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Capital Drilling Limited
("Capital Drilling", the "Group" or the "Company")

Preliminary Results and Trading Update

Capital Drilling Limited (CAPD:LN), a leading drilling solutions company focused on emerging and developing markets, today provides its unaudited results for the financial year ended 31 December 2016. The Company also provides an update of activity for the second half (H2 2016), ahead of announcing its audited full year results on 16 March 2017.

Commenting on the 2016 financial year, Mark Parsons, CEO, said:

"The improvement of rig utilisation from 34% in January to 59% in December 2016 underpinned what was a very strong year of growth for Capital Drilling. The financial metrics of the business have significantly strengthened in line with the improvement in the mining sector, particular in our key emerging markets, with Capital Drilling entering four new key markets during the period. Though this expansion by geography as well as winning of a number of significant contracts has increased our capex and temporarily impacted margins through mobilisation costs, we look forward to reaping the benefits of this investment through further growth in not only our profitability but also in our free cash flow generation."

2016 Key Metrics (Unaudited)

	2016[1] US$m	2015 US$m	Change %
Average Fleet Size	94	97	(3)
Fleet Utilisation (%)	45	34	32
ARPOR ($) (Average Revenue per Operating Rig)	177,000	188,000	(6)
Capex	12.8	6.1	110
Revenue	93.4	78.7	19
EBITDA	13.1	9.9	32
EBIT	(1.3)	(4.7)	72
Net Profit (Loss) After Tax	(4.8)	(10.2)	53
Cash generated from operating activities	9.4	22.0	(57)
Earnings per share			
Basic (cents)	(3.6)	(7.6)	53
Diluted (cents)	(3.6)	(7.6)	53
Net Asset Value per share (cents)	49.5	56.9	(13)
Return On Capital Employed (%)	(1.4)	(4.6)	70
Return On Total Assets (%)	(4.9)	(10.8)	55
Net Cash / (Debt)	0.6	8.3	(93)
Net Cash / (Debt) to Equity (%)	0.9	10.8	(92)

[1]Unaudited results

2016 Full Year Results and H2 2016 Review (Unaudited)

The minerals market has experienced improving conditions throughout 2016. The gold exploration segment in Capital Drilling's markets in particular has seen increasing capital and equity raisings by the Junior mining companies, together with increasing brownfield exploration at existing operations.

Capital Drilling's preliminary revenue result for the full year was $93.4 million (2015: $78.7 million), representing a 19% increase on the previous year. The North Mara production contract, which commenced in December 2015, delivered the greatest contribution to the increase while revenue from exploration operations increased 16%.

Encouragingly, fourth quarter revenue was the highest for 24 months, with the Group continuing to achieve quarterly revenue growth throughout most of that period, with the exception of Q4 2015.

The revenue result for H2 2016 was $51.7 million (H2 2015: $39.7 million), a 30% increase on the previous corresponding period. The result includes Q4 2016 revenue of $27.8 million (Q4 2015: $18.9 million).

Rig utilisation for H2 2016 was 49% (H2 2015: 35%) and the average revenue per operating rig (ARPOR) was $178,000 (H2 2015: $188,000), on an average fleet size of 94 (H2 2015: 97). Utilisation for Q4 2016 was 55% (Q4 2015: 35%) and the ARPOR was $168,000 (Q4 2015: $185,000), on an average fleet size of 94 (Q4 2015: 97).

The Company's full year ARPOR result was $177,000 (2015: $188,000). This reduction is attributed to the more intermittent nature of exploration projects compared to Capital's long term production drilling contracts, as exploration related revenues increase.

EBITDA of $13.1 million in 2016 (2015: $9.9 million) represents a 32% increase on the previous corresponding period. This result was impacted by lower Gross Profit margins (28%) due to mobilisation costs associated with the commencement of exploration contracts in four new countries, [a non-cash charge of approximately $1 million associated with the] decommissioning of 9 rigs and historical tax expenses in Tanzania ($2 million).

Capital Expenditure / Group Cash Flow

Total Capital Expenditure for the year was $12.8 million. To support the RAKITA exploration contract in Serbia and increase the Company's deep hole directional drilling capacity, a further exploration rig (in addition to the two previously announced) was purchased in H2 2016. Rods for the project were purchased for a further $1.9 million.

Additionally, three replacement production rigs were acquired for the long-term Geita & Sukari contracts during the last quarter. The rigs will commence operations during Q1 2017, with expenditure on the purchase of rigs attributed to FY16 CAPEX.

To maintain the Group's young fleet, six exploration rigs and one production rig were decommissioned in Q4, while a further two exploration rigs were decommissioned earlier in the year. The net result of these changes brings the fleet total to 92 at year end (2015: 94).

As opportunities within the exploration market grew throughout FY16, rebuilds were completed on 31 rigs to ensure operational readiness ($3.0 million expenditure), while four production rigs also underwent rebuilds ($1.2 million expenditure).

Net cash at 31 December 2016 was $633,000. The Company's strong cash generation in previous periods has enabled it to rapidly respond to opportunities presented by improving market conditions. The reduced net cash result can be attributed to costs associated with: rig rebuilds for operational readiness ($4.2 million as outlined above); the mobilisation of 14 rigs into four new countries ($1.7 million); together with further extension of operations in West Africa. This expenditure is in line with the Company's growth strategy of increasing utilisation via geographic expansion and maintaining fleet operational readiness, and will deliver long term growth benefits.

H2 2016 Operational Summary

- Q3 contract awards:
  - RAKITA Exploration (Nevsun Resources), Serbia: 4 deep hole exploration directional drilling rigs, initial 2 rigs commenced early August
  - Ascom Mining, Ethiopia: 2 diamond rigs, commenced August
  - Resolute, Mali: 1 diamond rig, commenced August
  - Acacia Exploration Kenya Ltd (a subsidiary of Acacia Mining plc), Kenya: 3 diamond rigs, commenced September. Contract extension recently awarded to July 2017
- Q4 contract awards:
  - Mining Resources, Mauritania: 1 reverse circulation rig, commenced September
  - Thani Stratex, Egypt: 1 diamond rig, commenced October
  - Tilva (BVI) Inc. (a Rio Tinto/Nevsun Resources JV), Serbia: 2 diamond rigs, commenced October
  - Acacia Bulyanhulu, Tanzania: 1 diamond and 1 reverse circulation rig commenced December
  - Anglo Gold Ashanti, Geita, Tanzania: 1 diamond underground rig commencing January 2017
- Q4 2016 rig utilisation of 55% on an average rig fleet size of 92 rigs (H1 2016 44% on an average rig fleet of 94 rigs)
- Long-term production contracts at Sukari and Geita performing well. North Mara Production contract (commenced December 2015) exceeding stakeholder expectations
- Mobilised 14 rigs into four new countries of operation (Mali, Kenya, Ethiopia and Serbia)
- Increased rig utilisation from 34% (January 2016) to 59% (December 2016)
- Increased costs associated with entry into new countries including mobilisation, customs, and rig preparation, together with some margin erosion during project commencement while drilling performance stabilised
- Full year benefits of new exploration contracts expected during 2017.

Management & Organisational Changes

As previously announced, Dewald van Tonder commenced in the role of Chief Financial Officer on 1 November, 2016 and joined the Executive Leadership Team. Mr Van Tonder brings significant financial leadership experience to the position and has had exposure across the African markets.

Additionally, Nataly Marchbank commenced as Group Tax Manager in November bringing extensive knowledge of the complex African tax environment.

As communicated in the Q3 2016 Trading Update, a realignment of the Executive Leadership Team and organisational structure was completed to capitalise on current contracts and future growth opportunities. Business units now focus on either exploration or production activities and are more closely aligned with clients' operational structures. This is expected to improve the Group's capability to deliver on the diverse requirements of clients in each phase.

2017 Outlook

The improving market conditions are expected to continue, as evidenced by new contract activity across the sector. Improvements in the gold segment are also driving additional tendering opportunities with Capital Drilling's existing clients in its core markets.

Positive market sentiment is evident as Junior mining companies continue to secure capital and raise equity, while existing brownfields projects are expanding exploration activity and moving open pit operations to underground mining.

Capital Drilling is in a strong position to capitalise on opportunities as the market continues its upswing. Investments completed during H2 2016 as outlined above both in terms of direct apex and new contract mobilisations have provided a foothold into the West African and Serbian markets. The Company's revenue will continue to be underpinned by its long-term production contracts, including the high performing North Mara contract.

As the 2017 year commences, the Company has 8 exploration contracts secured compared to 3 in the first quarter of 2016, together with its ongoing long term production contracts. As a result, the Group expects significant revenue improvement in 2017 and provides guidance for revenues of $105 million to $112 million for the year.

The Group's full year audited results, together with any dividend declarations, will be announced 16 March 2017.

For further information, please visit Capital Drilling's website www.capdrill.com or contact:

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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 91 drilling rigs with established operations in Botswana, Chile, Egypt, Ethiopia, Kenya, Mali, Mauritania, Serbia and Tanzania. The Group's corporate headquarters is in Mauritius.