



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

**Q4 2019 Trading Update**

Capital Drilling Limited (CAPD: LN), a leading mining services company focused on the African markets, today provides its Q4 2019 trading update for the period ended 31 December 2019 (the "Period"), ahead of announcing its full year results on 19 March 2020.

**FOURTH QUARTER (Q4) AND FULL YEAR 2019\* KEY METRICS**

|                              | Q4 2019 | Q3 2019 | % change<br>from Q3 2019 | FY 2019* | FY 2018 | % change<br>from FY 2018 |
|------------------------------|---------|---------|--------------------------|----------|---------|--------------------------|
| <b>Revenue (\$m)</b>         | 30.7    | 29.3    | 4.8%                     | 114.8    | 116.0   | -1.0%                    |
| <b>ARPOR# (\$)</b>           | 167,000 | 174,000 | -4.0%                    | 176,000  | 194,000 | -9.3%                    |
| <b>Average utilised rigs</b> | 55      | 48      | 14.6%                    | 50       | 47      | 6.4%                     |
| <b>Fleet Utilisation (%)</b> | 59      | 52      | 13.5%                    | 54       | 51      | 5.9%                     |
| <b>Average Fleet</b>         | 93      | 92      | 1.1%                     | 92       | 93      | -1.1%                    |
| <b>Closing fleet size</b>    | 95      | 92      | 2.2%                     | 95       | 91      | 3.3%                     |

*All amounts are in USD unless otherwise stated*

*# Average revenue per month per operating rig*

*\* Unaudited numbers*

**Financial Highlights**

- Q4 2019 revenue of \$30.7 million, a 4.8% increase over Q3 2019 (\$29.3 million) and a 0.7% increase over Q4 2018 (\$30.5 million);
- Full year 2019 revenue of \$114.8 million, in line with guidance of \$110 to \$120 million;
- Increase in cash flow generation over the quarter despite ongoing growth CAPEX, with net cash of \$4.4 million as at 31 December 2019, up from \$2.5 million in Q3 2019;
- Strong balance sheet provided capacity to fund full year CAPEX of \$20 million, with the Group acquiring eight new rigs and mining equipment in 2019, with four rigs due for commissioning in Q1 2020.

**Operational Highlights**

- Outstanding safety achievement - 12-month rolling All Injury Frequency Rate (AIFR) result of 0.14, significantly below industry standards and a record for the Group;
- Increased rig utilisation in Q4 2019 to 59% (Q3 2019: 52%) representing the equal highest utilisation level in four years for the Group, driven by new contract start-ups, with the majority of new contracts commencing in West Africa;
- Further established personnel and equipment to support Capital Drilling's first mining services contract at Allied Gold's Bonikro Gold Mine (Côte d'Ivoire) as announced in October 2019:
  - Contracted to provide a full range of mining services including drill and blast; load and haul; grade control; and dewatering;
  - Contract to transition to comprehensive Schedule of Rates Contract (subject to agreement of rates), on confirmation of long-term mine plan, with an interim mine plan to December 2020 now in the process of implementation;
  - Delivery of long-term mine plan now scheduled for Q3 2020, current services contract to be extended ahead of delivery of final plan;

- 2020 contract revenues subject to finalisation however now expected to be approximately US\$15 million across the range of site services;
- Commissioned new equipment to supplement client's existing heavy mining equipment fleet in December 2019, including three dozers, one grader and one excavator, together with four production rigs (blast hole and grade control);
- Nine of the eleven new contracts awarded during 2019 are with new clients and located within the West African region, the Group's target region for growth;
- Commenced drilling at eight new exploration contracts during Q4 including:
  - Allied Gold, Côte d'Ivoire
  - Arrow Minerals, Burkina Faso
  - Awale Resources, Côte d'Ivoire
  - Barrick Gold, Saudi Arabia
  - Centamin, Egypt
  - Mali Lithium, Mali
  - Perseus Mining, Côte d'Ivoire
  - Tanga Resources, Namibia

#### **Trading Update**

- Continued mobilisation of rigs into West Africa, with fleet increasing to 44 by end Q1 2020. Nearly 50% of the total fleet is now located in the high growth region;
- Full year ARPOR of \$176,000 per rig (2018: \$194,000). Q4 2019 ARPOR of \$167,000, a 4% fall on Q3 2019 (\$174,000), reflecting increased utilisation of exploration rigs, contract commencements and some single shift drilling operations;
- The Group's key long-term contracts continue to perform well, in line with management expectations;
- Total fleet of 95 rigs at 31 December (2018: 91) including the purchase of four new blast hole, grade control and underground rigs in Q4 2019 as part of the ongoing fleet management strategy to maintain industry-leading equipment standards;
- Portfolio of six large long-term contracts including:
  - Geita Gold Mine (AngloGold Ashanti) in Tanzania;
  - 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
  - Bonikro Gold Mine (Allied) in Côte d'Ivoire;
- Further strengthened the mining services division with the appointment of Chief Development Officer and Regional Mining Manager – West Africa.

#### **Outlook**

- The strengthening gold price observed during H2 2019 has continued into the first quarter of 2020, a positive indicator for Capital Drilling with approximately 90% of Group revenue from the sector;
- Optimism in the market driven by an increase in M&A activity and improved operating cash flows for Majors, which we expect will translate into greater exploration budgets due to the fundamental need within the mining industry to replace depleted resources and reserves;
- Capital Drilling's mine-site based contracts provide a solid platform for revenue and to support further growth opportunities;
- Expansion of services in H2 2019 provides the capability to offer a fully integrated range of mining services increasing opportunities for Capital Drilling;

- Capital Drilling’s broadening client base provides a greater platform for revenue and growth as evidenced by sequential increases in revenue during 2019 as new contracts commenced;
- Continued strategic movement of assets into the high-growth West African region, and resulting material increase in new contracts during 2019, provides optimism for further success in the region in 2020; and
- Increased business development presence in exploration and mining divisions will drive further growth.

2020 guidance is to be announced on 19 March 2020, alongside the Group’s full year results and together with any dividend declarations.

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

*“We experienced another strong year during 2019. The Company continued its transition into mining services at the Bonikro mine site with the first of the new mining equipment delivered during the fourth quarter. We also saw continued high levels of activity as eight new exploration contracts commenced during the period, primarily in West Africa. Pleasingly, we achieved a rolling 12-month AIFR result of 0.14, well below industry standards and a reflection of the high safety standards we strive to achieve. Our cash flow improved materially during the last quarter as a result of increasing revenues from new contracts, higher rig utilisation and ongoing prudent working capital management.*

*During 2020, we will remain focussed on continuing to improve the key metrics of our business, growing our portfolio of long-term mine-site based contracts, further expanding our West African footprint and maintaining strong cash flow generation to maximise returns to our stakeholders. With the gold price at encouraging levels, our broader client base, new opportunities presented by our expansion into mining services and strong presence in West Africa, we remain confident of another solid performance this year.”*

- ENDS -

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

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**About Capital Drilling**

Capital Drilling 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.