



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

Half-Year Trading Update 8 July 2015

Capital Drilling Limited (CAPD: LN), the emerging and developing markets drilling company, will announce its half yearly results for the 6-month period ended 30 June 2015 on 25 August 2015. The Board is taking the opportunity to provide the market with an update of activity through the first half of 2015.

Overview

Trading conditions over the first half of 2015 continued to be challenging for the mining and mining services sectors, particularly in the exploration and delineation segments within the drilling industry where exploration expenditures remain under pressure. Further weakness in commodity prices is driving a continued focus from mining companies on core operations, cost cutting and capital discipline. These market conditions have continued into the second half of the year with new tendering opportunities predominantly limited to short duration contracts across the industry.

Despite the industry headwinds, Capital Drilling again performed well financially. Group revenues of \$19.1mn for the first quarter, previously reported in May, fell 1.4% on fourth quarter revenue for 2014, demonstrating signs of stabilisation after declining into the third quarter of 2014. Second quarter revenue showed a marginal improvement for the Group with Q2 revenue of \$19.7mn, up 3% on Q1 2015 (Q2 2014: \$27.7mn). Key performance indicators for revenue in the second quarter were 97 rigs, 35% utilisation and average revenue per operating rig ("ARPOR") of \$186,000 (Q2 2014: \$194,000).

As such, first half revenues are expected to be approximately \$38.8mn (H1 2014: \$53.8mn), with key performance indicators being an average fleet size of 97 rigs, 34% utilisation and ARPOR of \$189,000 (H1 2014: \$193,000).

Capital Drilling's core production and delineation contracts in Egypt, Tanzania and Mauritania underpinned the performance over the first half of the year, with production drilling representing over 70% of Group revenue for the period. These core contracts range in duration between 3 and 5 years and continue to perform well, providing a solid platform for the Group for future growth when market conditions improve.

While the demand environment remains challenging, the Group has been successful in tendering on a number of exploration & delineation contracts, having revised our model and pricing structure early in the first half of 2015. Contracts secured over the first half include:

- Cupric Canyon Capital (Botswana): 2 diamond rigs, resource delineation drilling (previously reported)
- IMX Resources (Tanzania): 2 diamond rigs, resource delineation drilling (previously reported)
- Acacia Mining (Tanzania): 1 Reverse Circulation rig, geo-technical drilling (previously reported)
- BHP Billiton (Peru): 1 Multi-Purpose rig, exploration drilling
- Lion Town Resources (Tanzania): 1 Reverse Circulation rig, exploration drilling.

The new contract awards utilised existing equipment and represented Capital Drilling's entry into the new markets of both Botswana and Peru. As existing assets were available for deployment the Group was able to reduce CAPEX over the first half of 2015, with only one new blast hole rig purchased for the Geita Gold Mine in Tanzania. As such, Group CAPEX for 1H 2015 was \$3.2mn, while the associated cash outflow for the period was \$1.6mn, with the balance incurred in the prior reporting period. The Group's total rig count was 97 rigs at the end of the period.

The strong operational performance and reduced capital spend has enabled the Group to further strengthen its balance sheet. We finished the period with net cash of \$2.1mn, achieved after paying a maiden dividend of US1.9cps (US\$ 2.6mn) in May 2015. Based on current forecasts there are no further rig purchases expected in the second half of the year, positioning Capital well for further cash generation in the period ahead.

Capital Drilling's Chief Executive Officer, Mark Parsons, commented:

"After a significant and prolonged downturn in the mining sector over the past few years, Capital Drilling has demonstrated the resilience of its business model through delivering positive cash flow and achieving a net cash position during this period.

We are encouraged by our recent success in tendering for new contracts, with Capital Drilling's entry into Botswana and Peru demonstrating our ability to use our assets in new and neighbouring markets.

We continue to maintain a conservative approach to capital expenditure and a rigorous focus on cost savings. To this end we have now successfully relocated the head office from Singapore to Mauritius which is expected to deliver further cost savings and efficiency advantages into the future and we are positive that such developments will support the Group as we move into the second half of the year. A further update on progress will be announced at the time of the Half Year results in August."

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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 97 drilling rigs with established operations in Botswana, Chile, Egypt, Ghana, Mauritania, Peru, Tanzania and Zambia. The Group's corporate headquarters is in Mauritius and it has its administrative offices for South America in Santiago.