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

Trading Update

28 January 2016

Capital Drilling Limited (CAPD: LN) The emerging and developing markets focused drilling company, today provides its unaudited results for the financial year ended 31 December 2015 and an update of activity throughout the second half (H2 2015), ahead of announcing its audited full year results on 17 March 2016.

2015 Key Metrics (Unaudited)

	2015[1] US$m	2014 US$m	Change %
Average Fleet Size	97	96	1
Fleet Utilisation (%)	34	43	(21)
ARPOR ($) (Average Revenue per Operating Rig)	188,000	188,000	0
Revenue	78.7	98.8	(20)
EBITDA	9.9	20.4	(52)
EBIT	(4.7)	3.9	(221)
Net Profit After Tax	(10.2)	(0.6)	(1,600)
Earnings per share			
Basic (cents)	(7.6)	(0.4)	(1,800)
Diluted (cents)	(7.6)	(0.4)	(1,800)
Net Asset Value per share (cents)	56.9	67.6	(16)
Return On Capital Employed (%)	(4.6)	3.3	(239)
Return on Total Assets (%)	(10.8)	3.0	(460)
Net Cash / (Debt)	8.3	(0.4)	2,175
Net Cash/(Debt) to Equity (%)	10.8	(0.4)	2,800

[1] *Unaudited results*

2015 Full Year Results and H2 2015 Review (Unaudited)

As anticipated, the 2015 financial year remained challenging due to subdued exploration and development activity within the global mining industry. The sector continued to be impacted by lower commodity prices, the deferral or cancellation of capital expenditure and the continued and heightened focus on cost reduction.

Despite these headwinds, the Group successfully continued to strengthen its balance sheet, secured additional long terms contracts, achieved multi-year extensions to existing contracts and strengthened its management and operations.

The preliminary revenue result for the full year was $78.7 million. This result represents a 20% decrease on the previous year (2014: $98.8 million) and is directly attributed to lower activity levels within the explorations and delineation segments of the drilling market. Encouragingly, the Group achieved quarter-on-quarter revenue growth for the nine months ending 30 September 2015. As expected, Q4 2015 revenue was impacted by the traditional seasonal shutdowns.

The revenue result for H2 2015 was $39.7 million. This was 12% down on the previous corresponding period (H2 2014: $45.0 million) and includes Q4 2015 revenue of $18.9 million (Q4 2014: $21.5 million).

Rig utilization for H2 2015 was 35% (H2 2014: 41%) and the average revenue per operating rig (ARPOR) was $188,000 (H2 2014: $184,000), on an average fleet size of 97 (H2 2014: 96). Utilisation for Q4 2015 was 35% (Q4 2014: 38%) and the average revenue per operating rig was $185,000 (Q4 2014: $189,000), on an average fleet size of 97 (Q4 2014: 96).

The Company's full year ARPOR result remained steady at $188,000 (2014: $188,000). Capital Drilling's ability to maintain its ARPOR reflects its operational efficiencies and the benefits of its Lean Operating Model, implemented in 2015 in a highly competitive exploration market.

EBITDA of $9.9 million in 2015 (2014: $20.4 million) was negatively impacted by the weaker revenue in 2015 in addition to a number of non-recurring charges relating to repatriation costs ($1 million) and inventory write downs ($5.1 million), with provisions for previously reported tax disputes ($2.5 million) also impacting Group earnings. Adjusting for these non-recurring charges, underlying EBITDA margins have returned to 7 year long term trend levels of 22%, reflecting the strong focus on cash management during the current market downturn.

Capital Expenditure / Group Cash Flow

Operational capital expenditure remained subdued over 2015 at $4.3 million inclusive of an additional production rig at the Geita Gold Mine. The successful award of a four year production contract at the North Mara Gold Mine, announced in December 2015, lead to additional growth CAPEX in December, totalling $3.6 million for 3 new rigs, bringing full year CAPEX to $7.9 million.

To maintain the Group's young fleet, five exploration rigs were decommissioned in Q4, while a further rig was lost due to a rock fall at the Sukari Mine in Egypt. The net result of these fleet changes brings the fleet total to 94 at year end (2014: 96).

Despite the requirement for increased CAPEX, the Company successfully reduced its gross debt by 67%. As at 31 December 2015, net cash was $8.3 million (2014 net debt: $0.4 million). The lower gearing level was achieved by management's disciplined approach to working capital, greater operational efficiency and cost reductions.

Additionally, during 2015 the Company was pleased to pay total dividends of US$4 million (US3 cents per share) whilst strengthening the Group balance sheet. The Board remains committed to the dividend policy communicated in March 2015 and expects to declare a further dividend with the release of the Audited Full Year Results.

H2 2015 Operational Review

During Q4 2015, the Group successfully secured the North Mara Gold Mine contract with Acacia Mining following a competitive tendering process. Capital Drilling is providing blast hole and grade control drilling services to the site's open pit operations. A total of five rigs were deployed to the project, together with an existing grade control rig that was included in the tendering process. The two-plus-two-year contract commenced earlier than the 1 January 2016 contracted start date – at the client's request, and is performing well during the ramp up phase of operations. The newly acquired rigs are scheduled to be commissioned in the coming months which we expect will provide further operational improvements. This new contract consolidates the Company's position as the leading drilling services contractor in the East African market.

A number of contract extensions were achieved during H2 2015, including an additional twelve months for Khoemacau in Botswana & multi-year extensions with long-term clients Centamin (Sukari Gold Mine) in Egypt and AngloGold Ashanti (Geita Gold Mine) in Tanzania. The Geita Gold Mine contract extension also includes the addition of underground exploration services.

The Group's Lean Operating Model, implemented in 2015, delivered successful results in Tanzania, Botswana and Peru. These contracts were carried out at a lower cost and with a smaller site footprint, with positive client feedback regarding the KPI reporting also received.

Further Cost Reductions & Management Changes

The Company's decision to relocate its Head Office from Singapore to Mauritius, implemented over H1, saved some $500,000 during 2015. A full year of savings will be realized during 2016 and the relocation will continue to deliver ongoing benefits for the company.

As announced to the market on 28 January, Jaco Brümmer was appointed Chief Financial Officer and commenced in April 2015. Mr. Brümmer's previous knowledge of the Company, together with his professional qualifications and experience, ensured he made a seamless transition into this role.

Other management changes include the appointment of Supply Manager, Michele Butler. Ms. Butler has extensive industry and international experience. She is tasked with inventory management, improving efficiencies and further cost savings within the Group's supply chain.

The Group will continue to consolidate the cost saving initiatives implemented at the beginning of 2015 and will streamline its operations and management structures further to align with market conditions.

2016 Outlook

The fundamentals affecting the global mining industry suggest another challenging year – the fifth year of the cycle's downturn. Commodity prices continue to test multi-year lows and trading on metals & equities markets in early 2016 have continued their bearish trends.

Despite these ongoing challenges, Capital Drilling anticipates a small increase in 2016 revenue, largely reflecting the recently announced contract win at the North Mara Gold Mine. The Group continues to have its existing revenue base underpinned by our established long term drilling contracts. Furthermore we expect an improved year for Group profitability based on current assumptions, with the non-recurring items expensed in 2015.

Capital Drilling is in a stronger position to capitalize on these opportunities having: no net debt; positive cash flows; a young fleet; stable multi-year contracts; a lower cost model; well established operations in Africa and a dedicated management team.

Commenting on the 2015 financial year, Mark Parsons, CEO, said:

"Subdued market conditions have had an adverse effect on our revenue and earnings, yet we have demonstrated our resilience by delivering positive cash flows, a net cash position and the payment of dividends to our shareholders in 2015.

A great sadness during the second half of the year was the loss of an employee at the Sukari mine in Egypt. A thorough ICAM safety investigation was carried out and the tragic accident was attributed to rock fall. Every effort has been made by our Company to support the grieving family, friends and colleagues. The importance of workplace safety within our Company cannot be overemphasized – we will continue to foster this in our procedures, operations and culture.

We will continue to deploy our low cost strategic model that proved to be successful throughout 2015. We will also focus on strengthening our market position as a solutions provider that consistently delivers a quality product and higher level of service. Similarly, we will maintain our conservative approach to gearing and management of our costs.

I remain confident that with our young fleet, capable team and strong balance sheet, we are well positioned to successfully navigate current market conditions, yet also take advantage of opportunities in new markets in line with our growth strategy."

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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 94 drilling rigs with established operations in Botswana, Chile, Egypt, Ghana, Mauritania, Peru, Tanzania and Zambia. The Group's corporate headquarters is in Mauritius.