27 September 2016

GREKA DRILLING LIMITED
("Greka Drilling" or the "Company")

Interim Results 2016

Greka Drilling Limited (AIM: GDL), the largest independent and specialised unconventional gas driller in China, is pleased to announce its results for the six months ended 30 June 2016.

FINANCIAL HIGHLIGHTS

- Revenue of US$2.6 million (H1 2015: US$11.9 million)
- US$8.1 million of cash as at 30 June 2016 including restricted cash (US$2.4 million as at 31 December 2015)
- US$3.8 million bank loans as at 30 June 2016 (US$5.9 million as at 31 December 2015)
- Loss of US$5.5 million (H1 2015: loss of US$4.8 million)
- Secured US$5 million in loan financing from Guaranty Finance Investors LLC

OPERATIONAL HIGHLIGHTS

- In line with our guidance in February this year, activity levels have been very limited in the first half of 2016. GDL has drilled 10 wells (3 in China and 7 wells in India) in the first 6 months compared to 28 wells in the same period last year
- Of the wells drilled there was:
- 1 Vertical well in China with a total depth ("TD") of 789 metres and completed in 13 days (spud to completion)
- 7 Directional wells in India which averaged 12 days, a 42% improvement on the average of 20 days in the same period in 2015. The fastest Directional well was drilled to TD 1,036 metres in 9.3 days
- 2 Horizontal wells in China with the fastest being drilled to TD of 1,658 metres in 28 days (spud to completion)
- In total there were 12,458.31 metres drilled (4,128.31 metres in China and 8,330 metres in India) compared to 26,367 metres in H1 2015
- The 8,330 metres drilled in India compares with a total of 9,920 metres in India for the FY 2015

H2 2016 OPERATIONS OUTLOOK

India:

- Essar Oil Limited:
- Expected to drill 30 wells with 2 rigs deployed under the current contract
- Potential for deployment of a third rig under the current contract

- In advanced talks with new potential clients for deployment of three rigs in 2017

China:

- Green Dragon Gas has begun mobilising for a programme of up to 8 wells
- Bids to conclude multi-well programme prior to year-end

Randeep S. Grewal, Chairman and Chief Executive of Greka Drilling, commented:

"We have previously advised that we expected this year to be very challenging while the oil and gas operators realign their portfolios to the new oil price environment. Unconventional drilling, the Company's niche, has been largely suspended by most of the operators. During this period, we continued to take steps to reduce costs, improve our drilling efficiency and diversify our services and customer base. Indeed, this year we expect to have an equal client base between China and India.

In India, we won a new contract from Essar Oil to drill vertical and directional wells on a day-rate basis. We have completed 7 directional wells under this contract and hope to complete 30 wells with 2 rigs in the second half. Additionally, we are in advanced talks with other oil and gas operators to mobilise other rigs in the central part of India."

In China, it is anticipated that a number of larger E&P companies, including Green Dragon Gas, will start their drilling programme for 2016 in the fourth quarter so as to conclude their objectives prior to year-end. GDL is well positioned and is in discussions in relation to carrying out this work. We remain confident about the market and the Company's longer term prospects in China."

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

Sarah Lowther *Media Relations* **Greka Drilling**	**+44 (0) 20 7016 9829**
Azhic Basirov / David Jones / Ben Jeynes *Nominated Adviser and Broker* **Smith & Williamson**	**+44 (0) 20 7131 4000**

CHAIRMAN'S STATEMENT

Globally, the energy sector is still in its volatile state, but much to the contrary, here in China, the situation is changing drastically. Though there was little investment into CBM exploratory activities by the majors including CNOOC (CUCBM), CNPC and PetroChina in H1 of 2016, the Chinese government is reacting and using this opportunity to abandon coal-fired iron and steel plants and switch many factories to clean energy "gas" power. This gasification plan is to fundamentally reduce the "smoggy" air which has become an increasing concern.

CBM, as an important part of this clean energy family of fuel, is expected to play a key role in this process. To rectify the situation and rekindle the previous strong momentum and enthusiasm to develop CBM, the Chinese government has recently raised the subsidy on CBM development from RMB0.2 to RMB0.3 per CBM cubic metre extracted. Furthermore, CBM development is high on the agenda of China's Thirteenth Five-year Plan; three provinces have been named as hot spot targets for CBM development which means more preferential policies will be in place, including central government granted low-interest loans. These three provinces are Guizhou, Inner Mongolia and Xinjiang. These initiatives are expected to attract CBM development companies and investors, and should trigger another wave of CBM development. Greka Drilling is well positioned in China to benefit from this opportunity.

In the first half of this year we focused on sustaining our capabilities and business development. The organisation focused on training, equipment maintenance, completing the 'end-of-well' reports for all our historical drilled wells and optimised the field crews to support a five rig operation.

In China, business development was focused on expanding the offered services to coal mines, power generation plants and coal gasification projects to promote our technologies and capacities for drilling. The continuation of favourable polices being released by the government has drawn a wider range of interested parties into CBM development. Most of these new entrants do not have CBM development experience and are eager to have Greka Drilling as their technical partner. Although this will take time, we expect a number of these discussions to convert into contracts. Concurrently, in China, we look forward to Green Dragon Gas's multi-well programme in Shanxi province which we expect will include a combination of new and re-drilled LiFaBriC wells.

In India, we have two rigs working under contract for Essar on a day-rate basis, and 16 vertical wells have been drilled so far. While the existing programme may extend into a third rig, we expect to conclude an additional thirty wells in the current contract. Additionally, ONGC has committed itself to develop CBM and has released a tender for the development of a block. Greka Drilling is ideally suited to provide such services and we will be delivering our offer next month.

We are pleased to have secured working capital lines during these challenging times from Guaranty Finance Investors. While we are quite confident of the significant potential for Greka Drilling in China and India, these facilities have been supportive during this year.

Randeep S. Grewal
Chairman
27 September, 2016

Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June 2016 US$'000 Unaudited	Six months ended 30 June 2015 US$'000 Unaudited	Year ended 31 December 2015 US$'000 Audited
Revenue	3	2,610	11,892	29,916
Cost of sales		(3,921)	(12,428)	(23,951)
Gross (loss)/profit		**(1,311)**	**(536)**	**5,965**
Administrative expenses		(3,898)	(3,914)	(9,256)
Total administrative expenses		(3,898)	(3,914)	(9,256)
Loss from operations		**(5,209)**	**(4,450)**	**(3,291)**
Finance income	4	84	1	3
Finance costs	5	(1,756)	(480)	(4,241)
Loss before income tax		**(6,881)**	**(4,929)**	**(7,529)**
Income tax charge	6	1,353	122	228
Loss for the period		(5,528)	(4,807)	(7,301)
Other comprehensive income/(expense): Items that may be reclassified to profit or loss:				
Exchange differences on translation of foreign operations		7	228	(88)
Total comprehensive expense for the period		(5,521)	**(4,579)**	**(7,389)**
(Loss)/profit for the period attributable to:				
- Owners of the company		(5,615)	(4,791)	(7,246)
- Non-controlling interests		87	(16)	(55)
		(5,528)	**(4,807)**	**(7,301)**
Total comprehensive (expense)/income attributable to:				
- Owners of the company		(5,549)	(4,622)	(7,476)
- Non-controlling interests		28	43	87
		(5,521)	**(4,579)**	**(7,389)**
Earnings per share				
- Basic and diluted (in US dollar)	7	**(0.0141)**	**(0.0121)**	**(0.0184)**

Consolidated Statement of Financial Position

	Note	As at 30 June 2016 US$'000 Unaudited	As at 31 December 2015 US$'000 Audited
Assets			
Non-current assets			
Property, plant and equipment	8	82,389	84,962
Intangible assets		343	388
Deferred tax assets	9	84	-
		82,816	**85,350**
Current assets			
Inventories	10	6,304	7,138
Trade and other receivables	11	3,555	3,363
Cash and bank balances	12	8,082	2,421
		17,941	**12,922**
Total assets		**100,757**	**98,272**
Liabilities			
Current liabilities			
Trade and other payables	13	32,051	25,165
Loans and borrowings	14	3,770	5,852
Provisions		-	585
		35,821	**31,602**
Non current liabilities			
Loans and borrowings	14	4,406	-
Financial liability	15	565	-
Deferred tax liabilities	9	-	1,184
		4,971	**1,184**
Total net assets		**59,965**	**65,486**
Capital and reserves			
Share capital		4	4
Share premium		77,186	77,186
Invested capital		(1,533)	(1,533)
Reserve fund		917	917
Foreign exchange reserve		921	855
Retained deficit		(17,269)	(11,654)
Total equity attributable to owners of the Company		60,226	65,775
Non-controlling interests		(261)	(289)
Total Equity		**59,965**	**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$'000	Retained deficit US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
At 01 January 2015 - audited	**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)
At 30 June 2015 - unaudited	**4**	**77,186**	**(1,533)**	**917**	**1,255**	**(9,200)**	**68,629**	**(333)**	**68,296**
At 01 January 2016 - audited	**4**	**77,186**	**(1,533)**	**917**	**855**	**(11,654)**	**65,775**	**(289)**	**65,486**
(Loss)/profit for the period	-	-	-	-	-	(5,615)	(5,615)	87	(5,528)
Other comprehensive income/(expense):									
- Exchange difference on translation of foreign operations	-	-	-	-	66	-	66	(59)	7
Total comprehensive income/(expense) for the period	-	-	-	-	66	(5,615)	(5,549)	28	(5,521)
At 30 June 2016 – unaudited	**4**	**77,186**	**(1,533)**	**917**	**921**	**(17,269)**	**60,226**	**(261)**	**59,965**

Consolidated Statement of Cash Flow

	6 months ended 30 June 2016 US$'000 Unaudited	6 months ended 30 June 2015 US$'000 Unaudited	Year ended 31 December 2015 US$'000 Audited
Operating activities:			
(Loss)/profit before income tax	**(6,881)**	**(4,929)**	**(7,529)**
Income(loss) for last year			
Adjustments for:			
Depreciation	1,619	2,037	5,647
Amortisation of other intangible assets	38	40	75
Loss on disposal of property, plant and equipment	-	-	356
Finance (loss)/gains	1,329	156	3,629
Finance income	(84)	(1)	(3)
Finance costs	427	324	612
Operating cash flows before changes in working capital	**(3,552)**	**(2,373)**	**2,787**
Decrease/(increase) in inventories	835	(889)	(777)
(Increase)/decrease in trade and other receivables	(192)	2,323	2,292
Increase/(decrease) in trade and other payables	6,301	5,154	(2,713)
Cash generated from/(utilised by) operations	**3,392**	**4,215**	**1,589**
Income tax payment	(43)	(172)	(225)
Net cash from operating activities	**3,349**	**4,043**	**1,364**
Investing activities:			
Payments for purchase of property, plant and equipment	98	(44)	(359)
Transfers (to)/from restricted cash	(4,395)	1,526	3,849
Interest received	1	1	-
Net cash (used in)/from investing activities	**(4,296)**	**1,483**	**3,490**
Financing activities			
Proceeds from promissory note	5,000	-	-
Proceeds of short term loans	3,770	6,216	5,852
Repayment of short term loans	(5,852)	(11,930)	(11,242)
Finance costs paid	(268)	(551)	(565)
Net cash from/(used in) financing activities	**2,650**	**(6,265)**	**(5,955)**
Net/increase/(decrease) in cash and cash equivalents	**1,703**	**(739)**	**(1,101)**
Cash and cash equivalents at the beginning of the year	**353**	**1,737**	**1,737**
	2,056	998	636
Effect of foreign exchange rate changes	(437)	261	(283)
Cash and cash equivalents at end of year	**1,619**	**1,259**	**353**

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 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union except for IAS 34.

The interim financial statements have been prepared in accordance with the accounting policies that are consistent with the December 2015 financial statements and the same policies are expected to apply for the year ended 31 December 2016. The financial information for the six months to 30 June 2016 does not constitute audited accounts of the Company or the Group. The comparative financial information for the year ended 31 December 2015 in this interim report does not constitute statutory accounts for that year. The auditors' report on those accounts was unqualified and did not draw attention to any matters by way of emphasis.

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 IFRS as adopted by the European Union. The consolidated financial information have been prepared using the accounting policies which will be applied in the Group's financial statements for the year ended 31 December 2016.

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 2015 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.

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.

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 2016 US$'000 Unaudited	Six months ended 30 June 2015 US$'000 Unaudited	Year ended 31 December 2015 US$'000 Audited
China	1,959	8,785	25,686
India	651	3,107	4,230
	2,610	11,892	29,916

	As at 30 June 2016 US$'000 Unaudited	As at 31 December 2015 US$'000 Audited
Segmental assets		
China	80,642	94,180
India	18,505	19,504
Intercompany	1,610	(15,412)
	100,757	98,272

	As at 30 June 2016 US$'000 Unaudited	As at 31 December 2015 US$'000 Audited
Segmental liabilities		
China	15,874	11,492
India	3,817	3,973
Intercompany	21,101	17,321
	40,792	32,786

4. FINANCE INCOME

	Six months ended 30 June 2016 US$'000 Unaudited	Six months ended 30 June 2015 US$'000 Unaudited	Year ended 31 December 2015 US$'000 Audited
Change in FV of derivative	83	-	-
Bank interest	1	1	3
	84	1	3

5. FINANCE COSTS

	Six months ended 30 June 2016 US$'000 Unaudited	Six months ended 30 June 2015 US$'000 Unaudited	Year ended 31 December 2015 US$'000 Audited
Interest expense on short term loans	373	324	612
Foreign exchange loss	1,329	156	3,629
Amortisation of warrant costs	54	-	-
	1,756	480	4,241

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 period. Taxation for operations in India is taxed at 4.326% of gross revenue.

7. EARNINGS PER SHARE

	Six months ended 30 June 2016 US$'000 Unaudited	Six months ended 30 June 2015 US$'000 Unaudited	Year ended 31 December 2015 US$'000 Audited
Earnings for the purpose of basic and diluted loss per share	(5,615)	(4,791)	(7,301)
Weighted average number of ordinary shares	398,245,758	398,245,758	398,245,758

Warrants were outstanding at the end of the period that could potentially dilute basic earnings per share in the future. However, due to losses incurred during the current period, the impact of these share incentives would not be dilutive.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred US$98,779 on additions to plant and equipment (31 December 2015 — US$802,000).

9. DEFERRED TAXATION

	As at 30 June 2016 US$'000 Unaudited	Year ended 31 December 2015 US$'000 Audited
Deferred tax liabilities		
Opening balance	1,184	1,369
Temporary difference charge	(1,986)	1,256
Tax losses recognised	718)	(1,441)
At the end of the period		
	(84)	1,184

The Group has not offset deferred tax assets and liabilities across different jurisdictions. Cayman Island losses of US$962,000 (2015: US$2,618,000) do not expire under current tax legislation. PRC tax losses of US$2,068,603 (2015: US$1,467,750) expire after 5 years.

10. INVENTORIES

	As at 30 June 2016 US$'000 Unaudited	Year ended 31 December 2015 US$'000 Audited
Raw materials and consumables	6,304	7,138

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 US$'000 Unaudited	Year ended 31 December 2015 US$'000 Audited
Account receivable	810	1,190
Prepayments	1,122	1,103
Other receivables	1,623	1,070
	3,555	3,363

12. CASH AND CASH EQUIVALENTS

	As at 30 June 2016 US$'000 Unaudited	Year ended 31 December 2015 US$'000 Audited
Cash and Cash Equivalents(Un-restricted)	1,619	353
Cash and Cash Equivalents(restricted)	6,463	2,068
	8,082	2,421

The restricted bank balance represents deposits placed in financial institutions to secure bills payable of an equivalent amount related to trade payables of US$129,690 and bank loans of US$6,333,695.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2016 US$'000 Unaudited	Year ended 31 December 2015 US$'000 Audited
Trade payables and others	12,026	13,297
Notes payable	6,463	2,068
Amount due to related parties	13,562	9,800
	32,051	25,165

14. LOANS AND BORROWINGS

Bank name	Period	Balance as at Dec 31,2015	Interest rate	Repayment		New loan		Balance as at June 30,2016
		US$'000		Date	Amount US$'000	Date	Amount US$'000	US$'000
CITIC Bank	One year	2,772	7.00%	14/4/2016	(2,772)	11/5/2016	1,810	1,810
SPD Bank	One year	3,080	7.28%	6/1/2016	(3,080)	19/1/2016	1,960	1,960
Total for Short term loan		**5,852**			**(5,852)**		**3,770**	**3,770**
Guaranty Finance Investors, LLC	Three year		7.00%			31/3/2016	4,406	4,406
Total for Long term loan							**4,406**	**4,406**

15. FINANCIAL LIABILITY

During the period, a warrant to subscribe for 35 million ordinary shares was issued as part of the US$5m promissory note agreement with Guaranty Finance Investors LLC. As the warrants are exchangeable into variable number of shares, their fair values on the grant date and reporting date were determined using the Black Scholes model. The fair value of the warrants on the date of grant and at period end was US$648,000 and US$565,000 respectively, with the change in fair value of US$83,000 being recognised in the income statement. On initial recognition the warrant's cost was deducted from the loan balance of US$5m as it represents the loan arrangement costs and is subsequently amortised over the term of the loan.

16. RELATED PARTY TRANSACTIONS

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 S Grewal.

As at 30 June 2016, the Group had the following balances due to/from companies under common control of Mr Randeep S Grewal

- Net payable to Green Dragon Gas Ltd of US$13.4m (2015: net payable: US$9.6m)
- Net payable to Greka Engineering and Technology Ltd of US$184,340 (2015: US$180,240)

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 period are comprised of:

- Drilling services provided to Green Dragon Gas Ltd of US$1,541,000 (2015: US$8,091,000)
- Leasing income from Green Dragon Gas Ltd of US$327,000 (2015: US$336,000), Greka Engineering and Technology group of US$25,000 (2015: US$27,000), and from Henan Greka Weino Alcohol Trading Limited of US$2,000 (2015: US$1,000). The lease term was 1 year from 1 January 2016 to 31 December 2016 and 1 January 2015 to 31 December 2015 respectively.

17. SUBSEQUENT EVENT

On 21 September 2016, the "Company" announced that it had secured US$3 million in loan financing from Guaranty Finance Investors LLC ("GFI"), the proceeds of which it expects to use for working capital purposes. The first US$1.5 million tranche of the loan has been received, and the second tranche of the same amount will be paid to the Company by 28 October 2016. The loan, on which interest is payable at the rate of 7% per annum, is repayable on 30 September 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 agreed to issue GFI with warrants to subscribe for 21,000,000 new ordinary shares in the Company (10,500,000 on the receipt of each tranche of the loan) at an exercise price of 5p per share, representing a premium of 67% to the Company's closing share price on 20 September 2016. The warrants are exercisable at any time between 30 September 2017 and 30 September 2019. At any time after 30 September 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.