FOR IMMEDIATE RELEASE
19 August 2021

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

H1 Results

Capital Limited (CAPD:LN), a leading mining services company focused on the African markets, today announces half year results for the period 1 January to 30 June 2021 (the "Period").

HALF YEAR RESULTS FOR THE PERIOD ENDED 30 JUNE 2021*

	H1 2021	H1 2020	% Change from H1 2020
Average Fleet Size (No. of drill rigs)	99	99	0.0%
Closing fleet size (No. of drill rigs)	106	99	7.0%
Rig Fleet Utilisation (%)	73	57	28.1%
ARPOR ($)	180,000	170,000	5.9%
Capex[1] ($ m)	27.7	7.0	295.7%
Revenue ($ m)	98.7	65.1	51.6%
EBITDA[2] ($ m)	28.4	15.4	84.4%
EBIT[2] ($ m)	20.2	9.6	110.4%
Adjusted Net Profit[3] ($ m)	12.7	3.8	238.6%
Investment Gains ($ m)	5.7	9.9	-42.3%
Net Profit After Tax ($ m)	18.4	13.6	35.3%
Earnings per Share			
Basic (adjusted) [3] (cents)	6.7	2.8	140.1%
Basic (cents)	9.8	10.0	-2.5%
Interim Dividend per Share (cents)	1.2	0.9	33.3%
Net Asset Value per Share (cents)	86.3	72.4	19.2%
Adjusted Return on Capital Employed (ROCE) (%)[4]	17.9	23.1	
Net Debt ($ m)	32.8	0.1	
Net Debt/Equity (%)	20.1	0.1	

**All amounts are in US dollars unless otherwise stated*

(1) Capex is net of prepayments.

(2) 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 Limited financial results presented in accordance with IFRS.

(3) Adjusted net profit and adjusted earnings per share are pre investment gains.

(4) Adjusted ROCE is calculated utilising 12 months EBIT and excludes investments at fair value from assets.

Financial Overview

- H1 2021 revenue of $98.7 million, up 51.6% on H1 2020 ($65.1 million);
- H1 2021 EBITDA of $28.4 million, up 84.4% on H1 2020 ($15.4 million);
- EBITDA margins increased to 28.8% from 23.7% in H1 2020;
- Net gains from equity investments of $5.7 million in H1 2021 (realised + unrealised), increasing the value of Group strategic investments to $31.0 million, net of cash proceeds, as of 30 June 2021 (31 December 2020: $27.2 million);
- Net Profit After Tax (NPAT) $18.4 million (including investment gains), an increase of 35.3% on H1 2020 ($13.6 million);
- Cash capex of $27.7 million (H1 2020: $7.0 million) included the majority of the remaining capex relating to the Sukari earth moving contract;
- Cash from operations of $5.4 million (H1 2020: $7.0 million), impacted by a significant build in working capital;
- Net debt of $32.8 million (H1 2020: net debt of $0.1 million and year end 2020 net cash of $5 million) reflecting increased capex for Sukari;
- Earnings per share (including investment gains) was 9.8 cents in H1 2021 (H1 2020: 10.0 cents); and
- Declared an interim dividend of 1.2 cents per share, to be paid on 1 October 2021 to shareholders registered on 3 September 2021 (up 33.3% on 2020 interim dividend 0.9 cents per share).

Operational & Strategic Review

- Rig fleet utilisation increased to 79% in Q2 2021, an increase of 36.2% on Q2 2020 (58%) and 17.9% on Q1 2021 (67%);
- Non-drilling revenue contributed 17% of total revenue for H1 2021, compared with H1 2020 (9%[1]), driven by mining services, maintenance services and MSALABS;
- West African region's contribution to Group revenue was 38% in H1 2021, compared to a 31% contribution in H1 2020 and 32% in H2 2020;
- H1 2021 average rig utilisation was 73%, an increase of 28.1% on H1 2020 (57%) and 21.7% on H2 2020 (60%);
- Average monthly revenue per operating rig ("ARPOR") of $180,000, up 5.9% on H1 2020 ($170,000) and 5% on H2 2020 ($172,000) as core long-term contracts continue to perform strongly;
- Safety performance remains outstanding with Capital achieving eight LTI free milestones, six of which are in excess of three years;
- Previously announced contracts:
    - New contract awards include an exploration contract with new client Shanta Gold at its West Kenya project, Kenya (commencing Q3), together with exploration contracts with Arrow Minerals (Burkina Faso) and Allied Gold (Egypt); and
    - Contract extensions include a two-year contract extension for surface exploration and resource development drilling with Resolute at the Syama Gold Mine, Mali.
- Increased rig capacity at multiple operations, including:
    - Sukari Gold Mine, Egypt (Centamin);
    - Geita Gold Mine, Tanzania (AngloGold);
    - North Mara Gold Mine, Tanzania (Barrick);
    - Morila Gold Mine, Mali (Firefinch); and
    - Sanankoro Project, Mali (Cora Gold).
- New contract wins include:
    - Exploration contract with Altus Strategies (Mali);
    - A two-year grade control and delineation drilling contract with Kinross (Mauritania);
    - An additional exploration and delineation rig with Centamin (Egypt); and

[1] Restated as Well Force International (WFI) revenue is now incorporated within drilling revenue

- MSALABS provisionally awarded a five-year contract with Societe Des Mines De Morila SA at the Morila Gold Mine in Mali (80% owned by Firefinch ASX:FFX), subject to final terms and conditions. The contract would include the new Chrysos PhotonAssay technology with a unit expected to be on site before the end of the year. This would be the first Chrysos unit to be deployed in Western Africa.

- Sukari Gold Mine (Egypt) waste mining and expanded drilling contracts continue to perform well:
  - Blast hole fleet is fully utilised, with all seven new blast hole rigs now operational;
  - Large excavator fleet (1 x CAT 6020 and 2 x CAT 6040) commissioned and operational; and
  - Workforce recruitment is approximately 98% complete, with remaining employees undergoing onboarding.
- MSALABS continues to expand, and is advancing the installation of Chrysos's PhotonAssay units:
  - The initial Chrysos unit has arrived in Tanzania and is in transit to the Bulyanhulu laboratory, commissioning is anticipated imminently, with the Chrysos team now on site;
  - Additional Chrysos unit secured for Canada and scheduled for arrival in Val d'Or, Quebec, in Q4, representing an expansion of our presence in the country and entry into the prolific Abitibi Belt. Offtake discussions are well advanced for the unit's capacity; and
  - Expanded services with Thor Explorations, commencing management of the mine site laboratory following the first gold pour at the Segilola mine during July.
- Rig count increased from 98 (31 March 2021) to 106 with the acquisition of new rigs to support existing long term contracts, including four blast hole rigs for Sukari (Egypt), three underground rigs for Geita (Tanzania) and one RC rig for Yanfolila (Mali); and
- The Group's portfolio of ten long-term mine-site based contracts performed well.

Outlook

- Demand for drilling services has continued to increase this year and the outlook remains robust for maintaining a high utilisation rate through H2 2021;
- Increases to capex and exploration budgets across the mining sector, supported by the performance of gold, continues to provide a strong tailwind for Capital with c.90% of revenue exposed to the African gold mining sector;
- Strong demand for laboratory services with MSALABS installing two Chrysos units in H2 2021, and a third unit scheduled for Morila;
- Drill rig fleet size forecast to increase by a further eight rigs by the end of 2021;
- Sukari earth moving works continue to ramp up ahead of schedule. Guidance for full operating run rate remains Q4 2021;
- Highly active tendering market across all business activities, with particularly strong demand in drilling especially in West Africa; and
- Capital remains committed to its strategy of maintaining a strong balance sheet and providing returns to its shareholders.

The Group maintains its revenue guidance range of $200-210 million for 2021, as guided in the Q2 2021 trading update.

Commenting on the results, Jamie Boyton, Executive Chairman of Capital Limited, said:

"We are pleased to report the Group has delivered its strongest half year performance since its inception. Strength across all areas of the business has led to significant revenue growth, up 52% on the prior period, a reflection of an outstanding performance at our underlying operations and improved market activity. Given the strength of the underlying business, we have today announced an interim dividend to shareholders of 1.2 cents per share, representing a 33% increase on the previous corresponding period.

This year marks a transformational step for Capital as the Group's mining business began its first major earthmoving contract at Sukari. The team delivered on a demanding ramp up schedule, with mine production commencing in February, just two months after winning the contract. The blast hole fleet is now fully utilised *and the three excavators are commissioned and operational. We expect to reach steady state in Q4 this year and deliver incremental revenues of $235 - $260 million over the next four years.*

The core drilling business has continued to go from strength to strength. Not only did our fleet size rise from 94 to 106 rigs through the half but our utilisation rate increased from 60% in H2 2020 to 73% in H1 2021, ending Q2 at 79%, levels not seen since 2012. This uplift has been driven by new contract wins and expansion at existing sites including West Africa, a pleasing result following our focus on restructuring and rebalancing our business over the past three years.

Safety remains at the core of our operations and we have achieved exceptional results during the half, with safety milestones achieved across many of our existing long-term contract sites, including sites with multi-year LTI free records.

MSALABS, our laboratory business, continued to perform well and is positioning itself for growth as it rolls out the revolutionary Chrysos PhotonAssay units. The first of these is now in Tanzania in transit to the Bulyanhulu mine site, marking the largest contract since MSALABS' establishment. Chrysos has the potential to disrupt the geochemical analysis sector and we are encouraged by the demand we see as we prepare to roll out the second unit in Val d'Or in Quebec, Canada, in Q4 this year and the third at Morila in Mali soon thereafter.

Another key contributor to our strong result for the half has been returns from our equity investments. Capital Investments not only contributes through equity returns, which amounted to $5.7m in H1 2021, but has also served as a highly effective business development tool for several years. This creates a strong partnership approach to our contracting and remains core to the investment strategy.

As the business continues to develop and expand, the long term prospects for Capital look highly encouraging. The gold price, our principal commodity exposure, remains at elevated levels and equity markets continue to be supportive for capital raising activity, with fundraisings for Juniors and Intermediates experiencing a significant uptick in H1 2021 to decade highs. Despite the increased activity, our strategy remains focused on mine sites to ensure a business that is sustainable through the cycles.

Capital's position of offering not only drilling but also mining and laboratory services to mine sites, all of which are crucial to the sustainability and growth of any large scale mine, has provided a broader, stronger platform to sustain its growth trajectory over the next few years. We will continue to pursue our key strategic priorities during 2021, focusing on growing our full-service mining business, growing revenues from our ancillary services businesses, expanding capacity with our existing clients and further increasing fleet utilisation. We also remain committed to maximising free cash flow generation and maintaining our strong balance sheet to support further growth initiatives and returns to our shareholders."

Capital Limited will be hosting a live webcast presentation at 09:00 BST on Thursday 19 August 2021, where questions can be submitted through the platform.

The webcast presentation link:
https://webcasting.buchanan.uk.com/broadcast/6114e801c97de6636c2d8e89

Dial-in details:
United Kingdom Toll-Free: 08003589473 PIN: 74683173#
United Kingdom Toll: +44 3333000804 PIN: 74683173#

Link for international access numbers

Participants may join the webcast approximately five minutes before the commencement time. A copy of the Company's presentation will be available on www.capdrill.com

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

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About Capital Limited

Capital Limited is a leading mining services company providing a complete range of drilling, mining, maintenance and geochemical laboratory solutions to customers within the global minerals industry, focusing on the African markets. The Company's services include: exploration, delineation and production drilling; load and haul services; mining equipment hire and maintenance; and geochemical analysis. The Group's corporate headquarters are in Mauritius and it has established operations in Burkina Faso, Cameroon, Côte d'Ivoire, Egypt, Guinea, Kenya, Mali, Mauritania, Nigeria, Saudi Arabia and Tanzania.

Cautionary note regarding forward looking statements

Certain information contained in this report, including any information on Capital Limited's plans or future financial or operating performance and other statements that express management's expectations, or estimates of future performance, constitute forward-looking statements. Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. Capital Limited cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of Capital Limited to be materially different than the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements. These factors include the inherent risks involved in exploration and development of mineral properties, changes in economic conditions, changes in the worldwide price of commodities and project execution delays, many of which are beyond the control of Capital Limited. Nothing in the report should be construed as either an offer to sell or a solicitation to buy or sell Capital Limited securities.

INDEPENDENT REVIEW REPORT TO CAPITAL LIMITED

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related notes 1 to 15.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting''.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

DocuSigned by:
Scott McNaughton
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BDO LLP
Chartered Accountants
London, United Kingdom
18 August 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CAPITAL LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2021

	Notes	Unaudited Six months ended 30 June 2021	30 June 2020
		$	$
Revenue	4	98,683,980	65,089,372
Cost of sales		(56,028,630)	(39,431,925)
Gross profit		42,655,350	25,657,447
Administration expenses		(14,281,383)	(10,276,703)
Depreciation, amortisation and impairments		(8,210,759)	(5,732,201)
Operating profit		20,163,208	9,648,543
Interest income		49,997	179,637
Finance charges		(1,606,618)	(566,691)
Fair value gain on investments at fair value		5,706,322	9,863,850
Profit before taxation		24,312,909	19,125,339
Taxation	3	(5,903,119)	(5,509,895)
Profit and total comprehensive income for the period		18,409,790	13,615,444
Profit attributable to:			
Owners of the parent		18,490,700	13,673,957
Non-controlling interest		(80,910)	(58,513)
		18,409,790	13,615,444
Earnings per share:			
Basic (cents per share)	5	9.8	10.0
Diluted (cents per share)	5	9.6	9.9

CAPITAL LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Notes	Unaudited 30 June 2021	Audited 31 December 2020
ASSETS		$	$
Non-current assets			
Property, plant and equipment	7	132,036,724	88,970,683
Right of use assets		856,445	629,657
Goodwill		1,252,348	1,252,348
Intangible assets		299,363	276,248
Total non-current assets		134,444,880	91,128,936
Current assets			
Inventory		31,568,936	24,689,102
Trade and other receivables		36,239,073	18,903,656
Prepaid expenses and other assets		18,856,261	28,394,850
Investments at fair value		31,049,470	27,167,095
Current tax receivable		265,199	359,970
Cash and cash equivalents		19,950,711	35,701,894
Total current assets		137,929,650	135,216,567
Total assets		272,374,530	226,345,503
EQUITY AND LIABILITIES			
Equity			
Share capital	8	19,006	18,878
Share premium	8	60,900,119	60,169,426
Equity-settled employee benefits reserve		1,998,608	1,926,994
Other reserve		190,056	190,056
Retained income		100,404,088	84,384,101
		163,511,877	146,689,455
Non-controlling interest		1,308,405	1,389,315
Total equity		164,820,282	148,078,770
Non-current liabilities			
Loans and borrowings	9	44,781,585	26,112,602
Lease liabilities		538,604	337,233
Deferred tax		30,620	13,755
Total non-current liabilities		45,350,809	26,463,590
Current liabilities			
Trade and other payables		46,770,991	39,711,217
Current tax payable		7,068,259	7,174,749
Loans and borrowings	9	8,016,928	4,581,111
Lease liabilities		347,261	336,066
Total current liabilities		62,203,439	51,803,143
Total equity and liabilities		272,374,530	226,345,503

CAPITAL LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 June 2021

	Share capital	Share premium	Total share capital	Reserves: Reserves for own shares/ Share repurchase reserve	Reserves: Other reserve	Reserves: Total reserves	Retained earnings	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$	$	$
Balance at 31 December 2019 -Audited	13,625	22,495,287	22,508,912	974,118	261,301	1,235,419	62,004,344	85,748,675	1,199,681	86,948,356
Issue of shares	73	458,667	458,740	(458,740)	-	(458,740)	-	-	-	-
Recognition of share-based payments	-	-	-	594,001	-	594,001	-	594,001	-	594,001
Allocation of other reserves against goodwill	-	-	-	-	(71,245)	(71,245)	-	(71,245)	-	(71,245)
Total comprehensive income (loss) profit for the period	-	-	-	-	-	-	13,673,957	13,673,957	(58,513)	13,615,444
Dividends paid (0.7 cents per share) - Note 6	-	-	-	-	-	-	(958,868)	(958,868)	-	(958,868)
Balance at 30 June 2020 (Unaudited)	13,698	22, 953,954	22,967,652	1,109,379	190,056	1,299,435	74,719,433	98,986,520	1,141,168	100,127,688
Balance at 31 December 2020 – Audited	18,878	60,169,426	60,188,304	1,926,994	190,056	2,117,050	84,384,101	146,689,455	1,389,315	148,078,770
Issue of shares	128	730,693	730,821	(730,821)	-	(730,821)	-	-	-	-
Recognition of share-based payments	-	-	-	802,435	-	802,435	-	802,435	-	802,435
Total comprehensive income for the period	-	-	-	-	-	-	18,490,700	18,490,700	(80,910)	18,409,790
Dividends paid (1.3 cents per share) - Note 6	-	-	-	-	-	-	(2,470,713)	(2,470,713)	-	(2,470,713)
Balance at 30 June 2021 (Unaudited)	19,006	60,900,119	60,919,125	1,998,608	190,056	2,188,664	100,404,088	163,511,877	1,308,405	164,820,282

CAPITAL LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2021

		Unaudited	
		Six months ended	
	Notes	**30 June 2021**	**30 June 2020**
		$	**$**
Cash flow from operating activities			
Cash generated from operations	10	5,443,214	7,024,547
Interest income received		49,997	179,637
Finance costs paid		(1,225,930)	(566,691)
Tax paid		(5,897,973)	(3,129,884)
Net cash from operating activities		(1,630,692)	3,507,609
Cash flow from investing activities			
Purchase of property, plant and equipment	7	(27,698,736)	(7,046,887)
Proceeds from disposal of property, plant and equipment		47,626	19,917
Acquisition of intangible assets		(23,115)	(7,914)
Acquisition of investments		(3,551,255)	(967,202)
Proceeds on disposal of investments		5,375,201	1,447,800
Net cash from investing activities		(25,850,279)	(6,554,286)
Cash flow from financing activities			
Repayment of loans	9	(1,764,440)	(598,656)
Proceeds from new loans	9	16,950,000	3,000,000
Arrangement fees paid for new financing		(383,705)	-
Dividend paid	6	(2,470,713)	(958,868)
Repayment of lease		(208,727)	(179,850)
Net cash from financing activities		12,122,415	(1,262,626)
Total cash movement for the period		(15,358,556)	(1,784,051)
Cash at the beginning of the period		35,701,894	17,620,623
Effect of exchange rate movement on cash balances		(392,627)	(300,831)
Total cash at the end of the period		19,950,711	15,535,741

CAPITAL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2021

1. Basis of presentation and accounting policies

Preparation of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements of Capital Limited and Subsidiaries (“Capital” or the “Group”) as at and for the six months ended 30 June 2021 (the “Interim Financial Statements”), which are unaudited, have been prepared in accordance with International Accounting Standard (“IAS”) No. 34, “Interim Financial Reporting”. This condensed interim report does not include all the notes of the type normally included in an Annual Report. They should be read in conjunction with the annual consolidated financial statements and the notes thereto in the Group’s Annual Report for the year ended 31 December 2020 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Interim Financial Statements have been reviewed in terms of International Standard on Review Engagements (ISRE) 2410.

Accounting policies

The condensed consolidated interim financial statements have been prepared under the going concern basis under the historical cost convention, except for certain financial instruments which are measured at fair value.

The Group adopted a new fixed asset policy in January 2021 to ensure that all new heavy mining equipment are capitalised and depreciated based on actual production hours rather than on a straight-line basis. The impact of this new policy on the depreciation charge for the reporting period was not material. The heavy mining equipment is depreciated between 5-17 years.

All other accounting policies, presentation and methods of computation which have been followed in these condensed consolidated financial statements were applied in the preparation of the Group’s financial statements for the year ended 31 December 2020.

The preparation of financial statements in conformity with IFRS recognition and measurement principles requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on an on-going basis using currently available information. Changes in facts and circumstances may result in revised estimates and actual results could differ from those estimates.

Going concern

As at 30 June 2021, the Group had a robust balance sheet with a low debt gearing with equity of $164.4 million and loans and borrowings of $52.8 million. Cash as at 30 June 2021 was $19.9 million, with net debt of $32.8 million. Investments in listed entities at the end of June 2021 amounted to $21.6 million which provided additional flexibility as these investments could easily be converted into cash.

The Group has contracted additional facilities totalling $24.2 million at the end of June 2021 in order to finance the acquisition of new mining equipment for its transformational mining contract and extended drilling contract at Sukari Gold Mine in Egypt.

This robustness is underpinned by stable revenues generated on long term contracts. Revenues generated on mine sites and longer-term contracts make up over 90% of Group revenues. Revenues continued to perform strongly in H1 2021 with increased revenue of 52% compared to H1 2020.

The Group’s portfolio of long-term mine-site based contracts provides a level of revenue stability against the global risk exposure created by the COVID-19 pandemic, as mines continue to operate with gold exports continuing. Although the pandemic continues to create uncertainty globally, mining and production activities have continued uninterrupted at all the Group's operations.

Management has assessed the going concern status of the business relative to four perceived risk areas. Management has determined these as the key risk areas with due consideration of the business’ principal risks and key sensitivities in the going concern review period:

1. Basis of presentation and accounting policies (Cont'd)

Going concern (Cont'd)

1. A material deterioration of macro-economic conditions
2. A prolonged operational disruption
3. The non-renewal of key contracts
4. A significant cost overrun on the Sukari Mining contract

Given the strong market fundamentals that exist currently, management consider the risk of a deep macro correction to be low. With the Group's exposure to high quality mine site operations, we do not consider this to be a material risk to the going concern status of the business.

Based on a significant downside scenario, the ability of the business to deal with a period of operational disruption was assessed, modelled on a significantly impactful COVID outbreak (covering a major mine site and all exploration sites), a partial shutdown of the Group's principal mining contract and associated costs at a group level – modelled in aggregate. The management considers the probability of the downside scenario happening to be remote, particularly in view of the minimal disruption experienced during the period to June 2021, the strength of the gold price, quality and geographical distribution of customers.

The impact of the non-renewal of a key contract has also been modelled. It is considered unlikely given the strength of the Group's relationships and the impact is not significant enough to threaten the going concern status of the Group.

The impact of a significant cost overrun on the Sukari Mining contract has also been considered. Without any mitigating actions, the impact on the cashflow is material but is not considered significant enough to threaten the going concern status of the Group.

Overall, the analysis strongly underpins the going concern status and as a result the Board considers the business to be a going concern.

The Board and Group continue to thoroughly assess its key risk areas in order to determine their impact on its current 5-year cashflow forecast including a reasonable worst-case scenario. At the end of June 2021, the Group's financial model was re-run using the same key risk areas which were identified at the end of December 2020 and the overall analysis continued to strongly underpin the going concern status and as a result the Board considers the business to be a going concern at the end of June 2021.

Areas of significant judgment

In addition to the significant judgments disclosed in FY2020, the following additional significant judgment has been considered for H1 2021.

The Group entered a four-year open pit mining contract with Sukari Gold Mines on 01 December 2020 and mining activities started in February 2021 using its own equipment. In assessing whether this contract is or contains a lease under IFRS 16, the Group concluded that the mining equipment should not be accounted for as a lease because the right to direct how and for what purpose the mining equipment is to be used throughout the period of use was at the discretion of the Group's management and was not predetermined in the contract. The heavy mining equipment has therefore been accounted for as property plant and equipment in accordance with IAS 16.

2. Operations in the interim period

Capital Limited (the "Company") is incorporated in Bermuda. The Company and its subsidiaries (the "Group") provide drilling services including but not limited to exploration, development, grade control and blast hole drilling services, mining services including but not limited to earthmoving, fleet management and mine management, mineral analytical services including but not limited to geochemical analysis and laboratory management, maintenance services, including but not limited to fleet maintenance and distribution of specialist mining supplies and rig site technology services including but not limited to equipment rental, survey and geophysical logging and borehole management software services for mining and mining exploration companies.

During the six months ended 30 June 2021, the Group provided drilling services in Burkina Faso, Cameroon, Egypt, Guinea, Ivory Coast, Mauritania, Mali, Saudi Arabia and Tanzania.

3. Taxation

Capital 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 include those relating to transfer pricing matters and 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 judgement 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.

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CAPITAL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)
For the six months ended 30 June 2021

	Six months ended	
4. Revenue	**30 June 2021**	**30 June 2020**
	$	**$**
Revenue from the rendering of services comprises:		
Drilling and associated revenue	81,826,129	61,762,360
Revenue from Mining	10,355,723	-
MSALABS revenue	6,502,128	3,294,874
Information technology revenue	-	32,138
	98,683,980	65,089,372

5. Earnings per share

Basic Earnings per share:

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

Profit for the period used in the calculation of basic earnings per share	18,490,700	13,673,957
Weighted average number of ordinary shares for the purposes of basic earnings per share	189,470,658	136,639,059
Basic earnings per share (cents)	9.8	10.0

	Six months ended	
	30 June 2021	**30 June 2020**
	$	**$**
Diluted earnings per share:		
The profit 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	189,470,658	136,639,059
- Dilutive share options #	3,011,156	1,675,427
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	192,481,814	138,314,486
Diluted earnings per share (cents)	9.6	9.9

For the purposes of calculating diluted earnings per share, the share options of 6.34 million (2020: 2.16 million) were excluded as they are anti-dilutive as the exercise price is higher than the current share price.

6. Dividends

During the six months ended 30 June 2021, a dividend of 1.3 cents per ordinary share was declared on 18 March 2021, totalling $2,470,713 (six months ended 30 June 2020: 0.7 cents per ordinary share, totalling $958,868) and paid on 4 May 2021.

7. Property, plant and equipment

Cost	Drilling rigs	Mining equipment	Associated Drilling & mining equipment	Vehicles and trucks	Camp and associated equipment	Computer software	Leasehold improvements	Total
At 1 January 2020	100,819,329	-	14,240,417	18,242,405	9,975,155	36,073	528,071	143,841,450
Asset acquisition	-	-	-	-	673,324	193	1,125,881	1,799,398
Additions	8,384,997	26,511,913	6,561,093	4,082,033	1,356,342	2,095	10,802	46,909,275
Transfers	-	-	-	(60,669)	60,669	-	-	-
Disposal	(5,663,428)	-	(474,773)	(284,748)	(38,448)	-	-	(6,461,397)
At 31 December 2020	103,540,898	26,511,913	20,326,737	21,979,021	12,027,042	38,361	1,664,754	186,088,726
Additions	13,260,825	6,279,264	22,658,438	7,646,250	1,363,032	-	-	51,207,809
Disposal	(11,689)	-	(169,426)	(388,189)	(124,737)	-	-	(694,041)
At 30 June 2021	116,790,034	32,791,177	42,815,749	29,237,082	13,265,337	38,361	1,664,754	236,602,494
Accumulated Depreciation								
At 1 January 2020	68,882,367	-	5,410,550	11,407,247	5,208,150	1,967	69,152	90,979,433
Depreciation	6,929,234	-	2,122,559	1,513,992	1,181,163	3,075	28,147	11,778,170
Transfers	-	-	-	(52,111)	52,111	-	-	-
Disposal	(5,005,527)	-	(373,307)	(227,237)	(33,489)	-	-	(5,639,560)
At 31 December 2020	70,806,074	-	7,159,802	12,641,891	6,407,935	5,042	97,299	97,118,043
Depreciation	3,476,671	2,170,893	1,178,735	559,489	634,736	2,090	-	8,022,614
Disposal	-	-	(135,912)	(352,710)	(86,265)	-	-	(574,887)
At 30 June 2021	74,282,745	2,170,893	8,202,625	12,848,670	6,956,406	7,132	97,299	104,565,770
Carrying amount at:								
31 December 2020	32,734,824	26,511,913	13,166,935	9,337,130	5,619,107	33,319	1,567,455	88,970,683
30 June 2021	42,507,289	30,620,284	34,613,124	16,388,412	6,308,931	31,229	1,567,455	132,036,724

During the six months ended 30 June 2021, the Group acquired $51.2 million worth of property, plant and equipment (HY 2020: $7.0 million) consisting mainly of heavy mining equipment for the Sukari mining contract. Out of the $51.2 million additions, $7.3 million was acquired through finance leases (HY 2020: $ Nil)

The Group disposed of property, plant and equipment with a net carrying amount of $0.1 million (HY 2020: $0.2 million) during the period. A loss of $0.1 million (2020: $0.2 million) was incurred on the disposal of property, plant and equipment.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets may be impaired. As at 30 June 2021, there was no indication of impairment.

	As at	
	30 June 2021	31 December 2020
	$	$
8. Issued capital and share premium		
Authorised capital		
2,000,000,000 (31 December 2020: 2,000,000,000) ordinary shares of 0.01 cents (2020: 0.01 cents) each	200,000	200,000
Issued and fully paid:		
190,054,838 (31 December 2020: 188,780,903) ordinary shares of 0.01 cents (31 December 2020: 0.01 cents) each	19,006	18,878
Share premium:		
Balance at the beginning of the period	60,169,426	22,495,287
Issue of shares	730,693	37,674,139
Balance at the end of the period	60,900,119	60,169,426

On 25th March 2021, the Company issued 1,273,935 new common shares (valued at $ 730,821) pursuant to the Company's employee short term incentive plan. The shares rank pari passu with the existing ordinary shares. Fully paid ordinary shares which have a par value of 0.01 cents, carry one vote per share and carry rights to dividends.

9. Loans and borrowings

Loans and borrowings consist of:

(a) $15 million revolving credit facility ("RCF") provided by Standard Bank (Mauritius) Limited.
The interest rate on the RCF is the prevailing three-month US LIBOR (payable in arrears) plus a margin of 6.5%, and an annual commitment fee of 2.275% is charged on any undrawn balance. The amount utilised on the RCF is $15 million as at 30 June 2021.

Under the terms of the RCF, the group is required to comply with certain financial covenants relating to:

- Interest coverage
- Gross debt to EBITDA ratio
- Debt to equity ratio
- Tangible net worth

In addition CAPD (Mauritius) Limited is also required to comply with the Total Tangible Net Worth covenant.

Security for the Standard Bank (Mauritius) Limited facility comprises:
The RCF is secured by various pledges over the shares and claims of the Group's entities in Cote d'Ivoire and Tanzania together with the assignment of material contracts and their collection accounts in these jurisdictions and a debenture over the rigs in Tanzania.

As at the reporting date and during the period under review, the Group has complied with all covenants attached to the loan facilities.

(b) $ 3.8 million credit facility provided by Epiroc Financial Solutions AB
The facility was signed on 6 September 2019 and drawn down against the purchase of five rigs. The term of the facility is four years repayable in 46 monthly instalments. Interest is charged at a with a fixed rate of 8.47% per annum (payable monthly in arrears). As at 30 June 2021, an amount of $2.3 million remained outstanding under this facility.

9. Loans and borrowings (Cont'd)

(c) $ 0.2 million Hire purchase agreement with Ma'aden Barrick Copper Company
The agreement was entered into for the purchase of one rig and is repayable over two years in fixed monthly instalments.

(d) $2.6 million credit facility by Epiroc Financial Solutions AB
The facility was signed on 26 November 2020 and drawn down against the purchase of three rigs. The term of the facility is 4 years repayable in 46 monthly instalments. Interest is charged at a fixed rate of 8.25% per annum (payable monthly in arrears). As at 30 June 2021, an amount of $2.3 million remained outstanding under this facility.

(e) $1.4 million credit facility by Epiroc Financial Solutions AB
This new facility was signed on 01 May 2021 and drawn down in H1 2021 against the purchase of two rigs. The facility is repayable in 46 monthly instalments. The interest rate is the prevailing three-month US LIBOR plus a margin of 4.8%.

(f) $8.5 million term loan facility with Sandvik Financial Services AB (PUBL)
On 19 November 2020, the Group entered into a new term loan facility agreement with Sandvik Financial Services AB (PUBL). The facility is for up to $8.5 million for the purchase of equipment from Sandvik AB, available in not more than four tranches until 31 December 2021. Each tranche is repayable over a period of five years. Interest is payable quarterly in arrears at 5.45% per annum on the drawn amount. $5.8 million of the facility was used in H1 2021 and as at 30 June 2021, $2.7 million of the facility remained undrawn.

(g) $26.95 million term loan provided by Macquarie Bank Limited (London Branch)
On 25th September 2020, the Group entered into a senior secured, asset backed term loan facility with Macquarie Bank Limited. The term of the loan is three years repayable in quarterly instalments with an interest rate on the facility of the prevailing three-month US LIBOR plus a margin of 7.75% per annum (payable quarterly in arrears). The loan is secured over certain assets owned by the Group and currently located in Egypt and Cote d'Ivoire together with guarantees provided by Capital Limited, Capital Drilling Egypt LLC and Capital Mining Services SARL. The Group drew an additional $16.9 million in H1 2021. The facility was fully drawn as at 30 June 2021.

As at the reporting date and during the period under review, the Group has complied with all covenants attached to the term loan.

	As at	
	30 June 2021	**31 December 2020**
	$	**$**
Balance at 1 January	30,693,713	13,194,210
Amounts received during the 6-month period/year	16,950,000	16,000,000
Credit facility received for the purchase of rigs	7,269,200	2,649,798
Interest accrued during the 6-month period/year	1,439,254	1,196,504
Interest paid during the 6-month period/year	(1,058,567)	(1,098,963)
Commitment fees paid during the 6-month period/year	-	(185,070)
Finance costs capitalised	(730,647)	-
Principal repayments during the 6-month period/year	(1,764,440)	(1,062,766)
Balance at 30 June/31 December	52,798,513	30,693,713
Less: Current portion included under current liabilities	(8,016,928)	(4,581,111)
Due after more than one year	44,781,585	26,112,602

10. Cash from operations

	Six months ended 30 June 2021 $	Six months ended 30 June 2020 $
Profit before taxation	24,312,909	19,125,339
Adjusted for:		
- Depreciation	8,022,935	5,546,806
- Loss on disposal of property, plant and equipment	71,528	178,790
- Fair value gain on investments at fair value	(5,706,322)	(9,863,850)
- Share based payment expense	802,435	594,001
- Interest income	(49,997)	(179,637)
- Finance charges	1,606,618	566,691
- IFRS 16 depreciation on rights of use assets	194,505	185,395
- Unrealised foreign exchange loss on foreign currency held	392,627	300,831
Operating profit before working capital changes	29,647,238	16,454,366
Adjustments for working capital changes:		
- Increase in inventory	(6,879,834)	(1,208,872)
- Increase in trade and other receivables	(20,837,067)	(8,517,473)
- Increase in trade and other payables	3,512,877	296,526
	5,443,214	7,024,547

11. Segmental analysis

Operating segments are identified on the basis of internal management reports regarding components of the Group. These are regularly reviewed by the board 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:

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

Information regarding the Group's operating segments is reported below. At 30 June 2021, management reviewed the composition of the Group's operating segments and the allocations of operations to the reportable segments.

CAPITAL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)
For the six months ended 30 June 2021

11. Segmental analysis (Cont'd)

Segment revenue and results:

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

For the six months ended 30 June 2021	Africa	Rest of World	Consolidated
	$	$	$
External revenue	92,259,049	6,424,931	98,683,980
Segment profit (loss)	35,035,384	(14,014,262)	21,021,122
Central administration costs and depreciation, net of other income			(857,914)
Profit from operations			20,163,208
Fair value gain on investments at fair value			5,706,322
Interest income			49,997
Finance charges			(1,606,618)
			24,312,909

For the six months ended 30 June 2020	Africa	Rest of World	Consolidated
	$	$	$
External revenue	63,158,081	1,931,291	65,089,372
Segment profit (loss)	20,046,732	(9,464,201)	10,582,531
Central administration costs and depreciation, net of other income			(933,988)
Profit from operations			9,648,543
Fair value gain on investments at fair value			9,863,850
Interest income			179,637
Finance charges			(566,691)
Profit before tax			19,125,339

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs, depreciation, interest income, share of losses from associate, finance charges and income tax. This is the measure reported to the board for the purpose of resource allocation and assessment of segment performance.

11. Segmental analysis (continued)

	As at 30 June 2021	As at 31 December 2020
	$	$
Segment assets:		
Africa	354,698,216	276,239,160
Rest of world	49,019,634	48,615,789
Total segment assets	403,717,850	324,854,949
Head office companies	242,661,770	209,060,235
	646,379,620	533,915,184
Eliminations *	(374,005,090)	(307,569,981)
Total assets	272,374,530	226,345,203
Segment liabilities:		
Africa	199,406,090	150,572,691
Rest of world	26,918,292	37,338,422
Total segment liabilities	226,324,382	187,911,113
Head office companies	244,525,922	189,124,661
	470,850,304	377,035,774
Eliminations *	(363,296,056)	(298,769,041)
Total liabilities	107,554,248	78,266,733

For the purposes of monitoring segment performance and allocating resources between segments the board monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of property, plant and equipment used by the head office companies, certain amounts included in other receivables, and cash and cash equivalents held by the head office companies.

* Eliminations include inter-group accounts receivable, inter-group accounts payable and inter-group investments.

Other segment information:

Non-Cash items included in profit or loss:	Six months ended 30 June 2021	Six months ended 30 June 2020
	$	$
Depreciation		
Africa	7,352,845	4,798,213
Rest of world	448,291	382,842
Total segment depreciation	7,801,136	5,181,055
Head office companies	409,623	551,146
	8,210,759	5,732,201
Loss on disposal of property, plant and equipment		
Africa	52,692	160,966
Rest of world	18,836	2,660
Total segment loss on disposal	71,528	163,626
Head office companies	-	15,164
	71,528	178,790

11. Segmental analysis (continued)

	Six months ended 30 June 2021 $	Six months ended 30 June 2020 $
Impairment on Inventory		
Africa		
Stock Provision	529,104	403,494
Stock Write Offs	98,077	177,369
	627,181	580,863
Rest of world		
Stock Provision	-	(347,345)
Stock Write Offs	-	1,086
	-	(346,259)
Total segment impairment	627,181	234,604
Head office companies	-	-
	627,181	234,604
Additions to property, plant and equipment		
Africa	50,586,372	6,557,062
Rest of world	302,880	678,737
Total segment additions	50,889,252	7,235,799
Head office companies	318,557	(188,912)
	51,207,809	7,046,887

Segmental reporting summary by region:

	Revenue		Non-Current Assets	
	Six months ended		As at	
	30 June 2021 $	31 December 2020 $	30 June 2021 $	31 December 2020 $
Middle East/North Africa	33,845,591	21,818,088	76,195,052	41,357,995
South and East Africa	24,345,551	21,585,039	16,784,754	12,246,215
West Africa	36,282,893	17,624,259	31,381,187	24,682,269
Others	4,209,945	4,061,986	10,083,887	12,842,457
	98,683,980	65,089,372	134,444,880	91,128,936

The business has considered this segmental distribution to be appropriate as it represents the discrete areas of operations that make up the Group's revenue stream.

Information about major customers

Included in revenues arising from the Africa segment are revenues of approximately $45.2 million (2020: $35.4 million) which arose from sales to customers that represent more than 10% of the Group's revenue.

12. Commitments

	As at 30 June 2021 $	As at 30 June 2020 $
The Group has the following capital commitments at 30 June:		
Committed capital expenditure	12,543,098	11,617,926

13. Contingencies (continued)

Zambia Tax:

2007-13 tax audit

In April 2015, Capital Drilling (Zambia) Limited (CDZ) received an assessment from the Zambian Revenue Authority (ZRA) for the tax years 2007 to 2013 totalling approximately $7 million including interest and penalties. A provision of $1.6 million was made in 2015. Since the assessment date, the management of CDZ has responded in detail to these claims, providing the Zambian Revenue Authority with detailed analysis and arguments justifying CDZ's tax position. No drilling revenue has been generated by CDZ since 2014. No amount has been paid and no additional communication received from the ZRA regarding this matter since June 2016.

Tanzania tax:

2009-15 tax audit

In September 2016, Capital Drilling (T) Ltd (CDT), received an initial assessment from the Tanzanian Revenue Authority (TRA) for employment taxes and interest in the period 2009-2015. After ongoing discussions with the TRA, a final assessment was issued in January 2020 for TZS 22.5bn, just under $10 million. Of this assessment, approximately $3.2 million is taxes and the balance is interest.

To date, a total of $1.1 million has been paid by CDT in order to be able to be able to formally object to the assessment under Tanzanian law. Following an initial hearing, CDT is waiting for certain documents to be issued by the Tanzanian Revenue Appeals Board (TRAB) in order to be able to continue the appeals process. CDT consider the $1.1 million paid to be the full potential exposure and remains confident that the TRAB appeal will be successful.

2016-18 tax audit

The TRA issued an initial assessment of $4.5m for 2016-18 in December 2019. Through negotiation, this was reduced to $2.4 million in May 2020. In the year ended 31 December 2020, a total of $0.7 million was paid in order to allow CDT to proceed with lodging formal objections, which were duly lodged in June 2020.

The TRA has recently responded to these objections, accepting many of the arguments put forward. A further round of correspondence is currently underway and $0.7 million remains in line with Management's estimate of the potential exposure.

14. Events post the reporting date

The directors proposed that an interim dividend of 1.2 cent per share be paid to shareholders on 1 October 2021. This dividend has not been included as a liability in these condensed consolidated interim financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 3 September 2021. The total estimated interim dividend to be paid is $2.3million (2020: $1.2 million). The payment of this dividend will have no tax consequences for the group.

15. Financial instruments

(a) Fair value hierarchy

Financial instruments that are measured in the consolidated statement of financial position or disclosed at fair value require disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	As at	
	30 June 2021	31 December 2020
	$	$
Fair Value investment through profit and loss		
Level 1 - Listed shares	21,618,490	16,233,516
Level 3 – Unlisted shares	9,430,980	10,933,579
	31,049,470	27,167,095

The reconciliation of the investment valuations from 1 January 2021 to 30 June 2021 is as follows:

	Level 1	Level 3	Total
At 1 January 2021	16,233,516	10,933,579	27,167,095
Additions	3,427,265	123,987	3,551,252
Disposal	(3,086,191)	-	(3,086,191)
Fair value gain	3,010,397	406,917	3,417,314
Transfer from level 3	2,033,503	(2,033,503)	-
At 30 June 2021	21,618,490	9,430,980	31,049,470

	Level 1	Level 3	Total
At 1 January 2020	6,695,958	5,841,147	12,537,105
Additions	6,243,182	1,474,361	7,717,543
Disposal	(4,454,428)	(1,698,277)	(6,152,705)
Fair value (loss)/gain	7,972,464	5,092,688	13,065,152
Transfer to level 3	(223,660)	223,660	-
At 31 December 2020	16,233,516	10,933,579	27,167,095

(b) Fair value information

Level 1 shares

Market approach - Listed share price.

The Company's interests in various listed shares are valued at the 30 June 2021 closing prices. No secondary valuation methodologies have been considered as all the Company's investments are listed on active markets.

15. Financial instruments (cont'd)

(b) Fair value information (Cont'd)

Level 3 shares

Market Approach – Market Comparables applying Directors' estimate.

The Directors have reviewed the valuation methodology at 30 June 2021 and considered the most appropriate valuation methodology is a multiples-based approach based on comparing the enterprise values of a peer group with their respective EBITDA (EV/EBITDA) across 2021 and 2022. The peer average for 2021 used was 3.9x and the average used in 2022 was 3.1x.

For the purposes of the disclosures required by IFRS 13, if the EBITDA increased by 25% across all the level 3 companies, with all other indicators unchanged, in aggregate the level 3 investment value included in the balance sheet would increase from USD9.4 million to USD12.1 million. The related fair value increase of USD2.7 million would be recognised in profit and loss. Alternatively, if the average multiples used decrease by 25%, with all other indicators unchanged, in aggregate the level 3 investment value included in the balance sheet would decrease from USD9.4 million to USD6.7 million. The related fair value decrease of USD2.7 million would be recognised in profit and loss. An adjustment to forecast gold prices would have an impact on the Enterprise Values of the peer companies. The Directors do not have the resources available to accurately determine the impact such a change would have on the valuation of the level 3 companies.

As at 31 December 2020 the Directors used a multiples-based approach based on comparing the enterprise values of a peer group with their respective mineral reserves and resources (EV/Reserves and resources). Since the end of 2020, Allied has purchased more assets and is now a larger producing company in Western Africa. Therefore, while EV/reserves and resources was appropriate previously, Allied is now a producing company. it is now more appropriate to use a multiples-based approach based on comparing the enterprise values of a peer group with their respective EBITDA (EV/EBITDA), which also takes into account the cost of extraction and the different operating costs of each mine.

The Directors also considered suitability of peers, specifically the impact that different mine lives would have across the peers. A full comparison of the same peer group of West African producing peers was performed and noted that mine lives were comparable and took into account recent additions in mining portfolio.

(c) Transfers between levels 1 and 3

In the six months to 30 June 2021, shares valued at $2m (2020: $ 0.2m) was transferred from level 3 to level 1 due to the transferee being now a listed company.

(d) Fair values of other financial instruments

The group does not have other financial instruments which are not measured at fair value in the statement of financial position.

CAPITAL

CAPITAL LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITY
For the six months ended 30 June 2021

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the condensed consolidated interim financial statements and related information.

The directors are also responsible for the Group's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for the Group's assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the six months under review.

We confirm that to the best of our knowledge:

a) the condensed set of consolidated interim financial statements, which has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Boards gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by FCA's Disclosure and Transparency Rules DTR4.2.4R;

b) the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR4.2.8R; and

c) there have been no significant individual related party transactions during the first six months of the financial year and nor have there been any significant changes in the Group's related party relationships from those reported in the Group's annual financial statement for the year ended 31 December 2020.

The condensed consolidated interim financial statements have been prepared on the going concern basis since the directors believe that the Group has adequate resources in place to continue in operation for the foreseeable future.

The condensed consolidated interim financial statements were approved by the board of directors on 18 August 2021.

ON BEHALF OF THE DIRECTORS

Jamie Boyton
Chairman of the Board of Directors

Brian Rudd
Executive Director

CAPITAL LIMITED
Principal and Emerging 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 and emerging risks associated with the business are following:

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 contracts, expanding its services into mine-site based activities and expanding into new geographic areas. The focus on long-term contracts is evidenced by the award of seven new multi-year contracts in H1 2021, together with contract extensions at Syama Gold Mine. Through the expansion in West Africa and extension of services into earth moving services, together 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 services 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 two to five years. Contract renewal negotiations are initiated well in advance of expiry of contracts to ensure contract renewals are concluded without interruption to 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 H1 2021, of the 7 new exploration contracts (which includes one extension), four are with new clients, a further two are new sites with existing clients and an additional one long-term contract were also added to the portfolio.
Contract Risk	The Group is reliant on its ability to price contracts accurately. Contract prices are generally set at the-outset of a customer contract following a competitive tender process.	The Group goes through a rigorous process to determine a price to submit as part of the tender submission based on a bottom-up costing analysis with a mark-up. The Group makes use of its extensive historical statistics and its in-house knowledge base, combined with site visits to obtain contract specific data. Where contracts are of significant scope, independent cost estimators are appointed, with their findings verified by in-house modelling.

Area	Description	Mitigation
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 mining 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 site operations due to unsafe 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 HSE 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. The Group is also closely engaged with its clients to ensure workplace safety and containment measures are adhered to.

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. While there were continued improvements throughout 2019 and 2020 this remains a key focus area.
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
Fluctuations in value of Investments held	The Group holds investments in a portfolio of both publicly traded and private companies. The accounting value of these investments is marked to market at each reporting date and the fair value adjustment is accordingly recorded in the profit and loss account as an unrealised gain or loss. The value of the investments will change and could materially alter both the Group's reported net assets and net profit position.	The group holds a portfolio of investments in various companies, mitigating the risk of single company weakness. The investments are actively monitored and proactively managed. New investments are required to satisfy a number of criteria with non-executive oversight. In the event of fair value investments becoming an unrealised loss, while this would affect the company's net assets and profitability, it would not affect going concern or cash flow.
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 industry trade shows and conferences. The ELT team members have significant experience and knowledge in their operational field and are aware of all new industry developments. For example, the Group's rigs and Heavy Mining Equipment are outfitted with the latest safety equipment as the technology is proven.

CAPITAL LIMITED
APPENDIX: GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED)

The following terms and alternative performance measures are used in the half year results release for the six months ended 30 June 2021.

ARPOR	Average revenue per operating rig
EBITDA	Earnings before interest, taxes, depreciation, amortisation and fair value gain/loss
NET CASH (DEBT)	Cash and cash equivalents less short term and long-term debt
NET ASSET VALUE PER SHARE (CENTS)	Total equity/ Weighted average number of ordinary shares
RETURN ON CAPITAL EMPLOYED	EBIT/Total assets-current liabilities
RETURN ON TOTAL ASSETS	EBIT/Total assets

Reconciliation of alternative performance measures to the financial statements:

	Six months ended	
	30 Jun 2021	**30 Jun 2020**
	$	**$**
ARPOR can be reconciled from the financial statements as per the below:		
Revenue per financial statements ($)	98,683,980	65,089,372
Non-drilling revenue ($)	(20,338,011)	(7,376,450)
Revenue used in the calculation of ARPOR ($)	78,345,969	57,712,922
Monthly Average active operating Rigs	73	57
Monthly Average operating Rigs	99	99
ARPOR (rounded to nearest $10,000)	180,000	170,000
EBITDA can be reconciled from the financial statements as per the below:		
Profit for the period	18,409,790	13,615,444
Depreciation	8,210,759	5,732,201
Taxation	5,903,119	5,509,895
Interest income	(49,997)	(179,637)
Finance charges	1,606,618	566,691
Fair value adjustments	(5,706,322)	(9,863,850)
EBITDA	28,373,967	15,380,744
Operating profit (EBIT)	20,163,208	9,648,543
Depreciation, amortisation and impairments	8,210,759	5,732,201
EBITDA	28,373,967	15,380,744
Gross profit	42,655,350	25,657,447
Administration expenses	(14,281,383)	(10,276,703)
EBITDA	28,373,967	15,380,744

Net cash (debt) can be reconciled from the financial statements as per the below:

	30 Jun 2021	**31 Dec 2020**
	$	**$**
Cash and cash equivalents	19,950,711	35,701,894
Long-term liabilities	(44,781,585)	(26,112,602)
Current portion of long-term liabilities	(8,016,928)	(4,581,111)
Net cash (debt)	(32,847,802)	5,008,181

CAPITAL

CAPITAL LIMITED
APPENDIX: GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES (UNREVIEWED) (Continued)

Net Asset Value per share (cents) can be calculated as per the below:

	30 Jun 2021	31 Dec 2020
	$	$
Total Equity	163,511,877	146,689,455
Weighted average number of ordinary shares used in the calculation of basic earnings per share	189,470,658	138,367,746
Net Asset Value per share (Cents)	86.30	106.01

EBITDA

EBITDA represents profit or loss for the year before interest, income taxes, depreciation & amortisation and fair value adjustments on financial assets at fair value through profit and loss and realised gain (loss) on fair value through profit and loss investments.

EBITDA is non-IFRS financial measures that is used as supplemental financial measures by management and external users of financial statements, such as investors, to assess our financial and operating performance. These non-IFRS financial measures will assist our management and investors by increasing the comparability of our performance from period to period.

We believe that including EBITDA assists our management and investors in: -

i. understanding and analysing the results of our operating and business performance, and
ii. monitoring our ongoing financial and operational strength in assessing whether to continue to hold our shares. This is achieved by excluding the potentially disparate effects between periods of depreciation and amortisation, income (loss) from associate, interest income, finance charges, fair value adjustment on financial assets at fair value through profit and loss and realised gain (loss) on fair value through profit and loss investments, which may significantly affect comparability of results of operations between periods.

EBITDA has limitations as analytical tools and should not be considered as alternatives to, or as substitutes for, or superior to, profit or loss for the period or any other measure of financial performance presented in accordance with IFRS. Further other companies in our industry may calculate these measures differently from how we do, limiting their usefulness as a comparative measure.

Net cash (debt)

Net cash (debt) is a non-GAAP measure that is defined as cash and cash equivalents less short term and long-term debt.

Management believes that net cash (debt) is a useful indicator of the Group’s indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of cash and cash equivalents within the Group’s business that could be utilised to pay down the outstanding borrowings. Management believes that net debt can assist securities analysts, investors and other parties to evaluate the Group. Net cash (debt) and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required in comparing net debt as reported by the Group to net cash (debt) of other companies.

CAPITAL LIMITED
APPENDIX: GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES (UNREVIEWED) (Continued)

Net Asset Value per share (cents)

Net Asset Value per share (cents) is a non-financial measure taking into consideration the total equity over the weighted average number of shares used in the calculation of basic earnings per share.

Management believe that the net asset value per share is a useful indicator of the level of safety associated with each individual share because it indicates the amount of money that a shareholder would get if the Group were to liquidate. Management believes that net asset value per share can assist securities analysts, investors and other parties to evaluate the Group.

Net asset value per share and similar measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. Accordingly, caution is required when comparing net asset value per share as reported by the Group to net asset value per share of other companies.

Average revenue per operating rig

ARPOR is a non-financial measure defined as the monthly average drilling specific revenue for the period divided by the monthly average active operating rigs. Drilling specific revenue excludes revenue generated from shot crew, a blast hole service that does not require a rig to perform but forms part of drilling. Management uses this indicator to assess the operational performance across the board on a period by period basis even if there is an increase or decrease in rig utilisation.