RNS Number : 4257J
Capital Limited
16 August 2023

Capital Limited

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

H1 2023 Results

Capital (LSE: CAPD), a leading mining services company, today provides its trading update for the half year period 1 January to 30 June 2023 (the "Period").

	H1 2023	H1 2022	vs H1 2022
Revenue ($ m)	154.3	138.1	11.7%
EBITDA (adjusted for IFRS 16 leases)[1,2] ($ m)	43.9	39.9	10.0%
Operating profit ($ m)	28.4	28.0	1.4%
Investment gain / (loss) ($ m)	0.8	(10.3)	-107.8%
Net Profit After Tax (NPAT) ($ m)	17.6	9.7	81.4%
NPAT (Adjusted for investment gain/(loss) ($ m)	16.8	19.9	-15.6%
<u>Earnings per share</u>			
Basic EPS (cents)	8.9	4.7	89.4%
Basic EPS (Adjusted for investment gain/(loss) (cents)	8.8	10.5	-16.2%
Interim Dividend per Share (cents)	1.3	1.3	0.0%
Cash from Operations (adjusted for IFRS 16 leases)[2] ($ m)	38.2	33.4	14.4%
Capex[3] ($ m)	(36.2)	(22.6)	60.2%
Net Debt[1] ($ m)	66.5	36.4	82.7%
Investments ($ m)	42.1	47.3	-11.0%
Margins and returns			
EBITDA Margin (adjusted for IFRS 16 leases)[1,2]	28.5%	28.9%	
Operating profit margin	18.4%	20.3%	
NPAT Margin (Adjusted for investment gain/(loss)	10.9%	14.4%	

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

(1) EBITDA, and Net Debt 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. Alternative performance measures as detailed on pages 33 - 34 of this results announcement

(2) Adjustment for the cash cost of the IFRS 16 lease which amounts to $3.5 million in H1 2023 and $1.5 million in H1 2022 (see page 14).

(3) Capital expenditure (Capex) consists of purchase of PPE for cash, prepayments for PPE and assets purchased during the year and financed by OEM.

Financial Highlights

- H1 2023 revenue of $154.3 million, up 11.7% on H1 2022 ($138.1 million);
    - Full year revenue guidance remains $320 - $340 million.
- H1 2023 EBITDA (adjusted for IFRS16 leases) of $43.9 million, up 10.0% on H1 2022 ($39.9 million);
- EBITDA Margin (adjusted for IFRS16 leases) of 28.5% (H1 2022: 28.9%);
- Net gains from equity investments of $0.8 million (unrealised) in H1 2023. Alongside cash investments carried out over the period, the value of the group strategic investments increased to $42.1 million from $38.7 million at 31 December 2022 (30 June 2022: $47.3 million); Our valuation for our stake in Allied Gold Corp Limited ("Allied")

remains broadly in line with our valuation from 31 December 2022, and does not yet take into account the company's public listing plans.

- Net Profit After Tax (NPAT) (adjusted for investment gain/ loss) of $16.8 million, a decrease of 15.6% on H1 2022 ($19.9 million);
- Capex of $36.2 million (H1 2022: $22.6 million) including prepayments and assets financed by OEM;
- Cash generated from operations (adjusted for IFRS 16 leases) of $38.2 million (H1 2022: $33.4 million);
- Net debt of $66.5 million increased 82.7% on H1 2022 ($36.4 million) predominantly in order to fund our second material mining services contract with Ivindo Iron SA without returning to equity markets for funding (as required for our initial mining contract at Sukari). Investments remained significant at $42.1 million at 30 June 2023. Adjusted Net debt (including investments) of $24.4 million;
- Declared an interim dividend of 1.3 cents per share, to be paid on 3 October 2023 to shareholders registered on 1 September 2023.

Operational & Strategic Review

- Safety performance remains world-class with H1 2023 Total Recordable Injury Frequency Rate ("TRIFR") of 1.03 per 1,000,000 hours worked (FY 2022: 1.2).
- **Capital Drilling:**
- H1 2023 average rig utilisation was 75%, a decrease of 9.6% on H1 2022 (83%). The decrease in part driven by the temporary shutdown of rigs at Perseus' Meyas Gold Project in Sudan following the escalation of conflict in the country;
- H1 2023 average monthly revenue per operating rig ("ARPOR") remained strong at US$188,000, an 8.7% increase on H1 2022 ($173,000).
- Rig count increased from 123 to 125 through Q2 2023, net of depletion;
- Recent Q2 2023 contracts wins (previously announced):
    - A reverse circulation exploration drilling contract with Centamin, at the Nugrus Block in the Egyptian Eastern Desert.
- **Capital Mining continues to perform strongly securing second material contract win:**
    - Capital secured a major earthmoving and crushing services contract with Ivindo Iron SA with a term of up to 5 years. The site, located in Gabon's northeast, is one of the world's largest undeveloped, high-grade hematite iron ore deposits. Operations are now already underway and once fully operational, the contract is expected to generate an annual revenue of approximately $30 million.
    - Sukari Gold Mine (Egypt) waste mining contract continues to perform well and remained LTI free through the period; and
    - Capital remains active in the tendering pipeline.

- **MSALABS: Growth outlook remains strong with expanded relationship with Chrysos**:
    - Through the successful rollout of Chrysos' PhotonAssay™ units, MSALABS now has the largest international network of Chrysos PhotonAssay™ technology:
        - MSALABS now has Chrysos PhotonAssay™ units deployed or under construction across Africa and Canada;
        - The expanded relationship with Chrysos will see MSALABS deploy 21 units by 2025.
    - While the rollout of Chrysos PhotonAssay™ technology will account for the majority of the growth in revenues, we continue to expand our traditional geochemical business in tandem;
    - This year MSALABS has commissioned a mine site laboratory at Shanta Gold's Singida mine, Tanzania, a laboratory in Bougouni, Mali and currently has a laboratory in Marsa Alam, Egypt under construction; and
    - MSALABS has completed a $10 million equity raise to fund the expansion of the business. Following this Capital's shareholding in MSALABS has increased from 77.8% to 81.8%.
- **Capital Direct Investments (Capital DI):**
    - The portfolio recorded investment gains (unrealised) of US$0.8 million. The total value of investments (listed

and unlisted) was US$42.1 million as of 30 June 2023, versus US$38.7 million at the end of 2022 ($47.3 million at 30 June 2022);

- Our valuation for our stake in Allied Gold Corp Limited ("Allied") remains broadly in line with our valuation from 31 December 2022, and does not yet take into account the company's public listing plans.

Outlook

- Revenue guidance for 2023 remains $320 to $340 million;
- EBITDA margins are expected to remain in a range of 25-30% going forward;
- Capital expenditure guidance for 2023 is approximately $65-$75 million. This increased ~$15 million from guidance at the FY22 results to include additional equipment for the new mining and crushing services contract at Ivindo Iron announced June 2023;
- Capital Drilling anticipates revenue growth in H2 2023, driven by the ramp up of two high quality contracts at Reko Diq, Pakistan, and Ivindo, Gabon together with a potential restart of operations at the Meyas Gold Project, Sudan;
- Capital Mining will also see revenue growth through H2 2023 driven by the mining services and crushing contract at Ivindo, Gabon, which has now commenced. Additionally, we expect the Sukari earth moving contract to sustain steady performance throughout the rest of the year;
- MSALABS will continue its multi-year laboratory roll out, particularly focused on Chrysos PhotonAssay™ units, with revenue guidance for MSALABS remaining $40-50 million for 2023, another significant increase YoY (FY 2022: $27.3 million); and
- Tendering activity remains robust across the Group with a number of opportunities progressing.

Commenting on the interim results, Peter Stokes, Chief Executive, said:

"We are delighted with the performance delivered across all business divisions of the Group. Through the half we were particularly pleased to announce our second significant mining services contract, fortifying our position as a full-service provider to the mining industry. This strategic move, combined with our efforts in strengthening our drilling business and enhancing MSALABS, sets us on a trajectory of continued growth and success in the years to come.

In drilling we began our strategic steps, in the back end of 2022, with contract selection further towards long-term partnerships with blue-chip clients, to maintain stability and sustainability for our business through the cycles. It was therefore pleasing to add world-class gold and non-gold drilling contracts in the first half of this year, namely Ivindo in Gabon and Barrick's Reko Diq copper-gold project in Pakistan, both of which show tremendous growth potential.

Similarly, our mining business has also achieved a significant milestone with the addition of a major mining services and crushing contract with Ivindo in Gabon. This showcases both our trusted reputation to offer a premium service to a world class mining company and also our continued strategy to diversify our revenue stream through an expanded service offering.

MSALABS continues to forge ahead on an impressive multi-year growth trajectory, fuelled by the successful rollout of revolutionary Chrysos PhotonAssay™ units, in conjunction with its traditional geochemistry business. MSALABS proudly now operates the largest international network of PhotonAssay™ technology, extending its reach across Africa and Canada and our commitment to deploying 21 Chrysos PhotonAssay™ units by 2025 remains steadfast, driving revenues for the business in excess of $80 million. This remarkable trajectory is a testament to our team's relentless dedication and strategic vision. Furthermore, the successful equity raise in H1 2023 has provided a robust foundation as we continue to expand our global footprint.

Despite temporary operational disruption through the period, namely the Meyas Sand Gold Project, Sudan, the underlying demand from our customers continues to remain strong and we remain confident in our revenue guidance for 2023 of $320-$340 million. We remain active in tendering across the business, with our capital allocation strategy biased towards returns and not a singular business division. Given the strength in the business, we have now also announced an interim dividend of 1.3 cents per share, a testament to our commitment to creating value for our shareholders and our confidence in the bright future ahead for our company."

Capital Limited will be hosting a live webcast presentation at 09:00 BST on Wednesday 16 August 2023, where questions can be submitted through the platform.

The webcast presentation link:

https://www.lsegissuerservices.com/spark/CapitalDrillingLtd/events/434c93f8-9f1d-4bae-9cab-368c13379ca3

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 Limited'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. The Company's services include: exploration, delineation and production drilling; load and haul services; maintenance; and laboratory services. The Group's corporate headquarters are in the United Kingdom and it has established operations in Côte d'Ivoire, Canada, Democratic Republic of Congo, Egypt, Gabon, Ghana, Guinea, Kenya, Mali, Mauritania, Nigeria, Pakistan, Saudi Arabia, Sudan and Tanzania.

CAPITAL LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2023

		Unaudited Six months ended	
	Notes	**30 June 2023**	**30 June 2022**
		US$	**US$**
Revenue	3	154,270,076	138,128,602
Cost of sales		(83,315,580)	(77,010,453)
Gross profit		70,954,496	61,118,149
Administration expenses		(23,565,402)	(19,738,178)
Depreciation, amortisation, and impairments		(19,022,777)	(13,417,448)
Operating profit		28,366,317	27,962,523
Interest income		17,441	112,808
Finance charges		(5,814,411)	(2,670,575)
Fair value (loss)/gain on investments at fair value	16	843,457	(10,265,388)
Profit before taxation		23,412,804	15,139,368
Taxation	4	(5,810,234)	(5,456,706)
Profit and total comprehensive income for the period		**17,602,570**	**9,682,662**
Profit attributable to:			
Owners of the parent		16,942,755	8,849,651
Non-controlling interest	10	659,815	833,011
		17,602,570	**9,682,662**

Earnings per share:

Basic (cents per share)	5	8.9	4.7
Diluted (cents per share)	5	8.5	4.5

CAPITAL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	Unaudited 30 June 2023	Audited 31 December 2022
ASSETS		**US$**	**US$**
Non-current assets			
Property, plant and equipment	7	195,445,478	172,658,108
Right of use assets	8	24,598,696	16,652,318
Goodwill		1,296,387	1,296,387
Intangible assets		2,342,107	1,916,190
Other receivables		6,460,000	6,460,000
Total non-current assets		**230,142,668**	**198,983,003**
Current assets			
Inventories		63,452,720	58,694,979
Trade and other receivables		44,795,858	41,541,867
Other receivables		25,114,873	20,073,008
Investments at fair value	16	42,073,556	38,727,041
Current tax receivable		109,033	399,683
Cash and cash equivalents		32,059,797	28,379,607
Total current assets		**207,605,837**	**187,816,185**
Total assets		**437,748,505**	**386,799,188**
EQUITY AND LIABILITIES			
Equity			
Share capital	9	19,370	19,287
Share premium	9	62,390,217	62,390,217
Treasury shares		-	(2,474,964)
Equity-settled employee benefits reserve		4,307,240	4,469,402
Other reserve		190,056	190,056
Retained income		178,324,115	168,725,546
Equity attributable to owners of the parent		245,230,998	233,319,544
Non-controlling interest	10	8,103,155	5,572,540
Total equity		**253,334,153**	**238,892,084**
Non-current liabilities			
Loans and borrowings	11	77,568,244	56,864,811
Lease liabilities		17,890,623	12,127,384
Deferred tax		34,196	34,196
Total non-current liabilities		**95,493,063**	**69,026,391**
Current liabilities			
Trade and other payables		54,948,972	44,937,680
Provisions		791,513	2,636,640
Current tax payable		7,728,400	9,130,118
Loans and borrowings	11	19,231,504	18,036,811
Lease liabilities		6,220,900	4,139,464
Total current liabilities		**88,921,289**	**78,880,713**
Total equity and liabilities		**437,748,505**	**386,799,188**

CAPITAL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2023

	Share capital	Share premium	Treasury share reserve	Total share capital	Equity-settled employee benefits reserve	Other reserve	Total reserves	Reta earı
	US$	US$	US$	US$	US$	US$	US$	
Balance at 31 December 2021 -Audited	**19,006**	**60,900,119**	**-**	**60,919,125**	**3,185,450**	**190,056**	**3,375,506**	**154,87**

Total profit and comprehensive income for the period	-	-	-	-	-	-	-	8,84
Contributions by and distributions to owners								
Share options exercised	281	1,763,972	-	1,764,253	(1,764,253)	-	(1,764,253)	
Share buy back	-	-	(2,462,651)	(2,462,651)	-	-	-	
Recognition of share-based payments	-	-	-	-	1,410,906	-	1,410,906	
Dividends paid	-	-	-	-	-	-	-	(4,607
Total transactions with owners	**281**	**1,763,972**	**(2,462,651)**	**(698,398)**	**(353,347)**	**-**	**(353,347)**	**(4,607**
Balance at 30 June 2022 (Unaudited)	**19,287**	**62,664,091**	**(2,462,651)**	**60,220,727**	**2,832,103**	**190,056**	**3,022,159**	**159,12**
Balance at 31 December 2022 - Audited	**19,287**	**62,390,217**	**(2,474,964)**	**59,934,540**	**4,469,402**	**190,056**	**4,459,458**	**168,72**
Total profit and comprehensive income for the period	-	-	-	-	-	-	-	16,94
Contributions by and distributions to owners								
Share options exercised	83	-	2,474,964	2,475,047	(2,195,717)	-	(2,195,717)	(279
Recognition of share-based payments	-	-	-	-	2,033,555	-	2,033,555	
Adjustment arising from change in non-controlling interest	-	-	-	-	-	-	-	(1,963
Dividends paid	-	-	-	-	-	-	-	(5,101
Total transactions with owners	**83**	**-**	**2,474,964**	**2,475,047**	**(162,162)**	**-**	**(162,162)**	**(7,344**
Balance at 30 June 2023 (Unaudited)	**19,370**	**62,390,217**	**-**	**62,409,587**	**4,307,240**	**190,056**	**4,497,296**	**178,32**

CAPITAL LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2023

		Six months ended	
	Notes	**Unaudited 30 June 2023 US$**	**Unaudited 30 June 2022 US$**
Cash flow from operating activities			
Cash generated from operations	12	41,652,161	34,932,913
Interest income received		17,441	112,808
Interest paid - other		(4,031,986)	(2,432,005)
Interest paid - leases	8	(857,267)	-
Tax paid		(6,921,303)	(6,819,720)
Net cash from operating activities		29,859,046	25,793,996
Cash flow from investing activities			
Purchase of property, plant and equipment	7	(25,225,550)	(10,168,688)
Proceeds from sale of property, plant and equipment		44,922	-
Purchase of intangible assets		(425,917)	(391,105)
Purchase of investments at fair value	16	(4,859,347)	(5,891,493)
Proceeds on sale of investments at fair value	16	2,356,289	8,499,654
Cash paid in advance for property, plant and equipment		(4,341,021)	(6,389,092)
Net cash from investing activities		(32,450,624)	(14,340,724)
Cash flow from financing activities			
Repayment of loans	11	(9,209,462)	(9,295,897)
Proceeds from new loans	11	25,000,000	-
Arrangement fees paid - new financing		(1,430,568)	-
Dividend paid	6	(5,119,567)	(4,607,599)
Repayment of principal portion of leases	8	(2,634,372)	(1,483,881)
Advance payments on lease arrangements		(605,802)	(230,705)
Repurchase of own shares		-	(2,462,651)
Proceeds from MSA rights issue - non-controlling interest		1,193,302	-
Purchase of shares from minority shareholders		(1,267,792)	-
Net cash from financing activities		5,925,739	(18,080,733)
Net increase/ (decrease) in cash and cash equivalents		**3,334,161**	**(6,627,461)**
Cash and cash equivalents at the beginning of the period		**28,379,607**	**30,577,249**
Effect of exchange rate movement on cash balances		346,029	(1,214,380)
Cash and cash equivalents at the end of the period		**32,059,797**	**22,735,408**

CAPITAL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2023

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 2023 (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 2022 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.

All 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 2022.

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 2023, the Group had a robust balance sheet with a low debt gearing with equity of US$253.3 million and loans and borrowings of US$96.8 million. Cash as at 30 June 2023 was US$32.1 million, with net debt of US$66.5 million. Investments in listed entities at the end of June 2023 amounted to US$42.1 million which provided additional flexibility as these investments could be converted into cash.

This robustness is underpinned by stable revenues generated on long term contracts. Revenues generated on mine sites and longer-term contracts make up over 85% of Group revenues. Revenues continued to perform strongly in H1 2023 with increased revenue of 12% compared to H1 2022.

Commercially, the Group continues to secure and extend long term mining contracts with high quality customers, including the latest significant win for mining services and crushing contract in Gabon. Given the Group had minimal operational impacts from COVID-19 over the past two years, the Directors do not view it as a going concern risk.

In determining the going concern status of the business, management has considered the principal risks of the business and considered those most relevant to the going concern assessment and reverse stressed the model, alongside the Group's capacity to mitigate, to identify the magnitude of sensitivity required to cause a breach in covenants or risk the going concern of the business. The most relevant of which was considered to be loss of EBITDA through loss of contract wins, with no redeployment of equipment. EBITDA would need to fall over 45% for a 12-month period to breach the covenant test.

Given the strong market demand from existing clients and across a large tendering pipeline, management consider the risk of a deep demand correction to be low.

Given the Group's exposure to high quality mine site operations, we consider a decrease of such magnitude to be remote. Overall, the analysis strongly underpins the going concern status and as a result the Board considers the business to be a going concern.

CAPITAL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)
For the six months ended 30 June 2023

2. Operations in the interim period

Capital Limited (the "Company") is incorporated in Bermuda. The Company and its subsidiaries (the "Group") provide drilling services, mining (load and haul), mineral assaying and surveying services. The Group also has a portfolio of investments in listed and unlisted exploration and mining companies.

During the period ended 30 June 2023, the Group provided drilling services in Côte d'Ivoire, Guinea, Egypt, Mali, Saudi Arabia, Sudan, Gabon and Tanzania. Mining services are provided in Egypt and mineral analysis services are provided in Canada, Guyana, Mauritania, Nigeria, Côte d'Ivoire, Mali, Tanzania, Kenya and Democratic Republic of the Congo. The Group's administrative offices are located in the United Kingdom and Mauritius.

2.1 Use of estimates and judgements

The preparation of both annual and interim financial statements usually requires the use of estimates and judgements. There has been no change in the Group's estimates and judgements since the year end with the exception of residual values for drilling rigs and associated equipment. The residual value estimates have been revised down to 2.5% and 0% respectively.

3.	Revenue	Six months ended 30 June 2023	Six months ended 30 June 2022
		US$	US$
	Revenue from the rendering of services comprises:		
	Drilling and associated revenue	108,046,633	100,230,452
	Revenue from Mining	27,152,535	23,678,570
	MSALABS revenue	17,104,748	11,814,696
	Revenue from Surveying	1,966,160	2,404,884
		154,270,076	138,128,602

4. 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 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.

5. Earnings per share

Basic Earnings per share:

	30 June 2023	30 June 2022
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	16,942,755	8,849,651
Weighted average number of ordinary shares for the purposes of basic earnings per share	191,185,152	189,451,637
Basic earnings per share (cents)	8.9	4.7

Diluted earnings per share:

	30 June 2023	30 June 2022
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.	16,942,755	8,849,651
Weighted average number of ordinary shares used in the calculation of basic earnings per share	191,185,152	189,451,637
- Dilutive share options #	8,780,924	6,847,322
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	199,966,075	196,298,959
Diluted earnings per share (cents)	8.5	4.5

For the purposes of calculating diluted earnings per share, no share options (2022: Nil) were excluded based on being anti-dilutive as the exercise price is lower than the current share price.

6. Dividends

During the six months ended 30 June 2023, a dividend of 2.6 cents per ordinary share was declared on 16 March 2023, totalling US$5,101,010 (six months ended 30 June 2022: 2.4 cents per ordinary share, totalling US$4,607,599) and paid on 9 May 2023.

CAPITAL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)
For the six months ended 30 June 2023

7. Property, plant and equipment

Cost	Drilling rigs	Heavy mining equipment	Associated Drilling & mining equipment	Vehicles and trucks	Camp and associated equipment	Computer software
At 1 January 2022	124,251,706	59,224,772	23,691,159	33,594,212	13,877,137	38,361
Additions	21,873,207	12,309,225	12,133,884	5,617,520	4,772,198	-
Disposal	(6,755,226)	(89,983)	(4,426,158)	(1,425,910)	(479,718)	-
At 31 December 2022	139,369,687	71,444,014	31,398,885	37,785,822	18,169,617	38,361
Additions	13,806,782	7,802,362	554,006	3,929,134	13,316,261	13,601
Disposal	(9,449,423)	(131,442)	(619,079)	(1,003,873)	(466,723)	-
At 30 June 2023	143,727,046	79,114,934	31,333,812	40,711,083	31,019,155	51,962
Accumulated Depreciation						
At 1 January 2022	75,824,884	7,980,219	7,953,664	13,761,124	7,106,489	9,221
Depreciation	10,373,050	8,876,658	3,134,579	3,180,506	1,389,635	4,178
Disposal	(6,409,664)	(81,176)	(4,345,182)	(1,245,572)	(407,682)	-
At 31 December 2022	79,788,270	16,775,701	6,743,061	15,696,058	8,088,442	13,399
Depreciation	5,317,342	5,606,564	1,482,341	2,389,168	1,096,939	3,222
Disposal	(8,887,206)	(151,888)	(560,822)	(908,875)	(422,549)	-
At 30 June 2023	76,218,406	22,230,377	(7,664,580)	17,176,351	8,762,832	16,621
Carrying amount at:						
31 December 2022	**59,581,417**	**54,668,313**	**24,655,824**	**22,089,764**	**10,081,175**	**24,962**
30 June 2023	**67,508,640**	**56,884,557**	**23,669,232**	**23,534,732**	**22,256,323**	**35,341**

CAPITAL LIMITED
Notes to the Condensed Consolidated Interim Financial Statements (cont'd)
For the six months ended 30 June 2023

7. Property, plant and equipment (continued)

Bank borrowings are secured on the Group's drilling and mining fleet - see Note 11.

The Group's property plant and equipment includes assets not yet commissioned totalling US$45.5 million (HY 2022: US$22.4 million). The assets will be depreciated once commissioned and available for use.

During the six months ended 30 June 2023, the Group acquired US$39.4 million worth of property, plant and equipment (HY 2022: US$21.9 million). Out of the US$39.4 million additions, US$6.6 million (HY 2022: US$6.0 million) was acquired through supplier credit agreements - see Note 11.

The Group disposed of property, plant and equipment with a net carrying amount of US$0.7 million (HY 2022: US$0.2 million) during the period. A loss of US$0.7 million (2022: US$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 2023, there was no indication of impairment.

8. Leases (Group as lessee)

Details pertaining to leasing arrangements, where the Group is lessee are presented below:

	Land & Buildings	**Machinery**	**Total**
Right of use assets	**US$**	**US$**	**US$**
At 1 January 2022	**1,858,960**	**7,992,383**	**9,851,343**
Additions	88,258	1,200,106	1,288,364
Depreciation	(306,712)	(1,070,309)	(1,377,021)
30 June 2022	**1,640,506**	**8,122,180**	**9,762,686**
At 31 December 2022	3,565,345	13,086,973	16,652,318
Additions	1,298,287	9,786,562	11,084,849
Depreciation	(558,307)	(2,580,164)	(3,138,471)
At 30 June 2023	**4,305,325**	**20,293,371**	**24,598,696**
Lease liabilities			
At 1 January 2022	**1,543,182**	**8,047,987**	**9,591,169**
Additions	26,725	1,030,934	1,057,659
Interest expense	49,637	280,948	330,585
Lease payments	(293,235)	(1,190,646)	(1,483,881)
30 June 2022	**1,326,309**	**8,169,223**	**9,495,532**
At 31 December 2022	3,395,847	12,871,001	16,266,848
Additions	1,298,288	9,180,759	10,478,977
Interest expense	136,251	721,016	857,267
Lease payments	(661,426)	(2,830,213)	(3,491,639)
At 30 June 2023	**4,168,960**	**19,942,563**	**24,111,523**

The weighted average incremental borrowing rate applied to lease liabilities during the period was 10% (2022: 7%).

	As at	
	30 June 2023	**31 December 2022**
9. Issued capital and share premium	**US$**	**US$**
Authorised capital		
2,000,000,000 (31 December 2022: 2,000,000,000) ordinary shares of 0.01 cents (2022: 0.01 cents) each	200,000	200,000
Issued and fully paid:		
193,696,920 (31 December 2022: 192,864,738) ordinary shares of 0.01 cents (31 December 2022: 0.01 cents) each	19,370	19,287
Share premium:		
Balance at the beginning of the period	62,390,217	60,900,119
Issue of shares	-	1,490,098
Balance at the end of the period	62,390,217	62,390,217

Fully paid ordinary shares which have a par value of 0.01 cents, carry one vote per share and carry rights to dividends.

10. Non-controlling interest

Below is a summary of the movement in non-controlling interest during the period:

	MSALABS Ltd US$	CMS (Tanzania) Ltd US$	IACA Limited US$	Total US$
Balance at 1 January 2023	2,688,022	2,891,202	(6,684)	5,572,540
Profit/ (loss) attributable to NCI	(722,620)	1,398,317	(15,883)	659,814
Change in ownership:				
- Equity raise	365,044	-	-	365,044
- Rights issue	1,828,579	-	-	1,828,579
- Purchase of shares from NCI	(486,271)	-	-	(486,271)
- Other	182,006	-	-	182,006
Dividends paid	(18,557)	-	-	(18,557)
Balance at 30 June 2023	3,836,203	4,289,519	(22,567)	8,103,155

	MSALABS Ltd US$	CMS (Tanzania) Ltd US$	IACA Limited US$	Total US$
Balance at 1 January 2022	2,673,353	1,094,236	-	3,767,589
Profit/ (loss) attributable to NCI	131,158	701,853	-	833,011
Balance at 30 June 2022	2,804,511	1,796,089	-	4,600,600

11. Loans and borrowings

Loans and borrowings consist of:

(a) US$50 million revolving credit facility ("RCF") provided by Standard Bank (Mauritius) Limited and Nedbank Limited

The Company entered into a revolving credit facility agreement on 28 March 2023 as borrower together with Standard Bank (Mauritius) Limited and Nedbank Limited (acting through its Nedbank Corporate and Investment banking division) as lenders and arrangers, with Nedbank acting as agent and security agent to borrow a revolving credit facility for an aggregate amount of US$50 million with the Company being able to exercise an accordion option to request an increase of the facility under the terms and conditions of the Facility Agreement. The interest rate on the RCF is the prevailing three-month SOFR (payable in arrears) plus a margin of 5.5%, and an annual commitment fee of 1.75% per annum is charged on any undrawn balances. The amount utilised on the RCF is US$50 million as at 30 June 2023 (2022: US$25 million).

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 revolving credit facility comprise various pledges over the shares and claims of the Group's entities in Tanzania together with a debenture over the rigs in Tanzania and the assignment of material contracts and their collection accounts in each of Egypt, Tanzania and Mali.

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

(b) US$32.5 million term loan provided by Macquarie Bank Limited (London Branch)

On 15 September 2022, the Group refinanced the 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 SOFR plus a margin of 6.5% per annum (payable quarterly in arrears). The loan is secured over certain assets owned by the Group and currently located in Egypt together with guarantees provided by Capital Limited and Capital Drilling Egypt LLC. As at 30 June 2023, the outstanding amount was US$24.9m (2022:US$ 31.8m).

During the year under review, the Group has complied with all covenants attached to the term loan.

(c) Epiroc Financial Solutions AB credit agreements

The Group has a number of credit agreements with Epiroc, drawn down against the purchase of rigs. The term of the agreements is four years repayable in 46 monthly instalments. The rate of interest on some of the agreements is three-month US LIBOR plus a margin of 4.8%, with a fixed rate of interest of the remaining agreements of 8.25%. As at 30 June 2023, the total drawn under these credit agreements was US$15.9 m (2022: US$11.7 million).

No covenants are attached to this facility.

(d) US$8.5 million term loan facility with Sandvik Financial Services AB (PUBL)

The Group has term loan facility agreement with Sandvik Financial Services AB (PUBL). The facility is for the purchase of equipment from Sandvik AB, available in not more than four tranches. Interest is payable quarterly in arrears at 5.45% per annum on the drawn amount. The facility is no longer available to drawn on and as at 30 June 2023 the balance outstanding was US$5.0 million (2022: US$5.9 million).

No covenants are attached to this facility.

	As at	
	30 June 2023	**31 December 2022**
11. Loans and borrowings (cont'd)	**US$**	**US$**
Bank loans	77,534,116	57,944,781
Supplier credit facilities	20,997,754	17,674,372
	98,531,870	75,619,153
Less: Unamortised debt arrangement costs	(1,732,122)	(717,531)
Total loans and borrowings	96,799,748	74,901,622
Current	19,231,504	18,036,811
Non-current	77,568,244	56,864,811
Total loans and borrowings	96,799,748	74,901,622

At the reporting date, the Group's loans and borrowings total US$98.5 million (2022: US$75.6 million), offset by unamortised debt costs of US$1.7 million (2022: US$ 0.7m). US$0.9 million (2022:US$ 0.4m) of the debt costs have been classified as current and US$0.8 million (2022:US$ 0.3m) as non-current.

	Six months ended	
12. Cash from operations	**30 June 2023**	**30 June 2022**
	US$	**US$**
Profit before taxation	23,412,804	15,139,368
Adjusted for:		
- Depreciation	15,895,577	12,040,427
- Loss on disposal of property, plant and equipment	694,279	229,091
- Fair value (gain)/ loss on investments at fair value	(843,457)	10,265,388
- Share based payment expense	2,033,555	1,410,906
- Interest income	(17,441)	(112,808)
- Finance charges	5,814,411	2,670,575
- IFRS 16 depreciation on rights of use assets	3,138,471	1,377,021
- Unrealised foreign exchange (gain)/ loss on foreign currency held	(346,029)	1,214,380
- Other non-cash items	638,365	492,000
- Increase in expected credit loss provision	1,453,657	-
- Bad debt write offs	218,350	-
- Release of provisions	(721,491)	-
Operating profit before working capital changes	51,371,051	44,726,348
Adjustments for working capital changes:		
- Increase in inventory	(4,899,280)	(13,575,478)
- Increase in trade and other receivables	(11,361,406)	(2,278,530)
- Increase in trade and other payables	7,970,217	6,060,573
- Decrease in provisions	(1,428,421)	-
	41,652,161	34,932,913

13. 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. The segment relates to jurisdictions which contribute a relatively small amount of external revenue to the Group. These include Saudi Arabia and Canada.

Information regarding the Group's operating segments is reported below. At 30 June 2023, management reviewed the composition of the Group's operating segments and the allocations of operations to the reportable segments.

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 2023	**Africa**	**Rest of World**	**Consolidated**
	US$	**US$**	**US$**
External revenue	142,776,503	11,493,573	154,270,076
Segment profit (loss)	54,493,646	(9,724,702)	44,768,944
Central administration costs and depreciation, net of other income			(16,365,127)
Profit from operations			28,403,817
Fair value gain on investments at fair value			843,457
Interest income			17,441
Finance charges			(5,851,911)
			23,412,804

The following customers from the Africa segment contributed 10% or more to the Group's revenue:

	30 June 2023	**30 June 2022**
	%	**%**
Customer A	35%	38%
Customer B	17%	14%

13. Segmental analysis (continued)

For the six months ended 30 June 2022	**Africa**	**Rest of World**	**Consolidated**
	US$	**US$**	**US$**
External revenue	128,924,789	9,203,813	138,128,602
Segment profit (loss)	44,394,623	(15,675,189)	28,719,434
Central administration costs and depreciation, net of other income			(756,911)
Profit from operations			27,962,523
Fair value gain on investments at fair value			(10,265,388)
Interest income			112,808
Finance charges			(2,670,575)
Profit before tax			15,139,368

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.

	As at	
	30 June 2023	**31 December 2022**
	US$	**US$**
Segment assets:		
Africa	555,078,022	506,043,094
Rest of world	73,712,078	59,642,347
Total segment assets	628,790,100	565,685,441
Head office companies	337,534,248	280,828,362
	966,324,348	846,513,803
Eliminations *	(528,575,843)	(459,714,615)
Total assets	437,748,505	386,799,188
Segment liabilities:		
Africa	268,648,606	239,012,484

Rest of world	45,628,655	31,752,437
Total segment liabilities	314,277,261	270,764,921
Head office companies	364,979,087	315,694,862
	679,256,348	586,459,783
Eliminations *	(494,841,996)	(438,552,679)
Total liabilities	184,414,352	147,907,104

CAPITAL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)
For the six months ended 30 June 2023

13. Segmental analysis (continued)

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 intra-group accounts receivable, intra-group accounts payable and intra-group investments.

Other segment information:

	Six months ended	
Non-Cash items included in profit or loss:	30 June 2023	30 June 2022
	US$	US$
Depreciation		
Africa	17,580,762	12,638,195
Rest of world	1,188,018	585,085
Total segment depreciation	18,768,780	13,223,280
Head office companies	253,997	194,168
	19,022,777	13,417,448
Loss on disposal of property, plant and equipment		
Africa	687,095	225,384
Rest of world	-	3,707
Total segment loss on disposal	687,095	229,091
Head office companies	7,184	-
	694,279	229,091

	Six months ended	
	30 June 2023	30 June 2022
	US$	US$
Impairment on Inventory		
Africa		
Stock Provision	(688,935)	696,950
Stock Write Offs	316,372	11,198
	(372,563)	708,148
Rest of world		
Stock Provision	4,779	-
Stock Write Offs	375	-
	5,154	-
Total segment impairment	(367,409)	708,148
Head office companies	825,712	-
	458,303	708,148

CAPITAL LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)
For the six months ended 30 June 2023

13. Segmental analysis (continued)

Segmental reporting summary by region:

	Revenue		Non-Current Assets	
	Six months ended		As at	
	30 June 2023	30 June 2022	30 June 2023	31 December 2022
	US$	US$	US$	US$

	US$	US$	US$	US$
Middle East/North Africa	57,518,681	57,627,212	78,683,463	77,014,240
South and East Africa	51,618,763	32,979,498	53,314,478	36,970,552
West Africa	37,255,842	39,661,597	60,567,809	56,262,245
Others	7,876,790	7,860,295	37,576,918	28,735,966
	154,270,076	138,128,602	230,142,668	198,983,003

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.

14. Commitments

	As at	
	30 June 2023	**30 June 2022**
The Group has the following capital commitments at 30 June:	**US$**	**US$**
Committed capital expenditure	25,192,185	33,225,972

15. Contingencies

As a result of the multiple jurisdictions in which the Group operates, there are a number of ongoing tax audits. In the opinion of Management, with the exception of the matters identified below, none of these ongoing audits represent a reasonable possibility of a material settlement and as such, no contingent liability disclosure is required.

<u>Cote D'Ivoire tax</u>

2018-19 tax audit
A tax audit of Capital Drilling Cote D'Ivoire (CDCI) for the two years ended 31 December 2019 is currently underway. Through negotiations, the total tax claimed has been reduced from US$1.5 million to US$0.4 million.

The underlying facts would not trigger any additional tax liability and the tax authorities verbally confirmed they would undertake a full review. However, a demand for payment was issued in February 2023 and accordingly the exposure of US$0.4 million has been provided in full as at 30 June 2023.

<u>MSA - Democratic Republic of the Congo (DRC)</u>

MSA DRC was incorporated in May 2022 but was not formally registered for VAT until 20 October 2022. In May 2023, the company was assessed for $0.9m of penalties (300%) for charging VAT on invoices before being registered for VAT in country.
Management has sought expert advice and the exchange of information with tax authorities is ongoing. No provision has been recognised at 30 June 2023.

16. 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 2023	**31 December 2022**
	US$	**US$**
Level 1 - Listed shares	31,386,250	30,434,599
Level 3 - Unlisted shares and derivative financial assets	10,687,306	8,292,442
	42,073,556	38,727,041

16. Financial instruments (Continued)

The reconciliation of the investment valuations from 1 January 2023 to 30 June 2023 is as follows:

	Level 1	Level 3	Total
At 1 January 2023	30,434,599	8,292,442	38,727,041
Additions	4,211,623	647,723	4,859,346
Disposal	(2,356,288)	-	(2,356,288)
Fair value gain/(loss)	458,372	385,085	843,457
At 30 June 2023	32,748,306	9,325,250	42,073,556

	Level 1	Level 3	Total
At 1 January 2022	51,958,649	8,193,018	60,151,667
Additions	8,713,205	297,316	9,010,521
Disposal	(10,345,543)	-	(10,345,543)
Fair value (loss)/gain	(19,891,712)	(197,892)	(20,089,604)
At 31 December 2022	30,434,599	8,292,442	38,727,041

(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 2023 closing prices. No secondary valuation methodologies have been considered as all the Company's investments are listed on active markets.

Level 3 shares

Market Approach - Market Comparables applying Directors' estimate.

The Directors have reviewed the methodology at 30 June 2023 in the valuation of Allied 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 2023 and 2024. The peer average for 2023 used was 3.8x and the average used in 2024 was 3.4x.

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 USD10.7 million to USD13.0 million. The related fair value increase of USD2.3 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 USD10.7 million to USD8.4 million. The related fair value decreases of USD2.3 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.

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.

16. Financial instruments (cont'd)

(c) Fair values of other financial instruments

Level 3 derivative financial assets

The Group's derivative financial assets consist of call options to acquire additional shares in a non-listed entity. The financial assets have been valued using the Black Scholes option pricing model by comparing the key assumptions in the model to a peer group.

17. Events post the reporting date

The directors proposed that an interim dividend of 1.3 cents per share be paid to shareholders on 3 October 2023. 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 1 September 2023. The total estimated interim dividend to be paid is US$2.5 million (2022: US$2.5 million). The payment of this dividend will have no tax consequences for the Group.

CAPITAL LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITY
For the six months ended 30 June 2023

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 2022.

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 15 August 2023.

ON BEHALF OF THE DIRECTORS

Jamie Boyton
Chairman of the Board of Directors

Peter Stokes
Chief Executive Officer

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 have not changed since the year end and are detailed below:

Area	Description	Mitigation
Reduction 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 mining 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 mine-site contracts, expanding its services offering into mine-site based activities such as load and haul mining, and also expanding both its customer and geographic reach.

Area	Description	Mitigation
Risk of Termination	Contracts can be terminated for convenience by the client at short notice and without penalty. Guidance is partly based on current contracts in hand, and the Group derives a significant proportion of its revenue from providing services under large contracts. As a result, there can be no assurance that work in hand will be realised as revenue in any future period. There could be future risks and costs arising from any termination of contract. While the Group has no reason to believe any existing or potential contracts will be terminated, there can be no assurance that this will not occur. In addition, it's important that the Group maintains its project pipeline and win rate. Any failure by the Group to continue to win new contracts will impact its financial performance and position.	Contract renewal negotiations are initiated well in advance of expiry of contracts to ensure contract renewals are concluded without interruption to services. There are also a wide range of termination clauses across the Group's contracts depending on the size, nature and client involved (i.e., not all contracts can be terminated for convenience, and some contracts must be terminated with notice and or require the client to pay us an early termination payment or demobilisation fee).
Risk of Default	The Group has financing facilities with external financiers. A default under any of these facilities could result in withdrawal of financial support or an increase in the cost of financing.	The Group has a robust system of analysing and forecasting cash and debt positions. The Group is continuing to develop a stronger facilities management system, in addition to strengthening and broadening its banking relationships.

Area	Description	Mitigation
Supply chain disruption	Disruption to border crossings; equipment being held up in customs.	The Group ensures a continual monitoring of movement of goods at all relevant borders and assesses back-up options regularly. Inventory levels are set to allow for a period of disruption. The Group also ensures a local supplier early bulk purchasing strategy.
Adverse change in local tax laws, regulations and practice.	Unforeseen changes to local tax regulations leading to new or higher tax charges; unpredictable tax audit processes.	The Group employs a senior international tax specialist in the head of tax role. The Group carries out enhanced tax due diligence on incorporation with identification of strong and well-connected local tax advisers. The Group obtains written confirmation from local tax authorities in advance of undertaking major transactions. The Group ensures supporting documentation for all tax filings are complete and accurate. Access to a detailed online tax technical database (IBFD) as well as close links with local and multinational accounting firms. Experienced in-house tax and compliance resource employed in West Africa with significant regional experience and a Big-4 tax background.
Risk to Cash Repatriation	Restrictive currency controls which impact ability to repatriate cash from countries of operation.	The Group has multiple bank accounts in multiple currencies and seeks to move cash out of restrictive or high-risk jurisdictions as soon as possible.
Decline in Minesite production levels	The Group's activity levels and results are to a certain extent dependent on production levels at clients' mines while revenues are linked to the production volumes and not to the short-term price of the underlying commodity	A significant proportion of the Group's revenue is derived from mines which are already in production. The Group focuses on ensuring execution of work to a high standard and improving its operation to increase its

	the underlying commodity.	improving its operation to increase its value proposition to clients. Application of the Group tender work procurement and approval processes maximises the likelihood of achieving margins and earnings. In addition, the Group's diversification of service offering limits the exposure to one specific area of the business.

CAPITAL LIMITED

Principal and Emerging Risks and Uncertainties (continued)

Area	Description	Mitigation
Reliance on Key Customers	The Group's business relies on a number of individual contracts and business alliances and derives a significant proportion of its revenue from a small number of key long-term customers and business relationships with a few organisations. In the event that any of these customers fails to pay, reduces production or scales back operations, terminates the relationship, defaults on a contract or fails to renew their contract with the Group, this may have an adverse impact on the financial performance and/or financial position of the Group.	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 historically had a strong record of completing contracts to term and securing contract extensions. The Group is selective in the contracts that it enters into to allow for options to extend where possible to maximise the contract period and the return on capital. The Group focuses on ensuring execution of work to a high standard and improving its operation to increase its value proposition to clients. Application of the Group tender work procurement and approval processes maximises the likelihood of securing quality work with commensurate returns for the risks taken. The Group maintains a work portfolio diversified by geography, market, activity and client to mitigate the impact of emerging trends and market volatility. 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.
Labour costs and availability	The Group is exposed to increased labour costs and retention constraints in markets where the demand for labour is strong. Changes to labour laws and regulations may limit productivity and increase costs of labour. If implemented and enforced, these types of changes to labour laws and regulations could adversely impact revenues and, if costs increase or productivity declines, operating margins.	The Group's labour costs are typically protected by rise and fall mechanisms within client contracts, which mitigate the impact of rising labour costs.

CAPITAL LIMITED

Principal and Emerging Risks and Uncertainties (continued)

Area	Description	Mitigation
Lack of equipment	The Group has a significant fleet of	The Group continues to focus on

availability	equipment, and has a substantial ongoing requirement for consumables, including tyres, parts and lubricants. If the Group cannot secure a reliable supply of equipment and consumables, there is a risk that its operational and financial performance may be adversely affected.	supplier relationships including maintaining payment terms and identifying alternative sources.
Deterioration in Health & Safety record	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 senior management team, led by the CEO, provide leadership to projects on the management of these risks and actively engage with employees at all levels. The Group has 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 Group HSEQ monitors high risk events in areas of operation and distributes warnings and guidance as required. The Group is also closely engaged with its clients to ensure workplace safety and containment measures are adhered to.

Area	Description	Mitigation
Tender and estimating risk	Operations not able to deliver on tendered margins.	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. Some contracts include pricing protections by way of mechanisms that allow for annual pricing reviews and/or the application of annual CPI adjustments. Many contracts also contain mechanisms to allow the Group to end the contract with minimal notice if continued performance is financially burdensome.
Adverse movements in commodity prices	Adverse movements in commodity prices may reduce both exploration budgets and the pipeline of mine-site work in the mining sector, which in turn could reduce the level of demand for the Group's drilling and mining services. This could have a material impact on the Group's operating and financial performance.	The Group focuses on mine-site low-cost operations where activity is less susceptible to adverse commodity price movements. In addition, the Group is implementing a diversification strategy which is focused on developing new service offerings, developing a finance/capital strategy that provides balance sheet strength and allows for organic and inorganic growth in the business, and also diversifying through M&A opportunities.
Over exposure to Gold	Gold is an important commodity contributing to the Group's order book	The Group is in the process of implementing a diversification

	and tender pipeline. If the gold industry were to suffer, it would have a material adverse effect on the Group's revenues and profitability.	strategy in terms of developing new service offerings, developing a finance/capital strategy that allows for organic and inorganic growth in the business, and diversifying through M&A opportunities.
Adverse impact of climate change	Risks related to the physical impacts of climate change include increased incidence and severity of extreme weather events that could disrupt site operations and impact the health and safety of our workforce.	The Group monitors weather patterns in countries/regions of operation. Fleet deployment is planned giving consideration to those weather patterns, as is scheduling of shift work. The Group ensures force majeure clauses are included within its contracts.

CAPITAL LIMITED

Principal and Emerging Risks and Uncertainties (continued)

Area	**Description**	**Mitigation**
Exposure to 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 also in local currency or other non-US dollar currencies. 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 has significantly improved processes for the repatriation of funds to the Group's Head Office bank accounts from jurisdictions where exchange control regulations are in effect, and this remains a key focus area. Arrangements entered into with online FX broking platforms allow greater visibility of market rates for exotic currencies as well as the major hard currency trades - allows more challenge of rates being offered by our banking partners given the limited flexibility to trade with other parties that exists under the current debt facility agreement with Standard Bank and NedBank.
Higher levels of Inflation	Increases in cost of goods and in labour/salary costs related to higher levels of inflation.	The Group ensures accurately pursuing contractual rights under existing rise and fall mechanisms. It ensures to price contracts with known inflationary pressures and negotiates robust rise and fall mechanisms.
Reduction in values 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 Group's Investment Committee actively monitors existing investments for performance and strategic alignment. 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.
ERP system failure	ACCPAC, the current ERP system is not monitored by Sage but by internal resources, therefore minimising downtime due to necessary maintenance is reliant on having the appropriate skills internally.	Project underway to implement and transfer to new ERP system.

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

The Group presents various Alternative Performance Measures (APMs) as management believes that these are useful for users of the financial statements in helping to provide a balanced view of, and relevant information on, the Group's financial performance in the period.

The following terms and alternative performance measures are used in the half year results release for the six months ended 30 June 2023.

ARPOR	Average revenue per operating rig
EBIT	Earnings before interest, taxes and fair value gain/loss
EBITDA	Earnings before interest, taxes, depreciation, amortisation and fair value gain/loss
EBITDA (adjusted for IFRS 16 leases)	EBITDA pre fair value gain/ loss on investments, net of cash cost of the IFRS 16 leases
NPAT	Net Profit After Tax
Adjusted NPAT	Net profit after tax before fair value gain/loss on investments
ADJUSTED EPS	Net profit after tax before fair value gain/loss over weighted average number of ordinary shares
NET CASH (DEBT)	Cash and cash equivalents less short term and long-term debt

Reconciliation of alternative performance measures to the financial statements:

	Six months ended	
	30 June 2023	**30 June 2022**
	US$	**US$**
ARPOR can be reconciled from the financial statements as per the below:		
Revenue per financial statements (US$)	154,270,076	138,128,602
Non-drilling revenue (US$)	(50,061,076)	(41,617,602)
Revenue used in the calculation of ARPOR (US$)	104,209,000	96,511,000
Monthly Average active operating Rigs	93	93
Monthly Average operating Rigs	124	112
ARPOR (rounded to nearest US$10,000)	188,000	173,000
EBIT and EBITDA can be reconciled from the financial statements as per the below:		
Profit for the period	17,602,570	9,682,662
Taxation	5,810,234	5,456,706
Interest income	(17,441)	(112,808)
Finance charges	5,851,911	2,670,575
Fair value adjustments	(843,457)	10,265,388
EBIT	28,403,817	27,962,523
Gross profit	70,954,496	61,118,149
Administration expenses		(23,527,902)
Depreciation	(19,022,777)	(13,417,448)
EBIT	28,403,818	27,962,523

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

Adjusted net profit and adjusted EPS can be reconciled from the financial statements as per the below:

	30 June 2023	**30 Jun 2022**
	US$	**US$**
Profit for the period	17,602,570	9,682,662
Depreciation	19,022,777	13,417,448
Taxation	5,810,234	5,456,706
Interest income	(17,441)	(112,808)
Finance charges	5,851,911	2,670,575
Fair value adjustments	(843,457)	10,265,388
EBITDA	47,426,594	41,379,971

	30 June 2023	**30 Jun 2022**
	US$	**US$**
Operating profit (EBIT)	28,403,817	27,962,523
Depreciation, amortisation and impairments	19,022,777	13,417,448
EBITDA	47,426,594	41,379,971
Gross profit	70,954,496	61,118,149
Administration expenses	(23,527,902)	(19,738,178)
EBITDA	47,426,595	41,379,971

Operating profit (EBIT)	28,403,817	27,962,523
Interest income	17,441	112,808
Finance charges	(5,851,911)	(2,670,575)
Taxation	(5,810,234)	(5,456,706)
Adjusted net profit	16,759,113	19,948,050
Profit for the period	17,602,570	9,682,662
Fair value adjustments	(843,457)	10,265,388
Adjusted net profit	16,759,113	19,948,050
EBITDA (adjusted for IFRS 16 leases)		
EBITDA	47,426,594	41,379,971
Lease payments	(3,491,639)	(1,483,881)
EBITDA (adjusted for IFRS 16 leases)	43,934,955	39,896,090

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

	30 June 2023 US$	31 December 2022 US$
Net debt can be reconciled from the financial statements as per the below:		
Cash and cash equivalents	32,059,797	28,379,607
Long-term liabilities	(78,384,246)	(57,153,863)
Current portion of long-term liabilities	(20,147,624)	(18,465,290)
Net debt	(66,472,073)	(47,239,546)

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

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 a non-IFRS financial measure that is used as supplemental financial measure by management and external users of financial statements, such as investors, to assess our financial and operating performance. This non-IFRS financial measure 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.

EBITDA (adjusted for IFRS 16 leases)

EBITDA **(adjusted for IFRS 16 leases)** represents profit or loss for the year before interest, income taxes, depreciation & amortisation, 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 and net of cash cost of the IFRS 16 leases.

Net cash (debt)

Net cash (debt) is a non-IFRS 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.

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.

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