



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

## **Comprehensive Mining Services Contract Win and Strategic Investment**

Capital Drilling (CAPD: LN), the mining services company focused on the African markets, is pleased to announce it has signed binding agreements (the "**Agreements**") with Allied Gold Corp. ("**Allied**" or "the company"), a private gold mining and development company, for the provision of a full range of mining services to its Bonikro Gold Mine in Côte d'Ivoire ("**Bonikro**"). Additionally, Capital Drilling has made a strategic investment of USD\$3 million in Allied.

The Agreements represent Capital Drilling's first comprehensive mining services contract win, with Capital Drilling now able to provide load and haul services to its clients, in addition to its existing world-class drilling, maintenance and mineral analytic capabilities.

### **HIGHLIGHTS**

- Capital Drilling has secured its first comprehensive mining services contract win with Allied for the Bonikro Gold Mine in Côte d'Ivoire;
- Senior Capital Drilling personnel commenced on site September 2019, working with Allied management to refine the Bonikro mine plan before transitioning to a planned longer-term comprehensive schedule of rates contract;
- Contract for Bonikro builds on Capital Drilling's existing strong customer relationship with Allied, a private gold mining and development company focused on consolidation in Africa;
- Low-capex entry into load and haul operations with Capital Drilling taking responsibility for Bonikro's existing mining fleet;
- Contract revenues subject to confirmation of mine plan for the initial five-year contract term with 2020 revenues currently expected to be between US\$25–30 million;
- Strategic investment of US\$3 million in the form of a convertible loan will increase Capital Drilling's existing shareholding in Allied to approximately 3% on conversion, and build its strategic relationship;
- Allied has subsequently secured a comprehensive institutional financing package from Orion Mine Finance, initially in the sum of US\$75 million which will be allocated to its existing projects and operations, and additional Acquisition Financing, which will be allocated to a series of proposed acquisitions, consistent with its consolidation strategy in Africa; and
- Contract further strengthens Capital Drilling's portfolio of large, long term contracts as well as its presence in the fast growth West African market.

### **Commenting on the contract win and strategic investment, Jamie Boyton, Executive Chairman, said:**

*"We are excited to embark on this new phase for Capital Drilling and to commence our first comprehensive mining services contract. Load and haul operations are a natural extension to our existing world-class drilling and maintenance capabilities. It means we can now offer clients a completely integrated mining service from initial exploration drilling right through to extraction and delivery of ore to the mill. We will draw on the extensive*

*experience of our team to successfully incorporate and deliver this new service. It is also pleasing to add another long-term contract to our existing portfolio of long term, mine-site based projects.*

*Further to this, our strategic investment into Allied represents a transformational opportunity for Capital Drilling. It expands our revenue sources into less cyclical mine-site based activities, while being aligned to our growth strategy of building a superior portfolio of long-term contracts. Allied's pipeline also presents substantial growth opportunities and we look forward to working closely with the company to deliver incremental operational and productivity improvements at the Bonikro site. We anticipate this strategic investment, together with the addition of load and haul services, will provide further long-term growth opportunities with projects in the production phase and greater revenue and earnings sustainability in the future."*

## **CONTRACT DETAILS**

Bonikro is a producing gold mine in Côte d'Ivoire which commenced production in 2008 and was previously operated by Newcrest, prior to the sale of its majority interest to a consortium of F&M Gold Resources and the Africa Finance Corporation in December 2017, and the recent acquisition by Allied. Bonikro has historically produced over one million ounces of gold. With existing in-pit resources of 1,170 koz Allied expects to produce approximately 120 koz of gold in the coming twelve months.

Under the Agreements, which are in addition to the previously announced exploration drilling contract, Capital Drilling will provide a full range of mining services at Bonikro including:

- Drill and Blast;
- Load and Haul;
- Grade Control; and
- Dewatering

Capital Drilling commenced a phased management oversight at the Bonikro site in July 2019 with a small team of personnel, followed by an expanded team in September. Capital Drilling recently attained management control of mining operations and is working closely with Allied's management to refine the Bonikro mine plan. Once the mine plan has been confirmed, the parties intend that the Agreements will transition in H1 2020 to a comprehensive schedule of rates contract, primarily linked to tonnes mined and moved ("**Schedule of Rates Contract**").

Subject to the agreement of the Schedule of Rates Contract, it is intended that the initial term of the contract will be five years. Contract revenues will be subject to the confirmation of mine plans and the terms of the Schedule of Rates Contract. It is anticipated that revenue for 2020 will be in the range of \$25 to \$30 million, with activity primarily focussed on the existing Hiré pits before ramping up over the life of the contract. The Group will provide subsequent contract updates when further information is available concurrent with the long term mine plan.

The contract will initially utilise five production rigs (blast hole and grade control), including two from Capital Drilling's existing fleet. Furthermore, Capital Drilling will assume management control of Bonikro's heavy mining equipment ("**HME**") fleet including 16 mining dump trucks, four mining shovels and other associated mining equipment, providing the Group with a unique opportunity to enter into a contract of this nature with modest immediate capital requirements. Capital Drilling has committed to supplement the existing HME fleet with additional equipment at its own cost, including one excavator, three bulldozers and auxiliary equipment to ensure that the contracted material movement is achieved. Together with the three new blast hole rigs to be acquired, near term capital commitments are expected to total approximately US\$8 million, apportioned between the drilling fleet (US\$4 million) and the ancillary earth moving equipment (US\$4 million). Under the Agreements, Capital Drilling assumes full responsibility for the on-going upkeep and maintenance of the HME fleet and will assess longer term capital requirements as the contract progresses. Capital requirements will be financed from the Group's existing cash resources and debt facilities.

The contract is expected to contribute modestly to 2019 revenues and as such Capital Drilling maintains its previously issued guidance range of US\$110 – 120 million.

The Allied contract further strengthens the Group's portfolio of large, long-term contracts that now includes Geita Gold Mine (AngloGold Ashanti) and North Mara Gold Mine (Acacia) in Tanzania, Sukari Gold Mine (Centamin) in Egypt, Syama Gold Mine (Resolute) in Mali, Tasiast Gold Mine (Kinross) in Mauritania, and the Segilola Gold project (Thor Explorations) in Nigeria.

#### **INVESTMENT IN ALLIED**

Capital Drilling has invested US\$3 million through a convertible loan, which automatically converts into equity on the signing of the Schedule of Rates Contract. Conversion of the loan will increase Capital Drilling's existing shareholding in Allied to approximately 3%. In the event that terms cannot be agreed for the Schedule of Rates Contract, the convertible loan will become repayable together with accrued interest at a rate of 10% per annum. The US\$3 million advanced was treated as a prepayment in the Group's half year results to 30 June 2019.

- ENDS -

**For further information, please visit Capital Drilling's website [www.capdrill.com](http://www.capdrill.com) or contact:**

<b>Capital Drilling Limited</b>	+230 464 3250
Jamie Boyton, Executive Chairman	<a href="mailto:investor@capdrill.com">investor@capdrill.com</a>
André Koekemoer, Chief Financial Officer	
<b>Peel Hunt LLP</b>	+44 20 7418 8900
Ross Allister	
James Bavister	
<b>Tamesis Partners LLP</b>	+44 20 3882 2868
Charlie Bendon	
Richard Greenfield	
<b>Buchanan</b>	+44 20 7466 5000
Bobby Morse	<a href="mailto:capitaldrilling@buchanan.uk.com">capitaldrilling@buchanan.uk.com</a>
James Husband	

*The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.*

#### **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. Capital Drilling currently owns and operates a fleet of 92 drilling rigs with established operations in Botswana, Burkina Faso, Côte d'Ivoire, Egypt, Kenya, Mali, Mauritania, Nigeria and Tanzania. The Group's corporate headquarters are in Mauritius.