

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

Half-yearly results For the period ended 30 June 2011

HIGHLIGHTS

- ❖ H1 2011 revenues of \$59.5m (H1 2010 \$28.7m), EBITDA \$16.3m (H1 2010 \$7.2m), EBIT \$11.2m (H1 2010 \$4.7m) and NPAT \$8.6m (H1 2010 \$3.5m), all substantially improved over H1 2010 and H2 2010.
- ❖ Increased utilisation and ARPOR over the period with H1 2011 utilisation of 81% (60% H1 2010) and ARPOR of \$154,000 (\$128,000 H1 2010) on a weighted average fleet of 76 rigs.
- ❖ Momentum carried into Q2 2011 with utilisation of 83% (Q1 2011 79%) and ARPOR of \$160,000 on a weighted average fleet of 78 rigs.
- ❖ Further fleet expansion, adding four rigs and decommissioning one rig to end the period with 77 rigs. A further four rigs (to 81) due for delivery in Q3 2011 with a significant expansion underway at the Lumwana Mine in Zambia (Barrick Gold).
- ❖ Substantial improvement in operating cash flow directed to continued investment in fleet & inventory.
- ❖ New contract wins include:
 - BHP Billiton in Chile and Ethiopia.
 - Kinross Gold in Ghana and Mauritania.
- ❖ Recently commenced operations for First Quantum at the Kansanshi Mine in Zambia, following the successful completion of the development drilling programme at the Trident Resource.
- ❖ Strong financial position despite continuing cost pressures due to adverse currency movements and tightening labour markets.
- ❖ Despite recent market volatility the outlook remains positive. The Group is on track to meet earnings expectations for the full year.



Results	H1 2011	*H1 2010	Change %
Revenue \$m	59.5	28.7	107.0
EBITDA \$m	16.3	7.2	127.8
EBITDA %	27.5	25.0	10.1
EBIT \$m	11.2	4.7	139.3
EBIT %	18.8	16.3	15.6
NPAT \$m	8.6	3.5	144.9
NPAT %	14.5	12.2	18.3
Basic EPS (cents)	6.4	3.4	85.8
Diluted EPS (cents)	6.4	3.1	105.5

* The underlying result differs from the actual result due to a one off net gain of \$0.5m from the disposal of Sahar Minerals, \$0.3m of foreign exchange gains and \$0.2m of IPO expenses.

FINANCIAL

- ❖ Record half year revenue of \$59.5m, increasing 107.0% on H1 2011.
- ❖ Improved margins for H1 2011, driven by general operating conditions, increasing ARPOR & improved rig efficiency. These improvements assisted to offset the cost pressures in the tight labour market & the impact of further currency losses. EBIT margin increased to 18.8%, an improvement of 15.6% on H1 2011.
- ❖ Fully diluted EPS growth of 105.5% on H1 2011.
- ❖ Continued balance sheet strength with cash of \$12.8m and net gearing (net debt/equity) of 2.7%.



OUTLOOK

- ❖ Key industry drivers remain buoyant with strong commodity prices & equity financing activity during the period. Recent volatility in global markets is not currently impacting the demand for our services.
- ❖ Levels of tendering activity remain high presenting a strong pipeline of opportunities.

Balance Sheet	H1 2011 \$m	FY 2010 \$m	Change %
Non-Current Assets	54.4	48.2	12.9
Current Assets	51.5	48.4	6.2
Total Assets	105.8	96.6	9.6
Non-Current Liabilities	10.0	12.8	(22.1)
Current Liabilities	25.9	22.4	15.4
Total Liabilities	35.8	35.2	1.7
Equity	70.0	61.4	14.1
Cash	12.8	18.2	(30.0)
Debt	14.6	18.0	(18.9)
Net Cash (Debt)	(1.9)	0.2	-
Gearing (net debt/equity)	2.7%	0.0%	-

Cash Flow	H1 2011 \$m	H1 2010 \$m
Operating Activities		
Net cash generated from operating activities	9.5	1.3
Investing Activities		
Net cash used in investing activities	(11.6)	(5.8)
Financing Activities		
Changes in Shares and Premium	-	20.0
Increase (decrease) – Loans	(3.4)	1.4
Net cash (used in) generated from financing activities	(3.4)	21.4
Net increase/decrease in cash	(5.5)	16.9
Closing cash balance	12.8	18.0

Commenting on the results **Executive Chairman, Jamie Boyton** said:

“We are pleased to report a record performance for the Group in the first half as we began to see the benefits of the significant investment since the Company’s IPO in June 2010. All key metrics showed strong improvement over the previous corresponding period with utilisation back near peak levels and ARPOR running at levels last seen in 2008. The results are particularly pleasing given the significant headwinds the Group experienced in relation to adverse currency movements and the tightening labour market.”

The first half of the year saw some significant milestones achieved for the Group, including our first contracts with global majors BHP Billiton (in Chile and Ethiopia) and Rio Tinto (through their acquisition of Riversdale in Mozambique). New contract wins with Kinross and BHP Billiton will see us further expand our geographic footprint in Africa, with operations commencing in Ghana and Ethiopia in Q3 2011.

Market conditions have continued to be very supportive with requests for tenders consistent with record levels last seen in 2008. Commodity prices have continued their strong performance during the period despite recent market volatility and capital markets activity has continued at elevated levels.

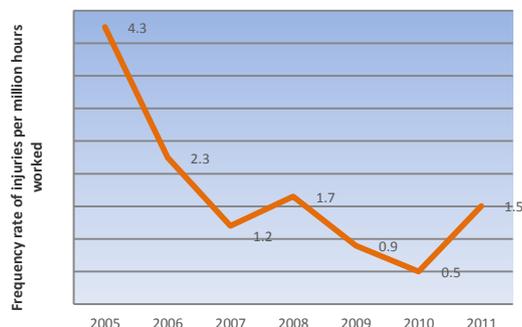
Against this backdrop, the Group has continued to invest in future growth, adding four rigs in H1 2011 with a further four scheduled for delivery in Q3 2011. After a strong start to the year we look forward to the seasonally stronger second half with confidence. We are encouraged by increasing activity and are on track to meet earnings expectations for the full year.”



OPERATIONS

- ❖ Added four rigs to the fleet over the half and decommissioned one rig in line with the Group’s asset management strategy. A further four rigs are scheduled for delivery in Q3 2011 to satisfy further demand growth from existing customers.
- ❖ Utilisation steadily improved over the half, averaging 81% in H1 2011 (83% in Q2 2011).
- ❖ ARPOR steadily improved over the half, averaging \$154,000 for the period (\$160,000 in Q2 2011).
- ❖ Established operations in two new countries, Ethiopia and Ghana, with drilling scheduled to commence in Q3 2011.
- ❖ Commenced operations in Chile for BHP Billiton (Cerro Colorada) & Zambia for First Quantum (Kananshi Mine).
- ❖ Completed a number of asset upgrades, including completing significant upgrades and rebuilds on 3 existing rigs to continue the Group’s best practice approach to fleet management.

Annual Progressive Loss Time Injury Frequency Rate



HEALTH & SAFETY

- ❖ The Baobab project in Mozambique achieved 500 days LTI free in May 2011.
- ❖ Eritrea reached 500 days LTI free in May 2011.
- ❖ Geita project in Tanzania achieved 1,500 days LTI free in June 2011.
- ❖ A substantial investment was made in rod handling equipment which has significantly improved safety.

Commenting on the performance for the 6 months to 30 June 2011, **Chief Executive Officer, Brian Rudd**, said:

“Capital Drilling has delivered another pleasing performance for the half year as we experienced demand conditions consistent with previous cycle peaks and those last seen in 2008.

We are pleased to announce a further expansion of our operations in Zambia. The Company recently commenced a development drilling programme with First Quantum at their substantial copper gold mine, Kansanshi. Rigs were redeployed following the completion of the development drilling programme at the Trident Project. We are also undergoing a significant expansion in capacity at the Lumwana Mine following Barrick Gold’s acquisition of Equinox. Capital Drilling has been on site since 2005 carrying out development and production drilling. A further four rigs are due to arrive in the current quarter.

With an excellent record of Health and Safety, we did experience a number of minor incidents in H1 2011. The issue has been rectified through further investment in rod handling equipment.

We look forward to continued growth in 2011, with further rigs due for delivery as we continue to experience strong demand for our services.”

CORPORATE DIRECTORY

Directors

Jamie Boyton, Executive Chairman
Brian Rudd, Chief Executive Officer
David Payne, Chief Financial Officer
Tim Read, Senior Non Executive Director
Alex Davidson, Non Executive Director
Craig Burton, Non Executive Director

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Stock Exchange Listings

London Stock Exchange, LSE code: CAPD

Announcements

www.capdrill.com

ABOUT CAPITAL DRILLING LIMITED

Capital Drilling is an emerging and developing market focused drilling services company that provides exploration, development, grade control and blast hole drilling services to mineral exploration and mining companies. The company currently has a fleet of 77 drilling rigs and operates one of the youngest fleets in the industry.

Since inception in 2004, the company has developed an enviable reputation for its ability to deliver safe, professional and reliable drilling services in remote locations and developing market countries. This ability has allowed the company to attract and retain some of the world's largest mining and exploration companies as major long term clients.

The team at Capital Drilling provides decades of combined experience operating in emerging markets and strives to deliver the highest standards in safety, performance & quality. We pride ourselves on delivering "**developed market standards for emerging market operations**".

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, which remain unchanged from those disclosed in our Prospectus. 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.

CAPITAL DRILLING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2011

	Six months ended	
Note	30/06/2011	30/06/2010
	\$	\$
Revenue	59,454,818	28,925,958
Cost of sales	(37,878,111)	(19,437,917)
Gross profit	21,576,707	9,488,041
Other income	19,017	1,078,352
Administration costs	(5,254,479)	(2,825,306)
Profit before depreciation, finance charges and taxation	16,341,245	7,741,087
Administration expenses - Depreciation	(5,149,231)	(2,496,313)
Total administration expenses	(10,403,710)	(5,321,619)
Profit from operations	11,192,014	5,244,774
Finance charges - net	(569,800)	(620,721)
Profit before taxation	10,622,214	4,624,053
Taxation	(2,028,894)	(547,720)
Profit for the period	<u>8,593,320</u>	<u>4,076,333</u>
Other comprehensive income:		
Exchange differences on translation of foreign operations	(14,706)	380
Total comprehensive income for the period	<u>8,578,614</u>	<u>4,076,713</u>
Profit attributable to:		
Equity holders of the parent	8,593,320	3,974,254
Non-controlling interest	-	102,079
Profit for the period	<u>8,593,320</u>	<u>4,076,333</u>
Total comprehensive income attributable to:		
Equity holders of the parent	8,578,614	3,974,634
Non-controlling interest	-	102,079
Total comprehensive income for the period	<u>8,578,614</u>	<u>4,076,713</u>
Earnings per share:		
Basic (cents per share)	4	<u>6.4</u>
Diluted (cents per share)	4	<u>3.6</u>

CAPITAL DRILLING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2011

	<u>Notes</u>	<u>30/06/2011</u>	<u>31/12/2010</u>
		\$	\$
ASSETS			
Non-current assets			
Property, plant and equipment	6	54,358,993	48,135,427
Deferred taxation		21,837	21,837
Total non-current assets		<u>54,380,830</u>	<u>48,157,264</u>
Current assets			
Inventory		18,772,820	14,923,881
Trade and other receivables		19,560,729	14,965,800
Taxation		357,000	316,287
Cash and cash equivalents		12,773,111	18,237,254
Total current assets		<u>51,463,660</u>	<u>48,443,222</u>
Total assets		<u><u>105,844,490</u></u>	<u><u>96,600,486</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	7	13,459	13,459
Share premium	7	21,561,190	21,561,190
Equity-settled employee benefits reserve		63,388	5,925
Foreign currency translation reserve		(47,179)	(32,473)
Retained earnings		48,414,992	39,821,672
Equity attributable to equity holders of the parent		<u>70,005,850</u>	<u>61,369,773</u>
Total equity		<u>70,005,850</u>	<u>61,369,773</u>
Non-current liabilities			
Long-term liabilities	8	9,531,150	12,424,065
Deferred taxation		457,038	396,999
Total non-current liabilities		<u>9,988,188</u>	<u>12,821,064</u>
Current liabilities			
Trade and other payables		19,667,584	16,166,954
Taxation		1,075,737	618,400
Current portion of long-term liabilities		5,107,131	5,236,505
Short-term loans	9	-	387,790
Total current liabilities		<u>25,850,452</u>	<u>22,409,649</u>
Total equity and liabilities		<u><u>105,844,490</u></u>	<u><u>96,600,486</u></u>

CAPITAL DRILLING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2011

	Share capital	Share premium	Retained earnings	Reserves			Non-controlling interest	Total equity
				Equity-settled employee benefits reserve	Foreign currency translation reserve	Attributable to equity holders of the parent		
	\$	\$	\$	\$	\$	\$	\$	
Balance at 1 January 2010	14,400	189,600	28,360,237	2,250,100	(11,024)	30,803,313	1,035,975	31,839,288
Exercise of shareholder share options	2,400	1,917,600	-	-	-	1,920,000	-	1,920,000
Exercise of executive share options	1,800	3,688,300	-	(2,250,100)	-	1,440,000	-	1,440,000
Repayment of capital	-	(2,500,000)	-	-	-	(2,500,000)	-	(2,500,000)
Acquisition of non-controlling interest	89	791,563	346,402	-	-	1,138,054	(1,138,054)	-
Effect of share split	(7,440)	7,440	-	-	-	-	-	-
Issue of shares	2,210	19,594,015	-	-	-	19,596,225	-	19,596,225
Share issue cost	-	(2,089,790)	-	-	-	(2,089,790)	-	(2,089,790)
Exchange differences on translation of foreign operations	-	-	-	-	380	380	-	380
Profit for the period	-	-	3,974,254	-	-	3,974,254	102,079	4,076,333
Balance at 30 June 2010	13,459	21,598,728	32,680,893	-	(10,644)	54,282,436	-	54,282,436
Balance at 31 December 2010	13,459	21,561,190	39,821,672	5,925	(32,473)	61,369,773	-	61,369,773
Equity-settled share based payment scheme	-	-	-	57,463	-	57,463	-	57,463
Exchange differences on translation of foreign operations	-	-	-	-	(14,706)	(14,706)	-	(14,706)
Profit for the period	-	-	8,593,320	-	-	8,593,320	-	8,593,320
Balance at 30 June 2011	13,459	21,561,190	48,414,992	63,388	(47,179)	70,005,850	-	70,005,850

CAPITAL DRILLING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2011

	Note	Six months ended	
		30/06/2011	30/06/2010
		\$	\$
Operating activities:			
Cash from operations	10	11,633,713	2,470,884
Finance costs - net		(569,800)	(620,721)
Taxation paid		(1,552,231)	(582,469)
Net cash generated from operating activities		<u>9,511,682</u>	<u>1,267,694</u>
Investing activities:			
Purchase of property, plant and equipment		(12,356,733)	(6,240,483)
Proceeds from disposal of property, plant and equipment		790,987	390,823
Net cash used in investing activities		<u>(11,565,746)</u>	<u>(5,849,660)</u>
Financing activities:			
Exercise of shareholder share options		-	1,920,000
Exercise of executive share options		-	1,440,000
Repayment of capital		-	(800,000)
Issue of shares		-	19,596,225
Share issue cost		-	(2,089,790)
Decrease in executives' loans		-	(5,274,887)
Long-term liabilities raised		-	14,178,132
Long-term liabilities repaid		(3,022,289)	(4,914,436)
Short-term liabilities raised		-	806,062
Short-term liabilities repaid		(387,790)	(3,393,160)
Net cash (used in) generated from financing activities		<u>(3,410,079)</u>	<u>21,468,146</u>
Net (decrease) increase in cash and cash equivalents		(5,464,143)	16,886,180
Cash and cash equivalents at the beginning of the period		18,237,254	1,109,709
Cash and cash equivalents at the end of the period		<u>12,773,111</u>	<u>17,995,889</u>

CAPITAL DRILLING LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2011

1. Basis of presentation and accounting policies

Preparation of the condensed consolidated financial statements

The condensed consolidated financial statements of Capital Drilling Limited and Subsidiaries ("Capital Drilling" or the "Group") as of and for the six months ended 30 June 2011 (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 2010 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 are unaudited.

Accounting policies

The Interim Financial Statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

The accounting policies used to prepare the Interim Financial Statements are the policies described in Note 3 of the consolidated financial statements for the year ended 31 December 2010.

The Group adopted a number of new standards, amendments to standards or interpretations effective 1 January 2011 which are described in Note 2 of the consolidated financial statements for the year ended 31 December 2010. The adoption of these standards and interpretation did not have a material impact on the financial statements.

On May 13, 2011 the IASB issued IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and IFRS 13 "Fair Value Measurement", all effective for annual periods beginning on or after January 1, 2013.

IFRS 10 "Consolidated Financial Statements" establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It replaces the consolidation requirements in Standing Interpretations Committee Interpretation ("SIC") 12 "Consolidation – Special Purpose Entities" and IAS 27 "Consolidated and Separate Financial Statements".

IFRS 11 "Joint Arrangements" provides a more substantive reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.

IFRS 12 "Disclosure of Interests in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 "Fair Value Measurement" defines fair value and sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. It applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value.

On June 16, 2011 the IASB issued amendments to IAS 1 "Presentation of Financial Statements", effective for annual periods beginning on or after July 1, 2012 and to IAS 19 "Employee Benefits", effective for annual periods beginning on or after January 1, 2013.

IAS 1 (amendment) "Presentation of Financial Statements". The amendment changes the disclosures of items presented in Other Comprehensive Income in the Statement of Comprehensive Income.

CAPITAL DRILLING LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2011

1. Basis of presentation and accounting policies (continued)

Accounting policies (continued)

IAS 19 (amendment) "Employee Benefits". The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

The Group is still in the process of assessing whether there will be any significant changes to its consolidated financial statements upon adoption of any of these new standards or amendments.

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 ongoing basis using currently 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 procurement, equipment rental and information technology services to mining and mining related companies.

During the six months ended 30 June 2011, the Group provided drilling services in Chile, Egypt, Eritrea, Mauritania, Mozambique, Papua New Guinea, Solomon Islands, Tanzania, and Zambia.

The Group won a number of new drilling contracts. These include contracts with Chirano Gold Mine in Ghana, Gold Ridge Mining in Solomon Island and BHP Billiton projects in both Chile and Ethiopia. Drilling commenced in Chile and Solomon Island in the first half of 2011. Drilling in Ghana and Ethiopia is schedule to commence early in the second half of the year.

3. Income tax

The tax expense for the period is based on an estimated annual effective rate, which requires management to make its best estimate of annual pretax income for the year, in the various tax jurisdictions in which the Group operates in. During the year, management regularly updates its estimates based on changes in various factors such operating profits, plant operating performance and cost estimates, including labour, raw materials, energy and other variable costs.

CAPITAL DRILLING LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2011

	<u>30/06/2011</u>	<u>30/06/2010</u>
	\$	\$
4. Earnings per share		
<u>Basic earnings per share</u>		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Profit for the period attributable to equity holders of the parent, used in the calculation of basic earnings per share	<u>8,593,320</u>	<u>3,974,254</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>134,592,800</u>	<u>99,104,725</u>
Basic earnings per share (cents)	<u>6.4</u>	<u>4.0</u>
<u>Diluted earnings per share</u>		
Profit for the period used in calculation of diluted earnings per share	<u>8,593,320</u>	<u>3,974,254</u>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	134,592,800	99,104,725
Shares deemed to be issued for no consideration in respect of:		
- Shareholder options	-	6,012,774
- Employee options	99,303	4,509,581
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>134,692,103</u>	<u>109,627,080</u>
Diluted earnings per share (cents)	<u>6.4</u>	<u>3.6</u>

The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the share split in 2010.

5. Dividends

No dividends have been declared or paid during the six months ended 30 June 2011 (six months ended 30 June 2010: \$nil).

CAPITAL DRILLING LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2011

6. Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired approximately \$12.4 million (2010: \$6.2 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 book value of \$985 thousand (2010: \$350 thousand) during the period.

7. Issued capital

Authorised capital

2 000 000 000 (2010: 2 000 000 000) ordinary shares of 0.01 cents
(2010: 0.01 cents) each

	<u>30/06/2011</u>	<u>31/12/2010</u>
	\$	\$
	<u>200,000</u>	<u>200,000</u>

Issued and fully paid:

134 592 800 (2010: 134 592 800) ordinary shares of 0.01 cents
(2010: 0.01 cents) each

	<u>13,459</u>	<u>13,459</u>
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Share premium:

Balance at the beginning of the period

21,561,190 189,600

Exercise of shareholder share options

- 1,917,600

Exercise of executive share options

- 3,688,300

Repayment of capital

- (2,500,000)

Acquisition of non-controlling interest

- 791,563

Effect of share split

- 7,440

Issue of shares

- 19,594,015

Share issue cost

- (2,127,328)

Balance at the end of the period

21,561,190 21,561,190

On 23 April 2010, pursuant to the exercise of fully vested options, the Group allotted and issued 42 000 ordinary shares of 10 cents each at a price of \$80.00 per share.

On 28 May 2010, the Group increased and subdivided its authorised share capital into 2 000 000 000 ordinary shares of 0.01 cents.

On the same date the Group allotted and issued 892 800 ordinary shares of 0.01 cents in consideration for the transfer to the Group of the remaining stakes in Capital Drilling (T) Limited and Capital Drilling Egypt Limited Liability Company.

On 7 June 2010, the Company was admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. As part of the successful listing, 22.1 million ordinary shares of 0.01 cents were issued at \$0.8867 per share. The net proceeds amounted to \$17.5 million (net of share issue cost).

CAPITAL DRILLING LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2011

8. Long term debt

The Group did not take up any additional debt during the six months ended 30 June 2011.

On 26 April 2010, the Group (through Capital Drilling Mauritius Limited) entered into a new debt facility with Standard Bank (Mauritius) Limited. The new facility comprises (i) a \$15 million medium term loan ("MTL") facility and (ii) a \$1 million settlement limit facility. The MTL facility is available for 12 months from the date of first draw down and is repayable over four years from the earliest of the first anniversary of the first draw down or full utilisation. The security and covenants attached to this loan remains unchanged.

The Group also has an outstanding long term loan with Stanbic Bank Zambia. The loan is repayable over 4 years and used to finance the purchase of drilling rigs and vehicles.

The Group purchased 5 drilling rigs and accessories for a total cost of \$3.1 million from Atlas Copco in 2010. \$2.6 million of these purchases were financed through loans obtained from Atlas Copco Customer Finance AB. These loans are repayable quarterly in arrears over a period of four years.

The Group continued payment of principal and interest of the long term debt to Atlas Copco, Standard Bank (Mauritius) Limited and Stanbic Bank Zambia Limited during the six months ended 30 June 2011.

9. Short-term loans

The Group purchased 2 drilling rigs in 2010 to be used for the Polar Star Mining Project in Chile. The acquisition of the rigs were financed through a loan, amounting to \$0.8 million, obtained from Polar Star Mining. The loan is repayable through a deduction of 15% from the drilling invoices issued relating to this project.

During the six months ended 30 June 2011, the Group settled all amounts due to Polar Star Mining Project in Chile.

10. Cash from operations

	<u>30/06/2011</u>	<u>30/06/2010</u>
	\$	\$
Profit before taxation	10,622,214	4,624,053
Adjusted for:		
- Depreciation and amortisation	5,149,231	2,496,313
- Loss (profit) on disposal of property, plant and equipment	195,847	(43,703)
- Share based payment expense	57,463	-
- Exchange differences on translating foreign operations	(17,604)	(7,694)
- Gain on disposal of Sahar Minerals Limited	-	(423,908)
- Finance cost - net	569,800	620,721
Operating profit before working capital changes	<u>16,576,951</u>	<u>7,265,782</u>
Adjustments for working capital changes:		
- Increase in inventory	(3,848,939)	(2,562,499)
- Increase in trade and other receivables	(4,594,929)	(7,664,416)
- Increase in trade and other payables	3,500,630	5,432,017
	<u>11,633,713</u>	<u>2,470,884</u>

CAPITAL DRILLING LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2011

11. Segmental analysis

Operating segments are identified on the basis of internal management reports about components of the Group that are regularly reviewed by the chief operating decision maker, in this case the chief executive, in order to allocate resources to the segments and to assess their performance. Information reported to the Group's chief executive for the purposes of resource allocation and assessment of segment performance is focussed on the country of operation. 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
- Rest of world: Derives revenue from the provision of drilling services and related logistic, equipment rental and information technology support services

Information regarding the Group's operating segments is reported below. At 31 December 2010, management reviewed the composition of the Group's operating segments and the allocations of operations to the reportable segments. Amounts reported for the prior year have been re-presented to conform to the current year presentation.

CAPITAL DRILLING LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2011

11. Segmental analysis (continued)

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 2011	Africa	Rest of world	Consolidated
	\$	\$	\$
External revenue	50,931,638	8,523,180	59,454,818
Segment gross profit	18,791,663	2,785,044	21,576,707
Administration costs and depreciation, net of other income	(4,328,235)	(768,519)	(5,096,754)
Segment profit	14,463,428	2,016,525	16,479,953
Central administration costs and depreciation			(5,306,956)
Other income			19,017
Profit from operations			11,192,014
Finance charges - net			(569,800)
Profit before tax			10,622,214
For the six months ended 30 June 2010	Africa	Rest of world	Consolidated
	\$	\$	\$
External revenue	25,509,597	3,416,361	28,925,958
Segment gross profit	8,895,996	592,045	9,488,041
Administration costs and depreciation, net of other income	(2,185,270)	(291,006)	(2,476,276)
Segment profit	6,710,726	301,039	7,011,765
Central administration costs and depreciation			(2,462,957)
Other income			695,966
Profit from operations			5,244,774
Finance charges - net			(620,721)
Profit before tax			4,624,053

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit earned by each segment without allocation of central administration costs, depreciation, other income, finance charges, and income tax. This is the measure reported to the Group's chief executive for the purpose of resource allocation and assessment of segment performance.

CAPITAL DRILLING LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2011

	<u>30/06/2011</u>	<u>30/06/2010</u>
	\$	\$
11. Segmental analysis (continued)		
<u>Segment assets:</u>		
Africa	119,010,530	109,196,805
Rest of world	48,525,882	49,740,355
Total segment assets	<u>167,536,412</u>	<u>158,937,160</u>
Head office companies	18,899,762	26,546,069
	<u>186,436,174</u>	<u>185,483,229</u>
Eliminations	(80,591,684)	(88,882,743)
	<u><u>105,844,490</u></u>	<u><u>96,600,486</u></u>

Segment liabilities:

Africa	29,932,034	29,297,648
Rest of world	23,118,248	23,138,984
Total segment liabilities	<u>53,050,282</u>	<u>52,436,632</u>
Head office companies	62,789,528	70,482,630
	<u>115,839,810</u>	<u>122,919,262</u>
Eliminations	(80,001,171)	(87,688,549)
	<u><u>35,838,639</u></u>	<u><u>35,230,713</u></u>

For the purposes of monitoring segment performance and allocating resources between segments the Group's chief executive 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.

Information about major customers

Included in revenues arising from the Africa segment are revenues of approximately \$37.2 million (2010: \$19.7 million) which arose from sales to the customers that represent more than 10% of the Group's revenue.

CAPITAL DRILLING LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2011

	<u>30/06/2011</u>	<u>31/12/2010</u>
	\$	\$

12. Contingencies and commitments

The Group has the following commitments at 30 June 2011:

Committed capital expenditure	<u>4,254,826</u>	<u>2,026,212</u>
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The Group also has outstanding purchase orders amounting to \$4.4 million at 30 June 2011 (31/12/2010: \$2.5 million).

13. Subsequent events

The directors are not aware of any facts or circumstances of a material nature arising since the end of the period to the date of this report which significantly affect the financial position of the Group or the results of its operations.

14. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Highlights. The financial position of the Group, its cash flows and liquidity position are also described in the Highlights. 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 of potential changes in its performance, show that the Group should be able to operate within the level of its capital structure. The Group has held discussion with its bankers about its future borrowing needs 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.

CAPITAL DRILLING LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITY
For the six months ended 30 June 2011

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 an opinion 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 has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting
- {b} the interim management report includes a fair review of the information required by DTR 4.2.7 (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); 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 2010.

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 17 August 2011.

PRIMARY RISKS

It is in the nature of its business that the Group is exposed to risks and uncertainties that may have an impact on future performance and financial results, as well as on its ability to meet certain social and environmental objectives. The Group believes that it has effective systems and controls in place to manage the key risks identified below. The key risks identified remain consistent with those previously disclosed in the most recent annual report.

The primary risks associated with the business are:

➤ **Fluctuation in levels of mineral exploration**

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 the drilling rigs and drilling services.

➤ **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 may be materially and adversely affected. In addition, business may be lost to competitors that members of senior management may join after leaving their positions with the Group.

➤ **Currency fluctuations**

The Group receives the majority of its revenues in US dollars. However, some of the Group's costs are in other currencies of 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 financial results. As a result, the Group is exposed to currency fluctuations and exchange rate risks.

➤ **Operating risks**

Operations are subject to various risks associated with drilling including, in the case of employees, personal injury and loss of life and, in the Group's case, damage and destruction to property and equipment, release of hazardous substances 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.

➤ **Business interruptions and weather conditions**

Significant business interruptions as a result of natural disasters, extreme weather conditions, unstable drilling sites, regulatory intervention, delays in necessary approvals and permits or delays in supplies, may reduce the Group's ability to complete drilling services, resulting in performance delays, increased costs and loss of revenue.