of business on 15 February 2011. The actual number of Ordinary Shares in issue at Admission will depend on the number of Green Dragon Shares in issue at the Record Time.

EXPECTED TIMETABLE

Publication of this document	16 February 2011
Latest time for receipt of Form of Direction/CREST Proxy instructions for the General Meeting	9.30 a.m. on 4 March 2011
Latest time for receipt of Form of Proxy	9.30 a.m. on 5 March 2011
Green Dragon Extraordinary General Meeting	9.30 a.m. on 7 March 2011
Last day of dealings in Green Dragon Shares (cum entitlement to the Demerger Dividend)	7 March 2011
Record date for purposes of determining holders of Green Dragon Shares entitled to the Demerger Dividend	5.00 p.m. on 7 March 2011
Green Dragon Shares marked “ex-dividend” by the London Stock Exchange	8.00 a.m. on 8 March 2011
Effective date of the Demerger Dividend	8 March 2011
Admission and commencement of dealings in the Ordinary Shares of Greka Drilling on AIM and CREST accounts credited with entitlements to Depository Interests	8.00 a.m. on 8 March 2011
Expected despatch of definitive share certificates	15 March 2011

DEFINITIONS

“Act”	the Companies Act 2006 of Great Britain (as amended)
“Admission”	admission of the Ordinary Shares to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nominated Advisers, both published by the London Stock Exchange, governing admission to and the operation of AIM
“A\$”	the lawful currency of Australia
“Board” or “Directors”	the Directors of the Company whose names appear on page 3 of this document and “Director” means any one of them
“certificated or in certificated form”	recorded in physical paper form on the relevant share register
“Certificated Shareholders”	Green Dragon Shareholders who hold Green Dragon Shares in certificated form immediately prior to the Record Time, and “Certificated Shareholder” means any one of them
“Circular”	the circular sent to Green Dragon Shareholders on or around the date of this document relating to the Demerger, including among other things, a description of the Demerger and notice of the Green Dragon Extraordinary General Meeting
“City Code”	the City Code on Takeovers and Mergers of the UK
“CNOOC”	China National Offshore Oil Corporation
“Company” or “Greka Drilling”	Greka Drilling Limited
“CREST”	the computerised settlement system to facilitate the transfer of title to securities in uncertificated form, operated by Euroclear UK & Ireland Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended
“CUCBM”	China United Coal Bed Methane Corporation Limited
“Demerger”	the proposed demerger of the Group from Green Dragon to be implemented by the Demerger Dividend
“Demerger Date”	the effective date of the Demerger
“Demerger Dividend”	the proposed dividend <i>in specie</i> of Ordinary Shares payable to Green Dragon Shareholders on the Green Dragon Register at the Record Time
“Depository”	Capita IRG Trustees Limited
“Depository Interests” or “DIs”	the dematerialised depository interests issued by the Depository in respect of and representing on a one-for-one basis Ordinary Shares held by the Depository
“DI Holders”	holders of DIs

“Form of Direction”	the Form of Direction to be completed by DI Holders for use at the Green Dragon Extraordinary General Meeting
“Form of Proxy”	the Form of Proxy to be completed by Green Dragon Shareholders for use at the Green Dragon Extraordinary General Meeting
“GMD”	Greka Mitchell (Zhengzhou) Drilling Co., Ltd.
“Green Dragon”	Green Dragon Gas Ltd or as the context may require, any of its subsidiaries (excluding members of the Group)
“Green Dragon Board”	the directors of Green Dragon
“Green Dragon Extraordinary General Meeting”	the Extraordinary General Meeting of Green Dragon which is due to be held on 7 March 2011, notice of which is set out in the Circular, or any reconvened meeting following any adjournment thereof
“Green Dragon Register”	the share register of Green Dragon
“Green Dragon Shareholders”	holders of Green Dragon Shares and (if the context so requires) depository interests representing Green Dragon Shares
“Green Dragon Shares”	ordinary shares of US\$0.0001 each in the capital of Green Dragon and (if the context so requires) depository interests representing Green Dragon Shares
“Greka China”	Greka China Ltd. (a wholly-owned subsidiary of Green Dragon)
“Group”	the Company and its subsidiaries or (where the context so requires) GTS and its subsidiaries
“GTS” or “Greka Technical Services”	Greka Technical Services Limited
“GTS Zhengzhou”	Greka (Zhengzhou) Technical Service Co., Ltd.
“Introduction Agreement”	the conditional agreement dated 15 February 2011 between the Company (1), Green Dragon (2), the Directors (3), and Smith & Williamson (4) details of which are set out in paragraph 8(d) of Part V of this document
“London Stock Exchange”	London Stock Exchange plc
“Mitchell Drilling”	Mitchell Drilling International Pty Ltd
“Official List”	the official list of the UK Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000
“Ordinary Shareholders” or “Shareholders”	holders of Ordinary Shares and (if the context so requires) Depository Interests
“Ordinary Shares”	the ordinary shares of US\$0.00001 each in the capital of the Company and (if the context so requires) Depository Interests
“Pace Drilling”	Pace Drilling Ltd.
“Pace Drilling Acquisition”	the acquisition of Pace Drilling by GTS pursuant to a resolution dated 15 December 2010 of the sole director of Asia Canada Energy Inc.

“Petrochina”	Petrochina Company Limited
“PMD”	Pace Mitchell Drilling Corp.
“PRC” or China	the People’s Republic of China
“Record Time”	5.00 p.m. on 7 March 2011 (or such other time or date as the Green Dragon Board (or any duly authorised committee thereof) may determine), being the time at which the names of Green Dragon Shareholders are required to be on the Green Dragon Register in order to be entitled to the Demerger Dividend
“Regulatory Information Service”	one of the Regulatory Information Services authorised by the London Stock Exchange to receive, process and disseminate information in respect of AIM listed companies
“Schramm”	Schramm, Inc.
“Smith & Williamson” or “Nominated Adviser”	Smith & Williamson Corporate Finance Limited, authorised and regulated in the United Kingdom by the Financial Services Authority
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“US”, “USA” or “United States”	the United States of America, its territories and possessions, any state of the US and the District of Columbia
“US\$”	the lawful currency of the United States

GLOSSARY

“Bcf”	billion cubic feet
“Bcm”	billion cubic metres
“CAGR”	compound annual growth rate
“CBM”	coal bed methane
“CMM”	coal mine methane
“CNG”	compressed natural gas
“GIP”	gas-in-place
“PSC”	production sharing contract
“SIS”	surface to in-seam
“Tcf”	trillion cubic feet

PART I

INFORMATION ON THE GROUP

Introduction

Greka Drilling is a newly-incorporated subsidiary of Green Dragon and is the holding company for a group of companies including GTS. The principal activity of GTS is the provision of coal bed methane drilling services in China carried out principally through two companies, GTS Zhengzhou and GMD. GTS Zhengzhou is a wholly owned subsidiary of GTS while GMD is a joint venture with Mitchell Drilling held through PMD. Greka Drilling was established to hold Green Dragon's drilling businesses and, subject to the approval of Green Dragon Shareholders, will be de-merged from Green Dragon by means of a dividend distribution to Green Dragon Shareholders. As at 31 December 2010, GTS Zhengzhou and GMD had approximately 220 technical and field employees.

Demerger Rationale

The Board believes that the demerger of Greka Drilling from Green Dragon will enhance shareholder value in both companies. Greka Drilling's management team will focus on a separate strategy and business development plan from Green Dragon with enhanced growth prospects as an independent company servicing both Green Dragon and third party drilling contracts. The Board also believes that the separate entities will provide shareholders and the investment community with greater clarity resulting in improved access to the capital markets.

Further information on the Demerger process is set out in the Circular sent to Green Dragon Shareholders on 16 February 2011.

Demand for Energy Resources in China

The Chinese economy has been growing strongly for a number of years and experienced GDP growth of an estimated 15 per cent. CAGR between 1999 and 2009. The expansion of the Chinese economy has led to rapidly increasing demand for energy resources which is currently outstripping supply, resulting in a dependence on imported oil and gas to meet its current energy needs.

It is estimated that China will need 200 Bcm of natural gas by 2015, twice the amount produced domestically in 2008.

Unconventional Gas in China

It is estimated that three-quarters of China's gas reserves base consists of unconventional gas and it has been predicted that by 2020 unconventional gas production may account for 30 per cent. of China's total gas output. Coal bed methane is the most significant contributor to unconventional gas resources in China, with a total estimated undeveloped resource base of 1,300 Tcf, approximately 35 per cent. of the total estimated undeveloped resource base in China.

Coal Bed Methane

CBM is methane which exists within the carbon lattice of coal at a molecular level; this differs from conventional gas fields where gas is typically generated by hydrocarbon source rocks/material which then migrates through rock strata before being trapped in a porous and permeable reservoir rock such as sandstone.

CBM is generally held in place by water pressure. Extracting CBM involves drilling wells into the coal seam, perforating and then fracturing the coal seams to increase local permeability. Water is then pumped out of the coal seam reducing the pressure and allowing the gas to leave the coal and migrate through fracture systems into the well.

Historically, methane produced by coal seams has been viewed as an unwelcome by-product of coal mining and was treated as a hazardous waste product, but more recently the increased demand for natural gas and improved extraction methodology (including the use of SIS drilling methodology) have led to the commercial exploitation of CBM reserves in Australia and now China.

CBM in China

The Chinese CBM sector is dominated by state-owned firms such as CNOOC, CUCBM and Petrochina although since 1999 the Chinese government has allowed foreign companies such as Green Dragon to apply for licences for the extraction of unconventional gas from coal seams.

Of the PSCs awarded by CUCBM to foreign companies, six are currently held by Green Dragon covering a total area of 7,566 km² with estimated total gas-in-place of 25.5 Tcf (*Source: Netherland, Sewell & Associates, Inc*).

The Market Opportunity

The Board believes that China is at the start of an unconventional gas revolution which will see unconventional gas production grow to 6 Bcf per day in 2020, representing 30 per cent. of the domestic energy supply, from the current level of less than 1 Bcf per day.

The Board believes that there is a comparable opportunity for an unconventional gas market to develop in China as has been experienced in the US in the past 20 years.

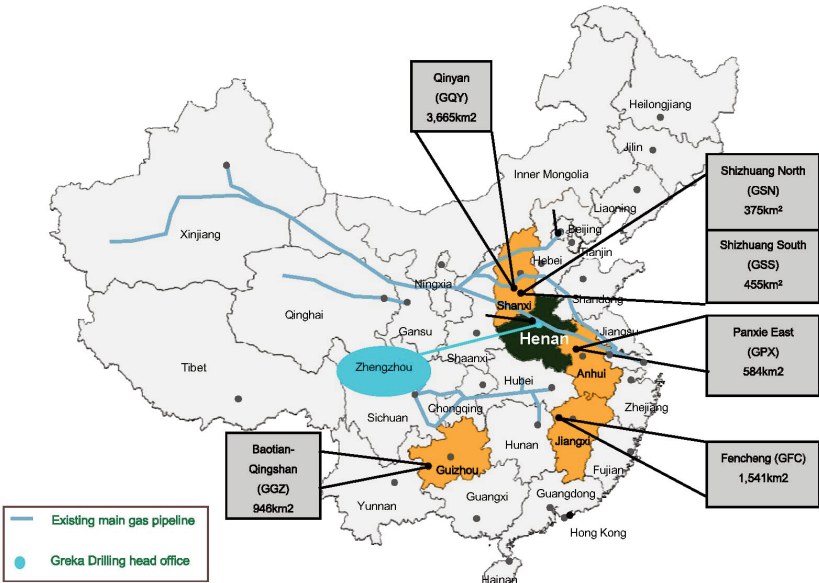
The US currently has 20 Tcf of proven coal bed methane reserves which have increased significantly over the past 20 years as new basins have been drilled. CBM production in the US is around 5 Bcf per day.

In the US, the last five years has seen a significant increase in the capital expenditure spent on exploring and developing unconventional gas which has grown at 36 per cent. CAGR from 2002 to 2010 compared to a 3 per cent. CAGR for exploring and developing conventional gas. This has resulted in the US accounting for three-quarters of the global unconventional gas production in 2009. The Board believes that China will experience similar growth and that Greka Drilling is well placed to benefit from the anticipated growth of the unconventional gas sector in China and across Asia.

Green Dragon Gas

Green Dragon’s operations range from upstream CBM gas production to midstream and downstream gas sales operations. It focuses solely on the China gas market. It currently has interests in six PSCs which are located in close proximity to production pipelines and to end markets.

The map below shows the location of Green Dragon’s existing licences in China:



The Shizhuang South, Shizhuang North, Qinyuan and Panxie East PSCs are joint ventures between Green Dragon with a 60 per cent. interest, and CUCBM with a 40 per cent. interest. The Shizhuang South PSC is further subdivided into a 67 km² block known as Chengzhuang operated by Petrochina. At the Fengcheng PSC, Green Dragon has a 49 per cent. interest and CUCBM has a 51 per cent. interest, and at the Boatian-Qinshan (Guizhou) PSC, Green Dragon has a 60 per cent. interest and Petrochina has a 40 per cent. interest. Green Dragon is the operator of all of the six PSC blocks except the Chengzhuang subdivision within the Shizhuang South PSC.

GTS Zhengzhou, a 100 per cent. indirect subsidiary of Greka Drilling, is contracted to provide drilling services to Green Dragon on all of the six CBM blocks for which Green Dragon has entered into PSC interests. Green Dragon (which is currently the sole customer of GTS Zhengzhou) is expected to remain a significant customer of the Group following the Demerger, although the Company intends to extend the provision of the Group's services to third party operators in due course including Chinese state-owned firms.

History of Greka Drilling

As a result of a lack of certainty over the general availability of drilling rigs in China and a scarcity of drilling rigs suitable for drilling CBM resources, Green Dragon decided to establish its own drilling operation and in November 2007, GTS was formed as a wholly-owned subsidiary of Green Dragon. Prior to then, Green Dragon outsourced all drilling and well development work to third party suppliers.

The business of GTS has grown through the expansion of drilling activity at Green Dragon's CBM blocks and is carried out principally through two companies:

- **GTS Zhengzhou:** GTS Zhengzhou is based in Zhengzhou, China, which is the operational hub for Green Dragon's upstream operations, and provides drilling services at Green Dragon's six CBM blocks. GTS Zhengzhou owns five drilling rigs and one workover rig.
- **GMD:** GMD is a wholly-owned subsidiary of PMD, a 50/50 joint venture company held equally by Pace Drilling, a wholly-owned subsidiary of GTS, and Mitchell Drilling International Pty Ltd. GMD owns two drilling rigs which are contracted by GTS Zhengzhou.

Business Activities

GTS Zhengzhou and GMD operate a total of eight truck-mounted specialised CBM drilling rigs (including one workover rig) supported by approximately 220 technical and field personnel and are capable of drilling both horizontal and vertical CBM wells.

Of these rigs, five drilling rigs and the one workover rig were purchased in November 2007 by GTS Zhengzhou from Schramm and two drilling rigs (manufactured in Australia by Air-Drill Pty Ltd to a Schramm design) were acquired by GMD which became part of the Group through the Pace Drilling Acquisition. Two different drilling rig specifications have been acquired, being the T130 model (3 rigs) and the T685 model (4 rigs). All seven drilling rigs are capable of drilling horizontal and vertical wells. The average age of the drilling rigs is currently three years and the drilling rigs are depreciated over ten years.

GTS now has seven fully trained drilling teams, comprising 25 employees per team, working two shifts per day of 12 hours each working on a 21 day onsite, 21 day rest cycle. Each shift is led by a rig manager, and includes a tool pusher, an engineer, a driller, and a roustabout. Each rig manager reports on a daily basis to a project manager, who is based at the head office in Zhengzhou. GTS Zhengzhou has been awarded Chinese ISO 9001 Certification and has been granted a work safety license for CBM drilling.

Greka Drilling is negotiating the purchase of a further 25 drilling rigs at a total estimated cost (including ancillary equipment) of up to approximately US\$95 million. It is expected that the order will be placed shortly. The purchase of the rigs, which will be owned by GTS Zhengzhou, will be funded from the Group's existing cash resources and cash flow from operations. The acquisition of these rigs will result in the recruitment by GTS Zhengzhou of approximately an additional 900 technical drilling staff.

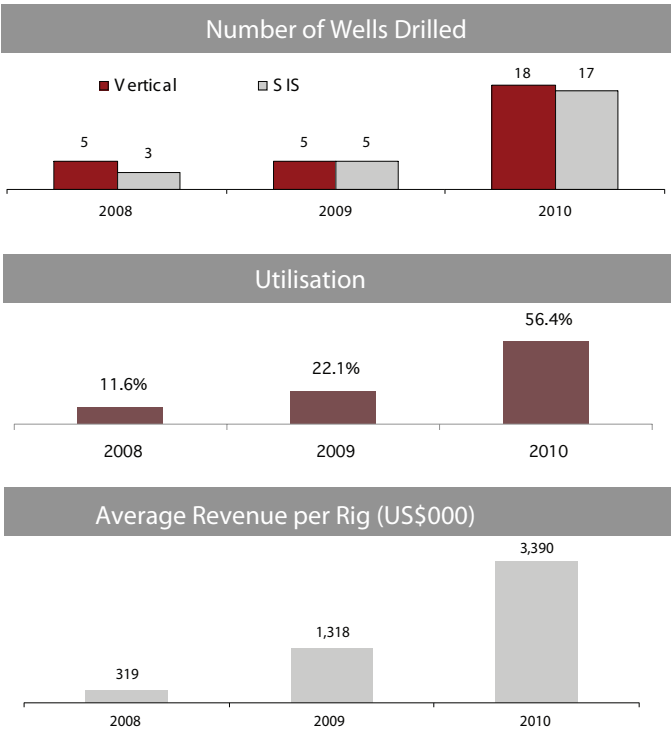
Baozhuang Zhang is the Chief Operating Officer of GTS Zhengzhou which is organised into a number of key departments including technical, data review (geologists), health & safety, purchasing & logistics and accounting/HR.

Surface to In-Seam “SIS” Horizontal Drilling

Surface to In-Seam horizontal drilling was developed in Australia to permit the economic extraction of CBM from shallow and low permeable coal seams. This approach involves the drilling of horizontal wells that intersect vertical wells thereby facilitating the continuous flow of gas between vertical and horizontal wells. SIS drilling also allows multiple horizontal wells to intersect one vertical well, vastly expanding the production area feeding one producing vertical well. GTS Zhengzhou has developed its own SIS methodology to maximise CBM extraction from the brittle anthracite coals found in China and will use this methodology in the deployment of its new fleet of rigs.

Operational Track Record

The charts below illustrate the operational track record of GTS in the period 2008 – 2010:



Business Strategy of Greka Drilling

The Company intends to build on the early mover advantage enjoyed by GTS Zhengzhou and its relationship with Green Dragon to deliver pan-asian drilling services, initially in China, with further growth targeted in India, Indonesia, Thailand and Australia in the longer term.

The drilling rigs used by the Group are smaller than traditional oil drilling rigs. The Board believe that these smaller, more versatile rigs have a lower upfront cost and lower operating costs than many of the rigs used by the Group’s competitors.

All the Group’s rigs share common ancillary equipment which reduces the operating and maintenance costs. This also enables the Group to use one single training programme for its employees and to reduce its inventory owing to the compatibility of the ancillary equipment and the flexibility of its rigs.

For contracts with Green Dragon, the Group will continue to operate a number of rigs in a concentrated area allowing for reduced costs arising from shared infrastructure and operating equipment.

Competition

The unconventional gas drilling services sector is fragmented in China and has historically been serviced by a number of small non-specialised coal mining and oil drilling contractors and in house expertise at state owned oil and gas companies.

The Directors do not believe that Greka Drilling currently has a direct competitor in China carrying out SIS drilling. The majority of drilling subcontractors in China focus on more conventional coal mine drilling, using land-rigs that are not well suited to CBM drilling.

Current Trading and Prospects

In 2011, Greka Drilling expects to order 25 drilling rigs for work programmes in China which will involve an increase in the Group's workforce of approximately 900 employees. The Board believes that the Group will complete the drilling of in excess of 100 wells in China in 2011. The Company's intention over time is to build the order book of contracts with third party oil and gas companies. The Company intends to continue to increase the number of rigs owned and operated by the Group in order to meet market demand.

As the Group's business grows, it is expected that the mix of its drilling operations will continue to move from exploration (R&D) to production, leading to an increase in profitability as a result of the lower average drilling and mobilisation/demobilisation times per well involved in production drilling.

Relationship between Green Dragon and Greka Drilling following the Demerger

Since incorporation, GTS Zhengzhou has operated as a stand-alone entity and trades on an arm's length basis with Green Dragon and its subsidiaries. Accordingly, it is not expected that the day-to-day trading relationship between Green Dragon and GTS Zhengzhou will be significantly affected by the Demerger.

Green Dragon has continuing contracts for drilling services with GTS Zhengzhou which provide a framework under which Green Dragon can place purchase orders with GTS Zhengzhou based on certain pricing assumptions. In return, the Group will provide Green Dragon with: the use of its SIS drilling expertise; sufficient rigs for Green Dragon's present drilling programme; and a reliable drilling service.

Randeep Grewal will become the Chairman and Chief Executive Officer of Greka Drilling and will be joined on the Greka Drilling board by, amongst others, existing Green Dragon non-executive directors, Stewart John and David Turnbull. Randeep Grewal, Stewart John and David Turnbull will each maintain their existing roles with Green Dragon and Baozhuang Zhang will continue to be responsible for the operational management of Greka Drilling as Chief Operating Officer, as he has been since February 2008.

In order to provide Greka Drilling with part of the funding for the capital expenditure involved in the previously announced plan by Green Dragon to acquire 25 specialised CBM drilling rigs, Greka China has provided US\$50 million in cash by way of equity investment in GTS. In addition there has been capitalised the amount of US\$26.6 million representing the net amount of the inter-group balances owing by the Group to Green Dragon and its other subsidiaries at 31 December 2010. Separately, a two-year revolving working capital facility of US\$12.5 million is being made available by Greka China to Greka Drilling. The facility has not yet been drawn. The facility will bear interest of 8 per cent. on the amount drawn. Further details of the working capital facility can be found in paragraph 9(c) of Part V of this document.

Directors and Senior Management

Directors

Randeep Grewal (aged 45), Chairman and Chief Executive

Randeep Grewal is to act as Chairman and Chief Executive of Greka Drilling. He also acts as Chairman and Chief Executive Officer of Green Dragon, having founded this business in 1997. Mr Grewal also fills the same roles at all his private family estate companies including Greka Integrated Inc., a US-based heavy oil and gas production, oil transportation, oil refining and real estate business. From April 1997 to September 1997, Mr. Grewal served as Chairman and Chief Executive Officer for Horizontal Ventures, Inc., an oil and gas horizontal drilling technology company that became a subsidiary of Greka Energy Corporation in September 1997. From 1993 to 1996, Mr. Grewal was

Corporate Vice President for the Rada Group with principal responsibility for its global expansion and diversification to a commercial organisation from its defence roots and 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 BSc in Mechanical Engineering from Northrop University.

Lisa He (aged 39), Chief Financial Officer

Lisa He joined Green Dragon on 1 February 2008 as Chief Accounting Officer and is now also Chief Financial Officer at Greka Drilling. She has 16 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 degree in Business Administration at Xi'an Jiaotong University.

David Turnbull (aged 55), Non-executive Director

David Turnbull has been Executive Chairman of Pacific Basin Shipping Limited since July 2008, and was an independent non-executive director of Pacific Basin Shipping Limited from 2006 to 2008. Mr Turnbull was appointed an independent nonexecutive director of Sands China Ltd in October 2009 and joined Seabury Aviation & Aerospace Asia (Hong Kong) Ltd as a director in November 2008. David Turnbull was Executive Chairman of Allco Finance (Asia) Limited based in Hong Kong between March 2006 and March 2008. Prior to joining Allco Finance (Asia) Limited, Mr Turnbull spent 30 years, until January 2006, with the Swire Group holding a variety of posts, including, Chairman of Swire Pacific Limited, Cathay Pacific Airways Limited and John Swire & Sons (H.K.) Limited. Mr Turnbull has been a non-executive director of Green Dragon since it was admitted to AIM in 2006.

Bryan Smart (aged 59), Non-executive Director

Bryan Smart is a Chartered Accountant with over 35 years of financial management experience and from 1981 to 2006 he worked for DaimlerChrysler (UK) Ltd where he became a director in 2002. Mr Smart is an executive director of Tradelinens Ltd, a joint venture established with a Chinese importer, as well as Brooklands Museum Trust, where he has a financial management role which also involves some project management and fund raising activities. He is a non-executive director of AIM-listed Scotty Group PLC, which supplies satcom solutions for military applications, and is a trustee director of DaimlerChrysler Pension Fund. Prior to working for DaimlerChrysler (UK) Ltd, Mr Smart worked for Deloitte Touche as an External Auditor/Management Consultant for six years.

Stewart John OBE (aged 72), Non-executive Director

Stewart John has over 50 years experience in the aviation industry. He worked for British Airways (BOAC/ BA) for 22 years, leaving in 1977 to join Cathay Pacific where he served as engineering director on the main board from 1980 until 1994. Since 1994 he has been a non-executive director of a number of companies including Rolls-Royce Commercial Aero Engines, British Aerospace Aviation Services, Airlines of Britain Holdings and Newall Aerospace. Currently, he is a non-executive director of Taikoo (Xiamen) Aircraft Engineering Company Limited (which he founded in 1993) and a board trustee of Brooklands Museum Trust. Mr John has been a non-executive director of Green Dragon since the admission of the Company to AIM in August 2006.

Senior management

Baozhuang Zhang (aged 67), General Manager and Chief Operating Officer

Baozhuang Zhang has served as General Manager and Chief Operating Officer of the Group since January 2008. Mr. Zhang has over 40 years of experience in oil and gas engineering technical services. He joined the oil and gas industry in 1967 and has held a range of positions in several petroleum companies, including: technician of an oil production team in Daqing Petroleum Administration Bureau; production coordinator of a plant in Jiangnan Petroleum Administration Bureau; and engineer of a drilling managing plant in Jilin Petroleum Administration Bureau. From 1976 to 1995, Mr. Zhang worked at Huabei Petroleum Administration Bureau, a drilling and engineering services subsidiary of CNPC, as an engineer and in various senior management positions. Mr. Zhang was the General

Manager of China National Oil Developing Company from 1995 to 1999, and President of Huabei Petroleum Administration Bureau from 1999 to 2004. Mr. Zhang worked as an external consultant to Greka BV from July 2007 to January 2008. Mr. Zhang graduated from Beijing Geology College, majoring in Petroleum in 1966.

Liu Feng (aged 43) Vice General Manager

Liu Feng joined GTS on 1 September 2009 as Vice General Manager. Mr. Liu has over 22 years experience in oil & gas drilling. Between 2001 and 2009, Mr. Liu worked in coal bed methane subsidiary of Te Nai'si Company as general manager, chief engineer and technical director. Between 1996 and 2001, Mr. Liu was a drilling engineer for Huabei Petroleum Administration Bureau, coal bed methane unit. Mr. Liu is a certified drilling engineer and holds an MBA from Peking University.

Rene Pederson (aged 47), Vice General Manager

Rene Pederson is the Vice General Manager of Greka Drilling. Mr Pederson started his career as a rig mechanic before joining Rockdrill Contractors as a driller in 1987. From 1993 to 2001, Mr Pederson worked for Carlton United Breweries responsible for the maintenance of its beer making and high speed packaging lines. In 2001, Mr Pederson moved to Mitchell Drilling Contractors and to GMD in China in 2007. Mr Pederson holds a trade certificate as a Fitter and Machinist and graduated from Central Queensland University in 2003.

Employee Incentives

The Directors believe that Greka Drilling's success is highly dependent on the quality and loyalty of its employees and directors. To assist in the recruitment, retention and motivation of the Group's employees it must have an effective remuneration strategy. The Directors consider that an important part of the Group's remuneration strategy is the ability to award an equity incentive. Consequently, the Company intends to adopt a share option scheme or other equity incentive scheme under which the total number of shares issuable over any ten year period may not exceed 10 per cent. of the issued ordinary share capital of the Company. The scheme will be adopted by the Board as soon as practicable following Admission.

In addition, in order to reflect the Demerger, directors and employees of the Group who are current holders of Green Dragon vested share options will be awarded vested Greka Drilling share options on the basis of three Greka Drilling options (exercisable at the closing price of the Ordinary Shares at the close of business of Greka Drilling's first day of trading) for every one Green Dragon vested option.

Orderly Market Arrangements

The Directors and persons connected with them will be bound by Rule 7 of the AIM Rules. Under the terms of the Introduction Agreement, the Directors have each undertaken that they will not (and will use their reasonable endeavour to procure that any persons with whom they are connected will not) dispose of any interest in Ordinary Shares held by them for a period of one year from Admission, save in limited circumstances, such as a takeover offer for the Company, without the prior written consent of Smith & Williamson and the Company. The holdings of the Directors are set out in paragraph 6(a) of Part V of this document.

Summary Financial Information

<i>Year Ended</i>	<i>31 December 2008 US\$000</i>	<i>31 December 2009 US\$000</i>	<i>31 December 2010 US\$000</i>
Revenue	2,642	9,929	24,317
Gross profit	852	1,921	4,887
(Loss)/profit from operations	(3,462)	152	3,017
(Loss)/earnings before interest, tax, depreciation and amortisation	(2,967)	2,060	5,118
Total comprehensive (loss)/income	(1,994)	(842)	2,176

Following a post 31 December 2010 equity investment in GTS of US\$50.0 million in cash by Greka China, together with the capitalisation of US\$26.6 million of inter-group balances owing by the Group to Green Dragon and its other subsidiaries, the pro forma combined net assets of the Group at 31 December 2010 are US\$72.9 million, including US\$56.4 million in net cash. In addition, Greka China has made available to the Company a two-year revolving working capital facility of US\$12.5 million. The facility has not yet been drawn. Further financial information on the Group is set out in Part III of this document and an unaudited pro forma statement of net assets is set out in Part IV of this document.

Corporate Governance

The Board recognises the importance of sound corporate governance and intends so far as is practicable to ensure that, following Admission, the Company adopts policies and procedures which reflect such of the principles of the UK Corporate Governance Code (issued by the Financial Reporting Council) as are appropriate to the Company. Cayman Islands does not have a corporate governance regime.

The Company has established, conditional on Admission, an Audit Committee and a Remuneration Committee, each with formally delegated duties and responsibilities. The Audit Committee will consist of David Turnbull, Stewart John and Bryan Smart. The Remuneration Committee will consist of Randeep Grewal, Stewart John and Bryan Smart.

The Audit Committee will determine the terms of engagement of the Company's auditors and will determine, in consultation with the auditors, the scope of the audit. The Audit Committee will receive and review reports from management and the Company's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will have unrestricted access to and oversee the relationship with the Group's auditors.

The Remuneration Committee will review the scale and structure of the executive Directors' and senior employees' remuneration and the terms of their service or employment contracts, including share incentives and other bonus arrangements. The remuneration and terms and conditions of the non-executive directors will be set by the entire Board. No Director or manager of the Company may participate in any meeting at which discussion or any decision regarding his or her own remuneration takes place. The Remuneration Committee will also administer any share option schemes or other employee incentive plans adopted by the Company from time to time.

The Board will take all proper and reasonable steps to ensure compliance with the AIM Rules relating to directors' dealings and will also take all reasonable steps to ensure compliance by the Company's applicable employees and has adopted a share dealing code for this purpose.

Cayman Islands Company Law

The Company is a Cayman Islands company and is subject to Cayman Islands law which differs from the Act in relation to *inter alia* the issue of new shares by companies.

There are no provisions in Cayman Islands law equivalent to section 551 of the Act relating to the ability of directors to allot and issue shares and there are no provisions in Cayman Islands law equivalent to section 561 of the Act which, (subject to certain exceptions), confers pre-emption rights on existing shareholders in connection with the allotment of shares for cash. However the Company's articles of association provide that during any twelve month period, except with the approval of Shareholders, the Directors may not issue for cash shares or any securities conferring the right to subscribe for, or to convert such securities into, shares of the Company representing more than 25 per cent. of the nominal value of the issued Ordinary Shares as at the date of the preceding AGM other than *pro rata* to existing shareholders.

Takeover Code

The business and operational control of the Company are located outside the United Kingdom and accordingly Shareholders will not be afforded protections under the City Code.

Dividend Policy

The Directors intend to commence payment of dividends when it becomes commercially viable to do so, subject to the working capital requirements of the Company and the availability of distributable funds and will adopt a progressive but prudent dividend policy thereafter.

Taxation

Certain general information regarding United Kingdom and Cayman Islands taxation in relation to the Admission is set out in paragraph 14 of Part V of this document. Such information is intended only as a general guide and if you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

CREST and Depository Interests

CREST is a computerised paperless share transfer and settlement facility enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. Securities issued by non-UK registered companies such as the Company cannot be held or transferred in the CREST system. To enable investors to settle such securities through the CREST system, a depository or custodian can hold the relevant securities and issue dematerialised depository interests representing the underlying securities which are held on trust for the holders of the depository interests.

The Company has therefore established an arrangement whereby Depository Interests, representing Ordinary Shares, can be issued to investors who wish to hold their Ordinary Shares in electronic form and an application has been made for such Depository Interests to be admitted to CREST with effect from Admission. Depository Interests will have the same ISIN as the underlying Ordinary Shares and will not require a separate application for admission to AIM. The Depository Interests will exist only in uncertificated form and cannot be traded other than through CREST. Accordingly, with effect from Admission, settlement of transactions in Ordinary Shares represented by Depository Interests may take place within the CREST system if an investor so wishes. CREST is a voluntary system and shareholders who wish to receive and retain share certificates will be able to do so.

The Depository Interests are independent securities constituted under English law and will be issued and created pursuant to the terms of the Deed Poll with the Depository. The Deed Poll governs the relationship between the Depository and the DI Holders. The Depository (or its nominated custodian) will hold the underlying Ordinary Shares and all or any rights, other securities, property and cash attributable to such Ordinary Shares and pertaining to the Depository Interests for the benefit of the relevant DI Holders.

Pursuant to the Deed Poll, the Depository must pass on to the DI Holders and so far as it is reasonably able exercise and cause to be exercised by any custodian on behalf of the DI Holders, all rights and entitlements received or to which it is entitled in respect of the Ordinary Shares which are capable of being passed on or exercised. Subject to the terms of the Deed Poll, rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings of the Company shall be passed on to DI Holders. The Depository is entitled to exercise all voting rights attaching to the Ordinary Shares to which the Depository Interests relate on behalf of the DI Holders but DI holders may give voting instructions to the Depository on how to exercise the votes relating to the Ordinary Shares to which their underlying Depository Interests relate.

Each Depository Interest will be treated as one Ordinary Share for the purposes of determining eligibility for dividends, issues of bonus stock and voting entitlements.

Further information regarding the depository arrangement and the holding of Depository Interests representing Ordinary Shares is available from the Depository. The Depository may be contacted at Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by telephone on +44 (0) 871 664 0321.

Further Information

Your attention is drawn to the additional information set out in Parts II to V of this document.

PART II

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in Ordinary Shares. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not purport to comprise all those risks associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

If any of the following risks actually occurs, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In this event, the price of the Ordinary Shares could decline and investors may lose all or part of their investment. The investment described in this document may not be suitable for all recipients of this document. Before making an investment decision, prospective investors should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities if taking advice in the United Kingdom or from another appropriately authorised financial adviser if taking advice in a territory outside the United Kingdom. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.

There are various risk and other factors associated with an investment of the type described in this document. In particular:

Risks relating to Greka Drilling's Business

Dependence on Green Dragon

All of the Group's drilling contracts are with members of the Green Dragon corporate group in respect of the six PSCs in which the Green Dragon group has interests. Although the Group is intending to increase its customer base following Admission, until that time, the loss of Green Dragon as a client would, or a reduction in its capital or expenditure budgets for whatever reason (including the inability of Green Dragon to raise additional debt and/or equity funding to finance its anticipated business plan) could adversely affect demand for the services of the Group and reduce materially the Group's revenues. The Group's contractual commitments with Green Dragon require the current full drilling capacity of the Group to be deployed on those projects. The Group's plans for growth will need to be supported by the acquisition of more drilling rigs in order to be able to perform the drilling services under any drilling contracts awarded to the Group. In addition, the Chairman and Chief Executive of the Company and certain other Directors are also directors of Green Dragon. Situations may therefore arise in connection with the operation and development of the Group's business where the interests of these Directors may conflict with those of the Group. If and in the event that any material conflict of interest should arise, the Company and the Directors concerned will follow applicable legal and regulatory requirements in dealing with any such conflict.

When acting for clients other than Green Dragon, the Group will operate on a project-by-project basis, and its visible order book can fluctuate from time to time

It is anticipated that a portion of any drilling contracts with and related revenues from non-Green Dragon customers will be awarded on a tender basis. It is generally difficult to predict when the Group will be awarded such contracts and, if awarded, whether they will proceed as originally planned. The tenders are affected by a number of factors outside of the Group's control, such as market conditions and governmental approvals required of the Group's clients. If the Group is not selected, or if the contracts entered into are delayed, or the Group is unable to execute the work it has contracted to perform within the agreed timeframe, the Group's workflow may be interrupted, contracts may not be renewed and the business, financial conditions and results of the operations of the Group may be adversely affected.

The period of notice given to members of the Group by its customers to carry out work can be relatively short. Additionally the scope of this work can vary in size and contract length. On any particular project, variations to the scope of work can occur both prior to commencing work and also whilst work is in progress on any particular contract. As a consequence, the Group's order book can fluctuate over the course of a financial period, making it difficult for management to accurately predict future revenues and the Group's results of operations. Any announcements which the Company may make in the future containing predictions of future revenues may be proved wrong as a result of such fluctuations in the order book.

Increasing competitiveness of alternative energy sources

The increasing competitiveness of alternative energy sources, including solar and wind power, may lead to less demand for oil and gas in the medium- to long term, and in turn, the Group's services. Without the benefit of government subsidies or mandates, alternative energy sources have generally not been competitive with oil and gas. However, changes in technology and consumer preferences have begun to alter fuel choices, an example being the growing popularity of alternatively fuelled vehicles. Furthermore, alternative energy sources have been increasingly competitive due to governmental support in the forms of tax relief and subsidies for alternative energy providers, the adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. Governments are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources. These measures could reduce demand for oil and gas in the medium- to long-term, thereby reducing demand for the Group's services.

The Group's businesses may be subject to claims for professional errors and omissions

Providing project management, engineering and construction services involves the risk of contractual and professional errors and omissions and other liability claims, as well as adverse publicity that may adversely affect the Group's financial performance and condition. The Group may not be able to maintain or obtain adequate insurance coverage at rates it considers reasonable or it may take the decision not to insure such risks. Even if coverage is obtained, claims may exceed such insurance coverage.

Ownership and operations of the Group within China are subject to local and/or federal regulations and legislation

The ownership and operations of the Group are subject to a number of national and local regulations and legislation in the territories where it operates within China. The Directors believe that the ownership of the Group and its operations within China have been broadly consistent with the manner in which other foreign companies have traditionally been owned and operated within China. Breach of such regulations and legislation could lead to certain liabilities arising on members of the Group and/or criminal or civil proceedings being taken against members of the Group in the future. However, the Directors are of the view that it is unlikely that these potential liabilities or civil or criminal proceedings will ever be imposed on any member of the Group.

Lack of operational assets and geographic diversification

All of the Group's operational assets are currently located in China. As a result, the Group's business is disproportionately exposed to adverse developments affecting this region. These potential adverse developments could result from, among other things, changes in governmental regulation, political instability in the region, capacity constraints with respect to the pipelines connected to the Group's wells, curtailment of production, disputes with residents on the a block, or adverse weather conditions in or affecting this region. Due to the Group's lack of diversification in asset type and location, an adverse development in the Group's business or in this operating area may affect its financial condition and results of operations.

The Group may be affected by the actions of third parties, including sub-contractors and manufacturers

The Group often relies on inputs from third-party equipment manufacturers and sub-contractors for the completion of its projects. To the extent that the Group cannot engage sub-contractors or acquire equipment or materials according to its plans and budgets, its ability to complete a project in a timely fashion or at a profit may be impaired. If the amount the Group is required to pay for these goods and services exceeds the amount estimated in bidding for lump sum work, the Group could experience losses under the relevant contracts. In addition, if a sub-contractor or a manufacturer is unable to deliver

its services, equipment or materials according to the negotiated terms or on time, the Group may be required to purchase such services, equipment or materials from another source at a higher price. The resulting additional costs may be substantial, and the Group may be required to compensate the project customer for delays. Further, the Group may not be able to recover any or all of these costs in all circumstances and/or the Group may be unable to pass the increased costs onto the client, which may reduce the profit to be realised or result in a loss on a project for which the services, equipment or materials were needed.

The Group is subject to counterparty credit risk

Following Admission, the Group is expecting to provide its services to a variety of contractual counterparties and is therefore subject to the risk of non-payment for services it has rendered or non-reimbursement of costs it has incurred. The contracts which the Group enters into may require significant expenditure by the Group prior to receipt of relevant payments from the client and expose the Group to potential credit risk. In addition, the Group is open to the risk that its counterparties may take a strict contractual approach to performance of key performance indicators regardless of the overall success of the project. In these markets, local management intervention is often required in order to obtain payment.

Failure by any of its contractual counterparties to pay for services provided or reimburse costs incurred by the Group could have a material adverse effect on the Group's cashflow and on the profitability of the relevant contract for the Group.

The Group may be unable to procure sufficient numbers of new drilling rigs to pursue its growth strategy or maintain business at its current level

The Group's ability to grow its business from its current level depends on the Group's ability to procure sufficient numbers of new drilling rigs. If it is not possible to procure a sufficient number of drilling rigs at the appropriate time, the Group may be unable to pursue new business opportunities or meet the demand for services from existing clients and, consequently, the Group's business, financial condition and results of operations could be adversely impacted.

Maintenance of licences and other permits and authorisations

From time to time the business of the Group may in part be dependent upon the continuing grant by third parties of licences, permits and authorisations. The grant and continuation in force of such licences, permits and authorisations may be beyond the control of the Group. Depending on the nature of the licence, consent or authorisation, the absence of such licence, consent or authorisation, and the failure of the Group to secure an adequate alternative, may have a material adverse effect on the financial performance of the Group.

Maintenance by clients of exploration of production licences and other permits and authorisations

The Group's customers conduct operations under numerous exploration and production licences. Licences may be suspended, restricted or terminated in the event of a failure to comply with license requirements resulting in the loss of the customer.

The Group's customers may be unable to, or may voluntarily decide not to, comply with certain license agreement requirements for some or all of the licensed areas. If the authorities find that the Group's customers have failed to fulfil the terms of their licences, permits or authorisations, or if the Group's customers operate in their license areas in a manner that violates applicable law, they may impose fines on the Group's customers or even suspend or terminate their licences. Any suspension, restriction or termination of the Group's customers' licences could adversely affect operating results and financial condition and, in turn, could also affect the demand for the Group's services.

Hazards customary for drilling operations

Substantially all of the Group's operations are subject to hazards that are customary for gas drilling operations, including blowouts, reservoir damage, loss of well-control, cratering, gas well fires and explosions, natural disasters, pollution and mechanical failure. Despite the Group's adherence to applicable safety regulations, any of these events could occur, which may result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations or environmental damage. The Group's exposure to such risks also depends on the ability of the engaged

sub-contractors to properly perform their respective services in compliance with all applicable safety laws and regulations. Generally, drilling contracts provide for the division of responsibilities between a drilling company and its customer. To the extent that the Group is unable to transfer such risks to its customers by contract, the Group generally seeks protection through insurance. However, the Group is self-insured for certain losses and there can be no assurance that insurance will be available to cover any or all of these risks, or, even if available, that insurance premiums or other costs will not rise significantly in the future, so as to make costs of such insurance prohibitive. There is no assurance that such contractual re-distribution of liability or insurance will adequately protect the Group against liability from all of the consequences of the hazards and risks described above. The occurrence of an event not fully insured or indemnified against, or the failure of a client or insurer to meet its indemnification or insurance obligations, could result in substantial losses.

Difficulty managing growth in the business

Because of the relatively small size of the Group's current business operations, growth in accordance with business plans, if achieved, could place a significant strain upon its financial, technical, operational and management resources. The failure to continue to upgrade the Group's technical, administrative, operating and financial control systems or the occurrence of unexpected expansion difficulties, including the recruitment and retention of the required personnel, could have an adverse effect on the Group's business, financial condition and results of operations and its ability to execute its business plans in a timely manner.

Litigation

In the ordinary course of business the Group may from time to time in the future be named as a defendant in legal actions in connection with the activities it carries out. These actions may include employment-related claims and contractual disputes (including claims by sub-contractors) or claims for personal injury or property damage which occurs in connection with services performed relating to project or construction sites. Any litigation, by or against any member of the Group, is likely to be costly and there can be no assurance that the Group would prevail. Litigation could also involve a significant diversion of resources and management attention, which could have a significant adverse effect on the business.

Insurance policies

Substantially all of the Group's operations are subject to hazards that are customary for oil and natural gas drilling operations, including blowouts, reservoir damage, loss of well control, cratering, oil and gas well fires and explosions, natural disasters, pollution and mechanical failure. Any of these hazards could result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations or environmental damage. The Group only carries insurance coverage for certain risks, which may not be sufficient to cover all potential losses or liabilities. The Group maintains insurance over all drilling equipment and generally maintains employers' liability insurance covering death or work injury of employees, as well as public liability insurance covering injury to visitors. Moreover, the insurance coverage is based on PRC insurance standards, which provide significantly lower levels of compensation than international standards.

The occurrence of an event not fully insured, or the failure of an insurer to meet its insurance obligations, could result in substantial losses. Because of the Group's relatively small size, an uninsured loss could be far more detrimental to its operations and future prospects than it would be to one of its larger competitors. The Group cannot assure investors that insurance will continue to be available to cover any or all of these risks, or, even if available, that insurance premiums or other costs will not rise significantly in the future, so as to make the cost of such insurance prohibitive.

Drilling Technology

The Group has developed its own SIS methodology in China for degassing coal mines and exploiting CBM. The drilling services market is characterised by changing specialised technology, methods and applications. As a result, the success of the Group is dependent upon its ability to develop or acquire new technologies, methods and applications of existing technologies on a cost effective basis and to

introduce them into the marketplace in a timely manner. If the Group is unable to adapt to evolving markets and technologies, develop new technologies and services, or acquire or maintain technological advantages, the Group's business and operating results may be materially and adversely affected.

Competition in the China drilling industry

The China drilling industry is competitive and fragmented. It includes a few private enterprises capable of competing in markets on a local basis and in-house operations of subsidiaries of major state-owned oil and natural gas companies that possess substantially greater financial and other resources than the Group does for researching and developing technologies. In addition, such in-house operations may benefit from relationships with their state-owned parent that the Group do not have. The Directors believe that the main competition to the Company comes from the development by its state-owned oil and gas company customers of in-house technology for drilling directional or horizontal wells.

Market Risks

Coal Bed Methane

The demand for the Group's range of services may be dependent to an extent on both the level of economic activity within the gas production industry, known as the upstream sector, and the general processing and marketing industries, known as the downstream sector. The Directors believe that to a certain extent the level of demand for the Group's services will depend on the demand for drilling activities associated with new and revamped energy plants, in the gas sector, along with demand for downstream products. The level of new production and revamped facilities serving the energy market and the processing market is directly related to the growth in the worldwide economy and thus the resulting increase in demand for energy.

Risks of potential future areas of business

In line with the Group's growth strategy, the Directors intend to seek to expand the operations of the business into new geographical locations by way of acquisition, joint venture or the incorporation of new businesses. The Group's ability to penetrate such markets may be impeded if the Group's competitors have already become established in those markets. Furthermore, such actions by the Group may involve the issue of equity securities to raise funds, the incurring of debt or the use of significant cash sums, each of which could materially and adversely affect the Group's business, financial condition or the market price of the Ordinary Shares.

In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations of any acquired business or company and the diversion of management attention from other business concerns.

Diminishing Return on Intellectual Property

A significant technological change developed or obtained by the Group's competitors could negatively impact the demand for the Group's drilling services. As new technologies are developed, and the return on the Group's existing intellectual property becomes diminished by new technology, the Group may have to implement, purchase or research new technologies at a substantial cost in order to remain competitive. In addition, competitors may have greater resources to develop or acquire new technologies and may implement them quicker than the Group is able to, which may allow them to provide lower-priced or better-quality services. If this occurs, it could limit the Group's ability to compete effectively and, as a result, decrease demand for services, which could have a material adverse effect on the business, financial condition and results of operations of the Group.

In addition, third parties may infringe or misappropriate the Group's intellectual property rights and cause a material and adverse effect on the business, financial condition or operating results. It could be difficult and expensive to police unauthorised use of the Group's intellectual property and to enforce the Group's rights to the technology. The Group's ability to protect its intellectual property may be compromised in the event that any management members or employees in possession of confidential proprietary information leave the Group. Also, the Group may be required to litigate to enforce its rights to its proprietary information or determine the validity and scope of the proprietary rights of others. There can be no assurance that the outcome of such potential litigation will be in the Group's favour.

Litigation may be costly and may divert management attention and other resources away from the business. An adverse determination in any such litigation against the Group will impair the Group's intellectual property rights and would harm the business, prospects and reputation. In addition, the Group would have to bear all costs arising from such litigation if it is unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on the business, results of operations and financial condition.

Although the Group has not been involved in any intellectual property rights disputes, the Group cannot assure investors that such disputes, which may result in significant legal and other costs and may distract management from operating the business, will not arise.

Management of growth

The Group's plans to continue its growth will place additional demands on the Group's management, customer support, marketing, administrative, manpower and technological resources. If the Group is unable to manage its growth effectively, its business, operations or financial condition may deteriorate.

General economic climate

Factors such as the price of oil, inflation, currency fluctuations, interest rates, increased labour costs, supply and demand of capital and industrial disruption may have an impact on demand, business costs and stock market prices. The Group's operations, business and profitability can be affected by these factors, which are beyond the Group's control.

The Group's revenues depend significantly on the willingness of governments to award exploration and production licenses and on the level of activity and capital expenditures by natural gas companies in its markets. A prolonged period of low natural gas prices could depress the levels of natural gas exploration, development and production activity. Anticipated lower long-term natural gas prices may cause natural gas exploration and production companies to reduce or defer major capital expenditures given the long lead times of many large-scale exploration and development projects.

Changes in certain fiscal regimes could adversely impact the financial condition of the Group

The Group's profitability is impacted by the levels of direct and indirect taxation levied on its profits and services, and on the profits and services of its clients in the locations in which it operates. Increases in these direct or indirect taxes can adversely affect the returns that can be achieved by the Group and its clients and may result in a decline in revenues and profits. In addition, the interpretation of guidelines, rules and legislation by governmental taxation bodies in the countries in which the Group operates may change from time to time. The Group's conduct of operations may not be held to be consistent with such changes in interpretation, which could require the Group to change aspects of its operations which may correspondingly lead to a decline in revenues and profits.

Risks relating to China

China's economic, political and social conditions and government policies

The economic system of China is very different from the economies of developed countries in many respects, including government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the economy of China has been transitioning from a planned economy to a more market-oriented economy in the past 20 years, the Chinese government continues to play a significant role in regulating industry development. It also exercises significant control over China's economic growth through allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Any changes to the political, economic and social conditions in China or in the policies of the Chinese government may have a material adverse impact on the Group's business.

Environmental regulations

The Group is subject to various PRC national and local environmental laws and regulations in the areas where the Group operates, including those governing the use, storage, discharge and disposal of hazardous substances. As of the date of this document, the Group had not received any regulatory notices or warnings in connection with, nor been the subject of any environmental investigations, orders

or incidents arising out of, violations of environmental laws. The Group has policies in place to ensure compliance with environmental regulations. However, if more stringent compliance or clean-up standards under environmental laws or regulations are imposed, or the results of future testing and analyses of its operations indicate that the Group is responsible for the release of hazardous substances, the Group may be subject to remediation liability and increased environmental compliance costs.

Chinese tax rules and regulations

The taxation system in China is still developing, which may result in inconsistent enforcement at state and municipal levels. The Chinese Government has enacted a favourable tax regime to encourage the development and use of CBM. Any future changes in legislation, regulation or enforcement may have a material adverse impact on the Group's financial performance.

The new Enterprise Income Tax Law, or EIT Law, provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25 per cent. enterprise income tax rate on their worldwide income. In addition, a circular issued by the State Administration of Taxation on 22 April 2009, regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside of China as "resident enterprises" clarified that dividends and other income paid by such offshore "resident enterprises" will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10 per cent., when recognized by non-PRC enterprise shareholders. This recent circular also subjects such offshore "resident enterprises" to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the new EIT Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the recent circular further provided that certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises will be classified as "resident enterprises" if all of the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and half or more of the directors with voting rights or senior management. However, as this document only applies to enterprises established outside of China that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of "de facto management bodies" for overseas incorporated enterprises that are controlled by individual PRC residents. Therefore, although substantially all of the Group's management is currently located in the PRC and all of the Group's revenues arise from its operations in the PRC, it remains unclear whether the PRC tax authorities would require or permit overseas registered entities to be treated as PRC resident enterprises. If the PRC tax authorities determine that the Group is a "resident enterprise," the Group may be subject to enterprise income tax at a rate of 25 per cent. on its worldwide income, which may have a material and adverse impact on the Group's financial condition and results of operations and the dividends paid by it to investors may be subject to PRC withholding tax.

Dividends payable to foreign investors

Under the EIT Law and implementation regulations issued by the State Council, a 10 per cent. PRC income tax is applicable to dividends payable to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC or which have such establishment or place of business but have income not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. It is unclear whether dividends paid on Ordinary Shares, or any gain realised from the transfer of Ordinary Shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC tax. If the Group is considered a PRC "resident enterprise," then any dividends paid to overseas Shareholders that are "non-resident enterprises" may be regarded as being derived from PRC sources and, as a result, would be subject to PRC withholding tax at a rate of 10 per cent. In addition, if the Group is considered a PRC "resident enterprise," non-resident Shareholders may be eligible for the benefits of income tax treaties entered into between China and other countries. If the Group is required under the

EIT Law to withhold PRC income tax on dividends payable to non-PRC Shareholders that are “non-resident enterprises,” or if Shareholders are required to pay PRC income tax on the transfer of Ordinary Shares, the value of the Ordinary Shares may be materially and adversely affected.

The enforcement of the Labour Contract Law

On 29 June 2007, the National People’s Congress of China enacted the Labour Contract Law, (“Labour Contract Law”) which became effective on 1 January 2008. The Labour Contract Law establishes more restrictions and increases costs for employers to dismiss employees under certain circumstances, including specific provisions related to fixed-term employment contracts, non-fixed-term employment contracts, task-based employment, part-time employment, probation, consultation with the labour union and employee representative’s council, employment without a contract, dismissal of employees, compensation upon termination and for overtime work, and collective bargaining. According to the Labour Contract Law, unless otherwise provided by law, an employer is obliged to sign a labour contract with an indefinite term with an employee if the employer continues to hire the employee after the expiration of two consecutive fixed-term labour contracts. Severance pay is required if a labour contract expires without renewal because the employer refuses to renew the labour contract or provides less favourable terms for renewal. In addition, under the Regulations on Paid Annual Leave for Employees, which became effective on 1 January 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on the number of the employee’s working years at the employer. Employees who waive such vacation time at the request of employers shall be compensated for three times their regular salaries for each waived vacation day. As a result of these new measures designed to enhance labour protection, the Group’s labour costs are expected to increase, which may adversely affect the business and the results of operations. In addition, the PRC government in the future may enact further labour-related legislation that increases labour costs and restricts operations.

The Chinese legal system

The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has promulgated laws and regulations dealing with financial and economic matters such as foreign investment, financing and provision of security, corporate organisation and governance, commerce, taxation and trade. As such, many of the laws that govern private and foreign investment, securities transactions, creditors’ rights, intellectual property rights and contractual and other relationships in China are relatively new, unsophisticated, unproven and continue to evolve, at times in an uncertain manner. As a result, the Group may be subject to a number of unusual risks related to laws and regulations, particularly those involving taxation, foreign investment, trade, mining rights, title to property, securities, transfer of title and protection of intellectual property. The Group may be subject to inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, a lack of established or effective avenues for legal redress, including an underdeveloped judicial system and, a lack of standard practices characteristic of developed markets and a lack of enforcement of existing regulations. Accordingly, there may be difficulty and uncertainty in the Group’s ability to protect and enforce its rights against Chinese state and private entities in China.

Enforceability of foreign judgments

At present, China does not have treaties providing for the reciprocal recognition and enforcement of judgments with major economies such as the United Kingdom. Therefore, it may be difficult and may not be possible for the Group to enforce in China any judgments it may obtain in a foreign court.

Chinese foreign exchange regulations

All of the Group’s revenues will be denominated in Renminbi which is not a freely convertible currency. In order to pay dividends to Shareholders, the cash available for this purpose must be converted into another currency. The Group is subject to significant foreign exchange controls and conversion generally will require the approval of or registration with the State Administration of Foreign Exchange. There is no assurance that the requisite approval or registration can be maintained and as a result, the Company may not be able to pay dividends in foreign currencies to Shareholders, despite the existence of distributable profits.

Risks relating to the Company

Dependence on key personnel

The Company's success depends to a significant extent on the continued services of its core senior management team. If one or more of these individuals were unable or unwilling to continue in his present position, the Group's business would be disrupted and it might not be able to find replacements on a timely basis or with the same level of skill and experience. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact the Group's financial results.

Attract and retain skilled and technically knowledgeable employees

The Group's success depends upon attracting and retaining skilled and technically knowledgeable employees. A number of the Group's employees are highly trained technicians, and the failure to continue to attract and retain such individuals could adversely affect the Group's ability to compete in the oilfield services industry. The Group may confront significant and potentially adverse competition for these skilled and technically knowledgeable personnel, particularly during periods of increased demand for oil and gas. Additionally, at times there may be a shortage of skilled and technical personnel available in the market, potentially compounding the difficulty of attracting and retaining these employees. As a result, the Group's business, results of operations and financial condition may be materially adversely affected.

Controlling shareholder

Randeep Grewal, together with a Grewal family trust, is the Company's largest shareholder and their combined holding in the issued share capital of the Company will, after Admission, exceed 50 per cent. He is also an executive director of the Company. Accordingly, Mr Grewal will effectively be able to exercise a significant degree of influence over the management and policies of the Company as well as other matters requiring Shareholders' approval. There is no guarantee that Mr Grewal's interests will coincide with the interests of other Shareholders.

Force majeure

The Group's projects may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, severe weather conditions, acts of God, explosions or other catastrophes or epidemics.

Risks relating to the Cayman Islands

Rights of shareholders is more limited under Cayman Islands law than under United Kingdom law

The Company's corporate affairs are governed by its memorandum and articles of association, the Cayman Islands Companies Law (2010 Revision), as amended, and the common law of the Cayman Islands. The rights of Shareholders to take action against the Directors, the rights of minority Shareholders to institute actions and the fiduciary responsibilities of Directors under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of Shareholders and the fiduciary responsibilities of Directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions. In particular, the Cayman Islands has a less developed body of securities laws than the United Kingdom.

Risks relating to the Investment and AIM

Share price volatility and trading basis

Potential investors should be aware that the value of Ordinary Shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all his/her investment.

PART III
FINANCIAL INFORMATION

SECTION A – ACCOUNTANT’S REPORT ON THE HISTORICAL FINANCIAL INFORMATION ON THE GROUP



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Greka Drilling Limited
PO Box 472
George Town
Grand Cayman K1-1106
Cayman Islands

16 February 2011

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

Dear Sirs

Greka Drilling Limited (the “Company”) and its subsidiary undertakings (together, the “Group”)

Introduction

We report on the financial information set out in Section B of Part III. This financial information has been prepared for inclusion in the admission document dated 16 February 2011 of Greka Drilling Limited (the “Admission Document”) on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant

estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its combined losses and profits and cash flows for the years then ended in accordance with the basis of preparation set out in note 2 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP
Chartered Accountants

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

SECTION B – FINANCIAL INFORMATION ON GREKA DRILLING LIMITED

Combined Statements of Comprehensive Income

	Note	Year ended 31 December 2008 US\$ '000	Year ended 31 December 2009 US\$ '000	Year ended 31 December 2010 US\$ '000
Revenue	4	2,642	9,929	24,317
Cost of sales		(1,790)	(8,008)	(19,430)
Gross profit		<u>852</u>	<u>1,921</u>	<u>4,887</u>
Foreign exchange (losses)/gains		(1,788)	1,328	959
Compensation costs		(1,114)	(55)	—
Other administrative expenses		(1,412)	(3,042)	(2,829)
Total administrative expenses		<u>(4,314)</u>	<u>(1,769)</u>	<u>(1,870)</u>
(Loss)/profit from operations	5	(3,462)	152	3,017
Finance income	6	23	2	—
Finance costs	7	(178)	(269)	(263)
(Loss)/profit before income tax		<u>(3,617)</u>	<u>(115)</u>	<u>2,754</u>
Income tax	10	98	203	(732)
(Loss)/profit for the year from continuing operations		<u>(3,519)</u>	<u>88</u>	<u>2,022</u>
Other comprehensive income:				
Exchange differences on translating foreign operations		1,525	(930)	154
Total comprehensive (loss)/income for the year		<u>(1,994)</u>	<u>(842)</u>	<u>2,176</u>
(Loss)/profit for the year attributable to:				
– Owners of the Company		(2,022)	(178)	1,826
– Non-controlling interests		(1,497)	266	196
		<u>(3,519)</u>	<u>88</u>	<u>2,022</u>
Total comprehensive (loss)/income attributable to:				
– Owners of the Company		(1,357)	(636)	2,136
– Non-controlling interests		(637)	(206)	40
		<u>(1,994)</u>	<u>(842)</u>	<u>2,176</u>

Combined Statements of Financial Position

	<i>Note</i>	<i>As at 31 December 2008 US\$'000</i>	<i>As at 31 December 2009 US\$'000</i>	<i>As at 31 December 2010 US\$'000</i>
Assets				
Non-current assets				
Property, plant and equipment	11	16,845	15,756	16,738
Intangible assets	12	144	156	181
Deferred tax asset	18	98	301	—
		<u>17,087</u>	<u>16,213</u>	<u>16,919</u>
Current assets				
Inventories	13	2,062	2,146	4,354
Other receivables	14	2,701	6,902	25,534
Cash and cash equivalents		807	2,261	6,383
		<u>5,570</u>	<u>11,309</u>	<u>36,271</u>
Total assets		<u><u>22,657</u></u>	<u><u>27,522</u></u>	<u><u>53,190</u></u>
Liabilities				
Current liabilities				
Trade and other payables	15	27,684	32,220	54,967
Loans and borrowings	16	—	1,171	1,480
Current tax liabilities		—	—	436
		<u>27,684</u>	<u>33,391</u>	<u>56,883</u>
Total net liabilities		<u><u>(5,027)</u></u>	<u><u>(5,869)</u></u>	<u><u>(3,693)</u></u>
Invested capital	18	(2,889)	(3,525)	(1,389)
Non-controlling interests	18	(2,138)	(2,344)	(2,304)
		<u><u>(5,027)</u></u>	<u><u>(5,869)</u></u>	<u><u>(3,693)</u></u>

Combined Statements of Cash Flows

	<i>Year ended 31 December 2008 US\$'000</i>	<i>Year ended 31 December 2009 US\$'000</i>	<i>Year ended 31 December 2010 US\$'000</i>
Operating activities			
(Loss)/profit before income tax	(3,617)	(115)	2,754
Adjustments for:			
Depreciation	495	1,891	2,083
Amortisation of other intangible assets	—	17	18
Loss on disposal of property, plant and equipment	—	17	491
Finance income	(23)	(2)	—
Finance costs	178	269	263
Cash flows before changes in working capital	(2,967)	2,077	5,609
Increase in inventories	(1,152)	(84)	(2,208)
Increase in other receivables	(54)	(4,201)	(18,632)
Increase in trade and other payables	15,569	4,536	22,747
Cash generated from operations	11,396	2,328	7,516
Income tax payment	—	—	(5)
Net cash from operating activities	11,396	2,328	7,511
Investing activities			
Payments for purchase of property, plant and equipment	(11,875)	(804)	(3,108)
Payments for intangible assets	(144)	(28)	(38)
Cash acquired with subsidiary undertaking	29	—	—
Interest received	23	2	—
Net cash used in investing activities	(11,967)	(830)	(3,146)
Financing activities			
Proceeds from the issue of share capital	1	—	—
Finance costs paid	(178)	(269)	(263)
Proceeds of short term loan	—	1,171	1,480
Repayment of short term loan	—	—	(1,171)
Net cash (used in)/from financing activities	(177)	902	46
Net (decrease)/increase in cash and cash equivalents	(748)	2,400	4,411
Cash and cash equivalents at the beginning of the year	—	807	2,261
Effect of foreign exchange rate changes	(748)	3,207	6,672
	1,555	(946)	(289)
Cash and cash equivalents at end of year	807	2,261	6,383

Notes Forming Part of the Financial Information

1. General

Greka Drilling Limited (“CaymanCo”) 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 CaymanCo 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.

CaymanCo is a subsidiary of Green Dragon and is the holding company for a group of companies whose principal activities consist of the provision of coal bed methane drilling services in China. CaymanCo was established to hold Green Dragon’s drilling businesses.

CaymanCo and its subsidiaries are hereinafter collectively referred to as the “Group”. CaymanCo is an investment holding company while the principal activities of its subsidiaries are provision of drilling services and investment holding.

The financial information is presented in United States dollars which is same as the functional currency of CaymanCo.

2. Principal Accounting Policies

Basis of preparation

The historical financial information in relation to CaymanCo is an aggregation of the Company and other companies as listed below. This information covers the following legal entities:

<i>Entity:</i>	<i>Summary Description:</i>
Greka (Zhengzhou) Technical Service Co., Ltd	Drilling and related services
Greka Technical Services Limited	Investment holding
Pace Drilling Ltd.	Investment holding
Pace Mitchell Drilling Corp.*	Investment holding
Greka Mitchell (Zhengzhou) Drilling Co., Ltd.*	Provision of drilling services

* Notwithstanding the ownership interest is only 50 per cent., the Company controls the financial and operating policies of these two companies, therefore they are combined into this financial information as subsidiaries of the Company. The financial information of the subsidiaries has been included in the combined financial information from the date that common management and control commenced.

The entities which comprise the Group do not include an overall holding company and did not form a legal group in the periods presented in the combined financial information. However they have been under common management and control in those years.

International Financial Reporting Standards as adopted by the European Union (“IFRSs”) do not provide for the preparation of combined financial information and accordingly in preparing the combined financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRSs. In other respects IFRSs have been applied.

The combined financial information has been prepared by aggregating the assets, liabilities, results share capital and reserves of the relevant entities, after eliminating intercompany transactions, balances and unrealised gains on transactions between the combined entities. Consequently it is not meaningful for CaymanCo to present share capital. Instead “Invested capital” is presented which represents the aggregated share capital and share premiums and capital reserves of the companies making up the Group.

On 4 July 2008, Pace Drilling Ltd. was acquired and came under the common management and control of Green Dragon Gas Limited from that date. The identifiable assets and liabilities that were acquired have been included in this combined financial information at 4 July 2008 at their net asset value and the results of the trade of Pace Drilling Ltd. and its subsidiaries combined in this financial information from that date.

The combined 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 IFRSs except as described above.

Except as described above, the financial information has been prepared in accordance with IFRSs as adopted by the European Union, that are effective for accounting periods beginning on or after 1 January 2010. The principal accounting policies adopted in the preparation of the financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial information in conformity with IFRSs 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. 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.

The following new standards and amendments to standards are mandatory for the first time for the Group for financial year beginning 1 January 2010. Except as noted, the implementation of these standards is not expected to have a material effect on the group.

<i>Standard</i>	<i>Effective date</i>	<i>Impact on initial application</i>
IAS 27 – Amendment – Consolidated and Separate Financial Statements	1 Jul 2009	The amendment affects the acquisition of subsidiaries achieved in stages and disposals of interests. Amendment does not require the restatement of previous transactions.
IFRS 3 – Revised – Business Combinations	1 Jul 2009	The revision to IFRS 3 introduced a number of changes in accounting for acquisition costs and recognition of intangible assets in business combinations. The revised standard does not require the restatement of previous business combinations.
IAS 39 – Amendment – Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 Jul 2009	The amendment clarifies the principles for determining eligibility of hedged items.
IFRS 2 – Amendment – Group Cash-settled Share-based Payment Transactions	1 Jan 2010	The amendments clarifies that where a parent (or another group entity) has an obligation to make a cash-settled share-based payment to another group entity's employees or suppliers, the entity receiving the goods or services should account for the transaction as equity – settled.

<i>Standard</i>	<i>Effective date</i>	<i>Impact on initial application</i>
'Additional exemptions for first-time adopters' (Amendment to IFRS 1)	1 Jan 2010	The Group did not previously prepare or report financial information as a combined reporting entity in any other GAAP and therefore this is not relevant to the Group.
Improvements to IFRSs (2009)	Generally 1 January 2010	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards.
IFRIC 17 – Distributions of Non-cash Assets to Owners	1 Jan 2010	The interpretation provides guidance on how to measure distribution of assets other than cash.
IFRIC 18 – Transfer of Assets from Customers	1 Jan 2010	The interpretation clarifies the treatment of agreements in which an entity receives from a customer an item of property that it must use to provide the customer with an on-going access to goods or services.
IFRIC 9/ IAS 39 – Amendment – Embedded Derivative	1 Jan 2010	The amendment clarifies the treatment of embedded derivatives in host contracts that are classified out of fair value through profit or loss.
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	1 Jan 2010	The interpretation provides guidance for application of hedge accounting in foreign operations.

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

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

<i>Standard</i>	<i>Description</i>	<i>Effective date</i>
IAS 32	Amendment – Classification of Right Issues	1 Feb 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 Jul 2010
IFRS 1	Amendment – First Time Adoption of IFRS	1 Jul 2010
IAS 24	Revised – Related Party Disclosures	1 Jan 2011
IFRIC 14	Amendment – IAS 19 Limit on a defined benefit asset	1 Jan 2011
IFRS 7*	Amendment – Transfer of financial assets	1 Jul 2011
IFRS 1*	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 Jul 2011
	Improvements to IFRSs (2010)*	1 Jan 2011
IAS 12*	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012
IFRS 9*	Financial instruments	1 Jan 2013

The Group has not yet assessed the impact of IFRS 9. Except for the amended disclosure requirements of IAS 24 (the above revised standards), amendments and interpretations are not expected to materially affect the Group's reporting or reported numbers.

* Not yet endorsed by European Union.

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 balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value

was determined. 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, in which cases, the exchange differences are also recognised directly in equity.

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

Property, plant and equipment

Property, plant and equipment 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. The useful lives and residual value are reviewed, and adjusted if appropriate, at each balance sheet date. The useful lives of property, plant and equipment are as follows:

Buildings and structures	20 – 30 years
Motor vehicles	5 years
Fixtures, fittings and equipment	3 – 10 years

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 profit or loss as incurred.

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.

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 income statement as incurred.

Amortisation is recognised in the income statement 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

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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 Chief Executive Officer, the Chief Financial Officer and non-executive Board Members.

Taxation

Tax on the profit or loss for the period comprises current 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 balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

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.

Drilling revenues generated on a dayrate-basis from drilling contracts and labour contracts are recognised as services are performed.

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 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 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.

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.

Other financial assets include refundable deposits paid to acquire property plant and equipment.

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.

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 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 the consolidated statement of comprehensive income 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.

Impairment of property plant and equipment

At the end of each reporting period, 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.

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

At the end of each reporting period, management 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.

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, oil and natural gas market prices and industry rig counts for drilling rigs. In performing an impairment evaluation, management estimate the future undiscounted 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 undiscounted 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 its contract drilling segments for any of the years ended 31 December 2010, 2009 or 2008. The assumptions used in the impairment evaluation for property plant and equipment are inherently uncertain and require management judgement.

Power to exercise control

Where the Group holds 50 per cent. of the voting rights in entities, but by virtue of the operational and financing structure, the Group is able to control the entity, the entity is combined into these financial statements as a subsidiary of the Group.

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 a single reportable segment: the provision of contract drilling services in the People’s Republic of China (the “PRC”). The consolidation of the Group’s contract drilling operations into one reportable segment is attributable to how the CODMs manage the business.

The accounting policies of the reportable segment are the same as those described in the summary of principal accounting policies (see Note 2). The Group evaluates the performance of the operating segment based on revenues from external customers and segment profit.

Drilling services revenue of US\$23,727,000 (2009 – US\$9,224,000; 2008 – US\$2,235,000) and Management services revenue of US\$590,000 (2009 – US\$705,000; 2008 – US\$407,000) represents the net invoiced value of contract drilling services and management services provided to one customer. The amounts of each significant category of revenue recognised during the years ended 31 December 2008, 2009 and 2010 are as follows:

	<i>Year ended 31 December 2008 US\$'000</i>	<i>Year ended 31 December 2009 US\$'000</i>	<i>Year ended 31 December 2010 US\$'000</i>
Drilling services	2,235	9,224	23,727
Management services	407	705	590
	<u>2,642</u>	<u>9,929</u>	<u>24,317</u>

5. (Loss)/Profit from Operations

(Loss)/profit from operations is stated after charging/(crediting):

	<i>Year ended 31 December 2008 US\$'000</i>	<i>Year ended 31 December 2009 US\$'000</i>	<i>Year ended 31 December 2010 US\$'000</i>
Staff costs (note 8)	1,005	2,584	4,791
Depreciation of property, plant and equipment	495	1,891	2,083
Operating lease expense (property)	44	54	58
Amortisation of intangible assets	—	17	18
Loss on disposal of property, plant and equipment	—	17	491
Compensation costs	1,114	55	—
Foreign exchange losses/(gains)	1,788	(1,328)	(959)
	<u>1,788</u>	<u>(1,328)</u>	<u>(959)</u>

During 2008 the Group incurred Compensation costs of US\$1,114,000 (2009 – US\$55,000; 2008 – Nil) which relate to early termination charges and related professional fees for one drilling project.

6. Finance Income

	<i>Year ended 31 December 2008 US\$'000</i>	<i>Year ended 31 December 2009 US\$'000</i>	<i>Year ended 31 December 2010 US\$'000</i>
Bank interest	23	2	—

7. Finance Costs

	<i>Year ended 31 December 2008 US\$'000</i>	<i>Year ended 31 December 2009 US\$'000</i>	<i>Year ended 31 December 2010 US\$'000</i>
Interest expense on short term loans wholly repayable within five years	—	23	67
Interest expense on loans from a related company	178	246	196
	<u>178</u>	<u>269</u>	<u>263</u>

8. Staff Costs

	<i>Year ended 31 December 2008 US\$'000</i>	<i>Year ended 31 December 2009 US\$'000</i>	<i>Year ended 31 December 2010 US\$'000</i>
Staff costs (including directors' remuneration (note 9)) comprise:			
Wages and salaries	927	2,193	3,949
Employer's national social security contributions	26	270	441
Other benefits	52	121	401
	<u>1,005</u>	<u>2,584</u>	<u>4,791</u>

9. Directors' Remuneration

None of the directors received any remuneration from the Group in any of the 3 years.

10. Taxation

	<i>Year ended 31 December 2008 US\$'000</i>	<i>Year ended 31 December 2009 US\$'000</i>	<i>Year ended 31 December 2010 US\$'000</i>
<i>Current tax</i>			
Charges for current year	—	—	431
<i>Deferred tax</i>			
(Credit)/charge for the year	(98)	(203)	301
Total tax (credit)/charge	<u>(98)</u>	<u>(203)</u>	<u>732</u>

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

	<i>Year ended 31 December 2008 US\$'000</i>	<i>Year ended 31 December 2009 US\$'000</i>	<i>Year ended 31 December 2010 US\$'000</i>
(Loss)/profit before income tax	(3,617)	(115)	2,754
Expected tax charge based on the standard rate of corporation tax in the Cayman Islands of 0% (2008, 2009 and 2010 – 0%)	—	—	—
Effect of:			
Different tax rates applied in overseas jurisdictions	(904)	(29)	689
Tax effect of revenue not taxable for tax purposes	—	(302)	(233)
Tax effect of expenses not deductible for tax purposes	806	128	276
Income tax (credit)/charge	<u>(98)</u>	<u>(203)</u>	<u>732</u>

Taxation for the Group's operations in the PRC is provided at the applicable current tax rate of 25 per cent. on the estimated assessable profits for the year.

11. Property, Plant and Equipment

	<i>Buildings and structures US\$ '000</i>	<i>Motor vehicles US\$ '000</i>	<i>Fixtures, fittings and equipment US\$ '000</i>	<i>Total US\$ '000</i>
Cost				
At 1 January 2008	—	—	—	—
Additions	2,167	612	9,096	11,875
Acquisition of Pace Drilling Ltd. (note 20)	—	259	5,206	5,465
At 31 December 2008	2,167	871	14,302	17,340
Exchange realignment	2	1	12	15
Additions	52	64	688	804
Disposals	—	(19)	(3)	(22)
At 31 December 2009	2,221	917	14,999	18,137
Exchange realignment	69	29	459	557
Additions	86	318	2,703	3,107
Disposals	—	(53)	(633)	(686)
At 31 December 2010	2,376	1,211	17,528	21,115
Accumulated depreciation				
At 1 January 2008	—	—	—	—
Charged for the year	52	61	382	495
At 31 December 2008	52	61	382	495
Charge for the year	139	168	1,584	1,891
Eliminated on disposals	—	(4)	(1)	(5)
At 31 December 2009	191	225	1,965	2,381
Exchange realignment	1	11	96	108
Charge for the year	142	190	1,751	2,083
Eliminated on disposals	—	(21)	(174)	(195)
At 31 December 2010	334	405	3,638	4,377
Net book value				
At 31 December 2008	2,115	810	13,920	16,845
At 31 December 2009	2,030	692	13,034	15,756
At 31 December 2010	2,042	806	13,890	16,738

12. Intangible Assets

	<i>Software</i> <i>US\$ '000</i>
Cost	
At 1 January 2008	—
Additions	144
At 31 December 2008	144
Additions	28
At 31 December 2009	172
Additions	38
Exchange adjustment	7
At 31 December 2010	217
Accumulated amortisation	
At 1 January 2008 and at 31 December 2008	—
Charge for the year	17
Exchange adjustment	(1)
At 31 December 2009	16
Charge for the year	18
Exchange adjustment	2
At 31 December 2010	36
Net book value	
At 31 December 2008	144
At 31 December 2009	156
At 31 December 2010	181

13. Inventories

	<i>As at</i> <i>31 December</i> <i>2008</i> <i>US\$ '000</i>	<i>As at</i> <i>31 December</i> <i>2009</i> <i>US\$ '000</i>	<i>As at</i> <i>31 December</i> <i>2010</i> <i>US\$ '000</i>
Raw materials and consumables	1,756	1,746	4,025
Work-in-progress	306	400	329
	<u>2,062</u>	<u>2,146</u>	<u>4,354</u>

14. Other Receivables

	<i>As at</i> <i>31 December</i> <i>2008</i> <i>US\$ '000</i>	<i>As at</i> <i>31 December</i> <i>2009</i> <i>US\$ '000</i>	<i>As at</i> <i>31 December</i> <i>2010</i> <i>US\$ '000</i>
Prepayments	537	500	927
Other receivables	25	7	91
Amounts due from related parties (note 21)	2,139	6,395	24,516
	<u>2,701</u>	<u>6,902</u>	<u>25,534</u>

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

15. Trade and Other Payables

	<i>As at</i> <i>31 December</i> <i>2008</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2009</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2010</i> <i>US\$'000</i>
Trade payables	1,136	802	2,677
Other current liabilities	1,660	862	841
Amounts due to related parties (note 21)	24,888	30,556	51,449
	<u>27,684</u>	<u>32,220</u>	<u>54,967</u>

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

16. Loans and Borrowings

	<i>As at</i> <i>31 December</i> <i>2008</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2009</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2010</i> <i>US\$'000</i>
Bank loans – secured	—	1,171	1,480

The bank borrowings are fully repayable within eight months of the end of each reporting periods and are secured on the Group's building situated in Zhengzhou.

17. Deferred Taxation

	<i>Year ended</i> <i>31 December</i> <i>2008</i> <i>US\$'000</i>	<i>Year ended</i> <i>31 December</i> <i>2009</i> <i>US\$'000</i>	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$'000</i>
Deferred tax assets			
At the beginning of the year	—	98	301
Additional temporary differences	98	203	—
Reversal of temporary differences	—	—	(301)
At the end of the year	<u>98</u>	<u>301</u>	<u>—</u>
Recognised deferred tax (liabilities) and assets at PRC rate of 25%			
Deferred tax assets and liabilities are attributable to the following:			
Tax losses – overseas	98	301	—
	<u>98</u>	<u>301</u>	<u>—</u>

There were no unrecognised deferred tax assets or liabilities in any year.

The deductible temporary differences and domestic tax losses do not expire under current tax legislation. Foreign tax losses expire after 5 years. The Group has not offset deferred tax assets across different jurisdictions.

18. Invested Capital and Non-Controlling Interests

	<i>Invested capital US\$'000</i>	<i>Non- controlling interests US\$'000</i>	<i>Total US\$'000</i>
At 1 January 2008	—	—	—
Loss for the year	(2,022)	(1,497)	(3,519)
Other comprehensive income:			
Exchange differences on translating foreign operations	665	860	1,525
Total comprehensive income for the year	(1,357)	(637)	(1,994)
Net assets acquired (note 20)	(1,532)	—	(1,532)
Non-controlling interests' share of reserves of acquired subsidiaries	—	(1,501)	(1,501)
At 31 December 2008	<u>(2,889)</u>	<u>(2,138)</u>	<u>(5,027)</u>
(Loss)/profit for the year	(178)	266	88
Other comprehensive income:			
Exchange differences on translating foreign operations	(458)	(472)	(930)
Total comprehensive income for the year	(636)	(206)	(842)
At 31 December 2009	<u>(3,525)</u>	<u>(2,344)</u>	<u>(5,869)</u>
Profit for the year	1,826	196	2,022
Other comprehensive income:			
Exchange differences on translating foreign operations	310	(156)	154
Total comprehensive income for the year	2,136	40	2,176
At 31 December 2010	<u>(1,389)</u>	<u>(2,304)</u>	<u>(3,693)</u>

19. Subsidiaries

The principal subsidiaries of CaymanCo, all of which have been included in this combined financial information, are as follows:

<i>Name</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Ownership %</i>	
			<i>Direct</i>	<i>Indirect</i>
Greka (Zhengzhou) Technical Service Co., Ltd.	Drilling and related services	People's Republic of China	—	100%
Greka Technical Services Limited	Investment holding	British Virgin Islands	100%	—
Pace Drilling Ltd.	Investment holding	Barbados	—	100%
Pace Mitchell Drilling Corp.	Investment holding	British Virgin Islands	—	50%*
Greka Mitchell (Zhengzhou) Drilling Co., Ltd.	Provision of drilling services	People's Republic of China	—	50%*

* Notwithstanding the ownership interest is only 50 per cent., the Company controls the financial and operating policies of these two companies, therefore they are considered as subsidiaries of the Group.

20. Acquisition

Pace Drilling Ltd. and its subsidiaries

Pace Drilling Ltd. was acquired on 4 July 2008 and came under the common management and control of Green Dragon Gas Limited from that date. The identifiable assets and liabilities that were acquired have been included in this combined financial information at 4 July 2008 and the results of Pace Drilling Ltd. and its subsidiaries combined in this financial information from that date.

Details of the book value of identifiable assets and liabilities acquired are as follows:

	<i>Book value</i> <i>US\$'000</i>
Net liabilities acquired:	
Property, plant and equipment	5,465
Inventories	910
Other receivables	2,647
Cash and cash equivalents	29
Trade and other payables	(12,115)
Non-controlling interests	1,533
	<u>(1,531)</u>

There was no material difference between the book value and fair value of the assets and liabilities acquired.

21. Related Party Transactions

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

The related parties of CaymanCo, which are noted below, are companies that are all fellow subsidiaries of Green Dragon Gas Limited which are under common management and control, other than as noted below.

Amounts due from/to related parties comprise:

	<i>As at</i> <i>31 December</i> <i>2008</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2009</i> <i>US\$'000</i>	<i>As at</i> <i>31 December</i> <i>2010</i> <i>US\$'000</i>
Amounts due from related companies (note i):			
– Zhengzhou Greka Petro-Equipment Co Ltd	176	257	357
– Zhengzhou Nanhai Gas Ltd	44	192	3,132
– Greka Energy (International) B.V.	1,269	4,756	18,160
– Asiacanada Energy Inc	650	1,058	1,068
– Henan Gongyi Greka Transportation Co. Ltd	—	132	1,655
– Mitchell Drilling International Pty Ltd. (note iv)	—	—	144
	<u>2,139</u>	<u>6,395</u>	<u>24,516</u>
Total of the above which is included in other receivables (note 14)			
Amounts due to related companies:			
– Asiacanada Energy Inc (note ii)	10,316	10,562	9,567
– Giant Power International Investment Ltd (note i)	—	—	273
– Greka China Limited (note i)	14,572	19,765	41,111
– Mitchell Energy Services Pty Ltd (note iii)	—	229	498
	<u>24,888</u>	<u>30,556</u>	<u>51,449</u>
Total of the above which is included in trade and other payables (note 15)			

Notes:

- (i) These balances are unsecured, interest-free and have no fixed terms of repayment.
- (ii) The balance represents loans advanced from Asiacanada Energy Inc., which bears interest at a rate of 7 per cent. per annum. The balance is unsecured and has no fixed term of repayment.
- (iii) The balance represents payables for drilling services provided by Mitchell Energy Services Pty Ltd, which is a joint venture partner in Pace Mitchell Drilling Corp., a jointly controlled entity of the Group.
- (iv) The balance represents receivables from Mitchell Drilling International Pty Ltd, which is a joint venture partner in Pace Mitchell Drilling Corp., a jointly controlled entity of the Group.

Related party transactions comprise:

	<i>Year ended</i> <i>31 December</i> <i>2008</i> <i>US\$'000</i>	<i>Year ended</i> <i>31 December</i> <i>2009</i> <i>US\$'000</i>	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$'000</i>
Drilling services to related companies:			
– Greka Energy (International) B.V.	2,235	9,214	21,072
– Asiacanada Energy Inc	—	10	2,655
Management services to related companies:			
– Greka Energy (International) B.V.	407	642	526
– Asiacanada Energy Inc	—	63	64
Interest expense on loans from a related company:			
– Asiacanada Energy Inc	178	246	196
Drilling services expense from a related company:			
– Mitchell Energy Services Pty Ltd	—	976	1,728

(b) ***Subsidiary companies***

Transactions between CaymanCo and its subsidiaries, which are related parties of CaymanCo, have been eliminated on combination and are not disclosed in this note. Details of transactions between the Group and other related parties are described above.

(c) ***Key management personnel***

Key management personnel of the Group are the directors. Directors remuneration is disclosed in note 9 to the Financial Information.

22. Operating Lease Commitments

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

	<i>Year ended</i> <i>31 December</i> <i>2008</i> <i>US\$'000</i>	<i>Year ended</i> <i>31 December</i> <i>2009</i> <i>US\$'000</i>	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$'000</i>
Within one year	5	17	9
Within two to five years	—	—	65
	<u>5</u>	<u>17</u>	<u>74</u>

23. Capital Commitments

	<i>Year ended</i> <i>31 December</i> <i>2008</i> <i>US\$'000</i>	<i>Year ended</i> <i>31 December</i> <i>2009</i> <i>US\$'000</i>	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>US\$'000</i>
Capital expenditure contracted but not provided for in respect of			
– acquisition of property, plant and equipment	664	486	1,234

24. Financial Instruments

	<i>As at 31 December 2008 US\$'000</i>	<i>As at 31 December 2009 US\$'000</i>	<i>As at 31 December 2010 US\$'000</i>
Financial assets			
Loans and receivables:			
Other receivables	2,164	6,402	24,607
Cash and cash equivalents	807	2,261	6,383
	<u>2,971</u>	<u>8,663</u>	<u>30,990</u>
Financial liabilities			
At amortised cost:			
Trade and other payables	27,684	32,220	54,967
Bank loans	—	1,171	1,480
	<u>27,684</u>	<u>33,391</u>	<u>56,447</u>

(a) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to interest rate risk related primarily to the variable interest bearing bank loans. The Group has not entered into any cash flow interest rate hedging contracts or any other derivative financial instruments for hedging purposes. However, the management closely monitors its 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:

	<i>As at 31 December 2008 US\$'000</i>	<i>As at 31 December 2009 US\$'000</i>	<i>As at 31 December 2010 US\$'000</i>
Cash and cash equivalents			
US dollars (Floating rate)	6	128	5,586
RMB (Floating rate)	801	2,133	797
Other financial assets			
RMB (Non-interest bearing)	2,164	6,402	24,607
	<u>2,971</u>	<u>8,663</u>	<u>30,990</u>

The weighted average interest rate earned during the year was 0.10 per cent. for the years ended 31 December 2008, 2009 and 2010 on floating rate US dollar cash balances, and 0.36 per cent. for the years ended 31 December 2008, 2009 and 2010 on floating rate RMB balances. At the end of each reporting periods, the Group had cash on short-term deposit for periods of between over-night and one week.

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

	<i>As at 31 December 2008 US\$'000</i>	<i>As at 31 December 2009 US\$'000</i>	<i>As at 31 December 2010 US\$'000</i>
Bank loans			
RMB (Fixed rate)	—	1,171	1,480
Loans from a related company			
US dollars (Fixed rate)	10,316	10,562	9,567
Other financial liabilities			
US dollars (Non-interest bearing)	14,879	15,034	19,620
RMB (Non-interest bearing)	2,489	6,624	25,780
	<u>27,684</u>	<u>33,391</u>	<u>56,447</u>

The weighted average interest rates on bank loans and loans from a related company for the years ended 31 December 2008, 2009 and 2010 were 7 per cent., 6.83 per cent. and 6.89 per cent. respectively.

(b) **Foreign currency risk**

CaymanCo trading subsidiaries undertake transactions principally in RMB. While the Group continually monitors its exposure to movements in currency rates, it does not utilise hedging instruments to protect against currency risks. The main currency exposure risk to the Group has been in relation to the trade payable and other payables denominated in RMB. The directors consider the foreign currency exposure to be limited. Receivables are generated in RMB, operational cash balances are held in RMB, and future revenues from certain trading subsidiary operations will be generated in RMB.

<i>As at 31 December 2008</i>	<i>In USD US\$'000</i>	<i>In RMB US\$'000</i>	<i>Total in USD US\$'000</i>
Financial assets			
Other receivables	—	2,164	2,164
Cash and cash equivalents	6	801	807
	<u>6</u>	<u>2,965</u>	<u>2,971</u>
Financial liabilities			
Trade and other payables	25,195	2,489	27,684
	<u>25,195</u>	<u>2,489</u>	<u>27,684</u>
 <i>As at 31 December 2009</i>	 <i>In USD US\$'000</i>	 <i>In RMB US\$'000</i>	 <i>Total in USD US\$'000</i>
Financial assets			
Other receivables	—	6,402	6,402
Cash and cash equivalents	128	2,133	2,261
	<u>128</u>	<u>8,535</u>	<u>8,663</u>
Financial liabilities			
Trade and other payables	25,596	6,624	32,220
Bank loans	—	1,171	1,171
	<u>25,596</u>	<u>7,795</u>	<u>33,391</u>

<i>As at 31 December 2010</i>	<i>In USD US\$'000</i>	<i>In RMB US\$'000</i>	<i>Total in USD US\$'000</i>
Financial assets			
Other receivables	—	24,607	24,607
Cash and cash equivalents	5,586	797	6,383
	<u>5,586</u>	<u>25,404</u>	<u>30,990</u>
Financial liabilities			
Trade and other payables	29,187	25,780	54,967
Bank loans	—	1,480	1,480
	<u>29,187</u>	<u>27,260</u>	<u>56,447</u>

The above RMB cash and cash equivalents, other receivables and trade and other payables balances are denominated in a currency other than US dollars. A 5 per cent. increase or decrease in the US dollar/RMB exchange rate would result in reported profits for the years ended 31 December 2008, 2009 and 2010 of US\$24,000, US\$37,000 and US\$93,000 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 monthly cash-call basis.

The maturity profile of the Group's financial liabilities at the end of each reporting periods based on contractual undiscounted payments are summarised below:

	<i>Six months or less US\$'000</i>	<i>Six months to one year US\$'000</i>	<i>Within one to five years US\$'000</i>	<i>Undiscounted payments US\$'000 (note i)</i>	<i>Adjustments US\$'000 (note ii)</i>	<i>Carrying value US\$'000 (note iii)</i>
At 31 December 2008						
Trade and other payables	27,661	23	—	27,684	—	27,684
	<u>27,661</u>	<u>23</u>	<u>—</u>	<u>27,684</u>	<u>—</u>	<u>27,684</u>
At 31 December 2009						
Trade and other payables	32,182	38	—	32,220	—	32,220
Bank loans	—	1,208	—	1,208	(37)	1,171
	<u>32,182</u>	<u>1,246</u>	<u>—</u>	<u>33,428</u>	<u>(37)</u>	<u>33,391</u>
At 31 December 2010						
Trade and other payables	54,557	385	25	54,967	—	54,967
Bank loans	1,524	—	—	1,524	(44)	1,480
	<u>56,081</u>	<u>385</u>	<u>25</u>	<u>56,491</u>	<u>(44)</u>	<u>56,447</u>

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 end of each reporting period.
- (iii) Carrying value represents the balance per consolidated statement of financial positions at the end of each reporting periods.

(d) **Credit risk**

The Group's maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

	<i>31 December 2008</i>		<i>31 December 2009</i>	
	<i>Carrying value</i>	<i>Maximum exposure</i>	<i>Carrying value</i>	<i>Maximum exposure</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Current assets				
Cash and cash equivalents	807	807	2,261	2,261
Other receivables	2,164	2,164	6,402	6,402
	<u>2,971</u>	<u>2,971</u>	<u>8,663</u>	<u>8,663</u>
			<i>31 December 2010</i>	
			<i>Carrying value</i>	<i>Maximum exposure</i>
			<i>US\$ '000</i>	<i>US\$ '000</i>
Current assets				
Cash and cash equivalents			6,383	6,383
Other receivables			24,607	24,607
			<u>30,990</u>	<u>30,990</u>

In relation to its cash and cash equivalents, the Group has to manage its currency exposures and the credit risk associated with the credit quality of the financial institutions in which the Group maintains its cash resources. The Group holds approximately 95 per cent. 46 per cent. and 46 per cent. of its cash in US dollars with AI (Moody's) rated institutions for the years ended 31 December 2008, 2009 and 2010, respectively. The Group continues to monitor its treasury management to ensure an appropriate balance of the safety of funds and maximisation of yield.

None of other receivables had been impaired. Other receivables are predominantly non-interest bearing. The Group does not hold any collateral as security and the Group does not hold any significant provision in the impairment account for other receivables as they mainly relate to receivables with no default history.

(e) **Capital risk management**

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 owners and 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 owners, adjust the amounts payable to other Group entities, raise funding through capital markets, adjust the amount of other borrowings as necessary. No changes were made to the objectives or policies during the years ended 31 December 2008, 2009 and 2010.

(f) **Fair value**

The carrying value of significant financial assets and liabilities approximate their respective fair values as at 31 December 2008, 2009 and 2010.

The carrying values of cash and cash equivalents, other receivables, trade and other payables and bank loans approximate their respective fair values because of their short maturities.

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following unaudited pro forma statement of net assets of the Group (the “pro forma financial information”) is based on the combined net liabilities of the Group as at 31 December 2010, set out in the audited combined financial information on the Group for the year ended on that date, and has been prepared to illustrate the effect on the combined net liabilities of the Group as if the Demerger, the issue of new ordinary shares and the capitalisation of related party balances were completed on 31 December 2010.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group’s actual financial position or results.

The pro forma financial information has been prepared on the basis of the accounting policies set out in the combined financial information in Section B of Part III of this document and on the basis set out in the notes set out below.

	<i>The Group As at 31 December 2010 (note 1) US\$000</i>	<i>Adjustments</i>		<i>Pro forma net assets of the Group US\$000</i>
		<i>Issue of new ordinary shares (note 2) US\$000</i>	<i>Capitalisation of related party balances (net) (note 3) US\$000</i>	
Non-current assets	16,919	—	—	16,919
Current assets				
Inventories	4,354	—	—	4,354
Amounts due from related parties	24,516	—	(24,372)	144
Other receivables	1,018	—	—	1,018
Cash at bank and in hand	6,383	50,000	—	56,383
	<u>36,271</u>	<u>50,000</u>	<u>(24,372)</u>	<u>61,899</u>
Total assets	<u>53,190</u>	<u>50,000</u>	<u>(24,372)</u>	<u>78,818</u>
Current liabilities				
Trade and other payables	3,518	—	—	3,518
Amounts due to related parties	51,449	—	(50,951)	498
Loans and borrowings	1,480	—	—	1,480
Current tax liabilities	436	—	—	436
	<u>56,883</u>	<u>—</u>	<u>(50,951)</u>	<u>5,932</u>
Total net (liabilities)/assets	<u>(3,693)</u>	<u>50,000</u>	<u>26,579</u>	<u>72,886</u>

Notes:

- The net liabilities of the Group at 31 December 2010 have been extracted without material adjustment from the financial information on the Group set out in Section B of Part III of this document.

Adjustments:

- On 7 February 2011, GTS issued one additional share for total cash consideration of US\$50,000,000.
- On 15 February 2011, the sum of US\$26,579,263, representing the net amount of the inter-group balances owing by the Group to Green Dragon and its other subsidiaries at 31 December 2010, was capitalised by the issue of one new ordinary share in the capital of GTS issued to Greka China. Such share was subsequently transferred to the Company.
- No account has been taken of the financial performance of the Group since 31 December 2010 nor of any other event save as disclosed above.

PART V

ADDITIONAL INFORMATION

1. Responsibility

- (a) The Directors, whose names and functions are set out on page 3 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) The business address of the Company is 29th Floor, Landmark Plaza, No. 1 Business Outer Ring Road, Central Business District, Henan Province, Zhengzhou, 450000, PRC.

2. The Company

- (a) The Company was incorporated under the Companies Law (2010 Revision) of the Cayman Islands on 1 February 2011 as an exempted company with limited liability and was registered in the Cayman Islands with number 251502.
- (b) The Company's registered office is at the offices of International Corporation Services Ltd., PO Box 472, Harbour Place 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. The telephone number of the registered office is +1 345 949 8066.
- (c) Upon incorporation, by resolution of the subscriber to the Memorandum of Association dated 1 February 2011, Randeep Grewal was appointed as the sole director of the Company. David Turnbull, Stewart John, Bryan Smart and Lisa He were appointed directors of the Company on 7 February 2011 by written resolutions of the sole director dated 7 February 2011, at which time the sole director approved the transfer of the one subscriber share from International Corporation Services Ltd. to Green Dragon and the register of members was updated accordingly.
- (d) On 7 February 2011, Greka China, as the sole shareholder of GTS, and the sole director of GTS each passed written resolutions approving (i) the subscription by Greka China for one additional share in GTS at the subscription price of US\$50,000,000 and (ii) the transfer of the entire issued share capital of GTS to the Company, in consideration for which Greka China was paid US\$100 and 431,359,037 Ordinary Shares were issued by the Company to Green Dragon, and on the same date Greka China executed a share transfer form to effect the same.
- (e) On 7 February 2011, Green Dragon, being the sole shareholder of the Company and of Greka China, passed a written resolution of the Board approving the intra-group transfer of the entire issued share capital of GTS to the Company in consideration for the payment of US\$100 to Greka China and the allotment by the Company as fully paid of 431,359,037 Ordinary Shares to Green Dragon.
- (f) On 7 February 2011, the Company acquired the entire issued share capital of GTS following the steps described above, in consideration for which it issued and allotted as fully paid 431,359,037 Ordinary Shares to Green Dragon.
- (g) On 4 January 2011, pursuant to a resolution dated 15 December 2010 of the sole director of AsiaCanada Energy Inc., a wholly-owned subsidiary of Greka China, the entire issued share capital of Pace Drilling Ltd. was transferred as part of a group restructuring and for a consideration of US\$100 to GTS.
- (h) On 15 February 2011, a written resolution of the sole director of GTS was passed approving the subscription by Greka China for one share in the capital of GTS at a subscription price of US\$26,579,263 (satisfied, by the release and cancellation of all outstanding amounts owing by GTS to Greka Drilling).

- (i) On 15 February 2011, the Company acquired from Greka China the one additional share in GTS referred to in paragraph 2(h) above for US\$100.
- (j) The resulting Group share ownership following the transactions described in paragraph 2(d) to 2(i) above is that Green Dragon holds 100 per cent. of the issued share capital of the Company, which in turn holds 100 per cent. of the issued share capital of GTS, which in turn holds 100 per cent. of the issued share capital of Pace Drilling.

3. Subsidiaries

- (a) The Company, which is the holding company of the Group, has the following subsidiaries, each of which (save as disclosed) is directly or indirectly wholly-owned:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Proportion of shares held</i>
Greka Technical Services Limited	British Virgin Islands	Holding company	100%
Greka (Zhengzhou) Technical Service Co., Ltd.	People's Republic of China	Drilling services	100%
Pace Drilling Ltd.	British Virgin Islands	Holding company	100%
Pace Mitchell Drilling Corp.	British Virgin Islands	Drilling services	50%
Greka Mitchell (Zhengzhou) Drilling Co., Ltd.	People's Republic of China	Drilling services	100% (by PMD)

- (b) Save as referred to above the Company does not hold any shares or other securities in the capital of any company.

4. Share Capital

- (a) The authorised share capital of the Company on incorporation was US\$50,000 divided into 5,000,000,000 ordinary shares of US\$0.00001 each, of which one share was issued to the subscriber of the memorandum of association.

On 7 February 2011, the one subscriber share was transferred to, and an additional 431,359,037 ordinary shares were issued to Green Dragon, credited as fully paid.

- (b) The authorised and issued and fully paid share capital of the Company: (i) as at 15 February 2011 (being the latest practicable date prior to the publication of this document); and (ii) as it is expected to be immediately following Admission:

	<i>Authorised Number</i>	<i>US\$</i>	<i>Issued and fully paid Number</i>	<i>US\$</i>
Existing share capital	5,000,000,000	50,000	431,359,038	4,313.59038
Share capital following Admission	5,000,000,000	50,000	431,359,038*	4,313.59038*

* Less such number of Ordinary Shares as may be cancelled pursuant to the arrangement referred to below.

On 14 February 2011, Green Dragon, approved the cancellation of such number of Ordinary Shares as shall exceed three times the number of Green Dragon Shares in issue at the Record Time.

- (c) Save as set out below and save for the Directors' interests described in paragraph 6(a) below, as at 15 February 2011, being the latest practicable date prior to the publication of this document, the Directors are not aware of any person who, immediately following Admission, will be interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company.

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
BlackRock Inc	38,132,346	9.82%
PB Commerce Ltd.	19,247,028	4.96%

Note: The number of Ordinary Shares in issue on Admission used to calculate the percentage of issued share capital shown above is based on the number of Green Dragon Shares in issue at the close of business on 15 February 2011. The actual number of Ordinary Shares in issue at Admission will depend on the number of Green Dragon Shares in issue at the Record Time.

- (d) None of the major shareholders, or the Directors in their capacity as shareholders, have different voting rights to other shareholders.
- (e) The Company is not aware of any persons, other than Randeep Grewal (including the interest of Green Dragon Gas Holdings Limited), who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- (f) Save for the share option scheme which the Company intends to introduce after Admission as described under Employee incentives on page 16 above (Green Dragon Directors and employees currently hold options over 3,408,750 Green Dragon Shares), no share of the Company or any of its subsidiaries is under option or has been agreed conditionally or unconditionally to be put under option and no person otherwise has any right to subscribe for shares in the capital of the Company or any of its subsidiaries.
- (g) The Company has not issued any warrants, convertible securities or exchangeable securities.
- (h) Save as disclosed in paragraph 2 above, since its incorporation no share in the capital of the Company has been allotted fully paid or partially paid either for cash or a consideration other than cash.
- (i) There are no shares in issue that do not represent share capital and there are no Ordinary Shares (nor will there be Ordinary Shares at Admission) held by or behalf of the Company or by any member of the Group.
- (j) The Ordinary Shares will, on Admission, rank *pari passu* in all respects with the existing issued Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.
- (k) None of the Ordinary Shares is being marketed or made available in whole or in part to the public in conjunction with the application for Admission. The Ordinary Shares are only to be traded on AIM and no application has or is intended to be made for the Ordinary Shares to be admitted to trading on any other stock exchange or market.
- (l) Save as disclosed in this document, no commission, discount, brokerage or other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share capital of the Company.
- (m) A shareholder in a public company incorporated in the United Kingdom whose shares are admitted to trading on AIM is required pursuant to Rule 5 of the Disclosure and Transparency Rules to notify the company of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below certain thresholds. Although the Company is not subject to the Disclosure and Transparency Rules, it must nonetheless comply with the AIM Rules for Companies requiring notification without delay of any relevant changes to any holdings of 3 per cent. or more of its AIM securities. Pursuant to the Articles, the Company may by notice in writing, require any person (other than Capita IRG Trustees Limited) whom the Company knows, or has reasonable cause to believe to be interested in the Company's shares or, to have been so interested at any time during the 3 years immediately preceding the date on which the notice is issued, to confirm that fact and where he holds or has held during that period an interest in shares, to give such further information within his knowledge, of any other person also having an interest in the same shares. Further details are set out in the summary of the Articles in paragraph 5 below.

5. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's objects are unrestricted and the the Company shall have full power and authority to carry out any object not prohibited by the Companies Law (2010 Revision) or as the same may be revised from time to time, or any other law of the Cayman Islands. The objects of the Company are set out in Clause 3 of the Memorandum of Association. The Articles of Association (the "Articles") as adopted by the Company on 11 February 2011 pursuant to a written resolution of the sole shareholder contain provisions to the following effect:

(a) *Voting*

Subject to any rights or restrictions attaching to any shares at any general meeting:

- (i) on a show of hands every member who is entitled to vote on the relevant matter and who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative who is not himself a member entitled to vote shall have one vote; and
- (ii) on a poll every member who is entitled to vote on the relevant matter shall have one vote for every share of which he is the holder. A member is not entitled to vote if any calls due in respect of his shares remain unpaid and a shareholder may be disenfranchised where he, or a person appearing to be interested in shares or DIs fails to comply with a notice from the Company requiring him to indicate the capacity in which he holds such shares or any interest in them.

(b) *Dividends, distributions and return of capital*

Dividends may be declared by the Board.

Subject to the rights of persons (if any) entitled to shares with special dividend rights, all dividends will be paid according to the amounts paid up (other than amounts paid up in advance) on the nominal value of the shares in respect of which the dividend is paid.

If any member or any other person appearing to be interested in shares shall be in default in supplying to the Company any information required by any notice given pursuant to the Articles, the Directors may by notice to such member direct that any dividend (or any part thereof) or other monies payable on such shares shall be retained by the Company and that any right to receive any additional shares in the Company in lieu of any dividends in accordance with the Articles shall be of no effect.

On a liquidation of the Company the holders of shares are entitled *pari passu* amongst themselves in proportion to their shareholdings and to the amounts paid up or credited as paid up on their shares to share in any assets of the Company available for distribution.

(c) *Unclaimed dividends*

Any dividends unclaimed may be used for the benefit of the Company until claimed. Any dividend which is still unclaimed three years after having become due for payment shall be forfeited and shall revert to the Company.

(d) *Untraced shareholders*

The Company may sell any shares in the Company, for the benefit of the Company, of a member who is untraceable if:

- (i) during a period of six years prior to the date of the publication of the advertisements referred to below (or, if published on different dates, the earlier or earliest of them):
 - (a) no cheque, warrant or money order in respect of such share sent by or on behalf of the Company to the member or to the person entitled by transmission to the share, at his address in the Register of Members or other address last known to the Company has been cashed; and

- (b) no cash dividend payable on the shares has been satisfied by the transfer of funds to a bank account of the member (or person entitled by transmission to the share) or by transfer of funds by means of the Uncertificated System,

and no communication has been received from such member or any person entitled to the shares by transmission, provided that during such six year period the Company has paid at least three cash dividends (whether interim or final) and no such dividend has been claimed;

- (ii) on or after the expiry of such six year period the Company has given notice in both a national newspaper in which the Company's registered office is located and a newspaper circulating in the area where the member's last known address is located of its intention to sell in accordance with the Articles; and
 - (iii) no communication has been received by the Company from such member or any person entitled to the share by transmission within the period of three months following the publication of the advertisements referred to in (ii) above.
- (e) ***Variation of class rights***

If at any time the capital of the Company is divided into different classes of shares, all or any of the rights or privileges attached to any class of share may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

(f) ***Alteration of capital***

The Company may by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- (iii) cancel any shares where at the date of passing of the resolution no person has taken, or agreed to take, such shares and diminish the amount of its capital by the amount of shares so cancelled; and/or
- (iv) subject to the law (as defined below), sub-divide its shares or any of them into shares of smaller amounts.

The Company may by special resolution (being a resolution passed by a majority of not less than 75 per cent. of members, being entitled to do so in person or by proxy) reduce its share capital or any capital redemption reserve or share premium account or other undistributable reserve in any way.

(g) ***Allotment of shares***

Subject to the Companies Law (2010 Revision) of the Cayman Islands (the "Law") and these Articles, any unissued shares shall be at the disposal of the Board, who may offer, allot, grant options over or otherwise dispose of them to such persons and on such terms as it may decide (including, without limitation, terms relating to the renunciation of any allotment).

Subject to the Law and without prejudice to any rights attached to any shares, the Board, by way of a unanimous vote, is authorised to provide for the issuance of shares representing shares with preferred rights in classes or series, to establish or change the number of shares to be included in each class or series, and to fix the designation, relative rights and preferences and limitations of the shares of each class or series.

After Admission, unless otherwise approved by a special resolution, the Company shall not allot shares or any securities conferring the right to subscribe for, or to convert such securities into, shares ("relevant securities") of the Company for cash (other than pursuant to an employee share scheme) on any terms unless the Directors have made an offer ("the pre-emption right") to each person who holds shares (or shares of the same class as the relevant securities to be allotted) to

allot to him on the same or more favourable terms such proportion of the relevant securities as aforesaid that is as nearly practicable (fractions being disregarded) equal to the proportion that such person's existing holding of shares (or shares of the same class) represents of all the issued shares (or shares of that class). The Company will make such an offer on the basis that it is open for a period of not less than 21 clear days, during which time it may be accepted or refused by notice or, following the expiry of such period, the Company may allot such shares or securities as aforesaid free of the pre-emption rights. The pre-emption rights shall not apply, in any period between an AGM of the Company and the next following AGM, to an allotment or series of allotments of relevant securities for cash not exceeding 25 per cent. of the aggregate nominal amount of the Company's issued share capital as at the date of the prior AGM.

(h) ***Transfer of shares***

All transfers of certificated shares shall be effected by instrument in writing, in any usual or common form or in any other form approved by the Board and shall be signed by or on behalf of the transferor and, if the share is partly paid, by the transferee. Transfers of uncertificated shares shall be effected without a written instrument in accordance with the CREST Regulations. The Board may, in its absolute discretion and without assigning any reason therefore, decline to register any transfer of a certificated share or the renunciation of a renounceable letter of allotment unless it is:

- (i) in respect of a share which is fully paid;
- (ii) in respect of a share on which the Company has no lien;
- (iii) in respect of only one class of shares;
- (iv) in favour of a single transferee or renounee or not more than four joint transferees or renounees;
- (v) duly stamped (if required); and
- (vi) delivered for registration to the Registered Office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates (except in the case of a renunciation) and any other evidence as the Board may reasonably require to prove the title to such share of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of such person to do so,

provided that the Board shall not refuse to register any transfer or renunciation of any certificated shares traded on AIM on the grounds that they are partly paid in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis. The Directors may refuse subject to any relevant requirement of (to the extent applicable) the AIM Rules and/or the London Stock Exchange to register any transfer of any uncertificated shares which is in favour of more than four persons jointly or in any other circumstances permitted by the CREST Regulations. The Articles contain no further restrictions on the free transferability of fully paid shares provided that the provisions in the Articles relating to the deposit of instruments of transfer have been complied with and the member is not in default of any notice duly served by the Company under the Articles.

(i) ***General meetings***

Annual general meetings ("AGMs") shall be convened by the Board in accordance with the Articles. Extraordinary general meetings ("EGMs") may be convened by the Board or on the written requisition of any member or members entitled to attend and vote at general meetings holding not less than 25 per cent. of the paid up voting share capital of the Company.

The notice period for convening an AGM or an EGM is 14 days. Shorter notice may be used to convene a general meeting if it is so agreed in the case of all meetings, by not less than 90 per cent. of the members entitled to attend and vote at the meeting. Notice of a meeting shall specify whether it is an AGM or EGM; the place, date and time of the meeting; the general nature

of business to be transacted; any intention to propose a resolution(s) and details of members' entitlement to appoint a proxy. Notice shall be given to the members, Directors and auditors of the Company in accordance with the Articles.

Persons must be entered on the register of members in order for them to have a right to attend or vote at a meeting. The quorum needed for business to be transacted at a general meeting is two persons entitled to vote on the business being transacted whether in person, by proxy or by corporate representative. A Director (and any other person invited by the Chairman) shall be entitled to attend and speak at a general meeting, whether or not he is a member.

(j) **Directors**

(i) Each of the Directors is entitled to receive by way of ordinary remuneration for his services in each year such sum as the Board may determine. The Directors are also entitled to be repaid all travelling and hotel expenses incurred by them in or about the performance of their duties as Directors. The Board may also grant special remuneration to any Director who, being called upon, performs any special duties outside his ordinary duties as a Director.

(ii) A Director shall not be disqualified from his office by contracting with the Company, nor is any contract or arrangement entered into on behalf of the Company in which any Director is in any way interested liable to be avoided, nor is any Director so contracting or being so interested liable to account to the Company for the profit realised thereby, but the nature of his interest must be declared by the Director at a meeting of the Board.

(iii) Save as provided in paragraph (v) below, a Director may not vote in respect of any contract or arrangement or any other proposal in which he has any material interest including by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director will not be counted in the quorum for a meeting in relation to any resolution on which he is debarred from voting.

(iv) *Retirement, removal and vacation of office*

At the annual general meeting of the Company, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the nearest number to but not less than one-third, shall retire from office and each Director shall retire from office at least once every three years. Subject to the Articles, the Directors to retire by rotation at each annual general meeting shall be, so far as necessary to obtain the number required, first, any Director who wishes to retire and not offer himself for re-election and secondly, those Directors who have been longest in office since their last appointment or re-appointment. As between two or more Directors who have been in office an equal length of time, the Director to retire shall, in default of agreement between them, be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the start of business seven days before the date of the notice convening the annual general meeting notwithstanding any change in the number or identity of the Directors after that time but before the close of the meeting. A Director retiring at a meeting shall retain office until the close or adjournment of the meeting. A retiring Director shall be eligible for re-election. If he is not re-elected or deemed to be re-elected, he shall hold office until the meeting elects someone in his place or, if it does not do so, until the end of the meeting. If the Company at the meeting at which a Director retires by rotation does not fill the vacancy, the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost.

Any Director may be removed from office by ordinary resolution of the Company. Subject to the Articles, the Company may, by ordinary resolution, appoint another person who is willing to act as a Director, and is permitted by law to do so, to be a Director instead of him.

The office of a Director shall be vacated if the Director:

- (i) resigns by notice in writing delivered to the Board or to the registered office or tendered at a Board meeting;
 - (ii) only held office as a Director for a fixed term and such term expires;
 - (iii) is removed from office pursuant to the Articles or the Law or becomes prohibited by law from being a Director;
 - (iv) becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to the court for an interim order in connection with a voluntary arrangement under any legislation relating to insolvency;
 - (v) is subject to an order is made by any court of competent jurisdiction on the ground (however formulated) of mental disorder or which is made for his detention or for the appointment of a guardian or receiver or other person to exercise powers with respect to his property or affairs or he is admitted to hospital in pursuance of an application for admission for treatment under any legislation relating to mental health and the Board resolves that his office be vacated;
 - (vi) is absent, without permission of the Board, from Board meetings for six consecutive months (whether or not an alternate Director attends in his place) and the Board resolves that his office be vacated;
 - (vii) is removed from office by notice in writing addressed to him at his address as shown in the Company's register of directors and signed by not less than three-quarters of all the Directors in number (without prejudice to any claim for damages which he may have for breach of contract against the Company); or
 - (viii) being a Director who holds executive office, has his appointment to such office terminated or it otherwise expires and the Board resolves that his office be vacated.
- (v) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in a quorum) in respect of any resolution concerning any of the following matters:
- (aa) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
 - (bb) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (cc) any proposal concerning an offer of shares or debentures or other securities in or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
 - (dd) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of a beneficial interest in 1 per cent. or more of any class of share capital of such company or of the voting rights available to the members of the relevant company;
 - (ee) any proposal relating to an arrangement for the benefit of employees which does not award him as a director any privilege or advantage not generally awarded; or
 - (ff) any proposal concerning the purchase and/or maintenance of an insurance policy under which a Director may benefit; or

(gg) any contract or arrangement with Green Dragon or its subsidiaries

provided that the nature of the interest of any Director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon.

(vi) A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment.

(k) ***Disclosure of interests in shares***

The Company may by notice in writing (a “Disclosure Notice”) require a person (other than Capita IRG Trustees Limited) whom the Company knows or has reasonable cause to believe to be or, at any time during the 3 years immediately preceding the date on which the notice is issued, to have been interested (whether legally or beneficially) in any shares comprised in the capital of the Company:

- (i) to confirm that fact or (as the case may be) to indicate whether or not it is the case; and
- (ii) where he holds or has during that time held an interest in shares so comprised, to give such further information as may be required, which can include particulars of the identity of any persons having an interest (whether legal or beneficial) in the shares in question and of whether persons interested in the same shares are or were parties to any agreement relating to the acquisition of shares in the Company or to any agreement or arrangement relating to the exercise of any rights conferred by the holding of the shares.

Where a Disclosure Notice is served by the Company on a person who is or was interested in shares of the Company and that person fails to give the Company any information required by the notice within the time specified in it, the Company may apply to the court for an order directing that the shares in question be subject to such restrictions as the court believes appropriate in the circumstances.

If a member or any person appearing to be interested in any shares held by a member has been duly served with a Disclosure Notice and fails fully to comply with it within 14 days from the date of service of the Disclosure Notice:

- (i) the member will not be entitled in respect of the shares held by him, whether or not referred to in the Disclosure Notice, to attend and vote at a general meeting either personally or by proxy unless the Directors otherwise determine; and
- (ii) the member will not be entitled in respect of the shares held by him, whether or not referred to in the Disclosure Notice, to receive any dividend payable in respect of such shares or to transfer or agree to transfer any of such shares, or any rights in them unless the Directors otherwise determine.

These restrictions will continue until a relevant event occurs in relation to those shares e.g. the default is remedied to the satisfaction of the Company or the shares are registered in the name of the purchaser or offeror, or that of his nominee, pursuant to an arm’s length transfer and will cease immediately it does so. These restrictions are without prejudice to the right of either the member holding the shares concerned or, if different, the beneficial owner of those shares, to sell or agree to sell them pursuant to an arm’s length transfer.

Any dividends withheld will be paid to the member as soon as practicable after these restrictions lapse. The Company will be entitled to treat any persons as appearing to be interested in any shares if the member holding such shares or any person who is or may be interested in such shares either fails to respond to a Disclosure Notice or has given to the Company a notification pursuant to a Disclosure Notice which in the opinion of the Directors fails to establish the identities of those interested in the shares and if, after taking into account such notification and any other relevant notification pursuant to a Disclosure Notice, the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares, or that person, not being the member, is interested in those shares.

(1) ***Borrowing powers***

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge the whole or any part of its undertaking, property and uncalled capital, and to issue debentures and other securities.

6. Directors' and Other Interests

- (a) The interests of the Directors and (so far as is known to the Directors or could with reasonable diligence be ascertained by them) those of any persons connected with them within the meaning of sections 252-254 of the Act, all of which are beneficial, in the issued share capital of the Company, as at the date of this document are nil, and immediately following Admission, will be, as follows:

	<i>No. of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>
Randeep Grewal (<i>note</i>)	264,919,233	68.25%
Stewart John	7,800	0.002%
Lisa He	—	—
Bryan Smart	—	—
David Turnbull	6,000	0.002%

Note: Including the shareholdings of Green Dragon Gas (Holdings) Limited and its wholly-owned subsidiaries GDGH Ltd. and GDGH II Ltd. Mr Grewal is beneficially interested via a family trust in the shares of Green Dragon Gas (Holdings) Limited.

- (b) As at 15 February 2011 (being the most recent practicable date before the publication of this document), no options over Ordinary Shares had been granted to any of the Directors. It is proposed that following the Demerger on the establishment of the share option scheme referred to under Employee Incentives on page 16 of this document, directors and employees of the Group who are holders of options over Green Dragon Shares will be issued with equivalent options over Ordinary Shares. Randeep Grewal, Stewart John and David Turnbull hold the following vested options over Green Dragon Shares: 2,160,000; 135,000; and 135,000 respectively; accordingly it is expected that they will be issued with options over 6,480,000, 405,000 and 405,000 Ordinary Shares respectively at an exercise price equivalent to the closing price of Ordinary Shares on their first day of trading on AIM.
- (c) For each of the Directors set out below is their length of service with the Company together with the expiration of their current term:

<i>Name</i>	<i>Length of service</i>	<i>Date of expiry</i>	<i>Expiry under contract or articles</i>
Randeep Grewal	Appointed on 1 February 2011	See 7(a) below	Contract
Lisa He	Appointed on 7 February 2011	See 7(a) below	Contract
Stewart John	Appointed on 7 February 2011	See 7(b) below	Contract
Bryan Smart	Appointed on 7 February 2011	See 7(b) below	Contract
David Turnbull	Appointed on 7 February 2011	See 7(b) below	Contract

- (d) Save as set out below, or as disclosed elsewhere in this document, no directorships of any company, other than the Company or its subsidiaries, have been held or occupied over the previous five years by any of the Directors, nor over that period has any of the Directors been a partner in a partnership:

<i>Director</i>	<i>Current</i>	<i>Former</i>
Randeep Grewal	Alexi Holdings Limited All Round Management Limited GDGH Ltd. GDGH II Ltd. Great Buy Investments Limited Green Dragon Gas (Holdings) Limited	

<i>Director</i>	<i>Current</i>	<i>Former</i>
	Green Dragon Gas Ltd.	
	Greka China Ltd.	
	Greka Energy (International) BV	
	Greka Energy Limited	
	Greka Exploration and Production Limited	
	Greka Gas Distribution Ltd.	
	Greka Guizhou E&P Ltd.	
	Greka Integrated Inc.	
	Greka JXU Ltd.	
	Greka Land Holdings LLC	
	Greka Land Limited	
	Greka Lanhai Limited	
	Greka Ltd.	
	Greka Oil & Gas Inc.	
	Greka Oil & Production Limited	
	Greka Power Limited	
	Greka Technical Services Limited	
	Greka Technology and Manufacturing Ltd.	
	Greka Transport and Infrastructure Ltd.	
	Greka QYU Ltd.	
	Greka (Zhengzhou) Technical Service Co., Ltd.	
	Greran Ltd.	
	Grewal (Holdings) LLC	
	Grewal (Homes) LLC	
	Grewal Investments Inc	
	Grewal Investments Limited	
	Grewal (Investment) LLC	
	Grewal Investments (Holdings) Limited	
	Grewal Investments Limited	
	Grewal (ROYALTY) LLC	
	Pace Drilling Ltd.	
	Pace Mitchell Drilling Corp	
	Resolvco LLC	
	Rincon Ltd.	
	Santa Maria Refinery Company	
Stewart John	Brooklands Limited Brooklands Museum Trust Limited Green Dragon Gas Limited Taikoo (Xiamen) Aircraft Engineering Company Limited	Thrust Logistics Company Limited
Bryan Smart	Brooklands Museum Trust Limited Daimler Chrysler UK Trustees Limited Daimler UK Trustees Limited Scotty Group Europe Limited Scotty Group plc Tradelinens Limited	Brooklands Estates Management Limited CarboTech AG Daimler Chrysler UK Limited Mercedes-Benz Brooklands Limited Mercedes-Benz Computer Services UK Limited Mercedes-Benz Limited

<i>Director</i>	<i>Current</i>	<i>Former</i>
		Mercedes-Benz Retail Group UK Limited Mercedes-Benz UK Limited Woking Motors Limited
David Turnbull	Green Dragon Gas Limited International Air Transport Association Pacific Basin Shipping Limited Sands China Limited Seabury Aviation & Aerospace Asia (Hong Kong) Limited	Allco Finance (Asia) Limited Allco Finance Group Limited Citic Allco Investments Limited Hong Kong Aircraft Engineering Limited Silk Road Asset Management Limited

- (e) Randeep Grewal was Chairman and Chief Executive Officer of Saba Enterprises, Inc. (formerly Greka Energy Corporation). On 30 November 2005, Saba Enterprises, Inc. filed a bankruptcy petition under Chapter 7 of the US Bankruptcy Code in the Southern District of New York. Saba Enterprises, Inc. has no assets and the remaining claims against its estate total approximately US\$5 million.
- (f) Randeep Grewal was a director of Sabacol, Inc. a wholly owned subsidiary of Saba Petroleum Company. On 11 December 1998, Sabacol, Inc. filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in the Central District of California, Northern Division. The bankruptcy case was dismissed on 4 August 1999 following the sale of assets of the company. The dissolution of Sabacol, Inc was authorised by its sole shareholder on 1 March 2002 and the certificate of dissolution was issued by the Secretary of State of the State of Delaware on 26 March 2002.
- (g) David Turnbull was a director of Allco Finance Group Limited (“AFG”), an Australian public company, and resigned from the board in March 2008. AFG went into voluntary administration on 4 November 2008 and was delisted from the Australian Stock Exchange on 1 September 2009. A receiver was also appointed to AFG on 4 November 2008 and that receiver is proceeding with the receivership of AFG’s assets. As detailed in the public accounts of AFG for the year ending 30 June 2008 AFG’s consolidated financial statements showed total liabilities of A\$6,933m and total assets of A\$7,478m. As reported by the administrator \$294m of senior debt was repaid between 1 July 2008 and the date the administrator was appointed on 4 November 2008. The return to be obtained by secured creditors as a result of the sale of AFG assets by the receiver and therefore whether there is any deficiency in the repayment of creditors is not currently known given that the receivership is currently continuing and has not been concluded.
- (h) Save as disclosed in this document, none of the Directors
- (i) has any unspent convictions in relation to indictable offences;
 - (ii) has been adjudged bankrupt or been the subject of an individual voluntary arrangement or has had a receiver appointed to any asset of such Director; or
 - (iii) has been a director of any company (wherever incorporated), which while he was a director or within twelve months after he ceased to be director, had a receiver appointed or went into compulsory liquidation, creditors’ voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with creditors generally or with any class of creditors; or
 - (iv) has been a partner of any partnership which, while he was a partner or within twelve months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement or has had a receiver appointed to any partnership asset; or
 - (v) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or

- (vi) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.
- (vii) Save as disclosed in this document, none of the Directors has any interest in the share capital or loan capital of the Company, nor does any person connected with a Director (within the meaning of sections 252-254 of the Act) have any such interest, whether beneficial or non-beneficial.
- (viii) Save as disclosed in this document, there are no loans made or guarantees provided by any Director to or for the benefit of the Company or its subsidiaries and there are no outstanding loans or guarantees made by the Company or any of its subsidiaries to or for the benefit of any Director or any person connected with a Director (within the meaning of sections 252-254 of the Act).
- (ix) Save as disclosed in this document no Director any interest, direct or indirect in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group.
- (x) Save as disclosed in this document no Director nor any person connected with him (within the meaning of sections 252-254 of the Act) has a related financial product (as defined in the AIM Rules for Companies) referenced to the Ordinary Shares.

7. Service and Employment Contracts and Emoluments

The Group has entered into the following service agreements with the Directors:

(a) *Executive Directors*

Randeep Grewal

Randeep Grewal entered into an executive employment contract with the Company on 1 February 2011 which is conditional on Admission. Under the terms of the contract Mr Grewal will draw a salary, as of 8 March 2011, of US\$ 600,000 per annum, which will be increased by 3 per cent. per calendar year, and will be eligible to receive a discretionary annual bonus which will be determined by the Remuneration Committee. With effect from Admission, Mr Grewal may receive benefits (including housing and travel allowances), the value of which is estimated to be up to approximately US\$600,000 per annum. The contract may be terminated on 12 months' notice by either party. The contract is governed by the laws of Hong Kong.

Lisa He

GTS entered into a labour contract with Lisa He on 1 February 2008. Although the contract states it is a fixed-term contract, no end date is specified in the contract. Under this contract, Ms. He was appointed as CFO of GTS. Her salary is RMB 500,000 per annum. GTS may adjust the salary according to actual business operation, performance evaluation etc, but it shall not be less than the minimum salary level provided by the local municipal government. The contract may be terminated or renewed in accordance with the labour law of PRC. Any dispute between the parties to the contract can be settled by consultation or by arbitration before a labour dispute arbitration committee.

(b) *Non-executive Directors*

The Company has entered into a letter of appointment with each of the non-executive Directors. A summary of the main terms of each appointment is as follows:

The initial term of appointment will continue until the next annual general meeting of the Company. Subject to being re-elected at the annual general meeting, the appointment will continue for a further 48 months for Bryan Smart, 24 months for David Turnbull and 36 months for Stewart John although each non-executive Director's appointment is terminable at any time upon 3 months' notice by either party.

Each non-executive Director will be entitled to a fee at a rate of £35,000 per annum payable in quarterly instalments in arrears. In addition, each non-executive Director will be entitled to a fee at the rate of £2,500 per annum payable in quarterly instalments in arrears for each committee on

which he/she serves as a member. The fees will be reviewed annually by the Board. The Company will reimburse each non-executive Director for all reasonable and proper travelling expenses for attendance at board meetings and other meetings which the Company requires him/her to attend, and reasonable and proper accommodation expenses if any meeting necessitates an overnight stay. Each non-executive Director is subject to a contractual duty of confidentiality to the Company. He is also subject to a post-termination restriction of 6 months duration on taking up any role in any organisation which then competes with the Company or assisting, encouraging or procuring any third party to offer any then member of the Company's Board any appointment outside the Company. The letters of appointment are governed by English law.

8. Material Contracts

The following contracts, not being entered into in the ordinary course of business have been entered into by the Group in the two years preceding publication of this document and are or may be material:

- (a) On 8 January 2010, GTS Zhengzhou and Greka Energy (International) B.V. ("GEP") entered into a Coal Bed Methane Turnkey Technical Service Contract. Under this agreement GTS Zhengzhou shall provide equipment, personnel and drilling services to GEP to fulfil work orders placed under the framework established by the agreement. GEP is required by the agreement to provide certain equipment and supplies to GTS Zhengzhou and be responsible for all necessary licenses and authorization to permit drilling. A fee schedule of the service provided by GTS Zhengzhou is set out in the agreement. The agreement is for an indefinite term subject to termination by GEP in its discretion. The agreement is governed by Chinese law.
- (b) On 25 December, 2010, GTS Zhengzhou and GEP entered into a Drilling Coal Bed Methane Wells Turnkey Technical Service Contract. Under this agreement GTS Zhengzhou shall provide equipment, personnel and drilling services to GEP to fulfil work orders placed under the framework established by the agreement. GEP is required by the agreement to provide certain equipment, materials, supplies and services to GTS Zhengzhou and be responsible for all necessary licenses and authorizations to permit drilling. A fee schedule for the services provided by GTS Zhengzhou is set out in the agreement. The term of the contract is from 1 January 2011 to 31 December 2011 subject to termination by GEP in its discretion. The contract is governed by Chinese law.
- (c) On 8 January 2010, GTS Zhengzhou and AsiaCanada Energy Inc. ("ACE") entered into a Drilling CBM Wells Turnkey Technical Service Contract. Under this agreement GTS Zhengzhou shall provide equipment, personnel and drilling services to ACE to fulfil work orders placed under the framework established by the agreement. ACE is required by the agreement to provide relevant equipment and supplies to GTS and be responsible for all necessary licenses and authorization to permit drilling. A fee schedule for the services provided by GTS Zhengzhou is set out in the agreement. The agreement is for an indefinite term subject to termination by GEP in its discretion. The agreement is governed by Chinese law.
- (d) On 8 January 2010, GTS Zhengzhou and GEP entered into a Surface on Inseam Drilling Service Contract. Under this agreement GTS shall provide equipment, personnel and drilling services to GEP to fulfil work orders placed under the framework established by the agreement. GEP is required by the agreement to provide relevant equipment and supplies to GTS Zhengzhou and be responsible for all necessary licenses and authorization to permit drilling. A fee schedule for the service provided by GTS Zhengzhou is set out in the agreement. The agreement is for an indefinite term subject to termination by GEP in its discretion. The agreement is governed by Chinese law.
- (e) On 15 February 2011, a conditional agreement was entered into between the Company (1), Green Dragon (2), the Directors (3) and Smith & Williamson (4) pursuant to which Green Dragon agreed to declare and pay the Demerger Dividend, (conditional upon Admission and the Introduction Agreement not having lapsed or been terminated prior to Admission) and Smith & Williamson agreed to provide the Company with its assistance in making the application for Admission. Smith & Williamson is entitled to payment of a fee and to reimbursement of its expenses as consideration for its services in connection with the Admission. The Introduction Agreement includes certain warranties by the Company and the Directors and an indemnity by

the Company in favour of Smith & Williamson. The Introduction Agreement also includes undertakings by the Directors not to dispose of any interest in Ordinary Shares during the period ending 12 months after the date of Admission without the consent of Smith & Williamson and the Company, save for certain limited exceptions. The Directors have additionally undertaken to use their reasonable endeavours to procure compliance by members of their immediate families and other persons connected with them with the foregoing restriction on disposals of Ordinary Shares.

- (f) On 7 February 2011, Greka China subscribed for one additional share in GTS at a subscription price of US\$50,000,000.
- (g) On 7 February 2011, the Company acquired 100 per cent. of the issued share capital of GTS from Greka China in consideration for the payment of US\$100 to Greka China and the issue, credited fully paid, of 431,359,037 shares to Green Dragon.
- (h) On 15 February 2011, Greka China agreed to enter into a novation agreement among Greka China, GTS and GTS Zhengzhou whereby the sum of RMB 164,603,087 owed to Greka China by GTS Zhengzhou was novated to become due and payable by GTS.
- (i) On 15 February 2011, Greka China subscribed for one additional share in GTS at a subscription price of US\$26,579,263 satisfied by the cancellation in full of all outstanding amounts due and payable by GTS to Greka China.
- (j) On 15 February 2011, Greka China transferred the one additional share in the capital of GTS to the Company for the payment of US\$100 to Greka China.
- (k) A loan agreement dated as of on 18 October 2006 between Pace Drilling and PMD under which Pace Drilling agreed to make available to PMD a loan of US\$7,000,000 for a period of up to five years for the formation and operation of a wholly owned subsidiary of PMD. PMD agreed to use the loan to pay for the cost of acquiring two rigs and associated costs and equipment. The loan may be advanced in instalments from time to time as requested by PMD. Interest on the loan shall be the published LIBOR 12 month rate on the day of the advance.

9. Significant Trading Agreements

(a) *Joint Venture Agreement between Pace Drilling and Mitchell Drilling*

A joint venture agreement between Mitchell Drilling and Pace Drilling dated as of 6 February 2006 and executed by the parties on 16 January 2006 under which the parties agreed to share equally in the ownership of and profits of the joint venture. The object of the agreement was to create a joint venture to construct, market and operate one or more drilling rigs in the PRC by forming PMD. PMD would own all of the shares of an operating company to be formed in the PRC to carry on the business of the joint venture. This operating company is GMD. Mitchell Drilling is obliged to construct a drilling rig capable of surface to in-seam horizontal drilling and to contribute management expertise. Pace Drilling is obliged to contribute funding and management expertise. Subject to the occurrence of certain termination events, the term of the agreement is ten years from the date of the agreement. The agreement is governed by the laws of Barbados.

(b) *License Agreement between Mitchell Drilling, Pacific Asia China Energy Inc., and PMD*

A license agreement between Mitchell Drilling Contractors PTY Ltd, Pacific Asia China Energy Inc. and PMD dated as of 6 February 2006 and executed by the parties on 16 January 2006. The agreement grants to PMD the exclusive right and license to use a drilling process known as the "Dymaxion Drilling Process" in the PRC for CMM and CBM projects. PMD is not obliged to pay any royalties or other payments in connection with this license. The term of the agreement is ten years from the date of the agreement, provided that in the event of the termination of the joint venture described in paragraph 9 (a) above, the agreement will terminate on the date of the termination of such joint venture. The agreement is governed by the laws of the State of Queensland, Australia.

(c) ***Loan Agreement between Greka China and Greka Drilling***

A loan agreement executed on 11 February 2011 under which Greka China agreed to make available to Greka Drilling a loan of up to US\$12,500,000 for a period of up to two years for working capital purposes. The loan may be drawn down in tranches of US\$1,000,000. Interest on the loan shall be at a rate of 8 per cent. per annum. The agreement is governed by the laws of the Cayman Islands.

10. Related Party Transactions

(a) GTS Zhengzhou had four wholly owned subsidiaries which it has sold:

- (i) On 10 December, 2010 GTS Zhengzhou transferred 100 per cent. of its shares in Zhengzhou Greka Petro-Equipment Co., Ltd to Greka Technology and Manufacturing Ltd for RMB 3,000,000.
- (ii) On 10 December, 2010 GTS Zhengzhou transferred 100 per cent. of its shares in Zhengzhou Greka Technology Development Co., Ltd to Greka Technology and Manufacturing Ltd for RMB 600,000.
- (iii) On 10 December, 2010 GTS Zhengzhou transferred 100 per cent. of its shares in Zhengzhou Greka Gas Co., Ltd (formerly Zhengzhou Nanhai Gas Co., Ltd) to Greka Gas Distribution Ltd for RMB 3,000,000.
- (iv) On 10 December, 2010 GTS Zhengzhou transferred 100 per cent. of its shares in Beijing Baihe Zhuangyuan Technology Co., Ltd to Greka Energy Ltd for RMB 1 Yuan.

(b) Save as disclosed in this paragraph 10 and in paragraphs 2(d) (e), (g) and (h), 8(a), (b), (c), and (d), and 9(a), (b) and (c) above and in note 21 in the combined financial information in Section B of Part III of this document, neither the Company nor its subsidiaries has entered into any other related party transaction during the financial years ended 31 December 2008, 31 December 2009, 31 December 2010 and the period between 1 January 2011 and the date of this document.

11. Litigation

No member of the Group is engaged in, has in the previous 12 months been engaged in, or has pending or threatened either by it or against it, any governmental, legal or arbitration proceedings which have had or may have a significant effect on the financial position of the Group.

12. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Group from the time of Admission will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

13. Employees

The average number of the Group's permanent employees for each of the last three financial years, the last of which ended 31 December 2010, are as follows:

<i>Financial year end</i>	<i>Average number of employees</i>
31 December 2008	93
31 December 2009	213
31 December 2010	267

14. Taxation

The following statements are intended as a general guide only to the ownership or disposal of the Ordinary Shares and do not concern the consequences of the Demerger. No statements are made with respect to the tax treatment of the ownership or disposal of the Ordinary Shares in any jurisdiction other than the Cayman Islands and the UK. They are not intended to be exhaustive and investors who are subject to tax in any jurisdiction other than the United Kingdom or the Cayman Islands or who are in

any doubt as to their tax position are strongly advised to seek independent professional advice without delay in connection with the tax consequences of investing in, trading in and disposing of the Ordinary Shares.

Cayman Islands tax

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has applied for, and expects to obtain an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking will be for a period of twenty years from the date of such undertaking.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

Tax treatment of UK resident holders

UK resident companies that are small, as defined in Part 9A Corporation Tax Act 2009, will be liable to UK tax on the gross dividend paid by the Company at the prevailing corporation tax rate. However a UK resident company that is small for these purposes may seek relief for the underlying tax, if any, associated with the dividend where the UK company owns 10 per cent. or more of the voting rights in the Company. However, the credit given in the UK for overseas tax suffered on the dividend cannot exceed the UK corporation tax liability on the dividend.

A UK resident company that is not small for the purposes of Part 9A Corporation Tax Act 2009 will generally be exempt from UK corporation tax on dividends received from the Company, subject to certain specific anti-avoidance rules.

An individual who is resident, ordinarily resident and domiciled in the UK will be chargeable to income tax on dividends received from the Company. The rate of tax due on the dividends received from the Company will depend upon the level of income of the individual in the relevant tax year and the percentage interest that the individual holds in the Company.

Where a UK individual owns an interest of less than 10 per cent. in the Company that individual will be entitled to a notional 10 per cent. tax credit in respect of the dividend received. Consequently, that individual will have no additional tax to pay if they have no higher rate income in the year. However, where the UK individual who holds less than 10 per cent. of the Company has higher rate income in the year there will be a tax liability of 25 per cent. of the dividend received where their total income is below £150,000, and 36.11 per cent. of the dividend received to the extent that it exceeds £150,000. Where a UK individual holds an interest of in excess of 10 per cent. of the Company the applicable rates of tax will be higher as that individual is not entitled to the notional 10 per cent. tax credit unless a comprehensive Double Taxation Convention is concluded between the UK and Cayman Islands.

A disposal of Ordinary Shares by a holder who is (at any time in the relevant UK tax year) resident or, in the case of an individual, ordinarily resident in the UK for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation on chargeable gains, depending on the holder's circumstances and subject to any available exemption or relief.

The above comments in relation to UK taxation apply to Shareholders who hold their shares as investments only and do not apply to certain types of shareholders such as dealers in securities or insurance companies.

UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

The following comments are intended as a guide to the general UK Stamp Duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

No UK Stamp Duty or SDRT will be payable on the issue of Ordinary Shares.

No charge to Stamp Duty will arise in relation to the transfer of Ordinary Shares held in certificated form provided that all instruments relating to the transfer are executed outside the UK and do not relate to matters or actions performed in the UK.

However, any instrument effecting or evidencing a transfer of Ordinary Shares held in certificated form and which relate to matters or actions performed in the UK, whether executed in the UK or offshore may not (except in criminal proceedings) be given in evidence or be available for any purpose whatsoever in the UK unless duly stamped. The rate of Stamp Duty is 0.5 per cent. on the value of the consideration for the relevant transfer, rounded up to the next multiple of £5.

No charge to SDRT will arise in respect of an agreement to transfer Ordinary Shares held in certificated form, provided such shares are not registered in any register kept in the UK by or on behalf of the Company.

However, due to the restrictions of the CREST system, shares of companies incorporated outside the UK, such as the Company, may not be settled directly on the CREST system. Accordingly, should Ordinary Shares be held in uncertificated form, they will be held in the form of Depository Interests issued by the Depository.

Agreements to transfer depository interests in shares of companies listed on AIM are liable to SDRT at the rate of 0.5 per cent. of the value of the consideration for the transfer.

15. General

- (a) Save as disclosed in this document, no person (other than professional advisers referred to in this document or trade suppliers and counterparties of contracts with members of the Group being in the ordinary course of business) has:
 - (i) received, directly or indirectly, from the Company within 12 months preceding the date of this document; or
 - (ii) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (aa) fees totalling £10,000 or more; or
 - (bb) securities in the Company with a value of £10,000 or more calculated by reference to the expected opening price of the Ordinary Shares on Admission; or
 - (cc) any other benefit with a value of £10,000 or more at the date of Admission.
- (b) BDO LLP has given and not withdrawn its written consent to the inclusion of its report in Section A of Part III of this document in the form and context in which it is included.
- (c) Smith & Williamson has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it is included.
- (d) The Company was incorporated on 1 February 2011, since when it has not traded and save as disclosed in this document it has no material assets or liabilities. No financial statements have therefore been prepared for the Company as at the date of this document.

- (e) Save as set out in this document, there has been no significant change in the trading or financial position of the Group or any significant trends concerning the development of the Group's business since 31 December 2010, the date of the latest consolidated audited accounts of the Group.
- (f) Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the business of the Group.
- (g) There are no arrangements in place under which dividends on the Ordinary Shares are to be waived or are agreed to be waived.
- (h) The Company and the Directors are not aware of any takeover bid for the Company in the current or preceding financial year of the Company.
- (i) Save as disclosed in this document, so far as the Company and Directors are aware, there are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- (j) Where any information contained in this document has been sourced from a third party, so far as the Company is aware and is able to ascertain from information published by such third party, the Company confirms that there are no facts that have been omitted that would render such information inaccurate or misleading.
- (k) The total costs and expenses payable by the Company in connection with or incidental to Admission including London Stock Exchange fees, printing, advertising and distribution costs, legal, accounting and corporate finance fees are estimated to amount to approximately £560,000 (excluding any VAT payable thereon).
- (l) Insofar as the Directors are aware, the percentage of Ordinary Shares not in public hands (as that expression is defined in the AIM Rules for Companies) at the date of this document is, and on Admission is expected to be, approximately 68.3 per cent.
- (m) The nominated adviser to the Company is Smith & Williamson. Smith & Williamson is registered in England and Wales under number 04533970 and its registered office is at 25 Moorgate, London EC2R 6AY. Smith & Williamson is regulated by the FSA.
- (n) Copies of this document will be available free of charge for one month from the date of Admission at the offices of Smith & Williamson, 25 Moorgate, London EC2R 6AY. This document will also be available on the Company's website www.grekadrilling.com.

Dated 16 February 2011



www.grekadrilling.com