28 April 2017

Greka Drilling Limited
("Greka Drilling" or the "Company")

Annual results for the year ended December 2016

Greka Drilling Limited (AIM: GDL), the largest independent and specialised unconventional oil & gas driller in Asia, is pleased to announce annual results for the year ended 31 December 2016.

HIGHLIGHTS

OVERVIEW:

- There were three principal contracted counterparties: Green Dragon Gas Ltd and PetroChina Huabei in China, and Essar Oil Limited in India
- 33 wells drilled in 2016, of which 5 wells were drilled in China and 28 wells in India
- A total of 39,553 metres were drilled in 2016 (2015: 76,690 metres)

FINANCIAL:

- Annual revenue of US$7.2m (2015: US$29.9m)
- Loss before tax widened to US$9.6m (2015: loss US$7.5m) due to lack of workload
- Year-end cash and bank deposits of US$2.1m (2015: US$2.4m)

OPERATIONAL:

- The average drilling time for LiFaBriC lateral wells in China from spud to completion was 27.5 days in 2016 compared with 32.3 days in 2015
- The average drilling time for Directional wells in India from spud to completion was 12.9 days in 2016 compared with 16.1 days in 2015
- Greka Drilling has developed LiFaBriC completion with a 3½" steel liner, for Green Dragon Gas's LiFaBriC Optimization program

Randeep S. Grewal, Chairman & CEO of Greka Drilling, commented:

"As anticipated a very challenging 2016, where our levels of activity experienced a significant decline compared with previous years due to the continued problems of the oil & gas service industry. The resulting decline in revenue was mitigated by our aggressive cost reduction program. Survival of the fittest certainly applied within the industry.

Despite limited drilling opportunities during 2016 in both China and India, the Group was selected by leading CBM development operators in both countries. In China, PetroChina and Green Dragon Gas contracted our China team for horizontal and directional wells while in India, Essar re-contracted our India team for its vertical drilling campaign on a day-rate basis.

The winning of these contracts in both China and India in the face of aggressive competition underscores Greka Drilling's technical superiority and the recognition of the Company's excellence and experience in unconventional gas development. Having endured the toughest times the industry has experienced, we are excited about our prospects in 2017 and beyond. Greka Drilling continues to win contracts in both China and India from operators that are attempting to monetize the very favorable CBM specific policies implemented by both governments. In both cases, the governments are focused on domestic clean energy and CBM resources are ideally suited for such a solution."

For further information on Greka Drilling, please refer to the Company's website at www.grekadrilling.com or contact:

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CHAIRMAN'S STATEMENT

The past year was the most challenging year since the inception of the Company in 2007. In China our main client Green Dragon Gas reduced its work load significantly due to pending partner issues which were being resolved. Notwithstanding this shortcoming, Greka Drilling China won the bidding for a contract from PetroChina Huabei, while Greka Drilling India won a day rate contract with Essar, a first for the Company.

The industry downturn created fierce competition between the service companies, and tender wins in both China and India from state-owned industry giants PetroChina and ONGC alongside corporates Green Dragon and Essar, confirm Greka Drilling's leadership within the CBM sector. The contracts are affirmations of Greka Drilling's advanced rig technology and experienced crews. The Company launched a strategy in 2013 to diversify its geographic footprint as well as its client base. This strategy progressed well during 2016 as demonstrated by the meterage drilled in India for a third party client Essar. The diversification strategy demonstrated its merits and will continue to be followed.

During 2016, we made a concerted effort to reduce ongoing fixed costs. A restructuring exercise has led to a materially enhanced cost structure with principally variable costs. We were able to reduce our fixed cost and optimize our staff to keep only the highest skilled manpower through the Company. Similarly, our G&A had significant reduction compared with 2015, following the same concept. Notwithstanding the tough conditions and headcount reductions, our drilling performance, speed and quality were all enhanced with the survival. These organic enhancements have made Greka Drilling far more efficient which will improve the profitability of the recurring contract wins in both China and India.

In March and September 2016, we secured US$5million and US$3million loan financing for working capital purposes. These two timely loans provided flexibility and support during a difficult period.

The Chinese Government has had a long-standing policy to provide incentives for the development, under market principles, of the complex but abundant gas trapped within its coal seams. This policy has now been adopted in India where for the first time a natural resource – CBM - has been declared to be subject to market conditions rather than regulated by the government. This has prompted many domestic gas developers to focus on the CBM assets. This development is welcomed by us and has resulted in our Indian business development team being very busy with RFQ's. Greka Drilling intends to take full advantage of this macro trend during 2017.

In conclusion, we are happy to see 2016 close and excited about our prospects for 2017 and beyond. In 2017 to date, we have won a bidding competition for a drilling campaign with ONGC and are drilling for PetroChina under a contract awarded in late 2016 while in discussions with both Green Dragon and Essar for implementing their respective drilling campaigns. The number of active drilling campaigns and tender awards in both China and India demonstrate abundant opportunity for Greka Drilling.

Finally, I want to thank the hard-working personnel within the group who have sustained their commitment through a very difficult year and are now focused on the successes that lie ahead.

Randeep S. Grewal
Chairman
28 April 2017

Consolidated Statement of Comprehensive Income

	Note	Year Ended 31 December 2016	Year Ended 31 December 2015
		US$'000	US$'000
Revenue	3	7,154	29,916
Cost of sales		(8,168)	(23,951)
Gross profit		(1,014)	5,965
Administrative expenses		(6,166)	(9,256)
Loss from operations	4	(7,180)	(3,291)
Finance income	5	151	3
Finance costs	6	(2,529)	(4,241)
Loss before income tax		(9,558)	(7,529)
Income tax credit	9	1,814	228
Loss for the year		(7,744)	(7,301)
Other comprehensive expense, net of tax:			
Exchange differences on translation of foreign operations		(2,402)	(88)
Total comprehensive income for the year		(10,146)	(7,389)
(Loss)/Profit for the period attributable to:			
- Owners of the company		(7,838)	(7,246)
- Non-controlling interests		94	(55)
		(7,744)	(7,301)
Total comprehensive (expense)/ income attributable to:			
- Owners of the company		(10,212)	(7,476)
- Non-controlling interests		66	87
		(10,146)	(7,389)
Earnings per share			
- Basic and diluted (in US$)	8	(0.0194)	(0.0184)

Consolidated Statement of Financial Position

	Note	As at 31 December 2016 US$'000	As at 31 December 2015 US$'000
Assets			
Non-current assets			
Property, plant and equipment		79,601	84,962
Intangible assets		292	388
Deferred tax assets		377	-
		80,270	85,350
Current assets			
Inventories		5,981	7,138
Trade and other receivables	10	3,759	3,363
Cash and bank balances (including restricted cash)	11	2,135	2,421
		11,875	12,922
Total assets		**92,145**	**98,272**
Liabilities			
Current liabilities			
Trade and other payables	12	25,045	25,165
Loans and borrowings	13	3,604	5,852
Provisions		-	585
		28,649	**31,602**
Non-current liabilities			
Loans and borrowings	13	7,298	-
Deferred tax liabilities		-	1,184
Deferred financial liability		858	-
		8,156	**1,184**
Total Liabilities		**36,805**	**32,786**
Net assets		**55,340**	**65,486**
Capital and reserves			
Share capital		4	4
Share premium account		77,186	77,186
Invested capital		(1,533)	(1,533)
Reserve fund		917	917
Foreign exchange reserve		(1,519)	855
Retained (deficit)		(19,492)	(11,654)
Total equity attributable to owners of the Company		**55,563**	**65,775**
Non-controlling interests		(223)	(289)
Total equity		**55,340**	**65,486**

Consolidated Statement of Changes in Equity

	Share capital US$'000	Share premium US$'000	Invested capital US$'000	Reserve fund US$'000	Foreign exchange reserve US$'000	Retained (deficit)/ earnings US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2015	4	77,186	(1,533)	917	1,085	(4,408)	73,251	(376)	72,875
Profit for the year						(7,246)	(7,246)	(55)	(7,301)
Other comprehensive expense									
- 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**
Loss for the year						(7,838)	(7,838)	94	(7,744)
Other comprehensive income:									
- Exchange difference on translation of foreign operations	-	-	-	-	(2,374)	-	(2,374)	(28)	(2,402)
Total comprehensive (expense)/income for the year	-	-	-	-	(2,374)	(7,838)	(10,212)	66	(10,146)
At 31 December 2016	**4**	**77,186**	**(1,533)**	**917**	**(1,519)**	**(19,492)**	**55,563**	**(223)**	**55,340**

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 2016 US$'000	Year ended 31 December 2015 US$'000
Operating activities			
Loss before income tax		(9,558)	(7,529)
Adjustments for:			
Depreciation		2,336	5,647
Amortisation of other intangible assets		74	75
Loss on disposal of property, plant and equipment		-	356
Finance (loss)/gains		1,482	3,629
Finance income		(151)	(3)
Finance costs		1,047	612
Operating cash flows before changes in working capital		(4,770)	2,787
Decrease/(increase) in inventories		1,157	(777)
Decrease in trade and other receivables		396	2,292
Decrease in trade and other payables		(705)	(2,713)
Cash generated from operations		(3,922)	1,589
Income tax payment		253	(225)
Net cash from operating activities		**(3,669)**	**1,364**
Investing activities			
Payments for purchase of property, plant and equipment		(165)	(359)
Payments for intangible assets		-	-
Movement in restricted cash		2,068	3,849
Interest received		151	-
Net cash generated from investing activities		**2,054**	**3,490**
Financing activities			
Proceeds from promissory notes		8,000	-
Proceeds of short term loan		3,604	5,852
Repayment of short term loan		(5,852)	(11,242)
Finance costs paid		(738)	(565)
Net cash used in financing activities		**5,014**	**(5,955)**
Net (decrease)/increase in cash and cash equivalents		3,399	(1,101)
Cash and cash equivalents at beginning of the year		353	1,737
		3,752	636
Effect of foreign exchange rate changes		(1,617)	(283)
Cash and cash equivalents at end of year		**2,135**	**353**

Notes

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 BASIS OF PREPARATION

The financial information contained in this announcement does not constitute the Company's statutory accounts for 2015 or 2016. Statutory accounts for the year ended 31 December 2015 and for the year ended 31 December 2016 have been reported on by the independent Auditors. The Auditors' Reports for both years were unqualified and did not include references to any matters by way of emphasis.

The financial information contained in this announcement has been prepared in accordance with IFRS as adopted by the European Union. The principal accounting policies adopted in the preparation of the financial information contained in this announcement are set out in the Group's full annual report and accounts for the year ended 31 December 2016.

3 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.

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.

For the Year Ended 31 December 2016

	PRC	India	Intercompany	Consolidated
	US$'000	US$'000	US$'000	US$'000
Revenue	3,433	3,913	(192)	7,154
Cost of sales	(5,504)	(2,856)	192	(8,168)
Gross (loss)/profit	(2,071)	1,057	-	(1,014)

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

As at 31 December 2016

	PRC	India	Intercompany	Consolidated
	US$'000	US$'000	US$'000	US$'000
Segment assets	86,613	19,699	(14,167)	92,145
Segment liabilities	9,517	4,096	23,192	36,805
PPE	63,445	16,156	–	79,601

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

4 LOSS FROM OPERATIONS

Loss from operations is stated after charging:

	2016 **US$'000**	**2015** **US$'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	13	15
Cost of inventories recognised as expense	893	8,163
Staff costs (note 8)	5,294	9,622
Depreciation of property, plant and equipment	2,336	5,647
Operating lease expense (property)	900	627
Amortisation of intangible assets	74	75
Loss on disposal of property, plant and equipment	34	356

5 FINANCE INCOME

	2016 US$'000	2015 US$'000
Bank interest	151	3
	151	3

6 FINANCE COSTS

	2016 US$'000	2015 US$'000
Foreign exchange losses	(1,482)	(3,629)
Change in fair value of warrants	(248)	
Interest expense on loans	(799)	(612)
	(2,529)	(4,241)

7 STAFF COSTS

	2016 US$'000	2015 US$'000
Staff costs (including directors' remuneration comprise:		
Wages and salaries	4,088	7,877
Employer's national social security contributions	1,102	1,564
Other benefits	104	181
	5,294	9,622

8 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:

	2016 US$'000	2015 US$'000
Loss for the year	(7,744)	(7,301)
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$)	(0.0194)	(0.0184)
Diluted loss per share (US$)	(0.0194)	(0.0184)

There were 56,000,000 warrants outstanding at the end of the year that could potentially dilute basic earnings per share in the future. As the Group is in a loss making position, the potential ordinary shares are anti-dilutive and therefore a diluted loss per share has not been calculated.

9 TAXATION

	2016 US$'000	2015 US$'000
Current tax charge/(credit)	-	-
Deferred tax charge	1,815	228
Tax charge recognised in the income statement	1,815	228

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 for the year are as follows:

	2016 US$'000	2015 US$'000
Loss before income tax	(9,558)	(7,529)
Expected tax charge based on the standard rate of corporation tax in the PRC of 25% (2015: 25%)	(2,390)	(1,882)
Effect of:		
Income tax in overseas jurisdictions	2,228	1,707
Tax losses and other temporary differences not recognised	1,977	403
Under provision of prior year		
Income tax charge	1,815	228

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.

10. TRADE AND OTHER RECEIVABLES

	2016 US$'000	2015 US$'000
Trade receivables	1,415	1,190
Prepayments	902	1,103
Other receivables	1,442	1,070
	3,759	3,363

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.

	2016 US$'000	2015 US$'000
Less than 60 days past due	1,415	1,190

11. CASH AND BANK BALANCES

	2016 US$'000	2015 US$'000
Cash and cash equivalents	2,135	353
Restricted bank balance*	-	2,068
	2,135	2,421

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

12 TRADE AND OTHER PAYABLES

	2016 US$'000	2015 US$'000
Trade payables	8,557	12,939
Other current liabilities	3,561	2,426
Amounts due to related parties	12,927	9,800
	25,045	25,165

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.

13 LOANS AND BORROWINGS

	2016 US$'000	2015 US$'000
Bank loans – short term	3,604	5,852

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

Bank name	Balance as at 31 December 2016		Expiry Date	Balance as at 31 December 2015		Expiry Date
	Interest rate	US$		Interest rate	US$	
CITIC Bank	6.600%	1,729,854	11-May-2017	7.000%	2,771,960	29-Apr-2016
SPD Bank	6.960%	1,874,009	17-Jan-2017	7.280%	3,079,956	8-Jan-2016
Total		3,603,863			5,851,916	

The loan due to SPD Bank has been renewed post year end.

Loans and borrowings — long term

	2016	2015
	US$'000	US$'000
Promissory Note	7,298	-
Deferred financial liability	858	-
	8,156	-

Greka Drilling Limited secured US$5 million and US$3 million in loan financing from Guaranty Finance Investors LLC ("GFI") in March and September 2016, for working capital purposes. The interest on the two loans is 7% per annum and they have a two year maturity.

As part of the financing, the Company has issued GDI with warrants to subscribe for 56,000,000 new ordinary shares in the Company at an exercise price of 5p per share.