



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

Q3 2016 Trading Update

Capital Drilling Limited (CAPD:LN), a leading drilling solutions company focused on emerging and developing markets, today provides its Q3 2016 trading update for the period to 25 October 2016.

Third Quarter (Q3) 2016 Key Metrics

	<u>Q3 2016</u>	<u>Q3 2015</u>	<u>Q2 2016</u>	<u>% change from Q3 2015</u>	<u>% change from Q2 2016</u>
Revenue (\$mn)	23.8	20.8	22.6	14.1%	5.3%
ARPOR (\$)	187,000	192,000	171,000	-2.6%	9.4%
Average utilised rigs	40	33	42	21.2%	-4.8%
Fleet Utilisation (%)	43%	34%	44%	26.5%	-2.3%
Average Fleet	95	97	94	-2.1%	1.1%
Closing fleet size	95	97	94	-2.1%	1.1%

**Operational Highlights**

- Q3 trading has benefitted from previously announced contract awards:
  - RAKITA Exploration (part of the Freeport McMoran Company), 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 Mining Ltd, Kenya: 3 diamond rigs, commenced September
- Recent contract awards include:
  - 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
- Q3 utilisation of 43% on an average rig fleet size of 95 rigs – utilisation has increased to 48% in October
- Q3 Average Revenue per Operating Rig (ARPOR) increased to \$187,000 (Q2 2016 \$171,000) as a result of improved exploration fleet performance

**Financial Highlights**

- Third quarter revenue 14.1% higher at \$23.8 million, compared to Q3 2015 of \$20.8 million (Q2 2016: \$22.6 million)
- Interim dividend payment increase of 36% of USD1.5 cents per share paid on 7 October 2016 (2015: Interim dividend of 1.1 cents per share paid on 9 October 2015)

## Trading and Corporate Update

Capital Drilling generated revenue of \$23.8 million during Q3 2016, representing a 5.3% improvement on the previous period (Q2 2016 revenue: \$22.6 million). The result delivers the fourth consecutive quarterly increase.

ARPOR increased 9.4% during the quarter as contracts awarded during H1 2016 achieved greater operational performance. Utilisation reduced marginally in the quarter (Q3 2016 43.0% from Q2 2016 44.0%) as rigs rotated between short term exploration contracts. However rig utilisation has since increased to 48% with new contracts commencing in October.

As previously announced the company has purchased two new rigs to support the Rakita exploration project in Serbia, providing further deep hole directional capability specifically required for the contract. Further, there is continued expenditure directed toward operational readiness and rig mobilisations as we continue to re-engage in this market upturn.

The interim dividend payment of USD 1.5 cents per share, totalling \$2.0 million, as announced in the Company's H1 Results, has been paid to shareholders on 7 October 2016. The dividend represents a 36% increase on the previous interim dividend (2015 Interim dividend: USD 1.1 cents per share).

On 28 September, the Company announced it had completed a share placement, with certain Directors and Founding Members, releasing 25,500,000 shares (approximately 18.9% of Issued Share Capital). The completion of this Placing satisfied significant market demand for the Group's shares, while broadening the shareholder base with institutional investors and increasing share liquidity. The Directors and original founder's collective holding now represents 51.0% of issued shares.

To capitalise on current contracts and future growth opportunities, a realignment of the Executive Leadership Team and organisational structure was completed during the quarter. Business units will now focus on Exploration and/or Production activities and are more closely aligned with Client's operational structures. This is expected to improve the Group's capability to deliver on the diverse requirements of clients in each phase. Additionally, at the Executive level, Dewald van Tonder will join the Executive Leadership Group as Chief Financial Officer, commencing 1 November 2016, following the resignation of Jaco Brümmer.

## Outlook

Capital Drilling has seen continuing improvements in market conditions with a number of new contracts commenced post the end of Q3 in addition to the new contracts secured in the quarter, helping to lift utilisation to 48% in October. As the end of the year approaches, utilisation is expected to remain stronger than recent periods, however levels will ease with the traditional industry shut down over the December and January period.

Improving market sentiment generally is evident, with the uplift in capital and equity raisings primarily by junior mining companies. Increasing activity in brownfields exploration, together with extension of existing open cut mines into underground development, provides further evidence of improving market optimism. The Group maintains a robust balance sheet, strong cash generation and a competitive operating model, placing it in a solid position to capitalise on the improving conditions.

### **Commenting on the trading update, Mark Parsons, Chief Executive Officer, said:**

*"Positive signs of improvement in the market are continuing, with increased activity primarily generated from the gold segment. What is encouraging is the increasing number of clients re-engaging in exploration activity.*

*Recently awarded new exploration contracts add marginal contributions to 2016 revenue while offsetting inconsistent activity in Mauritania. Guidance provided in the Company's 1H 2016 results will remain unchanged with the forecasted revenue growth in the fourth quarter.*



*Pursuit of the Group's growth strategy is on target, with assets currently being deployed to expand operations in the West African region. Encouragingly, we are also seeing an increase in underground activity at existing open cut mines, supporting our direction to increase the Company's underground capabilities.*

*For the remainder of the year, we will continue to focus on our strategy of increasing underground capability; increasing utilisation of the exploration fleet; building our production contracts portfolio; and expanding into West Africa and other emerging countries, including Serbia. Despite increasing activity, we will maintain our prudent approach to cost management."*

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

For further information, please visit Capital Drilling's website [www.capdrill.com](http://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 96 drilling rigs with established operations in Botswana, Chile, Egypt, Ethiopia, Kenya, Mali, Mauritania, Serbia and Tanzania. The Group's corporate headquarters is in Mauritius.