FOR IMMEDIATE RELEASE
16 March 2018

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

Full Year Results
For the period ended 31 December 2017

Capital Drilling Limited (CAPD:LN), a leading drilling solutions company focused on the African markets, today announces its full year results for the period ended 31 December 2017.

FULL YEAR FINANCIAL RESULTS (UNAUDITED) FOR THE YEAR ENDED 31 DECEMBER 2017*

	2017	2016
Average Fleet Size (No. of drill rigs)	93	94
Fleet Utilisation (%)	53	45
ARPOR ($)	194,000	177,000
Capex ($ m)	10.8	12.8
Revenue ($ m)	119.4	93.3
EBITDA[1] ($ m)	24.3	13.1
EBIT[1] ($ m)	11.7	(1.4)
Net Profit (Loss) After Tax ($ m)	5.2	(4.8)
Cash From Operations ($ m)	20.7	9.9
Earnings (loss) per Share		
Basic (cents)	3.9	(3.6)
Diluted (cents)	3.8	(3.6)
Final Dividend per Share (cents)	1.2	1.0
Net Asset Value per Share[1] (cents)	51.8	49.5
Return on Capital Employed (%)**	14.3	(2.0)
Return on Total Assets (%)**	11.1	(1.5)
Net Cash[1] ($ m)	4.9	0.6
Net Cash/Equity (%)	7.0	0.9

**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'

Financial Overview

- Revenue up 28% to $119.4 million (2016: $93.3 million)
- EBITDA up 86% to $24.3 million (2016: $13.1 million)
- EBIT of $11.7 million (2016: loss of $1.4 million)
- Net Profit After Tax of $5.2 million (2016: loss of $4.8 million)
- Net Operating Cash Flows up 109% to $20.7 million (2016: $9.9 million)
- Final Dividend of 1.2cps [2016: 1.0cps] to be paid on 18 May 2018
- Net Cash of $4.9 million (2016: $0.6 million)

Operational and Strategic Review

- Performed strongly on long-term production contracts:
  - Acacia Mining's North Mara Gold Mine, Tanzania
  - AngloGold Ashanti's Geita Gold Mine, Tanzania
  - Centamin's Sukari Gold Mine, Egypt
- Awarded and commenced two new long terms contracts:
  - Kinross Gold's Tasiast Mine, Mauritania: awarded a 3-year Grade Control contract, commenced Q2
  - Resolute Mining's Syama Mine, Mali: awarded a 3-year underground drilling contract, commenced Q3
- Received a two year contract extension at Acacia's North Mara Gold Mine, Tanzania (to December 2019)
- Awarded numerous exploration contracts over 2017
  - Acacia Mining (Tanzania)
  - Aton Resources (Egypt)
  - Aura Energy (Mauritania)
  - Algold (Mauritania)
  - MRL (Mauritania)
  - OreCorp Limited (Mauritania)
  - Resolute Limited (Syama)
  - Thani Stratex (Egypt)
- Achievement of a number of world class safety milestones, including:
  - Tanzania (Mwanza) achieved nine years LTI free in January 2017
  - Mauritania (Tasiast Project) achieved six years LTI free in February 2017
  - Mauritania (Algold Exploration) achieved one year LTI free in April 2017
  - Serbia (Cukaru Peki Project) achieved one year LTI free in October 2017
- Mobilised further rigs to the high growth West African market
- Strong increase in annual rig utilisation from 45% in 2016 to 53% in 2017
- Strong increase in annual ARPOR, increasing by 10% to US$194,000 monthly revenue per rig
- Purchased four new rigs, adding to the fleet's deep underground drilling capacity in addition to rig replacements for long term production contracts.

Commenting on the results, Jamie Boyton [Executive Chairman] said:

"Capital Drilling saw a return to profitability in 2017 as the Company continued to drive down costs, extend long-term contracts, as well as secure additional long term contracts in the West Africa market. Capital Drilling has also benefitted from the gradual improvement in market conditions in the mining sector, driving another year of strong revenue growth. Metals prices improved over 2017 and there was a strong increase in capital markets activity, which has translated into increased budgets from mining and exploration companies. The work done in 2016 in preparing and mobilising assets in preparation for the improving sector contributed to an outstanding increase in cash generation and profitability for the Group.

We have entered 2018 in a strong position, despite the ongoing challenges faced by our Tanzanian business. Our continued focus on our industry leading equipment, people and safety standards and our financial strength, provides us with a solid platform to capture opportunities in the year ahead. The addition of another two long-term contracts, with Resolute and Kinross, has further diversified our portfolio of long-term, mine site-based contracts, further enhancing this platform. We are excited to be increasing our presence in the key West African market, with further rigs being deployed into our existing markets of Mauritania and Mali, in addition to our recently established presence in Côte d'Ivoire."

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 are in Mauritius.

CHAIRMAN'S STATEMENT

Commodities markets continued their positive momentum over 2017, with a broad rally across all metals markets including gold, industrial metals and battery metals. Capital markets activities have been highly supportive with a significant increase in capital raising activities, driving increased budgets for drilling from exploration and mining companies.

These positive operating conditions contributed to the second consecutive year of growth for the Company. Revenue increased 28% to $119.4 million, following a 19% increase in 2016 (US$93.3 million), reflecting improved demand for our services from new and existing customers, across exploration, delineation and mine site contracts.

Improved revenues contributed to a significant improvement in profitability, with the Group reporting a net profit after tax of US$5.2 million compared to 2016 loss of US$4.8 million. While increased revenues provided a strong contribution to the results, the management team's focus on cost management and a reduction in recommissioning and mobilisation expenditure as compared to 2016 were further strong drivers of our margin. This was particularly evident over the year with progressively improving quarterly operating margins, despite the decline in quarterly revenues, which were impacted by reduced activity levels in Tanzania and the conclusion of drilling activity in Serbia.

The materially stronger results, coupled with enhanced discipline around capital expenditure drove an improvement in the Group's balance sheet over the year, with net cash as at 31 December of US$4.9 million, up from US$0.6 million at December 31, 2016, after the payment of $2 million of dividends in 2017 and the $2.9 million strategic investment in A2 Global. The Group's gross debt was maintained at US$12 million.

In line with the Group's solid financial and operating position the Board of Directors have declared a final dividend for the 2017 period of 1.2cps (US$1.6 million), payable on 18 May 2018. This is consistent with 2016 dividends and reflects the stronger profit and balance sheet result, while retaining ample capacity to execute on the Company's strategy into 2018 and beyond.

OPERATIONAL UPDATE

The Group's key revenue metrics of utilization and ARPOR produced mixed results over the year. Fleet utilisation, based on the annual average fleet of 93 rigs (2016: 94 rigs), reduced from 56% in H1 2017 to 49% in H2 2017. This drop in utilization was due to reduced exploration and delineation drilling in Tanzania, driven by changes in the regulatory environment, and Serbia, where drilling concluded in August 2017. ARPOR however improved strongly over 2017, increasing 10% on 2016 to $194,000 per month. This increase was driven by improved contract performance as opposed to rate increases, reflecting a solid performance from our operational teams.

The Group's three long-term production contracts, Geita Gold Mine (AngloGold Ashanti) and North Mara Gold Mine (Acacia) in Tanzania, and Sukari Gold Mine (Centamin) in Egypt, all continued to perform well during 2017.

Pleasingly, Capital Drilling secured two further long-term mining contracts: a three year grade control contract at Tasiast Gold Mine (Kinross) in Mauritania; and a three-year underground contract at Syama Mine (Resolute) in Mali. Capital Drilling has strategically focussed on creating a broader base of long term contracts, targeting large scale, long-life, low cost of production mines which provide the Group with greater visibility on future revenue and earnings for Capital Drilling, together with expansion opportunities in the future.

The Group was also awarded a two year contract extension at the North Mara Gold Mine (Acacia) for existing Blast Hole and Grade Control drilling services.

Capital Drilling's production fleet of blast hole and grade control rigs continued to operate at near full capacity over the year. Throughout 2017, the Company acquired four rigs to support the new contract at the Syama Mine and for rig replacements at the Geita Gold Mine and the Sukari Gold Mine. The Group continues to focus on its disciplined program around rig maintenance and improvements, in addition to retiring older assets, to maintain its industry leading reputation for asset quality.

In 2016, Capital Drilling invested significantly in rig refurbishment and recommissioning in response to improving market conditions, preparing assets for the improving market conditions. As such capital expenditure was marginally lower in 2017 at US$10.8 million, versus US$12.8 million in 2016, despite the substantial year on year increase in revenue.

TANZANIA UPDATE

The Group's mine site production contracts at the Geita Gold Mine and the North Mara Gold Mine have at this stage been largely unaffected by the changes in the regulatory environment. However, legislative developments in Tanzania over 2017 have been well documented and have added uncertainty to the investment environment in the mining industry. This has unfortunately had an impact on investment decisions and is directly impacting activity levels in exploration and delineation drilling, which is likely to continue for the foreseeable future.

As outlined in our January trading statement, progress has been made in 2018 with the publication of new regulations promulgated pursuant to the Tanzanian Mining Act (the "Mining Regulations, 2018"), including, with direct applicability to Capital Drilling, the Mining (Local Content) Regulations 2018 (the "LC Regulations"), which were made available on 16 January 2018. The LC Regulations now provide further guidance and rules on the Mining Act's new local content supply chain provisions. However, as previously stated, there remain areas that are open to interpretation.

Capital Drilling remains engaged with local advisors to better understand the impact on our operations in Tanzania, and we look forward to the creation of the Mining Commission and its Local Content Committee in the near future, which will better position us to gain a clearer understanding of the regulations, with the aim to agree on their parameters and our compliance plans.

SAFETY

The Group has an uncompromising commitment to the safety of its employees and all other stakeholders. It expects visible safety leadership at all levels of the business, from the Executive Leadership Team to crews on site. The Company invests significantly in training programs to ensure its workforce is skilled, competent and can identify and mitigate hazards in the workplace.

This strong safety culture has contributed to the Company achieving several world class safety milestones during 2017 including:

- Mwanza facilities, Tanzania achieved nine years LTI free in January 2017
- Tasiast Gold Mine, Mauritania achieved six years LTI free in February 2017
- Algold Exploration Projects, Mauritania achieved one year LTI free in April 2017
- Cukaru Peki Project, Serbia achieved one year LTI free in October 2017

Capital Drilling's key benchmark for safety, specifically the AIFR, saw an increase from 0.80 at end of 2016 to 0.92 at end of 2017, due to an increase in medical treatment cases. Man hours worked for the year totalled 2,383,748. Despite the marginal increase, we remain industry leaders in our safety performance.

OUTLOOK

Commodities markets built on their positive momentum over 2017 and this momentum has continued into 2018, spurred by buoyant gold prices, the emergence and growing demand for battery metals and synchronised global industrial production growth driving industrial metal prices to multi year highs. With the current cycle still young, having turned in mid-2016, coupled with the lack of exploration and investment activity during the prolonged cyclical downturn from 2012, we enter the year optimistic from a demand-led environment. Capital markets activities in the opening months of 2018 have been highly encouraging, further supporting the demand environment for drilling services.

Despite the stronger market conditions, we are currently expecting a reduction in revenue in 2018, primarily due to the impact of Tanzanian regulatory developments, which has currently halted new investment in exploration and delineation drilling. These developments within a key market for Capital Drilling, in addition to the conclusion in 2017 of drilling activity in Serbia, necessitated a downgrade to market revenue guidance in January 2018.

To counter the softer demand in our historically key market of Tanzania, the Group has actively redeployed assets into the high growth West African market, and we are currently in the process of doubling our capacity in this region. Facilities have now been established in Côte d'Ivoire with the initial rigs arriving in country in February. Further rigs have also arrived in our current West African locations in Mauritania and Mali, adding to our service offerings. We are confident of securing additional contracts over the course of 2018, offsetting at least in part the anticipated impact of the weaker Tanzanian market.

The Company's long-term contracts, strong balance sheet and ongoing focus on cost discipline across the business places it in a strong position to leverage opportunities presented by favourable industry conditions and Capital Drilling's expansion within the active West African market. Capital Drilling will continue to focus on increasing its operations in West Africa, growing exploration and delineation drilling contracts across Africa and attaining further strategic long-term mining contracts.

I would like to take this opportunity to thank all of our employees, business partners, shareholders, our Board of Directors and other stakeholders for their continued support of our Company.

Jamie Boyton
Executive Chairman
16 March 2018

CHIEF FINANCIAL OFFICER'S REVIEW

Overview

During 2017 revenues increased 28% to US$119 million, the highest since 2012. This uplift in revenue was due to Capital Drilling improving the revenue streams from existing contracts, an extension of contracts that started during 2016 and new contracts, most notably a three year underground contract for Resolute Mining at Syama mine, Mali and a three year Grade Control contract for Kinross at Tasiast mine, Mauritania.

The increased revenues are as a result of Capital Drilling taking advantage of the continued trend of increased capital and equity raisings by junior mining companies, together with expanded brownfield exploration budgets evidenced in 2016.

The ability to benefit from the increased capital in the sector, combined with a continued focus on cost management, resulted in a strong return to profitability with an NPAT US$5.2 million (2016: loss of US$4.8 million).

Although reduced from 2016, capital expenditure continued to support the improving market conditions. 2017 US$10.8 million (2016: US$12.8 million). During the year four new rigs were purchased (two for production drilling, two for underground). 60% of Capex investment related to the acquisition or upgrade of the rig fleet.

Statement of Comprehensive Income

Reported	2017 $'m	2016 $'m
Revenue	119.4	93.3
EBITDA	24.3	13.1
EBITDA (%)	20.4	14.0
EBIT	11.7	(1.4)
PBT	9.7	(1.0)
NPAT	5.2	(4.8)
Basic EPS (cent)	3.9	(3.6)
Diluted EPS (cent)	3.8	(3.6)

Table 1: Statement of Comprehensive Income (Summary)

Revenue increased by 28% to US$119 million (2016: US$93.3 million). Rig utilisation for the year was 53% (2016: 45%) on an average fleet size of 93 (2016: 94). Average revenue per operating rig (ARPOR) improved to $194,000 (2016: $177,000). While the Geita and Sukari production contracts both increased their contributions on the back of increased productivity, contracts in Mali, Mauritania, Kenya and Serbia all showed significant year on year increases, noting that the Serbia contract terminated in August after conclusion of drilling activities. As is evidenced by the increased ARPOR, revenue grew not only by increased utilisation, but also due to a strong focus on operational efficiencies.

The statement of comprehensive income includes an additional US$0.7 million provision raised for the ongoing tax dispute in Tanzania relating to payroll tax for the financial periods 2009 to 2015.

Earnings before interest, tax, depreciation and amortisation ("EBITDA"), amounted to US$24.3 million delivering a margin of 20.4% (2016: US$13.1 million or 14%), with the Group returning to profitability, with a profit after tax for the year of US$5.2 million (2016: loss of US$4.8 million). This represents a 46% increase year on year on EBITDA margins.

Most contract margin results improved due to greater operational focus and performance management, with a more hands-on approach by the Executive Leadership Team in involving and upskilling the project management teams to focus on profitability. The margin improvement was on an escalating trend into Q4 2017, highlighting the changed mindset. At a group level, the management team was streamlined and group overhead costs were reduced. This is a continuing process with further efficiencies expected in 2018.

The earnings per share for the year was 3.9 cents (2016: loss of 3.6 cents). The weighted average number of ordinary shares used in the earnings per share calculation was 135,162,396 (2016: 134,828,877).

Statement of Financial Position

Reported	2017 $'m	2016 $'m
Non-current assets	44.2	45.8
Current assets	61.4	54.8
Total assets	105.6	100.6
Non-current liabilities	12.0	10.0
Current liabilities	23.5	23.8
Total liabilities	35.5	33.8
Shareholders' equity	70.1	66.8

Table 2: Statement of Financial Position (Summary)

As at 31 December 2017, shareholders' equity increased by 5%. The Group distributed dividends of $2.0 million to the shareholders and recorded a net profit after tax of $5.2 million. Net cash is $4.9 million (2016: $0.6 million). The net profit for the year has further strengthened the Statement of Financial Position.

The total rig fleet size at the end of 2017 was 93 drill rigs (2016: 92). The strategic capital expenditure in 2016 resulted in a reduced requirement in 2017 of $10.8 million (2016: $12.8 million).

Overall property, plant and equipment reduced from $45.1 million in 2016 to $41.4 million in 2017, reflecting depreciation of $12.6 million (2016: $14.5 million), assets disposed of $1.9 million (2016: $2.3 million) and additional capital expenditure of $10.8 million (2016: 12.8 million).

Current assets increased to $61.4 million at 31 December 2017 (2016: $54.8 million). Inventory increased by $2.3 million to $21.7 million (2016: $19.4 million) to support the increased operational activity. Trade receivables increased by $1 million due to the increased revenues. Cash and cash equivalents increased by $4.2 million to $16.9 million (2016: $12.7 million).

Non-current liabilities consisted of a $12 million revolving credit facility ("RCF") provided by Standard Bank (Mauritius) Limited. This facility was renegotiated in 2017 for an additional three years. The Group was fully compliant with all debt covenants throughout the year.

Current liabilities consisted of trade and other payables, $19.7 million (2016: $18.4 million), current portion of long-term liabilities $0.04 million (2016: $2.1 million) and tax liabilities of $3.7 million (2016: $3.3 million). The year-on-year increase for trade and other payables is largely due to the increased business activities. Tax liabilities increased by $0.4 million primarily due to increased activity and Mali and Mauritania.

Reported	2017 $'m	2016 $'m
Opening equity	66.8	76.7
Share based payments	0.2	0.3
Total comprehensive income/(loss)	5.1	(4.8)
Dividends paid	(2.0)	(5.4)
Closing equity	70.1	66.8

Table 3: Statement of changes in equity (Summary)

Statement of Cash Flows

Reported	2017 $'m	2016 $'m
Net cash from operating activities	20.7	9.9
Net cash used in investing activities	(14.7)	(11.6)
Net cash used in financing activities	(2.0)	1.6
Net increase (decrease) in cash and cash equivalents	3.9	(0.1)
Opening cash and cash equivalents	12.7	13.4
Translation of foreign currency cash	0.2	(0.6)
Closing cash and cash equivalents	16.9	12.7

Table 4: Statement of Cash Flows (Summary)

Reported	2017 $'m	2016 $'m
Net cash at the beginning of the year	0.6	8.3
Net increase (decrease) in cash and cash equivalents	3.9	(0.1)
Decrease (Increase) in long term liabilities	0.0	(7.0)
Translation of foreign currency cash	0.2	(0.6)
Net cash at the end of the year	4.9	0.6

Table 5: Reconciliation of net cash (debt) position

Net cash generated from operating activities was $20.7 million (2016: $9.9 million) with the operating cash margin significantly higher than 2016. The EBITDA result was $24.3 million (2016: $13.1 million).

The increase in activity throughout the year significantly improved cash from operating activities, up $10.8 million. Investing activities increased for the year, with $2.9 million spent acquiring a 50% share in A2 Global Ventures, a Laboratory Sampling company that will enable Capital Drilling to increase its downstream value proposition in a growing market segment.

The capital expenditure decrease of $2.0 million in 2017 followed on the $4.9 million increase in 2016, driven by the Group's strategy of maintaining fleet operational readiness, which is expected to deliver long term growth benefits.

Financing activities were limited to the dividend declaration of $2.0 million, with no movement on the long-term liabilities.

The group reported a net cash position of $4.9 million at 31 December 2017. The increased net cash is attributed to the improved revenues for the year.

Critical Accounting Policies

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The principal accounting standards are set out in the Group's financial statements.

The Financial Statements have been prepared on the historical cost basis and are presented in US dollars, given the Group's transactions are primarily denominated in US dollars.

Property, Plant and Equipment

The Group depreciates all fixed assets over their estimated useful lives, less any pre-agreed salvage value. The carrying value of fixed assets are reviewed annually or more frequently if a triggering event occurs.

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.

Area	Description	Mitigation
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 2 to 5 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.
Key personnel and staff retention	The Group's ability to implement a strategy of pursuing expansion opportunities is dependent on the efforts and abilities of its executive directors and senior managers. In addition, the Group's operations depend, in part, upon the continued services of certain key employees. If the Group loses the services of any of its existing key personnel without timely and suitable replacements, or is unable to attract and retain new personnel with suitable experience as it grows, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected. In addition, business may be lost to competitors which members of senior management may join after leaving their positions with the Group.	The Group has expanded capabilities in the areas of business development, supply chain, finance, training and health and safety and continues to do so through the recruiting of senior managers in the various fields, implementing comprehensive training programmes and providing employees with international exposure in their fields. The Group has implemented remuneration policies that seeks to recruit suitable talent and to remunerate talent at levels commensurate with market levels.

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 and 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 update 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.

Area	Description	Mitigation
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 capabilities, by the appointment of an International Tax Manager to ensure and monitor compliance with local legislation.

Viability Statement

The activities of the Group, together with the factors likely to affect its future development, performance, the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the pages 15 to 29. The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. These risks and the ways they are being managed and mitigated by a wide range of actions are summarised on pages 10 to 13.

Taking account of the Group's position and principal risks, the Directors assessed the prospects of the Group by reviewing and discussing the annual forecast, the three-year strategic plan and the Group risk framework. Throughout the year the Directors review and discuss the potential impact of each principal risk as well as the risk impact of any major events or transactions. A three-year period is considered appropriate for this assessment because:

- It is the period covered by the strategic plan; and
- It enables a high level of confidence, even in extreme adverse events, due to a number of factors such as:
    - The Group has considerable financial resources together with established business relationships with major, mid-tier and junior mining houses and suppliers in countries throughout the world
    - High cash generation by the Group's operations
    - Low level of gearing and availability of unutilised facilities with the Group's bankers
    - Flexibility of cash outflows including capital expenditure and dividend payments
    - The Group's long term contracts, and equipment availability and diverse geographic operations

Based on the results of this analysis, the Directors believe that the Group is well placed to manage its business risks successfully as the market conditions continue to improve. The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Cautionary Statement

This Business Review, which comprises the Chairman's Statement and Chief Financial Officer's Review, has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed.

The Business Review contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

By order of the Board

André Koekemoer
Chief Financial Officer
16 March 2018

Financial Results

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	CONSOLIDATED 2017 $ *Unaudited*	2016 $ *Audited*
Revenue		119,447,366	93,340,025
Cost of sales		(80,180,448)	(67,032,132)
Gross profit		39,266,918	26,307,893
Administration expenses		(14,939,639)	(13,265,824)
Depreciation		(12,586,369)	(14,492,161)
Profit (loss) from operations		11,740,910	(1,450,092)
Share of losses from associate		(601,816)	(57,290)
Interest income		199,630	94,169
Finance charges		(1,192,002)	(772,793)
Realised (loss) gain on available-for-sale shares		(99,435)	797,315
Fair value adjustment on financial assets through profit and loss - Share Options		(358,657)	405,893
Profit (loss) before tax		9,688,630	(982,798)
Taxation		(4,475,578)	(3,865,483)
Profit (loss) for the year		5,213,052	(4,848,281)
Other comprehensive income (loss):			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		38,454	35,665
Share of exchange differences on translation of foreign operations from associate		(18,510)	(38,454)
Net (loss) gain on revaluation of available for sale investments (net of taxation)		(262,944)	877,785
Cumulative gain (loss) reclassified to profit and loss (net of taxation)		99,435	(797,315)
Total other comprehensive (loss) income for the year		(143,565)	77,681
Total comprehensive income (loss) for the year		5,069,487	(4,770,600)
Earnings (Loss) per share:			
Basic (cents per share)	5	3.9	(3.6)
Diluted (cents per share)	5	3.8	(3.6)

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	CONSOLIDATED 2017 $ *Unaudited*	2016 $ *Audited*
ASSETS			
Non-current assets			
Property, plant and equipment	7	41,405,764	45,129,741
Investment in associates		2,750,295	467,933
Deferred tax assets		7,297	205,706
Total non-current assets		44,163,356	45,803,380
Current assets			
Inventory		21,691,569	19,361,181
Trade and other receivables		16,554,256	15,591,138
Prepaid expenses and other assets		2,863,167	5,240,278
Investments		3,260,331	1,316,243
Taxation		136,590	549,435
Cash and cash equivalents		16,911,383	12,728,555
Total current assets		61,417,296	54,786,830
Total assets		105,580,652	100,590,210
EQUITY AND LIABILITIES			
Equity			
Share capital	8	13,524	13,490
Share premium	8	21,933,772	21,697,470
Equity-settled employee benefits reserve		432,476	441,883
Investments revaluation reserve		(126,589)	36,920
Foreign currency translation reserve		(18,510)	(38,454)
Retained earnings		47,823,617	44,639,236
Total equity		70,058,290	66,790,545
Non-current liabilities			
Long-term liabilities	9	12,000,000	10,000,000
Total non-current liabilities		12,000,000	10,000,000
Current liabilities			
Trade and other payables		19,731,133	18,364,357
Taxation		3,749,644	3,340,183
Current portion of long-term liabilities		41,585	2,095,125
Total current liabilities		23,522,362	23,799,665
Total equity and liabilities		105,580,652	100,590,210

CONDENSED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Notes	Share capital $	Share premium $	Equity settled employee benefits reserve $	Investments revaluation reserve $	Foreign currency translation reserve $	Retained earnings $	Total $
CONSOLIDATED								
Balance at 31 December 2015 (Audited)		13,460	21,566,856	282,075	(43,550)	(35,665)	54,883,674	76,666,850
Issue of shares		30	130,614	(130,644)	-	-	-	-
Recognition of share-based payments		-	-	290,452	-	-	-	290,452
Total comprehensive loss for the year		-	-	-	80,470	(2,789)	(4,848,281)	(4,770,600)
Loss for the year		-	-	-	-	-	(4,848,281)	(4,848,281)
Other comprehensive loss for the year, net of tax		-	-	-	80,470	(2,789)	-	77,681
Dividends paid		-	-	-	-	-	(5,396,157)	(5,396,157)
Balance at 31 December 2016 (Audited)		13,490	21,697,470	441,883	36,920	(38,454)	44,639,236	66,790,545
Issue of shares		34	236,302	(236,336)	-	-	-	-
Recognition of share-based payments		-	-	226,929	-	-	-	226,929
Total comprehensive income for the year		-	-	-	(163,509)	19,944	5,213,052	5,069,487
Profit for the year		-	-	-	-	-	5,213,052	5,213,052
Other comprehensive loss (income) for the year, net of tax		-	-	-	(163,509)	19,944	-	(143,565)
Dividends paid	6	-	-	-	-	-	(2,028,671)	(2,028,671)
Balance at 31 December 2017 (Unaudited)		13,524	21,933,772	432,476	(126,589)	(18,510)	47,823,617	70,058,290

CONDENSED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	CONSOLIDATED 2017 $ *Unaudited*	2016 $ *Audited*
Operating activities:			
Cash generated from operations	10	25,184,253	12,442,477
Interest received		199,630	94,169
Finance charges paid		(1,245,542)	(773,669)
Taxation paid		(3,454,863)	(1,882,335)
Net cash generated from operating activities		20,683,478	9,880,642
Investing activities:			
Purchase of property, plant and equipment	7	(10,786,507)	(12,772,084)
Purchase of investments		(2,565,689)	189,467
Purchase of Investment in associate		(2,902,688)	-
Proceeds from disposal of property, plant and equipment		1,539,665	1,011,583
Net cash (used in) investing activities		(14,715,219)	(11,571,034)
Financing activities:			
Proceeds from long-term liabilities/loans	9	6,500,000	14,000,000
Long-term liabilities repaid	9	(6,500,000)	(7,000,000)
Dividend paid	6	(2,028,671)	(5,396,157)
Net cash (used in) from financing activities		(2,028,671)	1,603,843
Net increase (decrease) in cash and cash equivalents		3,939,588	(86,549)
Cash and cash equivalents at the beginning of the year		12,728,555	13,369,091
Translation of foreign currency cash and cash equivalent adjustment		243,240	(553,987)
Cash and cash equivalents at the end of the year		16,911,383	12,728,555

CAPITAL DRILLING

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2017

1. Basis of preparation

The unaudited preliminary condensed consolidated financial statements are prepared on the going concern basis under the historical cost convention, except for certain financial instruments which are measured at fair value.

The unaudited condensed consolidated financial statements included in this preliminary announcement has been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”). Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with the disclosure requirements of IFRS. The Group's 2017 Annual Consolidated Financial Statements will be prepared in accordance with IFRS. The unaudited preliminary announcement does not constitute a dissemination of the annual financial reports. A separate dissemination announcement in accordance with Disclosure and Transparency Rules (DTR) 6.3 will be made when the Annual Report and audited consolidated Financial Statements are available on the Company’s website.

The accounting policies are in terms of IFRS and consistent with those of the prior year.

The financial information for the years ended 31 December 2017 and 2016 does not constitute the annual financial statements. The annual consolidated financial statements for the year ended 31 December 2016 were completed and received an unmodified audit report from the Company’s Auditors. The Annual Report and Annual Consolidated Financial Statements for the year ended 31 December 2017 will be finalised on the basis of the financial information presented by the Directors in this unaudited preliminary announcement. The audit report on the full set of consolidated financial statements for the year ended 31 December 2017 has not yet been issued.

2. Operations during the year

During the year ended 31 December 2017, the Group provided drilling services in Botswana, Egypt, Mauritania, Mali, Kenya, Tanzania and Serbia. The Group's administrative office is located in Mauritius.

3. Segment 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:

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. Segment analysis (continued)

· 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.

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

	Africa $	**Rest of world** $	**Consolidated** $
2017 Unaudited			
External revenue	109,438,811	10,008,555	119,447,366
Segment profit (loss)	20,443,313	(4,230,092)	16,213,221
Central administration costs and depreciation			(4,472,311)
Profit from operations			11,740,910
Interest income			199,630
Share of losses from associate			(601,816)
Finance charges			(1,192,002)
Net loss on financial assets at fair value through profit and loss			(458,092)
Profit before tax			9,688,630

The total revenue of $109.4 million from the Africa segment includes $84.3 million (2016: $73.3 million) from customers that represent more than 10% of the Group's revenue.

	Africa $	**Rest of world** $	**Consolidated** $
2016 Audited			
External revenue	90,341,048	2,998,977	93,340,025
Segment profit (loss)	8,852,408	(9,107,110)	(254,702)
Central administration costs and depreciation			(1,195,390)
Loss from operations			(1,450,092)
Interest income			94,169
Share of losses from associate			(57,290)
Finance charges			(772,793)
Net gain on financial assets at fair value through profit and loss			1,203,208
Loss before tax			(982,798)

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2017

	CONSOLIDATED	
	2017	**2016**
	$	*$*
	Unaudited	*Audited*

3. Segment analysis (continued)

Segment assets and liabilities:

The following is an analysis of the Group's assets and liabilities by reportable segment:

Segment assets:

	2017	2016
Africa	156,825,920	129,798,346
Rest of world	16,630,783	27,346,447
Total segment assets	173,456,703	157,144,793
Head office companies	41,030,351	34,726,134
	214,487,054	191,870,927
Eliminations	(108,906,402)	(91,280,718)
Total Assets	105,580,652	100,590,209

Segment liabilities:

	2017	2016
Africa	38,977,584	28,342,176
Rest of world	11,588,762	20,235,544
Total segment assets	50,566,346	48,577,720
Head office companies	92,278,111	75,041,287
	142,844,457	123,619,007
Eliminations	(107,322,095)	(89,819,342)
Total Liabilities	35,522,362	33,799,665

4. 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.

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 relates to 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. Refer to Note 13 (Contingencies) for more detail on Tanzania and Zambia and to Note 14 (Events post the reporting date) regarding Tanzania.

	CONSOLIDATED	
	2017	**2016**
	$	*$*
	Unaudited	*Audited*
5. Earnings (Loss) per share		
Basic earnings (loss) per share		
The earnings or (losses) and weighted average number of ordinary shares used in the calculation of basic earnings (loss) per share are as follows:		
Earnings (Loss) for the year, used in the calculation of basic earnings (loss) per share	5,213,052	(4,848,281)
Weighted average number of ordinary shares for the purposes of basic earnings per share	135,162,396	134,828,877
Basic earnings (loss) per share (cents)	3.9	(3.6)
Diluted earnings (loss) per share		
The earnings or losses used in the calculations of all diluted earnings (loss) per share measures are the same as those used in the equivalent basic earnings (loss) per share measures, as outlined above.		
Weighted average number of ordinary shares used in the calculation of basic earnings (loss) per share	135,162,396	134,828,877
Shares deemed to be issued for no consideration in respect of:		
- Dilutive share options #	402,485	296,834
Weighted average number of ordinary shares used in the calculation of diluted loss per share	135,564,881	135,125,711
Diluted earnings (loss) per share (cents)	3.8	(3.6)

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

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2017

	CONSOLIDATED	
	2017	**2016**
	$	*$*
	Unaudited	*Audited*
6. Dividends		
Dividends paid:		
Final dividend in respect of the year	2,028,671	5,396,157
Total dividends paid	2,028,671	5,396,157

During the 12 months ended 31 December 2017, a dividend of 1 cent (2016: 2.5 cents) per ordinary share, totalling to $1,352,471 (2016: $3,372,605) was declared and paid to the shareholders on 19 May 2017 (2016: 12 May 2016) followed by a further dividend of 0.5 cents (2016: 1.5 cents) per share which was declared totalling $676,200 (2016: $2,023,552) and paid on 6 October 2017 (2016: 14 October 2016). The total dividend paid is $2,028,671 (2016: $5,396,157).

In respect of the year ended 31 December 2017, the directors propose that a final dividend of 1.2 cents (2016: 1 cent) per share be paid to shareholders on 18 May 2018 (2016: 19 May 2017). This final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Consolidated Financial Statements. The proposed final dividend is payable to all shareholders on the Register of Members on 27 April 2018 (2016: 28 April 2017). The total estimated final dividend to be paid is $1.6 million (2016: $1.4 million). The payment of this final dividend will not have any tax consequences for the Group.

7. Property, plant and equipment

For the year ended 31 December 2017, the Group spent $10.8 million (2016: $12.8 million) on drilling rigs and other assets to expand its operations, safety upgrades and for the replacement of existing assets. The Group disposed of property, plant and equipment with a net book value of $1.9 million (2016: $2.3 million) during the year. A loss of $0.4 million (2016: $1.3 million) was incurred on the disposal of property, plant and equipment.

8. Share capital

	2017	2016
Authorised		
2,000,000,000 (2016: 2,000,000,000) ordinary shares of 0.01 cents (2016: 0.01 cents) each	200,000	200,000
Number of ordinary shares issued		
135,247,159 (2016: 134,903,396) ordinary shares of 0.01 cents (2016: 0.01 cents) each	13,524	13,490
Share premium		
Balance at the beginning of the year	21,697,470	21,566,856
Issue of shares	236,302	130,614
Balance at the end of the year	21,933,772	21,697,470

On 1 April 2017, the Company issued 343,763 (2016: 299,715) new common shares pursuant to the Company's employee incentive scheme. The shares rank pari passu with the existing ordinary shares.

CAPITAL DRILLING

	CONSOLIDATED	
	2017	**2016**
	$	$
	Unaudited	*Audited*

9. Long term debt

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 comprises:

- 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.

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

	2017	2016
Standard Bank (Mauritius) Limited		
Balance at the beginning of the year	12,095,125	5,096,001
Amounts received during the year	6,500,000	14,000,000
Interest accrued during the year	1,160,627	772,793
Interest paid during the year	(1,214,167)	(773,669)
Principal repayments during the year	(6,500,000)	(7,000,000)
	12,041,585	12,095,125
Less: Current portion included under current liabilities	(41,585)	(2,095,125)
Due after more than one year	12,000,000	10,000,000

CAPITAL DRILLING

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2017

	CONSOLIDATED	
	2017	**2016**
	$	*$*
	Unaudited	*Audited*
10. Cash generated from operations		
Profit (Loss) before tax	9,688,630	(982,798)
Adjusted for:		
- Depreciation	12,586,369	14,492,161
- Loss on disposal of property, plant and equipment	384,450	1,306,335
- Share based payment expense	226,929	290,452
- Realised (gain) loss on Available for Sale Shares	99,435	(797,315)
- Fair value adjustment on financial assets through profit and loss	358,657	(405,893)
- Provision for inventory obsolescence	(905,428)	(172,643)
- Interest income	(199,630)	(94,169)
- Share of loss from associate	601,816	57,290
- Finance charges	1,192,002	772,793
- Unrealised foreign exchange (gain) loss on foreign	(204,786)	500,281
Operating cash flows before working capital changes	23,828,444	14,966,494
Adjustments for working capital changes:		
- Increase in inventory	(1,424,960)	(1,611,568)
- Increase in trade and other receivables	(963,118)	(6,546,611)
- Decrease (Increase) in prepaid expenses and other assets	2,377,111	(553,373)
- Increase in trade and other payables	1,366,776	6,187,535
	25,184,253	12,442,477

11. 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).

Financial assets that are listed equity securities are measured at fair value at the end of each reporting period. They are designated as level 1 in the fair value hierarchy. Their fair value is determined using quote bid prices in an active market.

	CONSOLIDATED	
	2017	2016
	$	$
	Unaudited	*Audited*

11. Financial instruments (continued)

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 classified in level 3 of the fair value hierarchy have been assessed to approximate their carrying amounts based on a discounted cash flow assessment.

12. Commitments

The Group has the following commitments:

	2017	2016
Committed capital expenditure	1,711,481	1,493,276

The Group had outstanding purchase orders amounting to $2.8 million (2016: $4.7 million) at the end of the reporting period of which $1.7 million [2016: $1.5 million] were for capital expenditure.

13. Contingencies

Zambia tax:

As disclosed in the prior year Financial Statements, 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 has 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 during the 2017 financial year regarding this matter. Capital Drilling (Zambia) Limited is currently dormant with no drilling revenue since November 2014. An amount of $1.6 million in 2015 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.

13. Contingencies (continued)

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 (US$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 (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, provided an additional amount of Tanzanian Shillings of 1,500,000,000 (US$0.7 million) as at 31 December 2017. This is in line with the aforementioned Tanzanian Tax Law. Refer to Note 14.

The TRA also raised a Withholding Tax liability of TZS 2,244,907,829 (US$1,024,268) inclusive of interest and penalties. This pertains to the misinterpretation of the facts by the TRA for assets that were purchased by Capital Drilling (T) Ltd and not leased. The TRA interpreted these assets as a rental agreement for these assets 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 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.

14. Events post the reporting date

Subsequent to year end, the management of Capital Drilling (T) Ltd had a meeting with the Tanzanian Revenue Authority (TRA) in February 2018 to find a resolution to the ongoing payroll tax claims. The TRA communicated to the management of Capital Drilling (T) Ltd that in order to continue negotiations, an additional payment of Tanzanian Shillings 1,500,000,000 (US$0.7 million) to keep discussions open as is required as per Tanzanian Tax Law under sections 51(5) and (5) of the TAA 2015. This payment enables management to continue have an open and positive relationship with the TRA in order to bring closure to this matter in 2018.

15. Glossary

A description of various acronyms is detailed below:

ARPOR	Average Revenue Per Operating Rig
CAPEX	Capital Expenditure
EBIT	Earnings (Loss) Before Interest and Taxes
EBITDA	Earnings (Loss) Before Interest, Taxes, Depreciation and Amortisation
EPS	Earnings (Loss) Per Share
ETR	Effective Tax Rate
HSSE	Health, Safety, Social and Environment
KPI	Key Performance Indicator
LTI	Lost Time Injury
NPAT	Net Profit (Loss) After Tax
PBT	Profit (Loss) Before Tax
YOY	Year On Year
Return on capital employed	EBIT / (Average Equity)
Return on total assets	EBIT / Average Total Assets