



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

**Q4 2018 Trading Update**

Capital Drilling Limited (CAPD: LN), the leading drilling solutions company focused on the African markets, today provides its Q4 2018 trading update for the period ended 31 December 2018 (the "Period"), ahead of announcing its full year results on 14 March 2019.

**FOURTH QUARTER (Q4) AND FULL YEAR 2018\* KEY METRICS**

	Q4 2018	Q3 2018	% change from Q3 2018	FY 2018*	FY 2017	% change from FY 2017
Revenue (\$m)	30.5	31.0	-1%	116.0	119.4	-3%
ARPOR# (\$)	181,000	198,000	-9%	194,000	194,000	0%
Average utilised rigs	54	49	10%	47	49	-4%
Fleet Utilisation (%)	59	53	11%	51	53	-4%
Average Fleet	91	92	-1%	93	93	0%
Closing fleet size	91	91	0%	91	93	-2%

All amounts are in USD unless otherwise stated

# Average revenue per month per operating rig

\* Unaudited numbers

**Financial Highlights**

- Q4 2018 revenue of \$30.5 million, a 12.5% increase over Q4 2017 (\$27.1 million) and a marginal decrease of 1% over Q3 2018 (\$31.0 million)
- Full year 2018 revenue of \$116.0 million, above the top end of the 2018 revenue guidance of \$105 to \$115 million
- Significant increase in free cash flow generation with period end net cash increasing to \$10.9 million, from \$3.4 million at June 30, 2018
- Gross debt reduced to \$9 million (2017: \$12 million) including a further \$1 million reduction on the Group's revolving debt facility in the December quarter
- Full year financial results are due to be announced on 14 March 2019 which will include revenue guidance for 2019

**Operational Highlights**

- Outstanding safety performance with the Group reporting a record achievement of zero LTI's for the year
- Strong increase in activity levels drove utilisation in Q4 2018 to 59% (Q4 2017: 47%), with increased exploration activity levels in West Africa and Botswana
- H2 2018 utilisation of 56% a material improvement on H1 2018 of 46%, reflecting the Group's ongoing success in securing contracts in the West African region

- Full year ARPOR flat at \$194,000 per rig (2017: \$194,000), with Q4 2018 ARPOR of \$181,000, a 9% fall on Q3 2018 (\$198,000), reflecting increased utilisation of exploration rigs, single shift operations in Kenya and Botswana, and contract commencements in Tanzania and Côte d'Ivoire
- The Group's key long-term contracts continue to perform strongly, underpinning the Group's financial performance for the period, whilst there has been a substantial increase in new tender opportunities in the second half of the year
- 91 rigs at end of year (2017: 93) with continued active fleet management, maintaining industry leading equipment standards, with the purchase of two new blast hole rigs in H1 2018, while disposing of four rigs during the year (sale and decommissioning)
- Received a five-year contract extension at the Sukari Gold Mine in Egypt (Centamin), covering our existing blast hole and grade control drilling services
- Received a one-year contract extension at the Geita Gold Mine in Tanzania (AngloGold Ashanti), covering our underground grade control and underground exploration drilling services
- Commenced a 6,000 metre diamond drilling contract with Sama Resources in Côte d'Ivoire
- Commenced a program of up to 30,000 metres of aircore drilling under contract with Strandline Resources in Tanzania

**Commenting on the trading update, Jamie Boyton, Executive Chairman, said:**

"Capital Drilling's trading performance in 2018 was strong, particularly in the second half of the year which saw the Group accelerate its penetration into the fast growth West African mineral drilling industry. The quality of our business improved further, with zero LTIs recorded, an outstanding result, in addition to some material contract extensions with some of our longstanding blue chip customers. The improvement in utilisation, specifically in exploration contracts, as well as the prudent management of working capital across the group, translated into improved cash generation over prior periods, further strengthening the Group's balance sheet. The current year has started strongly with solid tendering activity in West Africa, where we are benefitting from the infrastructure investment that we have made over the past 12 to 18 months."

**Trading Update**

Capital Drilling generated revenue of \$30.5 million during Q4 2018, representing an increase of 12.5% on the same period last year (Q4 2017: \$27.1 million) and a marginal 1% decrease over Q3 2018. Rig utilisation was particularly strong in Q4 2018 at 59%, a four year high for the Group. ARPOR decreased 9% (\$181,000) over Q3 2018 (\$198,000), primarily due to higher exploration rig utilisation, new start-up projects and single shift drilling in Botswana and Kenya. The Group's core long term contracts continued to perform in line or above management's expectations.

While revenue for 2018 fell 3% on 2017, there was a substantial increase in revenue as the year progressed. H2 2018 revenue of \$61.5 million represented a 12.9% increase on H1 2018 revenue of \$54.5 million, driving full year revenues of \$116.0 million, above the top end of market guidance for revenue of between \$105 and \$115 million.

The improved performance in H2 2018 validates the Group's strategy to focus resources on the fast growth West African market. Solid progress was made during the year with infrastructure established in Mali and Côte d'Ivoire, supplementing the Group's existing presence in Mauritania. Substantial effort was directed to the redeployment of assets to the region, with the rig count doubling over the course of 2018 to 31 rigs, over a third of the Group's fleet.

We are particularly pleased with what was an outstanding year with regards to safety achievements, most significantly the achievement of no LTI's for the year across our entire operation, in addition to an AIFR of just 0.36, significantly below industry standards. These are record safety achievements for the Group and further demonstrate the high standards we strive to achieve.

The Group's increased footprint in West Africa, coupled with our track record of delivering the highest quality service to our customers, resulted in multiple contract wins over the year, including Resolute Mining, Hummingbird Resources and Sama Resources. As a result of the increased focus on the region, Group revenues attributable to the region increased from 13% in 2017 to 24% in H2 2018.

Activity in East and Southern Africa also showed signs of improvement over 2018, with contracts awarded to Capital Drilling in Botswana (De Beers), Tanzania (Graphex, Strandline) and Kenya (Acacia). Significantly, the Group was awarded contract extensions with two of its major long-term customers, receiving a five year extension at the Sukari Gold Mine (Centamin) and a twelve month extension at the Geita Gold Mine (AngloGold Ashanti). The core long term production contracts continued to perform strongly over Q4 2018, and we are pleased to have secured extensions to facilitate continued investment and improvement at these contracts.

Strong contract performance, ongoing cost management, capital discipline and outstanding working capital management drove a substantial increase in cash generation in Q4 2018. The Group ended the period with \$10.9 million in net cash, up from \$3.4 million at June 30, 2018. Gross debt was reduced over the half year period by \$3 million to \$9 million, positioning the Group well for 2019.

## **Outlook**

While we experienced a strong performance in 2018, there has been some cause to take pause in recent months, as global trade tensions have impacted financial markets and consequently lead to a reduction in capital markets activities, and to a lesser extent base metals markets. These developments, if sustained, have the capacity to dampen activity levels in the mining and exploration sectors, however there has been little evidence of this to date with the Group experiencing higher than anticipated demand in H2 2018.

The gold price continues to perform strongly, and with over 90% of Group revenue being generated from gold related drilling, demand for the Group's services remains robust. Our increased presence in West Africa has led to a material increase in the number of tender opportunities and we are optimistic of further success in the region over 2019. We are pleased with the recent awarded contracts in Tanzania, which is a welcome return of exploration activity in the country since Tanzania enacted changes to the Mining Legislation in 2017.

The Group's strategy in 2019 will remain focused on continuing to improve the key metrics of our business, grow our portfolio of long term mine-site based contracts, further expand our footprint in the West African region and maintain the generation of free cash flow, enabling the delivery of returns to our stakeholders.

The Group's full year results, together with any dividend declarations, will be announced 14 March 2019.



For further information, please visit 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 91 drilling rigs with established operations in Botswana, Côte d'Ivoire, Egypt, Ghana, Kenya, Mali, Mauritania and Tanzania. The Group's corporate headquarters are in Mauritius.