CAPITAL DRILLING
EXCELLENCE IN DRILLING

Capital Drilling Limited
(“Capital Drilling”, the “Company” or the “Group”)

Trading Update

28 January 2014

Capital Drilling Limited (CAPD:LN), the emerging and developing markets focussed drilling company, will announce its full year results for the period ended 31 December 2013 on 18 March 2014. The Board is taking the opportunity to provide the market an update of activity through the second half of 2013 and the preliminary unaudited numbers for the 2013 financial year.

	2013[1] US$m	2012 US$m	Change %
Average Fleet Size	91	88	+3
Fleet Utilisation (%)	55	76	-28
ARPOR ($)	179,000	192,000	-7
Revenue	116.3	158.9	-27
EBITDA	17.08	37.1	-54
EBIT	-0.2	20.9	-101
Net Profit After Tax	--1.9	14.1	-113
Earnings per share			
Basic (cents)	-1.4	10.5	-113
Diluted (cents)	-1.4	10.5	-113
Net Asset Value per share (cents)	68.0	69.3	-2
Return On Capital Employed (%)	-0.2	19.8	-101
Return on Total Assets (%)	-0.2	21.3	-101
Net Debt / (Cash)	9.0	20.0	-54.8
Net Debt to Equity (%)	9.9	21.4	-54.0

[1]Unaudited results

2013 Results and H2 2013 Review

The Group intends to release its audited financial results for the period ended 31 December 2013 on 18 March 2014.

The preliminary unaudited results show unaudited revenue of $116.3mn for the full year, representing a decrease of 27% year on year. The full year revenue decrease was driven by a significant decline in fleet utilisation, and lower average revenue per operating rig ("ARPOR"). 2013 average fleet size was 91 rigs (2012: 88 rigs), ARPOR of $179,000 (2012: $192,000), and fleet utilisation of 55% (2012: 76%).

The second half was impacted by a number of clients reducing their drilling requirements and inconsistent drilling on the projects that remained active. H2 2013 unaudited revenues were $43.5mn (H1 2013: $72.7mn) and H2 2013 utilisation was 46%. (H1 2013: 64%) H2 2013 ARPOR was $165,000 (H1 2013: $192,000) on an average fleet size of 91 rigs. Finally the Group's fourth quarter revenues were $21.9mn, marginally higher than third quarter revenues due to down hole surveying operations. Group KPI's for 4Q 2013 include an average fleet size of 91 rigs, fleet utilisation of 46% and ARPOR of $163,000.

As flagged in previous releases the sharp reduction in demand for drilling services from the mining industry, driven by weaker commodity prices and the increased focus on cost reductions from new management teams, necessitated significant cost reduction activities from the Group. Over the year we reduced our workforce by approximately 500, finishing 2013 with 834 employees. Further, actions were taken to reduce our infrastructure in a number of countries, including closing a number of satellite facilities, particularly in Latin America. Finally the decision was taken by management to withdraw from the energy market with the completion of the contract in Ethiopia. The combined total cost of these initiatives totalled approximately $3.5mn.

The continued weaker demand environment and the substantial investment in capital equipment in previous years contributed to a material reduction in CAPEX in 2013, which totalled $5.7mn. While the average fleet size increased 3% on 2012, the Group purchased only 2 rigs in 2013, for existing underground and blast hole contracts. We continue to operate and own a fleet of rigs averaging approximately 4 years of age remaining one of the youngest in the Industry, with sufficient available capacity for future work in exploration and development drilling when market conditions improve.

In October the Group was pleased to announce the award of a comprehensive 5 year contract with the Geita Gold Mine in Tanzania, operated by AngloGold Ashanti. Capital Drilling has been active at Geita since 2007 and the award is a strong endorsement of our performance at this operation. Further, it continues the Group's strategic focus of securing more long term mining contracts to underpin the platform for future growth. 5 new blast hole rigs were delivered in December 2013 and January 2014, complementing our existing grade control, reverse circulation and diamond rigs on site. Drilling has now commenced at Geita and production is steadily increasing in the opening weeks of operation.

2014 Outlook

Despite the poor results for 2013 the Group remains in robust financial and operational shape. The substantial capital investment made in previous years has provided Capital Drilling with a young, modern fleet, averaging 4 years of age. CAPEX will increase in 2014 due to the specific rig requirements at the Geita Gold Mine however the Group remains well positioned with its modern fleet and robust balance sheet for conservative CAPEX spend over the year.

Unfortunately market conditions remain highly uncertain and volatile, with reduced budgets, delayed budgeting decision and inconsistent drilling requirements from a number of clients. As previously commented on, the rate of decline experienced so far in 2014 has been more moderate than 2013, albeit headwinds remain. The expansion of our production services adds to the stability of the business in 2014 and the Group will continue to explore for opportunities in this market segment.

Finally management focus on cost reductions and CAPEX discipline has led to solid cash generation in 2013, with net operating cash flows of $15.3mn for the year. This cash generation has enabled us to reduce our debt levels over 2013, with year-end debt to equity of 9.9%. We will continue to strive for further debt reduction over the course of 2014.

Capital Drilling's Chairman, Jamie Boyton, commented;

"*Capital Drilling experienced a challenging year in 2013 consistent with a significant reduction in activity levels across the mining and mining services industries. Revenues were particularly impacted in the second half, however Q4 revenue did show some signs of stabilisation. The sharp deterioration in the demand environment over the year necessitated significant cost reduction activities and the impact of those reductions, coupled with the strict discipline around capital spending, saw the Group achieve a substantial reduction in gearing over the course of 2013, finishing the year with net debt to equity of 9.9%.*

As we enter 2014 we have commenced drill and blast operations at the Geita Mine in Tanzania, having taken delivery of 5 rigs in late 2013 / early 2014. This new contract further adds to the Group's production drilling platform and we expect production revenue to contribute over 50% of Group revenue in 2014, based on current expectations. This longer term contracted revenue contributes to the stability of the platform which, with our conservative gearing profile, reduced cost base and young fleet, positions the Group well in the continuing difficult external environment."

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About Capital Drilling

Capital Drilling provides specialised drilling services to mineral exploration and mining companies in emerging and developing markets, for exploration, development and production stage projects. The Company currently owns and operates a fleet of 96 drilling rigs with established operations in Chile, Egypt, Ghana, Mauritania, Tanzania, Papua New Guinea, Solomon Islands and Zambia. The Group's corporate headquarters is in Singapore and it has its administrative offices for South America in Santiago.