nual Results for the Year Ended 31 December 2014

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GREEN DRAGON GAS LTD
("Green Dragon Gas" or the "Company")

Annual Results for the year ended 31 December 2014

Green Dragon Gas, the leading independent gas producer with operations in China, is pleased to announce its audited financial results for the year ended 31 December 2014.

Highlights

Financial and Corporate

- Recurring revenue of US$33.8m, a 13% increase year on year (2013: US$29.8m)
- Cash of US$80m at 31 December 2014 (2013: US$34.6m)
- US$138m successfully raised through the issue of two bonds:
  - US$50m through issue of convertible bond from GIC Private Limited
  - US$88m through issue of corporate bond due 2017
- Exercise of warrants by significant shareholder raising US$42 million in net proceeds
- Admitted on the Main Market of the London Stock Exchange on 27 October 2014

Operational

Upstream

- Gross gas production of 8.2 Bcf from the GSS and GCZ production blocks
  - **GSS:** 2.98 Bcf from GDG operated wells;
    1.13 Bcf from CNOOC operated wells; and
  - **GCZ:** 4.16 Bcf from CNPC operated wells

- 1,938 wells drilled across all blocks

  - 1,595 wells within GSS and GCZ production blocks, of which 973 are online and 144 connected to gas sales infrastructure.
  - 343 wells drilled across the exploration blocks GFC,GQY-A,GQY-B, GSN, GPX, GGZ

Gas Sales

- Gross gas sales of 6.0 Bcf
- Gas to Power sales of 138 mmcf
- Piped Natural Gas (PNG) sales:
  - GCZ gas sales via PNG of 4.1 Bcf
  - GSS gas sales via PNG of 943 mmcf
- Compressed Natural Gas (CNG) sales:
  - retail station sales of 590 mmcf a 9% increase since 2013
  - industrial customer sales of 42 mmcf, a 85% decrease since 2013, due to new permitting requirement by government which have been completed

2015 Outlook

- Exit rate target of 12 BCFPY (GCZ: 4 BCFPY, GSS: 8 BCFPY), a 50% increase.
- At GSS, 22 drilled wells to be completed and connected to gas sale infrastructure.
  - 30 LiFaBriC well drilling programme has commenced in GSS and drilled wells expected to be connected to gas sale infrastructure. Total gas sale wells (GCZ and GSS) to increase from 144 to 214, a 49% increase.
- Coal seam 15 exploration completed and reserve certification in GCZ and GSS
- Planned execution objectives funded with US$80m cash on hand.

Note:
mmcf: millions of cubic feet
Bcf: billions of cubic feet

Randeep S. Grewal, Founder and Chairman of Green Dragon Gas commented:

"After a milestone 2014, which delivered a significant strengthening in Green Dragon Gas' position on all fronts, our focus is on continuing our strong growth trajectory during the months to come. We are building on solid foundations: the year-end saw a strong balance sheet following two successful bond issues and warrant exercise, increased cooperation with our partners based on mutually beneficial agreements, and the start of a three-pronged programme at our operations. The first includes completion of the drilled wells which is expected to result in enhanced results from our existing wells. The second is a new 30 LiFaBriC well drilling campaign which has launched on the GSS block. This is estimated to enable us to deliver an impressive 50% uplift in our production exit-rate to 12 Bcfpy by year end. Concurrently to the gas production enhancing programs, we are progressing our exploration activities within six blocks to certify reserves within them. In addition to our three-prong sub-surface plan, together with the ongoing increased investment in infrastructure by our partners, we are well positioned to reap the benefits of a strong gas price in China decoupled from oil pricing with our increasing gas sales, and of our strategic position in one of the world's most buoyant energy markets."

-Ends-

For further information on the Company and its activities, please refer to the website at www.greendragongas.com or contact:

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About Green Dragon Gas
Green Dragon is an onshore China focused upstream (Exploration & Production) company, concentrating on its core asset value proposition over eight blocks, two of which are producing. The Company's blocks are located within six Production Sharing Contracts across four Provinces: Shanxi, Anhui, Jiangxi and Guizhou.

CHAIRMAN'S STATEMENT

Introduction

2014 was a milestone year in Green Dragon Gas' history, significantly strengthening the position of the Company and building the foundations for an ambitious programme of growth. Our relationships with our partners, our financial position and our exploration and production development strategy were enhanced in a series of comprehensive measures concluded throughout the year.

In addition to the execution of very constructive and mutually beneficial agreements with all our partners (Cnooc, Cucbm, Cnpc, Petrochina), the year saw the introduction of a system of regular Joint Management Committees for each of our eight blocks. These regular meetings bring together the partners to report and work on the strategy for each of the assets, as we collectively continue to invest in drilling and infrastructure needed to monetise the growing production from the operations.

Our balance sheet was significantly strengthened through the issue of two bonds to a total of US$138m, including our first straight debt facility since our inception, and the exercise of warrants by a significant shareholder which raised US$43 million for the Company. Our move to a listing on the Main Market of the London Stock Exchange in the second half of the year was continuation and demonstrative of our status as a mature exploration and production company delivering value to shareholders since listing on Aim in 2006.

The year concluded with another strong upgrade in our audited reserves, the 9th consecutive uplift in volumes and valuations, as we further benefited from our position in one of the most buoyant energy markets in the world and from a gas price decoupled from the price of oil. Audited 1P, 2P and 3P reserves were a PV10 of US$1.5 billion, US$4.3 billion and US$21.2 billion respectively.

Operations

We followed a conservative expenditure policy during the year, which fulfilled the minimum capital requirements of our licences, whilst discussions with our partners were still ongoing pending binding agreements. As a result, we drilled a total of ten LiFaBric wells.

At the end of the year, the Company had a direct equity interest in a total of 1,938 wells, with the interest varying between 47-70%. 1,595 wells were drilled across the GSS block (inclusive of wells at GCZ), and 343 across the exploration blocks at GFC, GQY-A, GQY-B, GSN, GPX, and GGZ.

Gas production for the year reached 8.2 Bcf from the GSS and GCZ production blocks, with 2.98 Bcf from GSS GDG operated wells, 1.13 Bcf from GSS CNOOC operated wells, and 4.16 Bcf from GCZ CNPC operated wells. As per our objective, we exited the year with an 8.9 BCFPY production rate.

Sales

Total sales inclusive of the share of gross gas sold from GCZ amounted to 3.6 Bcf, similar to 2013 levels. 5% of the gas sold by the Company's distribution arm comes from the GSS block, with the remaining 95% acquired from external parties to meet increasing demand. It is expected that the latter will gradually be replaced by gas produced from Green Dragon Gas' own assets during 2015 as the permits under the new government policies have been attained

Piped Natural Gas (PNG) sales during 2014 totaled 5.1Bcf. These are delivered from GCZ and GSS through the West East Pipeline infrastructure. GSS sales are part of the 20 year agreement entered into in June 2011 with PetroChina.

Green Dragon Gas also sells Compressed Natural Gas (CNG) for vehicle use through its Company-owned retail stations located in and around its licence areas. In 2014, sales through these outlets amounted to 590mmcf, a 9% increase since 2013. This is primarily due to the increase in the number of operating stations to 8 from 6 in 2013, and to the expansion of our fleet of distribution trucks. We expect to continue the expansion of our retail network within Henan province.

Sales of CNG to industrial customers totalled 42 mmcf. This was an 85% decrease since 2013, due to the temporary suspension of the CNG capability at the GSS Integrated Production Facility. Permits in hand, we expect this will resume during 2015.

Financials

Revenue from continuing operations increased by 13% during the period to US$33.8m as compared to US$29.8m, exclusive of 2010 to 2012 GCZ revenue, in 2013. The increase was primarily driven by higher pricing..

E&P capex for the period totaled US$35.7m. This lower discretionary spend reflected the prudent approach taken by the Company to limiting expenditure while the final binding agreements were signed with partners on licences. However, in accordance to our binding agreements with Cnooc and Cucbm, we added US354m to our assets acknowledging our portion of the accretion from the partners spend over the previous years.

Finally, during the period we significantly strengthened our balance sheet, successfully raising a total of US$138m from the issuance of US$50m convertible bond and a US$88m corporate bond and the exercise of warrants by a significant shareholder which raised US$43 million for the Company. At 31 December 2014, the Group had cash of US$80m. The non-cash fair value adjustment in relation to the US$35m bond issuance with warrants, which was paid in full at US$36.2m, resulted in a charge of US$30m

The cost recovery balance for partner wells stood at US$622m at year end, of which US$10.9m related to GCZ and US$611m to the other seven blocks. In addition, as part of our agreement on the cost recovery balance attributable to CNOOC, we have concluded the initial audit of their activities, and the gross capital expenditure deployed of US$611 million. This now forms the basis of the CNOOC cost recovery account. Overall these balances and the respective partners' capital expenditure on drilling and infrastructure is in line with our expectations for the year.

Outlook

2015 is set to be another transformational year for Green Dragon Gas, as we build on the achievements of the last twelve months to continue on our growth trajectory. Logically, we began 2015 with a completion program of drilled wells which can be connected to gas sales infrastructure within GSS. In addition, the 30 LiFaBriC well drilling programme has commenced on site. As a result, we are reiterating our year-end exit production target of 12 Bcfpy, a 50% increase year-on-year from our GCZ and GSS blocks.

This forecast only includes the increase in production associated with our own well completion program and well drilling campaign. We have conservatively assumed that production from wells operated by CNOOC and CNPC will remain flat. In addition, our partners are continuing to invest in infrastructure which will deliver further upside by monetising the growing production across our licence blocks. Following successful completion of the agreements with our partners during the year, as well as the gradual progress in cost recovery balances from payback to pay-out, we expect that these relationships will deliver significant value for the Company in the years to come.

Finally, I would like to take the opportunity to thank all our shareholders and employees for their support and hard work through what has been a transformational and rewarding period for our company. The eighteen years developing our vast CBM resource in China is now being monetized.

Randeep S. Grewal
Founder & Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2014 US$'000	Year ended 31 December 2013 US$'000
Continuing operations			
Revenue	3	33,787	62,181
Cost of sales		(19,104)	(40,322)
Gross profit		14,683	21,859
Selling and distribution costs		(1,829)	(1,616)
Litigation interest and penalty written back / (charge)		6,937	(6,937)
Other administrative expenses		(13,935)	(22,587)
Total administrative expenses		(6,998)	(29,524)
Profit/(loss) from operations	4(a)	5,856	(9,281)
Other income and finance income	5	105	310
Change in fair value of financial derivative		(30,096)	(13,271)
Other finance costs	6	(12,128)	(12,513)
Total finance costs		(42,224)	(25,784)
Loss before income tax		(36,263)	(34,755)

	Notes		
Income tax	8	450	507
Loss for the year from continuing operations		(35,813)	(34,248)
Discontinued operations			
Profit for the year from discontinued operations after tax, including gain on disposal		-	33,425
Loss for the year		(35,813)	(823)
Other comprehensive (expense)/income, net of tax:			
- Exchange differences on translating foreign operations		(1,652)	19,604
Total comprehensive (expense)/income for the year		(37,465)	18,781
Loss attributable to:			
- Owners of the company		(35,813)	(823)
- Non-controlling interests		-	-
		(35,813)	(823)
Total comprehensive (expense)/income attributable to:			
- Owners of the company		(37,465)	18,781
- Non-controlling interests		-	-
		(37,465)	18,781
Basic and diluted earnings/(loss) per share, arising from:			
- Continuing operations (US $)	9	(0.229)	(0.251)
- Discontinued operations (US $)	9	-	0.245
		(0.229)	(0.006)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2014 US$'000	As at 31 December 2013 US$'000
Assets			
Non-current assets			
Property, plant and equipment		157,627	28,232
Gas exploration and appraisal assets		1,157,915	902,537
Other intangible assets		3,108	3,821
Long term prepaid expenses		275	217
Deferred tax asset		2,241	1,954
		1,321,166	936,761
Current assets			
Inventories		112	86
Trade and other receivables		23,053	11,542
Cash and cash equivalents		80,037	34,642
		103,202	46,270
Total assets		1,424,368	983,031
Liabilities			
Current liabilities			
Derivative financial liability		-	20,410
Bonds		-	30,390
Trade and other payables		22,103	25,623
Provisions		-	49,537
Current tax liabilities		143	7
		22,246	125,967
Non-current liabilities			
Convertible notes		47,243	33,383
Bonds		85,072	-
CUCBM provision		367,027	13,000*,
Deferred tax liability		163,478	163,876
		662,820	210,259
Total liabilities		685,066	336,226

Total net assets	739,302	646,805
Capital and reserves		
Share capital	16	14
Share premium	808,981	681,031
Convertible note equity reserve	3,756	1,746
Share based payment reserve	12,743	12,743
Other reserve	19	30
Foreign exchange reserve	63,934	65,575
Retained deficit	(150,147)	(114,334)
Total equity attributable to owners of the Parent	739,302	646,805

*In the prior year, $13.0m was classified as an 'other financial liability'. The amount has been reclassified to provisions in the current year and the comparative reclassified accordingly as this is considered to be a more appropriate classification following the Framework Agreement entered into with CUCBM.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Convertible note equity reserve	Share based payment reserve	Capital and surplus reserve	Other reserve	Foreign exchange reserve	Retained deficit	Equity attributable to owners of the Parent	Non-controlling interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2013	14	703,917	9,198	12,743	1,325	391	45,971	(113,511)	660,048	18	660,066
Loss for the year	-	-	-	-	-	-	-	(823)	(823)	-	(823)
Exchange differences on translating foreign operations~	-	-	-	-	-	-	19,604	-	19,604	-	19,604
Total comprehensive income/(expense) for the year	-	-	-	-	-	-	19,604	(823)	18,781	-	18,781
Issue of convertible notes	-	-	1,746	-	-	-	-	-	1,746	-	1,746
Transfer to share premium on exercise of convertible	-	9,198	(9,198)	-	-	-	-	-	-	-	-
Demerger of GET	-	(32,084)	-	-	-	(23)	-	-	(32,107)	-	(32,107)
Disposal of JCE and subsidiaries	-	-	-	-	(1,325)	(338)	-	-	(1,663)	(18)	(1,681)
At 31 December 2013	14	681,031	1,746	12,743	-	30	65,575	(114,334)	646,805	-	646,805
Loss for the year	-	-	-	-	-	-	-	(35,813)	(35,813)	-	(35,813)
Exchange differences on translating foreign operations~	-	-	-	-	-	(11)	(1,641)	-	(1,652)	-	(1,652)
Total comprehensive expense for the year	-	-	-	-	-	(11)	(1,641)	(35,813)	(37,465)	-	(37,465)
Issue of share capital and share premium on exercise of warrants	1	92,951	-	-	-	-	-	-	92,952	-	92,952
Issue of share capital and share premium on exercise of convertible	1	34,999	(1,746)	-	-	-	-	-	33,254	-	33,254
Issue of convertible notes	-	-	3,756	-	-	-	-	-	3,756	-	3,756
At 31 December 2014	16	808,981	3,756	12,743	-	19	63,934	(150,147)	739,302	-	739,302

~ Exchange differences on translating foreign operations may be recycled through profit in future periods if certain conditions or events arise.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2014 US$'000	Year ended 31 December 2013 US$'000
Operating activities			
Loss after tax		(35,813)	(823)
Adjustments for:			
Depreciation		4,867	12,194
Amortisation of leasehold land held for own use under operating leases		-	117
Amortisation of intangible assets		713	1,474
Impairment of intangible assets		-	325
Gain on disposal of JCE & subsidiaries	4(b)	-	(33,544)
Loss on disposal of property, plant and equipment		848	1,150
Other income and finance income	5	(4)	(25)
Change in fair value of derivative		30,096	13,271
Other finance costs		12,128	12,513
Litigation interest and penalties written (back) / charge		(6,937)	6,937
Taxation for continued operations		(450)	(507)
Taxation for discontinued operations		-	433
Cash generated from operating activities before changes in working capital		5,448	13,518
Movement in inventory		(26)	267

Movement in trade and other receivables		2,015	(9,078)
Movement in trade and other payables		(6,655)	18,412
Net cash generated from operations		782	23,119
Income tax		(99)	(597)
Net cash generated from operating activities		683	22,522
Investing activities			
Payments for purchase of property, plant and equipment		(369)	(12,325)
Cash paid to settle provision		(40,000)	-
Payments for intangible assets - gas station license		-	(392)
Payments forlong-term prepaid expenses		(58)	(155)
Interest in GCZ		(13,300)	(25,504)
Payments for exploration activities		(39,836)	(32,385)
Disposal of a subsidiary, net of cash disposed		-	60,201
Interest received		4	25
Net cash used in investing activities		(93,559)	(10,535)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Year ended 31 December 2014 US$'000**	**Year ended 31 December 2013 US$'000**
Financing activities			
Cash paid to redeem bonds and convertibles		(35,000)	(84,200)
Cash received from issuing convertible notes		50,000	35,000
Cash received from issuing bonds		84,042	35,000
Cash received from exercise of warrant		42,446	-
Cash disposed due to demerger of subsidiaries		-	(3,576)
GCZ block finance provided by PetroChina		2,942	1,465
Other interest paid		(5,425)	(5,409)
Net cash generated from / (used in) financing activities		139,005	(21,720)
Net increase / (decrease) in cash and cash equivalents		46,129	(9,733)
Cash and cash equivalents at beginning of year		34,642	39,971
		80,771	30,238
Effect of foreign exchange rate changes		(734)	4,404
Cash and cash equivalents at end of year		80,037	34,642

Immaterial cash disposed due to demerger of subsidiaries in 2013 has been reclassified to financing operations as this is considered a more accurate reflection of the cash flow nature.

ABRIDGED NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2014

1 PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union("IFRSs"), 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 in the Group's full annual report and accounts for the year ended 31 December 2014.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions regarding the future. Estimates and judgements 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 within the period after the year/period are as follows.

PetroChina GCZ block interest

Under IFRS 11, the Group's agreement with PetroChina represents a joint arrangement as the Group shares joint control with PetroChina. Under the terms of the Cooperation Agreement the decisions about significant activities of the arrangement require the unanimous consent of both parties. Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement. In joint operations, the parties have rights to the assets and obligations for the liabilities relating to the arrangement, whereas in joint ventures, the parties share rights to the net assets of the arrangement. Under IFRS 11, joint arrangements that are not structured through a separate vehicle are always joint operations. The joint arrangement is not structured through a separate vehicle. Therefore the Group considers their arrangement to represent a joint operation and has recognised its share of 47% in the assets, liabilities, revenue and expenses of the GCZ block. Judgment has also been exercised in recognition of the Group's share of downstream assets in the GCZ block during 2014.

Judgement has been required in the recognition of the Group's attributable share of the results and assets of the GCZ block. Further to the identification

of drilling activities by third parties on the Group's blocks, the Group entered a binding Memorandum of Understanding (MOU) with PetroChina Company Ltd ("PetroChina") during 2013. In accordance with the MOU, the Group finalised and signed a Cooperation Agreement with PetroChina on 8 August 2014. In 2013, the Group recorded its share of the historic property, plant and equipment and operating cost expenditure incurred by PetroChina, together with the Group's share of revenues from commercial production on the wells, based on a third party audit under the terms of the MOU. The amounts related to periods from 2009 to 2013 and the transaction was recorded in 2013 as the MOU affirmed the status of the PSC's in that year. The MOU recognised the Group's rights to its share of the assets, its share of historic revenues and its obligation to contribute its share of such amounts to PetroChina. Under the MOU, the Group could elect to settle the obligation to PetroChina in cash or through its share of future production entitlement under the PSC.

In 2014, under the final Cooperation Agreement, the Group's rights to its share of $10.9m of downstream assets and associated obligation to reimburse PetroChina for such expenditure was agreed between the parties. This transaction is considered to be a 2014 event given the absence of prior agreement between the parties in respect of the Group's rights to the asset. The Group elected to settle its obligation for all historic amounts due to PetroChina through its share of future production, which is sufficiently certain given the producing nature of the assets and the level of reserves.

CUCBM Framework Agreement

Judgment has been exercised in the recognition of the Group's share of the historic expenditure incurred by China United Coalbed Methane Gas ("CUCBM") on the Group's blocks. Further to the identification of drilling activities by third parties across several of the Group's blocks, the Group entered into a Framework Agreement signed with CUCBM in 31 March 2014 and as at 31 December 2014 has reached agreement with CUCBM regarding the historical exploration and infrastructure expenditure. CUCBM undertook significant historical exploration and infrastructure preparation work within several licence areas and incurred gross expenditure of $611.3m. Under the PSC, the Group had the right to enforce its PSC interests in the asset but agreed to reimburse CUCBM for the Group's share of the historic expenditure by allowing CUCBM to recover its costs from ring fenced cash flows associated with the relevant wells. A constructive obligation is considered to exist given the nature of the transaction and the negotiation between the parties. The amount to be reimbursed through future cash flows from the relevant wells is considered sufficiently certain given the extent of well development, the levels of in place infrastructure and reserves associated with the wells, although settlement remains dependent upon sufficient future production arising. Accordingly, the Group has recorded its share of the assets and a provision. The Group has exercised judgment in considering the arrangement to create an obligation and its assessment that there is a reasonable expectation that the relevant wells will generate sufficient cash flows. This transaction is considered to be a 2014 event as the Framework Agreement affirmed the Group's entitlement to the assets.

The Group's arrangement with CUCBM represents a joint arrangement as the Group shares joint control with CUCBM. As with the PetroChina transaction, the Group accounts for the arrangement as a joint operation and therefore has recognised its share of the relevant assets and liabilities which reflects the structure of the arrangement and the joint control conferred by the PSC and the Joint Management Committee.

Litigation

The Group had recorded a provision of US$49.5 million in prior years in respect of litigation with ConocoPhillips China Inc ("COPC") arising from a dispute in respect of the farm-out agreement, and the findings of the arbitration tribunal. Whilst the Directors' remained confident of a successful appeal, a provision had been conservatively made in the financial statements. The original US$42.6 million received was set against the exploration assets and, consequently, this was reversed in 2013 when the provision was recorded. Full interest and penalties of $6.9m were provided for in 2013. On 14 August 2014, the Group entered into a full and final settlement agreement with COPC and paid US$40 million to COPC to settle this case on 15 August 2014. The provision was reduced by US$9.5 million, the amount set off against exploration assets has been reduced by US$2.6 million and previously recognized fees and interest of US$6.9 million has been reversed and shown in separate line item in the consolidated statement of comprehensive income. Judgment was required in determining the original provision and the accounting treatment associated with its recognition and subsequent extinguishment.

Depreciation of the gas production assets

The Group has exercised judgement in depreciating its property, plant and equipment associated with GCZ. These assets have been depreciated on a units of production basis. Judgement was required in determining the reserves used in this calculation and the Group considers 2P reserves to be capable of extraction using the assets and therefore an appropriate estimate of the asset's life. No future capital expenditure is included in the depreciable asset base as the impact is immaterial. It is noted that significant 3P reserves have been estimated to exist and such reserves would significantly extend the estimate useful life. However, 3P reserves are not included until such time as they are transferred to 2P reserves as part of the Group's independent reserves audit.

Determination of commercial production

Judgment has been exercised in determining whether the Group's exploration assets have achieved technical feasibility and commercial production. The Group's definition of technically feasible and commercially viable reserves ('commercial reserves') for such purpose are those which are classified as proven and probable reserves on an entitlement basis for which approval has been obtained from the PRC Government in respect of the "overall development program" related to the relevant license and thus commercial production commenced as defined in the production sharing agreements. In certain circumstances, delays obtaining the overall development program approval can be encountered. As a result, the Group also considers factors such as the extent to which infrastructure is in place to process the gas and the levels of production. As such, the Group only considers the PetroChina operated GCZ block to currently be in commercial production for 2014 as the remaining blocks are yet to obtain overall development program approvals and commercial production period has not commenced as per the production sharing contracts.

Impairment reviews

Exploration and appraisal costs are assessed for indicators of impairment. The assessment by the Board requires judgement and is dependent upon an assessment of the rights to the Group's assets and renewal of such rights, expected levels of expenditure, interpretation of exploration and appraisal activity in the year and future intentions. No impairment indicators were noted. These assessments are inherently judgemental and require estimation and therefore may change over time resulting in significant charges to profit or loss.

The Group tests its property, plant and equipment assets, which include oil and gas development and production assets for impairment when circumstances suggest that the carrying amount may exceed its recoverable value.. This assessment involves judgement as to the level of reserves that are capable of being extracted commercially and which are technically viable with reference to the Group's independent competent person's report, estimates of future gas prices, operating costs, capital expenditure necessary to extract those reserves and the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value. The Group uses proven (1P) and probable (2P) reserves in such impairment tests. The impairment tests on the Group's producing gas development and production assets were performed based on the GCZ block to which they related.

Fair values of convertible notes

The fair value of the liability component on initial recognition is the present value of the stream of future cash flows (including both coupon payments and redemption) discounted at the market rate of interest that would have been applied to an instrument of comparable credit rating with substantially the same cash flows, on the same terms, but without the conversion option. The applicable rates of interest, which are a matter of judgement. The rates have been determined with reference to comparable market transactions for debt without conversion options.

Valuation of derivatives and warrants

The Group determined the value of derivatives and warrants (at inception and at the prior year end) using valuation techniques. Those techniques are significantly affected by the assumptions used, including share price volatilities, discount rates, probabilities of warrant exercise or redemption, and assumptions regarding the behaviour of parties subject to contractual arrangements. In that regard, fair values based on estimates cannot always be

substantiated by comparison to independent markets.

3 REVENUE AND SEGMENT INFORMATION

The Group's reportable segments as set out below. The operating results of each of these segments are regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and assess their performance.

During the year revenue of US$17,279,000 (2013: US$48,179,000) was recognised by the Sale of CBM gas segment in respect of 1 (2013: 1) customer representing 10% or more of the Group's total revenue for the year.

For the year ended 31 December 2014

	Sale of CBM gas US$'000	Retailing gas station sales US$'000	Corporate US$'000	Sub-total US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue:						
Sales to external customers	17,757	16,030	-	33,787	-	33,787
Inter-segment sales	6,048	-	-	6,048	(6,048)	-
	23,805	16,030	-	39,835	(6,048)	33,787
Depreciation	(4,165)	(662)	(40)	(4,867)	-	(4,867)
Amortisation	-	(713)	-	(713)	-	(713)
Litigation interest and penalties written back	-	-	6,937	6,937	-	6,937
Profit/(loss) from operations	6,193	(1,065)	728	5,856	-	5,856
Other income and financial income	-	103	2	105	-	105
Change in fair value Of derivative	-	-	(30,096)	(30,096)	-	(30,096)
Other finance costs	-	-	(12,128)	(12,128)	-	(12,128)
Income tax credit	293	157	-	450	-	450
Profit/(loss) for the year	6,486	(805)	(41,494)	(35,813)	-	(35,813)
Assets	1,321,850	15,799	1,081,985	2,419,634	(995,266)	1,424,368
Liabilities	554,014	5,497	636,476	1,195,987	(510,921)	685,066

For the year ended 31 December 2013

	Sale of CBM gas US$'000	Retailing gas station sales US$'000	Corporate US$'000	Sub-total US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue:						
Sales to external Customers	48,179	14,002	-	62,181	-	62,181
Inter-segment sales	7,664	-	-	7,664	(7,664)	-
	55,843	14,002	-	69,845	(7,664)	62,181
Depreciation	(10,093)	(571)	(63)	(10,727)	-	(10,727)
Amortisation	-	(830)	-	(830)	-	(830)
Litigation interest and penalties	-	-	(6,937)	(6,937)	-	(6,937)
(Loss)/profit from Operations	12,193	(3,074)	(18,400)	(9,281)	-	(9,281)
Other income and financial income	2	283	25	310	-	310
Change in fair value of derivative	-	-	(13,271)	(13,271)	-	(13,271)
Other finance costs	-	-	(12,513)	(12,513)	-	(12,513)
Income tax credit	332	175	-	507	-	507

Profit/(loss) for the year from continuing operations	12,527	(2,616)	(44,159)	(34,248)	-	(34,248)
Assets	928,308	16,890	697,388	1,642,586	(659,555)	983,031
Liabilities	191,496	5,535	311,849	508,880	(172,654)	336,226

4 PROFIT / (LOSS) FROM OPERATIONS

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

	Year ended 31 December 2014 US$'000	Year ended 31 December 2013 US$'000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the annual financial statements	360	200
Fees payable to the Company's auditors for the review of the interim results	39	20
Staff costs (note 7)	3,832	4,798
Depreciation of property, plant and equipment	4,867	12,194
Operating lease expense (property)	1,231	1,171
Amortisation of leasehold land held for own use under operating leases	-	117
Amortisation of intangible assets	713	1,474
Impairment of intangible assets	-	325
(Reversal of)/provision for ConocoPhillips interest and penalties	(6,937)	6,937

5 OTHER INCOME AND FINANCE INCOME

	Year ended 31 December 2014 US$'000	Year ended 31 December 2013 US$'000
Continuing operations		
Bank interest	4	25
Exchange gain	101	285
	105	310

6 FINANCE COSTS

	Year ended 31 December 2014 US$'000	Year ended 31 December 2013 US$'000
Continuing operations		
Accelerated finance charge	-	4,449
Convertible notes (coupon at 7% plus effective interest adjustments)	3,902	4,174
Bonds (coupon at 7% plus effective interest adjustments)	7,060	3,890
Bonds (coupon at 10% plus effective interest adjustments)	1,166	-
Other interest expenses	-	-
	12,128	12,513

7 STAFF COSTS

	Year ended 31 December 2014 US$'000	Year ended 31 December 2013 US$'000
Continuing operations		
Staff costs (including directors' emoluments) comprise:		
Wages and salaries	7,125	4,300
Employer's national social security contributions	396	435
Other benefits	1,231	1,209
	8,752	5,944
Less: expenses capitalised as gas exploration and appraisal assets	(4,920)	(1,146)
Total staff costs charged to profit or loss (note 4(a))	3,832	4,798

8 TAXATION

	Year ended 31 December 2014 US$'000	Year ended 31 December 2013 US$'000
Continuing operations		
Current tax - PRC Enterprise Tax		
Charges for current year	(47)	-
Deferred tax		
Temporary timing differences	(581)	(617)
Previously unrecognised deferred tax assets assessed as recoverable at the end of the year	178	110
Total tax (credit) / charge	(450)	(507)

Other comprehensive income includesa charge of US$396,000(2013: credit of US$4,702,000) of deferred tax movements in respect of exchange gains on retranslation of foreign subsidiaries.

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the Cayman Islands applied to the loss for the period are as follows:

	Year ended 31 December 2014 US$'000	Year ended 31 December 2013 US$'000
Loss before tax from continuing operations	(35,813)	(34,755)
Profit/(loss) before tax from discontinued operations	-	33,858
Accounting loss before tax	(35,813)	(897)
Expected tax charge based on the standard rate of corporation tax in the Cayman Islands of 0% (2013: 0%)	-	-
Effect of:		
Different tax rates applied in overseas jurisdictions	47	1,239
Temporary differences applied in overseas jurisdictions at different tax rates	403	(1,165)
Income tax	450	74
Income tax credit related to continuing operations	450	507
Income tax charge related to discontinued operations	-	(433)

Taxation for the Group's operations in the PRC is provided at the applicable current tax rate of 25% (2013: 25%) on the estimated assessable profits for the year.

9 EARNINGS AND LOSS PER SHARE

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

	Year ended 31 December 2014 US$'000	Year ended 31 December 2013 US$'000
Profit/(loss) for the year attributable to owners of the Company used in basic and diluted earnings/(loss) per share :		
- Continuing operations	(35,813)	(34,248)
- Discontinued operations	-	33,425

	Year ended 31 December 2014 Number	Year ended 31 December 2013 Number
Weighted average number of ordinary shares for basic and diluted earnings per share	156,072,289	136,540,711

Due to the loss arising in the group during the year, the diluted loss per share is considered to be the same as the basic loss per share, 6,732,694 (2013: 8,052,037) potential ordinary shares have therefore been excluded from the above calculations.

	Year ended 31 December 2014	Year ended 31 December 2013
Basic and diluted earnings/(loss) per share (US cents)		
- Continuing operations	(0.229)	(0.251)
- Discontinued operations	-	0.245

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of approval of these financial statements.

10 JOINT ARRANGEMENTS

The Group currently has six (2013: six) production sharing contracts ("PSCs") in the PRC.

Background

On 8 January 2003, the Group entered into four PSCs with CUCBM to explore, develop and produce coal bed methane in five blocks in the locations of Shizhuang South ('GSS'), Chengzhuang, Shizhuang North ('GSN'), Qinyuan and Panxie East. Shizhuang South, Chengzhuang, Shizhuang North and Qinyuan are located in Shanxi Province, the PRC, while Panxie East is located in Anhui Province, the PRC.

Also during 2003, the rights as a foreign contractor to another PSC, which was originally entered into between CUCBM and Saba Petroleum Inc., a related company with common controlling shareholder, Mr. Randeep Grewal, to the Group, on 13 August 1999, to explore, develop and produce coal bed methane in a block in Fengcheng, Jiangxi Province, the PRC, was assigned to the Group.

Pursuant to these five PSCs, the Group, as the operator, agreed to provide funds and apply its technology and managerial experience to co-operate with CUCBM, which is eligible to apply for exclusive right to exploitation of coal bed methane in the areas as defined in the contracts, to explore, develop and produce coal bed methane.

In addition, pursuant to these five PSCs, all the costs incurred in the exploration stage shall be borne by the Group. Upon submission of the overall development programme and approval by the relevant Chinese authorities, the operation shall enter the stage of development and since then, all the development and operating costs were to be borne in the proportion of 60% by the Group and 40% by CUCBM, except for the Fengcheng Block in the proportion of 49% by the Group and 51% by CUCBM. Share in the production output shall be allocated (after deduction of value-added tax and royalty payable to the Chinese tax authority) firstly towards operating costs recovery in the proportion abovementioned (the "Sharing Proportion"), secondly towards exploration costs recovery solely by the Group and thereafter in the Sharing Proportion towards development costs recovery and profit. Refer below for revisions to the proportionate interests in the PSCs as a result of the Framework Agreement.

These five PSCs each have a term of thirty years, with production period not more than twenty consecutive years commencing on a date determined by the Joint Management Committee which was set up by the Group and CUCBM, pursuant to the PSCs, to oversee the operations in the contracted area. Currently all the six blocks covered by these five production sharing contracts are in the exploration stage.

Chengzhuang block ("GCZ")

In December 2013, the Group entered into a binding Memorandum of Understanding ("MOU") with PetroChina Company Ltd ("PetroChina"), confirming a 47% participating interest by GDG in the Chengzhuang block ("GCZ"), a block included within the Shizhuang South PSC. Under the terms of the MOU, the Group formally acknowledged PetroChina as operators of the GCZ block, are entitled to their share of historic and future revenues arising from the sale of gas and agreed to contribute towards the associated capital and operational costs relating to the GCZ block. Under the terms of the MOU the Group could settle its obligation to PetroChina arising in respect of the MOU in cash or through future production entitlement.

Subsequent to the MOU, in August 2014, the Group finalised and signed the Cooperation Agreement with PetroChina as required by the MOU. The Cooperation Agreement reaffirms the rights of the Group in the GCZ block and the PSC (47% interest) and notes that the term of the agreement runs from March 2010 to March 2033. The Cooperation Agreement also confirmed the Group's contribution to cumulative capital expenditure and its share of net revenue recognised by the Group in 2013. In addition, the Cooperation Agreement confirmed that the Group is liable for their share of the downstream infrastructure assets, which were not recognised in 2013 due to ongoing negotiations in respect of those assets. As a result, an additional $10.9m has been recognised within property, plant and equipment, which represents the Group's 47% share in the total downstream infrastructure assets. The Group elected to settle its obligation for all historic amounts due to PetroChina through its share of future production, which is sufficiently certain given the producing nature of the assets and the level of reserves.

The following table summarises the Group's share of the capital expenditure and net revenues arising from the GCZ block for the current and prior year. Depreciation figures have been excluded

	2014 US$'000	Cumulative expenditure to 2013 US$'000
Capital expenditure	13,300	25,504
Revenue	17,757	48,179
Total operational costs and expenses	(7,398)	(24,140)
Net Profit	10,359	24,039
Increase in net payable	2,942	1,465

The capital expenditure, revenue and costs represent cumulative amounts from 2009 to 2013. Given the affirmation of the status of the Group's PSCs in July 2013, all amounts relating to the GCZ block in respect of 2009 to 2013 were recognised in the 2013 financial statements and no prior year adjustment was considered appropriate. The additional $10.9m downstream assets have been recorded in 2014, with no prior year adjustment, given negotiations only concluded in 2014 to establish rights to these assets.

Total revenue and operational costs from the GCZ block for the year ended 2014 amounted to US$17.8m (2013: US$15.8m) and US$7.4m (2013: US$7.4m).

In addition, Greka Guizhou E&P Ltd, a subsidiary of the Company, has a PSC with PetroChina CBM to explore for and develop coal bed methane resources in the province of Guizhou, the PRC. It can earn a 60% interest in the property by funding up to US$8,000,000 for an exploration pilot programme. No funding has been provided in the year.

Framework Agreement with CUCBM

On 31 March 2014, the Group finalised its Framework Agreement with China United Coalbed Methane Gas ("CUCBM") further to the identification of drilling activities across several of the Group's blocks by third parties. Under the terms of the Framework agreement, the Group's percentage share in the relevant blocks were updated as follows:

- Shizhuang South PSC 60% (increasing to 70% upon discharging of the $13m detailed below)
- Shizhuang North PSC 50% (see below)
- Qinyuan PSC Area A 10%
- Qinyuan PSC Area B 60%
- Fengcheng PSC unchanged
- Panxie East PSC unchanged

The Framework Agreement reaffirmed the status of the PSC's. Under the PSC, the exploration costs were due to be incurred by the Group, with the Group carrying the exploration risk and the costs being recovered from future production. Notwithstanding the PSC, CUCBM undertook significant exploration work within the licence area and incurred gross expenditure of $611.3m of exploration costs in drilling wells and establishing certain infrastructure across the PSC blocks. The Group's share of the historic costs totalled $354m.

Under the PSCs, the Group had the legal right to enforce their PSC interest in the asset and benefit from the costs incurred by CUCBM. However, the Group agreed to reimburse CUCBM for the Group's share of the historic expenditure by allowing CUCBM to recover its costs from ring fenced cash flows associated with the relevant wells. A constructive obligation is considered to exist given the nature of the transaction and the negotiation between the parties. The amount to be reimbursed through future cash flows from the relevant wells is considered sufficiently certain given the extent of well development, the levels of in place infrastructure and reserves associated with the wells, although settlement remains dependent upon sufficient future production arising. Accordingly, the Group has recorded its share of the assets and a provision.

This transaction is considered to be a 2014 event as the Framework Agreement affirmed the Group's entitlement to the assets.

The relevant licence areas covered by the Framework Agreement are considered to be in the exploration stage and as such any revenue is treated as test production. The following table summarises the Group's cumulative share of the capital expenditure

	Cumulative to 31 December 2014
	US$'000
Capital expenditure (exploration and infrastructure)	354,027
Provision for amounts due to CUCBM	354,027

The cumulative expenditure by CUCBM across the PSCs, which the Group is reimbursing through future production, bears interest at 9%. No discounting of the provision applies given the interest bearing nature.

Under the original Shizhuang South PSC and as reaffirmed by the Framework Agreement US$13,000,000 (2013: US$13,000,000) represent amounts payable to CUCBM in respect of exploration costs incurred prior to the original PSC by CUCBM. This amount is to be settled out of the Group's share of future revenue of production from the Shizhuang South Block. The balance is unsecured, interest-free and is not expected to be repayable within the next twelve months. Discounting is considered immaterial. The Group's has the option to increase its interest in the PSC to 70% following settlement of the US$13,000,000, which is classified as a provision given the uncertain nature of its timing.

Shizhuang North PSC

Under the terms of the Framework Agreement, the Group agreed to reduce its interest in the GSN Block by 10% in return for CUCBM providing the Group with a carried interest for $100m of exploration and development cost expenditure. The Group has incurred $7.7m on the block held as exploration assets to date. No gain in respect of the committed future expenditure as compared to the 10% interest in the Group's existing assets has been recognised under the Group's accounting policy.

11 SUBSEQUENT EVENTS

There were no significant events that happened after 31 December 2014 up to the date of approval of the Group's full annual report for the year ended 31 December 2014.

12 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information for the years ended 31 December 2014 and 31 December 2013 set out in this announcement does not constitute the Group's statutory financial information but is extracted from the Company's audited financial statements for those years. The auditors have reported on the full accounts for both periods and their reports were unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports.

13 ANNUAL REPORT

The Company's Annual Report and copies of this announcement will be available in due course on the Company's website at www.greendragongas.com.

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