



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

Trading Update 3 July 2013

Capital Drilling (CAPD:LN), the emerging and developing markets drilling company, will announce its half yearly results for the period ended 30 June 2013 on 19 August 2013.

The Board is taking the opportunity to provide the market with an update of activity through the first half of 2013.

Overview

The Group has encountered a particularly challenging demand environment in the first half of 2013, continuing on from weaker conditions in the 4th quarter of 2012. New management teams across the customer base, a significantly increased focus on cost reductions and capital discipline, combined with the commodity price weakness evident from April 2013, have all contributed to a reduction in demand for drilling services.

As previously reported, the Group did achieve improved first quarter revenue of \$38.3mn, representing 6% growth on the previous corresponding period. Further demand weakness has impacted the second quarter revenues with the Group expecting final revenue of \$34.0mn, representing an 11% decline on Q1 2013 and a 21% decline on Q2 2012. Average revenue per operating rig ("ARPOR") for Q2 2013 is now expected to be in the range of \$185,000-\$190,000 (Q2 2012: \$209,000). As such first half revenues are expected to be \$72.3mn, representing an 8.6% decrease on the same period to 30 June 2012 (H1 2012: \$79.1mn). Consequently ARPOR for H1 2013 is estimated to be between \$193,000 - \$198,000 (H1 2012: \$197,000).

With the Group remaining focussed on operational margins and cash generation during this period of weaker industry demand, the Company has substantially reduced CAPEX in the first half of 2013 by over 75%. We have retired 3 rigs while purchasing 2 new rigs in January 2013, resulting with a fleet today standing at 91 rigs. With rig utilisation in the low 60% range in Q2 (Q2 2012: 75%) and an average fleet age remaining at 4 years, we have capacity available for new opportunities with rigs which do not require substantial maintenance CAPEX, which will have a further positive impact on the Group's ability to continue to generate cash in H2 2013.

The combination of reduced CAPEX, a 20% reduction in headcount, improved efficiencies, as well as strong cash generation in the first half has allowed the Group to reduce gross debt in Q2 by \$7mn to \$21mn, a 9% decrease in gross gearing, and a reduction in net debt to equity from 21% to approximately 16%.

Weaker commodity prices and management changes within the mining industry have led to decisions being delayed with respect to new tender opportunities, albeit there remain some sizeable opportunities available in the current market. During the first half of the year the Group has successfully secured a number of (previously reported) contract wins, including:

- BHP Billiton – 1 reverse circulation rig at Pampa Norte in Chile.
- Glencore – 2 diamond rigs for the Punitaqui mine in Chile.
- IMX Resources – 2 diamond rigs for the Ntaka Hill project in Tanzania.

Capital Drilling's Chief Executive Officer, Jamie Boyton, commented;

"The first half of the year demonstrates that our business is one of the most resilient in the whole of the drilling industry, with the further strengthening of our balance sheet and strong cash generation, despite the strong headwinds in the mining industry. We have made further progress in developing the business and have been awarded a number of contracts with major mining groups including BHP Billiton and Glencore. We remain confident of our strategy of delivering returns through focussing on our quality client and asset base, while remaining one of the youngest rig fleets available in the market today".

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About Capital Drilling

Capital Drilling provides specialised drilling services to mineral exploration and mining companies in emerging and developing markets, for exploration, development and production stage projects. The Group currently owns and operates a fleet of 91 drilling rigs with established operations in Chile, Egypt, Ghana, Mauritania, Tanzania, Solomon Islands and Zambia. The Group's corporate headquarters is in Singapore and it has its administrative offices for South America in Santiago.