FOR IMMEDIATE RELEASE
19 March 2020

Capital Drilling Limited
(“Capital Drilling”, the “Group” or the “Company”)

Full Year Results
for the year ended 31 December 2019

Capital Drilling Limited (CAPD: LN), a leading mining services company focused on the African markets, today announces its full year results for the year ended 31 December 2019

FULL YEAR FINANCIAL RESULTS (UNAUDITED) FOR THE YEAR ENDED 31 DECEMBER 2019*

	2019	2018
Average Fleet Size (No. of drill rigs)	**92**	93
Fleet Utilisation (%)	**54**	51
ARPOR ($)	**176,000**	194,000
Operational Capex[(2)] ($ m)	**19.8**	11.9
Revenue ($ m)	**114.8**	116.0
EBITDA[(1)] ($ m)	**27.3**	28.3
EBIT[(1)] ($ m)	**16.6**	14.8
Net Profit After Tax ($ m)	**10.4**	7.7
Cash From Operations[(3)] ($ m)	**28.7**	28.2
Earnings per Share		
Basic (cents)	**7.7**	5.7
Diluted (cents)	**7.6**	5.7
Final Dividend per Share (cents)	**0.7**	1.5
Net Asset Value per Share[(1)] (cents)	**63.0**	56.9
Return on Capital Employed (%)	**18.4**	17.2
Return on Total Assets (%)	**13.0**	13.7
Net Cash[(1)] ($ m)	**4.4**	10.9
Net Cash/Equity (%)	**5.2**	14.1

**All amounts are in USD unless otherwise stated*

[(1)] EBITDA, EBIT, Net Asset Value per share and Net Cash are non-IFRS financial measures and should not be used in isolation or as a substitute for Capital Drilling Limited financial results presented in accordance with IFRS

[(2)] 2018 Reported operational capex $11.9 million, restated in 2019 to US$14.1 million for IAS 16 adjustment, refer Notes 7 and 14

[(3)] 2018 Reported Cash from Operations $28.2 million, restated in 2019 to $30.4 million for IAS 16 adjustment, refer Notes 11 and 14

Financial Overview

- FY2019 revenue of $114.8 million, in line with guidance of $110 - $120 million;
- Strong year end net cash position ($4.4 million), despite significant capital expenditure focussed on building the growth platform for 2020 and 2021;
- $19.8 million operational capex on new rigs and Heavy Mining Equipment (HME) to support long-term contracts and facilitate our entry into new business streams, increasing our service offering and earnings potential;
- Significant increase in profitability and continued strong balance sheet;
  - Net Profit After Tax up 34% to $10.4 million (2018: $7.7 million);
  - Basic earnings per share up 35% to 7.7c versus 2018: 5.7c (fully diluted 7.6c vs 5.7c, up 33%)
  - EBITDA down 4% to $27.3 million (2018: $28.3 million);
  - EBIT up 12% to $16.6 million (2018: $14.8 million);
- Operating Cash Flows marginally higher (1.7%) to $28.7 million (2018: $28.2 million), driven by unprecedented levels of fleet redeployment and new contract commencements;
- Final Dividend of US0.7cps, (2018: US1.5cps) to be paid on 4 May 2020 which, together with the interim dividend of US0.7cps brings total dividends declared for 2019 of US1.4cps (2018: US2.1cps).

Operational and Strategic Review

- Outstanding safety performance - 12-month rolling All Injury Frequency Rate (AIFR) result of 0.14, significantly below industry standards and a record for the Group;
- Achieved a number of world class safety records including:
  - Mwanza Facility (Tanzania) achieved 11 years LTI free in January;
  - Sukari Gold Mine (Egypt) achieved two years LTI free in January;
  - North Mara Gold Mine (Tanzania) achieved three years LTI free in March;
  - Geita Gold Mine (Tanzania) achieved two years LTI free in March;
  - Tasiast Gold Mine (Mauritania) achieved two years LTI free in June; and
  - Syama Gold Mine (Mali) achieved three years LTI free in June.
- Annual rig utilisation of 54% (2018: 51%), with a four-year record result of 56% in Q4 as a result of new contract commencements during the quarter;
- Increased rig fleet from 91 to 99 rigs, acquiring new blast hole, grade control and underground rigs for long-term contracts. Four rigs were commissioned in Q4 2019 and a further 4 rigs to be commissioned in Q1 2020;
- Expanded the Group's services to incorporate load and haul, enabling Capital Drilling to offer clients a fully integrated mining service;
- Commissioned Capital Mining's first new Heavy Mining Equipment including three dozers, one grader and one excavator in Q4;
- Commenced first mining services contract at Allied Gold's Bonikro Gold Mine, Côte d'Ivoire, with current range of services including: exploration, grade control and blast hole drilling; mining equipment hire and service; and management services;
- Robust business development activity resulting in award of 11 previously announced new exploration contracts during 2019, including:
  - Allied Gold, Awale Resources and Perseus Mining in Côte d'Ivoire;
  - Golden Rim Resources and Arrow Minerals in Burkina Faso;
  - Barrick Gold in Saudi Arabia;
  - Compass Gold Corp, Desert Gold and Mali Lithium in Mali;
  - Centamin in Egypt; and
  - Tanga Resources in Namibia.

- Strong performance of the Group's key long-term contracts, in line with management expectations:
  - Geita Gold Mine (AngloGold Ashanti) in Tanzania;
  - North Mara Gold Mine (Barrick) in Tanzania;
  - Sukari Gold Mine (Centamin) in Egypt;
  - Syama Gold Mine (Resolute) in Mali; and
  - Tasiast Gold Mine (Kinross) in Mauritania.
- New long term mine site contract wins during 2019 increased the portfolio of long-term contracts to nine:
  - Five-year exploration drilling contract with Allied Gold Corp's Bonikro Gold Mine in Côte d'Ivoire;
  - Contract for the provision of equipment hire and maintenance services with Allied Gold Corp's Bonikro Gold Mine in Côte d'Ivoire, initially until December 2020;
  - Three-year on-site laboratory services contract with Kinross's Tasiast Gold Mine in Mauritania; and
  - Two-year underground exploration drilling contract with Barrick's Jabil Sayid Copper Mine in Saudi Arabia.
- West African growth strategy continues strongly with eight new exploration clients and ongoing fleet mobilisation, growing from 15 rigs in January 2018 to 44 rigs at the end Q1 2020; and
- Full year ARPOR of $176,000 per rig (2018: $194,000), reflecting increased mobilisation of exploration rigs for new contract start-ups.

Post year-end highlights include:

- Notification of the successful award of an exploration contract with Barrick's Bulyanhulu Gold Mine (Tanzania), which commenced drilling in February 2020:
  - Significantly this is Capital Drilling's third contract with Barrick, following commencement of our recent contract in Saudi Arabia together with ongoing long-term contract at North Mara.
- New contract and contract extension with existing long-term clients including;
  - Three-year blast hole and grade control drilling services contract, with additional scope for underground drilling services, at North Mara Gold Mine (Barrick) in Tanzania, until December 2022;
  - Extension of underground drilling services at Geita Gold Mine (AngloGold Ashanti) in Tanzania to December 2020; and
- MSALABS has been awarded a six-month contract with Endeavour Mining in Cote d'Ivoire, which commenced in Q1 2020 and a further contract with Tudor Gold, commencing Q2 2020.

Commenting on the results, Jamie Boyton (Executive Chairman) said:

"The performance of Capital Drilling in 2019 was one of significant progress on a number of key aspects of our growth strategy, which saw rig utilisation increase to a four year high, a broadening of our services into load and haul, significant investment into our fleet and operations, and a further consolidation of our leading position in the rapidly growing West African market. The building of this platform for our next phase of growth was achieved alongside our focus on shareholder returns as we continued to reward shareholders with a final dividend as well delivering a 35% increase in earnings per share during this financial year.

Our key metrics remained robust - full year rig utilisation improved to 54% and, with many of the new contracts commencing in Q4, we achieved a four-year record Q4 result of 56%. ARPOR remained solid in spite of the large number of mobilisations and new contract start-ups. Additionally, we finished the year with a strong cash balance, despite an uplift in operational capex to support our expansion into load and haul services and ongoing fleet management expenditure in the second half, ensuring that Capital Drilling continues to offer its clients the most modern rig fleet available in Africa. Most pleasing was our outstanding AIFR result of 0.14, an industry-leading performance and a reflection of our entire Group's commitment to operating safely.

Capital Drilling's focus on West Africa is a key part of our growth strategy – not only will we see almost half of or rig fleet mobilised in the region, but we have also expanded our offer to include load and haul services, enabling us to provide clients a fully integrated mining solution. This will present larger revenue opportunities across a broader client base while maintaining our exposure to less cyclical, production-based activities. Of significance, *during 2019, three of the four new long term contracts added were from West Africa, which has underpinned the quality and stability of our revenue.*

We remain committed to our strategy for 2020 and will continue to focus on growth in West Africa, increasing our portfolio of long-term mine-site based contracts, maintaining our position of having the youngest mining fleet in the industry, expanding our mining services portfolio and maintaining strong cash flow generation to support growth initiatives and returns to our shareholders.

The gold price remains highly supportive and is a positive indicator for Capital Drilling with over 90% of revenue from the gold sector. Combined with new tendering opportunities presented by our mining services capabilities, greater West African presence and broader client base, we are uniquely positioned to leverage new opportunities in the year ahead.

The impact of the COVID-19 pandemic on our business remains unquantifiable at this stage, particularly in relation to mobilising our equipment and employees and continuity of supply chain in light of increasing travel bans currently being imposed globally. Capital Drilling will remain vigilant in implementing changes to the operation of our existing robust and flexible business model, however our principal concern remains the wellbeing and safety of our staff. We anticipate exploration activity to soften as juniors find it difficult to access capital markets. Conversely producers are likely to continue to experience increased cash flows from operations. As such, our focus on having a large proportion of our business derived from recurring mine-site revenue, particularly within the gold sector, provides reassurance during this time of uncertainty.

Given the rapidly evolving nature of the COVID-19 outbreak, and the uncertainties associated with it, we remain cautious in providing guidance and will provide an update when the situation stabilises. We are closely monitoring the global environment and its impact on our business and have accordingly taken a prudent approach and reduced our final dividend payment for the 2019 period. In this period of heightened uncertainty we remain confident in our robust operating platform and strong financial position and will keep shareholders fully informed of any changes as they develop.

Results Conference Call

Capital Drilling will host a conference call on Thursday 19 March 2020 at 0830hr (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. Participants may also wish to download the 2019 Results Presentation which is available by clicking http://www.capdrill.com/investors/presentations

Dial in (UK): 0800 358 9473 (*For a list if international toll-free dial ins click here*)
ID Number: 64085878#

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For further information, please visit Capital Drilling's website www.capdrill.com or contact:

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About Capital Drilling

Capital Drilling is a leading mining services business providing a complete range of drilling and mine site services to mineral exploration and mining companies, with a focus on the African markets. The company's services include: exploration, development, drill and blast and grade control drilling for surface and underground projects and load and haul services. The Group's corporate headquarters are in Mauritius and it has established operations in Botswana, Burkina Faso, Côte d'Ivoire, Egypt, Mali, Mauritania, Namibia, Nigeria and Tanzania.

CHAIRMAN'S STATEMENT

Capital Drilling delivered another strong performance in 2019. We continued to successfully execute against our strategy, delivering another outstanding year of safety performance, continuing our successful expansion into West Africa, securing further long-term mine-site based contracts and expanding the Group's service offering to include load and haul.

As a result of this shift towards becoming a whole-of-mine services provider, we are proposing to rebrand our business from Capital Drilling to Capital Limited during 2020. Accordingly, a resolution is being put to shareholders to approve this change of name at our Annual General Meeting, which we will confirm in due course. Under the rebrand of Capital Limited, Capital Drilling will be retained for all drilling-related activity, while Capital Mining will be used for load and haul services. Our portfolio also includes our well-established downhole survey business, Well Force, our mineral analytic business, MSALABS, and our newly established maintenance services business, Mine Site Maintenance (MSM).

Capital Drilling's principal commodity exposure of gold continued to be highly supportive during 2019, rallying strongly in the second half of the year, which saw a material positive impact on the operating margins of gold producers This has been beneficial for us, with the majority of our customers being gold producers, with 90% of our revenue being derived from gold mine site services, with the balance coming from exploration. The gold price has continued to strengthen in early 2020 given macro-economic volatility, which is providing a highly positive backdrop for demand over the year ahead.

We have seen profitability increase strongly in 2019 to $10.4 million (2018: $7.7 million), representing a 34% increase. Additionally, and despite substantial operational capex expenditure which grew by over 66% during the year of $19.8 million (2018: $11.9 million, adjusted 2018: $14.1 million), we maintained a strong balance sheet with a net cash at year end of $4.4 million. We continued to generate a strong return on capital, in addition to solid cash generation, allowing continued investment and maintenance of dividend payments for shareholders.

Revenue decreased 1% to $114.8 million (2018: $116.0 million), however second half revenue ($60.0 million) was 9.5% higher than H1 2019 ($54.8 million) as multiple new contract awards, predominantly in West Africa, commenced during the period. Group EBITDA decreased slightly (3.6%) to $27.3 million (2018: $28.3 million), a strong performance in view of the unprecedented levels of asset movements and new contract mobilisations.

Basic Earnings Per Share (EPS) increased to 7.7 cps (2018: 5.7 cps). The material increase in profitability reflects improving profitability at MSA Labs, lower depreciation charges and enhanced tax efficiency.

Improved working capital movements coupled with ongoing financial discipline and tight expenditure controls delivered the outstanding net cash result. Working capital was significantly stronger in the second half following first half outflows associated with asset moves and establishing our West African presence. Net cash as at 31 December was $4.4 million, down from $10.9 million at December 31, 2018, after the payment of $3.0 million in dividends in 2019.

The Board of Directors has declared a final dividend for the 2019 period of 0.7cps ($1.0 million), payable on 4 May 2020. This brings the total dividend declared in 2019 to 1.4c per share. The dividend is a result of our solid financial and operating position, however is marginally lower than dividends declared for 2018 due to the Company's prudent approach in protecting its strong balance sheet as a result of uncertainty caused by the global COVID-19 outbreak.

STRATEGIC AND OPERATIONAL UPDATE

2019 represented a watershed year for Capital Drilling in terms of activity levels, strategic direction and positioning the Company for future growth.

We have completed an unprecedented number of rig and asset moves to reposition the business geographically. We have maintained our strong presence in East Africa while deploying further assets into the large growth market of West Africa. This region represents approximately 45% of exploration spend across the whole of Africa and the strategic redeployment has enabled us to build a broader service offering across the area. Our rig fleet in West Africa has tripled since January 2018, growing from 15 rigs to 44 at the end of Q1 2020 and our footprint is now well established, with operations in Mauritania, Mali, Côte d'Ivoire, Burkina Faso and Nigeria (through MSALABS).

Our increased presence in West Africa is yielding results, with eight of the 11 new exploration contracts secured during the year coming from the region. They include: Allied Gold, Awale Resources and Perseus Mining in Côte d'Ivoire; Arrow Minerals and Golden Rim Resources in Burkina Faso; and Compass Gold Corp, Desert Gold, and Mali Lithium in Mali. Additional new exploration contracts include: Barrick Gold, Saudi Arabia; Centamin, Egypt; and Tanga Resources, Namibia.

Our focus on long-term mine-site based contracts continued. We were awarded further multi-year contracts, including: Bonikro Gold Mine (Allied Gold Corp) in Côte d'Ivoire; Jabil Sayid Copper Mine (Barrick) in Saudi Arabia (mentioned above) and a new contract for our geochemical laboratory business, MSALABS, at Tasiast Gold Mine (Kinross) in Mauritania.

As we enter 2020, we are encouraged by the award of new contracts and contract extensions with existing long-term customers, including: a three-year blast hole and grade control drilling services contract, with additional scope for underground drilling services at North Mara Gold Mine (Barrick) in Tanzania to December 2022; and an extension of underground drilling services at Geita Gold Mine (AngloGold Ashanti) in Tanzania to December 2020.

Additionally, post year-end we have received notification of the award of an exploration contract with Barrick's Bulyanhulu Gold Mine (Tanzania), with drilling commencing in February 2020. This is our third contract with Barrick, following commencement of our recent contract in Saudi Arabia, together with the ongoing long-term presence at the North Mara Gold Mine.

Consistent with our strategy to focus on growing our long-term mine-site based portfolio, new rigs were acquired to support these contracts and included blast hole, grade control and underground drilling rigs. As a result, the fleet increased from 91 to 99, with four of the new rigs commissioned in Q1 2020.

Pleasingly, and despite the higher rig count, we achieved a four-year rig utilisation record of 56% in Q4, with a full-year result of 54%, up 3% from 2018 (51%). This is consistent with the large number of new contract wins outlined above, many of which commenced in the last quarter. Full year ARPOR was $176,000 per rig (2018: $194,000), due to increased mobilisation of exploration rigs for the new contract start-ups.

Significantly, we expanded our offer to include load and haul services during 2019. This enables Capital Drilling to offer clients a fully integrated mining services solution and provides the ability to pursue growth opportunities across a broader base of mine-site based clients. Additionally, it offers larger revenue and earnings opportunities with more stable production-based activities that are less exposed to fluctuations in the cycle. We have further strengthened the mining services division with several key appointments to position the division for growth in 2020.

We commenced our first mining services contract at Allied Gold Corp's Bonikro Gold Mine in Côte d'Ivoire in Q3. To support the contract, we commissioned new equipment to supplement the client's existing heavy mining equipment fleet in December 2019, including three dozers, one grader and one excavator, together with new production rigs (blast hole and grade control).

SAFETY

At Capital Drilling, we have an uncompromising commitment to the safety of our employees and all others where we work. We expect visible safety leadership at all levels of the business, from the Executive Leadership Team to crews on site. We invest significantly in training programs to ensure our workforce is skilled, competent and can identify and mitigate hazards in the workplace.

We delivered an outstanding 12-month rolling AIFR result of 0.14, a significant reduction on the 2018 performance (0.45). This is also well below industry standards and a record for our company. This outstanding, company-wide performance reflects our team's commitment to our strong safety culture.

We also achieved a number of site records and safety milestones during 2019 including:

- Mwanza Facility (Tanzania) achieved eleven years LTI free in January;
- Sukari Gold Mine (Egypt) achieved two years LTI free in January;
- North Mara Gold Mine (Tanzania) achieved three years LTI free in March;
- Geita Gold Mine (Tanzania) achieved two years LTI free in March;
- Tasiast Gold Mine (Mauritania) achieved two years LTI free in June; and
- Syama Gold Mine (Mali) achieved three years LTI free in June.

OUTLOOK

At the time of writing, there is widespread global uncertainly associated with the COVID-19 pandemic. Capital Drilling is closely monitoring the situation and adapting its business as required. The safety and wellbeing of our employees is paramount and will remain our first priority.

As we entered 2020 however, the gold price continued to improve with prices nearing ten-year highs. This is driving higher margins for operators which would typically drive increased levels of mining and drilling activity. Further, there remains the fundamental need to replace reserves depleted during the protracted downturn.

The heightened uncertainty as a result of the rapidly evolving nature of the COVID-19 outbreak, together with the impact of individual country's responses to it, increases the difficulty in predicting the impact on the Group's 2020 performance. In particular, uncertainty surrounds supply chain disruption and travel bans which have the potential for significant impact for Capital Drilling. Therefore we remain cautious in providing revenue guidance and will provide an update when the situation stabilises. Our Company has also reduced our final dividend to protect the balance sheet during this time of uncertainty and ew will continue to be vigilant in monitoring the impact as a result of the COVID-19 outbreak.

Despite the backdrop of uncertainty caused by COVID-19, we are uniquely well positioned. We continue to generate strong cash from operations, have a robust balance sheet, maintaining a net cash balance at year end. We also have high exposure to recurring revenue streams from mine-site based contracts in the gold sector, from which 90% of our 2019 revenue was derived.

We have now firmly established our footprint in West Africa and can now offer a pan-African service to our customers. The addition of load and haul services to our well-established drilling and mineral analytical services, and our fledgling maintenance services business, provides a comprehensive service solution, and we are pleased to see a significantly increased business development pipeline as a result of these initiatives.

We remain committed to our strategy for 2020 and will continue to focus on growth in West Africa, increasing our portfolio of long-term mine-site based contracts, furthering our expansion into a broader mining services offering while maintaining strong cash flow generation to support growth initiatives and returns to shareholders.

I would like to take this opportunity to thank all our employees, business partners, shareholders, our Board of Directors and other stakeholders for their continued support of our Company.

Jamie Boyton
Executive Chairman
19 March 2020

CHIEF FINANCIAL OFFICER'S REVIEW

OVERVIEW

Capital Drilling delivered a solid performance in 2019 with significant levels of activity centred around positioning ourselves for further growth in 2020 and beyond.

Revenue remained flat at $114.8 million (down 1%, 2018: $116.0 million), however H2 revenue ($60.0 million) was 9.5% higher than H1 revenue ($54.8 million) as a result of new contract start-ups, particularly in the last quarter.

Our Company's geographical expansion into West Africa continued during the year, together with our strategic focus on long-term mine-site based contracts and expanding our services offering. As a result, our operational capex increased during the year in support of this to $19.8 million (2018: $11.9 million, adjusted for IAS 16: $14.1 million). Expenditure included approximately $8 million in capex for acquisition of new production drill rigs to support long-term contracts at Allied Gold Corp and Barrick, together with the purchase of new Heavy Mining Equipment (HME) to support our entry into the mining services market.

Profitability improved, with a material increase in NPAT of 34% to $10.4 million (2018: $7.7 million). Cash generated from operations was $28.7 million (2018: $28.2 million – adjusted for IAS 16: $30.4 million). Additionally, net cash of $4.4 million (2018: $10.9 million) was a positive result given the higher capex spend.

As our business is expanding its service offering, we are establishing financing options that will support this investment and growth. The current Standard Bank Revolving Credit Facility (RCF) is set for renewal on 31 October 2020. Discussions are well advanced with the lender to renegotiate and extend the facility. We are also engaging with other reputable financial institutions as well as working closely with key suppliers to establish asset financing options to obtain optimal financing solutions that offer lower costs and increased flexibility.

Our portfolio of long-term mine-site based contracts continue to underpin our cash flow and growth strategy. Mine-site based contracts represent 90% of our Company revenue and growth of this portfolio remains a focus.

On 1 July 2019, Capital Drilling acquired a controlling interest in MSALABS Ltd ("MSA"), which was previously disclosed as an associate. This valuation of the business combination has resulted in the recognition of Goodwill of $1.25 million. MSALABS generated revenue of $5.4 million for the full year 2019 and operates at a similar gross margin to the wider Capital Drilling group. The business generated a small EBITDA loss during the first half and moved into profit at the EBITDA level in the second half. The business is now showing good momentum with an improved operating performance and synergies, as well as contract wins with existing Capital Drilling clients.

In 2019, we updated the accounting treatment of two assets categories to become more compliant with IAS 2 and IAS 16.

Historically freight and customs relating to Inventory was expensed rather than capitalised due to practical challenges in the calculation of the costs. In 2019, the decision was made to account for freight and customs in Inventory, in line with IAS 2. This occurred for each of the three periods ended December 2017, December 2018 and December 2019. The adjustment has the effect of increasing inventories for all three periods as well as increasing the Retained Income by $1.5 million. There was no material impact on the Profit and Loss of 2019.

A requirement of IAS 16 is the reclassification of Capital spares from Inventory to Property, Plant and Equipment (PPE). For 2018 the reclassification increased PPE by $2.2 million, with a corresponding decrease in Inventory. For 2019 the reclassification increased PPE by $2.0 million, with a corresponding decrease in Inventory. The reclassification is performed annually and is not cumulative.

Statement of Comprehensive Income

Reported	2019 $'m	2018 $'m
Revenue	114.8	116.0
EBITDA	27.3	28.3
EBITDA (%)	23.8	24.4
EBIT	16.6	14.8
PBT	14.6	12.6
NPAT	10.4	7.7
Basic EPS (cent)	7.7	5.7
Diluted EPS (cent)	7.6	5.7

Table 1: Statement of Comprehensive Income (Summary)

Average rig utilisation increased 3% to 54% (2018: 51%) on an average fleet size of 92 (2018: 93). Average revenue per operating rig (ARPOR) of $176,000 (2018: $194,000) per month is attributed to the increased mobilisation of exploration rigs for the new contract start-ups.

Earnings before interest, tax, depreciation and amortisation (EBITDA), decreased by 4% to $27.3 million (2018: $28.3 million) delivering a margin of 23.8% (2018: 24.4%).

Profit Before Tax (PBT) was impacted by Net Interest of $0.7 million (2018: $0.7 million) and loss of $1.3 million (2018: $1.6 million) on new business opportunities. These investments are expected to broaden our service offering to clients and provide greater revenue and earnings in the future. Depreciation reduced by $2.9 million to $10.6 million (2018: $13.5 million) due to the continued implementation of the Company's rebuild/schedule of works policy resulting in an increase in the useful life of certain assets, assisted by assets reaching full depreciation.

The Effective Tax Rate of 29% (2017: 39%) is partly due to the conclusion of final taxes on entities no longer contributing to Group revenues, reduced cost of cash repatriation and the conversion of Minimum Income Tax into Corporate Income Tax as profitability increases.

Earnings per share for the year increased 35% to 7.7 cents (2018: 5.7 cents). The weighted average number of ordinary shares used in the earnings per share calculation was 136,138,967 (2018:135,670,075).

Statement of Financial Position

Reported	2019 $'m	2018 $'m
Non-current assets	55.1	42.5
Current assets	73.2	65.5
Total assets	128.3	108.0
Non-current liabilities	3.3	9.0
Current liabilities	38.1	21.8
Total liabilities	41.4	30.8
Shareholders' equity (1)	85.7	77.3

Table 2: Statement of Financial Position (Summary)

(1) *Excludes non-controlling interest of $1.2 million*

As at 31 December 2019, shareholders' equity increased by 11%. The Group distributed dividends of $3.0 million (2018: $2.4 million) to shareholders. The net profit for the year has further strengthened the Statement of Financial Position.

The total rig fleet size at the end of 2019 was 95 drill rigs (2018: 91) with an additional four rigs commissioned in Q1 2020. As mentioned above in reference to the rigs acquired for the Allied Gold project, eight new rigs have been purchased during 2019 to support long-term, mine-site based contracts.

Overall PPE increased from $41.0 million in 2018 to $52.9 million in 2019, reflecting depreciation of $10.6 million (2018: $13.5 million), assets disposed of $0.5 million (2018: $1.0 million) and additional operating capital expenditure of $19.8 million (2018: $14.1 million).

Current assets increased to $73.2 million at 31 December 2019 (2018: $65.5 million). Inventory decreased by $1.6 million to $17.5 million (2018: $19.1 million) as part of our improved utilisation of existing inventory. Trade receivables increased by $2.8 million in part due to the addition of the MSA receivables into the group results, with timing differences accounting for the balance. Cash and cash equivalents decreased by $2.3 million to $17.6 million (2018: $19.9 million). Investments held of $12.5 million (2018: 5.7 million) are the fair value of interests in loans and investments in trade investments/non-controlling interests.

As it is repayable on 31 October 2020, the $9 million utilised of the $12 million RCF moved from Non-current liabilities to Current liabilities. This, together with the asset financing the Company entered into, created debt exposure of $13.2 million at the end of the year. The $9 million RCF utilised remained static for the year. The Group was fully compliant with all debt covenants throughout the year. As mentioned above, negotiations are well advanced to renew the RCF.

Current liabilities consisted of trade and other payables, $23.1 million (2018: $18.1 million), current portion of long-term liabilities $10.3 million (2018: $0.03 million) and tax liabilities of $4.3 million (2018: $3.7 million).

Statement of changes in equity

Reported	2019 $'m	2018 $'m
Opening equity	77.3	70.1
Previous period adjustment	-	1.5
Share based payments	0.8	0.3
Total comprehensive income	10.7	7.8
Dividends paid	(3.0)	(2.4)
NCI ex Business Combination	1.2	-
Closing equity	87.0	77.3

Table 3: Statement of changes in equity (Summary)

Statement of Cash Flows

Reported	2019 $'m	2018 $'m
Net cash from operating activities	24.7	24.6
Net cash used in investing activities	(23.6)	(16.3)
Net cash generated from/(used in) financing activities	(3.3)	(5.4)
Net (decrease)/increase in cash and cash equivalents	(2.2)	2.9
Opening cash and cash equivalents	19.9	16.9
Translation of foreign currency cash	0.03	0.1
Closing cash and cash equivalents	17.6	19.9

Table 4: Statement of Cash Flows (Summary)

Reconciliation of net cash (debt) position

Reported	2019 $'m	2018 $'m
Net cash at the beginning of the year	10.9	4.9
Net (decrease)/increase in cash and cash equivalents	(2.2)	2.9
Decrease/(increase) in long term liabilities	(4.2)	3.0
Translation of foreign currency cash	0.03	0.1
Net cash at the end of the year	4.4	10.9

Table 5: Reconciliation of net cash (debt) position

Net cash generated from operating activities was $28.7 million (2018: $28.2 million – adjusted for IAS 16: $30.4 million) stable year on year. Not reflected in the Cash Flow is a $3.8 million asset finance facility obtained from Epiroc Financial Solutions for the purchase of 5 Rigs. This is aligned with our plan to establish more flexible, lower cost financing options.

The operating capital expenditure increase of $7.9 million year on year in 2019 followed on from the $1.1 million increase in 2018. This is driven by our commitment to meeting existing client requirements and the strategy of maintaining fleet operational readiness for the expansion into West Africa, which is expected to deliver long-term growth benefits.

The increase in financing activities related to the increased dividend cash payment of $3.0 million (2018: $2.4 million).

In light of the uncertainty as to the potential impact of COVID-19 during this period, the decision has been taken to protect the balance sheet and reduce the final dividend. The dividend payments will be reviewed at the interim dividend announcement.

The dividend history for the past three years is as follows:

	H1 2017	FY 2017	H1 2018	FY 2018	H1 2019	FY 2019
Declaration	17 Aug 2017	16 Mar 2018	16 Aug 2018	14 Mar 2019	22 Aug 2019	19 Mar 2020
Cents per share	0.5	1.2	0.6	1.5	0.7	0.7
Dividend amount ($'m)	$0.68	$1.63	$0.81	$2.04	$0.95	$0.96

Principal Risks and Uncertainties

The Group operates in environments that pose various risks and uncertainties. Aside from the generic risks that face all businesses, the Group's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below.

These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties, nor are they listed in order of magnitude or probability. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the Group's operating results, financial condition and prospects.

The principal risks associated with the business are:

Area	Description	Mitigation
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 and 2015 financial years.	The Group is seeking to balance these risks by building a portfolio of long-term drilling contracts and expanding into new geographic areas. The focus on long-term contracts is evidenced by the award of three new multi-year contracts in 2020, together with post period-end contract extensions at Syama, North Mara and Geita Gold Mines. Expansion in West Africa has further diversified our revenue streams. With the acquisition of a Mineral Assay business that operates in both the Americas and Africa, we have further diversified the risk.

Area	Description	Mitigation
Reliance on key customers	The Group's revenue is reliant on a small number of key customers. The loss of a key customer, or a significant reduction in the demand for drilling provided to a key customer will have a significant adverse effect on the Group's revenues.	The Group has entered into long-term contracts with its key customers for periods between 2 to 5 years. Contract renewal negotiations are initiated well in advance of expiry of contracts to ensure contract renewals are concluded without interruption to drilling services. The Group has and continues to monitor projects closely and invest a significant amount of time into client relationship and service level monitoring at all levels of the business. A key part of this process is the quarterly project steering committee meetings with key client stakeholders that provide a forum for monitoring and reporting on project performance and performance indicators, contractual issues, pricing and renewal. The West Africa expansion is intended to negate the customer concentration risk. During 2020, of the 11 new exploration contracts, eight are with new clients and a further three long-term contracts were added to the portfolio.
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.	The Group has expanded capabilities in the areas of business development, supply chain, finance, training and health and safety and continues to do so through the recruitment of senior managers in the various fields, implementing comprehensive training programmes and providing employees with international exposure in their fields. The Group has also implemented remuneration and incentive policies that seeks to recruit suitable talent and to remunerate talent at levels commensurate with market levels.

Area	Description	Mitigation
Operating risks	Operations are subject to various risks associated with drilling including, in the case of employees, personal injury, malaria and loss of life and in the Group's case, damage and destruction to property and equipment, release of hazardous substances into 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 a deterioration in the Group's safety record may result in the loss of key clients.	The Executive Chairman, Executive Leadership Team and managers provide leadership to projects on the management of these risks and actively engage with employees at all levels. The Group have implemented and continue to monitor and update a range of health and safety policies and procedures including equipment standards and standard work procedures. Employees are provided with training regarding risks associated with their employment, policies and standard work procedures. Health and Safety statistics and incident reports are monitored throughout our projects and the various management structures of the Group, including the HSSE committee. Where necessary policies and procedures are updated to reflect developments and improvement needs. The Executive – HSEQ monitors high risk events in areas of operation and distributes warnings and guidance as required. The Group acknowledges it has a business risk due to the global outbreak of COVID-19. The primary direct risk factors are closure of mine sites due to an outbreak/preventative measures and the inability of expatriates (both the Group and its clients) to travel to and from site. The Group is in regular contact with its clients to manage this risk. Business continuity measures have already been implemented including limiting all non-essential business travel, monitoring and issuing regular updates on measures taken by governments and institutions to limit the spread and re-enforcing appropriate hygiene measures as per the guidance of medical professionals.

Area	Description	Mitigation
Currency fluctuations	The Group's contract pricing is in US dollars. However, in certain markets the funds are received in local currency and 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. Funds are pooled centrally in the head office bank accounts to the maximum extent possible. The Group have implemented procedures to allow for the repatriation of funds to the Group's Head Office bank accounts from jurisdictions where exchange control regulations are in effect. Despite the improved repatriation achieved in 2019, there is continuous focus on improvement. The Treasury Manager has also implemented new procedures to minimise foreign exchange risks.
Political, economic and legislative risk	The Group operates in a number of jurisdictions 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, industrial action 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. The Group monitors political and regulatory developments in the jurisdictions it operates through a number of service providers and advisors. The Group engages specialist consultants to ensure tax compliance is maintained at the highest levels and to provide assistance where tax audits are performed by the Tax Authorities. Senior management regularly reports to the Board on any political or regulatory changes in the jurisdictions we operate in. Where significant events occur, we work closely with our clients, advisors and other stakeholders to address these events.

Area	Description	Mitigation
Technological risk	New Innovation has the possibility of changing an industry with regards to methods and equipment, giving a cost or productivity advantage.	Representatives from the Executive are constantly in contact with the OEMs and attend all major trade and industry trade shows. The ELT team consist of significant experience and knowledge in the operational field and are aware of all new industry developments. The Group's rigs are outfitted with the latest safety equipment as the technology is proven, providing a competitive advantage.

Viability Statement

The activities of the Group, together with the factors likely to affect its future development, performance, the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in pages 20 to 36. The Directors have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. These risks and the ways they are being managed and mitigated by a wide range of actions are summarised on pages 14 to 18.

Taking account of the Group's position, emerging and principal risks, the Directors assessed the prospects of the Group by reviewing and discussing the annual forecast, the three-year strategic plan and the Group risk framework. The review is a robust consideration of all risk factors and sensitivities. The plan reviewed scenarios such as the non-renewal of key contracts within the time frame, a general reduction in turnover and the impact on the business, the possible impact of COVID-19 and possible alternatives should the Revolving Credit Facility (RCF) not be renewed. As a result of the rapidly evolving nature of the COVID-19 outbreak, together with the impact of individual country's responses to it, it is difficult to predict the impact on the Group in 2020. In particular, supply chain disruption and travel bans are uncertain and have potential for significant impact on Capital Drilling. Our Company has also reduced our final dividend to protect the balance sheet during this time of uncertainty. We will continue to be vigilant in monitoring the impact as a result of the COVID-19 outbreak but remain confident that the Group's viability is not at risk.

Throughout the year the Directors review and discuss the potential impact of each principal risk as well as the risk impact of any major events or transactions. A three-year period is considered appropriate for this assessment because:

- It is the period covered by the strategic plan; and
- It enables a high level of confidence, even in extreme adverse events, due to a number of factors such as:
  - The Group has considerable financial resources together with established business relationships with major, mid-tier and junior mining houses and suppliers in countries throughout the world;
  - High cash generation by the Group's operations;
  - Low level of gearing and availability of unutilised facilities with the Group's bankers;
  - Flexibility of cash outflows including capital expenditure and dividend payments; and
  - The Group's long-term contracts, equipment availability and diverse geographic operations.

Based on the results of this analysis, the Directors believe that the Group is well placed to manage its business risks successfully as the market conditions continue to improve. The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Cautionary Statement

This Business Review, which comprises the Chairman's Statement and Chief Financial Officer's Review, 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

André Koekemoer
Chief Financial Officer
19 March 2020

Financial Results

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

		CONSOLIDATED	
		2019	**2018**
		$	$
		Unaudited	*Audited*
Revenue		114,826,796	116,020,535
Cost of sales		(69,543,841)	(70,726,861)
Gross profit		45,282,955	45,293,674
Administration expenses		(18,003,234)	(16,990,046)
Depreciation		(10,637,057)	(13,484,326)
Profit from operations		16,642,664	14,819,302
Share of losses from associate		(227,904)	(869,668)
Interest income		182,035	401,020
Finance charges		(891,750)	(1,051,348)
Fair value loss on investments in equity instruments designated as FVTPL		(1,111,456)	(719,939)
Profit before tax		14,593,589	12,579,367
Taxation	4	(4,215,970)	(4,855,332)
Profit for the year		10,377,619	7,724,035
Other comprehensive income (loss):			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		-	18,510
Movement in other reserve		287,568	100,322
Total other comprehensive income (loss) for the year		287,568	118,832
Total comprehensive income for the year		10,665,187	7,842,867
Earnings per share:			
Basic (cents per share)	5	7.7	5.7
Diluted (cents per share)	5	7.6	5.7
Profit (loss) attributable to:			
Owners of the parent		10,416,669	7,724,035
Non-controlling interest		(39,050)	-
		10,377,619	7,724,035

CAPITAL DRILLING

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	CONSOLIDATED 2019 $ *Unaudited*	2018 *Restated* $ *Audited*	2017 *Restated* $ *Audited*
ASSETS				
Non-current assets				
Property, plant and equipment	7	52,862,017	40,986,687	41,405,764
Right-of-use assets		679,991	-	-
Goodwill		1,252,348	-	-
Intangible assets		303,191	-	-
Investment in associates		-	1,482,368	2,750,295
Deferred tax assets		-	9,102	7,297
Total non-current assets		55,097,547	42,478,157	44,163,356
Current assets				
Inventory	10	17,544,401	19,139,089	23,212,747
Trade and other receivables		18,619,228	15,770,617	16,554,256
Prepaid expenses and other assets		6,624,827	4,777,803	2,863,167
Investments at fair value		12,537,105	5,705,113	3,260,331
Taxation		289,139	253,776	136,590
Cash and cash equivalents		17,620,623	19,888,764	16,911,383
Total current assets		73,235,323	65,535,162	62,938,474
Total assets		128,332,870	108,013,319	107,101,830
EQUITY AND LIABILITIES				
Equity				
Share capital	8	13,625	13,581	13,524
Share premium	8	22,495,287	22,231,662	21,933,772
Equity-settled employee benefits reserve		974,118	409,995	432,476
Other reserve		261,301	(26,267)	(126,589)
Foreign currency translation reserve		-	-	(18,510)
Retained earnings		62,004,344	54,624,202	49,344,795
		85,748,675	77,253,173	71,579,468
Non-controlling interest		1,199,681	-	-
Total equity		86,948,356	77,253,173	71,579,468
Non-current liabilities				
Loans and Borrowings	9	2,899,754	9,000,000	12,000,000
Lease liabilities		367,039	-	-
Deferred tax liabilities		31,481	9,320	-
Total non-current liabilities		3,298,274	9,009,320	12,000,000

CONDENSED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2019

	CONSOLIDATED		
	2019	**2018**	**2017**
		Restated	*Restated*
	$	*$*	*$*
	Unaudited	*Audited*	*Audited*
Current liabilities			
Trade and other payables	23,121,158	18,064,237	19,731,133
Taxation	4,335,388	3,656,705	3,749,644
Loans and Borrowings	10,294,456	29,884	41,585
Lease liabilities	335,238	-	-
Total current liabilities	38,086,240	21,750,826	23,522,362
Total equity and liabilities	128,332,870	108,013,319	107,101,830

CONDENSED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

CAPITAL DRILLING

	Note	Share capital $	Share premium $	Equity settled employee benefits reserve $	Other reserve $	Foreign currency translation reserve $	Retained earnings $	Non-controlling interest $	Total $
CONSOLIDATED									
Balance at 31 December 2017 (Audited)		13,524	21,933,772	432,476	(126,589)	(18,510)	47,823,617	-	70,058,290
Prior period error		-	-	-	-	-	1,521,178	-	1,521,178
Balance at January 1, 2018 as restated		13,524	21,933,772	432,476	(126,589)	(18,510)	49,344,795	-	71,579,468
Issue of shares		57	297,890	(297,947)	-	-	-	-	-
Recognition of share-based payments		-	-	275,466	-	-	-	-	275,466
Total comprehensive (loss) income for the year		-	-	-	100,322	18,510	7,724,035	-	7,842,867
Profit for the year		-	-	-	-	-	7,724,035	-	7,724,035
Other comprehensive (loss) income for the year, net of tax		-	-	-	100,322	18,510	-	-	118,832
Dividends paid		-	-	-	-	-	(2,444,628)	-	(2,444,628)
Balance at 31 December 2018 (Audited)		13,581	22,231,662	409,995	(26,267)	-	54,624,202	-	77,253,173
Issue of shares		44	263,625	(263,669)	-	-	-	-	-
Recognition of share-based payments		-	-	827,792	-	-	-	-	827,792
Total comprehensive income for the year		-	-	-	287,568	-	10,377,619	-	10,665,187
Profit for the year		-	-	-	-	-	10,377,619	-	10,377,619
Other comprehensive income for the year, net of tax		-	-	-	287,568	-	-	-	287,568
Dividends paid	6	-	-	-	-	-	(2,997,477)	-	(2,997,477)
Business Combinations		-	-	-	-	-		1,199,681	1,199,681
Balance at 31 December 2019 (Unaudited)		13,625	22,495,287	974,118	261,301	-	62,004,344	1,199,681	86,948,356

CONDENSED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

		CONSOLIDATED	
	Notes	**2019**	**2018**
		$	*$*
		Unaudited	*Restated*
Operating activities:			
Cash generated from operations	11	28,683,100	30,358,728
Interest received		182,035	401,020
Finance charges paid		(651,428)	(1,063,049)
Taxation paid		(3,541,389)	(5,057,943)
Net cash generated from operating activities		24,672,318	24,638,756
Investing activities:			
Purchase of property, plant and equipment	7	(15,849,548)	(14,095,347)
Net cash from MSA acquisition		166,255	-
Purchase of investments		(9,682,412)	(2,647,630)
Proceeds from sale of investments at fair value		1,738,964	-
Proceeds from disposal of property, plant and equipment		6,754	418,685
Net cash used in investing activities		(23,619,987)	(16,324,292)
Financing activities:			
Proceeds from new loans		2,000,000	-
Repayment of loans		(2,000,000)	(3,000,000)
Repayments of leases – principal		(289,537)	-
Dividend paid	6	(2,997,477)	(2,444,628)
Net cash used in financing activities		(3,287,014)	(5,444,628)
Net (decrease)/increase in cash and cash equivalents		(2,234,683)	2,869,836
Cash and cash equivalents at the beginning of the year		19,888,764	16,911,383
Translation of foreign currency cash and cash equivalent adjustment		(33,458)	107,545
Cash and cash equivalents at the end of the year		17,620,623	19,888,764

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. Basis of preparation

The unaudited preliminary condensed consolidated financial statements are prepared on the going concern basis under the historical cost convention, except for certain financial instruments which are measured at fair value. The directors are responsible for the preparation of the preliminary unaudited announcement.

The unaudited condensed consolidated financial statements 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 unaudited 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 Group's 2019 Annual Consolidated 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. As from 1 January 2019 – IFRS 16 Leases became effective and the full impact of the new standards have been disclosed in the full financial statements.

The accounting policies are in terms of IFRS and consistent with those of the prior year with the exception of the adoption of IFRS 16.

The financial information for the years ended 31 December 2019 and 2018 does not constitute the annual financial statements. The annual consolidated financial statements for the year ended 31 December 2018 were completed and received an unmodified audit report from the Company's Auditors. The Annual Report and Annual Consolidated Financial Statements for the year ended 31 December 2019 will be finalised on the basis of the financial information presented by the Directors in this unaudited preliminary announcement. The audit report on the full set of consolidated financial statements for the year ended 31 December 2019 has not yet been issued.

2. Operations during the year

During the year ended 31 December 2019, the Group provided drilling services in Ivory Coast, Egypt, Mauritania, Mali, Kenya and Tanzania. The Group's administrative office is located in Mauritius. The Group comprise of Capital Drilling Limited and all its subsidiaries. On the first of July 2019, Capital Drilling acquired a controlling interest in MSALABS Ltd, which was previously disclosed as an associate. The addition of MSA into the Group has already resulted in improved operating performance and synergies, as well as contract wins with existing Capital Drilling clients.

3. Segment analysis

Operating segments are identified on the basis of internal management reports regarding components of the Group. These are regularly reviewed by the Chairman in order to allocate resources to the segments and to assess their performance. Operating segments are identified based on the regions of operations. For the purposes of the segmental report, the information on the operating segments have been aggregated into the principal regions of operations of the Group. The Group's reportable segments under IFRS 8 are therefore:

CAPITAL DRILLING

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. Segment analysis (continued)

- Africa: Derives revenue from the provision of drilling services, equipment rental, IT support services and mineral assaying.
- Rest of world: Derives revenue from the provision of drilling services, equipment rental, IT support services and mineral assaying.

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

	Africa $	Rest of world $	Consolidated $
2019 Unaudited			
External revenue	110,621,737	4,205,059	114,826,796
Segment profit (loss)	36,501,271	(18,112,362)	18,388,909
Central administration costs and depreciation			(1,746,245)
Profit from operations			16,642,664
Interest income			182,035
Share of losses from associate			(227,904)
Finance charges			(891,750)
Net loss on financial assets at fair value through profit and loss			(1,111,456)
Profit before tax			14,593,589

The total revenue of $110.6m from the Africa segment includes $70.5m (2018: $82.6m) from customers that represent more than 10% of the Group's revenue.

	Africa $	Rest of world $	Consolidated $
2018 Audited			
External revenue	115,263,721	756,814	116,020,535
Segment profit (loss)	23,177,443	(2,478,328)	20,699,115
Central administration costs and depreciation			(5,879,813)
Profit from operations			14,819,302
Interest income			401,020
Share of losses from associate			(869,668)
Finance charges			(1,051,348)
Net loss on financial assets at fair value through profit and loss			(719,939)
Profit before tax			12,579,367

	CONSOLIDATED	
	2019	**2018**
	$	*$*
	Unaudited	*Audited*

3. Segment analysis (continued)

Segment assets and liabilities:

The following is an analysis of the Group's assets and liabilities by reportable segment:

Segment assets:

Africa	184,635,830	183,018,762
Rest of world	29,823,155	13,855,989
Total segment assets	214,458,985	196,874,751
Head office companies	138,073,761	54,251,299
	352,532,746	251,126,050
Eliminations	(224,199,876)	(143,112,731)
Total Assets	128,332,870	108,013,319

Segment liabilities:

Africa	85,462,428	51,040,236
Rest of world	28,745,632	9,002,688
Total segment assets	114,208,060	60,042,924
Head office companies	145,304,748	112,362,444
	259,512,808	172,405,368
Eliminations	(218,128,294)	(141,645,222)
Total Liabilities	41,384,514	30,760,146

4. Taxation

Capital Drilling Limited is incorporated in Bermuda. No taxation is payable on the results of the Bermuda business. Taxation for other jurisdictions is calculated in terms of the legislation and rates prevailing in the respective jurisdictions.

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 relates to 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 Group believes that the ultimate resolution of such matters will not likely have a material effect on the Group's financial position, statements of operations or cash flows. Refer to Note 14 (Contingencies) for more detail on Tanzania, Zambia and Mauritania.

	CONSOLIDATED	
	2019	**2018**
	$	*$*
	Unaudited	*Audited*
5. Earnings per share		
Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Earnings for the year, used in the calculation of basic earnings per share	10,416,669	7,724,035
Weighted average number of ordinary shares for the purposes of basic earnings per share	136,138,967	135,670,075
Basic earnings per share (cents)	7.7	5.7
Diluted earnings per share		
The earnings used in the calculations of all diluted earnings per share measures are the same as those used in the equivalent basic earnings per share measures, as outlined above.		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	136,138,967	135,670,075
Shares deemed to be issued for no consideration in respect of:		
– Dilutive share options #	639,688	271,765
– Effect of STIP and LTIP shares	856,104	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	137,634,759	135,941,840
Diluted earnings per share (cents)	7.6	5.7

For the purposes of calculating diluted earnings per share, the share options of 2.16 million were excluded as they are anti-dilutive as the exercise price is higher than the average share price.

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

	CONSOLIDATED	
	2019	**2018**
	$	*$*
	Unaudited	*Audited*
6. Dividends		
Dividends paid:		
Final dividend in respect of the year	2,997,477	2,444,628
Total dividends paid	2,997,477	2,444,628

On 3 May 2019 (2018: 18 May 2018) the 2018 final dividend of 1.5 cents per ordinary share (2018: 1.2 cents), totalling $2,043,734 (2018: $1,629,751) was paid to the shareholders. An interim dividend for 2019 of 0.7 cents per share (2018: 0.6 cents) was paid on 27 September 2019 (2018: 03 October 2018), totalling $953,743 (2018: $814,876). The total dividend paid is $2,997,477 (2018: $2,444,628).

In respect of the year ended December 31, 2019, the Directors propose that a final dividend of 0.7 cents (2018: 1.5 cents) per share be paid to shareholders on 04 May 2020 (2018: 03 May 2019). This final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Consolidated Financial Statements. The proposed final dividend is payable to all shareholders on the Register of Members on 14 April 2019 (2018: 12 April 2019). The total estimated final dividend to be paid is $0.96 million (2018:$2.04 million). The payment of this final dividend will not have any tax consequences for the Group.

7. Property, plant and equipment

For the year ended 31 December 2019, the Group spent $19.8 million (2018: $14.1 million) on drilling rigs and other assets to expand its operations, safety upgrades and for the replacement of existing assets. An additional $2.83m was acquired through business combinations. The Group disposed of property, plant and equipment with a net book value of $0.5 million (2018: $1.0 million) during the year. A loss of $0.4 million (2018: $0.6 million) was incurred on the disposal of property, plant and equipment. Not reflected in the Cash Flow is a $3.8 million asset finance facility obtained from Epiroc Financial Solutions for the purchase of 5 Rigs.

8. Share capital

<u>Authorised</u>		
2,000,000,000 (2018: 2,000,000,000) ordinary shares of 0.01 cents (2018: 0.01 cents) each	200,000	200,000
<u>Number of ordinary shares issued</u>		
135,812,596 (2018: 135,247,159) ordinary shares of 0.01 cents (2018: 0.01 cents) each	13,625	13,581
<u>Share premium</u>		
Balance at the beginning of the year	22,231,662	21,933,772
Share issue	263,625	297,890
Balance at the end of the year	22,495,287	22,231,662

On 3 April 2019, the Company issued 436,357 (2018: 565,437) new common shares pursuant to the Company's employee incentive scheme. The shares rank pari passu with the existing ordinary shares.

9. Loans and Borrowings

Long term liabilities consist of

(a) $12 million revolving credit facility ("RCF") provided by Standard Bank (Mauritius) Limited following a renewal of the Facilities Agreement on 30 October 2017. The group is in discussion on the renewal of the RCF and expect a renewal shortly and consequently the loan has been reclassified to current liabilities. The interest rate on the RCF is the prevailing three-month US LIBOR (payable in arrears) plus a margin of 5.75%, and an annual commitment fee of 1.5% of the undrawn balance.

Security for the Standard Bank (Mauritius) Limited facility comprises:

- Upward corporate guarantees from Capital Drilling (T) Limited, Capital Drilling (Botswana) Proprietary Limited and Capital Drilling Ltd.
- A negative pledge over the assets of Capital Drilling (T) Limited and Capital Drilling Ltd.

(b) $ 3.8 million credit facility provided by Epiroc Financial Solutions AB for the purchase of five rigs. The loan will be repaid in 46 monthly payments in arrears at a fixed rate of interest of 8.47% annually.

(c) $ 0.2 million Hire purchase agreement with Ma'aden Barrick Copper Company for the purchase of one rig. The lease is repayable by a fixed monthly instalment over 24 months.

During the year under review, the Group has complied with all covenants that attaches to the loan facilities.

	CONSOLIDATED	
	2019	**2018**
	$	*$*
	Unaudited	*Audited*
Balance at the beginning of the year	9,029,884	12,041,585
Amounts received during the year	5,971,650	-
Interest accrued during the year	851,968	912,285
Interest paid during the year	(659,292)	(923,986)
Principal repayments during the year	(2,000,000)	(3,000,000)
	13,194,210	9,029,884
Less: Current portion included under current liabilities	(10,294,456)	(29,884)
Due after more than one year	2,899,754	9,000,000

10. Inventory

The cost of inventories recognised as an expense in the current year amounts to $10.1m (2018: $10.9m). During the year, the Group wrote off $0.6m (2018: $2.4m) of inventory resulting in a reduction in the carrying amount of the provision.

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For the year ended 31 December 2019

	CONSOLIDATED	
	2019	2018
	$	$
	Unaudited	*Restated*
11. Cash generated from operations		
Profit before tax	14,593,589	12,579,367
Adjusted for:		
– Depreciation	10,372,879	13,484,326
– Loss on disposal of property, plant and equipment	448,495	611,412
– Amortisation of Right of use assets	264,178	-
– Share based payment expense	827,792	275,466
– Fair value loss on investments in equity instruments designated as at FVTPL	1,111,456	719,939
– Interest income	(182,035)	(401,020)
– Share of loss from associate	227,904	869,668
– Finance charges	891,750	1,051,348
– Unrealised foreign exchange loss/(gain) on foreign cash held	33,458	(107,545)
Operating cash flows before working capital changes	28,589,466	29,082,961
Adjustments for working capital changes:		
– Decrease in inventory	1,594,687	4,073,660
– (Increase) Decrease in trade and other receivables	(4,551,246)	(1,130,997)
– Increase (Decrease) in trade and other payables	3,050,193	(1,666,896)
	28,683,100	30,358,728

	CONSOLIDATED	
	2019	2018
	$	$
	Unaudited	*Audited*
12. Commitments		
The Group has the following commitments:		
Committed capital expenditure	745,238	722,728

The Group had outstanding purchase orders amounting to $1.1 million (2018: $2.8 million) at the end of the reporting period of which $0.7 million [2018: $0.7 million] were for capital expenditure.

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS
For the year ended 31 December 2019

13. Contingencies

Zambia tax:

As disclosed in the prior year Financial Statements, Capital Drilling (Zambia) Limited is a party to various tax claims made by the Zambian Revenue Authority for the tax years 2007 to 2013. On 30 April 2015, the Company received a tax assessment from the Zambian Revenue Authority totalling ZMW 144.1 million ($ equivalent: $13.1 million), inclusive of penalties and interest. The claims relate to various taxes, including income tax, value added tax, payroll tax and withholding tax. Since the assessment date, Management has responded in detail to these claims, providing the Zambian Revenue Authority with detailed analysis and arguments justifying the Company's tax position. No amount has yet been paid in this regard and no additional communication or actions were received from the Zambian Revenue Authority during the 2019 financial year regarding this matter. Capital Drilling (Zambia) Limited is currently dormant with no drilling revenue since November 2014. An amount of $1.6 million was provided in 2015 relating to certain areas of the claim, however the Directors are of the opinion that a significant portion of the tax claim by the Zambian Revenue Authority is without merit.

Tanzania tax:

As disclosed in the prior year Financial Statements, Capital Drilling (T) Ltd is party to a payroll tax claim made by the Tanzanian Revenue Authority (TRA) for the tax years 2009-2015. During the financial year ended 31 December 2016, the company received an immediate demand notice from the TRA for Tanzanian Shillings (TZS) of 18,598,361,197 ($ 8,374,660), inclusive of penalties and interest. Management objected to the assessment raised by the TRA and requested the calculations of the notice. In order to object, according to Tanzanian Tax Law Sections 51(1) and (5) of the TAA 2015, a taxpayer is required to pay the tax amount not in dispute or one third of the assessed tax whichever is greater. It is prudent to note that the Finance Act in 2016 added a further subsection (9) in Section 51 regarding tax objections and assessments. The said amendment provides: "Where the taxpayer fails to pay the amount stated under subsection (5) within the time provided therein, the assessed tax decision shall be confirmed as final tax assessment in terms of section 15(1) (a) of the Tax Revenue Appeals Act." In accordance with the above-mentioned legislation, Management reached an agreement with the TRA to pay TZS1,500,000,000 ($0.7 million) in lieu of the one third of the assessed value. This amount was fully provided for in the 2016 Annual Financial Statements. In June 2017 the TRA provided their workings to Capital Drilling (T) Ltd. Capital Drilling (T) Ltd identified differences with the TRA on both the specific merits and methodology used to determine the value. In order to continue the discussions and negotiations with the TRA, Capital Drilling (T) Ltd has, at the request of the TRA, paid an additional amount of TZS1,1000,000 ($0.4 million), increasing the total amount paid to TZS2,600,000 ($1,129 million) as at 31 December 2018. This is in line with the aforementioned Tanzanian Tax Law. On 3 February 2020, the TRA issued an updated assessment of TZS22,521,897,321 ($9,782 million) which comprises of a principal amount of TZS7,313,768,612 ($3,177 million) and interest TZS15,208,128,709 ($6,606 million). As per Section 48 quoted in the assessment, the company is entitled to appeal and has already done so. Capital Drilling (T) Ltd is confident with the position presented to the TRA and continues its engaging relationship to find closure and resolution to this matter.

CAPITAL DRILLING

NOTES TO THE CONDENSED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. Contingencies (Continued)

Mauritania tax:

Capital Drilling Mauritania SARL is a party to various tax claims made by the Mauritanian Revenue Authority (MRA) for the tax years 2016 – 2018. On 20 February 2020, the company received a tax assessment totalling MRU105.0 million, inclusive of penalties and interest ($ equivalent: $2.8 million). The claims relate to various taxes, including Minimum Income tax, VAT, Corporate Income Tax, Securities Tax and Apprentice Tax. Management has responded to these claims in detail, strongly refuting the position taken by the MRA, apart from nominal corrections to VAT. No amount has yet been paid as discussions continue. An amount of MRU2,07 million ($54,494) has been provided, relating to the aforementioned VAT invoices.

14. Prior period errors

Freight and customs capitalised to inventory

The group did not apply IAS2 Inventories correctly in previous periods. Freight and customs on inventory purchases were not capitalised to inventory. This was done with the aim of being prudent, but is in contravention of IAS 2. The cost should have been capitalised as they were part of cost necessary to bring assets into trade.

Inventory classified as PPE

A requirement of IAS 16 Property Plant and Equipment is the reclassification of Capital spares from Inventory to Property, Plant and Equipment. For 2018 the reclassification increases PPE by US$ 2,167,497 and decreases inventory by US$ 2,167,497. In 2019 the 2018 reclassification is reversed and a new adjustment is made for 2019 with an increase in PPE by US$ 1,999,823 and a decrease in inventory of US$ 1,999,823.

The adjustments did not have a taxation effect.

Impact of correction of error	As previously reported	Adjustments	As restated
1 January 2018			
Inventory	21,691,569	1,521,178	23,212,747
Other assets	83,889,083	-	83,889,083
Total assets	105,580,652	1,521,178	107,101,830
Total Liabilities	35,522,362	-	35,522,362
Retained Earnings	47,823,617	1,521,178	49,344,795
Other Equity	22,234,673	-	22,234,673
Total equity	70,058,290	1,521,178	71,579,468

14. Prior period errors (Continued)

Impact of correction of error 31 December 2018	**As previously reported**	**Adjustments**	**As restated**
Inventory	19,785,408	(646,319)	19,139,089
Property, plant & equipment	38,819,190	2,167,497	40,986,687
Other assets	47,887,543	-	47,887,543
Total assets	106,492,141	1,521,178	108,013,319
Total Liabilities	30,760,146	-	30,760,146
Retained Earnings	53,103,024	1,521,178	54,624,202
Other Equity	22,628,971	-	22,628,971
Total equity	75,731,995	1,521,178	77,253,173

CAPITAL DRILLING

15. Glossary

A description of various acronyms is detailed below:

ARPOR	Average Revenue Per Operating Rig
CAPEX	Capital Expenditure
EBIT	Earnings (Loss) Before Interest and Taxes
EBITDA	Earnings (Loss) Before Interest, Taxes, Depreciation and Amortisation
EPS	Earnings (Loss) Per Share
ETR	Effective Tax Rate
HSSE	Health, Safety, Social and Environment
KPI	Key Performance Indicator
LTI	Lost Time Injury
LTM	Last Twelve Months
NPAT	Net Profit (Loss) After Tax
PBT	Profit (Loss) Before Tax
YOY	Year On Year
Return on capital employed	LTM EBIT / (Equity)
Return on total assets	LTM EBIT / Total Assets