



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

**Full Year Results**  
**For the period ended 31 December 2014**  
17 March 2015

Capital Drilling Limited (CAPD:LN), the emerging and developing markets focused drilling company, today announces its full year results for the period ended 31 December 2014.

**FULL YEAR FINANCIAL RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2014\***

	<u>2014</u>	<u>2013</u>
	\$m	\$m
Average Fleet Size	96	91
Fleet Utilisation (%)	43	55
ARPOR (\$)	188,000	179,000
Revenue	98.8	116.3
EBITDA	20.4	17.0
EBIT	3.9	(0.2)
Net (Loss) Profit After Tax	(0.6)	(1.9)
<u>Earnings per share</u>		
Basic (cents)	(0.4)	(1.4)
Diluted (cents)	(0.4)	(1.4)
Net Asset Value per share (cents)	67.6	68.0
Return On Capital Employed (%)	3.3	(0.2)
Return on Total Assets (%)	3.0	(0.2)
Net Debt / Cash	0.4	9.0
Net Debt to Equity (%)	0.4	9.9

\* All amounts are in USD unless otherwise stated

**Financial Overview<sup>1</sup>**

- Revenue down 15% to \$98.8 million (2013: \$116.3 million)
- EBITDA up 20% to \$20.4 million (2013: \$17.0 million)
- EBIT improved to \$3.9 million (2013: -\$0.2 million)
- Net Loss After Tax improved to \$0.6 million (2013: \$1.9 million)
- Net Debt to equity ratio of 0.4% (2013: 9.9%)
- Net Operating cash flows of \$22.7 million

**Operational Highlights**

- Robust Average Revenue Per Operating Rig (ARPOR) of \$188,000 (2013: \$179,000) despite declining utilisation rates & pricing headwinds
- Operational improvements across the portfolio, embedding the strong performance culture of Capital Drilling
- Overhaul of our supply chain processes result in inventory reductions & improved product pricing
- Another excellent safety performance

### Continued strategic progress

- Commenced blast hole drilling at the Geita Gold Mine, part of the previously announced 5 year comprehensive drilling contract with AngloGold Ashanti
- Received a 5 year contract extension for continued production drilling services at the Sukari Gold Mine in Egypt
- New management team with the appointment of Mark Parsons as CEO, Jaco Brümmer as CFO and David Payne as COO
- Significantly improved gearing profile with net gearing ratio of 0.4%, driven by strong cash generation, working capital management and continued discipline around capital expenditure
- Exited operations in South East Asia and commenced process of Head Office relocation to Mauritius

### Management update

The Board are today pleased to announce that Mark Parsons, Chief Executive Officer, will be appointed to the Board effective from 1 April 2015. Mark joined Capital Drilling in November 2014 and his skills and experience have proved a valuable addition to the Group. As previously announced, Jaco Brümmer, currently Chief Commercial Officer, will be appointed as Chief Financial Officer, also with effect from 1 April 2015.

### Commenting on the results, Jamie Boyton, Chairman of Capital Drilling, said:

*“2014 again proved highly challenging with the commodities industry facing prolonged headwinds, impacted by continued weakness in key commodity prices and an uncertain and changing global economic environment. Our customers continued their focus on strict cost management and constrained capital expenditure, driving a material impact in the demand for drilling services. Capital markets activities remain depressed, at levels last seen a decade ago, which has driven a sharp decline in exploration expenditure, down almost 50% since the 2012 peak (Source: SNL MEG Date: November 2014).*

*Despite these substantial and sustained headwinds facing our business we have delivered improved margins, increased free cash flow and significantly deleveraged our balance sheet, demonstrating the effectiveness of our strategy and the quality of our people, assets and processes. With our significantly improved financial position and an improving operational performance we are confident for the future of the Group, reflected in our decision to announce the Company’s maiden dividend today at US1.9cents per share.*

*The market volatility seen since the start of the year suggests that 2015 will continue to be challenging yet is slowly showing indications of improving sentiment. We are currently experiencing a transition in global growth drivers, with a moderation of growth in China and an improving growth profile in the United States. This shift is having a marked impact in global commodity markets, with increased volatility in the prices of oil, iron ore, copper and most recently gold. Accordingly, the continued drive of global mining companies to reduce costs remains firmly in focus. Industry utilisation rates for the global drilling fleet remain at historical lows, with an estimated global fleet utilisation of 35 to 40% based on recent company announcements. Whilst we have been operating in this environment for the past 2 years, aggressive price competition remains prevalent, particularly in exploration and delineation drilling.*

*Despite these challenges we are in the strongest position in the company’s history, as reflected in the announcement of our maiden dividend of US1.9cents per share for 2014. The decisive early actions taken by your management team to reduce costs, our improving operational performance across a solid base of long term contracts and our strong balance sheet, all position us well to cope with the challenges ahead. The foundations that are now in place will provide increased earnings and cash flow leverage for when markets recover”.*

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Capital Drilling will host a conference call on Tuesday 17 March at 09.00 am (London, UK time) to update investors and analysts on its results. Participants may join the call by dialling one of the following numbers, approximately 10 minutes before the start of the call.

Dial in (UK): 08082370040

International dial in: +44 (0) 2034281542

ID Number: 49983635#

For further information please access Capital Drilling's website [www.capdrill.com](http://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.

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<sup>1</sup> A definition of terms used is provided in note 15

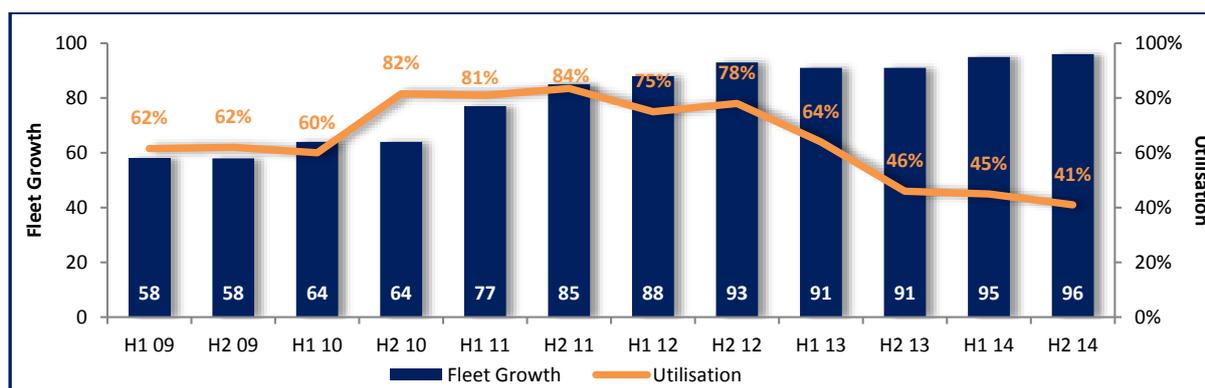
## **CHAIRMAN STATEMENT**

2014 again proved highly challenging with the commodities industry facing prolonged headwinds, impacted by continued weakness in key commodity prices and an uncertain and changing global economic environment. Our customers continued their focus on strict cost management and constrained capital expenditure, driving a material impact in the demand for drilling services. Capital markets activities remain depressed, at levels last seen a decade ago, which has driven a sharp decline in exploration expenditure, down almost 50% since the 2012 peak (Source: SNL MEG Date: November 2014).

Despite these substantial and sustained headwinds facing our business we have delivered improved margins, increased free cash flow and significantly deleveraged our balance sheet. These results demonstrate the effectiveness of our strategy and the quality of our people, assets and processes. With our significantly improved financial position and an improving operational performance we are confident for the future of the Group, reflected in our decision to announce the Company's maiden dividend today at US1.9cents per share.

Revenue for 2014 fell 15% year on year to \$98.8mn, the second successive year of revenue declines driven by the weaker demand environment. Weakness was particularly pronounced in the second half of the year as a number of exploration and delineation contracts reached their conclusion, leading to the decision to exit our operations in South East Asia. Against this demand weakness the Group is pleased to report a 20% increase in EBITDA to \$20.4mn and a return to positive EBIT of \$3.9mn. Our early and decisive response to the weaker environment has enabled us to manage much of the impact and deliver a strong performance in this environment.

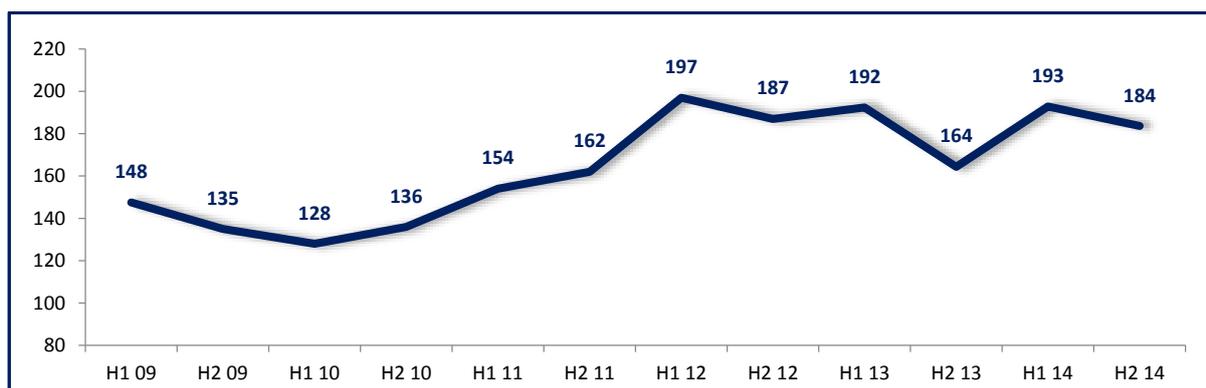
**Figure 1: ANNUAL FLEET GROWTH & RIG UTILISATION**



The Group acquired 8 new rigs over 2014, all of which were deployed on the 5 year production contracts at the Geita Gold Mine (AngloGold Ashanti) and the Sukari Gold Mine (Centamin) and ended the year with a total of 96 rigs, maintaining our reputation with one of the youngest fleets in the industry. The acquisitions represented contract specific requirements therefore increasing our capital expenditure for the year, however the majority of capital required for both contracts has now been incurred, based on the current projected activity levels. As such we expect a decrease in capital expenditure in 2015 based on current expectations and another year of strong free cash flow.

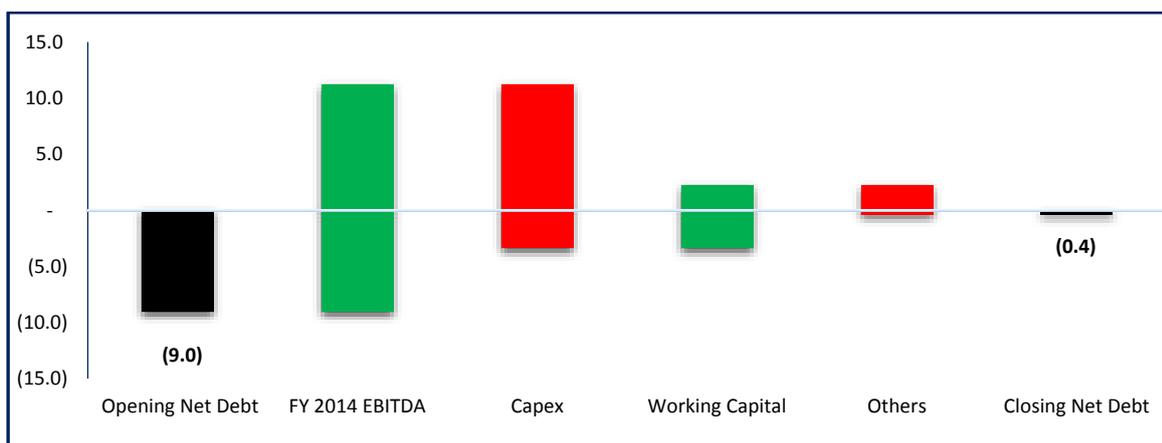
Rig utilisation remained stable for 5 consecutive quarters up to and including Q3 2014, however with the conclusion of drilling activities in the Solomon Islands, Papua New Guinea and Zambia, utilisation fell to 38% in Q4 2014. Commensurate with the cessation of activity in the Pacific Islands, we made the decision to exit our operations in South East Asia, including the relocation of our Head Office from Singapore to Mauritius in order to minimise costs and critically bring the senior management team closer to the Group's operations. This move is underway and transitioning over H1 2015. The opening quarter of 2015 has seen a continuation of low demand, with utilisation rates remaining at historical lows, albeit we continue to operate above industry levels. We continue with our active maintenance program on our idle fleet, ensuring they are ready for work when are successful on future tenders.

**Figure 2: ARPOR**



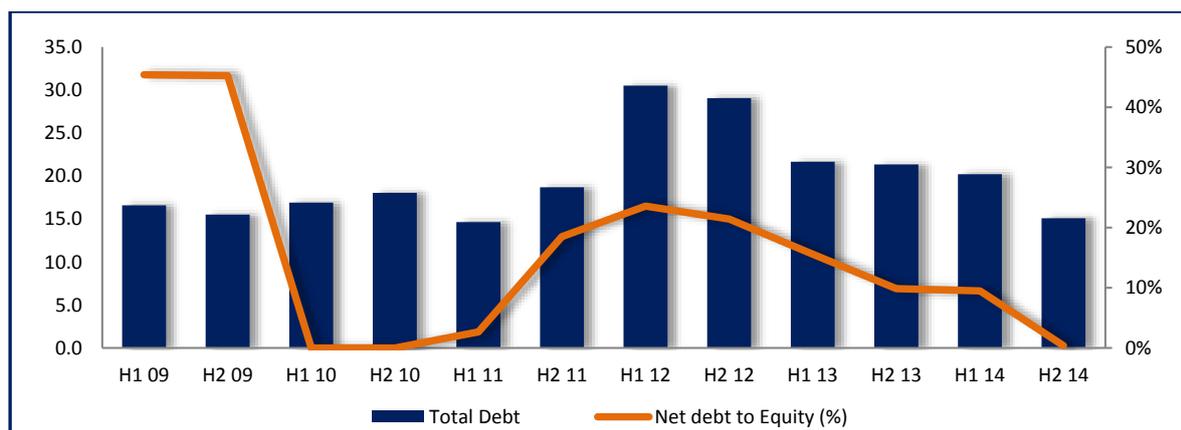
A pleasing aspect of our performance in 2014 was the increase in Group Average Revenue per Operating Rig (“ARPOR”) by 5% to \$188,000 (2013: \$179,000). While we were impacted by inconsistent drilling activities and pricing headwinds over 2014, we have seen substantial operational improvements, a reflection of the Group’s ongoing focus on operational excellence.

**Figure 3: FY 2014 NET DEBT MOVEMENTS**



Cash generation over the year in review was particularly strong, with a 20% increase in EBITDA to \$20.4mn and a \$4.6mn working capital inflow. The Group continued to de-lever its balance sheet over 2014 and finished the year with net debt of \$0.4mn. We aim to maintain this a conservative approach to gearing going forward and we closed the year with \$14.7mn of cash on the balance sheet. Having withstood the prevailing industry headwinds and further strengthened the Group’s balance sheet, the Directors are pleased to announce a maiden dividend of US1.9cents per share. This is an important milestone for Capital Drilling, representing the Company’s first dividend since inception in 2005 and reflective of the solid performance in managing the business through the current prolonged downturn in the resources sector.

**Figure 4: GROSS DEBT VS NET DEBT TO EQUITY (%)**



### Health and Safety

The Group continues with its strong focus on a safety culture, supported by our Training and Development programs. We recorded another strong performance in safety in 2014, with our key measure, the All Injury Frequency (days free) Rate (AIFR), recorded at 0.94 injury related incidents per 200,000 man hours.

Project milestones in 2014 for Lost Time Injuries (LTI's) include:

- Tanzania – Geita Project                    2,500 days (March 2014)
- Zambia – Kansanshi Project                500 days (March 2014)
- Zambia – Kansanshi Project                2 years (October 2014)
- Egypt – Sukari Project                        1 year (October 2014)

### Dividend Policy

As an expression of our confidence in the Group's prospects, the directors propose a dividend of US1.9cents per share, payable on 08 May 2015 to shareholders on the register on 01 May 2015. The ex-dividend date is 30 April 2015.

The dividend policy will be based on the financial condition of, and outlook for, the Company and its cash flow and financing needs. When determining the amount to be paid the Board will take into consideration the underlying profitability of the Company. Specifically, the Board will aim to approve an annual dividend within the range of 25-50% of the Company's free cash flow (being operating cash flow less capital expenditure).

### Outlook

The market volatility seen since the start of the year suggests that 2015 will continue to be challenging yet is slowly showing indications of improving sentiment. We are currently experiencing a transition in global growth drivers, with a moderation of growth in China and an improving growth profile in the United States. This shift is having a marked impact in global commodity markets, with increased volatility in the prices of oil, iron ore, copper and most recently gold. Accordingly, the continued drive of global mining companies to reduce costs remains firmly in focus.

On the supply front, Industry utilisation rates for the global drilling fleet remain at historical lows, with an estimated global fleet utilisation of 35 to 40% based on recent company announcements. Whilst we have been operating in this environment for the past 2 years, aggressive price competition remains prevalent, particularly in exploration and delineation drilling.

Despite these challenges we are in the strongest position in the company's history, as reflected in the announcement of a full year dividend of US1.9cents per share for 2014. The decisive early actions taken by your management team to reduce costs, our improving operational performance across a solid base of long term

contracts and our strong balance sheet, all position us well to cope with the challenges ahead. The foundations that are now in place will provide increased earnings and cash flow leverage when markets recover. As always we will retain our tight capital discipline and maintain a focus on cash generation and sustainable returns.

I once again would like to take this opportunity to thank all employees, business partners, shareholders, our Board of Directors and all stakeholders for their continued support throughout this cycle and look forward to generating shareholder value in the years ahead.

Jamie Boyton  
Executive Chairman

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## **CHIEF FINANCIAL OFFICER'S REPORT**

The financial year under review saw continued pressure in the mining and mining services industries, on the back of continued downward pressure on commodity prices, driving the sector wide response of capital expenditure cuts as well as an acute focus on cost reduction. The first half of the year saw the Group deliver a robust performance under these difficult market conditions, while the second half of the year saw a deterioration in our revenue base as some of our clients once again concluded their annual drilling programmes early. Total revenues for the year were \$98.8mn, a 15% fall year-on-year. The Group continued to generate strong operational cash flows despite the declining revenue, with the operating cash margin outperforming 2013 both in absolute and percentage terms. This strong operational cash performance reflects the benefit of the Group's cost reduction measures taking effect for a full year. This further confirms the effectiveness of the cost reduction and containment programme implemented by management to cope with the prevailing market conditions.

The fourth quarter experienced the sharpest decline in revenue with the early termination of the drilling contract in Papua New Guinea, as well as suspension of the drilling programme in Zambia as part of our client's response to the new proposed royalty tax regime. The Group has maintained a heightened focus on cost management, additional cost reduction and "right sizing" decisions have been made to ensure the Group's structure remains appropriate for the current market conditions. This will further protect and enhance the Group's strong cash generation profile. Some of the key strategic decisions made include:

- Exit from South East Asia in response to operations in both Solomon Islands and Papua New Guinea being prematurely terminated. All staff from these countries have been made redundant and assets were relocated;
- Further head-count rationalisation, including senior management positions;
- Relocation of the Group Head Office from Singapore to Mauritius, therefore bringing senior management and key support personnel closer to the Group's operations, further reducing costs (benefits of this decision will be recognised in 2015 and future years)

The impact of the actions described above and other related decisions on the Group's earnings for FY 2014 is a charge to the statement of comprehensive income of \$3.4mn over the year. The number includes a non-cash deferred tax impairment charge of \$0.92mn for a tax asset on the Zambia balance sheet. The decision was taken to impair the asset in light of the weaker copper prices as well as the recent adverse legislative changes in Zambia relating to the country's Mining Royalty Scheme. These circumstances make it unlikely that the Group will generate future taxable income in Zambia against which the deferred tax asset previously recognised could be utilised. The Group does not have any other material deferred tax assets on the balance sheet. The Group balance sheet continues to be strong with an ever improving debt profile. Financial year 2015 starts with an even stronger balance sheet and conservative debt levels with a net gearing ratio (net debt/equity) of 0.4% (2013: 9.9%) and significant unutilised debt facilities providing flexibility to respond to changes in market conditions. Net equity decreased marginally to \$91.0mn.

The Group achieved revenues of \$98.8mn which is a 15% decrease year-on-year, due to early conclusions of some drilling programmes. The average rig utilisation was 43% of the fleet (2013: 55%) with an ARPOR of \$188,000 (2013: \$179,000). The ARPOR improved despite the Group's rig utilisation being below 50% for the greater part of the year due to improved operational performance across the board. We start 2015 working on two long term production based contracts which provide a stable base for future growth of the Group.

Despite the lower revenues the key profitability ratios above the tax line have improved year on year, the gross profit margin for the year increased to 33% (2013: 26%), this translated to an Earnings Before Interest and Tax (EBIT) of \$3.9mn (2013: Loss Before Interest and Tax \$0.2mn). The loss for the year was \$0.6mn (2013: \$1.9mn). The Group was pushed into the loss after tax position largely due to the \$0.92mn deferred tax impairment charge for Zambia.

The loss per share for the year was 0.4 cents compared to a loss of 1.4 cents in the comparative period. The weighted average number of shares remained unchanged at 134,592,800.

## Statement of Financial Position

As at 31 December 2014, the Statement of Financial Position showed continued strength and improvement with a \$4.6mn release of working capital as shown in the reduction of current assets (excluding cash and cash equivalents) for the Group. This is largely due to improved accounts receivable collections, as well as a reduction in inventory levels.

In addition to the working capital release the Group also reduced its overall liability position through the repayment of the Group's debt facilities, with net repayments of \$6.2mn (2013: \$7.7mn) made during the course of the year.

Statement of Comprehensive Income (Summary)			Statement of Financial Position (Summary)		
Reported	2014	2013		2014 \$m	2013 \$m
Revenue \$m	98.8	116.3	Non-current assets	56.9	61.1
EBITDA \$m	20.4	17.0	Current assets	56.7	62.2
EBITDA %	20.6%	14.6%	<b>Total Assets</b>	<b>113.6</b>	<b>123.3</b>
EBIT \$m	3.9	-0.2			
PBT \$m	2.5	-1.9	Current liabilities	7.6	10.8
<b>NLAT \$m</b>	<b>-0.6</b>	<b>-1.9</b>	Non-current liabilities	15.0	21.0
Basic EPS (cents)	-0.4	-1.4	<b>Total Liabilities</b>	<b>22.6</b>	<b>31.8</b>
Diluted EPS (cents)	-0.4	-1.4	<b>Total Shareholder's Equity</b>	<b>91.0</b>	<b>91.5</b>

The fleet size increased to 96 rigs (net of additions and retirements) from 91 rigs in 2013. Rig growth was driven by the Group acquiring 8 new blast hole rigs to service the 5 year Geita and Sukari contracts in Tanzania and Egypt respectively, with an additional grade control rig acquired for Geita. Overall property plant and equipment on the balance sheet reduced to \$56.7mn from \$60.0mn in 2013 as overall additions were lower than the Group's depreciation charge. In total 9 rigs were paid for in 2014 with 8 being for 2014 and the 9th rig expected to be received and commissioned in 2015.

Net debt decreased by \$8.6 million as a significant portion of the cash generated was applied to debt reduction.

The Group continued to generate strong operational cash flows despite the revenue reductions due to the efficacy of a full year's impact of the cost reduction and containment programmes commenced in 2012. Operational cash flows generated in 2014 were 19% higher than 2013 (excluding the working capital release) despite revenues being 15% lower which supports strong operational improvement. The operational cash generated after accounting for the working capital release was 48% higher than 2013.

Gross cash used in investing in the acquisition of property plant and equipment was \$13.7mn (net \$13.5mn) driven mainly by the acquisition of 9 blast hole rigs, 8 of which were received and commissioned in 2014 for the long term production drilling based contracts in Tanzania and Egypt, the 9th rig is scheduled to be received in 2015. Operating capital expenditure was lower on account of the lower rig utilisation with average fleet age remaining at an industry leading 4.5 years.

Cash used in financing activities was \$6.2mn, for the repayment of debt and interest.

The Group's cash position at year end was \$14.7mn and total debt decreased to \$15.0mn (2013: \$21.4mn).

The net debt position of the business was \$0.4mn (2013: \$9mn) and, as a result, net gearing (net debt/equity) was 0.4% (2013: 9.9%).

The Group successfully concluded refinancing of the maturing debt obligations extending the tenure of the borrowings from maturing in February 2016 to a maturity date of February 2018. The new facility of \$30mn with Standard Bank South Africa announced in February 2015, also cancelled unnecessary headroom reducing the overall cost of committed facilities.

A reconciliation of the movement in the net cash position is found below.

Statement of Cash flow (Summary)			Reconciliation of Cash Position		
	2014	2013		2014	2013
	\$m	\$m		\$m	\$m
Net Cash from Operating Activities	22.7	15.0	Net Debt at beginning of year	(9.0)	(20.0)
Net Cash used in Investing Activities	(13.6)	(4.3)	Increase in cash and cash equivalent	2.9	3.1
Net Cash (used in) from Financing Activities	(6.2)	(7.7)	Decrease (increase) in loans	6.2	7.9
Net Increase in Cash and Cash Equivalents	2.9	3.1	Translation of foreign currency cash	(0.5)	0.1
Cash Balance at Beginning of Period	12.3	9.1	Net debt at end of year	(0.4)	(9.0)
Translation of foreign currency cash	(0.5)	0.1			
Cash Balance at End of Period	14.7	12.3			

### Treasury and Risk Management

The Group operates under standard finance procedures with a centralised treasury function. As a result, more than 50% of the receivables are centrally received to mitigate part of the in country cash risk. In cases where the local legislation does not permit receivables to be collected centrally, the Group has procedures in place to repatriate the funds to head office. The Group therefore manages cash and cash flow from Head Office.

The Group does not undertake any formal currency hedging, though it endeavours to increase the percentage of all transactions in USD denominations as an informal hedge. During the financial year under review there have been some changes in monetary regulations in some jurisdictions in which we operate which adds a delay in the timing of receiving funds in the Group's Head Office bank accounts. The policy of pooling all of the Group's cash balances in accounts at Head Office remains unchanged.

### Critical Accounting Policies

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The principal accounting standards are set out in the Group's financial statements.

The Financial Statements have been prepared on the historical cost basis and are presented in US dollars, given the Groups transactions are primarily denominated in US dollars.

### Property, Plant and Equipment

The Group depreciates all fixed assets over their estimated useful lives, less any pre-agreed salvage value. The carrying value of fixed assets are reviewed annually or more frequently if a triggering event occurs.

### Taxation

A deferred tax asset and liability is recorded in the Statement of Financial Position. The Group has tax losses carried forward of \$29.7mn (2013: \$20.5mn) with a tax value of \$7.3mn (2013: \$5.9mn) available for offset against future profits. A deferred tax asset has however only been recognised to the value of \$1.8mn (2013: \$1.1mn) in respect of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses amounting to \$17.2mn (2013: \$10.7mn) with a tax value of \$5.5mn (2013: \$3.1mn) as there is uncertainty whether there will be sufficient future taxable profits available to offset these losses. These losses may be carried forward up to five years or indefinitely depending on the jurisdiction.

### Share Based Payments

There were no additional share based payment transaction in the 2014 financial year. All the 2.34mn share options issued under the 2011 share option scheme have not been exercised.

In March 2015, 3,000,000 share options convertible into ordinary shares have been issued to the newly appointed Chief Executive Officer Mark Parsons. The share options issued by the Company have an exercise price of \$0.66 each and depending on the fulfilment of certain conditions, are exercisable up to 9 August 2019.

## Primary Risks

The Group operates in environments that pose various risks and uncertainties. The primary risks associated with the business are:

- **Fluctuation in levels of mining activity**

The Group is highly dependent on the levels of mineral exploration, development and production activity within the markets in which it operates. A reduction in exploration, development and production activities, or in the budgeted expenditure of mining and mineral exploration companies, will cause a decline in the demand for drilling rigs and drilling services, as was evident in the 2014 financial year.
- **Key personnel and staff retention**

The Group's ability to implement a strategy of pursuing expansion opportunities is dependent on the efforts and abilities of its executive directors and senior managers. In addition, the Group's operations depend, in part, upon the continued services of certain key employees. If the Group loses the services of any of its existing key personnel without timely and suitable replacements, or is unable to attract and retain new personnel with suitable experience as it grows, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected. In addition, business may be lost to competitors which members of senior management may join after leaving their positions with the Group.
- **Currency fluctuations**

The Group receives the majority of its revenues in US dollars. However, some of the Group's costs are in other currencies in the jurisdictions in which it operates. Foreign currency fluctuations and exchange rate risks between the value of the US dollar and the value of other currencies may increase the cost of the Group's operations and could adversely affect the financial results. As a result, the Group is exposed to currency fluctuations and exchange rate risks. To minimise the Group's risk, the Group tries to match the currency of operating costs with the currency of revenue.
- **Operating risks**

Operations are subject to various risks associated with drilling including, in the case of employees, personal injury and loss of life and, in the Group's case, damage and destruction to property and equipment, release of hazardous substances in to the environment and interruption or suspension of drill site operations due to unsafe drill operations. The occurrence of any of these events could adversely impact the Group's business, financial condition, results of operations and prospects, lead to legal proceedings and damage the Group's reputation. In particular, clients are placing an increasing focus on occupational health and safety, and deterioration in the Group's safety record may result in the loss of key clients.
- **Political, economic and legislative risk**

The Group operates in a number of countries where the political, economic and legal systems are less predictable than in countries with more developed industrial structures. Significant changes in the political, economic or legal landscape in such countries may have a material effect on the Group's operations in those countries. Potential impacts include restrictions on the export of currency, expropriation of assets, imposition of royalties or other taxes targeted at mining companies, and requirements for local ownership. Political instability can also result in civil unrest and nullification of existing agreements, mining permits or leases. Any of these may adversely affect the Group's operations or results of those operations. The Group has invested in a number of countries thereby diversifying exposure to any single jurisdiction.
- **Business interruptions and weather conditions**

Significant business interruptions as a result of natural disasters, extreme weather conditions, unstable drilling sites, regulatory intervention, delays in necessary approvals and permits or delays in supplies, may reduce the Group's ability to complete drilling services, resulting in performance delays, increased costs and loss of revenue.

As operations are conducted outdoors, they are generally vulnerable to weather and environmental conditions. The Group operates in a variety of locations, some of which are prone to extreme weather conditions. High rainfall can significantly impact drilling activity, as well as impede the ability to move drilling rigs between drill sites. Accordingly, weather conditions as well as natural disasters may adversely impact the financial performance of the Group.

### **Financial information**

The Listing Rules of the UK Listing Authority (LR 9.7A.1) require that preliminary unaudited statements of annual results must be agreed with the listed company's auditor prior to publication, even though an audit opinion has not yet been issued. In addition, the Listing Rules require such statements to give details of the nature of any likely modification that may be contained in the auditor's report to be included with the annual report and accounts. Capital Drilling Limited confirms that it has agreed this preliminary statement of annual results with Deloitte & Touche South Africa and that the Board of Directors has not been made aware of any modification to the auditor's report required to be included with the annual report and accounts for the year ended 31 December 2014.

### **Going Concern Basis**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman and Interim Chief Executive's Review as well as this Chief Financial Officer's Report. The financial position of the Group, its cash flows and liquidity position are also described in from pages 13 to 25 of the attached condensed financial statements.

As highlighted in note 9 to the condensed annual financial statements, the Group has borrowings and a debt facility which, together with its clients' receipts, fund its day to day working capital requirements. Volatile economic conditions may on occasion create uncertainty particularly over (a) the level of demand for the Group's services; and (b) exchange rate fluctuations against the US Dollar and the consequent effect on the Group's direct costs.

The Group's forecasts and projections, taking into account potential changes in its performance, show that the Group should be able to operate within the level of its capital structure, current facilities and related covenants. The Group has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that these needs may not be met on acceptable terms.

The directors have reviewed the overall Group strategy, the budget for 2015, considered the assumptions contained in the budget and reviewed the critical risks which may impact the Group's performance. After making such enquiries, the directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the annual financial statements.

### **Responsibility Statement**

The Directors confirm to the best of their knowledge that the financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and give a true and accurate reflection of the operating result, cash position and Statement of Financial Position at 31 December 2014.

The Directors further confirm that to the best of their knowledge that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

### **Cautionary Statement**

This Business Review, which comprises the Chairman's Statement, Chief Executive Officer's Review and Chief Financial Officer's Report, has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed.

The Business Review contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

By order of the Board  
Uno Makotsvana  
Chief Financial Officer  
17 March 2015

Financial Results

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2014

	Notes	Group	
		2014	2013
		\$	\$
Revenue	3	98,827,790	116,265,753
Cost of sales		(65,864,577)	(85,706,170)
Gross profit		32,963,213	30,559,583
Administration expenses		(12,537,980)	(13,609,366)
Depreciation		(16,483,595)	(17,194,244)
Profit (loss) from operations		3,941,638	(244,027)
Finance charges		(1,410,401)	(1,663,018)
Profit (loss) before tax		2,531,237	(1,907,045)
Taxation	4	(3,086,738)	30,690
Loss for the year		(555,501)	(1,876,355)

**Other comprehensive loss:**

Other comprehensive income to be reclassified to profit or loss in subsequent periods

Exchange differences on translation of foreign operations		91,358	84,139
Total comprehensive loss for the year		(464,143)	(1,792,216)

**Loss per share:**

Basic (cents per share)	5	(0.4)	(1.4)
Diluted (cents per share)	5	(0.4)	(1.4)

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**31 December 2014**

	Note	Group	
		2014	2013
		\$	\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	56,706,524	59,962,343
Deferred taxation		160,361	1,111,738
<b>Total non-current assets</b>		<b>56,866,885</b>	<b>61,074,081</b>
<b>Current assets</b>			
Inventory		22,670,509	23,698,231
Trade and other receivables		10,761,649	18,431,718
Prepaid expenses and other assets		7,001,416	5,805,770
Taxation		1,397,631	1,931,608
Investments		189,440	-
Cash and cash equivalents		14,743,976	12,328,148
<b>Total current assets</b>		<b>56,764,621</b>	<b>62,195,475</b>
<b>Total assets</b>		<b>113,631,506</b>	<b>123,269,556</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	13,459	13,459
Share premium	8	21,561,190	21,561,190
Equity-settled employee benefits reserve		205,146	205,146
Foreign currency translation reserve		138,749	47,391
Retained earnings		69,089,299	69,644,800
<b>Total equity</b>		<b>91,007,843</b>	<b>91,471,986</b>
<b>Non-current liabilities</b>			
Long-term liabilities	9	15,000,000	21,000,000
Deferred taxation		22,277	-
<b>Total non-current liabilities</b>		<b>15,022,277</b>	<b>21,000,000</b>
<b>Current liabilities</b>			
Trade and other payables		7,313,435	10,249,060
Taxation		188,725	194,538
Current portion of long-term liabilities	9	99,226	353,972
<b>Total current liabilities</b>		<b>7,601,386</b>	<b>10,797,570</b>
<b>Total equity and liabilities</b>		<b>113,631,506</b>	<b>123,269,556</b>

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2014**

	<u>Share capital</u>	<u>Share premium</u>	<u>Equity-settled employee benefits reserve</u>	<u>Foreign currency translation reserve</u>	<u>Retained earnings</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
Balance at 31 December 2012	13,459	21,561,190	184,171	(36,748)	71,521,155	93,243,227
Recognition of share-based payments	-	-	20,975	-	-	20,975
Total comprehensive loss for the year	-	-	-	84,139	(1,876,355)	(1,792,216)
Balance at 31 December 2013	<u>13,459</u>	<u>21,561,190</u>	<u>205,146</u>	<u>47,391</u>	<u>69,644,800</u>	<u>91,471,986</u>
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,358</u>	<u>(555,501)</u>	<u>(464,143)</u>
Balance at 31 December 2014	<u><u>13,459</u></u>	<u><u>21,561,190</u></u>	<u><u>205,146</u></u>	<u><u>138,749</u></u>	<u><u>69,089,299</u></u>	<u><u>91,007,843</u></u>

**CAPITAL DRILLING LIMITED**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2014**

	<b>Note</b>	<b>Group</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>Operating activities:</b>			
Cash from operations	10	25,776,949	20,802,260
Finance charges paid		(1,449,925)	(1,702,542)
Taxation paid		(1,584,921)	(4,051,495)
<i>Net cash generated from operating activities</i>		<u>22,742,103</u>	<u>15,048,223</u>
<b>Investing activities:</b>			
Purchase of property, plant and equipment		(13,731,131)	(5,680,780)
Purchase of investments		(189,440)	-
Proceeds from disposal of property, plant and equipment		274,145	1,359,011
<i>Net cash used in investing activities</i>		<u>(13,646,426)</u>	<u>(4,321,769)</u>
<b>Financing activities:</b>			
Long-term liabilities raised		13,000,000	-
Long-term liabilities and interest repaid		(19,215,222)	(7,657,364)
<i>Net cash used in financing activities</i>		<u>(6,215,222)</u>	<u>(7,657,364)</u>
<b>Net increase in cash and cash equivalents</b>		2,880,455	3,069,089
Cash and cash equivalents at the beginning of the year		12,328,148	9,063,606
Translation of foreign currency cash and cash equivalent adjustment		(464,627)	195,453
<b>Cash and cash equivalents at the end of the year</b>		<u>14,743,976</u>	<u>12,328,148</u>

## **NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 December 2014**

### **1. Basis of preparation**

The unaudited preliminary condensed and consolidated financial statements are prepared on the going concern basis under the historical cost convention.

The unaudited preliminary condensed and consolidated financial information included in this preliminary announcement has been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with the disclosure requirements of IFRS. The company's 2014 Annual Financial Statements will be prepared in accordance with IFRS. The unaudited preliminary announcement does not constitute a dissemination of the annual financial reports. A separate dissemination announcement in accordance with Disclosure and Transparency Rules (DTR) 6.3 will be made when the Annual Report and audited consolidated Financial Statements are available on the Company's website.

The financial information for the years ended 31 December 2014 and 2013 does not constitute the annual financial statements. The annual financial statements for the year ended 31 December 2013 were completed and received an unmodified audit report from the Company's Auditors. The Annual Report and Annual Financial Statements for the year ended 31 December 2014 will be finalised on the basis of the financial information presented by the Directors in this unaudited preliminary announcement. The audit report for the year ended 31 December 2014 has not yet been issued.

### **2. Operations during the year**

During the year ended 31 December 2014, the Group provided drilling services in Chile, Egypt, Mauritania, Papua New Guinea, Solomon Islands, Tanzania and Zambia. The Group's administrative and operations offices are located in Singapore.

### **3. Segment report**

Operating segments are identified on the basis of internal management reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. Information reported to the Group's operating decision maker, in this case the Group's Chief Executive Officer, for the purposes of resource allocation and assessment of segment performance is focussed on the region of operation.

**NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS**

For the year ended 31 December 2014

**3. Segment report (continued)**

The following is an analysis of the Group's revenue and results by reportable segment:

	<b>Africa</b>	<b>Rest of world</b>	<b>Consolidated</b>
	\$	\$	\$
2014			
External revenue	89,861,385	8,966,405	98,827,790
Segment gross profit (loss)	33,377,372	(414,159)	32,963,213
Administration costs and depreciation	(23,002,685)	(5,383,674)	(28,386,359)
Segment profit (loss)	10,374,687	(5,797,833)	4,576,854
Central administration costs and depreciation			(635,359)
Profit from operations			3,941,495
Finance charges			(1,410,401)
Profit before tax			2,531,094
2013			
External revenue	95,516,955	20,748,798	116,265,753
Segment gross profit	29,095,911	1,463,672	30,559,583
Administration costs and depreciation	(27,046,130)	(3,684,167)	(30,730,297)
Segment profit (loss)	2,049,781	(2,220,495)	(170,714)
Central administration costs and depreciation			(73,313)
Loss from operations			(244,027)
Finance charges			(1,663,018)
Loss before tax			(1,907,045)

## NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 3. Segment report (continued)

	Group	
	2014	2013
	\$	\$
<u>Segment assets:</u>		
Africa	177,900,467	200,432,984
Rest of world	76,702,168	82,566,549
Total segment assets	254,602,635	282,999,533
Head office companies	58,050,077	40,593,732
	312,652,712	323,593,265
Eliminations	(199,021,206)	(200,323,709)
	<u>113,631,506</u>	<u>123,269,556</u>
<u>Segment liabilities:</u>		
Africa	52,629,057	56,578,884
Rest of world	51,482,005	51,408,547
Total segment liabilities	104,111,062	107,987,431
Head office companies	118,259,662	123,045,565
	222,370,724	231,032,996
Eliminations	(199,747,061)	(199,235,426)
	<u>22,623,663</u>	<u>31,797,570</u>

Included in revenues arising from the Africa segment are revenues of approximately \$63.7 million (2013: \$67.5 million) which arose from sales to the customers that represent more than 10% of the Group's revenue.

### 4. Taxation

The period's taxation is calculated by external consultants and on assessments performed by management. The effective tax rates reflects the applicable rate of the various jurisdictions in which the Group operates in.

The Group operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions, the Group has taken income tax positions that management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws. The Group periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions is based on management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws. Considering all available information and the history of resolving income tax uncertainties, the Company believes that the ultimate resolution of such matters will not likely have a material effect on the Company's financial position, statements of operations or cash flows.

**NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS**

**For the year ended 31 December 2014**

**5. Loss per share**

Basic loss per share

The losses and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	<b>Group</b>	
	<u>2014</u>	<u>2013</u>
Loss for the year used in the calculation of basic loss per share	<u>(\$555,501)</u>	<u>(\$1,876,355)</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>134,592,800</u>	<u>134,592,800</u>
Basic loss per share (cents)	<u>(0.4)</u>	<u>(1.4)</u>

Diluted loss per share

The loss used in the calculations of all diluted loss per share measures are the same as those used in the equivalent basic loss per share measures, as outlined above.

Weighted average number of ordinary shares used in the calculation of basic earnings per share	134,592,800	134,592,800
Shares deemed to be issued for no consideration in respect of:		
- Dilutive share options <sup>#</sup>	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares used in the calculation of diluted loss per share	<u>134,592,800</u>	<u>134,592,800</u>
Diluted loss per share (cents)	<u>(0.4)</u>	<u>(1.4)</u>

<sup>#</sup> For the purposes of calculating earnings per share, diluted weighted average shares outstanding excludes 2.34 million (2013: 2.34 million) potential ordinary shares from share options, because such share options are anti-dilutive.

**NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 31 December 2014**

**6. Dividends**

In respect of the current year, the directors propose that a dividend of 1.9 cents per share be paid to shareholders on 8 May 2015. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these condensed consolidated financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 1 May 2015. The total estimated dividend to be paid is \$2.6 million (2013: Nil). The payment of this dividend will not have any tax consequences for the Group.

**7. Property, plant and equipment**

For the year ended 31 December 2014, the Group spent \$13.7 million (2013: \$5.7 million) on drilling rigs and other assets to expand its operations, safety upgrades and for the replacement of existing assets. The Group disposed of property, plant and equipment with a net book value of \$0.5 million (2013: \$2.6 million) during the year. A loss of \$0.2 million (2013: \$1.2 million) was incurred on the disposal of property, plant and equipment.

**8. Issued capital**

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Authorised:</u>		
2 000 000 000 (2013: 2 000 000 000) ordinary shares of 0.01 cents (2013: 0.01 cents) each	<u>200,000</u>	<u>200,000</u>
<u>Issued and fully paid:</u>		
134 592 800 (2013: 134 592 800) ordinary shares of 0.01 cents (2013: 0.01 cents) each	<u>13,459</u>	<u>13,459</u>
<u>Share premium:</u>		
Balance at the beginning and end of the year	<u>21,561,190</u>	<u>21,561,190</u>

On 15 January 2015, the Company issued 10,881 new common shares pursuant to the company's employee incentive scheme. The shares rank pari passu with the existing common shares.

## NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 9. Long term debt

In January 2012, the Group (through Capital Drilling (Mauritius) Limited) entered into a new debt facility with Standard Bank (Mauritius) Limited. The facility comprises (i) a \$17 million Term Loan Facility ("TLF"), (ii) a \$30 million Revolving Facility ("RF") and (iii) a \$15 million Treasury Facility ("TF"). The maximum aggregate limit amounts to \$47 million. The TLF was fully drawn down during 2012 and had been paid in full in December 2014 ahead of its maturity date, on 1 February 2015. The TLF facility had an annual interest rate of 3.75% above the prevailing three month US\$ LIBOR (payable in arrears).

As at 31 December 2014, \$15 million of the RF was drawn down and is repayable in full 48 months after the initial utilisation of 31 January 2012. The RF has an annual interest rate of 4.15% above the prevailing three month US\$ LIBOR (payable in arrears). Standard Bank (Mauritius) Limited has charged an annual commitment fee of 0.75% of the undrawn balances of the RF. As at 31 December 2013, \$15 million of the RF remains available for utilisation up to maturity date, 1 February 2016.

In December 2014 the group successfully negotiated the refinancing of the above facilities. The new negotiated facility comprises (i) a \$25 million Revolving Credit Facility ("RCF") and (ii) a \$5 million Working Capital Facility ("WCF"). The Finance Documents for this new facility were executed on 23 December 2014, with a set of conditions to be fulfilled before achieving an effective date of the loan. The facility was structured that on achievement of effective date the existing Revolving Facility will be rolled into the new RCF. Effective date of the new facility was achieved on 3 February 2015. The RCF facility has an annual interest rate of 5.25% above the prevailing three month US\$ LIBOR (payable in arrears), and has an annual commitment fee of 1% of undrawn balance and is available for utilisation up to 2 February 2018 minus an annual amortisation of \$5 million.

The Group continued payment of long-term debt to Standard Bank (Mauritius) Limited with net repayments of \$6 million made towards the principal during the year.

### 10. Cash from operations

	Group	
	2014	2013
	\$	\$
Profit (loss) before tax	2,531,237	(1,907,045)
Adjusted for:		
- Depreciation	16,483,595	17,194,244
- Loss on disposal of property, plant and equipment	229,099	1,205,671
- Share-based payment expense	-	20,975
- Exchange differences on translating foreign operations	91,469	87,405
- Finance charges	1,410,401	1,663,018
- Unrealised foreign exchange gain (loss) on foreign exchange held	464,627	(195,453)
Operating cash flows before working capital movements	21,210,428	18,068,816
Adjustments for working capital changes:		
- Decrease (increase) in inventory	1,027,722	(1,093,112)
- Decrease in trade and other receivables	7,670,069	7,538,889
- (Decrease) increase in prepaid expenses and other assets	(1,195,645)	2,284,652
- Decrease in trade and other payables	(2,935,625)	(5,996,985)
Cash from operations	<u>25,776,949</u>	<u>20,802,260</u>

## NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 11. Contingencies and capital commitments

The Group has the following commitments:

	Group	
	2014	2013
	\$	\$
Committed capital expenditure	142,780	2,892,395

The Group also had outstanding purchase orders amounting to \$2.0 million (2013: \$1.6 million) at the reporting date.

### 12. Events after the reporting date

#### Proposal of dividend

The directors have proposed a dividend of 1.9 cents per share as disclosed in note 6. The dividend is subject to the approval of shareholders at the Annual General Meeting.

#### Issue of Shares to Employee

On 15 January 2015, the Company issued 10,881 new common shares pursuant to the company's employee incentive scheme. The shares rank pari passu with the existing common shares.

#### Share Option Scheme for New Chief Executive Officer

In March 2015, 3,000,000 share options convertible into ordinary shares have been issued to the newly appointed Chief Executive Officer Mark Parsons. The share options issued by the Company have an exercise price of US\$0.66 each and depending on the fulfilment of certain conditions, are exercisable up to 9 August 2019.

Apart from the matters disclosed above: in the opinion of the Directors, there has not arisen in the interval between the end of the financial year and the date of the report any matter or circumstance that has significantly affected or may significantly affect, the Group's operations, results or state of affairs in future financial years.

## NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 13. Contingent liability

Capital Drilling Mauritania SARL is a party to various tax claims by the Director General of Taxation (Direction Générale de Impôts) of Mauritania totalling \$1,336,701 for the tax years 2011 to 2013. On 16 May 2012, the Company received a tax assessment from the Mauritanian Director General of Taxation relating to the 2011 tax year. The tax authorities made certain assumptions based on incorrect information obtained from third parties and assessed the company for taxation based on these assumptions resulting in an additional tax of \$785,804 being assessed as due to the Director General of Taxation. Payment was made to the Mauritanian Director General of Taxation on behalf of Capital Drilling Mauritania SARL by a third party. Subsequent assessments totalling an additional \$550,897 for the tax years 2012 and 2013 were issued by the Director General of Taxation under the same circumstances as described for the 2011 tax year again using incorrect information. The revised assessed amounts were again collected from third parties by the tax authorities. Capital Drilling Mauritania SARL appealed against the assessments and continues to do so. The erroneous recalculations by the tax authorities could result in the funds owed to Capital Drilling Mauritania not being recoverable from the Mauritanian Director General of Taxation. These claims are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, the Group is unable to make a reasonable estimate of the expected financial effect that will result from the ultimate resolution of the proceeding. As of 31 December 2014, the Group did not record any provision for the likelihood of not recovering these funds.

### 14. Financial instruments

Financial instruments that are measured in the consolidated statement of financial position or disclosed at fair value require disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair values of financial instruments that are not traded in an active market are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on Group specific estimates.

The directors consider that the carrying value amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements are approximately equal to their fair values. The fair values disclosed for the financial assets and financial liabilities are classified in level 3 of the financial instrument hierarchy have been assessed to approximate their carrying amounts based on a discounted cash flow assessment.

## NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 15. Glossary

A description of various acronyms is detailed below:

ARPOR	Average Revenue Per Operating Rig
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EPS	Earnings Per Share
ETR	Effective Tax Rate
HSSE	Health, Safety, Social and Environment
KPI	Key Performance Indicator
LTI	Lost Time Injury
NPAT	Net Profit After Tax
YOY	Year On Year
Return on capital employed	$EBIT / (\text{Average Total Assets} - \text{Average Current Liabilities})$
Return on total assets	$EBIT / \text{Average Total Assets}$