GREKA DRILLING

ANNUAL REPORT **2015**

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Greka Drilling Limited (AIM: GDL) is the largest independent and specialised provider of unconventional gas drilling services in Asia.

We have the best-in-class rigs and crews: our rigs are tailor-made for drilling coal bed methane and our crews are trained to uniform standards at the Greka Training School. Our rig fleets are based in Zhengzhou, China and Durgapur, India.

Greka Drilling has developed the LiFaBriC methodology for the under-saturated, brittle and highly faulted coals typically found in China. The LiFaBriC lateral well design does not involve any fracking, it does not use chemicals and it results in a long well life and easy work-over.

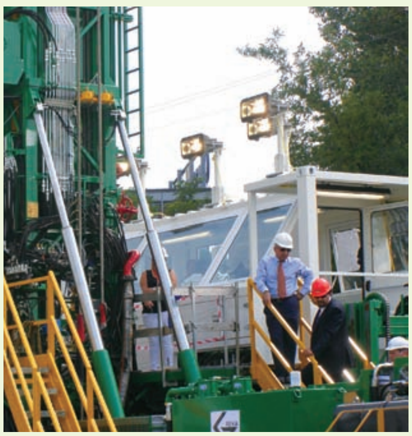
Our mission is to ensure that our clients extract unconventional gas in the most cost-efficient and environmentally sound manner, while operating to the highest standards.

2015 HIGHLIGHTS

62 WELLS DRILLED

A 38% INCREASE OVER THE 45 WELLS DRILLED IN 2014.

A TOTAL OF **76,690 METRES** WERE DRILLED. A 31% INCREASE OVER 2014.



ANNUAL REVENUES IN 2015 INCREASED TO **US$29.9 MILLION** (2014: US$24.4 MILLION).

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA") INCREASED TO US$2.4 MILLION (2014: US$1.9 MILLION).

LOSS BEFORE TAX WIDENED TO US$7.5 MILLION (2014: LOSS OF US$5.3 MILLION), PRINCIPALLY DUE TO US$ APPRECIATION AGAINST RMB.

CHAIRMAN'S STATEMENT

The past year has seen one of the most drastic downturns in living memory for the global oil and gas industry. Notwithstanding these market conditions Greka Drilling was able to increase the number of wells drilled by 38% in 2015 because of our captive core clients and focus on China and India. The uncertainty over pricing and returns has delayed investment decisions by operators across the industry and surplus rig capacity has built up in most markets.

Randeep S. Grewal
Founder & Chairman

In China the business had a delayed start to the 30 well LiFaBriC contract with Green Dragon Gas Ltd ("Green Dragon Gas") and it is anticipated that the remaining 16 wells under this contract will be drilled in the second half of 2016. Beyond this particular contract, we have worked closely with Green Dragon Gas to assess historic well performance and have identified a number of re-drill opportunities in areas where heavy faulting may have constrained production rates. Chinese coals are typically faulted and brittle such that well bores can soon become plugged with particles, thus reducing flowrates: our knowledge of the local faulting structure enables us to re-enter the well efficiently and quickly, with the low in-seam drilling time reducing the risk of such plugging. These re-drill wells should enable Green Dragon Gas to augment production rates from these wells with a lower drilling time.

Our experience continues to validate the advantages of the LiFaBriC completion methodology. The first LiFaBriC well drilled, GSS-008 in Qinshui Basin, recently completed 8 straight years of continuous and sustained gas production. To date the well has produced a cumulative 1.28 bcf, it continues to produce 618 mcf/d (17,400 m^3/d) and has yet to show any decline in production, whereas all non-LiFaBriC lateral well designs in China have shown declining flowrates within the first three years of production. The Company is immensely proud of this achievement and it highlights the benefits of our methodology.

We continue to seek third party drilling opportunities, particularly for PetroChina Huabei, a leading state-owned developer of coal bed methane in China and for whom we can use our directional expertise and specialist rigs to drill lateral wells. Since the oil price collapse we have seen significant over-capacity develop in the drilling markets in China, with an associated drop in standards from drilling companies as they seek to compete on price for vertical and directional drilling. We will not reduce our standards of safety and environmental protection or drill loss-making wells, and instead we are reducing our overhead costs and parking rigs where necessary. The Government of China remains supportive of the coal bed methane industry and we see an increasing focus on drilling lateral wells and, as such, we continue to be positive about the medium and long term prospects in China.

In India we drilled an additional 9 vertical and directional wells last year in the Raniganj East Block, West Bengal, for Essar Oil Limited. Coal bed methane from this block is the primary feedstock for a newly constructed urea plant, which will require a steady gas supply for many years to come. Essar Oil Limited has re-contracted Greka Drilling to provide drilling services in Raniganj East and we are pleased to have been able to announce on 20 April 2016 that a mobilisation order has been received for two of our GD75 rigs.

India has significant resources of shallow onshore gas, particularly coal bed methane, and there is a clear desire from the Government to develop this clean energy source. The development of this energy source has to date been delayed by a pricing policy that has kept wellhead gas prices below the import parity price, such that major resource holders have been reluctant to invest. However, this is now changing with the Government recently introducing new pricing policies to encourage both onshore and offshore gas developments, and state-owned coal bed methane resource holders have announced major investment plans. Greka Drilling has the best quality and safest coal bed methane rigs in India and we expect our rigs to be more fully utilised in the second half of 2016.

While Greka Drilling was able to drill 31% more metres in 2015 than in 2014 this was still below our planned metrage based on the contracts with Essar Oil Limited and Green Dragon Gas, due to adjustments in our clients' development schedules. The Company's losses widened in 2015, reflecting the appreciation of the US dollar against the RMB over the year in respect of payables. Our Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") remained positive in 2015, as in all previous years.

In March 2016 we secured a US$5 million loan financing for working capital purposes. This loan will provide flexibility and support for the balance sheet in the current market downturn. As new investment re-emerges in the gas industry we will seek out drilling opportunities in new markets such as Australia and Europe; but our current focus, at least for the first half of 2016, is to reduce expenditures, become leaner and prepare for the eventual upturn in our markets. Our current operational focus on China and India, with more flexibility in operating costs and localised pricing, coupled with the new loan facility, leaves us better positioned than most of our global peers and provides the best opportunities for shareholder value.

Randeep S. Grewal
Chairman and Chief Executive Officer

RESULTS OVERVIEW

- A total of 76,690 metres were drilled in 2015, a 31% increase over 2014.
- Gross margin of 20%, compared with 26% in 2014.
- Loss per share of US$0.0184, compared with loss per share of US$0.0144 in 2014.
- Following the period end, a US$5 million debt facility was secured on 31 March 2016 for working capital purposes.

OPERATIONAL HIGHLIGHTS

- There were 3 principal contracted counterparties: Green Dragon Gas Ltd and PetroChina Huabei in China, and Essar Oil Limited in India.
- 62 wells were drilled in 2015, a 38% increase year on year, of which 53 wells were drilled in China and 9 wells in India.
- 62% of the metres drilled involved the use of MWD directional tools i.e. were lateral or directional wells using measurement-while-drilling.
- Continuing emphasis on training, with 27,624 man-hours of training conducted in 2015 for staff in China (2014: 20,266 man-hours) and Indian crews were brought to China for training in drilling LiFaBriC wells.
- Strong HSE focus, no Lost Time Injuries occurred in 2015.

DRILLING HIGHLIGHTS

- Drilling efficiency improved significantly: in December 2015 we drilled 2,277 metres per rig per month in China, compared with 1,890 metres per rig per month in December 2014.

- The average drilling time for LiFaBriC lateral wells from spud to completion was 32.3 days in 2015 compared with 37.0 days in 2014.

- The longest LiFaBriC section in 2015, surface to intersection, was 1,760 metres measured depth ("MD") (compared to 1,600 metres in 2014).

- The longest horizontal well in 2015 (surface to target) was 1,928 metres MD, for a third party client in China.

- We completed LiFaBriC wells intersecting into directional wells in China at a measured depth of 1,500 metres, which is technically more demanding than intersecting a vertical well.

- We successfully drilled an experimental LiFaBriC well into coal seam 15 in Qinshui Basin, thereby opening up a new resource access for our client Green Dragon Gas.

- The deepest directional well we drilled in 2015 had a 1,311 metres true vertical depth ("TVD") and a 1,429 metres MD.

BUSINESS DEVELOPMENT

- We established a business development team in New Delhi to develop closer relationships with potential producers of coal bed methane and Government regulators. This has included providing to Government and developers our experience of how coal bed methane developed in China and other markets. Greka Drilling has been invited by the Indian gas industry to share our views of the advantages in drilling lateral wells, for which there is very little experience in India. The business development efforts resulted in a re-contracting of rigs to drill for Essar Oil Limited in the Raniganj East block and mobilisation of rigs in April 2016.

- We forged closer relationships with our major clients in China, Green Dragon Gas and PetroChina Huabei, by initiating technical discussions on well design and reviewing well production data. In 2015 Greka Drilling has significantly raised its profile in China through presentations at major oil & gas conferences. Lateral wells are becoming more favoured by the major operators as community concerns, surface access and overall well productivity become more important areas of focus. The smaller operators who are still investing continue to be focused on cost rather than operating standards and well productivity.

- We completed reviews of various drilling opportunities in Europe and Australia, some of which may be targeted in the coming years. We note that the East coast of Australia has now become a major coal bed methane producing and exporting region but that some of the basins will require completion methodologies similar to those developed by Greka Drilling in order to be commercially viable.

FINANCIAL REVIEW

RESULTS FOR THE YEAR

The Group recorded a revenue of US$29.9 million (2014: US$24.4 million) and a loss of US$7.3 million (2014: loss of US$5.8 million) for the year ended 31 December 2015. Revenue increased as a result of increased drilling activity whilst the widening loss for the year was due to US$ appreciation against the RMB. Foreign exchange losses in 2015 were US$3.6 million (2014: US$0.8 million).

The general and administrative expenses amounted to US$9.2 million (2014: US$9.1 million). Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") in 2015 increased to US$2.4 million (2014: US$1.9 million).

LIQUIDITY AND CAPITAL

As at 31 December 2015, the Group had total assets of US$98.3 million (2014: US$115.5 million) and liabilities and equity holders' equity of US$32.8 million and US$65.5 million respectively (2014: US$42.6 million and US$72.9 million respectively).

As at 31 December 2015, the Group's cash and bank balance (including restricted cash) was US$2.4 million (2014: US$8.0 million) with total borrowings of US$5.9 million (2014: US$11.9 million).

The Company has raised US$5.9 million of bank loans through the mortgage of office buildings. These bank loans have a one year term with an average interest rate of 7.15%. Following the period end, a new US$5 million loan facility was secured on 31 March 2016 with an interest rate of 7%.

EXECUTIVE DIRECTOR

RANDEEP S. GREWAL, CHAIRMAN AND CEO

Randeep Grewal is the Chairman and Chief Executive of Greka Drilling Limited. Mr. Grewal has extensive experience in the oil and gas industry and is the founder of the Greka Group of companies. He also acts as Chairman and CEO of Greka Group of companies and Grewal Family Office. From April 1997 to September 1997 Mr. Grewal served as Chairman and CEO of Horizontal Ventures, Inc., an oil and gas horizontal drilling technology company that became a subsidiary of Greka in September 1997. 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.

NON-EXECUTIVE DIRECTORS

DAVID TURNBULL, NON-EXECUTIVE DIRECTOR

David Turnbull has been Executive Chairman of Pacific Basin Shipping Limited since 1st July 2008 after becoming an independent non-executive director in May 2006. Mr. Turnbull was appointed an independent non-executive director of The Wharf (Holdings) Limited in November 2013 and he joined Seabury Aviation & Aerospace as Chairman of Seabury Asia in November 2008. Mr. Turnbull worked for the Swire Group for 30 years from 1976 to 2006 where he was the past Chairman of Swire Pacific Ltd, Cathay Pacific Airways Ltd (January 2005 - January 2006) and Hong Kong Aircraft Engineering Company Ltd (HAECo) (March 1995 - August 2006). He was appointed a director of Cathay Pacific in 1994 and took up the positions of Deputy Managing Director in 1994, Managing Director in 1996 and Deputy Chairman and Chief Executive in 1998 before his appointment to Chairman in January 2005.

Mr. Turnbull has an MA in Economics from Cambridge University.

BRYAN SMART, NON-EXECUTIVE DIRECTOR

Bryan Smart is a Chartered Accountant with over 40 years of experience in finance both in professional and commercial roles. Until 1981, he worked for Deloitte as a chartered accountant in both external auditor and management consultancy roles for six years. He joined DaimlerChrysler (UK) Ltd in 1981 rising from internal auditor to financial controller in 1985 and was appointed CFO in 1996. During this period he completed the acquisition and assimilation of Chrysler Jeep in the UK, Lex Autosales and all Mercedes Benz dealers in metropolitan areas and also served on the board of Brunel University. He remains a trustee director of the DaimlerChrysler Pension Fund. Since leaving Daimler in 1996, Mr. Smart's non executive directorships have included Chairman of the Supervisory Board of CarboTech AG, a company based in Salzburg which manufactures carbon fibre components for the automotive industry. He has been a non-executive director of AIM-listed Scotty Group PLC, which supplies satcom solutions for military applications. He has also served on the board of Rangers International Football Club plc. He was an executive director of Tradelinens Ltd, a joint venture established with a Chinese importer until its successful sale in 2014. His current responsibilities include non-executive director roles in AB

Dynamics plc, a company that designs and manufactures robotic test equipment for the automotive industry, and also in Greka Drilling Limited and Greka Engineering & Technology Ltd, both AIM listed companies which are engaged in the coal bed methane industry. He also acts as a consultant for Greenoaks Ltd, a Mercedes dealer group and is a trustee of Brooklands Museum. His main passion in life aside from family, focuses on classic cars which he collects and restores, competing occasionally.

RICHARD DAY, NON-EXECUTIVE DIRECTOR

Richard Day is a qualified Solicitor with diverse and successful management experience and extensive knowledge of public markets, fund raisings and corporate governance across a range of sectors. From 2015 Mr. Day has been non-executive director of combined district heating and power generation company Cogenpower plc. He is an Advisory Board Member of Lighthouse which provides advice and support to management teams and he is also a director of RJD Corporate Limited. During 2002 to 2015, Mr Day was a founding partner and Head of Corporate Finance at institutional stockbroker Arden Partners, which was listed on AIM in 2006. From 1990 to 2002, he was Senior Corporate Finance Executive at Cazenove & Co. Prior to that, Mr Day worked as a Solicitor in private practice with various law firms including Simmons & Simmons and Charles Russell in the UK.

Mr Day has a BA (Hons) in English Literature and Language from the University of Central England in Birmingham. He is also a Chartered Member of the Chartered Institute for Securities & Investment (CISI).

SEAN MULHEARN, NON-EXECUTIVE DIRECTOR

Mr Mulhearn has over 30 years experience in the financial industry in Australia, Asia, Europe, and the Americas. He commenced his career at Citibank where he worked for 20 years in Australia, London and New York in numerous positions including co-Head of Commodity Finance, Head of Commodity Sales, Head of Asian Commodities and Head of Australian Fixed Income and Derivatives. He worked for Merrill Lynch (New York) in the Structured Finance department before moving to Asia in 2006 where he worked for Standard Chartered Bank (Singapore), JPMorgan Asia (Singapore) and ANZ (Singapore) where he led the development of the commodity and structured commodity finance activities.

He has recently founded Jacaranda Capital Partners, a boutique advisory and corporate training firm with offices in Sydney and Singapore.

The Directors of Greka Drilling Limited have the pleasure in submitting their Report of the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Group are providing drilling services for Coal Bed Methane companies in China and India. Greka Drilling Limited was incorporated in the Cayman Islands on 1 February 2011 and was registered as a Public Company on 8 March 2011. It acts as a holding company and provides financing and management services to its subsidiaries. The company is domiciled in the Cayman Islands.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A summary of the Group's main business developments for the year ended 31 December 2015 and potential future developments is contained within the Chairman's Statement, Business Review and Financial Review.

ACCOUNTING POLICIES

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

SHARE CAPITAL AND RESERVES

Details of the Group's authorised and issued share capital and reserves as at 31 December 2015 and 2014 are contained in note 22 and the statement of changes in equity of the financial statements respectively.

RESULTS AND DIVIDENDS

An overview of the Group's results, covering the years ended 31 December 2015 and 2014, is provided in the Financial Review on page 10. Detailed financial information is included from page 19 to page 54 of the report. The Directors do not propose the payment of cash dividends until the Group is generating a profit.

DIRECTORS REMUNERATION

See note 9 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The table below sets out the interests of the Directors in Greka Drilling Limited as at 31 December 2015.

Directors	Number of ordinary shares	% of issued share capital
Mr. Randeep S. Grewal, including holdings through GDGH Ltd	264,919,233	66.52%
David Turnbull	6,000	0.002%

SUBSTANTIAL SHAREHOLDINGS

The Group is aware of the following beneficial shareholdings, representing 10 per cent or more of the issued ordinary share capital of the Group, as at 31 December 2015.

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

Mr. Randeep S. Grewal is the ultimate controlling party of Green Dragon Gas (Holdings) Limited ("GDGH Ltd").

THE BOARD

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

RELATIONS WITH SHAREHOLDERS

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

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

GOING CONCERN

Based on the Group's budgets and cash flow projections for 2016, the Directors are satisfied that the Group has adequate resources to continue its operations and to meet its commitments for the foreseeable future.

ANNUAL MEETING

The 2016 Annual General Meeting will be held at 2:00 pm on 26 July 2016 at the office of Smith & Williamson located at 25 Moorgate, London EC2R 6AY. The Notice of Meeting, together with an explanation of the items of special business, is provided separately to shareholders with this report.

AUDITORS

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

On behalf of the Board

Randeep S. Grewal
Chairman and Chief Executive Officer
9 April 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF GREKA DRILLING LIMITED

We have audited the group financial statements of Greka Drilling Limited for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the group financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit for the year then ended and have been properly prepared in accordance with IFRS as adopted by the European Union.

BDO LLP
Chartered Accountants
London
9 April 2016

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year Ended 31 December 2015 US$'000**	Year Ended 31 December 2014 US$'000
Revenue	4	**29,916**	24,421
Cost of sales		**(23,951)**	(18,149)
Gross profit		**5,965**	6,272
Administrative expenses		**(9,256)**	(9,082)
Loss from operations	5	**(3,291)**	(2,810)
Finance income	6	**3**	390
Finance costs	7	**(4,241)**	(2,878)
Loss before income tax		**(7,529)**	(5,298)
Income tax credit/(charge)	11	**228**	(452)
Loss for the year		**(7,301)**	(5,750)
Other comprehensive expense, net of tax:			
Exchange differences on translation of foreign operations		**(88)**	316
Total comprehensive income for the year		**(7,389)**	(5,434)
(Loss)/Profit for the period attributable to:			
— Owners of the Company		**(7,246)**	(5,757)
— Non-controlling interests		**(55)**	7
		(7,301)	(5,750)
Total comprehensive (expense)/income attributable to:			
— Owners of the Company		**(7,476)**	(5,514)
— Non-controlling interests		**87**	80
		(7,389)	(5,434)
Earnings per share			
— Basic and diluted (in US dollar)	10	**(0.0184)**	(0.0144)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2015 US$'000	As at 31 December 2014 US$'000
Assets			
Non-current assets			
Property, plant and equipment	12	**84,962**	92,963
Intangible assets	13	**388**	492
		85,350	93,455
Current assets			
Inventories	14	**7,138**	6,740
Trade and other receivables	15	**3,363**	7,306
Cash and bank balances(including restricted cash)	16	**2,421**	8,017
		12,922	22,063
Total assets		**98,272**	115,518
Liabilities			
Current liabilities			
Trade and other payables	17	**25,165**	29,344
Loans and borrowings	18	**5,852**	11,930
Provisions	19	**585**	—
		31,602	41,274
Non-current liabilities			
Deferred tax liabilities	21	**1,184**	1,369
		1,184	1,369
Total Liabilities		**32,786**	42,643
Net assets		**65,486**	72,875
Capital and reserves			
Share capital	22	**4**	4
Share premium account		**77,186**	77,186
Invested capital		**(1,533)**	(1,533)
Reserve fund		**917**	917
Foreign exchange reserve		**855**	1,086
Retained (deficit)/earnings		**(11,654)**	(4,409)
Total equity attributable to owners of the Company		**65,775**	73,251
Non-controlling interests		**(289)**	(376)
Total equity		**65,486**	72,875

The financial statements were authorised and approved by the Board on 9 April 2016 and signed on their behalf by:

Randeep S. Grewal

Chairman and Chief Executive Officer

	Share capital US$'000	Share premium US$'000	Invested capital US$'000	Reserve fund US$'000	Foreign exchange reserve US$'000	Retained (deficit)/ earnings US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2014	4	77,186	(1,533)	917	843	1,348	78,765	(456)	78,309
Profit for the year	—	—	—	—	—	(5,756)	(5,756)	80	(5,676)
Other comprehensive expense									
— Exchange difference on translation of foreign operations	—	—	—	—	242	—	242	—	242
Total comprehensive (expense)/ income for the year	—	—	—	—	242	(5,756)	(5,514)	80	(5,434)
At 31 December 2014	4	77,186	(1,533)	917	1,085	(4,408)	73,251	(376)	72,875
Loss for the year						(7,246)	(7,246)	(55)	(7,301)
Other comprehensive income:									
— Exchange difference on translation of foreign operations	—	—	—	—	(230)	—	(230)	142	(88)
Total comprehensive (expense)/ income for the year	—	—	—	—	(230)	(7,246)	(7,476)	87	(7,389)
At 31 December 2015	**4**	**77,186**	**(1,533)**	**917**	**855**	**(11,654)**	**65,775**	**(289)**	**65,486**

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

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

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

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Operating activities			
Loss before income tax		**(7,529)**	(5,298)
Adjustments for:			
Depreciation	5	**5,647**	4,453
Amortisation of other intangible assets	5	**75**	80
Loss on disposal of property, plant and equipment	5	**356**	50
Finance (loss)/gains	7	**3,629**	776
Finance income	6	**(3)**	(390)
Finance costs	7	**612**	2,102
Operating cash flows before changes in working capital		**2,787**	1,773
(Increase)/decrease in inventories		**(777)**	1,030
Decrease in trade and other receivables		**2,292**	2,208
(Increase)/decrease in trade and other payables		**(2,713)**	3,880
Cash generated from operations		**1,589**	8,891
Income tax payment		**(225)**	(2)
Net cash from operating activities		**1,364**	8,889
Investing activities			
Payments for purchase of property, plant and equipment	12	**(359)**	(1,247)
Payments for intangible assets		**—**	(9)
Movement in restricted cash		**3,849**	6,523
Interest received		**—**	390
Net cash generated from investing activities		**3,490**	5,657
Financing activities			
Proceeds of short term loan	18	**5,852**	21,639
Repayment of short term loan	18	**(11,242)**	(35,819)
Finance costs paid		**(565)**	(2,356)
Net cash used in financing activities		**(5,955)**	(16,536)
Net (decrease)/increase in cash and cash equivalents		**(1,101)**	(1,990)
Cash and cash equivalents at beginning of the year		**1,737**	3,994
		636	2,004
Effect of foreign exchange rate changes		**(283)**	(267)
Cash and cash equivalents at end of year		**353**	1,737

1 GENERAL

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 to the financial statements. Actual results may differ from these estimates.

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

Going concern

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Business combinations

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

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

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

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

New Accounting Standards

There were no new standards, interpretations and amendments to published standards effective in the year which had a significant impact on the Group.

The International Accounting Standards Board (IASB) has issued the following new and revised standards, amendments and interpretations to existing standards that are not effective for the financial year ending 31 December 2015 and have not been adopted early. The Group is currently assessing the impact of these standards on the financial statements.

	Effective date
New Standards	
IFRS 15 Revenue from Contracts with Customers*	01-Jan-18
IFRS 9 Financial Instruments*	01-Jan-18
IFRS 16 Leases	01-Jan-19
Amendments to Existing Standards	
Defined Benefit Plans: Employee Contributions: Amendments to IAS 19	01-Feb-15
Annual Improvements to IFRSs 2010-2012 Cycle	01-Feb-15
Accounting for Acquisitions of Interests in Joint Operations: Amendments to IFRS 11	01-Jan-16
Clarification of Acceptable Methods of Depreciation and Amortisation: Amendments to IAS 16 and IAS 38	01-Jan-16
Equity Method in Separate Financial Statements (Amendments to IAS 27)	01-Jan-16
Annual Improvements to IFRSs (2012-2014 Cycle)	01-Jan-16
Disclosure Initiative: Amendments to IAS 1	01-Jan-16

* Not yet adopted by European Union

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currency translation

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

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

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

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

Property, plant and equipment

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

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

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

Impairment of property plant and equipment

The Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

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

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Intangible assets

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

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

Software — 10 years

Inventories

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

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

Segment reporting

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

Taxation

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

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

Revenue recognition

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments

(i) Financial assets

Loans and receivables

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

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

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

Cash and cash equivalents

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(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.

(iii) Effective interest method

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

(iv) Equity instruments

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

(v) Derecognition

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Employee benefits

(i) Defined contribution pension plan

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

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

(ii) Other benefits

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

Leases

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

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

Provisions and contingent liabilities

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

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

3 CRITICAL ACCOUNTING ESTIMATES

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

Impairment of property plant and equipment

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

Circumstances that could indicate a potential impairment include significant adverse changes in industry trends, economic climate, legal factors, and an adverse action or assessment by a regulator. More specifically, significant adverse changes in industry trends include significant declines in revenue rates, utilisation rates, natural gas market prices and industry rig counts for drilling rigs. In performing an impairment evaluation, management estimate the future discounted value of net cash flows from the use and eventual disposition of property plant and equipment grouped at the lowest level that cash flows can be identified. If the sum of the estimated future discounted value of net cash flows is less than the carrying amount of the property plant and equipment for these asset grouping levels, then an impairment charge is recognised. The amount of an impairment charge would be measured as the difference between the carrying amount and the fair value of these assets. We did not record an impairment charge on any property plant and equipment for any of the years ended 31 December 2014 or 2013. The key estimates made include the demand for drilling, estimated rig life, future prices, cost levels, long term growth rates and discount rates. The assumptions used in the impairment evaluation for property plant and equipment are inherently uncertain and require management judgment.

Depreciation

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

4 REVENUE AND SEGMENT INFORMATION

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

The Group reports its operations as two reportable segments: the provision of contract drilling services in the PRC and India. The division of contract drilling operations into two reportable segments is attributable to how the CODMs manage the business.

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

Drilling services revenue and management services revenue represent the net invoiced value of contracted drilling services and management services provided to two major customers, one in the PRC (who is a related party) and the other in India, from which the entire Indian segment revenue of $4,230,000 is generated. The rest of the revenue in PRC is derived from other customers from each of whom less than 10% of total revenue is derived in 2015 and 2014. Please refer to note 23 for details of the revenue derived from the related party customer.

For the Year Ended 31 December 2015

	PRC	**India**	**Intercompany**	**Consolidated**
	US$'000	US$'000	US$'000	US$'000
Revenue	25,911	4,230	(225)	29,916
Cost of sales	(17,385)	(6,791)	225	(23,951)
Gross profit/(loss)	8,526	(2,561)	—	5,965

For the Year Ended 31 December 2014

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

4 REVENUE AND SEGMENT INFORMATION (continued)

As at 31 December 2015

	PRC	India	Intercompany	Consolidated
Segment assets	94,180	19,504	(15,412)	98,272
Segment liabilities	11,492	3,973	17,321	32,786
PPE	68,830	16,132	—	84,962

As at 31 December 2014

	PRC	India	Intercompany	Consolidated
Segment assets	88,749	21,535	5,234	115,518
Segment liabilities	20,796	2,650	19,197	42,643
PPE	76,807	16,156		92,963

5 LOSS FROM OPERATIONS

Loss from operations is stated after charging:

	2015 US$'000	2014 US$'000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the annual financial statements	**127**	127
Fees payable to the Company's auditors for the review of the interim results	**15**	16
Cost of inventories recognised as expense	**8,163**	6,065
Staff costs (note 8)	**9,622**	8,088
Depreciation of property, plant and equipment	**5,647**	4,453
Operating lease expense (property)	**627**	576
Amortisation of intangible assets	**75**	80
Loss on disposal of property, plant and equipment	**356**	50

6 FINANCE INCOME

	2015 US$'000	2014 US$'000
Bank interest	**3**	390
	3	390

7 FINANCE COSTS

	2015 US$'000	2014 US$'000
Foreign exchange losses	**(3,629)**	(776)
Interest expense on short term loans	**(612)**	(2,102)
	(4,241)	(2,878)

8 STAFF COSTS

	2015 US$'000	2014 US$'000
Staff costs (including directors' remuneration (note 9)) comprise:		
Wages and salaries	**7,877**	6,120
Employer's national social security contributions	**1,564**	1,652
Other benefits	**181**	316
	9,622	8,088

9 DIRECTORS' AND KEY MANAGEMENT PERSONNELS' REMUNERATION

The remuneration of Directors is set as follows:

Executive Directors	Fees and Salaries US$'000	Social Security Contribution US$'000	**2015 US$'000**	2014 US$'000
Randeep Grewal	600	—	**600**	600
Lisa He	74	6	**80**	106
Sub-total	674	6	**680**	706
Non-executive Directors				
Bryan Smart	59	—	**59**	64
David Turnbull	56	—	**56**	59
Richard Day	14	—	**14**	—
Sean Mulhearn	14	—	**14**	—
Stewart John OBE	44	—	**44**	64
Sub-total	187	—	**187**	187
Total	861	6	**867**	893

During the year, Stewart John OBE and Lisa He retired as Non-executive and Executive Directors respectively.

10 EARNINGS PER SHARE

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

	2015 US$'000	2014 US$'000
Loss for the year	**(7,301)**	(5,757)
Number of shares	**398,245,758**	398,245,758
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousands)	**398,246**	398,246
Weighted average number of ordinary shares for the purposes of diluted earnings per share (thousands)	**398,246**	398,246
Basic loss per share (US$)	**(0.0184)**	(0.0144)
Diluted loss per share (US$)	**(0.0184)**	(0.0144)

There were no potentially dilutive instruments are issued in 2015 and 2014. Potentially dilutive instruments (warrants) have been issued post year-end as detailed in note 27, however this has no impact on the diluted EPS given the Group has made a loss for the year.

11 TAXATION

	2015 US$'000	2014 US$'000
Current tax charge/(credit)	**—**	(181)
Deferred tax charge	**228**	(271)
Tax charge recognised in the income statement	**228**	(452)

11 TAXATION (continued)

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

	2015 US$'000	2014 US$'000
(Loss)/profit before income tax	**(7,529)**	(5,298)
Expected tax charge based on the standard rate of corporation tax in the PRC of 25% (2014: 25%)	**(1,882)**	(1,325)
Effect of:		
Income tax in overseas jurisdictions	**1,707**	1,148
Tax losses and other temporary differences not recognised	**403**	(275)
Income tax charge	**228**	(452)

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

Refer to note 21 for details of deferred tax and unrecognised tax losses and other deductible temporary differences.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures US$'000	Motor vehicles US$'000	Fixtures, fittings and equipment US$'000	Total US$'000
Cost				
At 1 January 2014	12,544	3,915	106,754	123,213
Additions	4	—	1,243	1,247
Transfers of construction in progress	—	—	—	—
Disposals	(20)	(33)	—	(53)
Exchange Differences	(45)	(14)	(386)	(445)
At 31 December 2014	12,483	3,868	107,611	123,962
Additions	664	—	138	802
Transfer of construction-in-progress upon completion	—	—	—	—
Disposals	—	—	(442)	(442)
Exchange differences	(719)	(280)	(4,944)	(5,943)
At 31 December 2015	12,428	3,588	102,363	118,379
Depreciation				
At 1 January 2014	2,574	1,935	22,053	26,562
Charge for the year	1,590	593	2,270	4,453
Eliminated upon disposals	—	(3)	—	(3)
Exchange differences	(9)	(7)	3	(13)
At 31 December 2014	4,155	2,518	24,326	30,999
Charge for the year	1,589	532	3,526	5,647
Eliminated upon disposals	—	—	(86)	(86)
Exchange differences	(237)	(196)	(2,710)	(3,143)
At 31 December 2015	5,507	2,854	25,056	33,417
Net book value				
At 31 December 2015	6,921	734	77,307	84,962
At 31 December 2014	8,328	1,350	83,285	92,963

Loans and borrowings are secured by properties included in buildings and structures with a carrying amount US$5,851,916.

13 INTANGIBLE ASSETS

	Software US$'000
Cost	
At 1 January 2014	**789**
Additions	**9**
Exchange differences	**(2)**
At 31 December 2014	**796**
Additions	
Exchange differences	**(46)**
At 31 December 2015	**750**
Amortisation	
At 1 January 2014	**225**
Charge for the year	**80**
Exchange differences	**(1)**
At 31 December 2014	**304**
Charge for the year	**75**
Exchange differences	**(17)**
At 31 December 2015	**362**
Net book value	
At 31 December 2015	**388**
At 31 December 2014	**492**

14 INVENTORIES

	2015 US$'000	2014 US$'000
Raw materials and consumables	**7,138**	6,740
	7,138	6,740

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

15 TRADE AND OTHER RECEIVABLES

	2015 US$'000	2014 US$'000
Trade receivables	**1,190**	3,055
Prepayments	**1,103**	3,580
Other receivables	**1,070**	671
Amounts due from related parties (note 23a)	**—**	—
	3,363	7,306

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

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

	2015 US$'000	2014 US$'000
Less than 60 days past due	**1,190**	3,055

16 CASH AND BANK BALANCES

	2015 US$'000	2014 US$'000
Cash and cash equivalents	**353**	1,737
Restricted bank balance*	**2,068**	6,280
	2,421	8,017

* The restricted bank balance represents deposits placed in financial institutions to secure bills payable of an equivalent amount related to trade payables of US$ 2.1 million.

17 TRADE AND OTHER PAYABLES

	2015 US$'000	2014 US$'000
Trade payables	**12,939**	17,179
Other current liabilities	**2,426**	2,430
Amounts due to related parties (note 23a)	**9,800**	9,735
	25,165	29,344

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

18 LOANS AND BORROWINGS

	2015 US$'000	2014 US$'000
Bank loans	**5,852**	11,930

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

	Balance as at Dec 31, 2015			Balance as at Dec 31, 2014		
Bank name	**Interest rate**	**USD**	**Expiry Date**	Interest rate	USD	Expiry Date
CITIC Bank	**7.000%**	**2,771,960**	**29-Apr-2016**	7.200%	2,941,657	12-Mar-2015
SPD Bank	**7.280%**	**3,079,956**	**8-Jan-2016**	6.000%	3,268,508	8-Jan-2015
Ping An Bank	**N/A**	**N/A**	**N/A**	7.500%	5,719,889	13-Jan-2015
Total		**5,851,916**			11,930,054	

Loans due to SPD Bank, CITIC Bank and Ping An Bank have been repaid post year end.

19 PROVISIONS

	2015 US$'000	2014 US$'000
Provisions	**585**	—

The provision in the year relates to a lawsuit initiated against the Group by a contractor in China. Whilst the Group is appealing the lawsuit decision and continues to negotiate with the contractor, a provision has been prudently recognised for the full amount.

20 SUBSIDIARIES

The principal subsidiaries of the Company as at 31 December 2015, all of which have been included in the consolidated financial statements, are as follows:

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

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

21 DEFERRED TAXATION

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

	2015 US$'000	2014 US$'000
Opening balance at 1 January	**1,369**	1,098
Tax losses recognised	**(1,441)**	(1,461)
Temporary difference change	**1,256**	1,732
Closing balance at 31 December	**1,184**	1,369

Operations in the PRC have recorded taxable losses during the year. The deferred tax asset on these taxable losses has been offset against the deferred tax liability arising on the difference in the tax base and net book value of the Group's drilling assets as they are depreciated on a unit of production basis. There are no other sources of deferred tax assets or liabilities. The Group has not offset deferred tax assets and liabilities across different jurisdictions. Unrecognised Cayman Island losses of US$2,618,000 (2014: US$2,427,000) do not expire under current tax legislation. Unrecognised PRC tax losses of US$1,467,750 (2014: $992,858) expire after 5 years.

22 SHARE CAPITAL

	Authorised		**Issued and fully paid**	
	No. of shares	**US$**	**No. of shares**	**US$**
At 31 December 2014 and 2015	5,000,000,000	50,000	398,245,758	3,982

The shares have a par value of US$0.00001

23 RELATED PARTY TRANSACTIONS

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

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

As at 31 December 2015, the Group had the following balances due to/from companies under common control of Mr Randeep Grewal:

- Net payable to the Green Dragon Gas group of US$9.6m (2014: US$9.7m); which represents prepayments on drilling services to be provided.
- Net payable to the Greka Engineering and Technology group of US$180,000 (2014: US$52,000).

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

Related party transactions during the year comprise of:

- Drilling services provided to the Green Dragon Gas group of US$23,912,000 (2014: US$18,489,000).
- Leasing income from the Green Dragon Gas group of US$651,000 (2014: US$627,000), Greka Engineering and Technology group of US$52,000 (2014: US$37,000) and from Henan Greka Weino Alcohol Trading Limited of US$2,000 (2014: US$2,000). The lease term was 1 year from 1 January 2015 to 31 December 2015 and 1 January 2014 to 31 December 2014 respectively.

(b) Subsidiary companies

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

(c) Key management personnel

Other than the Directors' remuneration disclosed in note 9 to the consolidated financial statements, there were no other transactions with key management personnel during the years ended 31 December 2015 and 2014.

24 OPERATING LEASES

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

	2015 US$'000	2014 US$'000
No later than 1 year	**27**	708
Later than 1 year and no later than 5 years	**12**	21
	39	729

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

	2015 US$'000	2014 US$'000
No later than 1 year	**723**	673
	723	673

25 CAPITAL COMMITMENTS

	2015 US$'000	2014 US$'000
Capital expenditure contracted but not provided for in respect of		
Acquisition of property, plant and equipment	**1,239**	1,794
	1,239	1,794

26 FINANCIAL INSTRUMENTS

	2015 US$'000	2014 US$'000
Financial assets		
Loans and receivables:		
Cash and bank balances	**2,421**	8,017
Trade and other receivables	**2,260**	3,726
Amounts due from related parties	**—**	—
	4,681	11,743
Financial liabilities		
At amortised cost:		
Trade and other payables	**15,950**	19,609
Loans and borrowings	**5,852**	11,930
	31,602	41,274

26 FINANCIAL INSTRUMENTS (continued)

(a) Interest rate risk

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

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

	2015 US$'000	2014 US$'000
Cash and cash equivalents		
US dollars (Floating rate)	**111**	889
HK dollars (Floating rate)	**—**	—
RMB (Floating rate)	**2,239**	6,849
Rupee (Floating rate)	**71**	279
Other financial assets		
RMB (Non-interest bearing)	**1,604**	1,998
US dollars (Non-interest bearing)	**144**	1,288
Rupee (Non-interest bearing)	**512**	440
	4,681	11,743

The weighted average interest rate earned was 0.10% p.a. for the year (2014: 0.10% p.a.) on floating rate US dollar cash balances, and 0.35% p.a. (2014: 0.385% p.a.) on floating rate RMB balances. At the reporting date, the Group had restricted cash in a short-term deposit for six months, which is restricted to settle certain liabilities expiring after six months.

26 FINANCIAL INSTRUMENTS (continued)

(a) Interest rate risk (continued)

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

	2015 US$'000	2014 US$'000
Bank loans		
RMB (Fixed rate)	**5,852**	11,930
Other financial liabilities		
US dollars (Non-interest bearing)	**1,680**	3,315
RMB (Non-interest bearing)	**20,097**	24,977
Rupee (Non-interest bearing)	**3,973**	1,052
	31,602	41,274

The weighted average interest rate bank loans and loans from a related company for the year was 7.15% p.a. (2014: 7.08% p.a.). If all interest rates had been 50 basis points higher, with all other variables held constant, post-tax profit and equity would have been US$139,000 lower.

26 FINANCIAL INSTRUMENTS (continued)

(b) Foreign currency risk

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

	In RMB US$'000	In Rupee US$'000
As at 31 December 2015		
Financial assets		
Cash and cash equivalents	**2,239**	**71**
Trade and other receivables	**785**	**512**
Amount due from related parties	**—**	**—**
	3,024	**583**
Financial liabilities		
Trade and other payables	**10,297**	**3,973**
Loans and borrowings	**5,852**	**—**
Amount due to related parties	**9,800**	**—**
	25,949	**3,973**

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

A 5% (2014: 5%) increase or decrease in the US dollar/RMB exchange rate would result in reported profit and net assets for the year US$241,000 (2014: US$57,000) higher or lower respectively.

26 FINANCIAL INSTRUMENTS (continued)

(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 India and agreed by the Board annually in advance, enabling the Group's cash requirements to be anticipated. Where facilities of group entities need to be increased, approval must be sought from the Board.

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

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

	Six months or less US$'000	Six months to one year US$'000	Undiscounted payments US$'000 (note i)	Adjustments US$'000 (note ii)	Carrying value US$'000 (note iii)
At 31 December 2015					
Trade and other payables and other current liabilities	**12,570**	**3,380**	**15,950**	**—**	**15,950**
Amounts due to related parties	**9,800**	**—**	**9,800**	**—**	**9,800**
Loans and borrowings	**5,852**	**—**	**5,852**	**—**	**5,852**
	28,222	**3,380**	**31,602**	**—**	**31,602**
At 31 December 2014					
Trade and other payables and other current liabilities	13,954	5,655	19,609	—	19,609
Amounts due to related parties	9,735	—	9,735	—	9,735
Loans and borrowings	11,930	—	11,930	—	11,930
	35,619	5,655	41,274	—	41,274

26 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

Notes:

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

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

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

(d) Credit risk

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

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

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

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

(e) Capital risk management

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

The Group's objectives when managing capital are to ensure the ability of the entities in the Group to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the capital structure, the Group considers the macro-economic conditions, prevailing borrowing rates in the market and adequacy of cash flows generated from operations and may adjust the amount of dividends paid or payable to shareholders, raise funding through capital markets or seek additional borrowings as necessary. No changes were made to the objectives or policies during the years ended 31 December 2015 and 2014.

26 FINANCIAL INSTRUMENTS (continued)

(f) Fair value

The carrying value of significant financial assets and liabilities approximate their respective fair values as at 31 December 2015 and 2014.

27 SUBSEQUENT EVENTS

On 31 March 2016, Greka Drilling Limited secured US$5 million in loan financing from Guaranty Finance Investors LLC ("GFI"), the proceeds of which it expects to use for working capital purposes. The loan, on which interest is payable at the rate of 7% per annum, is repayable on 31 March 2019 and is unsecured (although first priority would be granted to the GFI loan if the Company created any security over its drilling rigs in relation to other indebtedness).

As part of the financing, the Company has issued GFI with warrants to subscribe for 35,000,000 new ordinary shares in the Company at an exercise price of 5p per share, representing a premium of 43% to the Company's closing share price on 29 March 2016. The warrants are exercisable at any time between 1 April 2017 and 31 March 2019. At any time after 31 March 2017 the Company may elect to prepay the loan, provided that the amount repaid (including interest paid previously) would provide GFI with a total annual return of 25%; such prepayment would be deemed to have redeemed the warrants in lieu of issuing new shares.

28 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 9 April 2016.

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Non-Executive Director

David Turnbull
Non-Executive Director

Sean Mulhearn
Non-Executive Director

Bryan Smart
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