



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

Full Year Results
For the period ended 31 December 2013

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 2013.

FULL YEAR FINANCIAL RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2013*

	<u>2013</u>	<u>2012</u>
	\$m	\$m
Average Fleet Size	91	88
Fleet Utilisation (%)	55	76
ARPOR (\$)	179,000	192,000
Revenue	116.3	158.9
EBITDA	17.0	37.1
EBIT	(0.2)	20.9
Net (Loss) Profit After Tax	(1.9)	14.1
<u>Earnings per share</u>		
Basic (cents)	(1.4)	10.5
Diluted (cents)	(1.4)	10.5
Net Asset Value per share (cents)	68.0	69.2
Return On Capital Employed (%)	(0.2)	19.8
Return on Total Assets (%)	(0.2)	16.2
Net Debt / Cash	9.0	20.0
Net Debt to Equity (%)	9.9	21.4

* All amounts are in USD unless otherwise stated

Financial Overview¹

- Revenue down 27% to \$116.3 million (2012: \$158.9 million)
- EBITDA remained positive despite sharp decline in revenue
- Breakeven EBIT result in the face of a sharp revenue decline
- Net (Loss)/Profit After Tax down 113% to -\$1.9 million (2012: \$14.1 million)
- Net Debt to equity ratio of 9.9% (2012: 21.4%) improved by 54%
- Net Operating cash flows of \$15.0 million

Operational Highlights

- Robust Average Revenue Per Operating Rig (ARPOR) of \$179,000 (2012: \$192,000) despite declining utilisation rates and inconsistent drilling requirements
- Strong operational performance leading to preferred contractor status at sites in Mauritania, Tanzania and Papua New Guinea

Continued strategic progress

- Previously announced contract wins:
 - ❖ New production drilling contract win with Geita (AngloGold Ashanti) announced in October 2013, in line with the Group's focus on long term mining contracts
 - ❖ New production drilling contracts with St Barbara in Papua New Guinea and the Solomon Islands
- New contract wins:
 - ❖ Renewed 5 year production drilling contract at the Sukari Gold Mine (Centamin), running to 2018
 - ❖ Contract renewal for diamond and reverse circulation drilling (4 rigs in total) for MMG Limited in Tanzania, commencing in the second quarter of 2014
- Continued focus on disciplined capital expenditure with 2013 CAPEX of \$5.7 million (versus \$30.0 million in 2012)
- Current fleet age of approximately 4 years provides one of the most modern drilling fleets in the market
- Significantly improved gearing profile with gearing ratio of 9.9%, driven by strong cash generation

Commenting on the results, Jamie Boyton, Executive Chairman and CEO of Capital Drilling, said:

"2013 was a challenging year for the Group however management's focus on cost reductions coupled with discipline around capital expenditure led to solid cash generation over the period. The Group concluded 2013 with year-end net debt to equity ratio of 9.9% and given the substantial capital investment program in prior years the Company continues to own and operate the youngest scale fleet in the industry, with ample capacity to deploy assets when market conditions improve.

Critically the Company continued to execute on its stated strategy of increasing our exposure to production contracts, securing a comprehensive 5 year contract at the Geita Gold Mine in Tanzania. We are also pleased to today announce that we have successfully negotiated a new 5 year production contract at the Sukari Gold Mine in Egypt, running to 2018. Based on current forecasts the Group expects production contracts to contribute over 50% of revenue in 2014, providing greater stability to the platform as we continue to seek to grow the business.

While we have seen a recent increase in tender enquiries the environment remains challenging and competitive, with excess global rig capacity, subdued levels of equity market activity and a continued focus on free cash flow generation and capital discipline from mining companies. The Group remains well positioned in this environment with ample capacity in both the fleet and our balance sheet, along with a strong performance culture that will continue drive future opportunities."

Capital Drilling will host a conference call on Tuesday 18 March at 9.00am (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: 02034281542
ID Number: 84280614#

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 95 drilling rigs with established operations in Chile, Egypt, Ghana, Mauritania, Tanzania, Papua New Guinea, Solomon Islands and Zambia. The Group's corporate headquarters is in Singapore and it has its administrative offices for South America in Santiago.

¹ A definition of terms used is provided in note 15

Chairman / CEO Statement

2013 proved to be an extremely challenging year for Capital Drilling, reflecting the significantly weaker conditions in the mining industry and the resulting impact on the mining services industry. Weaker commodity prices coupled with new management teams across many mining companies, with their focus on cost reduction and increased discipline around capital allocation, led to a material reduction in drilling activity, particularly across exploration and development drilling. Industry utilisation was hit particularly hard and Capital Drilling was impacted accordingly. The second half of the year recorded the lowest rig utilisation in the Group's history, albeit we continued to operate at above industry levels for the period.

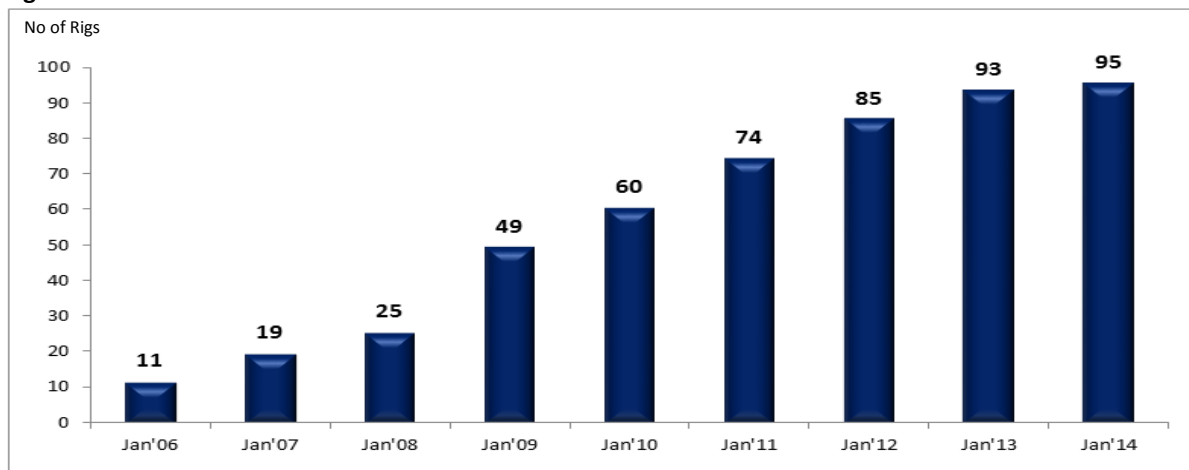
Against this weaker demand environment the management team at Capital Drilling delivered substantial cost reductions and implemented a number of structural changes to the businesses. Over the year we reduced our workforce by approximately 500 people, finishing 2013 with 834 employees. Actions were taken to reduce our infrastructure in a number of countries and the decision was taken by management to withdraw from the energy business, allowing us to focus on our core mineral drilling business and expand our presence in production drilling. While these initiatives came at a cost of approximately \$3.5 million, they have positioned the Group well for the future and assisted in the delivery of robust cash flows during a very challenging period.

Capital Drilling delivered revenue of \$116.3 million, a decrease of 27% on 2012. The revenue decrease was particularly significant in the second half of the year. First half revenue was down 8% on the previous corresponding period while second half revenue was down 45% on the previous corresponding period. Full year EBITDA decreased by 54% to \$17.0 million, while the impact of depreciation on the enlarged asset base led to a loss of \$1.9 million for 2013.

The Group did however benefit from the substantial capital investment in preceding years which allowed for a significantly reduced capital expenditure program in 2013, while maintaining a fleet age of approximately 4 years. The reduced capital spend and the early benefits of the Group's continuing cost reduction programmes have delivered positive operating cash flows for the Company and high levels of cash conversion, with period end net debt to equity of 9.9% against 21.4% for the period end 2012; an outstanding result considering the substantial headwinds faced over the year. The Group also continued to generate strong operational cash flows in the most challenging market conditions in recent times, with net cash from operating activities of \$15.0 million compared to \$24.3 million for the prior year, despite the reduction in revenue.

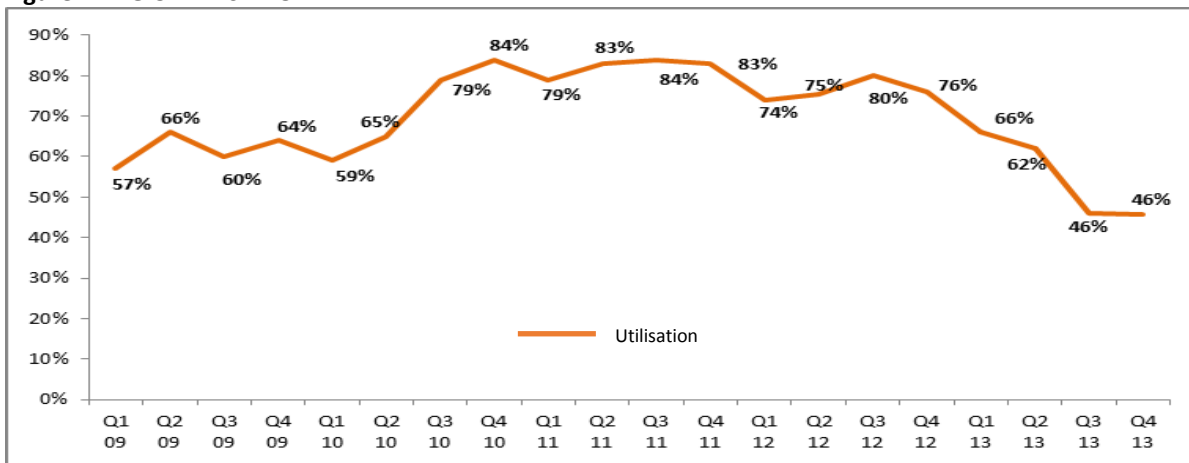
Significantly, the Group was pleased to announce the award of a comprehensive 5 year contract with the Geita Gold Mine in Tanzania, operated by AngloGold Ashanti, where Capital Drilling has been active since 2007. The award represented a strong endorsement of our performance at this operation and continues the Group's strategic focus of securing more long term mining contracts to underpin the platform for future growth. Five new blast hole rigs were added to the fleet to service the contract, with full drilling commencing in January 2014. The Company is also successfully renewed the production drilling contract at Sukari Gold Mine with Centamin running to 2018, covering the existing fleet of blast hole and grade control rigs. As a result of these contract wins, the Company commenced 2014 with a fleet of 95 rigs.

Figure 1: ANNUAL FLEET GROWTH



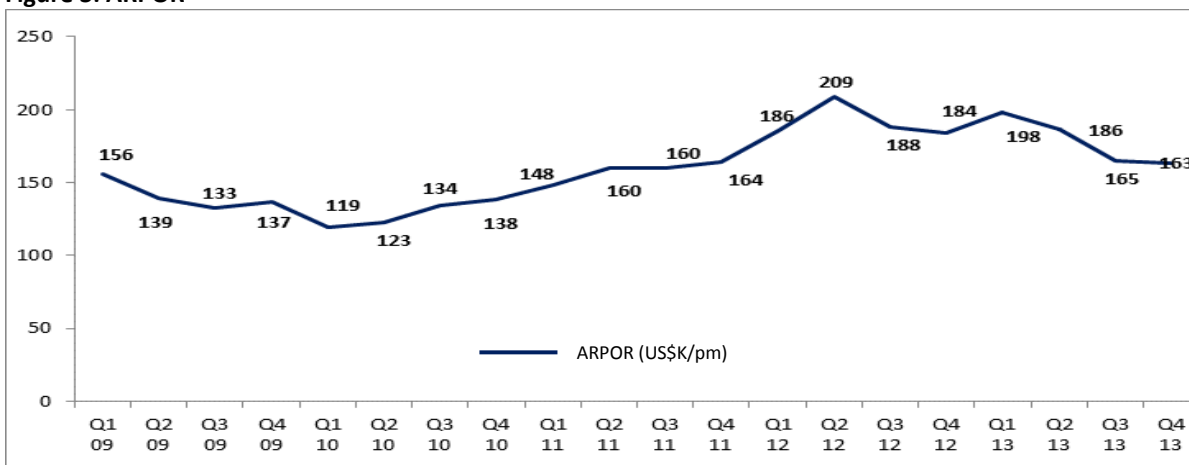
While the average fleet size increased 3% on 2012, the Group purchased only 2 rigs in 2013, for existing underground and blast hole contracts. We continue to operate and own a fleet of rigs averaging approximately 4 years of age remaining one of the youngest in the Industry, with sufficient available capacity for future work in exploration and development drilling when market conditions improve.

Figure 2: RIG UTILITISATION



Rig utilisation for the Group softened in 2013, reducing from 76% for 2012 to 55% for the year. The weakness was particularly pronounced in the second half with utilisation of 46%, the lowest levels recorded in the Company's history. While the environment remains challenging it was an encouraging sign that utilisation was steady into the fourth quarter of the year.

Figure 3: ARPOR



The Group's final revenue KPI, Average Revenue per Operating Rig, performed well when put in perspective against other metrics, averaging \$179,000 for 2013 (2012: \$192,000). The weaker performance was impacted by lower drilling rates and more significantly inconsistent drilling activity from a number of clients.

Health and Safety

The Group continues with its strong focus on a safety culture, supported by our Training and Development programs. We recorded an outstanding safety performance in 2013, with our key measure, the All Injury Frequency (days free) Rate (AIFR),

reducing from 1.82 to 0.70 injury related incidents per 200,000 man hours. Project milestones in 2013 for Lost Time Injuries (LTI's) include:

- Solomon Islands – Gold Ridge 500 days (February 2013)
- Ghana - Chirano 500 days (February 2013)
- Zambia - Lumwana 2,000 days (May 2013)
- Tanzania – North Mara 500 days (November 2013)
- Mauritania – Kinross Tasiast 1,000 days (November 2013)

Outlook

Although we are seeing some signs of improved sentiment and increased tender enquiries, the operating environment remains volatile. We have however entered 2014 in a strong financial position with solid cash being generated from operating activities, a reduced fixed operating cost base, a conservatively geared balance sheet and importantly two long term production based contracts which provide greater revenue stability and visibility to the Group. Production drilling contracts are now expected to generate over 50% of total revenue for the Group in 2014, consistent with the Group's strategy.

We announced the award of a comprehensive 5 year production drilling contract at the Geita Gold Mine in Tanzania in October 2013 and we are pleased to report that the contract has begun well, with all rigs commencing in January 2014 and production steadily increasing since drilling commenced. We have also had recent success with existing clients, namely the contract renewal for diamond and reverse circulation drilling with MMG Limited in Tanzania & the award of a further 5 year production drilling contract with Centamin in Egypt.

Our capital investment programme which was implemented before the downturn has set the Company up with an impressive young fleet and although headwinds remain in the industry we are confident that we are well placed to benefit as the conditions in the market improve.

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.

Jamie Boyton
Executive Chairman and Chief Executive Officer

Chief Financial Officer's Report

The 2013 financial year was distinctly a year of two halves. The first half of the year saw the Group deliver a robust performance under some very difficult market conditions, while the second half of the year saw a material deterioration in our revenue base as clients further reduced activity levels. Total revenues for the year were \$116.3 million, a 27% fall year-on-year. The Group continued to generate strong operational cash flows in the face of this sharp revenue decline, which confirmed the effectiveness of the cost reduction measures that had been implemented by management to cope with the sharp deterioration in market conditions.

The third quarter experienced the sharpest decline in revenue with conditions moderating and recovering slightly in the fourth quarter. The Group has maintained a high focus on cost management for the year, reducing the fixed cost element of the Group's cost base. The major highlights of the cost reduction exercises include:

- A significant reduction in headcount to match the activity levels. As at 31 December 2013, the Group had a total headcount of 834 which represents a reduction of c.500 employees during the period;
- Restructuring of employment contracts to align their duration to the contracted duration of drilling programmes and converting a proportion of the labour force from fixed salaries to day rate based remuneration. This allows the employment cost to vary in line with activity;
- Introduction of outsourced facilities with contracts aligned to the duration of drilling contracts, therefore increasing the variability of the cost of accommodating the labour force at sites
- Closure of non-core offices and sites; and
- A thorough review of all cost policies across the Group including communications, travel and equipment rental.

The Group incurred approximately \$3.5 million in restructuring costs over the year, in order to achieve some of the cost savings coming from the structural changes mentioned above. Some of these measures started delivering benefits in the second half as demonstrated by the strong operational cash flow generated in the second half of the year, despite the significantly weaker revenue profile. This contributed to the strength of the balance sheet and the improving debt profile for the Group. The Group moves into 2014 with a strong balance sheet and conservative debt levels with a net gearing ratio (net debt/equity) of 9.9% (2012: 21.4%) and significant unutilised debt facilities providing flexibility. Net equity decreased marginally to \$91.5 million.

The Group achieved revenues of \$116.3 million which is a 27% fall year-on-year, due to the abrupt conclusions of some drilling programmes. The average utilisation was 55% of the fleet (2012: 76%) with an ARPOR of \$179,000 (2012: \$192,000). It is important to note that despite utilisation dropping to below 50% in some months of the second half the overall ARPOR held up quite well due to better control and rig management. We start 2014 working on two long term production based contracts which provide a stable base for future growth of the Group.

The result of the lower revenue was a deterioration in all the major profitability ratios, the gross profit margin for the year decreased to 26% (2012 - 33%), this translated to an EBIT loss of \$0.2 million (2012: \$20.9 million EBIT profit). The loss for the year was \$1.9 million.

The loss per share for the year was 1.4c compared to earnings per share of 10.5c in the comparative period. The weighted average number of shares remained unchanged at 134,592,800.

Statement of Financial Position

As at 31 December 2013, the Statement of Financial Position showed continued strength and improvement with a \$2.7 million release of working capital as shown in the reduction of current assets for the Group. This is largely due to improved accounts receivable collections and normal working capital release.

In addition to the working capital release the Group also reduced its overall liability position mainly through the repayment of the Group's debt facilities, particularly in the first half.

Statement of Comprehensive Income (Summary)			Statement of Financial Position (Summary)		
Reported	2013	2012		2013	2012
				\$m	\$m
Revenue \$m	116.3	158.9	Non-current assets	61.1	74.1
EBITDA \$m	17.0	37.1	Current assets	62.2	66.7
EBITDA %	14.6%	23.4%	Total Assets	123.3	140.9
EBIT \$m	-0.2	20.9	Current liabilities	10.8	17.9
PBT \$m	-1.9	18.9	Non-current liabilities	21.0	29.8
NPAT \$m	-1.9	14.1	Total Liabilities	31.8	47.6
Basic EPS (cents)	-1.4	10.5	Total Shareholder's Equity	91.5	93.2
Diluted EPS (cents)	-1.4	10.5			

In line with the significantly reduced investment in capital expenditure in the year and a modest change in the size of the drilling fleet to 91 rigs (increase YoY of 3%), the net property, plant and equipment of the business decreased by 19% to \$60.0 million.

Net debt decreased by \$10.9 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 which was confirmation of the effectiveness of the cost reduction programmes carried out during the course of the year. This is evident in that second half operational cash flows were equal to first half operational cash flows despite the second half revenues being 40% lower.

Gross cash used in investing activities was \$5.7 million (net \$4.3 million) on the back of a modest growth in the drilling fleet, with the only rigs additions being made to replace contracted for revenue generating rigs early in the year. Operating capital expenditure was lower on account of the lower rig utilisation.

Cash used in financing activities was \$7.7 million, being repayment of debt.

The Group's cash position at year end was \$12.3 million and total debt decreased to \$21.4 million (2012: \$29.1 million)

The net debt position of the business was \$9 million (2012: \$20 million) and, as a result, net gearing (net debt/equity) was 9.9% (2012: 21.4%).

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

Statement of Cashflow (Summary)			Reconciliation of Cash Position		
	2013	2012		2013	2012
	\$m	\$m		\$m	\$m
Net Cash from Operating Activities	15.0	24.3	Net Debt at beginning of year	(20.0)	(14.6)
Net Cash used in Investing Activities	(4.3)	(29.4)	Increase in cash and cash equivalent	3.1	5.0
Net Cash (used in) from Financing Activities	(7.7)	10.1	Decrease (increase) in loans	7.9	(10.4)
Net Increase in Cash and Cash Equivalents	3.1	5.0	Net debt at end of year	(9.0)	(20.0)
Cash Balance at Beginning of Period	9.1	4.0			
Translation of foreign currency cash	0.1	0.0			
Cash Balance at End of Period	12.3	9.1			

Treasury and Risk Management

The Group operates under standard finance procedures with a centralised treasury function. As a result, the majority of receivables are centrally received to mitigate any in country cash risk and therefore cash and cash flow is managed by 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 USD, 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. Group has tax losses carried forward of \$20.5 million (2012: \$10.3 million) with a tax value of \$5.9 million (2012: \$2.9 million) available for offset against future profits. A deferred tax asset has been recognised to the value of \$2.8 million (2012: \$0.2 million) in respect of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses amounting to \$10.7 million (2012: \$8.8 million) with a tax value of \$3.1 million (2012: \$2.7 million) 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 2013 financial year.

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 mineral exploration

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 2013 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.

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 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 2013.

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 12 to 15 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; (b) exchange rate fluctuations against the US Dollar and the consequent effect on the Group's direct costs; and (c) the availability of bank financing in the foreseeable future.

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 2014, 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 and give a true and accurate reflection of the operating result, cash position and Statement of Financial Position at 31 December 2013.

The Directors further confirm that to the best of their knowledge that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides 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

18 March 2014

Financial Results

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Note	Group	
		2013	2012
		\$	\$
Revenue	3	116,265,753	158,886,956
Cost of sales		(85,706,170)	(105,930,444)
Gross profit		30,559,583	52,956,512
Other income		-	1,101
Administration expenses		(13,609,366)	(15,852,599)
Depreciation		(17,194,244)	(16,155,444)
Profit from operations		(244,027)	20,949,570
Finance charges		(1,663,018)	(2,023,986)
Profit before tax		(1,907,045)	18,925,584
Taxation	4	30,690	(4,814,713)
Profit for the year		(1,876,355)	14,110,871

Other comprehensive income:

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

Exchange differences on translation of foreign operations		84,139	(11,719)
Total comprehensive income for the year		(1,792,216)	14,099,152

(Loss) earnings per share:

Basic (cents per share)	5	(1.4)	10.5
Diluted (cents per share)	5	(1.4)	10.5

CONDENSED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Note	Group	
		2013	2012
		\$	\$
ASSETS			
Non-current assets			
Property, plant and equipment	7	59,962,343	74,043,755
Deferred taxation		1,111,738	79,867
Total non-current assets		<u>61,074,081</u>	<u>74,123,622</u>
Current assets			
Inventory		23,698,231	22,605,119
Trade and other receivables		18,431,718	25,970,607
Prepaid expenses and other assets		5,805,770	8,090,422
Taxation		1,931,608	1,010,650
Cash and cash equivalents		12,328,148	9,063,606
Total current assets		<u>62,195,475</u>	<u>66,740,404</u>
Total assets		<u><u>123,269,556</u></u>	<u><u>140,864,026</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	8	13,459	13,459
Share premium	8	21,561,190	21,561,190
Equity-settled employee benefits reserve		205,146	184,171
Foreign currency translation reserve		47,391	(36,748)
Retained earnings		69,644,800	71,521,155
Total equity		<u>91,471,986</u>	<u>93,243,227</u>
Non-current liabilities			
Long-term liabilities	9	21,000,000	28,164,341
Deferred taxation		-	1,599,129
Total non-current liabilities		<u>21,000,000</u>	<u>29,763,470</u>
Current liabilities			
Trade and other payables		10,249,060	16,246,045
Taxation		194,538	724,765
Current portion of long-term liabilities	9	353,972	886,519
Total current liabilities		<u>10,797,570</u>	<u>17,857,329</u>
Total equity and liabilities		<u><u>123,269,556</u></u>	<u><u>140,864,026</u></u>

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital	Share premium	Equity- settled employee benefits reserve	Foreign currency translation reserve	Retained earnings	Total
	\$	\$	\$	\$	\$	\$
Balance at 31 December 2011	13,459	21,561,190	132,225	(25,029)	57,410,284	79,092,129
Recognition of share-based payments	-	-	51,946	-	-	51,946
Total comprehensive income for the year	-	-	-	(11,719)	14,110,871	14,099,152
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	13,459	21,561,190	205,146	47,391	69,644,800	91,471,986

CAPITAL DRILLING LIMITED
CONDENSED STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

	Note	Group	
		2013	2012
		\$	\$
Operating activities:			
Cash from operations	10	20,802,260	31,510,112
Finance charges paid		(1,702,542)	(1,794,830)
Taxation paid		(4,051,495)	(5,369,886)
<i>Net cash generated from operating activities</i>		<u>15,048,223</u>	<u>24,345,396</u>
Investing activities:			
Purchase of property, plant and equipment		(5,680,780)	(29,992,492)
Proceeds from disposal of property, plant and equipment		1,359,011	561,748
<i>Net cash used in investing activities</i>		<u>(4,321,769)</u>	<u>(29,430,744)</u>
Financing activities:			
Long-term liabilities raised		-	29,200,000
Long-term liabilities repaid		(7,657,364)	(19,067,223)
<i>Net cash (used by) generated from financing activities</i>		<u>(7,657,364)</u>	<u>10,132,777</u>
Net increase in cash and cash equivalents		3,069,089	5,047,429
Cash and cash equivalents at the beginning of the year		9,063,606	4,044,813
Translation of foreign currency cash and cash equivalent adjustment		195,453	(28,636)
Cash and cash equivalents at the end of the year		<u><u>12,328,148</u></u>	<u><u>9,063,606</u></u>

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 2013 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 Financial Statements are available on the company's website.

The financial information for the years ended 31 December 2013 and 2012 does not constitute the annual financial statements. The annual financial statements for the year ended 31 December 2012 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 2013 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 2013 has not yet been issued.

2. Operations during the year

During the year ended 31 December 2013, the Group provided drilling services in Chile, Egypt, Ghana, Mauritania, 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 2013

3. Segment report (continued)

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

2013	Africa	Rest of world	Consolidated
	<u>\$</u>	<u>\$</u>	<u>\$</u>
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)
	<u>2,049,781</u>	<u>(2,220,495)</u>	(170,714)
Central administration costs and depreciation			(73,313)
Loss from operations			(244,027)
Finance charges			(1,663,018)
Loss before tax			<u>(1,907,045)</u>
2012	Africa	Rest of world	Consolidated
	<u>\$</u>	<u>\$</u>	<u>\$</u>
External revenue	134,287,686	24,599,270	158,886,956
Segment gross profit	46,237,055	6,719,457	52,956,512
Administration costs and depreciation	(28,652,945)	(2,943,390)	(31,596,335)
	<u>17,584,110</u>	<u>3,776,067</u>	21,360,177
Central administration costs and depreciation			(411,708)
Other income			1,101
Profit from operations			20,949,570
Finance charges			(2,023,986)
Profit before tax			<u>18,925,584</u>

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. Segment report (continued)

	Group	
	2013	2012
	\$	\$
<u>Segment assets:</u>		
Africa	200,432,984	193,327,371
Rest of world	82,566,549	72,956,446
Total segment assets	282,999,533	266,283,817
Head office companies	40,593,732	27,260,154
	323,593,265	293,543,971
Eliminations	(200,323,709)	(152,679,945)
	<u>123,269,556</u>	<u>140,864,026</u>
<u>Segment liabilities:</u>		
Africa	56,578,884	49,629,302
Rest of world	51,408,547	40,919,989
Total segment liabilities	107,987,431	90,549,291
Head office companies	123,045,565	108,663,170
	231,032,996	199,212,461
Eliminations	(199,235,426)	(151,591,662)
	<u>31,797,570</u>	<u>47,620,799</u>

Included in revenues arising from the Africa segment are revenues of approximately \$67.5 million (2012: \$77.1 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.

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

5. (Loss) earnings per share

Basic (loss) earnings per share

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

	Group	
	<u>2013</u>	<u>2012</u>
(Loss) profit for the year used in the calculation of basic (loss) earnings per share	<u>(\$1,876,355)</u>	<u>\$14,110,871</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) earnings per share (cents)	<u>(1.4)</u>	<u>10.5</u>

Diluted (loss) earnings per share

The (loss) earnings used in the calculations of all diluted (loss) earnings per share measures are the same as those used in the equivalent basic (loss) earnings 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 [#]	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares used in the calculation of diluted (loss) earnings per share	<u>134,592,800</u>	<u>134,592,800</u>
Diluted (loss) earnings per share (cents)	<u>(1.4)</u>	<u>10.5</u>

[#] For the purposes of calculating earnings per share, diluted weighted average shares outstanding excludes 2.34 million (2012: 2.36 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 2013

6. Dividends

No dividends were declared during the year under review (2012: \$nil).

7. Property, plant and equipment

For the year ended 31 December 2013, the Group spent \$5.7 million (2012: \$30.0 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 \$2.6 million (2012: \$1.3 million) during the year. A loss of \$1.2 million (2012: \$0.7 million) was incurred on the disposal of property, plant and equipment.

8. Issued capital

	<u>Group</u>	
	<u>2013</u>	<u>2012</u>
	\$	\$
<u>Authorised:</u>		
2 000 000 000 (2012: 2 000 000 000) ordinary shares of 0.01 cents (2012: 0.01 cents) each	<u>200,000</u>	<u>200,000</u>
<u>Issued and fully paid:</u>		
134 592 800 (2012: 134 592 800) ordinary shares of 0.01 cents (2012: 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>

There was no movement in the issued share capital during the year ended 31 December 2013.

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2013

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 is repayable in full, 36 months after the utilisation date of 31 January 2012, which is on 1 February 2015. The TLF facility has an annual interest rate of 3.75% above the prevailing three month US\$ LIBOR (payable in arrears).

As at 31 December 2013, \$4 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, \$26 million of the RF remains available for utilisation up to maturity date, 1 February 2016.

The Group continued payment of long-term debt to Atlas Copco amounting to \$657,364 and paid \$7 million principal to Standard Bank (Mauritius) Limited during the year.

10. Cash from operations

	Group	
	2013	2012
	\$	\$
(Loss) profit before tax	(1,907,045)	18,925,584
Adjusted for:		
- Depreciation	17,194,244	16,155,444
- Loss on disposal of property, plant and equipment	1,205,671	729,994
- Share-based payment expense	20,975	51,946
- Exchange differences on translating foreign operations	87,405	(12,470)
- Finance charges	1,663,018	2,023,986
- Unrealised foreign exchange (loss) gain on foreign exchange held	(195,453)	28,636
Operating cash flows before working capital movements	18,068,816	37,903,120
Adjustments for working capital changes:		
- Increase in inventory	(1,093,112)	(2,187,698)
- (Decrease) increase in trade and other receivables	7,538,889	(5,764,610)
- (Decrease) increase in prepaid expenses and other assets	2,284,652	(188,385)
- (Decrease) increase in trade and other payables	(5,996,985)	1,747,685
Cash from operations	<u>20,802,260</u>	<u>31,510,112</u>

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

11. Contingencies and capital commitments

The Group has the following commitments:

	Group	
	2013	2012
	\$	\$
Committed capital expenditure	<u>2,892,395</u>	<u>1,086,560</u>

The Group also had outstanding purchase orders amounting to \$1.6 million (2012: \$3.7 million) at the reporting date.

12. Events after the reporting date

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.

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 \$785,000. On 16 May 2012, the Company received a tax assessment from the Mauritanian Director General of Taxation. The tax authorities made certain assumptions based on incorrect information obtained from third parties and assessed the company for taxation based on these assumptions. Payment was made to the Mauritanian Director General of Taxation on behalf of Capital Drilling Mauritania SARL by a third party. Capital Drilling Mauritania SARL appealed against the assessments. 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 2013, the Group did not record any provision for the likelihood of not recovering these funds.

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2013

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.

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	$EBIT / \text{Average Total Assets}$