FOR IMMEDIATE RELEASE
16 August 2018

CAPITAL DRILLING

Capital Drilling Limited
(“Capital Drilling”, the “Group” or the “Company”)

Half Year Results
For the period ended 30 June 2018 and Interim Dividend

Capital Drilling, a leading drilling solutions company focused on the African markets, today announces half year results for the period ended 30 June 2018.

HALF YEAR RESULTS FOR THE PERIOD ENDED 30 JUNE 2018*

	H1 2018	H1 2017
Average Fleet Size (No. of drill rigs)	**94**	**93**
Fleet Utilisation (%)	**46**	**56**
ARPOR ($)	**200,000**	**191,000**
Capex ($ m)	**4.7**	**4.2**
Revenue ($ m)	**54.5**	**62.3**
EBITDA[1] ($ m)	**12.5**	**11.6**
EBIT[1] ($ m)	**5.8**	**5.2**
Net Profit After Tax ($ m)	**2.8**	**2.6**
Cash From Operations ($ m)	**7.2**	**13.1**
Earnings per Share		
Basic (cents)	**2.0**	**1.9**
Diluted (cents)	**2.0**	**1.9**
Interim Dividend per Share (cents)	**0.6**	**0.5**
Net Asset Value per Share[1] (cents)	**52.2**	**50.3**
Return on Capital Employed (%)**	**17.7**	**5.1**
Return on Total Assets (%)**	**11.8**	**3.6**
Net Cash[1] ($ m)	**3.4**	**3.3**
Net Cash/Equity (%)	**4.7**	**4.9**

**All amounts are in USD unless otherwise stated*

*** Twelve months rolling average*

(1) EBITDA, EBIT, Net Asset Value per share and Net Cash are non-IFRS financial measures and should not be used in isolation or as a substitute for Capital Drilling Limited financial results presented in accordance with IFRS. For definitions and reconciliations of these measurements to the most directly comparable financial calculations presented in accordance with IFRS, please refer 'APPENDIX: GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES'

CAPITAL DRILLING

Financial Overview

- First half revenue of $54.5 million, 4.6% lower than H2 2017 at $57.1 million (H1 2017: $62.3 million)
- Lower revenue driven by reduced fleet utilisation as the Group continues to redeploy assets to West Africa
- EBITDA increased by 7.8% to $12.5 million (H1 2017: $11.6 million), with EBITDA margins expanding to 22.9% (H1 2017: 18.7%), reflecting the benefits of improved cost management
- Net profit after tax of $2.8 million, 7.7% increase on H1 2017 (H1 2017: $2.6 million)
- Capex increased by 11% to $4.7 million (H1 2017: $4.2 million), primarily directed to the purchase of replacement production rigs and asset improvements
- Net cash of $3.4 million, maintaining the Group's strong balance sheet
- Earnings per share improved by 5.3% to 2.0 cents (H1 2017: 1.9 cents)
- Final dividend in relation to the 2017 financial year of 1.2 cents per share, paid in May 2018 (FY 2016: 1.0 cent)
- Interim dividend of 0.6 cent per share, up 20%, to be paid 05 October 2018 (2017: Interim dividend of 0.5 cents per share)

Operational and Strategic Review

- Contracts awarded in H1 2018 include:
  - Aton Resources (Egypt): one rig, commenced drilling in Q3
  - De Beers (Botswana): three rigs, commenced drilling in Q3
  - Graphex Mining (Tanzania): one rig, commenced drilling in Q3
  - Hummingbird (Mali): four rigs, commenced drilling in July
  - Kinross (Mauritania): Two-year drill rig maintenance contract for two blast hole rigs, commenced in Q2
  - OreCorp (Mauritania): one rig, program completed in Q1
  - Resolute (Mali): Awarded a three-year surface exploration drilling contract, currently drilling with three rigs
- Contract wins reflecting the continued improvement in the exploration drilling market
- Long term contract wins (Resolute and Kinross) building the Group's portfolio of multi-year mine-site based contracts

- Made significant progress expanding the Group's presence in the West Africa region, including asset mobilisations which increased our rig number to 26 rigs, with further rigs scheduled for Q3 arrival
- Established infrastructure with offices, warehouses, workshops and accommodation in Bamako, Mali, and Yamoussoukro, Côte d'Ivoire, adding to the existing presence in Mauritania
- Appointed a Business Development Manager, Julian Blake, initially based in Ghana
- H1 utilisation of 46%, down from 56% in H1 2017, on an average fleet size of 94 rigs, with substantial assets redeployment to West Africa
- H1 Average Revenue per Operating Rig (ARPOR) increased to $200,000 (H1 2017: $191,000)
- Continued strength in ARPOR reflecting strong contract performance at major mine site contracts

Health & Safety

- Previously announced world class achievements:
  - Mali (Syama Project) achieved two years LTI free in June 2018
  - Tanzania (North Mara Project) achieved two years LTI free in March 2018
  - Tanzania (Geita Project) achieved one year LTI free in March 2018

Outlook

- Trading conditions continue to be supportive, with elevated levels of enquires and tendering requests
- Capital markets activity continues to support future demand, albeit recent weakness in metal prices and economic uncertainty has lead to an easing in market sentiment since the last update
- Cash generation from miners remain at healthy levels which is driving increased budgets and demand from the producers
- Recent contract awards add to the Group's portfolio of long term production and mine-site based contracts
- While activity levels in Tanzania remain subdued, recent feedback suggest constructive dialogue with the Government and progress with the newly formed Mining Commission
- Asset deployment and infrastructure development in the key West African market has provided Capital Drilling with a solid platform to grow operations in this high growth market
- The Group maintains a strong balance sheet and unutilised assets to capture future growth opportunities

Following a number of contract wins across existing countries of operation, including the key focus market of West Africa, the Group maintains its upgraded revenue guidance range of $105 to $115 million for 2018.

Commenting on the results, Jamie Boyton, Executive Chairman of Capital Drilling, said:

"We are pleased to report another strong half yearly result, both in terms of the Group's financial performance and strategy execution. With a supportive demand cycle and robust discipline from the management team on costs and CAPEX, the Group has continued to deliver on its financial goals, with solid free cash flow and a strong balance sheet. Particularly pleasing was the increase in key profitability measures and margins, despite the reduced fleet utilisation and revenue, driven by the strategic redeployment of assets to the key West African markets. As a result of the performance, we have today announced an interim dividend to shareholders of 0.6 cents per share, representing a 20% increase on the prior half year period.

The building of our business in West Africa has been the major focus of our growth strategy over the past 6 months. The Group has developed new operational centres in Côte d'Ivoire and Mali over the period, complementing our long established operations in Mauritania, all of which provide the infrastructure to deploy further production and exploration rigs into what is regarded as one of the fastest growing drilling markets in the industry. We ended the half year period with 26 rigs across these countries, almost doubling our capacity in the six month period, with further rigs and assets due to arrive in the third quarter.

Our increased footprint and presence in West Africa has yielded early results, with the Group announcing three new contracts in the region, with Kinross Gold (Tasiast), Resolute Mining (Syama) and Hummingbird Resources (Yanfolila). As a result of these contract wins, along with exploration contract wins in Botswana, Egypt and Tanzania, the Group expects to see an increase in utilisation rates over the second half, which fully underpins the investment we have made to target the West African market.

Outside of West Africa our core long term contracts in Tanzania and Egypt have continued to perform strongly, which was reflected in a further improvement in Average Revenue per Operating Rig for the period. We are encouraged to see early signs of improvement in the Tanzanian market, including the formation of the Mining Commission and increasingly positive feedback on Government engagement from companies operating in the country. The awarding of our first exploration contract in Tanzania in two years is particularly encouraging, as we continue to seek to utilise our substantial latent capacity in our exploration fleet.

We are pleased to have had another exceptional quarter in terms of our safety record, which remains at the heart of our strategy, with a number of new safety records at Syama, North Mara and Geita sites.

We enter the second half of 2018 in a strong position, with our traditional markets in East Africa now complemented with a substantial presence in the key West African region. Tendering & enquiry levels remain robust and we are confident of future contract wins in the period ahead."

Capital Drilling will host a conference call on Thursday 16 August at 9am (London, UK time) to update investors and analysts on its results. Participants may join the call by dialling one of the following numbers, approximately 10 minutes before the start of the call. A copy of the Company's presentation will be available on www.capdrill.com.

UK Toll-free Dial In: 08082370040
International Dial In Numbers: http://events.arkadin.com/ev/docs/FEL_Events_International_Access_List.pdf

Participant PIN Code: 41302408#

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About Capital Drilling

Capital Drilling provides specialised drilling services to mineral exploration and mining companies in emerging and developing markets, for exploration, development and production stage projects. The Company currently owns and operates a fleet of 95 drilling rigs with established operations in Botswana, Côte d'Ivoire, Egypt, Ghana, Kenya, Mali, Mauritania and Tanzania. The Group's corporate headquarters are in Mauritius.

Cautionary note regarding forward looking statements

Certain information contained in this report, including any information on Capital Drilling's plans or future financial or operating performance and other statements that express management's expectations, or estimates of future performance, constitute forward-looking statements. Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. Capital Drilling cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of Capital Drilling to be materially different than the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements. These factors include the inherent risks involved in exploration and development of mineral properties, changes in economic conditions, changes in the worldwide price of commodities and project execution delays, many of which are beyond the control of Capital Drilling. Nothing in the report should be construed as either an offer to sell or a solicitation to buy or sell Capital Drilling securities.

INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF CAPITAL DRILLING LIMITED

We have been engaged by the company to review the condensed consolidated set of interim financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the consolidated condensed statements of comprehensive income, financial position, changes in equity, the cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board ("IAASB"). Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (the "IASB"). The condensed consolidated set of interim financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the IASB.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed consolidated set of interim financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the IAASB. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of interim financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as issued by the IASB and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: H. Loonat
Partner
Johannesburg, South Africa
16 August 2018

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CAPITAL DRILLING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

		Six months ended	
	Notes	**30 June 2018**	**30 June 2017**
		$	**$**
Revenue		54,476,675	62,332,410
Cost of sales		(33,687,558)	(44,898,001)
Gross profit		20,789,117	17,434,409
Administration costs		(8,281,941)	(5,808,075)
Depreciation		(6,714,923)	(6,392,131)
Profit from operations		5,792,253	5,234,203
Share of (loss) income from associate		(246,441)	5,213
Interest income		59,866	137,264
Finance charges		(533,081)	(543,557)
Realised loss on disposal of fair value through other comprehensive income shares		(49,225)	(183,495)
Fair value adjustment on financial assets through profit and loss - Share Options		(47,236)	(123,989)
Profit before taxation		4,976,136	4,525,639
Taxation	3	(2,208,150)	(1,945,364)
Profit for the period		2,767,986	2,580,275
Other comprehensive (loss) income:			
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		18,510	38,454
Share of exchange differences on translation of foreign operations from associate		(22,559)	(25,932)
Fair value through other comprehensive income shares		(658,802)	(369,336)
Cumulative gain reclassified to profit and loss on sale of fair value through other comprehensive income shares		49,225	183,495
Total other comprehensive loss for the period		(613,626)	(173,319)
Total comprehensive income for the period		2,154,360	2,406,956
Earnings per share:			
Basic (cents per share)	6	2.0	1.9
Diluted (cents per share)	6	2.0	1.9

CAPITAL DRILLING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2018

	Notes	30 June 2018	Audited 31 December 2017
		$	$
ASSETS			
Non-current assets			
Property, plant and equipment	8	39,678,523	41,405,764
Investment in associate	9	2,499,805	2,750,295
Deferred taxation		26,843	7,297
Total non-current assets		42,205,171	44,163,356
Current assets			
Inventory		20,817,422	21,691,569
Trade and other receivables		18,286,259	16,554,256
Prepaid expenses and other assets		4,518,709	2,863,167
Taxation		27,065	136,590
Investments		2,435,764	3,260,331
Cash and cash equivalents		15,380,570	16,911,383
Total current assets		61,465,789	61,417,296
Total assets		103,670,960	105,580,652
EQUITY AND LIABILITIES			
Equity			
Share capital	10	13,581	13,524
Share premium	10	22,231,662	21,933,772
Equity-settled employee benefits reserve		307,828	432,476
Foreign currency translation reserve		(22,559)	(18,510)
Investments revaluation reserve		(736,166)	(126,589)
Retained earnings		48,961,853	47,823,617
Total equity		70,756,199	70,058,290
Non-current liabilities			
Long-term liabilities	11	12,000,000	12,000,000
Deferred taxation		21,952	-
Total non-current liabilities		12,021,952	12,000,000
Current liabilities			
Trade and other payables		16,495,420	19,731,133
Taxation		4,365,026	3,749,644
Current portion of long-term liabilities	11	32,363	41,585
Total current liabilities		20,892,809	23,522,362
Total equity and liabilities		103,670,960	105,580,652

CAPITAL DRILLING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
30 June 2018

	Share capital	Share premium	Retained earnings	Reserves: Equity-settled employee benefits reserve	Reserves: Foreign currency translation reserve	Reserves: Investments revaluation reserve	Total equity
	$	$	$	$	$	$	$
Balance at 31 December 2016 - Audited	13,490	21,697,470	44,639,236	441,883	(38,454)	(36,920)	66,790,545
Issue of shares	34	236,302	-	(236,336)	-	-	-
Recognition of share-based payments	-	-	-	118,314	-	-	118,314
Total comprehensive income (loss) profit for the period	-	-	2,580,275	-	12,522	(185,841)	2,406,956
- Profit for the period	-	-	2,580,275	-	-	-	2,580,275
- Other comprehensive income (loss) for the period	-	-	-	-	12,522	(185,841)	(173,319)
Dividends paid (1.0 cents per share) - **Note 7**	-	-	(1,352,471)	-	-	-	(1,352,471)
Balance at 30 June 2017 - Audited	13,524	21,933,772	45,867,040	323,861	(25,932)	(148,921)	67,963,344
Balance at 31 December 2017	13,524	21,933,772	47,823,617	432,476	(18,510)	(126,589)	70,058,290
Issue of shares	57	297,890	-	(297,947)	-	-	-
Recognition of share-based payments	-	-	-	173,299	-	-	173,299
Total comprehensive income (loss) for the period	-	-	2,767,986	-	(4,049)	(609,577)	2,154,360
- Profit for the period	-	-	2,767,986	-	-	-	2,767,986
- Other comprehensive loss for the period	-	-	-	-	(4,049)	(609,577)	(613,626)
Dividends paid (1.2 cents per share) - **Note 7**	-	-	(1,629,750)	-	-	-	(1,629,750)
Balance at 30 June 2018	13,581	22,231,662	48,961,853	307,828	(22,559)	(736,166)	70,756,199

CAPITAL DRILLING

CAPITAL DRILLING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018	30 June 2017
		$	$
Operating activities:			
Cash from operations	12	7,210,838	13,130,720
Interest received		59,866	137,264
Finance charges paid	11	(542,303)	(514,202)
Taxation paid		(1,480,837)	(1,379,743)
Net cash generated from operating activities		5,247,564	11,374,039
Investing activities:			
Purchase of property, plant and equipment	8	(5,390,068)	(4,207,845)
Proceeds from disposal of property, plant and equipment		128,505	374,938
Acquisition of FVTOCI investments		-	(1,752,387)
Proceeds on disposal of FVTOCI investments		311,451	370,878
Investment in associate	9	-	(1,912,023)
Net cash used in investing activities		(4,950,112)	(7,126,439)
Financing activities:			
Long-term liabilities raised	11	-	6,500,000
Long-term liabilities repaid	11	-	(3,500,000)
Dividend paid	7	(1,629,750)	(1,352,471)
Net cash (used) generated in financing activities		(1,629,750)	1,647,529
Net (decrease) increase in cash and cash equivalents		(1,332,298)	5,895,129
Cash and cash equivalents at the beginning of the period		16,911,383	12,728,555
Translation of foreign currency cash and cash equivalent adjustment		(198,515)	(201,026)
Cash and cash equivalents at the end of the period		15,380,570	18,422,658

CAPITAL DRILLING LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2018

1. Basis of presentation and accounting policies

Preparation of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements of Capital Drilling Limited and Subsidiaries ("Capital Drilling" or the "Group") as at and for the six months ended 30 June 2018 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") No. 34, "Interim Financial Reporting". They should be read in conjunction with the annual consolidated financial statements and the notes thereto in the Group's Annual Report for the year ended 31 December 2017 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Interim Financial Statements have been reviewed in terms of International Standard on Review Engagements (ISRE) 2410.

Accounting policies

The condensed consolidated interim financial statements have been prepared on the going concern basis under the historical cost convention, except for certain financial instruments which are measured at fair value. The Group has adopted a number of new standards and interpretations effective on or before 1 January 2018, which were described in note 2 of the consolidated financial statements for the year ended 31 December 2017. The adoption of these standards and interpretations did not have a material impact on the condensed consolidated interim financial statements. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2017 except for new accounting policies adopted during the year described in Note 4 and Note 5.

The preparation of financial statements in conformity with IFRS recognition and measurement principles requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on an on-going basis using current available information. Changes in facts and circumstances may result in revised estimates and actual results could differ from those estimates.

2. Operations in the interim period

Capital Drilling Limited is incorporated in Bermuda. The Group provides drilling services including but not limited to exploration, development, grade control and blast hole drilling services to mineral exploration and mining companies located in emerging and developing markets. The Group also provides some equipment rental and information technology services to mining and mining related companies.

During the six months ended 30 June 2018, the Group provided drilling services in Egypt, Mauritania, Mali, Tanzania and Kenya.

The seasonality of the Group's operations has no significant impact on the condensed consolidated interim financial statements.

3. Taxation

Capital Drilling Limited is incorporated in Bermuda. No taxation is payable on the results of the Bermuda business. Taxation for other jurisdictions is calculated in terms of the legislation and rates prevailing in the respective jurisdictions.

3. Taxation (continued)

The Group operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions, the Group has taken income tax positions that management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws. The Group periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions is based on management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws. Considering all available information and the history of resolving income tax uncertainties, the Group believes that the ultimate resolution of such matters will not likely have a material effect on the Group's financial position, statements of operations or cash flows.

Due to the tax charge calculations in certain countries in which the Group operates being based on revenues instead of profits, the consolidated taxation expense for the period is not directly linked to profits and losses.

4. IFRS 15 'Revenue from Contracts with Customers'

In the current financial year Capital Drilling has adopted IFRS 15 'Revenue from Contracts with Customers'.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

"IFRS 15, Revenue from Contracts with Customers", effective from 1 January 2018 identifies performance obligations in contracts with customers, allocates the transaction price to the performance obligations and recognises revenue as performance obligations are satisfied. The standard requires revenue recognition either "over time" or at a "point in time" and additionally requires more detailed disclosures.

A detailed review of all material contracts confirmed that IFRS 15 will not result in a material change to the timing of revenue or profit recognition on drilling contracts or long-term drilling contracts. This assessment reflects that Capital Drilling's contracting arrangements, which are predominantly long-term drilling contracts, result in the continual transfer of benefits and corresponding revenue recognition of the Group's performance to customers over time.

When first applying IFRS 15, entities should apply the standard in full for the current period, including retrospective application to all contracts that were not yet complete at the beginning of that period. In respect of prior periods, the transition guidance allows entities an option to either: [IFRS 15:C3].

- Option 1 - apply IFRS 15 in full to prior periods (with certain limited practical expedients being available); or
- Option 2- retain prior period figures as reported under the previous standards, recognising the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (beginning of current reporting period).

As part of the transition guidance, management have opted for option 2, where prior period figures are reported under the previous standards and an adjustment to be made to the opening balance of equity as at the date of initial application. In view that there is no material change to the timing of revenue or profit recognition, there is no adjustment required to the opening balance of equity.

Capital Drilling has always adopted a prudent approach to contract accounting. Transparent financial control processes ensure that recognition of profits and cash flow are aligned closely with the delivery of our services.

	Six months ended	
	30 June 2018	30 June 2017
	$	$
4. IFRS 15 'Revenue from Contracts with Customers' (continued)		
Revenue from the rendering of services comprises:		
Drilling revenue	53,416,151	59,939,628
Equipment rental	839,718	291,800
Information technology revenue	220,805	2,100,982
	54,476,675	62,332,410

5. IFRS 9 Financial Instruments

In the current year Capital Drilling has adopted IFRS 9 Financial Instruments effective since 1 January 2018. The standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:

- IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as 'fair value through other comprehensive income' (FVTOCI) in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.
- The new model introduces a single impairment model being applied to all financial instruments, as well as an 'expected credit loss' model for the measurement of financial assets.
- IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition, enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.
- IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.
- Prepayment Features with Negative Compensation. The narrow-scope amendment allows companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met.

Capital Drilling has assessed the impact of this amendment and found no material impact on specific or general provisions for credit losses on its separate and consolidated financial statements other than the additional disclosure requirements. Capital Drilling does not have complex financial Instruments. The accounting treatment for financial instruments under IFRS 9 and the historical accounting treatment of Capital Drilling financial instruments does not differ materially due to this absence of complex financial instruments. Based on the historical loss ratios we are of the view that the impairment of trade receivables due to the change of the impairment model is not material. IFRS 9 did not significantly impact the accounting treatment of inter-company loans. The company and group does not have any hedged exposures and hedge accounting is therefore not applicable.

	Six months ended	
	30 June 2018	30 June 2017
	$	$

6. Earnings per share

Basic Earnings per share:
The profit and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	30 June 2018	30 June 2017
Profit for the period used in the calculation of basic earnings per share	2,767,986	2,580,275
Weighted average number of ordinary shares for the purposes of basic earnings per share	135,525,192	135,076,227
Basic earnings per share (cents)	2.0	1.9

Diluted earnings per share:
The profit used in the calculations of all diluted earnings per share measures are the same as those used in the equivalent basic earnings per share measures, as outlined above.

	30 June 2018	30 June 2017
Weighted average number of ordinary shares used in the calculation of basic earnings per share	135,525,192	135,076,227
- Dilutive share options #	252,006	362,813
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	135,777,198	135,439,040
Diluted earnings per share (cents)	2.0	1.9

For the purposes of calculating diluted earnings per share, the share options of 2.34 million [2017: 2.34 million were excluded as they are anti-dilutive as the exercise price is higher than the current share price.

7. Dividends

During the six months ended 30 June 2018, a dividend of 1.2 cents per ordinary share, totalling $1,629,750 (six months ended 30 June 2017: 1.0 cents per ordinary share, totalling $1,352,471) was declared and paid.

8. Property, plant and equipment

During the six months ended 30 June 2018, the Group acquired $5.4 million (2017: $4.2 million) of drilling rigs and other assets to expand its operations and for the replacement of existing assets.

The Group disposed of property, plant and equipment with a net carrying amount of $0.4 million (2017: $0.5 million) during the period. A loss of $0.3 million (2017: $0.1 million) was incurred on the disposal of property, plant and equipment.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets may be impaired. As at 30 June 2018, there were no indication of impairment.

9. Investment in associate

During the six months ended 30 June 2018, the Group maintained its 50% interest in MSA Mineral Services Analytical (Canada) Inc. ("MSA") (formerly known as A2 Global Ventures Inc.). MSA is headquartered in Vancouver, Canada, where it operates a central hub laboratory, supported by feeder laboratories in Guyana, Myanmar and Sweden, providing laboratory testing services to the mining and exploration industries, particularly in emerging markets. The consideration for the acquisition was $1.9 million including transaction costs. The investment in MSA, is accounted using the equity method.

The Group maintained the 23.75% shareholding of investment in Stealth Global Holdings Ltd [formerly known as SAAC International Pte. Ltd] which was initially acquired in 2015 as at 30 June 2018.

10. Issued capital and share premium

	Six months ended	
	30 June 2018	**31 December 2017**
	$	**$**
Authorised capital		
2,000,000,000 (2017: 2,000,000,000) ordinary shares of 0.01 cents (2017: 0.01 cents) each	200,000	200,000
Issued and fully paid:		
135,812,596 (31 December 2017: 135,247,159) ordinary shares of 0.01 cents (31 December 2017: 0.01 cents) each	13,581	13,524
Share premium:		
Balance at the beginning of the period	21,933,772	21,697,470
Issue of shares	297,890	236,302
Balance at the end of the period	22,231,662	21,933,772

On 1 April 2018, the Company issued 565,437 new common shares pursuant to the Company's employee incentive scheme. The shares rank pari passu with the existing ordinary shares. Fully paid ordinary shares which have a par value of 0.01 cents, carry one vote per share and carry rights to dividends.

11. Long term liabilities

Long term liabilities consist of a $12 million revolving credit facility (“RCF”) provided by Standard Bank (Mauritius) Limited following a renewal of the Facilities Agreement on 30 October 2017. The interest rate on the RCF is the prevailing three-month US LIBOR (payable in arrears) plus a margin of 5.75%, and an annual commitment fee of 1.5% of the undrawn balance.

Security for the Standard Bank (Mauritius) Limited facility comprise:

- Upward corporate guarantees from Capital Drilling (T) Limited, Capital Drilling (Botswana) Proprietary Limited and Capital Drilling Ltd.
- A negative pledge over the assets of Capital Drilling (T) Limited and Capital Drilling Ltd.

CAPITAL DRILLING

11. Long term liabilities (continued)

As at the reporting date and during the year under review, the Group has complied with all covenants attaches to the loan facility.

	Six months ended	
	30 June 2018	**30 June 2017**
	$	**$**
Standard Bank (Mauritius) Limited		
Balance at 1 January	12,041,585	12,095,125
Amounts received during the 6-month period	-	6,500,000
Interest accrued during the 6-month period	460,508	543,557
Interest paid during the 6-month period	(469,730)	(514,202)
Principal repayments during the 6-month period	-	(3,500,000)
	12,032,363	15,124,480
Less: Current portion included under current liabilities	(32,363)	(15,124,480)
Due after more than one year	12,000,000	-

	Six months ended	
	30 June 2018	**30 June 2017**
	$	**$**
12. Cash from operations		
Profit before taxation	4,976,136	4,525,639
Adjusted for:		
- Depreciation	6,714,923	6,392,131
- Loss on disposal of property, plant and equipment	273,881	142,257
- Realised (gain)/loss on FVTOCI shares	(49,225)	183,495
- Fair value adjustment on financial assets through profit and loss	(47,236)	123,989
- Share based payment expense	173,299	118,314
- Interest income	(59,866)	(137,264)
- Finance charges	533,081	543,557
- Share of loss/(income) from associate	246,441	(5,213)
- Unrealised foreign exchange loss on foreign exchange held	198,515	201,026
Operating profit before working capital changes	12,959,949	12,087,931
Adjustments for working capital changes:		
- Decrease (Increase) in inventory	874,147	(504,404)
- (Increase) decrease in trade and other receivables	(1,732,003)	1,946,900
- (Increase) decrease in prepaid expenses and other assets	(1,655,542)	1,729,149
- Decrease in trade and other payables	(3,235,713)	(2,128,856)
	7,210,838	13,130,720

13. Segmental analysis

Operating segments are identified on the basis of internal management reports regarding components of the Group. These are regularly reviewed by the Chairman in order to allocate resources to the segments and to assess their performance. Operating segments are identified based on the regions of operations. For the purposes of the segmental report, the information on the operating segments have been aggregated into the principal regions of operations of the Group. The Group's reportable segments under IFRS 8 are therefore:

- Africa: Derives revenue from the provision of drilling services, equipment rental and IT support services.
- Rest of world: Derives revenue from the provision of drilling services, equipment rental and IT support services.

Information regarding the Group's operating segments is reported below. At 30 June 2018, management reviewed the composition of the Group's operating segments and the allocations of operations to the reportable segments.

Segment revenue and results:

The following is an analysis of the Group's revenue and results by reportable segment:

For the six months ended 30 June 2018	**Africa**	**Rest of World**	**Consolidated**
	$	**$**	**$**
External revenue	53,710,022	766,653	54,476,675
Segment profit (loss)	13,667,309	(5,502,934)	8,164,375
Central administration costs and depreciation, net of other income			(2,372,122)
Profit from operations			5,792,253
Realised (loss) on disposal of FVTOCI shares			(49,225)
Fair value adjustment on financial assets through profit and loss - Share Options			(47,236)
Interest income			59,866
Share of losses from associate			(246,441)
Finance charges			(533,081)
Profit before tax			4,976,136

13. Segmental analysis (continued)

For the six months ended 30 June 2017	Africa	Rest of World	Consolidated
	$	$	$
External revenue	55,188,168	7,144,242	62,332,410
Segment profit (loss)	9,470,045	(2,627,305)	6,842,470
Central administration costs and depreciation, net of other income			(1,608,537)
Profit from operations			5,234,203
Realised (loss) on disposal of FVTOCI shares			(183,495)
Fair value adjustment on financial assets through profit and loss - Share Options			(123,989)
Interest income			137,264
Share of income from associate			5,213
Finance charges			(543,557)
Profit before tax			4,525,639

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of central administration costs, depreciation, interest income, share of losses from associate, finance charges and income tax. This is the measure reported to the Chairman for the purpose of resource allocation and assessment of segment performance.

	Six months ended	
	30 June 2018	30 June 2017
	$	$
Segment assets:		
Africa	170,241,123	138,185,655
Rest of world	14,982,961	29,162,399
Total segment assets	185,224,084	167,348,054
Head office companies	45,510,958	39,709,123
	230,735,042	207,057,177
Eliminations *	(127,064,082)	(103,959,649)
Total assets	103,670,960	103,097,528
Segment liabilities:		
Africa	45,658,320	31,694,352
Rest of world	7,370,827	17,712,149
Total segment liabilities	53,029,147	49,406,501
Head office companies	105,378,810	88,215,910
	158,407,957	137,622,411
Eliminations *	(125,493,196)	(102,488,227)
Total liabilities	32,914,761	35,134,184

13. Segmental analysis (continued)

For the purposes of monitoring segment performance and allocating resources between segments the Chairman monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of property, plant and equipment used by the head office companies, certain amounts included in other receivables, and cash and cash equivalents held by the head office companies.

* Eliminations include inter-group accounts receivable, inter-group accounts payable and inter-group investments.

Other segment information:

	Six months ended 30 June 2018	Six months ended 30 June 2017
Non-Cash items included in profit or loss:	$	$
Depreciation		
Africa	6,498,614	5,610,218
Rest of world	216,309	616,229
Total segment depreciation	6,714,923	6,226,447
Head office companies	-	165,684
	6,714,923	6,392,131
Loss on disposal of property, plant and equipment		
Africa	328,799	115,692
Rest of world	5,082	26,565
Total segment loss on disposal	333,881	142,257
Head office companies	(60,000)	-
	273,881	142,257

CAPITAL DRILLING LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2018

	Six months ended	
	30 June 2018	**30 June 2017**
	$	**$**
13. Segmental analysis (continued)		
Impairment on Inventory		
Africa		
Stock Provision	541,983	169,410
Stock Write Offs	186,330	68,477
	728,313	237,887
Rest of world		
Stock Provision	61,150	(1,069)
Stock Write Offs	11,418	7,971
	72,568	6,902
Total segment impairment	800,881	244,789
Head office companies	374,974	-
	1,175,855	244,789
Additions to property, plant and equipment		
Africa	4,732,032	3,610,324
Transfer to Africa from Rest of the world	319,725	-
Rest of world	-	162,315
Transfer from Rest of the world to Africa	(319,725)	-
Total segment additions	4,732,032	3,772,639
Head office companies	658,036	435,206
	5,390,068	4,207,845

Information about major customers

Included in revenues arising from the Africa segment are revenues of approximately $40.8 million (2017: $35.7 million) which arose from sales to customers that represent more than 10% of the Group's revenue.

14. Commitments

The Group has the following capital commitments at 30 June 2018:

	30 June 2018	30 June 2017
Committed capital expenditure	2,931,891	1,898,404

The Group has outstanding purchase orders amounting to $5.7 million at 30 June 2018 (30 June 2017: $6.5 million).

15. Contingencies

Zambia Tax:

As disclosed in the annual consolidated financial statements for the year ended 31 December 2017, Capital Drilling (Zambia) Limited is a party to various tax claims made by the Zambian Revenue Authority for the tax years 2007 to 2013. On 30 April 2015, the Company received a tax assessment from the Zambian Revenue Authority totalling ZMW 144.1 million (USD equivalent: $13.1 million), inclusive of penalties and interest. The claims relate to various taxes, including income tax, value added tax, payroll tax and withholding tax. Since the assessment date, Management have responded in detail to these claims, providing the Zambian Revenue Authority with detailed analysis and arguments justifying the Company's tax position. No amount has yet been paid in this regard and no additional communication or actions were received from the Zambian Revenue Authority to date. Capital Drilling (Zambia) is currently dormant with no drilling revenue since November 2014. An amount of $1.6 million has been raised relating to certain areas of the claim, however the directors are of the opinion that a significant portion of the tax claim by the Zambia Revenue Authority is without merit.

Tanzania tax:

Capital Drilling (T) Ltd is party to a payroll tax claim made by the Tanzanian Revenue Authority (TRA) for the tax years 2009-2015. During the financial year ended 31 December 2016, the company received an immediate demand notice from the (TRA) for Tanzanian Shillings of 18,598,361,197 (US$ 8,374,660), inclusive of penalties and interest. Management objected to the assessment raised by the TRA and requested the calculations of the notice. In order to object, according to Tanzanian Tax Law Sections 51(1) and (5) of the TAA 2015, a taxpayer is required to pay the tax amount not in dispute or one third of the assessed tax whichever is greater. It is prudent to note that the Finance Act in 2016 added a further subsection (9) in Section 51 regarding tax objections and assessments. The said amendment provides: “Where the taxpayer fails to pay the amount stated under subsection (5) within the time provided therein, the assessed tax decision shall be confirmed as final tax assessment in terms of section 15(1)(a) of the Tax Revenue Appeals Act.” In accordance with the above-mentioned legislation, management reached an agreement with the TRA to pay Tanzanian Shillings of 1,500,000,000 ($0.7 million) in lieu of the one third of the assessed value. This amount was fully provided for in the 2016 Annual Financial Statements. In June 2017 the TRA provided their workings to Capital Drilling (T) Ltd. Capital Drilling (T) Ltd identified differences with the TRA on both the specific merits and methodology used to determine the value. Capital Drilling engaged PWC Tanzania and on 30 April 2018 provided updated calculations for review. Feedback from the TRA is pending. Capital Drilling (T) Ltd has maintained an engaging relationship with the TRA to find closure and resolution to this matter. In order to continue the discussions and negotiations with the TRA, Capital Drilling (T) Ltd has, at the request of the TRA, paid an additional amount of Tanzanian Shillings of 2,600,000,000 ($1.14 million) as at 30 June 2018. This is in line with the aforementioned Tanzanian Tax Law.

The TRA also raised a Withholding Tax liability of TZS 2,244,907,829 (US$ 1,024,268) inclusive of interest and penalties. The TRA considered assets purchased by Capital Drilling (T) Ltd as leased. The TRA interpreted these assets as a rental agreement rather than permanent acquisition of these assets, which results in no Withholding Tax liability. Management lodged an objection on 14 November 2016 and paid an upfront payment of TZS 170,000,000 (US$ 77,564) in order to have the objection validated and acknowledged, as is required per subsection (9) in Section 51 of the Income Tax Act of Tanzania. Based on the above, management assessed no further liability with regards to this assessment. As at 31 December 2017, this objection is still pending with the TRA and no resolution has been reached as yet.

16. Events post the reporting date

Interim dividend declared:

The directors proposed that an interim dividend of 0.6 cent per share be paid to shareholders on 5 October 2018. This dividend has not been included as a liability in these condensed consolidated interim financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 7 September 2018. The total estimated interim dividend to be paid is $0.8 million (2017: $0.7 million). The payment of this dividend will have no tax consequences for the Group.

17. Going concern

The Group has set specific objectives and also has policies and processes in place to manage its capital and its financial, credit risk and liquidity risks.

The Group has borrowings and debt facilities which, together with its clients' receipts, fund its day to day working capital requirements. Volatile economic conditions may create uncertainty particularly over (a) the level of demand for the Group's services; (b) exchange rate fluctuations against the US Dollar and thus the consequence for the cost of the Group's direct costs; and (c) the availability of bank financing in the foreseeable future.

The Group's forecasts and projections, taking into account potential changes in its performance, show that the Group should be able to operate within the level of its capital structure. The Group continuously discusses its future borrowing and / or refinancing needs with its bankers and no matters have been drawn to its attention to suggest that these needs may not be met on acceptable terms.

The directors confirm that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group continues to adopt the going concern basis of accounting in preparing the interim financial statements.

18. Financial instruments

Financial instruments that are measured in the consolidated statement of financial position or disclosed at fair value require disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

18. Financial instruments (continued)

	Six months ended	
	30 June 2018	**30 June 2017**
	$	**$**
FVTOCI investments carried at fair value		
Level 1 - Listed shares	1,107,132	1,124,419
Level 3 shares	1,328,632	798,104
Fair Value investment through profit and loss		
Options - Level 2	-	281,904
	2,435,764	2,204,427

The Group's FVTOCI financial assets are listed equity securities in the mining industry and measured at fair value at the end of each reporting period. The FVTOCI investments are designated as level 1 in the fair value hierarchy. Their fair value is determined using quote bid prices in an active market. The Group's held-for-trading financial assets are options and warrants to acquire shares in listed equity securities that are not traded in an active market. The held-for-trading financial assets are designated as level 2 in the fair value hierarchy. Their fair value is determined using a binominal tree model valuation technique based on observable market data that includes the value of the underlying security, the exercise price, volatility and risk-free rate of return.

The fair values of financial instruments that are not traded in an active market are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on Group specific estimates. The directors consider that the carrying value amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements are approximately equal to their fair values. The fair values disclosed for the financial assets and financial liabilities are classified in level 3 of the fair value hierarchy have been assessed to approximate their carrying amounts based on a discounted cash flow assessment.

CAPITAL DRILLING LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITY
For the six months ended 30 June 2018

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the condensed consolidated interim financial statements and related information. The auditors are responsible for expressing a review conclusion on the condensed consolidated interim financial information based on their review.

The directors are also responsible for the Group's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for the Group's assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the six months under review.

We confirm that to the best of our knowledge:

a) the condensed set of consolidated interim financial statements, which has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Boards gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by DTR4.2.4R;

b) the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR4.2.8; and

c) there has been no significant individual related party transactions during the first six months of the financial year and nor have there been any significant changes in the Group's related party relationships from those reported in the Group's annual financial statement for the year ended 31 December 2017.

The condensed consolidated interim financial statements have been prepared on the going concern basis since the directors believe that the Group has adequate resources in place to continue in operation for the foreseeable future.

The condensed consolidated interim financial statements were approved by the board of directors on 13 August 2018.

ON BEHALF OF THE DIRECTORS

Jamie Boyton
Chairman of the Board of Directors

Brian Rudd
Executive Director

CAPITAL DRILLING LIMITED
Principal Risks and Uncertainties

The Group operates in environments that pose various risks and uncertainties. Aside from the generic risks that face all businesses, the Group's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below.

These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties nor are they listed in order of magnitude or probability. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the Group's operating results, financial condition and prospects.

The principal risks associated with the business are:

Area	Description	Mitigation
Fluctuation in levels of mining activity	The Group is highly dependent on the levels of mineral exploration, development and production activity within the markets in which it operates. A reduction in exploration, development and production activities, or in the budgeted expenditure of mining and mineral exploration companies, will cause a decline in the demand for drilling rigs and drilling services, as was evident in the 2014 and 2015 financial years.	The Group is seeking to balance these risks by building a portfolio of long term drilling contracts and expanding into new geographic areas and the implementation of its Lean Operating Model.
Reliance on key customers	The Group's revenue is reliant on a small number of key customers. A loss of a key customer, or a significant reduction in the demand for drilling provided to a key customer will have a significant adverse effect on the Group's revenues.	The Group has entered into long term contracts with its key customers for periods between two to five years. Contract renewal negotiations are initiated well in advance of expiry of contracts to ensure contract renewals are concluded without interruption to drilling services. The Group has and continues to monitor projects closely and invest a significant amount of time into client relationship and service level monitoring at all levels of the business. A key part of this process is the quarterly project steering committee meetings with key client stakeholders that provide a forum for monitoring and reporting on project performance and performance indicators, contractual issues, pricing and renewal.

CAPITAL DRILLING

Area	Description	Mitigation
Operating risks	Operations are subject to various risks associated with drilling including, in the case of employees, personal injury, malaria and loss of life and, in the Group's case, damage and destruction to property and equipment, release of hazardous substances in to the environment and interruption or suspension of drill site operations due to unsafe drill operations. The occurrence of any of these events could adversely impact the Group's business, financial condition, results of operations and prospects, lead to legal proceedings and damage the Group's reputation. In particular, clients are placing an increasing focus on occupational health and safety, and deterioration in the Group's safety record may result in the loss of key clients.	The Executive Chairman, Executive Leadership Team and managers provide leadership to projects on the management of these risks and actively engage with all levels of employees. The Group have implemented and continue to monitor and update a range of health and safety policies and procedures including equipment standards and standard work procedures. Employees are provided with training regarding risks associated with their employment, policies and standard work procedures. Health and Safety statistics and incident reports are monitored throughout our projects and the various management structures of the Group, including the HSSE committee. Where necessary policies and procedures are updated to reflect developments and improvement needs. The Group maintains adequate insurance policies to provide insurance cover against operating risks.
Currency fluctuations	The Group receives the majority of its revenues in US dollars. However, some of the Group's costs are in other currencies in the jurisdictions in which it operates. Foreign currency fluctuations and exchange rate risks between the value of the US dollar and the value of other currencies may increase the cost of the Group's operations and could adversely affect the financial results. As a result, the Group is exposed to currency fluctuations and exchange rate risks.	To minimise the Group's risk, the Group tries to match the currency of operating costs with the currency of revenue. Funds are pooled centrally in the head office bank accounts to the maximum extent possible. The group have implemented procedures to allow for the repatriation of funds to the Group's Head Office bank accounts from jurisdictions where exchange control regulations are in effect.
Political, economic and legislative risk	The Group operates in a number of jurisdictions where the political, economic and legal systems are less predictable than in countries with more developed industrial structures. Significant changes in the political, economic or legal landscape in such countries may have a material effect on the Group's operations in those countries. Potential impacts include restrictions on the export of currency, expropriation of assets, imposition of royalties or other taxes targeted at mining companies, and requirements for local ownership. Political instability can also result in civil unrest, industrial action and nullification of existing agreements, mining permits or leases. Any of these may adversely affect the Group's operations or results of those operations. The Group has invested in a number of countries thereby diversifying exposure to any single jurisdiction.	The Group monitors political and regulatory developments in the jurisdictions it operates in through a number of service providers and advisors. Senior management regularly reports to the Board on any political or regulatory changes in the jurisdictions we operate in. Where significant events occur, we work closely with our clients, advisors and other stakeholders to address these events. The Group has also increased their international tax and compliance capabilities, by the appointment of a Head of Tax and Compliance to ensure and monitor compliance with local legislation.

CAPITAL DRILLING LIMITED
APPENDIX: GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES

The following terms and alternative performance measures are used in the half year results release for the six months ended 30 June 2018.

ARPOR	Average revenue per operating rig
Adjusted EBITDA	Earnings before interest, taxes, depreciation, amortisation and additional specific items
NET CASH (DEBT)	Cash and cash equivalents less short term and long-term debt
NET ASSET VALUE PER SHARE (CENTS)	Total equity / Weighted average number of ordinary shares

Reconciliation of alternative performance measures to the financial statements:

	Six months ended	
	30 June 2018	**30 June 2017**
	$	**$**
ARPOR can be reconciled from the financial statements as per the below:		
Revenue per financial statements ($)	54,476,675	62,332,410
Non-drilling revenue ($)	(2,746,461)	(2,654,410)
Revenue used in the calculation of ARPOR ($)	51,730,214	59,678,000
Monthly Average active operating Rigs	43	52
Monthly Average operating Rigs	94	93
ARPOR (rounded to nearest $'000)	200,000	191,000
EBITDA can be reconciled from the condensed consolidated interim financial statements as per the below:		
Profit for the period	2,767,986	2,580,275
Depreciation	6,714,923	6,392,131
Taxation	2,208,150	1,945,364
Share of losses (income) from associate	246,441	(5,213)
Interest income	(59,866)	(137,264)
Finance charges	533,081	543,557
Fair value adjustment on financial assets through profit and loss - Share Options	47,236	123,989
Realised (loss) on FVTOCI shares	49,225	183,495
EBITDA	12,507,176	11,626,334

	Six months ended	
	30 June 2018	31 December 2017
	$	$
Net cash (debt) can be reconciled from the condensed consolidated interim financial statements as per the below:		
Cash and cash equivalents	15,380,570	16,911,383
Long-term liabilities	(12,000,000)	(12,000,000)
Current portion of long-term liabilities	(32,363)	(41,585)
Net cash (debt)	3,348,207	4,869,798
Net Asset Value per share (cents) can be calculated as per the below:		
Total Equity	70,756,199	70,058,290
Weighted average number of ordinary shares used in the calculation of basic earnings per share	135,525,192	135,076,227
Net Asset Value per share (Cents)	52.21	51.87

Adjusted EBITDA

Adjusted EBITDA represents profit or loss for the year before interest, income taxes, depreciation and amortisation adjusted for share of income (loss) from associates, interest income, finance charges, fair value adjustments on financial assets at fair value through profit and loss and realised gain (loss) on FVTOCI shares.

Adjusted EBITDA is non-IFRS financial measures that is used as supplemental financial measures by management and external users of financial statements, such as investors, to assess our financial and operating performance. These non-IFRS financial measures will assist our management and investors by increasing the comparability of our performance from period to period.

We believe that including Adjusted EBITDA assists our management and investors in: -

i. understanding and analysing the results of our operating and business performance, and

ii. monitoring our ongoing financial and operational strength in assessing whether to continue to hold our shares. This is achieved by excluding the potentially disparate effects between periods of depreciation and amortisation, income (loss) from associate, interest income, finance charges, fair value adjustment on financial assets at fair value through profit and loss and realised gain (loss) on FVTOCI shares, which may significantly affect comparability of results of operations between periods.

Adjusted EBITDA has limitations as analytical tools and should not be considered as alternatives to, or as substitutes for, or superior to, profit or loss for the period or any other measure of financial performance presented in accordance with IFRS. Further other companies in our industry may calculate these measures differently from how we do, limiting their usefulness as a comparative measure.

Net cash (debt)

Net cash (debt) is a non-GAAP measure that is defined as cash and cash equivalents less short term and long-term debt.

Management believe that net cash (debt) is a useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of cash and cash equivalents within the Group's business that could be utilised to pay down the outstanding borrowings. Management believes that net debt can assist securities analysts, investors and other parties to evaluate the Group. Net cash (debt) and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required in comparing net debt as reported by the Group to net cash (debt) of other companies.

Net Asset Value per share (cents)

Net Asset Value per share (cents) is a non-financial measure taking into consideration the total equity over the weighted average number of shares used in the calculation of basic earnings per share.

Management believes that the net asset value per share is a useful indicator of the level of safety associated with each individual share because it indicates the amount of money that a shareholder would get if the Group were to liquidate. Management believes that net asset value per share can assist securities analysts, investors and other parties to evaluate the Group.

Net asset value per share and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required in comparing net asset value per share as reported by the Group to net asset value per share of other companies.

Average revenue per operating rig

ARPOR is a non-financial measure defined as the average drilling specific revenue for the period divided by the monthly average active operating rigs. Drilling specific revenue excludes revenue generated from shot crew, a blast hole service that does not require a rig to perform but forms part of drilling. Management uses this indicator to assess the operational performance across the board on a period by period basis even if there is an increase or decrease in rig utilisation.