



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

Full Year Results
For the period ended 31 December 2011
19 March 2011

Capital Drilling Limited (CAPD:LN), the emerging and developing markets focused drilling company, today announces its full year results for the period ended 31 December 2011.

FULL YEAR FINANCIAL RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2011*

	<u>2011</u>	<u>2010</u> ¹	<u>Change</u>
	\$m	\$m	%
Average Fleet Size	78	65	+21
Fleet Utilisation (%)	82	72	+14
ARPOR (\$)	158,000	132,000	+20
Revenue	130.5	75.1	+74
EBITDA	34.0	19.8	+72
EBIT	22.8	14.1	+62
Net Profit After Tax	17.6	11.1	+58
<u>Earnings per share</u>			
Basic	13.1	9.4	+39
Diluted	13.0	9.0	+44
Return On Capital Employed (%)	28.2	24.7	+14
Return on Total Assets (%)	21.3	18.4	+16
Net Debt / (Cash)	14.6	(0.2)	NA
Net Debt to Equity (%)	18.5	NA	NA

* All amounts are in USD unless otherwise stated

Financial Highlights¹

- Record year for Capital Drilling in revenue and profits
- Net Profit After Tax up 58% to \$17.6 million (2010: \$11.1 million)
- Revenue up 74% to \$130.5 million (2010: \$75.1 million)
- EBITDA up 72% to \$34.0 million (2010: \$19.8 million)
- EBIT up 62% to \$22.8 million (2010: \$14.1 million)
- Diluted EPS up 45% to 13 cents per share (2010: 9 cents per share)
- Return on total assets 21.3% (2010: 18.4%); Return on capital employed 28.2% (2010: 24.7%)

Operational Highlights

- Fleet expanded by 15% to 85 rigs in 2011 (averaging 78 rigs for 2011)
- Maintained near peak levels of utilisation (averaging 82% for 2011)
- Increasing Average Revenue Per Operating Rig (ARPOR) profile (averaging \$158,000 for 2011)
- Significant contract wins including:
 - ❖ Chile: BHP Billiton
 - ❖ Egypt: Centamin
 - ❖ Ghana: Kinross Gold
 - ❖ Mauritania: Kinross Gold
 - ❖ Zambia: Barrick Gold
- 6 sites achieved over 1,000 days LTI free in 2011/2012

Continued strategic progress

- Recruitment of new CEO, Geoff Fardell, effective 1 January, 2012.
- Increased exposure to majors in the mining sector, representing 63% of revenues for H1 2011 and 73% of revenues in H2 2011.
- Established Asset Management Division with increased focus on fleet optimization.
- Successfully negotiated a new \$47 million debt facility (\$17 million term loan and \$30 million revolver).
- Maintained conservative gearing profile with net debt to equity at 19% as at 31 December, 2011.
- Further geographic expansion, commencing operations in Ghana and Ethiopia.
- Capital Energy secures the Group's second energy contract (with BHP Billiton in Ethiopia).

Commenting on the results, Jamie Boyton, Executive Chairman of Capital Drilling, said:

"The 2011 financial year is our first full 12 months as a listed company and saw record results in revenue and profits, despite market uncertainties. Sales growth was particularly strong, increasing 74% year on year, translating into (diluted) EPS growth of 45%.

We have continued to expand our operations in 2011, adding a further 11 rigs to the fleet and commencing operations in Ghana and Ethiopia, as well as increasing our exposure to large, blue chip customers with aggressive drilling programmes.

The current year has seen a strengthening in demand for quality drilling services, and this continues to translate into high rates of rig utilisation and solid earnings visibility for the year ahead."

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

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About Capital Drilling

Capital Drilling, which has a Premium Listing on the Main Market of the London Stock Exchange, provides specialised drilling services to mineral exploration and mining companies in emerging and developing markets, for exploration, development and production stage projects. The Group currently owns and operates a fleet of 85 drilling rigs with established operations in Tanzania, Zambia, Egypt, Mauritania, Mozambique, Papua New Guinea, Solomon Islands, Ethiopia, Ghana and Chile. The Group's corporate headquarters is in Singapore and it has its administrative offices for South America in Santiago.

¹ A definition of terms used is provided in note 14 and the underlying result for 2010 has been restated from the reported numbers to reflect non-recurring once off items relating to a net gain of \$0.4m from the disposal of Sahar Minerals, \$0.3m of foreign exchange gains, \$0.5m of goodwill impairment and \$0.2m of IPO expenses. For 2011, the underlying result does not differ from the reported numbers.

Chairman's Statement

We are pleased to report a record year for Capital Drilling as the Group continues to expand its operations and benefit from the continuing robust demand environment. We entered 2011 operating at near peak levels of utilisation and have continued to enjoy supportive market conditions throughout the year. The Group's strategy of focusing on quality assets for well capitalised customers saw an expansion of activities consistent with our customers' expansion programmes. Over the year we added capacity at Barrick Gold (Lumwana, Zambia), Centamin (Sukari, Egypt) and Kinross Gold (Tasiast, Mauritania). Demand from these existing customers in addition to new contract wins, particularly BHP Billiton (Cerro Colorado, Chile), drove further fleet expansion in 2011. The Group added a further (net) 11 rigs to the fleet over the year, representing 15% year on year growth, consistent with the long term fleet growth.

Against this supportive backdrop, the Group has produced record results. Revenue increased 74% year on year to \$130.5m, while profit after tax from underlying operations rose by 58% year on year to \$17.6 million.

Progress was made during 2011 in the Group's geographical and service offering. Having entered the West African market via Mauritania with Kinross Gold in 2010, Capital Drilling commenced operations in Ghana in October 2011, establishing a presence in the country at the Chirano Mine, owned by Kinross Gold. Ghana is Africa's largest gold producer, outside of South Africa, and presents another substantial growth opportunity for the Group. We also secured two contracts in 2011 with BHP Billiton. We commenced work and subsequently expanded our presence at the Cerro Colorado Mine in Chile, strengthening the platform for further growth in the region in 2012. In Ethiopia, Capital Energy secured its second energy contract for the Group with BHP Billiton. Full drilling activities commenced in 2012, further expanding our range of drilling services offered.

The demand environment has remained highly supportive throughout 2011 and this trend has continued into 2012. The economic uncertainties created by the European sovereign debt crisis have done little to dampen demand in the sector and have in fact contributed to the record prices for gold, a sub-sector which represents 58% of the Group's revenue by commodity exposure. Our other major exposure is copper which also remains near record levels. Pricing for these key commodities remains well above the economic thresholds for sustained levels of exploration and mining activity.

We do, however, remain ever mindful of the global economic environment, particularly the recent moderation of growth in the key emerging markets of China, Brazil and India. As such, the Group continues its disciplined focus on well capitalised customers with low cost production and long life of mine assets.

Robust demand has led to the firmer contract pricing environment that started to feature in H2 2010, albeit the magnitude of rate increases has moderated from the strength exhibited in H2 2010 and H1 2011, as contract pricing went through a normalisation process following the credit crunch of 2008 / 2009. Industry utilisation rates still remain at elevated levels.

In December 2011 we announced the appointment of Mr Geoff Fardell as Chief Executive Officer ("CEO"), marking a significant transition for the Group as it continues on its aggressive growth path. Geoff joined Capital Drilling in April 2011 as a consultant with broad industry experience including mining services companies and with companies such as Coates Hire Limited, Australia's largest industrial equipment rental Company.

Geoff takes over the role of CEO from Brian Rudd, the Group's co-founder. Brian has done an outstanding job in creating and growing Capital Drilling and will continue to play a critical part in the future success of the Group, with a focus on business development and group strategy.

As part of this transition, the Nomination Committee has proposed that Geoff join the Board at the upcoming Annual General Meeting ("AGM") in April. In order to maintain the appropriate balance of Executive and Non-Executive Directors on the Board, David Payne, Chief Financial Officer, has advised us he will retire from the board and accordingly will not be seeking re-appointment at the AGM. I would like to thank David for his contribution and I look forward to his continued involvement in the growth of Capital Drilling as a senior member of the executive management team.

As we head into 2012 we are again optimistic for the year ahead. We continue to see further expansion opportunities with our existing customers as well as new opportunities in the broader market. Growth will be driven further by the strong demand environment, continued higher rates of utilisation providing solid earnings visibility for the next 12 months. We retain a strong balance sheet and with the recently concluded debt package have substantial flexibility for funding future growth. Assuming the current demand environment remains supportive the Board expects another year of strong growth in 2012.

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

Jamie Boyton
Executive Chairman
Capital Drilling Limited

Chief Executive Officer Review

Overview

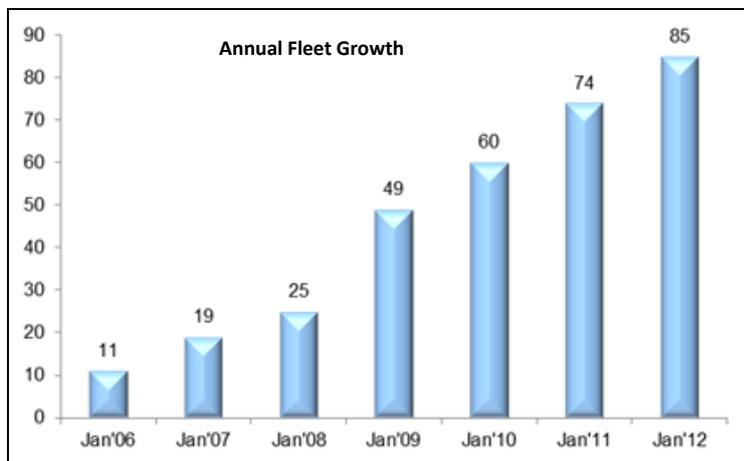
Capital Drilling experienced another record year in 2011 with revenues up 74% to \$130.5m and net profit after tax up 58% to \$17.6m. This solid financial performance is on the back of continued operational growth of the rig fleet, expanding 15% to 85 rigs, significant contract wins, and continued expansion into additional countries.

During the year the Group maintained its focus on high quality major customers and we are very pleased this has continued with significant contract wins in Chile (BHP Billiton), Ethiopia (BHP Billiton), Egypt (Centamin), Ghana (Kinross Gold), Mauritania (Kinross Gold) and Zambia (Barrick Gold).

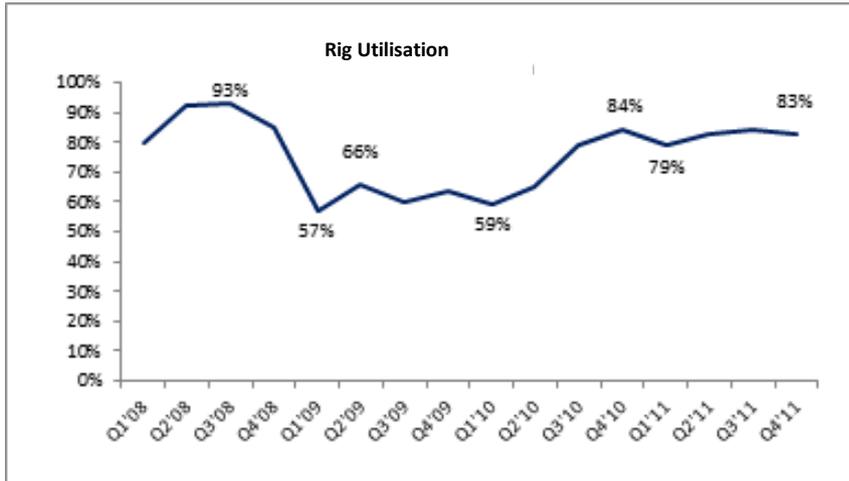
Africa continues to be the mainstay of our business and our operations there had another strong year. The Group continues to work and expand with a number of long term customers as well as commencing operations in new regions and countries. The region contributed 85% of Group revenue and continues to provide a number of exciting growth opportunities.

The performance for the Rest of the World also showed growth, particularly as our Latin America ("LATAM") business in Chile commenced operations in 2010. Our Energy division, following some work in Papua New Guinea, also won a significant opportunity with BHP Billiton in Ethiopia.

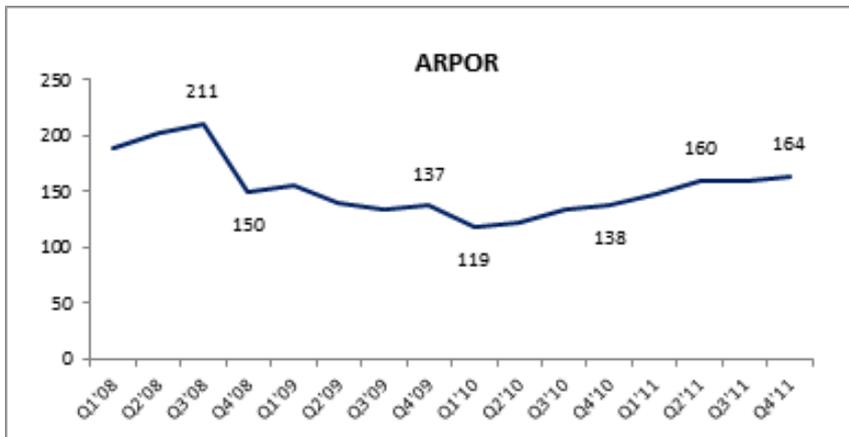
The Group's revenue growth was very pleasing with solid 2011 key performance indicator trends, in fleet growth, rig utilisation and average revenue per operating rig. We started 2012 with a total of 85 rigs, a net increase of 11 rigs year-on-year representing a 15% growth rate, maintaining the long term growth rate of approximately 1 rig per month deployed across existing sites (particularly in Egypt, Zambia and Tanzania) and new sites (specifically in Ghana and Ethiopia).



Rig utilisation averaged 82% for 2011 being maintained at near peak levels of utilisation. Utilisation rates started 2011 strongly, following from a solid end to 2010. Overall 2011 utilisation rates remained reasonably consistent and ending the year again at solid utilisation levels.



ARPOR, is our third key revenue KPI and has shown consistent strong and growing performance over the year, averaging \$158,000 per month for 2011.



The solid performance in our revenue KPI's resulted in the continued increase in Group revenue in 2011, particularly in the second half of the year, which had revenues of \$71m (representing a 19% increase on H1 2011).

Operating in a continuing strong environment does bring some challenges such as access to good experienced drillers, labour price inflation and increasing consumables pricing, offsetting some of the benefit of the pricing increases achieved in 2011. 2012 will likely see a continuation of these challenges, particularly as we continue to grow our business.

2012 sees a continuation of a theme that started in 2011 with improvements in the demand for drilling services across all markets in which we operate, allowing us to remain confident in our ability to grow strongly over the foreseeable future.

Operating Review

The underlying result for the Group saw a 74% increase YoY in revenue to \$130.5m and a 58% increase YoY in NPAT to \$17.6m.

	2011			2010		
	Reported \$m	Adjustment \$m	Underlying \$m	Reported \$m	Adjustment \$m	Underlying \$m
Revenue	130.5	-	130.5	75.3	(0.2)	75.1
Cost of sales	(85.3)	-	(85.3)	(47.9)	0.1	(47.8)
Gross profit	45.2	-	45.2	27.4	(0.1)	27.3
Administration costs (net of other income)	(11.2)	-	(11.2)	(7.5)	0.0	(7.4)
Profit before depreciation, finance charges and tax	34.0	-	34.0	19.9	(0.1)	19.8
Depreciation	(11.2)	-	(11.2)	(5.8)	-	(5.8)
Profit from operations	22.8	-	22.8	14.2	(0.1)	14.1
Financing charges	(1.1)	-	(1.1)	(1.3)	-	(1.3)
Profit before tax	21.7	-	21.7	12.9	(0.1)	12.8
Taxation	(4.1)	-	(4.1)	(1.7)	-	(1.7)
Profit for the period	17.6	-	17.6	11.2	(0.1)	11.1
EPS	13.1		13.1	9.5		9.4
EPS diluted	13.0		13.0	9.1		9.0

The underlying result for 2010 has been restated from the reported numbers to reflect non-recurring once off items relating to a net gain of \$0.4m from the disposal of Sahar Minerals, \$0.3m of foreign exchange gains, \$0.5m of goodwill impairment and \$0.2m of IPO expenses.

The Group reports in two geographical segments: Africa and Rest of the World.

Underlying Segment Report 2011	Africa			Rest of the World		
	Reported \$m	Adjustment \$m	Underlying \$m	Reported \$m	Adjustment \$m	Underlying \$m
Revenue	110.6	-	110.6	19.9	-	19.9
Cost of sales	(71.2)	-	(71.2)	(14.0)	-	(14.0)
Gross profit	39.4	-	39.4	5.9	-	5.9

Underlying Segment Report 2010	Africa			Rest of the World		
	Reported \$m	Adjustment \$m	Underlying \$m	Reported \$m	Adjustment \$m	Underlying \$m
Revenue	63.2	(0.2)	63.0	11.8	-	11.8
Cost of sales	(39.2)	0.1	(39.1)	(8.3)	-	(8.3)
Gross profit	24.0	(0.1)	23.9	3.5	-	3.5

Capital Drilling Africa continues to be the dominant contributor to the Group, generating revenue of \$110.6m representing a 75% YoY increase. The Group expanded its activities with a number of long term customers, adding rig capacity in:

- Egypt with Centamin
- Tanzania with Barrick Gold
- Tanzania with AngloGold Ashanti
- Zambia with Equinox Limited
- Ghana with Kinross Gold

This was offset by our loss of contract drilling at Riversdale in Mozambique following a competitive tender process by Rio Tinto after their takeover of Riversdale.

The move into Mauritania in 2010 followed by Ghana in 2011 represents a significant growth path for the Group into the substantial West African market (roughly equivalent to the size of the East and Southern African markets) allowing continued expansion into developing countries and increasing our already significant presence in Africa.

Our Energy division won a major contract with BHP Billiton in Ethiopia, representing our second contract in the energy sector, following the contract with Oil Search. The focus in 2011 was the mobilisation of equipment and set up in country with drilling commencing early in 2012.

Our two largest operations in Africa, Egypt and Tanzania, again performed well during the year with YoY growth in revenue and EBIT contribution.

Capital Drilling Rest of the World improved YoY with increased revenues (68%) and EBIT (55%) contribution. Our Chile operation performed extremely well on the back of a significant contract win, offset by reduction of work in Asia Pacific with the completion of work for Oil Search and reduction of work in Papua New Guinea for Allied Gold towards the end of 2011 (although work continues into 2012).

Chile performed very well in 2011 after commencing operations in 2010. 2011 saw the completion of work for Polar Star (started in 2010) and the commencement of work for BHP Billiton in Cerro Colorado. Chile won the Group's first meter based contract with BHP Billiton which performed well during 2011 on the back of high rig utilisation and mechanical availability, together with maintaining a good safety record. LATAM remains one of the fastest growth opportunities for our services, in a market contributing over 25% of the worldwide exploration drilling budgets by region.

The year saw a large number of contract wins and continuing challenges which included timely access to equipment, international mobilisation, and a tight labour market to skilled personnel. Whilst this is part and parcel of the business, our team maintains a focus on meeting client commitments in time, on budget and with continued focus on safety.

Business Development

Business development in 2011 saw the significant contract wins mentioned above. In addition the Group continues to seek new businesses that have the potential to make meaningful contributions to the Group's performance.

The Energy sector is one such opportunity and, as mentioned above, we have won our second contract with BHP Billiton and will continue to seek growth opportunities in this area. In addition our Well Force business (started in 2010), which provides directional drilling management services and hires out down hole logging and survey instruments, performed very well during 2011 and we see further opportunities in growing this operation going forward. Cap-Sat, which provides remote communication services to corporate and non-governmental organisations internationally in remote areas where conventional communication methods are not available or economically feasible, afforded another good contribution for the year. Capital Support Services provides internal and external training and other services. We see these businesses continuing to make positive contributions throughout 2012.

Health and Safety

The Group maintains a proactive safety culture with focus and commitment to maintaining zero harm. This is supported by a stringent Training and Development program which is being driven at the board level. This had led to a positive reaction of our team members, not only impacting on their competence levels but also providing a challenging and rewarding working environment for all our employees. It is this culture and commitment which allowed Capital Drilling to recapture our focus after sustaining an impact of 4 LTI's for

2011. Overall we are proud of all our current projects achieving significant milestones some which exceed 1 Million Man Hours (1500 days LTI Free):

- Tanzania – Geita 1500 days (June 2011)
- Mozambique 1000 days (November 2011)
- Egypt 1000 days (January 2012)
- Tanzania – North Mara 1000 days (January 2012)
- Zambia – Lumwana 1500 days (January 2012)
- Tanzania – Mwanza 1500 days (March 2012)

Maintaining excellence in Health and Safety is a key element to why Capital Drilling has improved its revenue exposure to major mining groups and we will continue to invest in this crucial aspect of our business.

Capital Drilling continues to abide by the ISO certifications it has received (ISO 9001, ISO 14001, OSHAS 18001, and SA 8000 Cultural Accountability) in setting the appropriate standards to which the Group operates. We are very pleased that the Group has maintained its ISO certifications in 2011 with no non-conformances.

Outlook

The Group will continue to pursue its strategy for growth by leveraging our strengths. We intend to maintain a focus on meeting the demands of our existing blue chip customer base and working with them on new opportunities as they arise. Having established operating platforms in both West Africa and LATAM, we aim to develop our position in these fast growth markets through expanding our operations and increasing market share. We also see the opportunity to grow our Energy division in potash and coal seam gas drilling with the number of enquiries continuing to grow. We anticipate growth in all regions of operations, with continued high levels of client enquiries and a supportive macro-economic environment.

The recently announced debt refinancing allows us greater capacity and flexibility to deliver on growth opportunities in 2012, as well as providing a robust balance sheet.

It has been very pleasing that 2011 has seen highly supportive market conditions amongst some uncertain economic times in Europe, and with our current work program we see continued demand to position us well for the year ahead. 2012 promises to be another good year for Capital Drilling.

Brian Rudd
Executive Director (former Chief Executive Officer)
Capital Drilling Limited

Geoff Fardell
Chief Executive Officer
Capital Drilling Limited

Chief Financial Officer's Report

It is pleasing to report that, in 2011, our first full year as a listed entity, the Group generated record revenue and profits. The Group continued to expand within its existing client base and geographically, entering Ghana and Ethiopia this year. Improving key metrics in average revenue per operating rig and rig utilisation provide a solid base to commence our 2012 financial year.

Whilst the Group benefitted from increased efficiencies, consistent with 2010, the business saw pressure on margins through a tightening labour market and related costs. The increased efficiencies were unable to offset the labour related pressure which resulted in the business generating slightly lower margins, despite record earnings per share. Despite this, the Group moves into 2012 with a continued strong balance sheet and increased capacity for growth through the recently agreed debt facility. Net earnings increased to \$17.6m, or 58% year-on-year and net equity increased to \$79.1m.

<u>Statement of Comprehensive Income</u>					
<u>Underlying</u>	<u>2011</u>	<u>2010</u>	<u>Reported</u>	<u>2011</u>	<u>2010</u>
Revenue \$m	130.5	75.1	Revenue \$m	130.5	75.3
EBITDA \$m	34.0	19.8	EBITDA \$m	34.0	19.9
EBITDA %	26.1	26.4	EBITDA %	26.1	26.5
EBIT \$m	22.8	14.1	EBIT \$m	22.8	14.2
PBT \$m	21.7	12.8	PBT \$m	21.7	12.9
NPAT \$m	17.6	11.1	NPAT \$m	17.6	11.2
Basic EPS (cents)	13.1	9.4	Basic EPS (cents)	13.1	9.5
Diluted EPS (cents)	13.0	9.0	Diluted EPS (cents)	13.0	9.1

Demand for drilling services continues to be strong due to the reported improving conditions in 2010. Consequently, underlying revenue increased to \$130.5m or 74% year-on-year, resulting in record performance. In addition, H2 2011 provided further evidence of the continued demand with revenue up 19% from the previous period in H1 2011. Combined with improving rig utilisation and ARPOR on a larger weighted average fleet, we enter 2012 with high revenue visibility, providing further comfort to the growth prospects within the current client base.

Continued improvements in key revenue metrics were displayed with rig utilisation averaging 82% for the period, up from 72% in 2010 and ARPOR improving 20% YoY to an average of \$158,000 per month for the year. In addition, the weighted average fleet expanded by 21%. With utilisation now at peak levels, an improving ARPOR provides evidence of the improving pricing environment and demand in the sector.

Despite efficiencies within the Group, a higher ARPOR, with lower stock and fuel expenses, the strong demand for drilling services resulted in pressure on labour and associated costs which the Group was unable to offset. Combined with a weakening US Dollar, the gross profit margin for the year was 35%. In addition, the change in depreciation methodology to a straight line basis at the beginning of 2011, as advised in 2010 Annual Report, resulted in a higher expense for the period. Despite this, the revenue expansion saw underlying EBIT increase to \$22.8m, or 62% YoY.

Despite the fact the Group continues to enjoy a relatively low effective tax rate, 2011 saw an increased effective tax rate from 13% to 19%, which eroded the lower financing costs generating a net profit after tax of \$17.6m, up from \$11.1m, an improvement of 58% over the previous year.

Underlying diluted earnings per share increased by 45% to 13.0 cents on a weighted average number of shares of 134,986,395, from 9.0 cents on a weighted average number of shares of 122,383,994 shares in 2010.

Statement of Financial Position

As at 31 December 2011, the Statement of Financial Position showed continued strength and improvement with net equity increasing to \$79.1m. This position is a result of improved retained earnings and current assets from a higher revenue base. With a relatively low debt to equity ratio, the business continues to be well placed to capitalise on the strong demand for its services.

Statement of Financial Position	2011	2010
	\$m	\$m
Non-current assets	61.6	48.2
Current assets	56.6	48.4
Total Assets	118.2	96.6
Current liabilities	30.1	22.4
Non-current liabilities	9.0	12.8
Total Liabilities	39.1	35.2
Total Shareholder's Equity	79.1	61.4

The 17% YoY increase in current assets to \$56.6m was as a result of expansion of the Group's inventory to cater for continued growth, combined with higher trade receivables from a larger revenue base. Lower trade payables, despite the large revenue base, resulted in a lower cash position of \$7.7m (\$0.4m net of overdraft) and thus lower liquidity for the period.

In line with the increase in the year end drilling fleet to 85 rigs (increase year-on-year of 15%), the net property, plant and equipment of the business increased by 28% to \$61.5m. Given the timing of the additions, the full impact of this investment will be evident in 2012.

Gross debt remained relatively stable at \$18.7m (2010: \$18.0m), despite the increase in property, plant and equipment.

Statement of Cash Flow	2011	2010
	\$m	\$m
Net Cash from Operating Activities	10.1	12.6
Net Cash used in Investing Activities	(24.9)	(18.3)
Net Cash from Financing Activities	0.6	22.8
Net (Decrease) Increase in Cash and Cash Equivalents	(14.2)	17.1
Cash balance at beginning of period	18.2	1.1
Cash Balance at End of Period *	4.0	18.2

*net of overdraft

The Group saw a decline in liquidity in 2011. Slightly lower margins with higher receivables, a result of the timing of receipts and improved payments to creditors, resulted in a working capital outflow. In addition, expansion of inventory resulted in cash from operating activities reducing to \$10.1m. Working capital management continues to be a key focus for the business.

Cash used in investing activities was \$24.9m, a 36% increase on 2010. The Group's drilling fleet expanded by 11 rigs (net of disposals), an increase of 15%. Due to the timing of the asset additions, we expect the full effect of this investment will be seen in 2012.

Cash from financing activities was \$0.6m, compared to net cash generated of \$22.8m in 2010, with the IPO in 2010 being the major difference between the two periods.

The Group's cash position at year end was \$7.7m (\$4.0m net of overdraft) and total debt marginally increased to \$18.7m.

The net debt position of the business declined to \$14.6m and, as a result, net gearing (net debt/equity) was 19%.

A reconciliation of the movement in the net cash position is found below.

	<u>2011</u>	<u>2010</u>
	\$m	\$m
Net Debt at beginning of year	0.2	(14.4)
(Decrease) Increase in cash and cash equivalents	(14.2)	17.1
Increase in loans	(0.6)	(2.8)
Loan write off	-	0.2
Net (Debt) Cash at end of year	(14.6)	0.2

Treasury and Risk Management

The Group operates under standard Finance Procedures with a centralised Treasury function. As a result, the majority of receivables are centrally received to mitigate any in country cash risk and therefore cash and cash flow is managed by Head Office.

The Group does not undertake any formal currency hedging, though it endeavours to increase the percentage of all transactions in US dollars denominations as an informal hedge.

Critical Accounting Policies

The Financial Statements have been prepared in accordance with IFRS 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 USD, 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 life, less any pre-agreed salvage value. The carrying values of all property, plant and equipment are reviewed annually or more frequently if a triggering event occur.

Taxation

A deferred tax asset and liability is recorded in the Statement of financial position. In addition, the business will have carried forward tax losses to the value of \$2.0m, an increase of \$1.3m, from 2010. These tax losses, are expected to be utilised in the forthcoming period (s).

Share Based Payments

In 2011, 80,000 Options were issued with a vesting period between January 2011 and December 2013. The additional options issued result in total options issued of 2,600,000. A share based payment expense of \$126,300 was recorded.

Subsequent to the above, in January 2012, an additional 3,000,000 options convertible into ordinary shares have been issued to the newly appointed CEO, Mr Geoff Fardell. The options issued by the Company, have an exercise price of £1.02 each and, depending on the fulfilment of certain conditions, are exercisable up to 15 January 2016.

Primary Risks

The Group operates in environments that pose various risk and uncertainties. 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 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, financial condition, results of operations and prospects 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 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 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.

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, 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.

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.

As operations are conducted outdoors, they are generally vulnerable to weather and environmental conditions. The Group operates in a variety of locations, some of which are prone to extreme weather conditions. High rainfall can significantly impact drilling activity as well as impede the ability to move drilling rigs between drill sites. Accordingly, weather conditions as well as natural disasters may adversely impact the financial performance of the Group.

Financial Information

The Listing Rules of the UK Listing Authority (LR 9.7A.1) require that preliminary unaudited statements of annual results must be agreed with the listed company's auditor prior to publication, even though an audit opinion has not yet been issued. In addition, the Listing Rules require such statements to give details of the nature of any likely modification that may be contained in the auditor's report to be included with the annual report and accounts. Capital Drilling Limited confirms that it has agreed this preliminary statement of annual results with Deloitte & Touche and that the Board of Directors has not been made aware of any likely

modification to the auditor's report required to be included with the annual report and accounts for the year ended 31 December 2011.

Responsibility Statement

The Directors confirm to the best of their knowledge that the financial statements have been prepared in accordance with IFRS and give a true and accurate reflection on the Operating result, cash position and Statement of Financial Position.

Cautionary Statement

This Business Review, which comprises the Chairman's Statement, Chief Executive Officer Review and Chief Financial Officer's Report, 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.

David Payne
Chief Financial Officer

Financial Results
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Note	Group	
		2011	2010
		\$	\$
Revenue	3	130,464,797	75,255,976
Cost of sales		(85,225,297)	(47,873,623)
Gross profit		45,239,500	27,382,353
Other income		11,865	728,269
Administration expenses		(11,228,455)	(8,182,247)
Depreciation		(11,175,099)	(5,751,748)
Profit from operations		22,847,811	14,176,627
Finance charges		(1,104,611)	(1,288,414)
Profit before tax		21,743,200	12,888,213
Taxation	4	(4,154,588)	(1,671,101)
Profit for the year		17,588,612	11,217,112
Other comprehensive income:			
Exchange differences on translation of foreign operations		7,444	(21,449)
Total comprehensive income for the year		17,596,056	11,195,663
Profit attributable to:			
Equity holders of the parent		17,588,612	11,115,033
Non-controlling interest		-	102,079
Profit for the year		17,588,612	11,217,112
Total comprehensive income attributable to:			
Equity holders of the parent		17,596,056	11,093,584
Non-controlling interest		-	102,079
Total comprehensive income for the year		17,596,056	11,195,663
Earnings per share:			
Basic (cents per share)	5	13.1	9.5
Diluted (cents per share)	5	13.0	9.1

CONDENSED STATEMENT OF FINANCIAL POSITION**31 December 2011**

	<u>Note</u>	<u>Group</u>	
		<u>2011</u>	<u>2010</u>
		\$	\$
ASSETS			
Non-current assets			
Property, plant and equipment	7	61,497,698	48,135,427
Deferred taxation		56,231	21,837
Total non-current assets		61,553,929	48,157,264
Current assets			
Inventory		20,417,421	14,923,881
Trade and other receivables		28,108,034	14,965,800
Taxation		367,508	316,287
Cash and cash equivalents		7,716,453	18,237,254
Total current assets		56,609,416	48,443,222
Total assets		118,163,345	96,600,486
EQUITY AND LIABILITIES			
Equity			
Share capital	8	13,459	13,459
Share premium	8	21,561,190	21,561,190
Equity-settled employee benefits reserve		132,225	5,925
Foreign currency translation reserve		(25,029)	(32,473)
Retained earnings		57,410,284	39,821,672
Total equity		79,092,129	61,369,773
Non-current liabilities			
Long-term liabilities	9	7,968,828	12,424,065
Deferred taxation		1,033,567	396,999
Total non-current liabilities		9,002,395	12,821,064
Current liabilities			
Trade and other payables		14,498,360	16,166,954
Taxation		1,178,722	618,400
Current portion of long-term liabilities		10,720,099	5,236,505
Short-term loans	10	-	387,790
Bank overdraft		3,671,640	-
Total current liabilities		30,068,821	22,409,649
Total equity and liabilities		118,163,345	96,600,486

CONDENSED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2011

	Share capital	Share premium	Equity-settled employee benefits reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$
GROUP								
Balance at 31 December 2009	14,400	189,600	2,250,100	(11,024)	28,360,237	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
Recognition of share-based payments	-	-	5,925	-	-	5,925	-	5,925
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 costs	-	(2,127,328)	-	-	-	(2,127,328)	-	(2,127,328)
Total comprehensive income for the year	-	-	-	(21,449)	11,115,033	11,093,584	102,079	11,195,663
Balance at 31 December 2010	13,459	21,561,190	5,925	(32,473)	39,821,672	61,369,773	-	61,369,773
Recognition of share-based payments	-	-	126,300	-	-	126,300	-	126,300
Total comprehensive income for the year	-	-	-	7,444	17,588,612	17,596,056	-	17,596,056
Balance at 31 December 2011	13,459	21,561,190	132,225	(25,029)	57,410,284	79,092,129	-	79,092,129

CONDENSED STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	<u>Note</u>	Group	
		<u>2011</u>	<u>2010</u>
		\$	\$
Operating activities:			
Cash from operations	11	14,204,899	15,257,804
Finance charges		(1,104,611)	(1,288,414)
Taxation paid		(3,043,313)	(1,327,757)
<i>Net cash generated from operating activities</i>		<u>10,056,975</u>	<u>12,641,633</u>
Investing activities:			
Purchase of property, plant and equipment		(26,706,154)	(18,976,678)
Proceeds from disposal of property, plant and equipment		<u>1,816,171</u>	<u>662,571</u>
<i>Net cash used in investing activities</i>		<u>(24,889,983)</u>	<u>(18,314,107)</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 costs		-	(2,127,328)
Decrease in executives' loans		-	(5,274,887)
Long-term liabilities raised		6,750,000	17,766,391
Long-term liabilities repaid		(5,721,643)	(6,953,978)
Decrease in short-term liabilities		(387,790)	(2,766,404)
<i>Net cash generated from financing activities</i>		<u>640,567</u>	<u>22,800,019</u>
Net (decrease) increase in cash and cash equivalents		(14,192,441)	17,127,545
Cash and cash equivalents at the beginning of the year		<u>18,237,254</u>	<u>1,109,709</u>
Cash and cash equivalents at the end of the year		<u><u>4,044,813</u></u>	<u><u>18,237,254</u></u>

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. Basis of preparation

The unaudited preliminary condensed and consolidated financial statements are prepared on a going concern basis under the historical cost convention.

The unaudited preliminary condensed and consolidated financial information 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 company's 2011 Annual Report and annual 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 Financial Statements are available on the company's website.

The financial information for the years ended 31 December 2011 and 2010 does not constitute the annual financial statements. The annual financial statements for the year ended 31 December 2010 were completed and received an unmodified audit report from the Company's Auditors. The Annual Report and annual Financial Statements for the year ended 31 December 2011 will be finalised on the basis of the financial information presented by the Directors in this unaudited preliminary announcement. The audit report for the year ended 31 December 2011 has not yet been issued.

2. Operations during the year

During the year ended 31 December 2011, the Group provided drilling services in Chile, Egypt, Eritrea, Ethiopia, Ghana, Mauritania, Mozambique, Papua New Guinea, Tanzania and Zambia. The Group's administrative and operations offices are located in Singapore and Chile.

3. Segment report

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 order to allocate resources to the segments and to assess their performance. Information reported to the group's operating decision maker, in this case the group's Chief Executive, for the purposes of resource allocation and assessment of segment performance is focussed on the region of operation.

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

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2011

2011	Africa	Rest of world	Consolidated
	\$	\$	\$
External revenue	110,566,213	19,898,584	130,464,797
Segment gross profit	39,386,208	5,853,292	45,239,500
Administration costs and depreciation, net of other income	(18,150,113)	(3,657,862)	(21,807,975)
	21,236,095	2,195,430	23,431,525
Central administration costs and depreciation			(595,579)
Other income			11,865
Profit from operations			22,847,811
Finance charges			(1,104,611)
Profit before tax			21,743,200
2010	Africa	Rest of world	Consolidated
	\$	\$	\$
External revenue	63,445,158	11,810,818	75,255,976
Segment gross profit	23,964,242	3,418,111	27,382,353
Administration costs and depreciation, net of other income	(11,062,030)	(1,804,330)	(12,866,360)
	12,902,212	1,613,781	14,515,993
Central administration costs and depreciation			(1,018,046)
Other income			678,680
Profit from operations			14,176,627
Finance charges			(1,288,414)
Profit before tax			12,888,213

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2011

	Group	
	2011	2010
	\$	\$
<u>Segment assets:</u>		
Africa	188,854,646	109,196,805
Rest of world	52,365,197	49,740,355
Total segment assets	241,219,843	158,937,160
Head office companies	20,279,000	26,546,069
	261,498,843	185,483,229
Eliminations	(143,335,498)	(88,882,743)
	<u>118,163,345</u>	<u>96,600,486</u>
<u>Segment liabilities:</u>		
Africa	80,099,857	29,297,648
Rest of world	25,324,533	23,138,984
Total segment liabilities	105,424,390	52,436,632
Head office companies	75,843,565	70,482,630
	181,267,955	122,919,262
Eliminations	(142,196,739)	(87,688,549)
	<u>39,071,216</u>	<u>35,230,713</u>

4. Taxation

The period's taxation is calculated by external consultants and on assessments performed by management and the effective tax rates applicable in the various jurisdictions the group operates in.

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. Earnings per share

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Group	
	2011	2010
	\$	\$
Profit for the year attributable to equity holders of the parent, used in the calculation of basic earnings per share	17,588,612	11,115,033
Weighted average number of ordinary shares for the purposes of basic earnings per share	134,592,800	116,994,604
Basic earnings per share (cents)	13.1	9.5

Diluted earnings per share

The earnings used in the calculations of all diluted earnings per share measures are the same as those used in the equivalent basic earnings per share measures, as outlined above.

	Group	
	2011	2010
	\$	\$
Weighted average number of ordinary shares used in the calculation of basic earnings per share	134,592,800	116,994,604
Shares deemed to be issued for no consideration in respect of:		
- Dilutive share options	393,595	5,389,390
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	134,986,395	122,383,994
Diluted earnings per share (cents)	13.0	9.1

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2011

6. Dividends

No dividends were declared during the year ended 31 December 2011 (2010: \$nil).

7. Property, plant and equipment

For the year ended 31 December 2011, the Group spent approximately net \$24.9 million (2010: \$18.3 million) on drilling rigs and other assets to expand its operations and for the replacement of existing assets.

8. Issued capital

	Group	
	2011	2010
	\$	\$
<u>Authorised:</u>		
2 000 000 000 (2010: 2 000 000 000) ordinary shares of 0.01 cents (2010: 0.01 cents) each	200,000	200,000
<u>Issued and fully paid:</u>		
134 592 800 (2010: 134 592 800) ordinary shares of 0.01 cents (2010: 0.01 cents) each	13,459	13,459
<u>Share premium:</u>		
Balance at the beginning of the year	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 costs	-	(2,127,328)
Balance at the end of the year	21,561,190	21,561,190

There was no movement in the issued share capital during the year ended 31 December 2011.

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. Long term debt

In September 2011, a term loan facility of \$1.75 million was entered into with Stanbic Bank Zambia Limited which increased the loan facility to \$2.5 million. The term loan facility is repayable over 3 years and attracts an interest rate of three months LIBOR plus 5.5%. The loan is denominated in United States Dollars. Proceeds of a drilling contract with Lumwana Copper Mines Limited has been assigned to Stanbic Bank Zambia Limited as security for this loan. The loan is also secured by the remaining drilling rigs and vehicles of Capital Drilling (Zambia) Limited.

In November 2011, the Group obtained additional borrowings of \$5 million under the MTL Facility ("Reinstated Facility"), which increased the MTL Facility to \$15 million. This is a short term loan facility with a six month option to refinance without penalty. The Reinstated Facility was fully drawn down during the year 2011 and is repayable at maturity and has an annual interest rate of 3.75% above the prevailing three month USD LIBOR. Upon the expiry of the Reinstated Facility, the MTL Facility will revert to its balance as if this facility has not been provided. As at 31 December 2011, securities used for the original MTL Facility remains outstanding for the Reinstated Facility.

10. Short-term loans

The Group purchased 2 drilling rigs to be used for the Polar Star Mining Project in Chile. The acquisition of the rigs was financed through a loan, amounting to \$0.8 million, obtained from Polar Star Mining. The loan was repayable through a deduction of 15% from the drilling invoices issued relating to this project. During 2011, the Group repaid all amounts due on short-term loans which were outstanding on 31 December 2010.

11. Cash from operations

	Group	
	2011	2010
	\$	\$
Profit before tax	21,743,200	12,888,213
Adjusted for:		
- Depreciation	11,175,099	5,751,748
- Loss on disposal of property, plant and equipment	353,635	337,700
- Impairment of goodwill	-	456,784
- Share-based payment expense	126,300	5,925
- Exchange differences on translating foreign operations	6,422	(35,480)
- Gain on settlement of loan	-	(238,966)
- Gain on business disposal	-	(423,908)
- Finance charges	1,104,611	1,288,414
Operating profit before working capital	34,509,267	20,030,430
Adjustments for working capital:		
- Increase in inventory	(5,493,540)	(5,989,255)
- Increase in trade and other receivables	(13,142,234)	(6,513,859)
- (Decrease) increase in trade and other payables	(1,668,594)	7,730,488
	14,204,899	15,257,804

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2011

12. Contingencies and capital commitments

	Group	
	2011	2010
	\$	\$
Committed capital expenditure	<u>3,721,000</u>	<u>2,026,212</u>

The Group also had outstanding purchase orders amounting to \$4.8 million (2010: \$2.5 million) at the reporting date.

13. Events after the reporting date

On 31 January 2012, the Group concluded a comprehensive debt refinancing package to consolidate existing debt, reduce borrowing costs and support the Company's growth plans.

The new facility, provided by Standard Bank of South Africa, has a total lending limit of \$47 million. The Facility consists of a three year \$17 million term loan, a four year \$30 million revolving credit facility and a \$15 million treasury facility (subject to annual review). The Facility is secured and is supported by guarantees from four of the Group's major subsidiaries.

The initial drawdown on 31 January 2012 was used primarily to repay various facilities with Standard Bank totalling \$24 million.

14. Glossary

A description of various acronyms is detailed below:

NPAT	Net Profit After Tax
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
ARPOR	Average Revenue Per Operating Rig
KPI	Key Performance Indicator
YOY	Year On Year
LTI	Lost Time Injury
Return on capital employed	EBIT / (Average Total Assets - Average Current Liabilities)
Return on total assets	EBIT / Average Total Assets