

**Consolidated Statement of Comprehensive Income**

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

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

**Consolidated Statement of Changes in Equity**

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

**Consolidated Statement of Cash Flow**

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

	998	3,609	2,004
Effect of foreign exchange rate changes	261	(4)	(267)
<b>Cash and cash equivalents at end of year</b>	<b>1,259</b>	<b>3,605</b>	<b>1,737</b>

Notes to Consolidated Interim Financial Statements

**1. GENERAL INFORMATION**

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

**2. ACCOUNTING POLICIES**

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

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

**Basis of preparation**

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

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

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

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

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

**Critical accounting estimates**

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

*Impairment of property plant and equipment*

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

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

*Depreciation*

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

### **3. REVENUE AND SEGMENTAL INFORMATION**

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

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

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

	Six months ended 30 June 2015 US\$'000 Unaudited	Six months Ended 30 June 2014 US\$'000 Unaudited	Year ended 31 December 2014 US\$'000 Audited
<b>Revenue</b>			
China	8,785	8,926	20,744
India	3,107	-	3,677
	<u>11,892</u>	<u>8,926</u>	<u>24,421</u>

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

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

**4. FINANCE INCOME**

	Six months ended 30 June 2015 US\$'000 Unaudited	Six months ended 30 June 2014 US\$'000 Unaudited	Year ended 31 December 2014 US\$'000 Audited
Bank interest	1	286	390
	<u>1</u>	<u>286</u>	<u>390</u>

**5. FINANCE COSTS**

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



480 2,492 2,878

## 6. TAXATION

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

## 7. EARNINGS PER SHARE

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

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

## 8. PROPERTY, PLANT AND EQUIPMENT

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

## 9. DEFERRED TAXATION

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

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

## 10. INVENTORIES

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

**11. TRADE AND OTHER RECEIVABLES**

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

**12. CASH AND CASH EQUIVALENTS**

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

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

**13. TRADE AND OTHER PAYABLES**

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

**14. LOANS AND BORROWINGS**

Bank name	Period	Balance as at 31 Dec	Interest rate	Repayment	New loan	Balance as at 30

		2014						June 2015
		US\$'000		Date	Amount US\$'000	Date	Amount US\$'000	US\$'000
CITIC Bank	One year	2,942	7.20%	12/3/2015	(2,942)	29/4/2015	2,944	2,944
SPD Bank	One year	3,268	6.00%	8/1/2015	(3,268)	9/1/2015	3,272	3,272
SPD Bank								
Ping An Bank	One year	5,720	7.50%	13/1/2015	(5,720)			
<b>Total</b>		<b>11,930</b>			<b>(11,930)</b>		<b>6,216</b>	<b>6,216</b>

## 15. RELATED PARTY TRANSACTIONS

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

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

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

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

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

Related party transactions during the year comprise:

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