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

Trading Update
07 July 2014

Capital Drilling (CAPD:LN), the emerging and developing markets drilling company, will announce its half yearly results for the 6-month period ended 30 June 2014 on 26 August 2014.

The Board is taking the opportunity to provide the market with an update of activity through the first half of 2014. The Group’s profit performance remains in line with current market expectations for the full year.

Overview
The first half of 2014 continued to be challenging for the mining and mining services sectors. Weak commodity prices, subdued capital markets activity and the continued focus on cost reduction and capital discipline remained key macro headwinds. As we enter the second half of the year these challenges remain, albeit there has in recent months been a small increase in the levels of tendering activity in the exploration market, along with small contract extensions and expansions on existing contracts.

Against the weak external demand environment the Group performed well, achieving an improvement in revenue with first quarter revenue of $26.1mn, up 20% on Q4 2013 (Q4 2013: $21.9m), aided by the commencement of production drilling at the Geita Mine. The second quarter also showed a marginal improvement with the Group expecting final revenue of $26.7mn, up 2% on Q1 2014 (Q2 2013: $34.4mn). Key performance indicators for revenue in the second quarter were 95 rigs, 45% utilisation and average revenue per operating rig (“ARPOR”) of $194,000 (Q2 2013: $186,000).

As such first half revenues are expected to be approximately $52.9mn, (H1 2013: $72.7mn), with revenue key performance indicators being an average fleet size of 95 rigs, 45% utilisation and ARPOR of $190,000 (H1 2013: $192,000).

The award of a five year comprehensive drilling contract with AngloGold Ashanti in Tanzania, along with the award of a new five year production contract with Centamin in Egypt, led to an increase in capital expenditure in the first half. The Group acquired seven blast hole rigs for these contracts (five rigs in Tanzania and two rigs in Egypt) and we expect to add a further rig in Tanzania in Q4 2014. This capital expenditure adds to the growth of our production drilling operations, with all production rigs being fully utilised. Total rigs currently stand at 96 at the end of the period.

Despite the elevated levels of CAPEX required for the new contracts at approximately $11 million, the Group continues to maintain a conservative gearing profile, with period end net debt to equity marginally below 10% (H1 2013: 15.6%). The strong cash generation from existing operations, the continued focus on cost and efficiency improvements and the low levels of sustaining capital expenditure all contributed to this solid performance.

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The Group retired two rigs over the first half which, with new rig purchases, maintained the average fleet age of approximately four years, sustaining Capital Drilling's industry leading position with one of the youngest fleets in the industry. Maintenance CAPEX has been maintained at subdued levels, consistent with activity levels for the exploration and development rigs.

During the first half of the year the Group successfully secured a number of (previously reported) contract wins, including:

- Centamin – renewed five year production drilling contract, effective January 1, 2014.
- MMG Limited – renewed four rig exploration / development drilling contract, commencing May 2014.

In addition to these previously reported contract wins the Group has recently been successful in the award of two exploration / development drilling contracts, namely:

- Cradle Resources – Tanzania
- Kabanga Nickel - Tanzania

Capital Drilling's Executive Chairman, Jamie Boyton, commented:

"Capital Drilling has again demonstrated the resilience of our business model in the face of the significant and continued headwinds facing the industry. The Group has achieved incremental quarterly revenue growth and expanded its presence in the longer term and more stable production phase of the mining cycle, while maintaining strict financial discipline and a strong performance culture.

While industry headwinds remain there has been a small but encouraging increase in tendering activity in recent months. The Group continues to have ample available capacity in exploration and development drilling, ready to redeploy when conditions improve. We expect improved free cash flow in the second half of the year, with the capital expenditure required for the production contracts largely committed in the first half".

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 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.