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

Trading Update

28 January 2015

Capital Drilling Limited (CAPD:LN), the emerging and developing markets focused drilling company, will announce its full year results for the period ended 31st December 2014 on 17th March 2015. The Board is taking the opportunity to provide the market an update of activity through the second half of 2014 and the preliminary unaudited numbers for the 2014 financial year.

	2014[1] US$m	2013 US$m	Change %
Average Fleet Size	96	91	+5
Fleet Utilisation (%)	43	55	-22
ARPOR ($)	188,000	179,000	+5
Revenue	98.8	116.3	-15
EBITDA	20.2	17.0	+19
EBIT	3.8	(0.2)	+2000
Net Profit After Tax	(0.7)	(1.9)	+63
Earnings per share			
Basic (cents)	(0.5)	(1.4)	64
Diluted (cents)	(0.5)	(1.4)	64
Net Asset Value per share (cents)	67.4	68.0	-1
Return On Capital Employed (%)	3.3	(0.2)	+1750
Return on Total Assets (%)	3.0	(0.2)	+1600
Net Debt / (Cash)	0.4	9.0	-96
Net Debt to Equity (%)	0.4	9.9	-96

2014 Results and H2 2014 Review

The Group intends to release its audited financial results for the period ended 31st December 2014 on 17th March 2015.

The past financial year saw continued pressure in the mining and mining services industries, with further downward pressure on commodity prices and an absence of capital funding in the mining sector driving the deferral and cancellation of capital spending, a heightened focus on cost management and the curtailment of exploration and development activities. These significant headwinds again impacted the Group's overall revenues, however remedial actions taken by the management team in 2013 and 2014 saw another year of debt reduction, an increase in EBIT and an improvement in free cash flow generation.

The preliminary unaudited results show revenue of $98.8mn for the full year, representing a decrease of 15% year on year. The full year revenue decrease was primarily driven by a decline in fleet utilisation, which fell from 55% to 43%. Average revenue per operating rig ("ARPOR") was $188,000, a 5% increase on 2013, reflecting an improved operational performance. Finally the 2014 average fleet size was 96 rigs (2013: 91 rigs), with the Group acquiring 7 blast hole rigs for the five year Geita and Sukari contracts in Tanzania and Egypt respectively. With an additional grade control rig purchased for the North Mara Mine (Acacia Mining), rig purchases in 2014 totaled 8, with 3 rigs retired over the year.

The second half was once again impacted by the early conclusion to the yearly drilling programs for a number of clients. H2 2014 unaudited revenues were $45.1mn (H1 2014: $53.8mn) and H2 2014 rig utilisation was 41%. (H1 2014: 45%). H2 2014 ARPOR was $184,000 (H1 2014: $193,000) on an average fleet size of 96 rigs. Finally the Group's fourth quarter revenues were $21.5mn, a reduction on third quarter revenues primarily due to lower fleet utilisation, particularly in November and December. Group revenue Key Performance Indicator for Q4 2014 include an average fleet size of 96 rigs, fleet utilisation of 38% and ARPOR of $189,000.

The weaker revenue, particularly in Q4 2014, had a negative impact on net earnings. However, the Group did perform well operationally for the year, with an 18% increase in EBITDA to $20.2mn despite a 15% fall in revenue for the period. This strong performance is due to the management team's focus on cost reduction and capital discipline since 2012, which have delivered tangible benefits to the Group, particularly in the face of the sharp revenue declines experienced over the past two years.

Capital expenditure increased in 2014 to $14.2mn as the Company purchased an additional 8 production rigs to deploy on long term contracts at the Sukari Gold Mine (Centamin), the Geita Gold Mine (AngloGold Ashanti) and the North Mara Gold Mine (Acacia Mining). These rig additions represent the bulk of the new CAPEX requirements for these contracts based on current projections and we are therefore expecting a material reduction in our capital requirements over 2015. We currently have one additional blast hole rig scheduled for delivery in Q1 2015, for the Geita Mine in Tanzania.

Despite the increased CAPEX spend over 2014 the Group continued to reduce gearing, driven by management's strong cost reduction focus, a solid operational performance and enhanced working capital management. We ended 2014 with net debt of $350,000, representing a net debt to equity ratio of 0.4%. Gearing has reduced from 21.4% net debt to equity to 0.4% over the past two years, an outstanding result considering the unprecedented headwinds facing the mining services industry. We expect the reduced CAPEX schedule in 2015 to further contribute to the Group's solid cash generation over the year ahead.

While levels of tendering activities remain subdued we are pleased to announce that we have been awarded a 2 year contract renewal at the Tasiast Gold Mine in Mauritania (Kinross Gold). We have operated at the Tasiast Mine since 2010 and the new contract specifies Capital Drilling as the preferred drilling contractor till December 2016. We are currently operating 3 rigs at the mine site.

Further Cost Reductions & Management Changes

We previously welcomed Mark Parsons to the role of Chief Executive Officer, in November 2014. Mark joins Capital Drilling from Imdex Limited, bringing with him extensive mining and oil and gas industry experience with Imdex, BHP Billiton and Halliburton Group. Having now completed the initial review of the Group's structure and operations and in view of the continued weakness in the demand and pricing environment, a number of actions have been taken to further streamline our operations and management structures to deal with the challenging environment.

A number of key strategic decisions have been made, including:

- Exit from South East Asia: Having received notice of Force Majeure in the Solomon Islands due to tropical cyclone Ita, Capital Drilling received notice of early termination of the Papua New Guinea drilling contract. As such all staff have been retrenched and assets relocated from these countries.
- Relocating the Group head office from Singapore to Mauritius: Consistent with the cessation of drilling activities in Asia and to bring senior management and the support functions closer to the core operations.
- Further headcount rationalisation: Including some senior management positions.
- Tax impairment: On the deferred tax asset on the Zambian balance sheet in view of the weaker copper prices and the recent legislative changes to the royalty regime.

The short term impact of these cost cutting measures has crystalized a loss of $3.4mn, taken in 2014, with approximately $920,000 being non-cash in nature, specifically the Zambian deferred tax asset.

As part of the Head Office relocation, Uno Makotsvana, Chief Financial Officer, has advised he will be leaving Capital Drilling in Q2 2015. Uno has been with the Group for 3 years and has contributed strongly to the management efforts on cost reductions and internal controls that have helped the Group perform well in difficult circumstances. We wish him well in his future endeavors.

Taking over from Uno is Jaco Brümmer who is currently working with Capital Drilling as Chief Commercial Officer. Jaco has been with the Group since 2011, having joined the Group from Deloitte South Africa where he worked in the company's audit division. Jaco holds a B.Com (Hons) accounting degree from the University of Pretoria in South Africa.

2015 Outlook

The downturn in the mining cycle saw its third year in 2014, with further pressure on metal prices such as gold, iron ore, and copper, as the slowdown in the Chinese economy continued, along with further economic crisis in the Eurozone and the threat of deflation grabbed the headlines. The second half of 2014 saw a substantial deterioration in market conditions in particular, compounding the weakness in metals markets. As we start 2015, the headwinds remain, particularly in the copper and iron ore markets, albeit some positive pricing moves in gold provide some encouragement.

With ongoing volatility driving a lack of visibility in the commodity markets the Company intends to provide a further update with the formal release of the audited full year results on 17th March 2015. We do however expect a further decline in full year revenue in 2015, but again with the Group's focus on cash generation and debt reduction we remain positive on the medium and long term prospects for the Company.

Capital Drilling's Chairman, Jamie Boyton, commented;

"The last financial year was again extremely challenging for the Company. Despite the continued collapse in metal prices and the curtailing of activity levels in the development and exploration of metals, Capital Drilling strengthened its balance sheet, and continued to generate free cash. In order to protect our position in a market which remains uncertain, we have taken a cautious stance and further restructured the business in order to weather the storms that are still facing our sector. We start the year in a much stronger position, with no net debt, and one of the youngest fleets in the industry, and look set to benefit from the improvement in the mining industry, as and when it arrives".

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 and Zambia. The Group's corporate headquarters is in Singapore and it has its administrative offices for South America in Santiago.