



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

Interim Management Statement 16 May 2014

Capital Drilling Limited (CAPD: LN), the emerging and developing markets drilling company, provides its Interim Management Statement ("IMS") for the period to 16 May 2014.

Key Points

- First quarter revenues of \$26.1m for the 3 month period to 31 March 2014, up 20% on Q4 2013 (Q1 2013: \$38.3m), due to the commencement of production drilling at the Geita Gold Mine in Tanzania.
- Q1 2014 Average Revenue per Operating Rig ("ARPOR") of \$187,000 per month (Q1 2013: \$198,000).
- Positive cash flow from Operational activities maintained.
- Rig utilisation of 44%, down from 46% in Q4 2014 (Q1 2013: 66%) remains steady, consistent with softer demand conditions experienced in 2H 2013.
- Acquired 5 new blast hole rigs for the Geita Gold Mine in Tanzania and decommissioned one rig, providing a weighted average fleet of 95 rigs for the quarter (Q1 2013: 92).
- Contract terms finalised for:
 - » Centamin – renewed 5 year production drilling contract, effective January 1, 2014.
 - » MMG Limited – renewed 4 rig exploration / development drilling contract, commencing May 1, 2014.
- Achievement of a number of safety records including:
 - » Tanzania (Geita Project) achieved 2,500 days LTI free in March 2014.
 - » Zambia (Kansanshi Project) achieved 500 days LTI free in March 2014.
- Market conditions remain stable since the second half of 2013 but continue to be challenging with depressed demand levels reflecting continued cost and capital discipline across the mining industry.
- Capital Drilling remains focussed on strict cost management with ongoing discipline providing a continued conservative gearing profile and strong balance sheet.

Trading Update and Outlook

The Company reports an increase in sequential quarterly revenue with sales of \$26.1m in Q1 2014, an increase of 20% on Q4 2013. The increase is predominantly due to the successful commencement of blast hole drilling at the Geita Gold Mine in Tanzania, with 5 new rigs added to the blast hole fleet. The first four months on the project have seen a steady increase in production output, adding to the Group's existing presence at the mine across grade control and development drilling.

Activity across the exploration and development drilling fleet was mixed over the quarter, with some delays to project commencement over the seasonal start-up period and the usual adverse impact of the wet season in January and February, particularly in Zambia. Typically the second quarter returns to more normalised drilling conditions although weather has impacted some smaller operations in April, namely the Solomons Islands and Chile. Other operations for the Group are showing signs of improvement as the year progresses.

The tendering market has shown some small signs of positive improvement, however the demand environment remains at depressed levels and we continue to operate in a market with excess global rig capacity. Despite this the Group's focus on top tier mining houses and assets continues to provide support with the business operating at 44% utilisation over the first quarter, well above industry levels.

Capital spend has increased over Q1 2014, reflecting the specialised rig requirements at the Geita Mine in Tanzania, with further specialised rigs arriving in Egypt in Q2 2014. With the balance of the Capital Drilling fleet being approximately 4 years old, there have been limited capital requirements elsewhere and the Group continues to operate with a conservatively geared balance sheet. Gearing is expected to reduce further over the course of 2014, based on current strong operating cash generation and current demand expectations.

Commenting on the IMS, Jamie Boyton, Executive Chairman, said:

"We are pleased to report an increase in revenue in the first quarter of 2014, climbing 20% from Q4 2013, largely reflecting the commencement of the 5 year comprehensive drilling contract at the Geita Gold Mine in Tanzania. While the project is still in the opening phase for Capital Drilling we are seeing an increase in production and efficiencies which should benefit the Group in the current quarter and beyond.

While the revenue increase was encouraging and we have seen a small improvement in the tendering market, the external environment remains challenging, although showing a level of stabilisation from the second half of 2013. Capital Drilling remains in a strong position with positive cash generation from operational activities, a conservative Balance sheet and a blue chip client base, all of which continue to support the Company as we move forward".

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

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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 95 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.