

11 June 2014

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

**Final Results**

Greka Drilling Limited (AIM: GDL), the largest independent and specialized unconventional oil & gas driller in Asia, is pleased to announce its audited financial results for the year ended 31 December 2013.

**HIGHLIGHTS**

**OPERATIONAL HIGHLIGHTS:**

- 7 contracted counterparties: Green Dragon Gas, CNPC Huabei, CNPC Jincheng, Petroking, Sinopec(Bofa), ESSAR and Guangdong Bureau of Coal Geology
- Expansion into Indian market with 100 wells contracted by Essar Oil Ltd.
- 50 wells drilled in 2013 compared with 90 wells drilled in 2012
- Fastest vertical well was drilled in 9 days to a depth of 795m. Vertical wells drilled in 2013, on average, had a TD of 840m and needed 22 days from spud to completion, compared with 37 days in 2012
- Fastest directional well was drilled in 7 days to a depth of 752m. Directional wells drilled in 2013, on average, had a TD of 1,077m and completion in 9 days from spud. No directional wells were drilled in 2012
- Fastest LiFaBriC well was drilled in 36 days to 1883m MD (TVD 862m). Average 88 days to complete LifaBriC wells for 2012

**FINANCIAL HIGHLIGHTS:**

- Total Assets increased by US\$16.5m to US\$130.6m an increase of 14.5% year on year
- EPS of US\$0.0008, compared with US\$0.005 in same period last year
- Cash and bank deposits of US\$16.1m
- Gross margin 28%, compared with 20% in same period last year

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

*"Whilst our results were clearly impacted by a major client curtailing its drilling programme in 2013, we are pleased that the Company has maintained its core strategy of diversifying its client base, geographical operational footprint and service strata and the strength of this business model has ensured Greka Drilling enhanced its operating profitability over the last reporting year."*

*"Looking forward, the business sees continued growth within operations in both China and India and demand through further contracts. With an excellent backlog of drilling contracts and mobilisation orders from clients moving these contracts into revenue, we are confident of the outlook for 2014. With our strategy of diversifying our customer base further, Greka Drilling is well positioned for future growth."*

**For further information on Greka Drilling, please refer to the website at [www.grekadrilling.com](http://www.grekadrilling.com) or contact:**

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## **CHAIRMAN'S STATEMENT**

This is the third anniversary of the Company becoming an independent operating entity and I am pleased to highlight, in line with the Company's strategy, the Company continues to grow on a diversified client base and service strata.

During this year, our main client, Green Dragon Gas elected to substantially reduce its drilling plan for the year, which linearly reduced our revenues. Concurrent to this workload reduction, the Company successfully diversified its client base and secured contracts with other clients so as to expand its core client base and avoid such material changes in annual revenues by a single client.

In China, contracts were successfully executed on projects for all the large on-shore national energy companies, including CNPC, PetroChina and Sinopec as well as Guangdong Bureau of Coal Geology. This client diversification further diversified our services substantially. We have now demonstrated successful drilling capability on vertical, directional, horizontal and LiFaBriC wells within traditional oil & gas strata and shale in addition to Coal Bed Methane. This successful diversification provides long term stability and greater growth potential.

Most importantly, this diversification has been achieved with commendable performance letters being received from clients proving a well managed and executed service. Additionally, this successful performance is coupled with drilling efficiencies. The fastest vertical well was drilled in 9 days, directional well in 7 days and LiFaBriC well in 36 days. These records have been further improved since year end.

In addition to the client diversification within China, the Company succeeded in expanding its business to India and signed a 100 well contract with ESSAR Oil Ltd. This contract has been recently mobilized. As a result five of our GD75 Rigs and all related ancillary equipment are ready for transfer to India for this program. We look forward to expanding our agreement with Essar and other clients in India in due course.

The Company's flexible cost structure is demonstrated by this year's results. Notwithstanding the material reduction in our clients mobilization orders, the Company executed the actual workload with a gross margin of 28%, by successfully reducing its operating and carrying costs. This high level of flexibility is another material asset for the Company and is achievable as a result of the asset ownership complemented with the flexible employee compensation structure. As a result, the Company has a low fixed carrying cost and maintains a predominately variable cost structure burdened only by the mobilized workload.

We concluded the year with a backlog of US\$97m in contracted work load. This inventoried revenue will be realized in the future when our clients provide the mobilization orders giving us the instructions and confirmation of their readiness to proceed with the contracted drilling program. Our business development teams continue to negotiate additional contracts so as to add to this backlog.

Whilst our expansion plans during 2013/2014 focused on China and India, we continue to respond to service demands from potential clients across Asia and Europe. The Company will continue to monitor and evaluate these demands and expects to see further operational expansion geographically in 2015. The Company intends to focus and capitalize on its unique competency and successful track record within the unconventional E&P sector. The Company expects to establish its corporate headquarters in Singapore so as to optimally manage the group's expanding business.

Finally, I would like to thank the management team and employees for their agility and flexibility in successfully dealing with the challenges while maintaining the vision, performance and objectives of Greka Drilling this year. We look forward to monetising this core strength as we continue our diversified expansion in China and onto India.

Randeep S. Grewal  
Chairman

### Consolidated Statement of Comprehensive Income

		Year Ended 31 December 2013	Year Ended 31 December 2012
	Note	US\$'000	US\$'000
Revenue	3	30,528	60,918
Cost of sales		(21,863)	(48,459)
<b>Gross profit</b>		<b>8,665</b>	<b>12,459</b>
Administrative expenses		(8,966)	(8,047)
<b>(Loss)/Profit from operations</b>	4	<b>(301)</b>	<b>4,412</b>
Finance income	5	2,992	367
Finance costs	6	(1,605)	(1,322)
<b>Profit before income tax</b>		<b>1,086</b>	<b>3,457</b>
Income tax charge	9	(778)	(1,625)
<b>Profit for the year</b>		<b>308</b>	<b>1,832</b>
Other comprehensive expense, net of tax:			
Exchange differences on translation of foreign operations		(949)	(8)
<b>Total comprehensive income for the year</b>		<b>(641)</b>	<b>1,824</b>
Profit for the period attributable to:			
- Owners of the company		175	1,831
- Non-controlling interests		133	1
		<b>308</b>	<b>1,832</b>
Total comprehensive (expense)/ income attributable to:			
- Owners of the company		(574)	1,824
- Non-controlling interests		(67)	-

		(641)	1,824
<b>Earnings per share</b>			
- Basic and diluted (in US dollar)	8	0.0008	0.0046

### Consolidated Statement of Financial Position

		As at 31 December 2013 US\$'000	Restated As at 31 December 2012 US\$'000	Restated As at 1 Jan 2012 US\$'000
	Note			
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		96,651	98,955	47,819
Intangible assets		564	581	524
		97,215	99,536	48,343
<b>Current assets</b>				
Inventories		7,770	6,369	4,555
Trade and other receivables	10	9,514	5,016	28,930
Cash and bank balances (including restricted cash)	11	16,077	3,139	6,559
		33,361	14,524	40,044
<b>Total assets</b>		<b>130,576</b>	<b>114,060</b>	<b>88,387</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	12	25,009	22,491	8,994
Loans and borrowings	13	26,160	11,932	1,984
Current tax liabilities		-	234	283
		51,169	34,657	11,261
<b>Non current liabilities</b>				
Deferred tax liabilities		1,098	453	-
		1,098	453	-
<b>Total Liabilities</b>		<b>52,267</b>	<b>35,110</b>	<b>11,261</b>
<b>Net assets</b>		<b>78,309</b>	<b>78,950</b>	<b>77,126</b>
<b>Capital and reserves</b>				
Share capital		4	4	4
Share premium account		77,186	77,186	77,186
Invested capital		(1,533)	(1,533)	(1,533)
Reserve fund		917	917	595
Foreign exchange reserve		843	1,592	1,599
Retained earnings/(deficit)		1,348	1,173	(336)
<b>Total equity attributable to owners of the Company</b>		<b>78,765</b>	<b>79,339</b>	<b>77,515</b>
Non-controlling interests		(456)	(389)	(389)
<b>Total equity</b>		<b>78,309</b>	<b>78,950</b>	<b>77,126</b>

## Consolidated Statement of Changes in Equity

	Share capital US\$'000	Share premium US\$'000	Invested capital US\$'000	Reserve fund US\$'000	Foreign exchange reserve US\$'000	Retained (deficit)/earnings US\$'000	Equity attributable to owners of the Company US\$'000	Non-controlling interests US\$'000	Total US\$'000
At 1 January 2012	4	77,186	(1,533)	595	1,599	(336)	77,515	(389)	77,126
Profit for the year	-	-	-	-	-	1,831	1,831	1	1,832
Other comprehensive expense	-	-	-	-	-	-	-	-	-
- Exchange difference on translation of foreign operations	-	-	-	-	(7)	-	(7)	(1)	(8)
Total comprehensive (expense)/income for the year	-	-	-	-	(7)	1,831	1,824	-	1,824
Transfer of reserve fund	-	-	-	322	-	(322)	-	-	-
At 31 December 2012	4	77,186	(1,533)	917	1,592	1,173	79,339	(389)	78,950
Profit for the year	-	-	-	-	-	175	175	133	308
Other comprehensive expense:	-	-	-	-	-	-	-	-	-
- Exchange difference on translation of foreign operations	-	-	-	-	(749)	-	(749)	(200)	(949)
Total comprehensive (expense)/income for the year	-	-	-	-	(749)	175	(574)	(67)	(641)
At 31 December 2013	4	77,186	(1,533)	917	843	1,348	78,765	(456)	78,309

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 recognized in profit or loss.

## Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2013 US\$'000	Restated Year ended 31 December 2012 US\$'000
<b>Operating activities</b>			
Profit before income tax		1,086	3,457
Adjustments for:			
Depreciation		5,643	9,204
Amortization of other intangible assets		76	68
Loss on disposal of property, plant and equipment		25	435
Finance gains		(2,953)	
Finance income		(39)	(53)

Finance costs	1,605	1,322
Operating cash flows before changes in working capital	5,443	14,433
Increase in inventories	(1,401)	(1,814)
Increase in trade and other receivables	(4,497)	(1,776)
Increase in trade and other payables	2,518	13,497
Cash generated from/(used in) operations	2,063	24,340
Income tax payment	(392)	(1,229)
<b>Net cash from/(used in) operating activities</b>	<b>1,671</b>	<b>23,111</b>
<b>Investing activities</b>		
Payments for purchase of property, plant and equipment	(751)	(34,595)
Acquisition of subsidiaries		
Payments for intangible assets	(41)	(123)
Proceeds from disposal of property, plant and equipment	16	-
Interest received	39	53
<b>Net cash used in investing activities</b>	<b>(737)</b>	<b>(34,665)</b>
<b>Financing activities</b>		
Transfer to restricted cash	(11,106)	(977)
Proceeds of short term loan	26,160	18,296
Repayment of short term loan	(12,301)	(8,353)
Finance costs paid	(1,605)	(1,478)
<b>Net cash from financing activities</b>	<b>1,148</b>	<b>7,488</b>
Net (decrease)/increase in cash and cash equivalents	2,082	(4,066)
Cash and cash equivalents at beginning of the year	2,162	6,559
Effect of foreign exchange rate changes	4,244	2,493
	(250)	(331)
<b>Cash and cash equivalents at end of year</b>	<b>3,994</b>	<b>2,162</b>

## Abridged notes to the financial information for the year ended 31 December 2013

### 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. 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.

### 2 PRINCIPAL ACCOUNTING POLICIES

#### Basis of preparation

The financial statements have been prepared in accordance with IFRSs as adopted by the European Union, that are effective for accounting periods beginning on or after 1 January 2013. 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 2013.

### 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 a single reportable segment: the provision of contract drilling services in the People's Republic of China (the "PRC"). The consolidation of our contract drilling operations into one reportable segment is attributable to how the CODMs manage the business.

We evaluate the performance of our single operating segment based on revenues from external customers and the associated profit.

Drilling services revenue and management services revenue represent the net invoiced value of contract drilling services and management services provided substantially to one customer in the PRC (who is a related party) and the rest to other customers from each of whom less than 10% of total revenue is derived in 2012 and 2013. The amounts of each significant category of revenue recognised during the year are as follows:

	2013 US\$'000	2012 US\$'000
Drilling services	29,918	60,325
Management services	610	593
	<u>30,528</u>	<u>60,918</u>

All the non-current assets and operations of the Group are located in the PRC.

### 4 PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	2013 US\$'000	2012 US\$'000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the annual financial statements	124	119
Fees payable to the Company's auditors for the review of the interim results	41	10
	-	-
Cost of inventories recognized as expense	6,938	24,070
Staff costs (note 7)	9,927	13,604
Depreciation of property, plant and equipment	5,643	9,204
Operating lease expense (property)	374	201
Amortization of intangible assets	76	68
Loss on disposal of property, plant and equipment	25	-
Government grant*	-	(135)
	<u></u>	<u></u>

\*This mainly represents an amount received from the Henan Government by a subsidiary. The amount was a one-off receipt and recognized fully to profit and loss since the attaching conditions were fulfilled in 2012.

## 5 FINANCE INCOME

	2013 US\$'000	2012 US\$'000
Foreign exchange gains	2,953	314
Bank interest	39	53
	<u>2,992</u>	<u>367</u>

## 6 FINANCE COSTS

	2013 US\$'000	2012 US\$'000
Interest expense on short term loans	1,605	631
Interest expense on loans from a related company	-	847
Less: Interest expenses capitalized*	-	(156)
	<u>1,605</u>	<u>1,322</u>
 *Interest expenses was capitalized in construction in progress at the following rates per annum	 <u>N/A</u>	 <u>7.22%</u>

## 7 STAFF COSTS

	2013 US\$'000	2012 US\$'000
Staff costs (including directors' remuneration) comprise:		
Wages and salaries	7,435	10,969
Employer's national social security contributions	2,148	2,301
Other benefits	344	334
	<u>9,927</u>	<u>13,604</u>

## 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:

	2013 US\$'000	2012 US\$'000
Profit for the year	308	1,832
Number of shares	398,245,758	398,245,758
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousands)	<u>398,246</u>	<u>398,246</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share (thousands)	<u>398,246</u>	<u>398,246</u>



Basic earnings per share (US\$)	<u>0.0008</u>	<u>0.0046</u>
Diluted earnings per share (US\$)	<u>0.0008</u>	<u>0.0046</u>

There were no potentially dilutive instruments are issued in 2013 and 2012. No potentially dilutive instruments have been issued between 31 December 2013 and the date of the approval of these financial statements.

## 9 TAXATION

	<b>2013</b> <b>US\$'000</b>	<b>2012</b> <b>US\$'000</b>
Current tax (credit)/charge	(69)	1,172
Deferred tax charge	<u>847</u>	<u>453</u>
Tax charge recognized in the income statement	<u>778</u>	<u>1,625</u>

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 profit for the year are as follows:

	<b>2013</b> <b>US\$'000</b>	<b>2012</b> <b>US\$'000</b>
Profit before income tax	<u>1,086</u>	<u>3,457</u>
Expected tax charge based on the standard rate of corporation tax in the PRC of 25% (2012: 25%)	271	864
Effect of:		
Tax losses not recognized	429	682
Under provision of prior year	<u>78</u>	<u>79</u>
Income tax charge	<u>778</u>	<u>1,625</u>

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.

## 10 TRADE AND OTHER RECEIVABLES

	<b>2013</b> <b>US\$'000</b>	<b>2012</b> <b>US\$'000</b>
Trade receivables	1,531	636
Prepayments	867	1,200
Other receivables	833	392
Amounts due from related parties	<u>6,283</u>	<u>2,788</u>
	<u>9,514</u>	<u>5,016</u>

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.

	<b>2013</b> <b>US\$'000</b>	<b>2012</b> <b>US\$'000</b>
Less than 60 days past due	<u>1,531</u>	<u>636</u>

#### **11 CASH AND BANK BALANCES**

	<b>2013</b> <b>US\$'000</b>	<b>2012</b> <b>US\$'000</b>
Cash and cash equivalents	3,994	2,162
Restricted bank balance*	<u>12,083</u>	<u>977</u>
	<u>16,077</u>	<u>3,139</u>

\* The restricted bank balance represents deposits placed in financial institutions to secure bills payable of an equivalent amount related to trade payables of US\$ 1.3m and bank loans of US\$ 10.7m (note 12).

#### **12 TRADE AND OTHER PAYABLES**

	<b>2013</b> <b>US\$'000</b>	<b>2012</b> <b>US\$'000</b>
Trade payables	23,029	21,201
Other current liabilities	1,936	1,146
Amounts due to related parties	<u>44</u>	<u>144</u>
	<u>25,009</u>	<u>22,491</u>

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**

	<b>2013</b> <b>US\$'000</b>	<b>2012</b> <b>US\$'000</b>
Bank loans	<u>26,160</u>	<u>11,932</u>

The banks loans are all secured with the exception of a loan from Mr Randeep Grewal of \$164,000.

#### **14 PUBLICATION OF NON-STATUTORY ACCOUNTS**

The financial information for the years ended 31 December 2013 and 31 December 2012 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.

#### **15 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.grekadrilling.com](http://www.grekadrilling.com) and from the office of the Company's nominated adviser, Smith & Williamson Corporate Finance Limited at 25 Moorgate, London EC2R 6AY, United Kingdom.



