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

Q4 2017 Trading Update

Capital Drilling Limited (CAPD:LN), a leading drilling solutions company focused on the African markets, today provides its Q4 2017 trading update for the period ended 31 December 2017 (the "Period"), ahead of announcing its full year results on 16 March 2018.

FOURTH QUARTER (Q4) AND FULL YEAR 2017* KEY METRICS

	Q4 2017	Q3 2017	% change from Q3 2017	2017*	2016	% change from FY 2016
Revenue ($m)	27.1	30.0	-10%	119.4	93.3	28%
ARPOR# ($)	198,000	198,000	0%	194,000	177,000	10%
Average utilised rigs	43	48	-10%	49	42	17%
Fleet Utilisation (%)	47%	52%	-10%	53%	45%	18%
Average Fleet	92	93	-1%	93	94	-1%
Closing fleet size	93	92	1%	93	92	1%

All amounts are in USD unless otherwise stated
 # Average revenue per operating rig
** Unaudited numbers*

Financial Highlights

- Q4 2017 revenue of $27.1 million reflecting traditional seasonal slowing from Q3. Revenue down marginally from Q4 2016 of $27.8 million
- Full year 2017 revenue of $119.4 million, representing a 28% increase over 2016
- The company returned to profitability as the sector emerged from a four year cyclical downturn
- Maintained and improved the Group's strong balance sheet, driven by enhanced discipline around capital expenditure and improved cost management
- Finished the period with $4.9 million in net cash, up from $0.6 million as at 31 December 2016, after investing $2.85 million in MS Analytical and paying $2 million in dividends during 2017
- Successfully refinanced the Group's debt facility with leading African lending institution Standard Bank, signing a new $12 million revolving credit facility with a three year term to December 2020
- Completed the phased strategic investment to earn a 50% interest in the minerals testing business, MS Analytical, with Capital Drilling now holding two Board seats in the Company
- Guidance maintained for FY 2017 due to an improving margin profile over 2017, with full year results scheduled for release on 16 March 2018
- The Company anticipates full year 2018 revenues of between $100 and $110 million underpinned by long term contracts in Tanzania, Egypt, Mauritania and Mali. Guidance does not incorporate new business opportunities in exploration, particularly in the West African market

Operational Highlights

- Strong and improving ARPOR driven by improved performance across the Group's key long-term contracts
- Q4 2017 ARPOR of $198,000 consistent with Q3 2017, with H2 2017 ARPOR improving by 4% on H1 2017 ARPOR of $191,000
- Substantial improvement in full year ARPOR to $194,000, up 10% on 2016 ($177,000)
- Utilisation decreased to 47% for Q4 2017 (from 52% in Q3 2017) reflecting the completion of drilling activities in Serbia, an easing in delineation drilling activities in Kenya and ongoing subdued delineation activity levels in Tanzania
- Acquired four rigs over 2017 for long-term contracts at the Geita Gold Mine (Tanzania), the Sukari Gold Mine (Egypt) and the Syama Mine (Mali), while retiring two production rigs and selling two exploration rigs over the same period
- Expanded activities on long term mine site based contracts, specifically;
    - Increased Grade Control drilling activity at the Tasiast Mine (Kinross) in Mauritania (two rigs), consistent with the sustained increase in mining volumes
    - Commencement of underground drilling at the Syama Mine (Resolute) in Mali (two rigs)
- Received a two year contract extension at the North Mara Gold Mine in Tanzania (Acacia), covering our existing blast hole and grade control drilling services
- Commenced redeployment of idle assets from Serbia and Chile to the high growth West African region, including establishing a presence in Côte d'Ivoire
- Continued progress made with corporate integration of MS Analytical, consistent with Capital Drilling's strategy of expanding our service offering to the exploration and mining sector

Trading Update

Capital Drilling generated revenue of $27.1 million during Q4 2017, representing a 10% decrease on the previous quarter. The continued strength in ARPOR, reflecting improved contract performance, was offset by weaker utilisation, driven by the conclusion of drilling activities in Serbia and softer activity levels in Tanzania and Kenya. Revenue for 2017 of $119.4 million did however record a material 28% increase over 2016, with the company returning to profitability as the cyclical recovery builds momentum.

Despite weaker Q4 2017 revenue, we were encouraged by a progressive expansion in operating margins over the year, a reflection of improved contract performance, ceasing activities in Serbia and a general improvement in cost management across the business. The improved operating performance, coupled with enhanced discipline around capital expenditure, drove an improvement in the Group's balance sheet over the year, with closing net cash of $4.9 million, up from $0.6 million as at 31 December 2016. The Group's gross debt was further reduced by $1.5 million in Q4 2017, to $12 million, and the Group refinanced its revolving credit facility with Standard Bank for a further three year term.

Significant progress was made over the year in securing further long-term contracts. We received a two year extension, to December 2019, for the continued provision of grade control and blast hole drilling services at the North Mara Gold Mine in Tanzania (Acacia). In Mauritania we were awarded a three year grade control drilling contract at the Tasiast Mine (Kinross) and in Mali we were awarded a three year underground drilling contract at the Syama Mine (Resolute). These awards have added depth to the Company's portfolio of long term mine site based contracts and provide a solid platform for growth into the future.

Tanzania Update

We are pleased to note the publication of the Mining (Local Content) Regulations (the "LC Regulations"), 2018, which were made available on 16 January 2018. The release of the Regulations follows the passing of legislation by the National Assembly in July 2017.

In our July 2017 market release we noted that the draft Bill's original text had referred to "goods and services" and as such there were welcomed changes in the final published amendments to section 102(2) of the Mining Act, which did not include "services". This suggested that where services required by a licenced miner in Tanzania were not otherwise available in Tanzania (such as specialised drilling), the miner could contract with companies regardless of their ownership.

The LC Regulations now provide further guidance and rules on Mining Act's new local content supply chain provisions. However, there remain areas that are open to wide interpretation and we will be actively engaging regulators and stakeholders, including the new Mining Commission and its proposed Local Content Committee, to gain a clearer understanding of the regulations and their consistency with the Act, with the aim to agree on their parameters and our compliance plans.

Our long-term production contracts with Acacia Mining (North Mara) and AngloGold Ashanti (Geita) continue to operate in line with expectations, however delineation and exploration activity has been put on hold while the impact of the regulations is established.

Outlook

Commodities markets continued their positive momentum over 2017 and into 2018, with a broad rally across all metal markets including gold, base metals and battery minerals. Capital markets activities have been highly supportive with a significant increase in capital raising activities. These developments continue to indicate increased drilling activity levels.

Despite the stronger market conditions, Capital Drilling has been impacted by the uncertain regulatory developments in our key Tanzanian market, where there has been a halt to exploration and delineation based drilling activities, while the core production contracts have broadly continued their activity levels. As a result of developments in Tanzania and due to the conclusion of drilling activity in Serbia, we have actively redeployed further assets into West Africa, and are currently in the process of doubling our capacity in this high growth region. Rigs are being deployed to Mauritania, Mali and our newly established facility in Côte d'Ivoire. As a result of these developments the Company provides revenue guidance of between $100 and $110 million for 2018. This guidance is primarily underpinned by the Company's core long term contracts in Tanzania, Egypt, Mauritania and Mali. The Company anticipates retaining the margin improvements made over the last six months.

Commenting on the trading update, Jamie Boyton, Executive Chairman, said:

"The fourth quarter demonstrated the strength of the business model which is focused on generating cash from our drilling assets. We have seen strong revenue and margin growth in 2017 despite the ongoing pressures and uncertainties of the Tanzanian mining sector, as well as some shorter-term contracts being completed during the period. We look forward to the year ahead with confidence due to a stronger underlying metals market as well as our geographic expansion particularly in West Africa, one of the most dynamic markets for drilling at the moment. The Group will maintain its focus on cash generation and delivering a quality service to our strong customer base."

The Group’s full year results, together with any dividend declarations, will be announced 16 March 2018.

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 93 drilling rigs with established operations in Botswana, Côte d’Ivoire, Egypt, Ethiopia, Kenya, Mali, Mauritania and Tanzania. The Group's corporate headquarters is in Mauritius.