12 March 2013

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

Annual results for the year ended December 2012

Revenue increases 39%, meters drilled by 67%

Greka Drilling Limited (AIM: GDL), the largest independent and specialized unconventional oil & gas driller in China, is pleased to announce annual results for the year ended 31 December 2012.

FINANCIAL HIGHLIGHTS

- Revenue of US$60.9m, a 39% increase over same period last year of US$43.8m.
- Total Assets increased by US$25.7m to US$114.1m an increase of 29% year on year.
- EPS US$0.005, compared with US$0.007 in same period last year.
- Cash and bank deposits of US$3.1m.
- Paid off US$12.5m working capital facility in full from affiliate Green Dragon Gas Limited, further demonstrating the Company's increasing operational independence.
- Increased China based working capital facility to US$12.0m by year end.

CORPORATE HIGHLIGHTS

- Headcount grew to 665 with a total of 106,581 hours of training and the ability to operate crews 24/7, 365 days of the year. Fleet increased from 16 rigs to 32 rigs over the period, an increase of 100% year-on-year; average number of rigs in 2012 was 28 versus 14 in 2011.
- 79 directional drillers compared with 51 a year earlier one of the largest team of directional drillers in China.

OPERATIONAL HIGHLIGHTS

- 3 contracted counterparties: Green Dragon Gas, CNPC Huabei and Petroking.
- 90 wells drilled in 2012 compared with 50 wells drilled in 2011, an increase of 80% year-on-year.
- 147,126 metres drilled, compared to 88,224 metres drilled in 2011, a 67% increase
- Vertical wells averaging 37 drilling days.
- Horizontal wells averaging 51 drilling days.
- Exploration drilling (LiFaBriC) wells at 88 days improving on previous company guidance of 90 days.

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

"I am delighted to report that we have continued to grow the business on time and within plan. For the full year we have increased revenues, evaluated many unconventional basins in China, India and South East Asia. These third party evaluations conducted by our in house geology and engineering personnel give us a very high degree of confidence that the LiFaBriC drilling methodology has a significant and wider footprint in Asia as whole, in addition to multiple opportunities within China itself. We are the one stop shop of choice for unconventional drilling completions in Asia."

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

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CHAIRMAN'S STATEMENT

Today is the second anniversary of the Company becoming an independent operating entity and the merits of the successful demerger are further demonstrated by our performance this year.

I am pleased to report that 2012 saw us continue to profitably expand as predicted. This expansion was demonstrated throughout the Company, from rigs accepted to revenues and by year end, customers.

Operationally we drilled more meters and more wells – with the wells drilled being deeper and longer than ever before. We successfully drilled 90 wells with a total of 147,126 meters drilled which represented an increase of 80% and 67% over the previous year, respectively. Drilling efficiencies were improved with the fastest vertical and LiFaBriC well completions achieving 42% and 14% improvements over last year, respectively.

Total headcount grew to 665 from 520 a year earlier, in support of the rig fleet increase to 32. The average number of operating rigs was 28 in 2012, compared to 14 in 2011. Directional drillers were added to the team increasing the headcount to 79 from 51 in the previous year. The directional drilling headcount now exceeds any other independent drilling company operating in China. Precision of the directional drilling was further enhanced with improvements in the Rotating Magnet Ranging Systems, allowing for easier intersection during LiFaBric completions.

In addition to the operational expansion, our financial performance was enhanced with local banks increasing their working capital facilities to support our growth. As a result, the Company successfully paid off all its affiliate working capital facility and concluded the year without any affiliate debt. Notwithstanding the increase in the depreciation charge resulting from the material increase in rigs, our profitable yearend results are supported by a strengthened balance sheet which resulted in total assets growing to US$114 million from US$88 million in the previous year.

Third party contracts executed to drill for both of the largest operators within China, CNPC and Sinopec, further validating the competency embedded within the Company. Importantly, these contracts include drilling LiFaBric wells, the Company's proprietary methodology, as well as traditional vertical and directional wells. The contracts are for Coal Bed Methane ("CBM") as well as Shale reservoirs. In totality, these contracts validate the Company's capability that extends to all facets of the industry's drilling demands. We see a very large market that continues to grow exponentially throughout Asia.

In accordance with the Company's business plan, we expect to establish the corporate headquarters in Singapore, a geographically central location to facilitate the expansion beyond China. We are concluding our discussions with several clients and expect to announce our expansion into India as the first step out from China within the widened Asian expansion plans. We also look forward to updating shareholders on the recently announced Chinese third party contracts. The Company's proprietary LiFaBriC methodology is well suited to various CBM basins within India and could significantly enhance several of the CBM developers' potential in the near term. We look forward to concluding an agreement with select clients.

While 2012 was a busy year absorbing the growth and expanding the client base in China, we expect 2013 will see continued profitable growth within China further complemented by an expansion into India.

Randeep S. Grewal
Chairman & CEO
March 8th, 2013

Consolidated Statement of Comprehensive Income

	Note	Year Ended 31 December 2012	Year Ended 31 December 2011
		US$'000	US$'000
Revenue	2	60,918	43,834
Cost of sales		(48,459)	(34,235)
Gross profit		12,459	9,599
Foreign exchange gains		314	671
Administrative expenses		(8,047)	(5,581)
Total administrative expenses		(7,733)	(4,910)
Profit from operations	3	4,726	4,689
Finance income	4	53	12
Finance costs	5	(1,322)	(85)
Profit before income tax		3,457	4,616
Income tax charge	8	(1,625)	(1,812)
Profit for the year		1,832	2,804
Other comprehensive income, net of tax:			
Exchange differences on translation of foreign operations		(8)	825
Total comprehensive income for the year		**1,824**	**3,629**
Profit for the period attributable to:			
- Owners of the company		1,831	2,790
- Non-controlling interests		1	14
		1,832	2,804
Total comprehensive income attributable to:			
- Owners of the company		1,824	3,627
- Non-controlling interests		-	2
		1,824	3,629
Earnings per share			
- Basic and diluted (in US dollar)	7	0.0046	0.0070

Consolidated Statement of Financial Position

	Note	As at 31 December 2012 US$'000	As at 31 December 2011 US$'000
Assets			
Non-current assets			
Property, plant and equipment		93,135	43,219
Intangible assets		581	524
		93,716	43,743
Current assets			
Inventories		12,189	9,155
Trade and other receivables		5,016	28,930
Cash and bank balances		3,139	6,559
		20,344	44,644
Total assets		114,060	88,387
Liabilities			
Current liabilities			
Trade and other payables		22,491	8,994
Loans and borrowings	9	11,932	1,984
Current tax liabilities		234	283
		34,657	**11,261**
Non current liabilities			
Deferred tax liabilities		453	-
		453	-
Total liabilities		35,110	11,261
Net assets		**78,950**	**77,126**
Capital and reserves			
Share capital		4	4
Share premium account		77,186	77,186
Invested capital		(1,533)	(1,533)
Reserve fund		917	595
Foreign exchange reserve		1,592	1,599
Retained earnings/(deficits)		1,173	(336)
Total equity attributable to owners of the Company		79,339	77,515
Non-controlling interests		(389)	(389)
Total equity		**78,950**	**77,126**

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$'000	Retained (deficits)/ earnings US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2011	-	-	(1,533)	102	519	(477)	(1,389)	(2,304)	(3,693)
Profit for the year	-	-	-	-	-	2,790	2,790	14	2,804
Other comprehensive income:									
- Exchange difference on translation of foreign operations	-	-	-	-	837	-	837	(12)	825
Total comprehensive income for the year	-	-	-	-	837	2,790	3,627	2	3,629
Adjustments arising upon acquisition of additional interests in Greka Mitchell Drilling Co. Ltd.	-	-	-	-	243	(2,156)	(1,913)	1,913	-
Transfer of reserve fund	-	-	-	493	-	(493)	-	-	-
New issue of ordinary shares	4	49,996	-	-	-	-	50,000	-	50,000
Capital contribution – waiver of amounts owed to Green Dragon Gas Ltd.	-	27,190	-	-	-	-	27,190	-	27,190
At 31 December 2011	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 income:									
- Exchange difference on translation of foreign operations	-	-	-	-	(7)		(7)	(1)	(8)
Total comprehensive 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

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 issue, 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 (deficits)/earnings: Cumulative net gains and losses recognized in profit or loss.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2012	Year ended 31 December 2011
		US$'000	US$'000
Operating activities			
Profit before income tax		3,457	4,616
Adjustments for:			
Depreciation		7,079	2,941
Amortization of other intangible assets		68	37
Loss on disposal of property, plant and equipment		435	10
Finance income		(53)	(12)
Finance costs		1,322	85
Operating cash flows before changes in working capital		12,308	7,677
Increase in inventories		(3,034)	(4,801)
Increase in trade receivables		(636)	
Increase in other receivables		(1,140)	(3,396)
Increase in trade and other payables		13,497	(18,783)
Cash generated from/(used in) operations		20,995	(19,303)
Income tax payment		(1,229)	(1,976)
Net cash from/(used in) operating activities		**19,766**	**(21,279)**
Investing activities			
Payments for purchase of property, plant and equipment		(31,250)	(28,671)
Transfers to restricted cash		(977)	-
Payments for intangible assets		(123)	(363)
Proceeds from disposal of property, plant and equipment		-	16
Interest received		53	12
Net cash used in investing activities		**(32,297)**	**(29,006)**
Financing activities			
Proceeds from the issue of share, net of issue costs		-	50,000
Proceeds of short term loan		18,296	1,984
Repayment of short term loan		(8,353)	(1,555)
Finance costs paid		(1,478)	(85)
Net cash from financing activities		**8,465**	**50,344**
Net (decrease)/increase in cash and cash equivalents		(4,066)	59
Cash and cash equivalents at beginning of the year		6,559	6,383
		2,493	6,442
Effect of foreign exchange rate changes		(331)	117
Cash and cash equivalents at end of year		**2,162**	**6,559**

Abridged notes to the financial information for the year ended 31 December 2012

1 GENERAL

Greka Drilling Limited (the "Company" or the "Group") was incorporated in the Cayman Islands. 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 2012. The principal accounting policies adopted in the preparation of the financial statements are disclosed in the Group's full annual report and accounts for the year ended 31 December 2012.

2 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 operating segment based on revenues from external customers and segment profit.

Drilling services revenue and management services revenue represent the net invoiced value of contract drilling services and management services provided to customers in the PRC, of which 95% is derived from one customer. The amounts of each significant category of revenue recognised during the year are as follows:

	2012 US$'000	2011 US$'000
Drilling services	60,325	43,102
Management services	593	732
	60,918	43,834

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

3 PROFIT FROM OPERATIONS

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

	2012 US$'000	2011 US$'000
Auditors remuneration:		
Fees payable to the Company's auditors for the audit of the annual financial statements	119	80
Fees payable to the Company's auditors for the review of the interim results	10	-
Fees payable to the Company's auditors for other services	-	160
Cost of inventories recognized as expense	48,459	34,235
Staff costs (note 6)	13,604	7,931
Depreciation of property, plant and equipment	7,079	2,941
Operating lease expense (property)	201	132
Amortization of intangible assets	68	37
Loss on disposal of property, plant and equipment	-	10

Government grant*		(135)			-
Foreign exchange gains		(314)			(671)

*This mainly represents a reward 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 have been fulfilled.

4 FINANCE INCOME

	2012 US$'000	2011 US$'000
Bank interest	53	12

5 FINANCE COSTS

	2012 US$'000	2011 US$'000
Interest expense on short term loans	631	85
Interest expense on loans from a related company	847	-
Less: Interest expenses capitalized*	(156)	-
	1,322	85
*Interest expenses was capitalized in construction in progress at the following rates per annum	7.22%	-

6 STAFF COSTS

	2012 US$'000	2011 US$'000
Staff costs (including directors' remuneration) comprise:		
Wages and salaries	10,969	6,756
Employer's national social security contributions	2,301	912
Other benefits	334	263
	13,604	7,931

7 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:

	2012 US$'000	2011 US$'000
Profit for the year	1,831	2,790
Number of shares outstanding at the year end	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 earnings per share (US$)	0.0046	0.0070
Diluted earnings per share (US$)	0.0046	0.0070

There were no potentially dilutive instruments issued in 2012 and 2011.

8 TAXATION

	2012 US$'000	2011 US$'000
Current tax - PRC Enterprise Income Tax		
Income tax charge	1,546	1,713
Under provision of prior year	79	99
	1,625	1,812

The reasons for the difference between the actual tax charge and the standard rate of corporation tax applied to the Group's operations for the year are as follows:

	2012 US$'000	2011 US$'000
Profit before income tax	3,457	4,616
Expected tax charge based on the standard rate of corporation tax in the PRC of 25% (2011: 25%)	864	1,154
Effect of:		
Tax effect of revenue not taxable for tax purposes	-	(71)
Tax effect of expenses not deductible for tax purposes	-	56
Tax losses not recognized	682	574
Under provision of prior year	79	99
Income tax charge	1,625	1,812

The Company is not subject to income tax in the Cayman Islands.

9 LOANS AND BORROWINGS

	2012 US$'000	2011 US$'000
Bank loans – secured	11,932	1,984

Bank borrowings of RMB75,000,000 (2011: RMB12,500,000) have a one year term, with interest rates ranging from 6.90% p.a. and 7.544% p.a. (2011: 7.544% p.a.). This amount is secured by the Group's properties situated in Zhengzhou of the PRC.

10 WORKING CAPITAL FACILITIES

On 27 January 2012, the Company drew down the US$12,500,000 working facility loan in full from Greka China Limited, a related company in Green Dragon Gas Group under the agreement signed on 11 February 2011. The facility had a two-year repayment period and 8% annual interest rate. The facility was fully repaid at the year ended.

11 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information for the years ended 31 December 2012 and 31 December 2011 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 financial information 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.

12 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 and from the office of the Company's nominated adviser, Smith & Williamson Corporate Finance Limited at 25 Moorgate, London EC2R 6AY, United Kingdom.