



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

Full Year Results
For the period ended 31 December 2012
 18 March 2013

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 2012.

FULL YEAR FINANCIAL RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2012*

	<u>2012</u>	<u>2011</u>	<u>Change</u>
	\$m	\$m	%
Average Fleet Size	88	78	+13
Fleet Utilisation (%)	76	82	-7
ARPOR (\$)	192,000	158,000	+22
Revenue	158.9	130.5	+22
EBITDA	37.1	34.0	+9
EBIT	20.9	22.8	-8
Net Profit After Tax	14.1	17.6	-20
<u>Earnings per share</u>			
Basic (cents)	10.5	13.1	-20
Diluted (cents)	10.5	13.0	-20
Net Asset Value per share (cents)	69.2	58.8	+18
Return On Capital Employed (%)	19.8	28.2	-30
Return on Total Assets (%)	16.2	21.3	-24
Net Debt / Cash	20.0	14.6	+36
Net Debt to Equity (%)	21.4	18.5	+16

* All amounts are in USD unless otherwise stated

Financial Highlights¹

- Record revenue for Capital Drilling despite challenging market conditions
- Revenue up 22% to \$158.9 million (2011: \$130.5 million)
- EBITDA up 9% to \$37.1 million (2011: \$34.0 million)
- EBIT down 8% to \$20.9 million (2011: \$22.8 million)
- Net Profit After Tax down 20% to \$14.1m (2011: \$17.6 million) largely due to higher tax charges
- Diluted EPS down 20% to 10.5 cents per share (2011: 13.0 cents per share)
- Return on total assets 16.2% (2011: 21.3%); Return on capital employed 19.8% (2011: 28.2%)

Operational Highlights

- Average Revenue Per Operating Rig (ARPOR) increased 22%, averaging \$192,000 for 2012 (2011: \$158,000)
- Fleet expanded by 9% to 93 rigs by the end of 2012 (averaging 88 rigs for 2011)
- Softer utilisation levels at 76% (2011: 82%)

- Significant contract wins including:
 - ❖ Chile : Antofagasta Minerals
 - ❖ Chile: CMP
 - ❖ Ethiopia: Ethiopia Potash
- 5 projects achieved new LTI Free records in 2012/2013

Continued strategic progress

- Increased exposure to majors in the mining sector, representing 73% of revenues in 2012 (2011: 63%)
- \$50mn invested in CAPEX over the past two years
- Current fleet age averaging 4 years old provide one of the most modern drilling fleets in the market
- Maintained conservative gearing profile of only 21%
- New underground drilling services contracts started at two mines in Africa

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

“The slowdown in capital market activity in the mining sector has been well documented in 2012 and Capital Drilling has witnessed this slowdown first hand with particular impact on the second half of 2012.

Despite market uncertainties we have achieved record revenue for the group and a strong ARPOR at a time when the Company has also invested heavily in CAPEX, leaving Capital Drilling particularly well positioned as we move forward. With the majority of our revenue from Major miners, one of the youngest fleets in the industry and a strong balance sheet we remain confident of being able to grow our market share despite headwinds in the industry.”

Capital Drilling will host a conference call on Monday 18 March at 10.00am (London, UK time) to update investors and analysts on its results. Participants may join the call by dialling one of the following three numbers, approximately 10 minutes before the start of the call.

Dial in (UK): 08006940257

International dial in: +44 (0) 1452 555566

ID Number: 14092719

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

Capital Drilling Limited

+65 6227 9050

Jamie Boyton, Executive Chairman

Uno Makotsvana, CFO

Liberum Capital Limited

+44 (0)20 3100 2000

Clayton Bush

Richard Bootle

Canaccord Genuity

+44 (0)20 7523 8000

Andrew Chubb

Ross Allister

Buchanan

+44 (0)20 7466 5000

Bobby Morse

Gabriella Clinkard

About Capital Drilling

Capital Drilling provides specialised drilling services to mineral exploration and mining companies in emerging and developing markets, for exploration, development and production stage projects. The Company currently owns and operates a fleet of 93 drilling rigs with established operations in Chile, Egypt, Ethiopia, Ghana, Mauritania, Mozambique, Tanzania, Solomon Islands and Zambia. 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.

Chairman/Interim CEO Statement

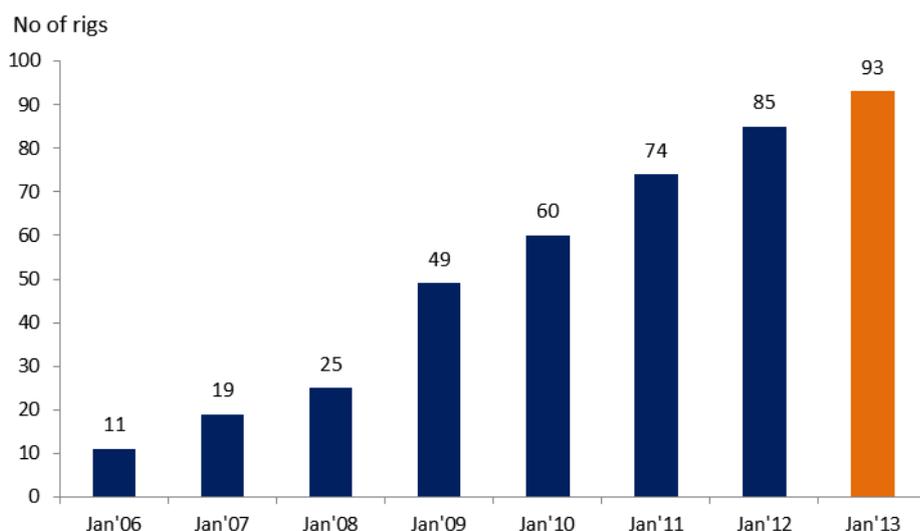
Dear Shareholders

2012 was a year of mixed results for Capital Drilling; we selectively grew our market share, generated record revenues, and made a substantial investment in our business to provide a stronger platform for future growth. Our first half performance was a record while the second half performance did not deliver to management expectations due to the external demand environment softening in the fourth quarter of the year and the slowdown in client activity in this period. Combined with the disruptions experienced in Egypt, this impacted the Group's 2012 results.

Capital Drilling delivered a record of \$158.9 million of revenue, an increase of 22% on 2011. EBITDA improved 9% on 2011, rising to \$37.1 million. The Group did however record a fall in EBIT and NPAT of 8% and 20% respectively, with NPAT impacted by higher tax charges resulting from a change in geographical contributions to the Group's results. Group returns were again solid, with 2012 Return on Capital Employed (ROCE) of 19.8% and Return on Total Assets (ROTA) of 16.2%.

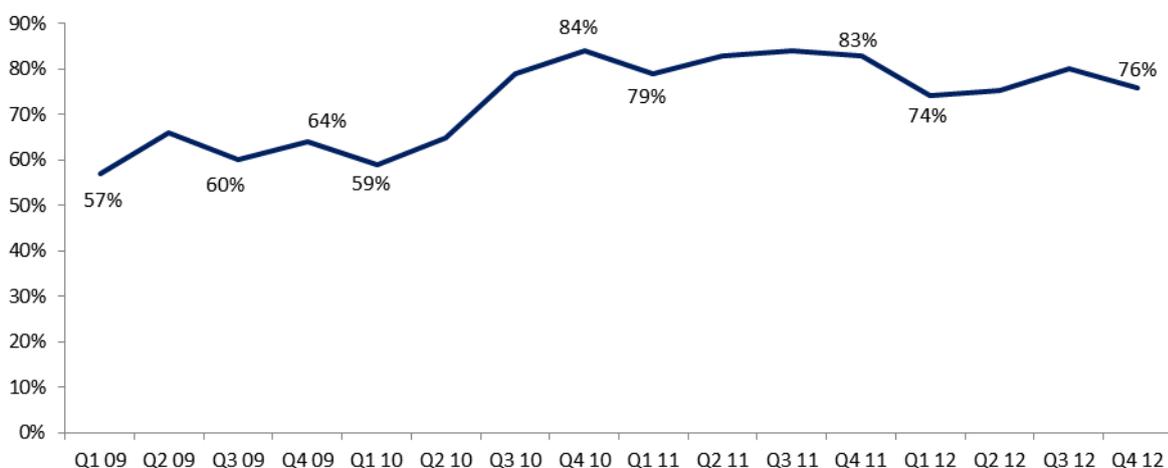
Capital Drilling's strategy of expanding our service offering continued to develop in 2012, with the commencement of underground drilling services in Ghana and Egypt. The Group added a further (net) eight rigs to the fleet over the year, representing 9% year on year growth, commencing 2013 with 93 rigs in the fleet. This fleet growth is slightly below long term growth rates and we expect 2013 to also reflect this trend as we seek to utilise existing assets in a more subdued demand environment, with growth CAPEX to be driven by new tender wins rather than through existing client demand.

Figure 1: ANNUAL FLEET GROWTH



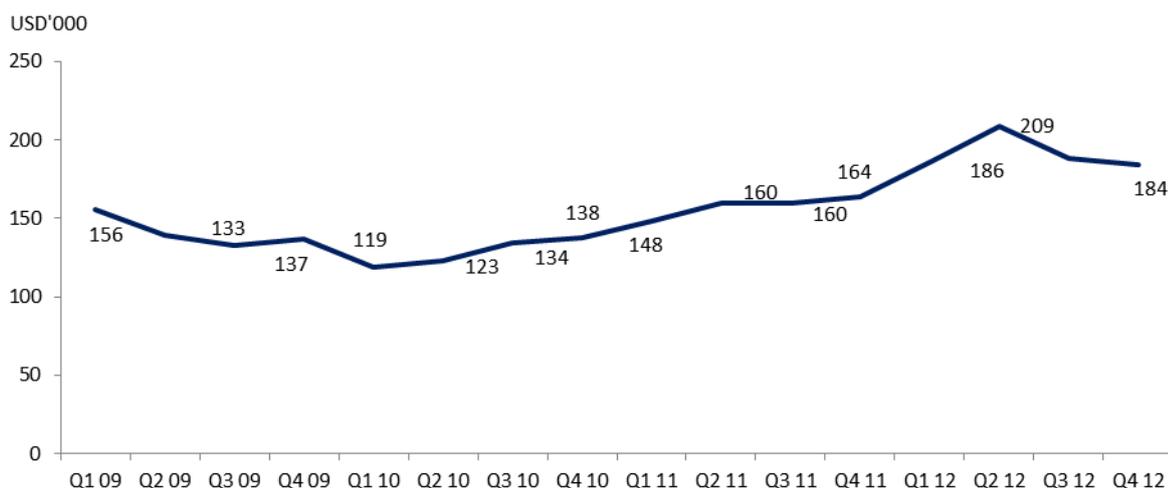
Rig utilisation for the Group softened in 2012, reducing from 82% for 2011 to 76% for the year. Activity levels weakened in the fourth quarter with some clients reducing their activities sooner than in previous years due to greater adherence to budgeted spend in a more cost conscious environment. This has been a growing trend in the industry as management teams increasingly look to improve cost efficiencies and capital discipline in a more difficult environment.

Figure 2: RIG UTILITISATION



The Group's final revenue KPI, Average Revenue per Operating Rig, performed strongly for the year, improving from \$158,000 per month for 2011 to \$192,000 per month for 2012. The improved performance reflected an improved contract mix and the full year impact of previous rate rises.

Figure 3: ARPOR



Over the past two years Capital Drilling has made a substantial capital investment of over \$50 million in new rigs, upgrading the standards of the assets within the existing fleet as well as investing in our systems and practices to improve business efficiency. We have strategically targeted the major mining houses as our key customers, in parallel with a key asset approach to these customers, namely targeting low cost of production and long life of mine assets. The strategy has been successfully implemented with major mining companies representing 73% of Group revenue in 2012. Further, it has allowed Capital Drilling to grow with our clients, continuing the expansion of services provided, with the Group now providing underground drilling services at two sites in Africa.

Corporate Update

2012 saw some significant management changes within the Group. We announced the departure of our former CEO in November 2012 and the Board has reached advanced discussions with prospective candidates. While this is clearly a critical role, we are fortunate to have a strong management team already in place, which includes the founding shareholders all of whom remain committed to delivering results for shareholders. A further update will be given in due course.

A number of structural initiatives introduced in the past 12 months have proven to add to the discipline and robustness of the business and we are confident of the team delivering results in the years ahead. These initiatives have increased rigour around CAPEX allocations, maintenance planning, operational performance and cost discipline, all of which contribute to a more robust platform for future growth.

Health and Safety

The Group continues with its strong focus on a safety culture, supported by our Training and Development programs which include the provision of training services for our clients. We recorded a solid improvement in our safety performance in 2012, with our key measure, the All Injury Frequency (days free) Rate (AIFR) reducing from 2.84 to 1.82 injury related incidents per 200,000 man hours. Project milestones in 2012 for Lost Time Injuries (LTIs) include:

- Egypt – Thani Dubai Shalateen 500 days (May 2012)
- Mauritania - Tasiast 500 days (August 2012)
- Tanzania - Geita 2,000 days (October 2012)
- Solomon Islands – Gold Ridge 500 days (February 2013)
- Ghana – Chirano 500 days (February 2013)

Outlook

The past year has seen a changing of the guard among many of our clients and the mining industry in general. Investors have demanded a new agenda of capital discipline with a stronger focus on capital management and shareholder returns. This move away from a growth agenda to a cost and capital focus is leading to a reduction in demand for drilling services as demonstrated by softer utilisation rates being reported by the drilling companies. We are however continuing to see expansion opportunities within our customer base as well as a number of new opportunities for growth.

As we commence 2013 we are cautiously optimistic of an improved performance. Despite the weaker demand environment we continue to work with a high quality client list and have maintained robust levels of utilisation which are trending above reported industry levels. The Group's substantial investment in capital equipment over the past two years, with one of the most modern drilling fleets in the industry, positions us well for the periods ahead. With available capacity and a fleet averaging four years in age, we expect a substantial reduction in our capital requirements over the year ahead, positioning the Group well for cash generation during this period. Furthermore the Group maintains a conservative gearing profile with significant balance sheet headroom and flexibility should new opportunities be converted.

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

Jamie Boyton
Executive Chairman and Interim Chief Executive Officer

Chief Financial Officer's Report

The 2012 financial year marked our second full year as a listed entity. The Group generated record revenue amidst some significant challenges both in the internal and external environments; however the full benefit of these revenues did not flow through to the Group's net profit.

Softening activity levels in the third and fourth quarter, including political disruptions in Egypt, applied pressure to revenues. The lag in reducing costs to match the reduced activity levels impacted full year earnings, resulting in lower margins and a decrease in earnings per share. Despite this, the Group moves into 2013 with a strong balance sheet and conservative debt levels with a net gearing ratio (net debt/equity) of 21% and significant unutilised debt facilities providing flexibility. Net equity increased to \$93.2 million.

Despite the challenges faced over the year the Group achieved record revenues of \$158.9 million which is a 22% growth YoY. The second half of the year however experienced challenging conditions with a softening of growth rates due to reduced ARPOR and Utilisation. We have however started 2013 with a number of long-term contracts giving us reasonable visibility of revenues for the rest of the year.

Rig utilisation softened in 2012, reducing from 82% in 2011 to 76% for the year. ARPOR however improved 22% YoY to an average of \$192,000 per month for the year. In addition, the weighted average fleet expanded by 9%. The drop in rig utilisation was particularly marked in the fourth quarter with some clients bringing 2012 drilling programmes to an end earlier than initially anticipated due to tighter budgetary control, applied in the more challenging environment. The improvement in ARPOR is largely driven by a favourable contract mix and the full year impact of previous rate rises.

The abrupt conclusion of drilling programmes by some clients applied pressure to profitability as the Group's cost reductions could not respond at the same pace, which resulted in a decrease in the gross profit margin for the year to 33% (2011 - 35%). Combined with a higher depreciation charge due to the full year impact of the significant 2011 asset additions the group saw a decrease in EBIT of 9% YoY.

Net profit decreased by 20% YoY due to higher interest costs attributable to a higher average net debt position compared to 2011 as well as a higher effective tax rate, which increased to 25% (2011 – 19%), due to a change in the geographical contribution of earnings which were primarily in higher tax jurisdictions.

Basic earnings per share decreased by 20% to 10.5 cents per share on a weighted average number of shares of 134,592,800, from 13.1 cents per share on a weighted average number of shares of 134,986,395 shares in 2011.

Statement of Financial Position

As at 31 December 2012, the Statement of Financial Position showed continued strength and improvement with net equity increasing to \$93.2 million. This position is a result of the contribution of 2012 retained earnings and overall asset growth for the year. With a relatively low debt to equity ratio, the business continues to enjoy flexibility to enable it to capitalise on growth opportunities as they arise.

The 18% YoY increase in current assets to \$66.7 million was as a result of expansion of the Group's inventory levels in line with the growth in rig count, combined with higher trade receivables from a larger revenue base. Trade payables increased in line with the growth in activity levels, this combined with the timing of period end cash collections accounts for the marginal increase in cash and cash equivalents of \$9.1 million compared to \$7.7 million as at 31 December 2011.

Statement of Comprehensive Income (Summary)			Statement of Financial Position (Summary)		
Reported	2012	2011	2012	2011	
			\$m	\$m	
Revenue \$m	158.9	130.5	Non-current assets	74.1	61.6
EBITDA \$m	37.1	34.0	Current assets	66.7	56.6
EBITDA %	23.4%	26.1%	Total Assets	140.9	118.2
EBIT \$m	20.9	22.8	Current liabilities	17.9	30.1
PBT \$m	18.9	21.7	Non-current liabilities	29.8	9.0
NPAT \$m	14.1	17.6	Total Liabilities	47.6	39.1
Basic EPS (cents)	10.5	13.1	Total Shareholder's Equity	93.2	79.1
Diluted EPS (cents)	10.5	13.0			

In line with the increase in the year end drilling fleet to 93 rigs (increase YoY of 9%), the net property, plant and equipment of the business increased by 20% to \$74.0 million.

Gross debt increased by \$10.4 million and was utilised to finance capital expenditure.

The Group saw a slight improvement in cash generation in 2012. The higher revenue levels partially offset the slightly lower margins and the reduced working capital outflow, from a slower rate in growth of accounts receivable, and inventory relative to revenue, contributed to a significant \$24.1 million being generated from operations.

Net cash used in investing activities was \$29.4 million, an 18% increase on 2011. The Group's drilling fleet expanded by 8 rigs (net of disposals), an increase of 9%.

Cash from financing activities was \$10.4 million, being debt drawn to finance the acquisition of fixed assets with respect to the increase in drilling fleet.

The Group's cash position at year end was \$9.1 million and total debt increased to \$29.1 million.

The net debt position of the business was \$20 million (2011 – \$14.6 million) and, as a result, net gearing (net debt/equity) was 21% (2011 – 19%).

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

Statement of Cashflow (Summary)			Reconciliation of Cash Position		
	2012	2011	2012	2011	
	\$m	\$m	\$m	\$m	
Net Cash from Operating Activities	24.1	10.1	Net (Debt) Cash at beginning of year	(14.6)	0.2
Net Cash used in Investing Activities	(29.4)	(24.9)	(Decrease) Increase in cash and cash equivalent	5.0	(14.2)
Net Cash from Financing Activities	10.4	0.6	Increase in loans	(10.4)	(0.6)
Net (Decrease) Increase in Cash and Cash Equivalents	5.0	(14.2)	Net (Debt) cash at end of year	(20.0)	(14.6)
Cash Balance at Beginning of Period	4.0	18.2			
Cash Balance at End of Period	9.1	4.0			

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 USD denominations as an informal hedge.

Critical Accounting Policies

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

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

Property, Plant and Equipment

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

Taxation

A deferred tax asset and liability is recorded in the Statement of Financial Position. Group has tax losses carried forward of \$10.3 million (2011: \$7.2 million) with a tax value of \$2.9 million (2011: \$2.0 million) available for offset against future profits. A deferred tax asset has been recognised to the value of \$0.2 million (2011: \$0.5 million) in respect of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses amounting to \$8.8 million (2011: \$5.4 million) with a tax value of \$2.7 million (2011: \$1.5 million) as there is uncertainty whether there will be sufficient future taxable profits available to offset these losses. These losses may be carried forward indefinitely.

Share Based Payments

The 3,000,000 million share options which had been issued in January 2012 to the former CEO were cancelled in line with the termination of the employment contract. No additional share options were issued in 2012.

Primary Risks

The Group operates in environments that pose various risks 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 which 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 the financial results. As a result, the Group is exposed to currency fluctuations and exchange rate risks. To minimise the Group's risk, the Group tries to match the currency of operating costs with the currency of revenue.

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 modification to the auditor's report required to be included with the annual report and accounts for the year ended 31 December 2012.

Going Concern Basis

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman and Interim Chief Executive's Review as well as this Chief Financial Officer's Report. The financial position of the Group, its cash flows and liquidity position are also described in from pages 11 to 14 of the attached condensed financial statements.

As highlighted in note 9 to the condensed annual financial statements, the Group has borrowings and a debt facility which, together with its clients' receipts, fund its day to day working capital requirements. Volatile economic conditions may on occasion create uncertainty particularly over (a) the level of demand for the Group's services; (b) exchange rate fluctuations against the US Dollar and the consequent effect on 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 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 discussions 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 believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Responsibility Statement

The Directors confirm to the best of their knowledge that the financial statements have been prepared in accordance with International Financial Reporting Standards and give a true and accurate reflection of the Operating result, cash position and Statement of Financial Position at 31 December 2012.

Cautionary Statement

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

By order of the Board

Uno Makotsvana
Chief Financial Officer

18 March 2013

Financial Results

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

		Group	
	Note	2012	2011
		\$	\$
Revenue	3	158,886,956	130,464,797
Cost of sales		(105,930,444)	(85,225,297)
Gross profit		52,956,512	45,239,500
Other income		1,101	11,865
Administration expenses		(15,852,599)	(11,228,455)
Depreciation		(16,155,444)	(11,175,099)
Profit from operations		20,949,570	22,847,811
Finance charges		(2,023,986)	(1,104,611)
Profit before tax		18,925,584	21,743,200
Taxation	4	(4,814,713)	(4,154,588)
Profit for the year		14,110,871	17,588,612
Other comprehensive income:			
Exchange differences on translation of foreign operations		(11,719)	7,444
Total comprehensive income for the year		14,099,152	17,596,056
Earnings per share:			
Basic (cents per share)	5	10.5	13.1
Diluted (cents per share)	5	10.5	13.0

CONDENSED STATEMENT OF FINANCIAL POSITION
31 December 2012

	Note	Group	
		2012	2011
		\$	\$
ASSETS			
Non-current assets			
Property, plant and equipment	7	74,043,755	61,497,698
Deferred taxation		79,867	56,231
Total non-current assets		74,123,622	61,553,929
Current assets			
Inventory		22,605,119	20,417,421
Trade and other receivables		25,970,607	20,205,997
Prepaid expenses and other assets		8,090,422	7,902,037
Taxation		1,010,650	367,508
Cash and cash equivalents		9,063,606	7,716,453
Total current assets		66,740,404	56,609,416
Total assets		140,864,026	118,163,345
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		184,171	132,225
Foreign currency translation reserve		(36,748)	(25,029)
Retained earnings		71,521,155	57,410,284
Total equity		93,243,227	79,092,129
Non-current liabilities			
Long-term liabilities	9	28,164,341	7,968,828
Deferred taxation		1,599,129	1,033,567
Total non-current liabilities		29,763,470	9,002,395
Current liabilities			
Trade and other payables		16,246,045	14,498,360
Taxation		724,765	1,178,722
Current portion of long-term liabilities	9	886,519	10,720,099
Bank overdraft		-	3,671,640
Total current liabilities		17,857,329	30,068,821
Total equity and liabilities		140,864,026	118,163,345

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital	Share premium	Equity- settled employee benefits reserve	Foreign currency translation reserve	Retained earnings	Total
	\$	\$	\$	\$	\$	\$
Balance at 31 December 2010	13,459	21,561,190	5,925	(32,473)	39,821,672	61,369,773
Recognition of share-based payments	-	-	126,300	-	-	126,300
Total comprehensive income for the year	-	-	-	7,444	17,588,612	17,596,056
Balance at 31 December 2011	13,459	21,561,190	132,225	(25,029)	57,410,284	79,092,129
Recognition of share-based payments	-	-	51,946	-	-	51,946
Total comprehensive income for the year	-	-	-	(11,719)	14,110,871	14,099,152
Balance at 31 December 2012	13,459	21,561,190	184,171	(36,748)	71,521,155	93,243,227

CAPITAL DRILLING LIMITED
CONDENSED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

		<u>Group</u>	
	<u>Note</u>	<u>2012</u>	<u>2011</u>
		\$	\$
Operating activities:			
Cash from operations	10	31,481,476	14,204,899
Finance charges		(2,023,986)	(1,104,611)
Taxation paid		(5,369,886)	(3,043,313)
<i>Net cash generated from operating activities</i>		<u>24,087,604</u>	<u>10,056,975</u>
Investing activities:			
Purchase of property, plant and equipment		(29,992,492)	(26,706,154)
Proceeds from disposal of property, plant and equipment		561,748	1,816,171
<i>Net cash used in investing activities</i>		<u>(29,430,744)</u>	<u>(24,889,983)</u>
Financing activities:			
Long-term liabilities raised		29,200,000	6,750,000
Long-term liabilities repaid		(18,838,067)	(5,721,643)
Decrease in short-term liabilities		-	(387,790)
<i>Net cash generated from financing activities</i>		<u>10,361,933</u>	<u>640,567</u>
Net increase (decrease) in cash and cash equivalents		5,018,793	(14,192,441)
Cash and cash equivalents at the beginning of the year		4,044,813	18,237,254
Cash and cash equivalents at the end of the year		<u>9,063,606</u>	<u>4,044,813</u>

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. Basis of preparation

The unaudited preliminary condensed and consolidated financial statements are prepared on the 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 2012 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 2012 and 2011 does not constitute the annual financial statements. The annual financial statements for the year ended 31 December 2011 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 2012 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 2012 has not yet been issued.

2. Operations during the year

During the year ended 31 December 2012, the Group provided drilling services in Chile, Egypt, Ethiopia, Ghana, Mauritania, Mozambique, Papua New Guinea, Solomon Islands, 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 Officer, for the purposes of resource allocation and assessment of segment performance is focussed on the region of operation.

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. Segment report (continued)

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

2012

	<u>Africa</u>	<u>Rest of world</u>	<u>Consolidated</u>
	\$	\$	\$
External revenue	<u>134,287,686</u>	<u>24,599,270</u>	<u>158,886,956</u>
Segment gross profit	46,237,055	6,719,457	52,956,512
Administration costs and depreciation	<u>(28,652,945)</u>	<u>(2,943,390)</u>	<u>(31,596,335)</u>
	<u>17,584,110</u>	<u>3,776,067</u>	21,360,177
Central administration costs and depreciation			(411,708)
Other income			1,101
Profit from operations			<u>20,949,570</u>
Finance charges			<u>(2,023,986)</u>
Profit before tax			<u>18,925,584</u>

2011

	<u>Africa</u>	<u>Rest of world</u>	<u>Consolidated</u>
	\$	\$	\$
External revenue	<u>110,566,213</u>	<u>19,898,584</u>	<u>130,464,797</u>
Segment gross profit	39,386,208	5,853,292	45,239,500
Administration costs and depreciation	<u>(18,150,113)</u>	<u>(3,657,862)</u>	<u>(21,807,975)</u>
	<u>21,236,095</u>	<u>2,195,430</u>	23,431,525
Central administration costs and depreciation			(595,579)
Other income			11,865
Profit from operations			<u>22,847,811</u>
Finance charges			<u>(1,104,611)</u>
Profit before tax			<u>21,743,200</u>

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. Segment report (continued)

	Group	
	2012	2011
	\$	\$
<u>Segment assets:</u>		
Africa	193,327,371	188,854,646
Rest of world	72,956,446	52,365,197
Total segment assets	266,283,817	241,219,843
Head office companies	27,260,154	20,279,000
	293,543,971	261,498,843
Eliminations	(152,679,945)	(143,335,498)
	<u>140,864,026</u>	<u>118,163,345</u>
<u>Segment liabilities:</u>		
Africa	49,629,302	80,099,857
Rest of world	40,919,989	25,324,533
Total segment liabilities	90,549,291	105,424,390
Head office companies	108,663,170	75,843,565
	199,212,461	181,267,955
Eliminations	(151,591,662)	(142,196,739)
	<u>47,620,799</u>	<u>39,071,216</u>

4. Taxation

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

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

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:

	<u>Group</u>	
	<u>2012</u>	<u>2011</u>
Profit for the year attributable to equity holders of the parent, used in the calculation of basic earnings per share	<u>\$14,110,871</u>	<u>\$17,588,612</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>134,592,800</u>	<u>134,592,800</u>
Basic earnings per share (cents)	<u>10.5</u>	<u>13.1</u>

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.

Weighted average number of ordinary shares used in the calculation of basic earnings per share	134,592,800	134,592,800
Shares deemed to be issued for no consideration in respect of:		
- Dilutive share options	-	<u>393,595</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>134,592,800</u>	<u>134,986,395</u>
Diluted earnings per share (cents)	<u>10.5</u>	<u>13.0</u>

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

6. Dividends

No dividends were declared during the year ended 31 December 2012 (2011: \$nil).

7. Property, plant and equipment

For the year ended 31 December 2012, the Group spent \$30.0 million (2011: \$26.7 million) on drilling rigs and other assets to expand its operations, safety upgrades and for the replacement of existing assets. The Group disposed of property, plant and equipment with a net book value of \$1.3 million (2011: \$2.2million) during the year. A loss of \$0.7 million (2011: \$0.4 million) was incurred on the disposal of property, plant and equipment.

8. Issued capital

	<u>Group</u>	
	<u>2012</u>	<u>2011</u>
	\$	\$
<u>Authorised:</u>		
2 000 000 000 (2011: 2 000 000 000) ordinary shares of 0.01 cents (2011: 0.01 cents) each	<u>200,000</u>	<u>200,000</u>
<u>Issued and fully paid:</u>		
134 592 800 (2011: 134 592 800) ordinary shares of 0.01 cents (2011: 0.01 cents) each	<u>13,459</u>	<u>13,459</u>
<u>Share premium:</u>		
Balance at the beginning and end of the year	<u>21,561,190</u>	<u>21,561,190</u>

There was no movement in the issued share capital during the year ended 31 December 2012.

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

9. Long term debt

In January 2012, the Group (through the Company and Capital Drilling (Mauritius) Limited) entered into a new debt facility with Standard Bank (Mauritius) Limited. The facility comprises (i) a \$17 million Term Loan Facility ("TLF"), (ii) a \$30 million Revolving Facility ("RF") and (iii) a \$15 million Treasury Facility ("TF"). The TLF was fully drawn down during 2012 and is repayable in full, 36 months after the utilisation date of 31 January 2012. The TLF facility has an annual interest rate of 3.75% above the prevailing three month US\$ LIBOR (payable in arrears).

As at 31 December 2012, \$11 million of the RF was drawn down. The RF has an annual interest rate of 4.15% above the prevailing three month US\$ LIBOR (payable in arrears). Standard Bank (Mauritius) Limited has charged an annual commitment fee of 0.75% of the undrawn balances of the RF. As at 31 December 2012, \$19 million of the RF and the full amount of the TF remains available for utilisation.

The initial drawdown on 31 January 2012 was used primarily to repay various facilities with Standard Bank (Mauritius) Limited and the loan of Stanbic Bank Zambia Limited that was outstanding as at 31 December 2011.

The Group continued payment of principal and interest of the long-term debt to Atlas Copco and interest of Standard Bank (Mauritius) Limited during the year.

10. Cash from operations

	Group	
	2012	2011
	\$	\$
Profit before tax	18,925,584	21,743,200
Adjusted for:		
- Depreciation	16,155,444	11,175,099
- Loss on disposal of property, plant and equipment	729,994	353,635
- Share-based payment expense	51,946	126,300
- Exchange differences on translating foreign operations	(12,470)	6,422
- Finance charges	2,023,986	1,104,611
Operating profit before working capital changes	37,874,484	34,509,267
Adjustments for working capital changes:		
- Increase in inventory	(2,187,698)	(5,493,540)
- Increase in trade and other receivables	(5,764,610)	(11,498,324)
- Increase in prepaid expenses and other assets	(188,385)	(1,643,910)
- Increase (decrease) in trade and other payables	1,747,685	(1,668,594)
	31,481,476	14,204,899

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2012

11. Contingencies and capital commitments

The Group has the following commitments:

	Group	
	2012	2011
	\$	\$
Committed capital expenditure	1,086,560	3,721,000

The Group also had outstanding purchase orders amounting to \$3.7 million (2011: \$4.8 million) at the reporting date.

12. Events after the reporting date

In the opinion of the Directors, there has not arisen in the interval between the end of the financial year and the date of the report any matter or circumstance that has significantly affected or may significantly affect, the Group's operations, results or state of affairs in future financial years, or would result in an adjustment to or disclosure in the financial statements.

13. Contingent Liability

Contingent Liability

Capital Drilling Mauritania is a party to various tax claims by the Director General of Taxation (Direction Générale de Impôts) of Mauritania totalling \$785,000. On 16 May 2012 the Company received a tax assessment from the Mauritanian Director General of Taxation. The tax authorities made certain assumptions based on incorrect information obtained from third parties and assessed the company for taxation based on these assumptions. Payment was made to the Mauritanian Director General of Taxation on behalf of Capital Drilling Mauritania by a third party. Capital Drilling Mauritania appealed against the assessments. The erroneous recalculations by the tax authorities could result in the funds owed to Capital Drilling Mauritania not being recoverable from the Mauritanian Director General of Taxation. These claims are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, the Group is unable to make a reasonable estimate of the expected financial effect that will result from the ultimate resolution of the proceeding. As of 31 December 2012, the Group did not record any provision for the likelihood of not recovering these funds.

14. Glossary

A description of various acronyms is detailed below:

ARPOR	Average Revenue Per Operating Rig
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EPS	Earnings Per Share
ETR	Effective Tax Rate

HSSE	Health, Safety, Social and Environment
KPI	Key Performance Indicator
LTI	Lost Time Injury
NPAT	Net Profit After Tax
YOY	Year On Year
Return on capital employed	$EBIT / (\text{Average Total Assets} - \text{Average Current Liabilities})$
Return on total assets	$EBIT / \text{Average Total Assets}$