Annual Report 2019

“During 2019, we have continued to successfully execute against all areas of our strategy and in particular, increased our service offering.

We now offer our clients a complete range of mining services, from exploration and production drilling, load and haul and mining services and fleet maintenance, together with laboratory analysis capability through MSALABS.

This broadens the opportunities for our Company with mine-site based clients who are less exposed to cyclical movements in the industry and therefore provide more stable revenues.

JAMIE BOYTON, EXECUTIVE CHAIRMAN

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From 1 April 2020

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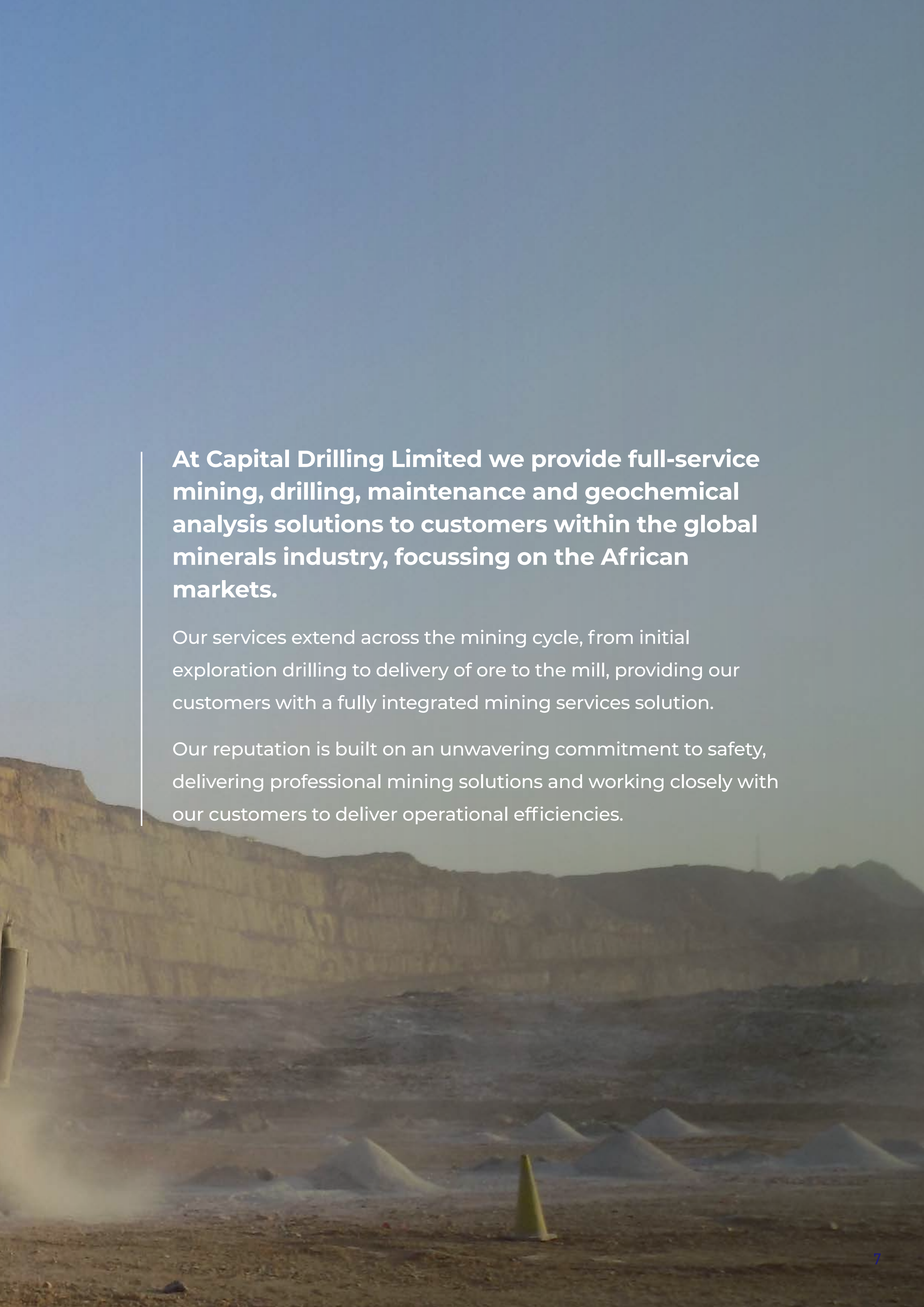
All values in this Annual Report are in USD unless stated otherwise


RIG 111
CAPITAL
DRILLING



At Capital Drilling Limited we provide full-service mining, drilling, maintenance and geochemical analysis solutions to customers within the global minerals industry, focussing on the African markets.

Our services extend across the mining cycle, from initial exploration drilling to delivery of ore to the mill, providing our customers with a fully integrated mining services solution.

Our reputation is built on an unwavering commitment to safety, delivering professional mining solutions and working closely with our customers to deliver operational efficiencies.

2019 Highlights

$114.8 MILLION

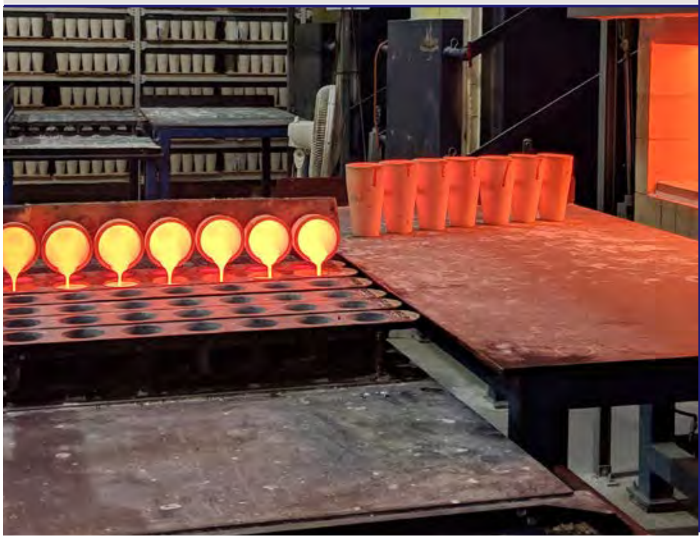
Full year 2019 revenue

$10.4 MILLION

NPAT up 34%
on 2018 ($7.7M)

0.14 **OUTSTANDING SAFETY ACHIEVEMENT**

12-month rolling
All Injury Frequency Rate
(AIFR)



3 YEARS

MSALABS awarded three-year onsite laboratory services contract with Kinross Gold Corp at its Tasiast Gold Mine, Mauritania

$4.4 MILLION

Net cash at 31 December 2019

LOAD + HAUL

Expansion of service offering, enabling Capital Drilling to offer a fully integrated service

9 NEW CONTRACTS

Nine contracts with new clients, located in West Africa

59%

Record four-year rig utilization in Q4

44 RIGS

Rig count in West Africa, up from 15 rigs in Q1 2018

Recurring revenue base underpins growth opportunities and investor returns

Investment Proposition

TIER 1 MINE-SITE BASED CLIENTS

- Stable and predictable revenue streams

BUSINESS DIVERSIFICATION

- Diversity of services across the cycle, coupled with extension into complementary ancillary services

TARGETED GROWTH

- Focus on high-growth West African region, with geographic concentration to drive margins

EXCELLENCE IN EXECUTION

- Best-in-class project execution, fleet quality and management

ROBUST BALANCE SHEET

- Capacity to fund growth initiatives and dividend payments

EXECUTING ON STRATEGIC PRIORITIES

- Establishment of Capital Mining Services to deliver significant growth opportunities

EXPLORATION FLEET CAPACITY

- Idle rig capacity provides growth upside

SHAREHOLDER RETURNS

- Focus on shareholder returns through growth, investments and dividend payments

Our Business

OUR COMPANY

We are a large diversified mining services contractor providing a complete range of drilling, mining, maintenance and geoanalytical services and solutions to mining and exploration companies.

Our services extend through the complete mining cycle, from the exploration phase through to producing mine sites.

We focus on the African markets, with well-established operations across East Africa and a substantial presence in the high-growth West African region. We have also completed drilling projects around the world in South America, Europe and Asia Pacific.

OUR PURPOSE

Our purpose is to deliver safe, professional and reliable services and solutions to our customers, while providing solid long-term returns to our investors.

HOW WE CREATE VALUE

We have proven capability in deploying fit-for-purpose, well-maintained equipment and competent personnel to both remote locations and established mine sites.

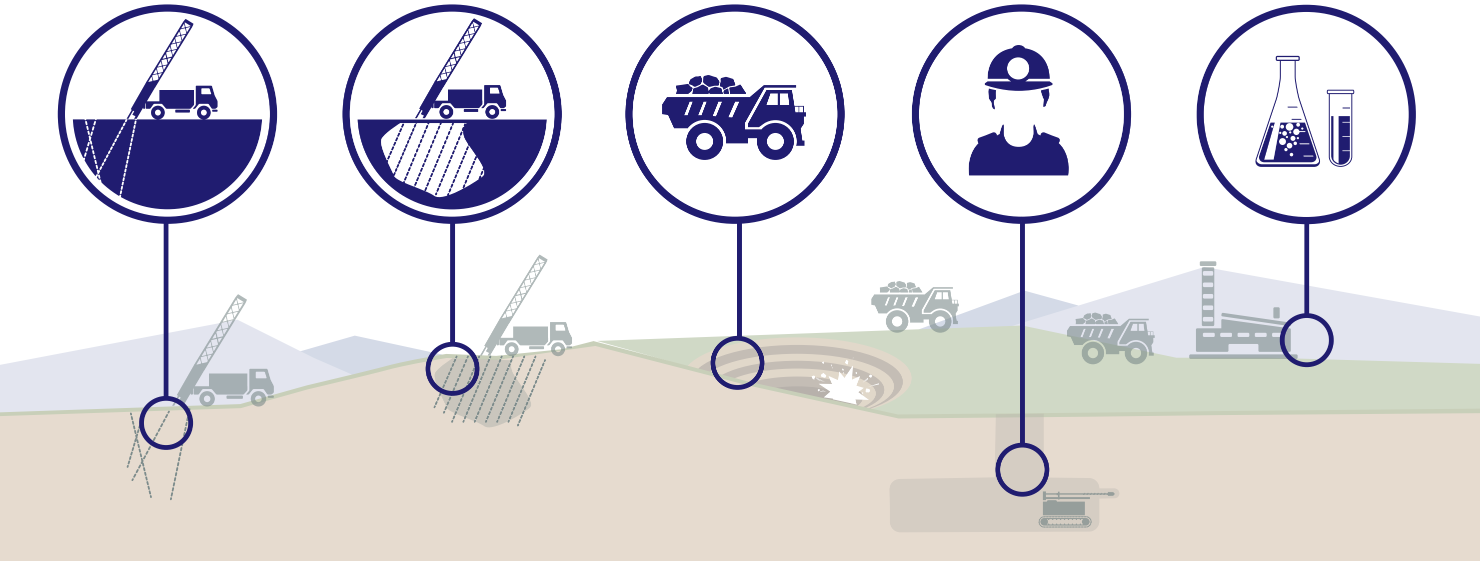
Our team have built a reputation for adopting a pragmatic approach to their work and - using their extensive knowledge and experience - continuously looking at how to improve productivity and safety on site.

We operate in challenging environments to the highest safety standards and are trusted by our customers to deliver competitively priced, quality solutions at various stages of the mining cycle.

We have a flexible structure that enables us to respond rapidly and efficiently to changes in market conditions. This is underpinned by a strict capital discipline process and a highly capable Executive Leadership Team.

OUR SERVICES

In 2019, we expanded our services to include load and haul for mining clients, enabling us to offer a fully integrated mining service.



	EXPLORATION	DEVELOPMENT	PRODUCTION (SURFACE)	PRODUCTION (UNDERGROUND)	PROCESSING
CAPITAL MINING			Load and Haul Drill and Blast		
CAPITAL DRILLING	Air Core Drilling Reverse Circulation Drilling Diamond Drilling	Reverse Circulation Drilling Diamond Drilling Delineation Drilling	Grade Control Drilling Blast Hole Drilling DeWatering	Reverse Circulation Drilling Diamond Drilling Grade Control	
MSALABS	Mineral Geochemical Analysis	Mineral Geochemical Analysis	Mineral Geochemical Analysis On-site Laboratories	Mineral Geochemical Analysis On-site Laboratories	Mineral Geochemical Analysis On-site Laboratories

Key Facts At a Glance

CLIENT BASE

	2018	2019
JUNIOR	4	4%
MID TIER	58	58%
MAJOR	38	38%

2019 REV BY MINING PHASE

	2018	2019
EXPLORATION	5	7%
DEVELOPMENT	15	16%
PRODUCTION	70	66%
UNDERGROUND	10	11%

DRILL RIG FLEET

	2018	2019
AIR CORE	4	4
DIAMOND CORE	40	33
REVERSE CIRCULATION/ GRADE CONTROL	13	21
UNDERGROUND	7	8
BLAST HOLE	27	29

SAFETY ACHIEVEMENTS

All Injury Frequency Rate **0.14**	Rolling AIFR Safety result **well below industry standards**
Lost Time Injury (LTI) Free **11 YRS**	Mwanza Facility (Tanzania)
Lost Time Injury (LTI) Free **3 YRS**	North Mara Gold Mine (Tanzania) Syama Gold Mine (Mali)
Lost Time Injury (LTI) Free **2 YRS**	Sukari Gold Mine (Egypt), Geita Gold Mine (Tanzania), Tasiast Gold Mine (Mauritania)

FOCUS
ON AFRICA

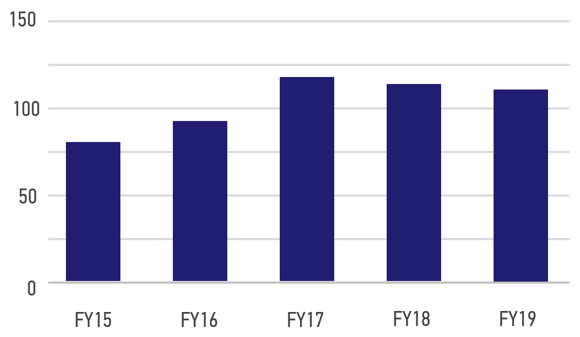
Strengths

- **Capacity to offer a fully integrated solution** from first stage exploration drilling to delivery of ore to the mill
- **Unrivalled commitment to safety** demonstrated by excellent safety record
- **Fleet capacity** enables flexibility to respond quickly to new opportunities and adapt to clients’ needs
- **Focus on the African markets** leveraging geographic efficiencies and in-country knowledge and experience
- **Young fleet** maintains consistently high reliability and availability and is achieved by extensive maintenance and rebuild program
- **Long-term relationships** with some of the world’s largest mining companies reflects professional service delivery

2019 Financial Summary

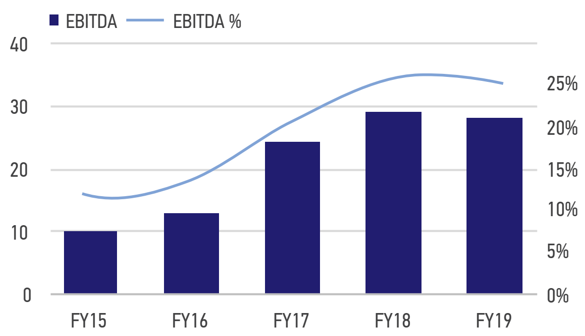
2019 REVENUE $114.8M

DOWN $1.2M FROM FY18 $116.0M



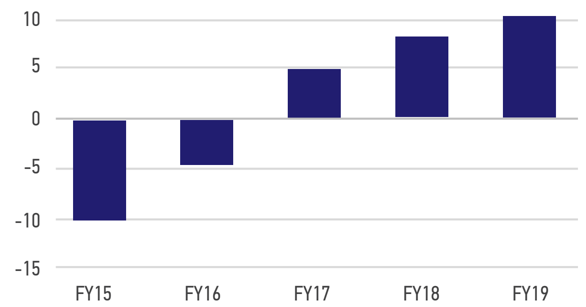
EBITDA $27.3M

DOWN $1.0M FROM FY18 $28.3M



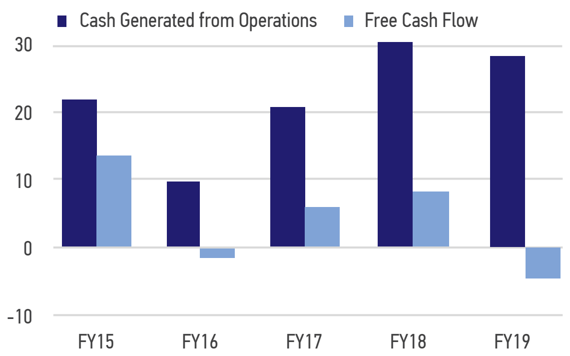
NPAT $10.4M

UP $2.7M FROM FY18 $7.7M



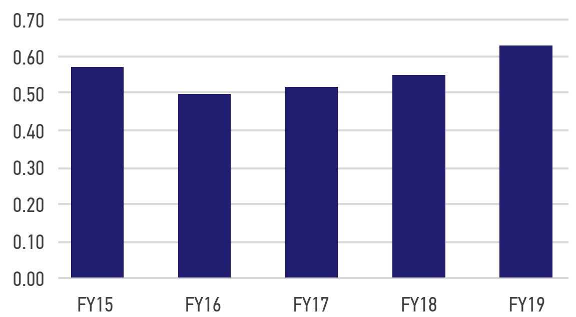
OPERATING CASH FLOW $28.7M

DOWN $1.7M FROM FY18 $30.4M



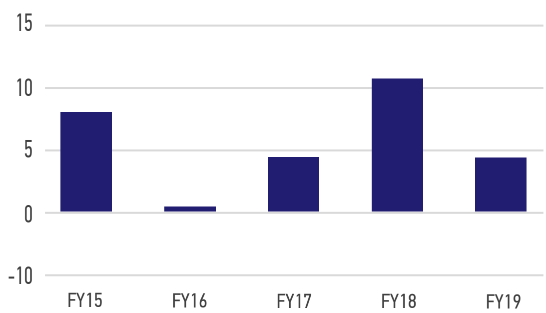
NAV PER SHARE $0.63

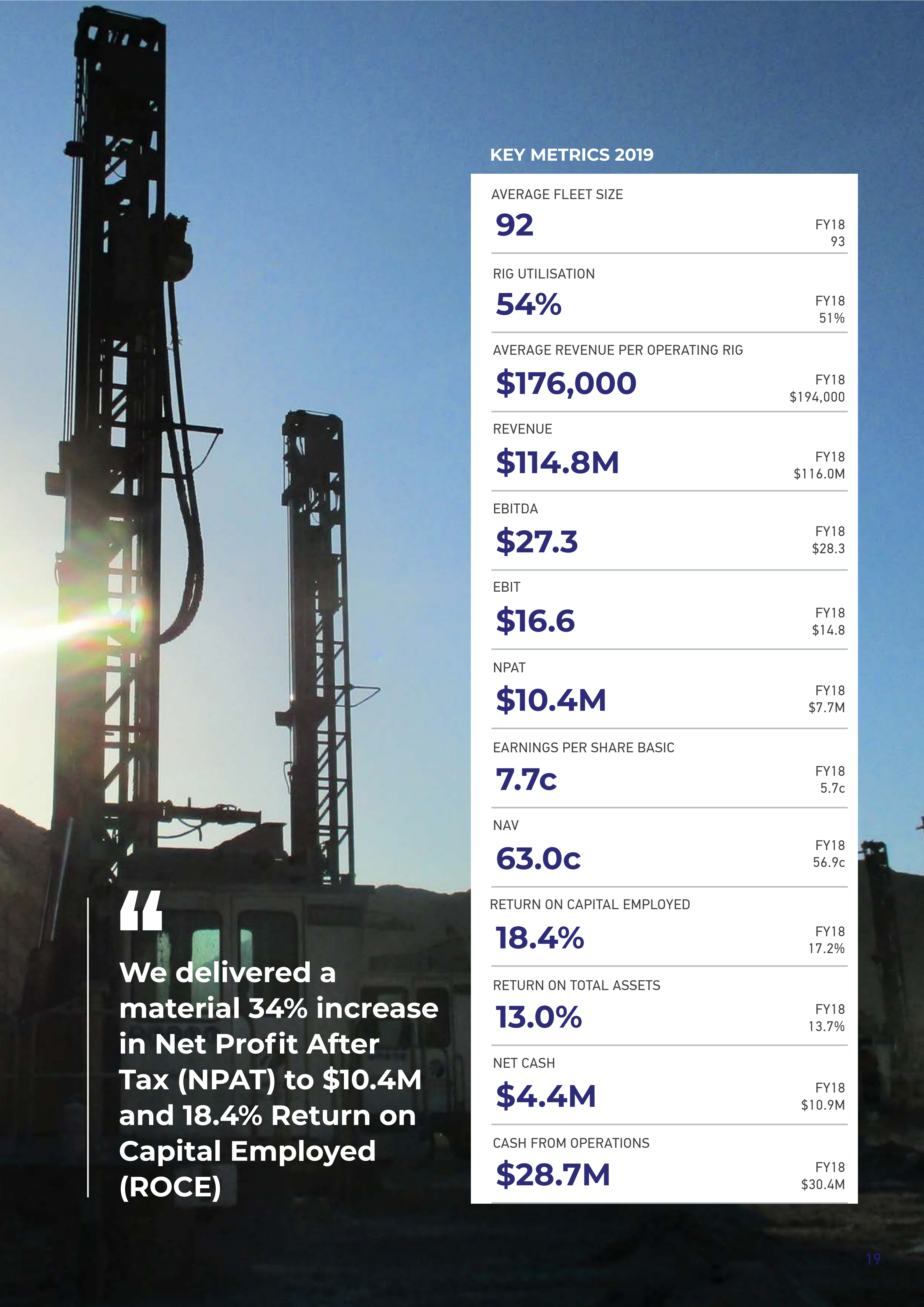
UP $0.06 FROM FY18 $0.57



NET CASH $4.4M

DOWN $6.5M FROM FY18 $10.9M





KEY METRICS 2019

Metric	2019	FY18
AVERAGE FLEET SIZE	92	93
RIG UTILISATION	54%	51%
AVERAGE REVENUE PER OPERATING RIG	$176,000	$194,000
REVENUE	$114.8M	$116.0M
EBITDA	$27.3	$28.3
EBIT	$16.6	$14.8
NPAT	$10.4M	$7.7M
EARNINGS PER SHARE BASIC	7.7c	5.7c
NAV	63.0c	56.9c
RETURN ON CAPITAL EMPLOYED	18.4%	17.2%
RETURN ON TOTAL ASSETS	13.0%	13.7%
NET CASH	$4.4M	$10.9M
CASH FROM OPERATIONS	$28.7M	$30.4M

> **“We delivered a material 34% increase in Net Profit After Tax (NPAT) to $10.4M and 18.4% Return on Capital Employed (ROCE)**


DBO-0008

Strategy

STRATEGIC FOCUS AREAS		DELIVERY AGAINST STRATEGY
African Focused	• Strong established presence in East Africa and Egypt • Expand into West Africa	• New entry into Burkina Faso and Namibia • Continued to build infrastructure in West Africa
Quality Providers	• Deliver first world project execution standards in the emerging markets	• Maintained first class project performance including high availabilities and strong ARPOR
Industry Leading HSE	• World class safety processes and procedures on every site	• LTI-free milestones achieved at all long-term contracts during 2019 • Record 12 month rolling AIFR result of 0.14, well below industry standards
Best in Class Assets / Maintenance	• Investment in Tier 1 on-site maintenance infrastructure • Maintenance and rebuild programs maintaining young fleet	• Continued active fleet management process, including new asset purchases
Superior Portfolio of Contracts	• Blue chip, mid-tier mining companies	• Added four long-term mine-site based contracts in 2019
Robust Balance Sheet	• Strong cash generation • Conservative approach to gearing	• Strong cash flows funding new asset purchases and paying dividends
Increase Service Offering	• Expand range of complimentary services	• Addition of load and haul services • Growth in Geochemistry analysis activities • Establishment of Mine Site Maintenance subsidiary

Chairman's Statement

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

As a result of this shift towards becoming a full service provider, we are proposing to rebrand our business from Capital Drilling to Capital Limited during 2020. Accordingly, a resolution is being put to shareholders to approve this change of name at our Annual General Meeting on 12 June 2020. Under the rebrand of Capital Limited, Capital Drilling will be retained for all drilling-related activity, while Capital Mining will be used for load and haul services. Our portfolio also includes our well-established downhole survey business, Well Force, our mineral analytic business, MSALABS, and our newly established maintenance services business, Mine Site Maintenance (MSM).

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

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

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

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

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

The Board of Directors has declared a second interim dividend for the 2019 period of 0.7cps ($1.0 million), paid on 4 May 2020. This brings the total dividend declared in 2019 to 1.4c per share. The dividend is a result of our solid financial and operating position, however is lower than dividends

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

declared for 2018 due to the Company's prudent approach in protecting its strong balance sheet as a result of uncertainty caused by the global COVID-19 pandemic.

STRATEGIC AND OPERATIONAL UPDATE

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

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

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

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

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

Additionally, post year-end we received notification of the award of an exploration contract with Barrick's Bulyanhulu Gold Mine (Tanzania), with drilling commencing in February 2020. This is our third contract with Barrick, following commencement of our recent contract in Saudi Arabia, together with the ongoing long-term presence at the North Mara Gold Mine. We have also been awarded a two-year extension of the surface exploration and delineation drilling contract at Hummingbird's Yanfolila Gold Mine in Mali.

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

Pleasingly, and despite the higher rig count, we achieved a four-year rig utilisation record of 59% in Q4, with a full-year result of 54%, up 3% from 2018 (51%). This is consistent with the large number of new contract wins outlined above, many of which commenced in the last quarter. Full year ARPOR was $176,000 per rig (2018: $194,000), due to increased mobilisation of exploration rigs for the new contract start-ups.

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

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

SAFETY

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

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

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

- Mwanza Facility (Tanzania) achieved 11 years LTI free in January;
- Sukari Gold Mine (Egypt) achieved 2 years LTI free in January;
- North Mara Gold Mine (Tanzania) achieved 3 years LTI free in March;
- Geita Gold Mine (Tanzania) achieved 2 years LTI free in March;
- Tasiast Gold Mine (Mauritania) achieved 2 years LTI free in June; and
- Syama Gold Mine (Mali) achieved 3 years LTI free in June.

OUTLOOK

We are currently operating in unprecedented times, with widespread global uncertainty associated with the COVID-19 pandemic. Capital Drilling is closely monitoring the situation and we have implemented a number of operational measures to adapt the business as required. The safety and wellbeing of our employees is paramount and will remain our first priority.

As previously communicated, the heightened uncertainty as a result of the rapidly evolving nature of the COVID-19 outbreak, together with the impact of individual country's responses to it, increased the difficulty in accurately predicting the impact on the Group's 2020 performance. In particular, disruptions to the global supply chain and the widespread implementation of travel bans have presented challenges to which we have adapted accordingly, including the implementation of fatigue management policies to reduce the impact of extended rosters on our committed staff. We have therefore remained cautious in providing revenue guidance and will continue to provide updates as the situation progresses. To reflect this caution, our Company reduced our second interim dividend to protect the balance sheet during this time of uncertainty.

In spite of this uncertainty, the company continues to perform strongly, as reflected by our first quarter 2020 revenue result, which grew 20.4% on Q1 2019. We remain highly encouraged by the continued strength of the gold price, with prices nearing ten-year highs. This is driving higher margins for operators which would typically drive increased levels of mining and drilling activity. Further, there remains the fundamental need to replace reserves depleted during the protracted downturn.

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

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

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

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

Jamie Boyton
Executive Chairman
13 May 2020

Chief Financial Officer's Review

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

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

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

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

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

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

The COVID-19 pandemic continues to create uncertainty in the global economy. However, our portfolio of mine-site based contracts have continued uninterrupted, providing a stable business platform. We therefore consider it to have a fairly minimal impact on the Group. However, given the unpredictable nature we have evaluated a reverse stress test model that demonstrates the business is robust even to scenarios much worse than perceived. Refer to Note 1.1 of the Annual Financial Statements for further detail.

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

> "Operational capex increased during the year to support our geographical expansion into West Africa, long-term mine-site based clients and expansion into mining services

In 2019, we updated the accounting treatment of two asset categories to become more compliant with IAS 2 (Inventories) and IAS 16 (Property, Plant & Equipment).

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

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

STATEMENT OF COMPREHENSIVE INCOME

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

Table 1: Statement of Comprehensive Income (Summary)

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

EBITDA decreased by 4% to $27.3 million (2018: $28.3 million) delivering a margin of 23.8% (2018: 24.4%).

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

The Effective Tax Rate of 29% (2018: 39%) is partly due to the conclusion of final taxes on entities no longer contributing to Group revenues, reduced cost of cash repatriation and the conversion of Minimum Income Tax into Corporate Income Tax as profitability increases.

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

STATEMENT OF FINANCIAL POSITION

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

Table 2: Statement of Financial Position (Summary)

[1] Excludes outside shareholders of $1.2m

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

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

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

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

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

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

STATEMENT OF CHANGES IN EQUITY

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

Table 3: Statement of Change in Equity (Summary)

STATEMENT OF CASH FLOWS

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

Table 4: Statement of Cash Flows (Summary)

RECONCILIATION OF NET CASH (DEBT) POSITION

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

Table 5: Reconciliation of net cash (debt) position

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

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

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

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The principal and emerging risks associated with the business are:

Area	Risk Description	Risk Mitigation
Fluctuation in levels of mining activity	The Group is highly dependent on the levels of mineral exploration, development and production activity within the markets in which it operates. A reduction in exploration, development and production activities, or in the budgeted expenditure of mining and mineral exploration companies, will cause a decline in the demand for drilling rigs and drilling services, as was evident in the 2014 and 2015 financial years.	The Group is seeking to balance these risks by building a portfolio of long-term drilling contracts and expanding into new geographic areas. The focus on long-term contracts is evidenced by the award of three new multi-year contracts in 2020, together with post period-end contract extensions at Geita Gold Mine and new contract at North Mara Gold Mine. Expansion in West Africa has further diversified our revenue streams. With the acquisition of a Mineral Assay business that operates in both the Americas and Africa, we have further diversified the risk.
Reliance on key customers	The Group's revenue is reliant on a small number of key customers. The loss of a key customer, or a significant reduction in the demand for drilling provided to a key customer, will have a significant adverse effect on the Group's revenues.	The Group has entered into long-term contracts with its key customers for periods between 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 drilling services. The Group has and continues to monitor projects closely and invest a significant amount of time into client relationship and service level monitoring at all levels of the business. A key part of this process is the quarterly project steering committee meetings with key client stakeholders that provide a forum for monitoring and reporting on project performance and performance indicators, contractual issues, pricing and renewal. The West Africa expansion is intended to negate the customer concentration risk. During 2020, of the 11 new exploration contracts, eight are with new clients and a further four long-term contracts were added to the portfolio.
Key personnel and staff retention	The Group's ability to implement a strategy of pursuing expansion opportunities is dependent on the efforts and abilities of its Executive Directors and senior managers. In addition, the Group's operations depend, in part, upon the continued services of certain key employees. If the Group loses the services of any of its existing key personnel without timely and suitable replacements or is unable to attract and retain new personnel with suitable experience as it grows, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected. In addition, business may be lost to competitors which members of senior management may join after leaving their positions with the Group.	The Group has expanded capabilities in the areas of business development, supply chain, finance, training and health and safety and continues to do so through the recruitment of senior managers in the various fields, implementing comprehensive training programmes and providing employees with international exposure in their fields. The Group has also implemented remuneration and incentive policies that seeks to recruit suitable talent and to remunerate talent at levels commensurate with market levels.
Operating risks	Operations are subject to various risks associated with drilling including, in the case of employees, personal injury, malaria and loss of life and in the Group's case, damage and destruction to property and equipment, release of hazardous substances into the environment and interruption or suspension of drill site operations due to unsafe drill operations. The occurrence of any of these events could adversely impact the Group's business, financial condition, results of operations and prospects, lead to legal proceedings and damage the Group's reputation. In particular, clients are placing an increasing focus on occupational health and safety, and a deterioration in the Group's safety record may result in the loss of key clients.	The Executive Chairman, Executive Leadership Team and managers provide leadership to projects on the management of these risks and actively engage with employees at all levels. The Group have implemented and continue to monitor and update a range of health and safety policies and procedures including equipment standards and standard work procedures. Employees are provided with training regarding risks associated with their employment, policies and standard work procedures. Health and Safety statistics and incident reports are monitored throughout our projects and the various management structures of the Group, including the HSSE committee. Where necessary policies and procedures are updated to reflect developments and improvement needs. The Executive – HSEQ monitors high risk events in areas of operation and distributes warnings and guidance as required. The Group acknowledges it has a business risk due to the global outbreak of COVID-19. The primary direct risk factors are closure of mine sites due to an outbreak/preventative measures and the inability of expatriates (both the Group and its clients) to travel to and from site. The Group is in regular contact with its clients to manage this risk. Business continuity measures have already been implemented including limiting all non-essential business travel, monitoring and issuing regular updates on measures taken by governments and institutions to limit the spread and re-enforcing appropriate hygiene measures as per the guidance of medical professionals. The Group is also closely engaged with its clients to ensure workplace safety and containment measures are adhered 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 in other currencies in the jurisdictions in which it operates. Foreign currency fluctuations and exchange rate risks between the value of the US dollar and the value of other currencies may increase the cost of the Group's operations and could adversely affect the financial results. As a result, the Group is exposed to currency fluctuations and exchange rate risks.	To minimise the Group's risk, the Group tries to match the currency of operating costs with the currency of revenue. Funds are pooled centrally in the head office bank accounts to the maximum extent possible. The Group have implemented procedures to allow for the repatriation of funds to the Group's Head Office bank accounts from jurisdictions where exchange control regulations are in effect. Despite the improved repatriation achieved in 2019, there is continuous focus on improvement. The Treasury Manager has also implemented new procedures to minimise foreign exchange risks.
Political, economic and legislative risk	The Group operates in a number of jurisdictions where the political, economic and legal systems are less predictable than in countries with more developed industrial structures. Significant changes in the political, economic or legal landscape in such countries may have a material effect on the Group's operations in those countries. Potential impacts include restrictions on the export of currency, expropriation of assets, imposition of royalties or other taxes targeted at mining companies, and requirements for local ownership. Political instability can also result in civil unrest, industrial action and nullification of existing agreements, mining permits or leases. Any of these may adversely affect the Group's operations or results of those operations.	The Group has invested in a number of countries thereby diversifying exposure to any single jurisdiction. The Group monitors political and regulatory developments in the jurisdictions it operates through a number of service providers and advisors. The Group engages specialist consultants to ensure tax compliance is maintained at the highest levels and to provide assistance where tax audits are performed by the Tax Authorities. Senior management regularly reports to the Board on any political or regulatory changes in the jurisdictions we operate in. Where significant events occur, we work closely with our clients, advisors and other stakeholders to address these events.
Technological risk	New Innovation has the possibility of changing an industry with regards to methods and equipment, giving a cost or productivity advantage.	Representatives from the Executive are constantly in contact with the OEMs and attend all major trade and industry trade shows. The ELT team consist of significant experience and knowledge in the operational field and are aware of all new industry developments. The Group's rigs are outfitted with the latest safety equipment as the technology is proven, providing a competitive advantage.

VIABILITY STATEMENT

The activities of the Group, together with the factors likely to affect its future development, performance, the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in pages 22 to 110. The Directors have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. These risks and the ways they are being managed and mitigated by a wide range of actions are summarised on page 30.

Taking account of the Group's position, emerging and principal risks, the Directors assessed the prospects of the Group by reviewing and discussing the annual forecast, the three-year strategic plan and the Group risk framework. The review is a robust consideration of all risk factors and sensitivities. The plan reviewed scenarios such as the non-renewal of key contracts within the time frame, a general reduction in turnover and the impact on the business, the possible impact of COVID-19 and possible alternatives should the Revolving Credit Facility (RCF) not be renewed. The evaluation of the potential impact of COVID-19 considered the announcements regarding the current and potential impact of the pandemic by our client base, the improvement in the gold price as an indicator of its safe haven status, the liquidity of the company, its robust Balance Sheet, good relationship with its financiers and concentration of revenue in gold producing mine sites that to date have continued to produce and export gold.

Our Company has also reduced our second interim dividend to protect the balance sheet during this time of uncertainty. We will continue to be vigilant in monitoring the impact as a result of the COVID-19 outbreak but remain confident that the Group's viability is not at risk. This viewpoint considers the liquidity of the company, its low debt leveraging, good relationship with its financiers and concentration of revenue in gold producing mine sites that to date have continued to produce and export gold.

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

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

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

CAUTIONARY STATEMENT

This Business Review, which comprises the Chairman's Statement and Chief Financial Officer's Review, has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed.

The Business Review contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

By order of the Board

André Koekemoer
Chief Financial Officer
13 May 2020

Board of Directors

The Group's Executive and Non-Executive Directors bring a broad range of business, commercial and other relevant experience to the Board.

JAMIE PHILLIP BOYTON

Executive Chairman

Jamie Boyton is Chairman of the Company and was appointed as a Director in January 2009. He is responsible for overseeing the Company's strategic and business development, which includes advising on capital markets requirements and growth opportunities. He was previously an Executive Director and the Head of Asian Equity Syndication and Corporate Broking of Macquarie Securities Limited in Hong Kong. Jamie has a Bachelor of Commerce (Accounting and Finance) degree from the University of Western Australia.

BRIAN RUDD

Executive Director

Brian Rudd is one of the founders of the Company and an Executive Director, with a focus on business development and client relations. He was appointed as a Director in May 2005. As a founder of the Company, Brian has been instrumental in the successful establishment and development of the Company since 2005. Brian has over 35 years of experience in the mining industry in both Australia and Africa. Before establishing the Company, Brian held various senior positions for private and listed drilling companies in Australia and Africa.

DAVID GARY ABERY

Senior Independent Non-Executive Director

David Abery is the Senior Independent Non-Executive Director, being appointed to this role in January 2018. David joined the Company in October 2017 when he was appointed as an Independent Non-Executive Director and as Chairman of the Audit Committee. David has over 15 years' experience as a Finance Director of London quoted companies, and over 20 years' experience in senior finance and general management roles. David has extensive experience of financial, commercial and strategic matters in African and UK corporate environments at both Board and operational level, as well as many years' experience of corporate governance, regulatory and investor relations best practice. David was Finance Director of Petra Diamonds Limited (LSE Main Board Premium listed) from 2003 until he stepped down in June 2016; during his tenure Petra grew from largely a diamond exploration group to one of the world's largest listed diamond producers. Prior to Petra, David served as Finance Director at Tradepoint Financial Networks plc (subsequently Virt-X)(AIM) and Mission Testing plc (AIM). David has a BA (Hons) in Finance and Accountancy and is a Chartered Accountant (ICAEW).

ALEXANDER JOHN DAVIDSON

Independent Non-Executive Director

Alex Davidson is an Independent Non-Executive Director and was appointed in May 2010. He has over 40 years' experience in designing, implementing and managing gold and base metal exploration and acquisition programmes throughout the world. Alex was Barrick Gold Corporation's Executive Vice President, Exploration and Corporate Development with responsibility for its international exploration programmes and Barrick's corporate development activities. Prior to joining Barrick Gold, Alex was Vice President, Exploration for Metall Mining Corporation. In April 2005, Alex was presented the 2005 A.O. Dufresne Award by the Canadian Institute of Mining, Metallurgy and Petroleum to recognize exceptional achievement and distinguished contributions to mining exploration in Canada. In 2003, he was named the Prospector of the Year by the Prospectors and Developers Association of Canada. Alex is a director of a number of London and Toronto listed companies, including Yamana Gold and US Silver and Gold. He received his B.Sc. and his M.Sc. in Economic Geology from McGill University.

MICHAEL IAN RAWLINSON

Independent Non-Executive Director

Michael joined the Board as a Non-Executive Director in August 2018. He is a former investment banker with over 20 years of experience focused on the mining and metals sector. His last full-time role was Global Co-Head of Mining and Metals at Barclays investment bank where he worked since 2013 having joined from the boutique investment bank, Liberum Capital - a business he helped found in 2007. After starting his career in London at Flemings in 1991, he joined Cazenove in 1996 before leaving JP Morgan Cazenove in 2007 where he was Head of EMEA Mining and Metals. He has been both a corporate financier and research analyst covering the mining sector and has extensive capital markets experience having worked on IPOs and follow-on offerings for a number of companies including Anglo American, Billiton, Xstrata, Glencore, Gem Diamonds as well as Capital Drilling's own IPO in 2010. He is also Senior Independent Non-Executive Director at Hochschild Mining PLC, a Non-Executive Director at Adriatic Metals PLC and works with a number of private entities. In addition, Mr Rawlinson served as a Non-Executive Director of Talvivaara Mining Company Plc between April 2012 and November 2013.

2019 Financial Report

CAPITAL DRILLING LIMITED
(Registration Number 34477)
Consolidated and Separate Financial Statements
For the year ended 31 December 2019

Directors’ Responsibilities Statement

The Directors are responsible for preparing the Annual Report, Financial Report, and the Consolidated Financial Statements in accordance with the Bermuda Companies Act 1981.

The Directors are required to prepare Consolidated Financial Statements for each financial year presenting fairly in all material respects the Group’s state of affairs at the end of the year and profit or loss for the year, in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The Directors must not approve the accounts unless they are satisfied that they are presenting fairly in all material respects the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these Consolidated Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and to ensure that the Financial Statements comply with the Bermuda Companies Act 1981. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company’s website. Legislation in Bermuda and the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement on pages 37 to 41 forms part of this report.

DIRECTORS’ RESPONSIBILITIES PURSUANT TO DTR 4

In accordance with Chapter 4 of the Disclosure and Transparency Rules issued by the Financial Conduct Authority in the United Kingdom, the Directors confirm to the best of their knowledge:

- The Consolidated Financial Statements have been prepared in accordance with IFRSs and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and uncertainties that it faces.

GOING CONCERN

The activities of the Group, together with the factors likely to affect its future development, performance, the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chairman’s Statement and Chief Financial Officer’s Review on pages 22 to 31. In addition, we describe in Note 29 to the Consolidated Financial Statement on pages 102 to 107 the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit and liquidity risk. Although not assessed over the same period as the going concern, the viability of the Group has been assessed on page 31. It has further undertaken a specific review of the possible COVID-19 scenarios, including a reverse stress test. Refer to Note 1.1 of the Annual Financial Statements for more detail. The Group has considerable financial resources together with established business relationships with many customers and suppliers in countries throughout the world. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain outlook. After making enquiries, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing this Annual Report and the Consolidated Financial Statements.

FAIR, BALANCED AND UNDERSTANDABLE

The Directors as at the date of this report consider that the Annual Report and Consolidated Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position, performance, business model and strategy, as well as the principal risks and uncertainties which could affect the Group’s performance.

AUDITORS

As far as each of the Directors are aware at the time this report was approved:

- There is no relevant audit information of which the auditors are unaware; and
- They have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board

Jamie Boyton
Executive *Chairman*
13 May 2020

Corporate Governance Statement

Capital Drilling recognises the value and importance of high standards of corporate governance. 2019 is the first year in which the Group has been subject to The UK Corporate Governance Code issued by the Financial Reporting Council in July 2018 (the "2018 Code").

Accordingly, the Group has adapted elements of its corporate governance framework during the course of 2019 in order to take into account the requirements of the 2018 Code, bearing in mind that the Capital Drilling falls outside the FTSE 350 Share Index and is therefore a "smaller quoted company" for the purposes of the 2018 Code.

This section of our Annual Report sets out how the Group has applied the 2018 Code throughout 2019. The 2018 Code is available at www.frc.org.uk. Details of the Group's corporate governance policies and procedures (including the charters of each of its corporate governance committees) can be found on http://www.capdrill.com/investors/corporate-governance.

STATEMENT OF COMPLIANCE WITH THE 2018 CODE

The 2018 Code places greater emphasis on relationships between companies, shareholders and stakeholders. It also promotes the importance of establishing a corporate culture that is aligned with the company purpose, business strategy, promotes integrity and values diversity. It is the intention of Capital Drilling to comply as closely as possible with the 2018 Code as a smaller quoted company, in order facilitate the most effective balance between entrepreneurial and prudent management with the ultimate strategy of delivering long-term value to all of the Group's stakeholders. As well as outlining our corporate governance structures in this section of the Annual Report, we also explain where and why the Group does not apply the provisions of the 2018 Code and the alternative procedures in place that achieve the same outcome.

RESPONSIBILITIES OF THE BOARD

The Board concentrates on devising and implementing strategy, monitoring Group performance and oversees governance, risk and control issues. Governance, risk and control structures are looked at with a view to aligning the Group's culture with the Group's purpose and strategy. Certain areas of the Board's responsibilities are delegated to the Executive Directors. However, the Group has established guidelines requiring specific matters to be subject to decision by a majority of the full Board, including material acquisitions and disposals, investments and capital projects.

The Board meets regularly and eight meetings were held in 2019. All Directors are supplied, in advance of meetings, with appropriate information covering matters which are to be considered. The Chairman also meets with the Non-Executive Directors in the absence of the other Executive Director.

There is a formal schedule of decisions reserved for the Board. This includes approval of the following: the Group's strategy; the annual operating plan and budget; the annual and interim financial statements; significant transactions; major capital expenditures; risk management policies; the authority levels vested in management; Board appointments; and remuneration policies. As described below, the review of certain matters is delegated to Board Committees, which make recommendations to the Board in relation to those matters. Ultimately, however, the Board is responsible for adopting the recommendations of the Board Committees.

COMPOSITION OF THE BOARD

The Board comprises:

Executive Directors:
Jamie Boyton – Executive Chairman and Chief Executive Officer
Brian Rudd – Executive Director

Non-Executive Directors:
Alex Davidson – Independent Director
David Abery – Senior Independent Director
Michael Rawlinson – Independent Director

The Executive and Non-Executive Directors are satisfied that the Group operates an effective Board which is collectively responsible for the success of the Group. Together, the Executive and Non-Executive Directors bring a broad range of business, commercial and other relevant experience to the Board, which is vital to the management of an expanding Group. Pages 32 and 33 contains descriptions of the background of each Director. The Group, in line with the 2018 Code, is in the process of developing its diversity policy and building diversity across its senior management and recruitment pipeline.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

The 2018 Code advises that the Board should appoint one of its Independent Non-Executive Directors to be the Senior Independent Non-Executive Director. The Senior Independent Non-Executive Director should be available to shareholders if they have concerns that contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve or for which such contact is inappropriate. Throughout 2019, Mr Abery acted as Senior Independent Non-Executive Director and was available to address any queries or concerns from shareholders.

COMBINED ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since the departure of the Group's previous Chief Executive Officer, Mark Parsons, on 28 February 2017, Mr Boyton has acted as the Group's Executive Chairman, fulfilling the roles of both Chairman and Chief Executive Officer. After the departure of Mr Parsons, the Board decided that Mr Boyton would provide the necessary stability to the leadership team to ensure the implementation of the Group's strategy. The Board is satisfied that there are sufficient controls in place at Board level and that there is a clear division of responsibilities between the running of the Board and the executive responsibility for the running of the company's business. The Board is aware that combining the role of Chairman and Chief Executive is not compliant with the 2018 Code and the Board will therefore closely monitor this arrangement to ensure that the division of responsibilities between the two roles is maintained. The Board will be reviewing the structure again in 2021.

DIRECTORS' INDEPENDENCE

The 2018 Code recommends that the Chairman of the Board should be independent. The Directors do not consider Mr Boyton to be independent because of his historic ties with the Group, his employment with the Company as Executive Chairman and his significant shareholding in the Group and so the Group will not satisfy this requirement of the 2018 Code. However, in view of his knowledge of the Group and specific strategic role within the Group, the Board considers it appropriate at this stage to retain Mr Boyton as Executive Chairman.

The 2018 Code recommends that at least half the Board, excluding the Chairman, should comprise Independent Non-Executive Directors. The Board considers that Mr Abery, Mr Davidson and Mr Rawlinson are independent, and therefore the Group considers that it satisfies the independence requirements of the 2018 Code. Notwithstanding the fact that Mr Davidson has served on the Board as a Non-Executive Director for more than nine years, the Board considers him to be independent, as he fully understands the importance of being a strong and objective voice on the Board and on the Board Committees.

Jamie Boyton and Brian Rudd collectively hold 26.3% of the Company's voting share capital. The Board does not consider the Company to have a controlling shareholder for the purposes of the Listing Rules.

BOARD COMMITMENT

The Board is satisfied that each of the Non-Executive Directors committed sufficient time throughout 2019 for the fulfilment of their duties as members of the Board and of the Board Committees.

None of the Directors has any conflict of interests that have not been disclosed to the Board. Details of attendance at Board meetings and Board committee meetings are set out below.

On appointment, and throughout their tenure, all Directors receive appropriate training and regular presentations are made to the Board by senior management and external advisors.

All Directors are authorised to obtain, at the Group's expense and subject to the Chairman's approval, independent legal or other professional advice where they consider it necessary. All Directors have access to the Company Secretary, who oversees their ongoing training and development needs.

The Executive Directors' service contracts and the terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Group's registered office and will also be available at the Annual General Meeting. Brief details of these terms and conditions are also set out in the Remuneration Committee Report.

BOARD COMMITTEES

The 2018 Code recommends that a UK listed company should establish an Audit Committee, a Remuneration Committee and a Nomination Committee. The Group has each of these committees, the terms of reference of which are described in further detail below. In view of the high importance the Group places on health and safety and the social and environmental impact of the business, the Board has also established a Health, Safety, Social and Environmental Committee.

Audit and Risk Committee

The Audit and Risk Committee comprises Mr Abery (Chairman), Mr Davidson and Mr Rawlinson. The membership and workings of the Audit and Risk Committee are set out in the separate Audit and Risk Committee Report.

The 2018 Code recommends that the Chairman of the Audit and Risk Committee should be an Independent Non-Executive Director (who is not the Chairman) and who has relevant experience for the role. Throughout 2019, Mr Abery was the Chairman of the Audit and Risk Committee. The Board is satisfied that Mr Abery has appropriate and relevant experience to chair the Audit and Risk Committee.

Remuneration Committee

The Remuneration Committee comprises Mr Rawlinson (Chairman), Mr Abery and Mr Davidson.

The membership and workings of the Remuneration Committee, together with details of the Directors' remuneration, interest in options, together with information on service contracts, are set out in the Remuneration Committee Report. No Director is involved in the decision of his or her own remuneration.

The 2018 Code recommends that the Chairman of the Remuneration Committee should be independent and have previously served a period of at least 12 months on a remuneration committee before appointment. Mr Rawlinson, as Chairman of the Remuneration Committee, is considered to be an Independent Non-Executive Director. In addition, Mr Rawlinson exceeds the required 12 months serving on a remuneration committee prior to his appointment. The Board is satisfied that Mr Rawlinson has appropriate and relevant experience for the Chairmanship of the Remuneration Committee.

Nomination Committee

The Nomination Committee comprises Mr Abery (Chairman), Mr Davidson and Mr Rawlinson.

The Nomination Committee deals with appointments to the Board, monitors potential conflicts of interest and reviews annually the independence of the Non-Executive Directors. The Nomination Committee is also responsible for proposing candidates for appointment to the Board having regard to the balance and structure of the Board. Given the size of the Group, the relatively recent appointments of Mr Abery (2017) and Mr Rawlinson (2018) and the efficiency of the current Board, the decision was made not to appoint any additional Directors. The Group recognises the need for diversity and succession planning in senior management and have started but not completed the formalised approach. During 2020, the Nomination Committee will develop the Group's policy on diversity, succession planning and inclusion, including the gender balance of those in senior management roles.

The 2018 Code recommends that the majority of members of the Nominations Committee should be Independent Non-Executive Directors. Mr Davidson, Mr Abery and Mr Rawlinson were members of the Nomination Committee and are all considered to be Independent Non-Executive Directors. The Group therefore complies with the 2018 Code for smaller quoted companies in this respect. The 2018 Code also recommends that an Independent Non-Executive Director chairs the Nominations Committee. Mr Abery is considered independent and accordingly is compliant with the 2018 Code.

Health, Safety, Social and Environment Committee ("HSSE Committee")

The Health, Safety, Social and Environment comprises of Mr Davidson (Chairman), Mr Rudd and two non-Director members - Mr Monaghan (Executive – HSEQ) and Mr North (Chief Operating Officer). The HSSE Committee is responsible for formulating and recommending to the Board a policy on health, safety, social and environmental issues related to the Group's operations. In particular, the HSSE Committee focuses on compliance with applicable standards to ensure that an effective system of health, safety, social and environmental standards, procedures and practices is in place at each of the Group's operations.

The HSSE Committee is also responsible for reviewing management's investigation of incidents or accidents that occur and to assess whether policy improvements are required. The Committee members take soundings from the workforce in connection with this responsibility. While the HSSE Committee is expected to make recommendations, the ultimate responsibility for establishing the Group's health, safety, social and environmental policies remain with the Board.

BOARD AND COMMITTEE MEETINGS AND ATTENDANCE

The number of Board and Committee meetings during 2019 was as follows:

	Board meetings	Audit and Risk Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	HSSE Committee meetings
Number of meetings held 2019	8	4	3	-	3
Jamie Boyton	8	Invitee	Invitee	Invitee	-
Brian Rudd	7	-	-	-	3
David Abery	8	4	3	-	-
Alex Davidson	8	3	3	-	3
Michael Rawlinson	8	4	3	-	-
Rick Monaghan[1]	-	-	-	-	3
Jodie North[1]	-	-	-	-	3

[1] *Mr Monaghan, Executive – HSEQ and Mr North, Chief Operating Officer, are Non-Director members of the HSSE Committee*

There were no formal Nomination Committee meetings during 2019. This follows 2018 in which the Nomination Committee met three times. As set above, during 2020, the Nomination Committee will develop the Group's policy on diversity and inclusion, including gender balance of those in senior management roles.

ELECTION AND RE-ELECTION OF DIRECTORS

In accordance with the 2018 Code, all Directors are required to submit themselves for re-election annually. The last Annual General Meeting in April 2019 approved the reappointment of all five current Directors: Mr Abery, Mr Boyton, Mr Davidson, Mr Rawlinson and Mr Rudd. All five Directors will submit themselves for re-election at the Annual General Meeting due on 12 June 2020.

EVALUATION OF THE BOARD

The Board annually evaluates the performance of individual Directors, the Board as a whole and its Committees. The evaluation comprises structured interviews led by the Executive Chairman and the Senior Independent Non-Executive Director with the other Directors. The performance of the Executive and Non-Executive Directors was appraised by the Executive Chairman, taking into account the views of the other Directors. Led by Mr Abery, as Senior Independent Non-Executive Director, the performance of the Chairman was assessed by the Non-Executive Directors, taking into account the views of the other Executive Directors. As the current Board composition was only finalised in 2018 and has proven to be an effective Board working well together to achieve the Board and company's objectives, the current composition is deemed to be appropriate at this stage. The Board composition will continue to be regularly reviewed based on the company's size and requirements. The reviews will consider composition and diversity as a key part of the criteria. In line with the 2018 Code, the Board will keep under review the need to conduct an externally facilitated board evaluation.

ENGAGEMENT WITH SHAREHOLDERS

The Chairman is the Group's principal spokesmen and point of contact with investors, analysts, fund managers, the press and other interested parties. Access is available to the Chief Financial Officer, Senior Independent Director and other Non-Executive Directors if required. The Board is kept informed about shareholder relations and in particular the Senior Independent Director is kept informed of the views of major shareholders. This is done by a combination of reports to the Board on meetings held and feedback to the Board from the Group's advisers. The Group holds briefing meetings with analysts and institutional shareholders, usually following the half year and final results announcements, to ensure that the investing community receives a balanced and complete view of the Group's performance and the issues faced by the business.

The Group provides financial statements to all shareholders twice a year when its half year and full year results are announced and provides two further Trading Updates post the completion of the first and third quarters of trading throughout the fiscal year. These results and all other stock exchange announcement information are available on the Group's website www.capdrill.com. Management presentations as well as other information relevant to investors are also available on the website.

All shareholders are given at least 21 working days' notice of the Annual General Meeting. It is standard practice for all Directors to attend the Annual General Meeting to which all shareholders are invited and at which they may raise questions to the Chairmen of the Board Committees or the Board generally. The proxy votes for and against each resolution, as well as abstentions (which may be recorded on the proxy form accompanying the notice of Annual General Meeting) are counted before the Annual General Meeting commences and are made available to shareholders at the close of the formal business of the meeting. The proxy votes are announced via the LSE and posted on the Company's website shortly after the close of the meeting.

ENGAGING WITH WORKFORCE AND OTHER STAKEHOLDERS

As referred to above, the importance of health and safety as well as the Group's social and environmental impact are key issues that are kept under constant review. In doing so, the HSSE Committee takes soundings from the Group's workforce, so that the Board is kept fully appraised of health and safety, social and environmental concerns.

During the year, there have been a number of shareholder engagements via the AGM, investor calls, investor roadshows and interviews with the Chairman. Workforce engagement was open and channelled via the Executive Leadership Team while performing site visits. The engagement was done on a face-to-face basis but was not a formalised process.

The Board has encouraged the Executive Leadership Team and senior management in each location to engage with staff, suppliers, customers and the community in order to assist the Board in discharging its obligations. Board members also carry out site visits enabling staff to raise issues directly with them and to enable them to meet key stakeholders when necessary.

The Board acknowledges that the current initiatives are not sufficient to comply with provision 5 of the 2018 Code. During 2020, the Group will develop the methods through which the Directors are more directly engaged with the wider workforce. This will be undertaken by the HSSE Committee, who will advise on an appropriate method of engagement with the workforce and other stakeholders.

WHISTLEBLOWING

The 2018 Code recommends that there should be a means for the workforce to raise concerns in confidence and anonymously, with the Board reviewing and ensuring arrangements for proportionate and independent investigation and for follow-up action. This has been reinforced by a Group-wide "See something, say something" initiative, providing an anonymous method to report actions against the Company Code of Conduct. Any submissions are handled by the Senior Independent Non-Executive Director, Mr Abery.

SHARE DEALING POLICY

Further to the implementation of the Market Abuse Regulations, the Company updated its share dealing code in 2018. The updated share dealing code is not materially different from the previous code and closely follows the form of share dealing code recommended by the Quoted Companies Alliance. The share dealing policy applies to the Directors, persons discharging managerial responsibilities identified by the Board and other relevant insider employees of the Group, their respective connected persons, and advisers deemed insiders to the Group. All employees under the share dealing policy are restricted from dealing in the Company's shares throughout close periods and/or if they are in possession of inside information.

Remuneration Committee Report

The report has been prepared by the Remuneration Committee (the 'Remuneration Committee' or the 'Committee') and approved by the Board.

The Remuneration Committee comprises Michael Rawlinson (Chairman of the Committee), David Abery and Alex Davidson. The profiles of the Committee members are included on page 33.

The Code recommends that the majority of members of the Remuneration Committee should be Independent Non-Executive Directors. Michael Rawlinson, Alex Davidson and David Abery were all considered to be Independent Non-Executive Directors during the period under review and therefore the Group complied with the Code for smaller quoted companies.

Dear Shareholder,

I am pleased to present the report of the Remuneration Committee in my capacity as Chairman of the Remuneration Committee.

The Remuneration Committee sets the remuneration packages for the Executive Directors, including basic salary, bonuses, and other incentive compensation payments and awards. It approves the policy and framework proposals made by the Executive Directors in respect of the remuneration for the executive leadership team of the Group. The Remuneration Committee further approves all share and option grants. The Remuneration Committee is assisted by the Company Secretary and takes advice as appropriate from external advisors.

In 2018, the company appointed a UK independent remuneration adviser, h2glenfern, to carry out a review of the executive remuneration practices. The company adopted a new remuneration policy for 2019, the details of which were set out in our 2018 annual report and are disclosed after this letter.

The annual report on remuneration sets out the remuneration outcomes and decisions made in the year and follows the description of policy.

Performance in year

As set out earlier in this Annual Report, the company performed well in 2019. Full year revenue for the year reached $114.8 million, in line with the 2019 revenue guidance of $110-$120 million; Increased NPAT to $10.4 million (2018: 7.7 million). Net cash of $4.4 million (2018: $10.9 million), despite significant capex investments to prepare for the entry into full mining services. The Remuneration Committee is satisfied that, although the Executive did not meet all the ambitious targets set by the Committee, the Group still delivered a solid performance for the year and have set the foundation for an increase in activity in 2020.

Decisions in year

There were no increases to executives' salaries for 2019 or during the year. Reflecting the agreed performance targets achieved, the Remuneration Committee determined to award a bonus payment in respect of 2019 of 42.6% salary to the Executive Chairman and 29.7% to the Executive Director, as detailed later in this report. The company made LTIP awards under the new long-term incentive structure to the Executive Directors during the first half of 2019 and intends to make further awards in the first half of 2020. The structure of these awards is disclosed in further detail later in this report.

The Committee was pleased with the level of support for the resolution at the 2019 AGM to approve the Directors' Remuneration Report for the year ended 31 December 2018, with 99.95% of votes in favour. The Committee welcomes shareholder feedback on remuneration matters and I will be available at the AGM to answer questions on this topic.

Michael Rawlinson
Chairman of the Remuneration Committee

REMUNERATION POLICY

The Group's policy on Directors' remuneration has been set with the objective of attracting, motivating and retaining high calibre Directors, in a manner that is consistent with best practice and aligned with the interests of the Group's shareholders. The policy on Directors' remuneration is that the overall remuneration package should be sufficiently competitive to attract and retain individuals of a quality capable of achieving the Group's objectives. Remuneration policy is designed such that individuals are remunerated on a basis that is appropriate to their position, experience and value to the Company. The main components of the remuneration policy for the years ending 31 December 2018 and 2019 and how they are linked to and support the Company's business strategy are summarised below.

Base salary

Salary is the core element of remuneration, set at a level which is sufficiently competitive to recruit and retain individuals of the appropriate calibre and experience.

Salaries are normally reviewed annually, and any changes are effective from 1 January each year. When determining salaries for the Executives, the Committee takes into consideration: company performance; the performance of the individual Executive Director; the individual Executive Director's experience and responsibilities; and pay and conditions throughout the Company. Salaries may be paid in different currencies as appropriate to reflect their geographic location.

Other benefits

The Company does not provide any other fringe benefits or pensions to Executive Directors

2019 Annual Bonus Scheme

The 2019 discretionary bonus scheme was designed to incentivise the achievement of a range of short-term and long-term performance targets that are key to the success of the Company. There is no contractual obligation to make bonus payments or any contractual entitlement to them. Awards are granted subject to the overall performance of the Group and the meeting of financial and non-financial performance objectives.

During 2019, the Committee operated an Annual Bonus Scheme, as detailed below.

Annual Bonus Scheme

The Committee operates an annual bonus under which bonuses can be paid to executives to support the achievement of annual operational, financial, strategic and personal objectives. For the Executive Chairman, bonus is paid to a normal maximum of 100% of salary, with 50% of salary paid for on-target performance. The Executive Director can receive a normal maximum of 60% of salary, with 30% of salary paid for on-target performance. Senior members of the Executive Leadership Team (ELT) can receive a normal maximum bonus of 30% of salary, with 15% awarded for on target performance.

For the Executive Chairman, 100% of the bonus is subject to corporate and financial performance objectives. For the Executive Director and other members of the Executive Leadership Team, 60% of the bonus is subject to corporate and financial performance objectives. The remaining 40% of the bonus is based on individual performance targets. Each executive has a tailored list of performance criteria. The annual bonus structure contains a financial and HSE underpin, whereby the Remuneration Committee can determine that no bonus is to be paid if the underpin targets are missed. The Remuneration Committee also has the ability to use discretion to vary payments from amounts arising from agreed formulas if it determines that it is in the shareholders' interests to do so.

For the Executive Chairman, Executive Director and ELT members, 50% of any bonus award is settled immediately in cash and the other 50% is awarded in shares and deferred for one year. The share element is subject to a malus and clawback provision whereby the number of shares to be released may be reduced in certain specified circumstances.

Long term incentive awards

The company operates a long-term incentive structure to support retention, long-term performance and increase alignment between the executives and shareholders. The first awards to executives under this structure were made in the first half of 2019 and the company intends to make further awards annually.

Equity awards will be made to the Executive Chairman, Executive Director and senior members of the ELT. Awards will vest after three years and will be subject to two performance targets each covering 50% of the award: an absolute Total Shareholder Return (TSR) condition and an EPS growth performance condition, both measured once at the end of a three-year period. 25% of the award will vest at threshold and 100% of the award will vest at stretch performance. An absolute TSR condition has been chosen to provide strong alignment with shareholders, because it is simple and transparent and because the company does not believe there are sufficient closely comparable quoted companies to form an effective peer comparison group. An EPS performance target has been chosen to cover internal financial performance and because it is simple and transparent. Although the 2018 UK Corporate Governance Code recommends a total vesting and holding period of five years, the Board and Committee believes a three-year vesting period is appropriate for the company as this is aligned with the timeline of our group strategy.

The awards to the Executive Chairman and Executive Director will normally have a face value of up to 100% and 60% of salary, respectively. ELT members will receive awards of up to 30% of salary.

Shareholding requirement

To align Executive Directors' interests with those of shareholders, Executive Directors are required to accumulate a personal shareholding in the Company.

Non-Executive Directors

The Group's remuneration policy for Non-Executive Directors is based around the following key principles:

- To attract and retain high calibre Non-Executives with the necessary experience and skills; and
- To provide fees which take account of the time commitment and responsibilities of the role.

The Non-Executives are paid a basic fee with an additional amount paid to the Senior Independent Non-Executive Director to reflect the additional time and responsibility associated with this role. No compensation is payable on termination, other than accrued fees and expenses. The fee is the core element of remuneration, set at a level sufficient to attract individuals with appropriate knowledge and experience. Fee levels reflect market conditions and are reviewed annually with changes effective from 1 January each year. As detailed below, it was agreed to increase the Non-Executive Directors remuneration, effective 1 January 2020.

Service contracts

The Executive Directors' employment service contracts have no specified term. No Director has a service contract containing more than six months' notice period or with pre-determined compensation provisions upon termination exceeding six months' salary. It is the Company's policy that, except where prescribed by law, there should be no automatic entitlement to bonuses in the event of an early termination.

Non-Executive Directors have entered into letters of appointment with the Group, for an initial three-year period, thereafter renewable on the agreement of both the Company and the Non-Executive Director. The notice period under the letters of appointment is three months.

In accordance with the 2018 Corporate Governance Code, all Directors are required to submit themselves for re-election annually. The last Annual General Meeting in April 2019 approved the reappointment of all five current Directors: Mr Abery, Mr Boyton, Mr Davidson, Mr Rawlinson and Mr Rudd. All five Directors will submit themselves for re-election at the Annual General Meeting due on 12 June 2020.

External appointments

The Company recognises the proposition that Executive Directors could become fee earning Non-Executive Directors of other companies and that such appointment can broaden their knowledge and experience to the benefit of the Company.

Consideration of employment conditions elsewhere in the Company in developing policy

In setting the remuneration policy for Directors, the pay and conditions of other Group employees are taken into account. The Committee is provided with data on the remuneration structure for senior members of staff below the Executive Director level and uses this information to ensure consistency of approach throughout the Group. Given the size and geographical diversity of the group, no engagement below the Executive Leadership Team was undertaken. This process will be revised in 2020 to consider the wider workforce.

Consideration of shareholder views

Shareholders views are considered when evaluating and setting remuneration strategy. Opportunities to discuss the remuneration strategy are available during investor calls as well as by voting on the policy at the AGM. As stated before, at the most recent AGM the Directors' Remuneration Report was approved by a vote exceeding 99.9%.

ANNUAL REPORT ON REMUNERATION

This section of the remuneration report contains details of how the Company's remuneration policy for Directors was implemented during the financial year ending 31 December 2019.

Following a review of the Executive Directors salary levels, the Committee determined that no increase was appropriate for the year commencing 1 January 2019. No other changes were made to the salaries of the Executive Directors during the year. The salaries of the Executive Chairman and Executive Director during the year were $400,000 and $330,000, respectively.

For the Executive Chairman and Executive Director, 100% and 60%, respectively, of the total bonus was subject to corporate and financial performance objectives. These were weighted 60% EBITDA, 20% Return on Assets and 20% HSE. For the Executive Director, the remaining 40% of the bonus was based on individual performance targets.

In the light of the satisfactory performance of the Group during the year, bonuses were awarded to the Executive Directors as detailed in the table below. Of the $170,745 bonus awarded to Jamie Boyton and the $98,151 awarded to Brian Rudd, 50% is payable in cash in April 2020 and 50% payable in shares in April 2021.

During the first half of 2019, LTIP awards were granted to Executive Directors as detailed in the share options table below. The awards to the Executive Chairman and Executive Director had a calculated value of 100% and 60% of salary, respectively. Awards vest after three years and are subject to two performance targets each covering 50% of the award: an absolute Total Shareholder Return (TSR) condition and an EPS growth performance condition, both measured once at the end of a three-year period. For both conditions, the threshold vesting target, at which 25% of the relevant portion of an award vests, was 8% compound annual growth with maximum vesting at 18%.

The remuneration of the Executive and Non-Executive Directors showing the breakdown between elements and comparative figures is shown below.

	2019					2018				
	Salary / fees	Bonus in cash	Bonus in shares	Other	Total	Salary / fees	Bonus in cash	Bonus in shares	Other	Total
Current Executive Directors										
Jamie Boyton	400	85	85		570	400	175	175		750
Brian Rudd	330	49	49		428	330	35	35		400
Non-Executive Directors										
Craig Burton	-	-	-			54	-	-	-	
Alex Davidson	72	-	-			72	-	-	-	
David Abery	80	-	-			80	-	-	-	
Michael Rawlinson	72	-	-			30	-	-	-	

Figures in $'000

Craig Burton was Non-Executive Director and a member of the Audit, Remuneration and Nominations committees until his resignation effective 31 August 2018.

MANAGEMENT OF REMUNERATION FOR 2020

No changes were made to the salaries of the Executive Chairman or the Executive Director effective 1 January 2020.

The annual bonus scheme for the Executive Directors is based on the overall performance of the Group and the meeting of financial and non-financial performance objectives including profitability measures, safety measures, specific execution of strategic targets (such as the West Africa strategy), role based and personal targets. It will operate in line with the policy described earlier in this report. The corporate and financial performance objectives will have the following weightings: 60% EBITDA, 20% Return on Assets and 20% HSE. For the Executive Director, the remaining 40% of the bonus will be based on individual performance targets.

As noted above, the committee will make long term incentive awards to executives in the first half of 2020.

At a Board Meeting held on 26 November 2019, it was decided to increase the remuneration of the Non-Executive Directors. This decision was made by the Executive Directors in consultation with a UK independent remuneration adviser, h2glenfern. The effective increase date is 1 January 2020.

The decision considered the following key principles:

- To retain high calibre Non-Executives with the necessary experience and skills; and
- To provide fees which take account of the time commitment and responsibilities of the role.

The Non-Executives are paid a basic fee with additional amounts paid to chair a sub-committee, as well as to the Senior Independent Director to reflect the additional time and responsibility associated with this role.

Non-Executive Remuneration is set out below:

	2020				2019			
	Basic Fees	Committee chair	Snr NED	Total	Basic Fees	Committee chair	Snr NED	Total
Alex Davidson	65	20		85	72			72
David Abery	65	20	13	98	80			80
Michael Rawlinson	65	20		85	72			72

Figures in US$'000

DIRECTORS' SHARE INTERESTS

Directors' share interests at 31 December 2019 are set out below:

	Number of beneficially owned shares [1]	Unvested options without performance measures	Vested options	Total interest held at 31 December 2019	Total interest held at 31 December 2018
Executive					
Jamie Boyton	20,995,637		450,000	21,445,637	21,445,637
Brian Rudd	14,909,905		450,000	15,359,905	15,359,905
Non-Executive[2]:					
David Abery	383,333			383,333	300,000
Michael Rawlinson	83,333			83,333	-

[1] Beneficially owned shares include shares held directly or indirectly by connected persons

[2] Non-Executive shares were acquired through market purchases which complied with the company's share dealing code, and were not acquired though any option scheme

This table does not include the share portion of Jamie Boyton's 2018 bonus which is expected to be issued in April 2020, totalling 265,646.

SHARE OPTIONS AND LONG TERM INCENTIVE AWARDS

At 31 December 2019, the share options that had been awarded to each Director were as follows:

	At 1 January 2019	Granted	Lapsed	Exercised	At 31 December 2019	Exercise price	Vesting date	Expiry date
Jamie Boyton[1]	150,000				150,000	£0.80	1/1/2012	31/12/2020
	150,000				150,000	£0.80	1/1/2013	31/12/2020
	150,000				150,000	£0.80	1/1/2014	31/12/2020
Brian Rudd[1]	150,000				150,000	£0.80	1/1/2012	31/12/2020
	150,000				150,000	£0.80	1/1/2013	31/12/2020
	150,000				150,000	£0.80	1/1/2014	31/12/2020

[1] *Awarded in December 2010 under the previous 2010 Discretionary Share Option Plan.*

At 31 December 2019, the LTIP awards that had been awarded to each Director were as follows:

	At 1 January 2019	Granted	Lapsed	Exercised	At 31 December 2019	Exercise price	Vesting date	Expiry date
Jamie Boyton	-	797,212			797,212	US$0.0001	31/12/2021	30/06/2022
Brian Rudd[1]	-	394,620			394,620	US$0.0001	31/12/2021	30/06/2022

[1] *Awarded in 2019 under new LTIP plan. Vesting after three years and subject to performance conditions detailed above.*

AGM AND SHAREHOLDER FEEDBACK

The Committee was pleased with the level of support for the resolution at the 2019 AGM to approve the Directors' Remuneration Report for the year ended 31 December 2018. Over 99.9% of the voted shares supported the resolution.

CORPORATE GOVERNANCE CODE

The 2018 FRC Corporate Governance Code requires the description of the work of the Committee to cover a number of specified matters, most of which are covered above. The Committee believes that the remuneration levels and structure are appropriate in the light of the company's commercial and strategic objectives and the need to attract and retain experienced and skilled executives. The remuneration policy operated as intended in 2019 in terms of company performance and quantum.

The Committee has considered the principles of clarity, simplicity, risk management, predictability, proportionality and alignment to culture in developing and managing executive remuneration. This is reflected in the disclosures in this report, the structure of remuneration which is simple and reflects market practice, the application of malus and clawback provisions, the limits on annual bonus and LTIP award sizes and the setting of performance targets applied to bonus and LTIP awards.

APPROVAL

This report was approved by the Board of Directors on 13 May 2020 and signed on its behalf by:

Michael Rawlinson
Remuneration Committee Chairman

Audit and Risk Committee Report

The report has been prepared by the Audit and Risk Committee (the 'Committee') and approved by the Board.

The Committee comprises David Abery (Chairman), Alex Davidson and Michael Rawlinson. The profiles of the Committee members are included on page 33. David Abery and Michael Rawlinson are deemed to be members with recent and relevant financial experience. The Board considers all three members to be Independent Non-Executive Directors.

SUMMARY OF THE ROLE OF THE AUDIT AND RISK COMMITTEE

The Committee acknowledges and embraces its role of protecting the interests of shareholders in reporting the Group's financial information and the effectiveness of the audit of that financial information. The Committee also plays a key role in ensuring that the Annual Report and accounts are fair, balanced and understandable and contain sufficient information on the Group's performance, business model and strategy.

The Committee is governed by the Audit and Risk Committee Charter ('Charter'), which is agreed and approved by the Board of Directors, and includes the following responsibilities:

- Consideration of the appointment, re-appointment or removal of the external auditor;
- The negotiation of the audit fee;
- Agreeing the nature and scope of the Group's annual financial audit;
- Monitoring the integrity of the financial statements;
- Considering and reporting on any significant issues in relation to the financial statements;
- Reviewing the effectiveness of the audit and the independence and objectivity of the external auditor;
- Reviewing the half-year and annual financial statements, and any audited accounts, before submission to the Board, and confirming to the Board of Directors their opinion that the report and accounts are fair, balanced and understandable and contain sufficient information on the Group's performance, business model and strategy;
- Discussing with the Group's auditors any issues and reservations arising from the interim review and year-end audit;
- Reviewing, on behalf of the Board, the Group's system of internal control and making recommendations to the Board;
- Business risk management and internal control systems, including business policies and practices
- Reviewing the requirement for an internal audit; and
- Reviewing the Group's whistle-blowing procedures.

MEETINGS

During the year ending 31 December 2019, four meetings of the Committee were held, exceeding the minimum number of three required per the Charter. The Chairman/CEO and CFO were regular invitees, as they provided important information and insight.

SIGNIFICANT ISSUES RELATED TO THE FINANCIAL STATEMENTS

The significant issues that were considered by the Committee in 2019 in relation to the financial statements and how these were addressed were as follows:

Going concern and working capital:

The Group operates in an uncertain environment and maintaining sufficient cash headroom for the business is essential. The Group has a strict budgetary discipline and working capital and cash flow forecasting tools which enable management to closely monitor the Group's working capital and cash forecasts. The working capital and cash forecasts are examined on an ongoing basis by the Committee and Board, and always when contemplating capital expenditure, to enable the Board to report that the Group remains a going concern. The Committee and Board recognise that the Group's Revolving Credit Facility with Standard Bank expires on 31 October 2020. The Group's management is already in discussion with Standard Bank to negotiate a new facility. The Group is confident that a new agreement will be reached, as a facility has been in place since 2010 with successful renewals previously negotiated. The Group is confident that, should a new agreement not be negotiated, it is in a position to settle the facility without impacting the going concern.

The potential impact of COVID-19 has been reviewed. The Committee and Board acknowledge the significant current and future impact of COVID-19 on the global economy and have challenged management over the scenarios considered to evaluate the possible impact on going concern, the nature of the reverse stress test and the quality of narrative in the going concern assessment. Given the Group's significant revenue streams arising from producing gold mines and the currently low impact of COVID-19 on the mines, the Committee is satisfied the Group will remain a going concern. Refer to Note 1.1 of the Annual Financial Statements for more detail

Taxation:

The Group operates in multiple jurisdictions with complex legal, tax and regulatory requirements. 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. Management periodically reassesses its tax positions and presents these assessments updates to the Committee for consideration and approval. In particular, the Committee assessed the positions concerning the claims of the Zambian, Tanzanian and Mauritanian tax authorities as disclosed in Notes 6 and 34 to the Annual Financial Statements. The Committee is satisfied with management's estimates and assumptions. The Committee takes into account the views and experience of the external advisors but accepts that responsibility for such matters lies with management and, ultimately, the Board.

Asset impairment and inventory valuation:

The Group reviews the carrying amounts of its assets and inventory annually. Management performed a detailed analysis in terms of IAS 36, Impairment of Assets and IAS 2, Inventories to assess the carrying amounts of the Group's assets and inventories. The Group improved its compliance with IAS 2 in 2019 to incorporate the capitalisation of Freight and Customs, with a corresponding restatement of previous year Financial Statements as required. The Committee is satisfied with management's estimates and assumptions.

Despite the fact that at 31 December 2019 no impairment indicator existed, a detailed impairment assessment was undertaken based on the Weighted Average Cost of Capital (WACC), future Free Cash Flows and Net Present Value and determined that there was no risk of impairment.

EXTERNAL AUDIT

Provision 25 of the 2018 UK Corporate Governance Code's recommendations include that the Board and Audit Committee review the incumbent auditor for retendering and rotation. This includes a best practice approach of Auditor retendering and/or rotation every 10 years. As Deloitte have been the Group's Auditors since 2007, the Committee has recommended to the Board of Directors that the audit should be sent out to tender to appropriate Audit firms, with Deloitte invited to retender.

BDO United Kingdom (BDO) were appointed as auditors to the Group in H2 2020, with Deloitte reviewing the 2019 half year results release. The Audit Committee and Board extend their thanks to Deloitte for their successful tenure and welcome BDO.

The effectiveness of the external audit process is largely dependent on appropriate audit risk identification at the commencement of the audit process. BDO prepared a detailed audit plan, identifying key risks which in 2019 included revenue recognition, management override of controls, asset impairment, inventory existence and valuation and taxation. As detailed above, these risks were reviewed during the year and the Committee has challenged both management's assumptions and estimates and the tests undertaken by the auditors. The Committee assesses the effectiveness of the audit process in addressing these matters semi-annually. In addition, the Committee seeks feedback from management on the effectiveness of the audit process.

For the 2019 financial year, management was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. The Committee concurred with the view of management.

Private meetings were held with the external auditor semi-annually to provide an opportunity for open dialogue and feedback from the Committee and the auditor without management being present. Matters typically discussed include the auditor's assessment of business risks and management activity thereon, the transparency of interactions with management, and confirmation that there has been no restriction in scope placed on them by management. Informal meetings are also held from time to time between the Chairman of the Committee and the external audit partner.

NON-AUDIT SERVICES

The Committee requires that any non-audit services to be performed by the external auditors are formally approved in advance of the service being undertaken. Audit-related services do not require pre-approval and encompass actions necessary to perform an audit, including areas such as providing comfort letters to management and/or underwriters; and performing regulatory audits.

The provision of any non-audit service requires pre-approval and is subject to careful consideration, focused on the extent to which provision of such non-audit service may impact the independence or perceived independence of the auditors. The auditors are required to provide details of their assessment of the independence considerations, as well as measures available to guard against independence threats and to safeguard the audit independence. In 2019, BDO Francophone West Africa was appointed to perform a due diligence service for the group in Côte d'Ivoire. In addition, BDO United Kingdom performed forensic services for the Group. These were not considered to be a conflict of interest, as it was an extremely limited scope without the requirement to provide guidance in decision making. No other non-audit services were provided by auditors in the group.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is ultimately responsible for establishing and maintaining the system of internal controls which has been in place throughout 2019. The system of internal controls is vital in managing the risks that face the Group and safeguarding shareholders' interests. The Group's internal controls are designed to manage rather than eliminate risk as an element of risk is inherent in the activities of a drilling company. The Board's obligation is to be aware of the risks facing the Group, mitigate them where possible, insure against them where appropriate and manage the residual risk in accordance with the stated objectives of the Group. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The effectiveness of the Group's system of internal control is reviewed annually by the Committee. The Committee's assessment includes a review of the major financial and non-financial risks to the business and the corresponding internal controls. Where weaknesses or opportunities for improvement are identified, clear action plans are put in place and implementation is monitored by Senior Management and the Executive Directors. The Committee reported to the Board that following such review, it considered the internal controls in respect of the key risks that face the Group to be appropriate.

The following describes the principal elements of the Group's internal control system and processes employed to review the effectiveness of such system:

Strategic plan:

The Board sets the strategic direction for the Group which is then implemented by the Executive Directors and Senior Management which make up the Executive Leadership Team. Goals are set at the commencement of each year by the Executive Leadership Team and monitored thereafter by the Board.

Management structure:

A formal schedule of matters is reserved for consideration and approval by the Board including all major decisions of financial, technical or organisational importance. The Group's internal control procedures require Board approval for all new projects and all major expenditure requires the approval of the Chief Executive Officer/Executive Chairman. The Executive Leadership Team meets regularly to discuss day-to-day operational matters.

Risk Management:

The Board is responsible for identifying the major business risks that face the Group and for determining appropriate risk mitigation in accordance with the Group's risk management policy which covers environmental, operational, financial and legal risks.

Liquidity and budgetary risk:

Each year the Board approves the Group's business plan and budget and variance analysis is undertaken regularly throughout the year and reported to the Board which approves any material variation to the budget. Short-term and long-term cash flow forecasts are produced and reported to senior management and the Board on a regular basis. Forecasts consider the possible impact of COVID-19 on the business. The capital structure and financing facilities are reported by senior management to the Board on a regular basis to allow the Board to analyse the availability of funding.

In instances where the Group is setting up operations in a new country or a new region, appropriate personnel are deployed or recruited and training is conducted to facilitate the integration with Group operational and financial policies.

In addition, there are clear lines of responsibilities for key risk areas such as acquisitions, capital expenditure, compliance, information technology and operations. These lines of responsibilities are continuously monitored by the Executive Directors and to ensure that the Group's strategic risk management principles are met.

The Committee and Board are closely involved in evaluating and reviewing the principle risks and uncertainties as detailed in the Chief Financial Officer's Report. The process for identifying, evaluating and managing the principal risks faced by the company has been in place for the year under review and up to the date of approval of the annual report and accounts.

INTERNAL AUDIT

In 2018, the Group undertook formal internal audits, performed by external audit firms. No internal audits were performed in 2019, as all major audit firms were invited to participate in the audit tender process and could have resulted in a conflict of interest. Internal audit activities will resume in 2020.

APPROVAL

This report was approved by the Board of Directors on 13 May 2020 and signed on its behalf by:

David Abery
Audit and Risk Committee Chairman

Independent Auditor’s Report

To the Shareholders of Capital Drilling Limited

OPINION

We have audited the financial statements of Capital Drilling Limited (the ‘Parent Company’) and its subsidiaries (the ‘Group’) for the year ended 31 December 2019 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

In our opinion the financial statements:

- Give a true and fair view of the state of the Group’s affairs as at 31 December 2019 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs;
- Have been prepared in accordance with the requirements of the Bermuda Companies Act 1981;

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- The Directors’ confirmation set out on page 31 in the Annual Report that they have carried out a robust assessment of the Group’s emerging and principal risks and the disclosures in the Annual Report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- The Directors’ Statement set out on page 36 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors’ identification of any material uncertainties to the Group’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- Whether the Directors’ statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- The Directors’ explanation set out on page 31 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Revenue recognition	
Refer to Note 1.15 for the Group's policy on revenue recognition. The Group revenue is primarily generated from drilling services. The Group has drilling services contracts with a number of customers in different geographical locations with varying terms and rates. Revenue from drilling services is determined based on estimates of drill depths from daily drilling reports produced on operational sites. The depths are verified by customer representatives on a daily basis, with the value invoiced being a product of drilled metres for a relevant period multiplied by specific contracted rates per metre. Any revenue not invoiced at year end is also recognised on the same basis. Due to drilling services revenue being determined based on drill depth reports and varying contracted rates by customer, the recognition and measurement of revenue is a key area of focus for the audit.	Our specific audit testing in this regard included: Assessment of the revenue recognition policy • We reviewed the terms and conditions detailed within the largest drilling services customers contracts to understand the process for the provision of drilling services and to determine the point of revenue recognition. • We assessed whether the groups revenue recognition policy was in line with relevant accounting standards. Recognition of revenue in the period • For a sample of invoices raised in the year, we tested the drilled metres to customer-approved daily drill reports and agreed rates per metre used to signed contracts. The accuracy of the revenue calculation was verified and agreed through to revenue recognised in the financial statements • We performed cut off testing on drilling revenue in December 2019 and January 2020. We tested a sample of drill reports, verified these to customer approvals and agreed to invoices or accrued revenue where applicable. • A sample of year end trade receivables were verified to approved drill reports and subsequent cash receipt. **Key observations:** We found Management's revenue recognition policy to be in line with relevant accounting standards and the recognition and measurement of revenue in the year to be appropriate.
Uncertain tax provisions	
Refer to Note 6. The Group operates in a number of African countries and the local tax authorities in these jurisdictions have undertaken legislative changes in recent years giving rise to tax claims for companies operating in those countries. This gives rise to a significant risk as the recognition of uncertain taxes requires Management to exercise judgement in respect of a number of areas as disclosed in note 1.4. The Group has been subjected to historic tax claims in certain jurisdictions and these are still active. Where there is uncertainty, the Directors make provision for tax based on the most probable outcome. Therefore this is considered to be a key area of focus for the audit.	Our specific audit testing in this regard included: • Review of the claims made against the Group and correspondence with the relevant revenue authorities to understand the basis of the claims and Management's positions. We made inquiries of Management regarding the nature of its ongoing discussions with the relevant revenue authorities. • We considered and challenged the judgements and assumptions of Management in its assessment of the provisions made. This included the nature of the correspondence with the revenue authorities, consideration of previous payments and inquiries made with Management and its advisors. to assess whether the provisions are sufficient and appropriate • We assessed the appropriateness of the provisions made in relation to these claims against the relevant accounting standards and if they are based on Management's current expectation of the most probable outcome • We involved internal tax specialists to review the assumptions made in these tax matters and determine if they were reasonable and appropriate. • We have reviewed the sufficiency of the disclosure made in the financial statements in respect of these matters and its compliance with accounting standards. **Key observations:** We found Management's assessment of the uncertain tax provisions to be reasonable and appropriately disclosed.

Key Audit Matter	How the matter was addressed in the audit
Going concern – COVID-19	
Refer to Note 1 in the financial statements, which sets out the Directors' consideration of the potential impact of the recent COVID-19 outbreak as part of the Group's going concern assessment. The Directors have modelled the impact of scenarios on the Group's financial projections including a reduction in revenue due to potential temporary mine closures in countries where the Group has significant presence. Furthermore, the Group's existing Revolving Credit Facility ("RCF") of $12,000,000 is due for renewal in October 2020. For these reasons, going concern was a key area of focus for the audit.	Our specific audit testing in this regard included: • We discussed the potential impact of COVID-19 with management and the Audit Committee including their assessment of risks and uncertainties associated with the Group's customers, workforce and commodity market prices. We formed our own views on the risks based on our understanding of the business and the mining sector in Africa. • We obtained management's base case cash flow forecast and challenged the key assumptions in respect of revenue growth, gross profit margins and cash generation with reference to new contract wins, our knowledge of the business and its historical performance and results. • We obtained and critically reviewed management's reverse stress test analysis, performed to determine the point at which an extreme downturn in revenues would impact the going concern of the business. • We tested the integrity of the forecast models and assessed their consistency with approved budgets, and challenged the appropriateness of the adjustments made to revenue, costs and working capital to determine if they were reflective of a reverse stress scenario. • We reviewed the nature and feasibility of the mitigating actions highlighted by management as available to the business. We confirmed that these actions were not incorporated into the reverse stress test analysis and so provided further upside. • We recalculated management's forecast covenant compliance calculations and assessed their consistency with the covenants stated in the relevant lender agreements. • We made specific inquiries of management and the Directors regarding the nature of the discussions held with the Group's lender and the progress of securing a new facility in 2020, and we confirmed the representations made with a representative of the Group's lender. • We obtained and reviewed the indicative term sheet signed by the Group and its potential lender, to understand the proposed new facility limit and financial covenants in place. • We reviewed the adequacy of disclosures in the financial statements in respect of going concern and COVID -19. • We considered the strength of the balance sheet, including forecast levels of cash and other assets available to repay the current and proposed principal facilities in the event that the RCF is not renewed and alternative facilities not put in place. **Key observations:** Our observations are set out in the conclusions relating to principal risks, going concern and viability statement section of our audit report.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality we applied is $730,000 which equates to 5% of Group profit before tax. We consider profit before tax to be an appropriate basis for materiality given the Group is operational and profit making, and is also a key measure for the users of the financial statements.

Each significant component of the Group was audited to a lower materiality ranging from $200,000 to $460,000.

Performance materiality is the application of materiality at the individual account or balance level and is set at an amount which reduces to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceed materiality for the financial statements as a whole. Performance materiality for the Group was set at $475,000, which equates to 65% of the above materiality level.

We agreed with the Audit Committee that we would report to them all individual audit differences identified during the course of our audit in excess of $15,000. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Whilst Capital Drilling Limited is listed on the London Stock Exchange, the Group's services are primarily provided across Africa. We assessed there to be four significant components being the two operational subsidiaries in Egypt and Tanzania and the two holding companies in Mauritius and Bermuda, with Bermuda being the parent company.

Audits for Group reporting purposes were performed on three of the significant components by BDO Tanzania, BDO Egypt and BDO Mauritius. BDO LLP audited the parent company, Capital Drilling Limited as a standalone entity, and the consolidation.

The combined effect of the component audits performed to component level materiality levels for the purpose of the Group audit opinion covered:

Total Assets	Revenue	Profit before Tax
74%	91%	93%

The remaining non-significant components of the Group were principally subject to analytical review procedures performed by BDO LLP.

As part of our audit strategy, as Group auditors we performed the following:

- Detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by the audits (including areas that were considered to be key audit matters as detailed above), and set out the information required to be reported to the Group audit team
- The Group audit team performed procedures independently over key audit risk areas, as considered necessary, including the key audit matters above
- Members of the Group audit team visited the BDO offices in Tanzania, Egypt and Mauritius during the planning and execution phase of the audit. The Responsible Individual or his representative in the Group audit team visited the two main operational sites where Capital Drilling provide services, in Egypt and Tanzania. They also attended clearance meetings for all significant components and had significant discussions with the component auditors responsible for the significant components during the fieldwork, execution and planning phases
- The Group audit team was actively involved in the direction of the audits performed by the component auditors for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn
- We gained an understanding of the legal and regulatory framework applicable to the Group and considered the risks of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to responds to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment or collusion
- Our tests included, but were not limited to, agreement of the financial statement disclosure to underlying supporting documentation, review of correspondence with regulators, review of correspondence with legal advisors, enquiries of management and review of significant component auditors' working papers. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it
- We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 36** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 48** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 37** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body in accordance with Section 80 of the Bermuda Companies Act 1981. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

S McNaughton

Scott McNaughton (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditors

London, UK

13 May 2020

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

Statement of Profit or Loss And Other Comprehensive Income

		Group	
	Note(s)	2019 $	2018 $
Revenue	3	114,826,796	116,020,535
Cost of sales		(69,543,841)	(70,726,861)
Gross profit (loss)		**45,282,955**	**45,293,674**
Administration expenses		(18,003,234)	(16,990,046)
Depreciation, amortisation and impairments	4	(10,637,057)	(13,484,326)
Operating profit (loss)		**16,642,664**	**14,819,302**
Interest income		182,035	401,020
Finance costs	5	(891,750)	(1,051,348)
Share of losses from associate		(227,904)	(869,668)
Fair value loss on investments in equity instruments designated at FVTPL		(1,111,456)	(719,939)
Profit (loss) before taxation		**14,593,589**	**12,579,367**
Taxation	6	(4,215,970)	(4,855,332)
Profit (loss) for the year		**10,377,619**	**7,724,035**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Movement in other reserve		287,568	100,322
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		-	18,510
Other comprehensive income for the year net of taxation		**287,568**	**118,832**
Total comprehensive income (loss) for the year		**10,665,187**	**7,842,867**
Earnings per share			
Per share information			
Basic earnings per share (c)	7	7.65	5.70
Diluted earnings per share (c)	7	7.57	5.70
Profit (loss) attributable to:			
Owners of the parent		10,416,669	7,724,035
Non-controlling interest		(39,050)	-
		10,377,619	**7,724,035**

Statement of Financial Position as at December 31, 2019

		Group		
		2019	2018 Restated	2017 Restated
	Note(s)	$	$	$
ASSETS				
Non-Current Assets				
Property, plant and equipment	9	52,862,017	40,986,687	41,405,764
Right-of-use assets	10	679,991	-	-
Goodwill	11	1,252,348	-	-
Intangible assets	12	303,191	-	-
Investments in associates	13	-	1,482,368	2,750,295
Deferred tax	14	-	9,102	7,297
Total non-current assets		**55,097,547**	**42,478,157**	**44,163,356**
Current Assets				
Inventories	15	17,544,401	19,139,089	23,212,747
Trade and other receivables	16	18,619,228	15,770,617	16,554,256
Prepaid expenses and other assets	17	6,624,827	4,777,803	2,863,167
Investments at fair value	18	12,537,105	5,705,113	3,260,331
Current tax receivable	25	289,139	253,776	136,590
Cash and cash equivalents	19	17,620,623	19,888,764	16,911,383
Total current assets		**73,235,323**	**65,535,162**	**62,938,474**
Total Assets		**128,332,870**	**108,013,319**	**107,101,830**
EQUITY AND LIABILITIES				
EQUITY				
Equity Attributable to Equity Holders of Parent				
Share capital	20	13,625	13,581	13,524
Share premium	20	22,495,287	22,231,662	21,933,772
Reserve for own shares / Share repurchase reserve	22	974,118	409,995	432,476
Other reserve	21	261,301	(26,267)	(126,589)
Foreign currency translation reserve		-	-	(18,510)
Retained income		62,004,344	54,624,202	49,344,795
		85,748,675	77,253,173	71,579,468
Non-controlling interest		1,199,681	-	-
Total equity (shareholders' deficit)		**86,948,356**	**77,253,173**	**71,579,468**
LIABILITIES				
Non-Current Liabilities				
Loans and borrowings	23	2,899,754	9,000,000	12,000,000
Lease liabilities		367,039	-	-
Deferred tax	14	31,481	9,320	-
Total non-current liabilities		**3,298,274**	**9,009,320**	**12,000,000**

		Group		
	Note(s)	2019 $	2018 $	2017 $
Current Liabilities				
Trade and other payables	24	23,121,158	18,064,237	19,731,133
Current tax payable	25	4,335,388	3,656,705	3,749,644
Loans and borrowings	23	10,294,456	29,884	41,585
Lease liabilities		335,238	-	-
Total current liabilities		**38,086,240**	**21,750,826**	**23,522,362**
Total Liabilities		**41,384,514**	**30,760,146**	**35,522,362**
Total Equity and Liabilities		**128,332,870**	**108,013,319**	**107,101,830**

Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Foreign currency translation reserve	Other reserve	Equity-settled employee benefits reserve	Total reserves	Retained income	Total attributable to equity holders of the Group / Company	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$	$	$	$
Group											
Opening balance as previously reported	13,524	21,933,772	21,947,296	(18,510)	(126,589)	432,476	287,377	47,823,617	70,058,290	-	70,058,290
Adjustments											
Prior period error	-	-	-	-	-	-	-	1,521,178	1,521,178	-	1,521,178
Balance at January 1, 2018 as restated	**13,524**	**21,933,772**	**21,947,296**	**(18,510)**	**(126,589)**	**432,476**	**287,377**	**49,344,795**	**71,579,468**	**-**	**71,579,468**
Profit for the year	-	-	-	-	-	-	-	7,724,035	7,724,035	-	7,724,035
Other comprehensive income	-	-	-	18,510	100,322	-	118,832	-	118,832	-	118,832
Total comprehensive income for the year	**-**	**-**	**-**	**18,510**	**100,322**	**-**	**118,832**	**7,724,035**	**7,842,867**	**-**	**7,842,867**
Issue of shares	57	297,890	297,947	-	-	(297,947)	(297,947)	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	275,66	275,466	-	275,466	-	275,466
Dividends	-	-	-	-	-	-	-	(2,444,628)	(2,444,628)	-	(2,444,628)
Total contributions by and distributions to owners of company recognised directly in equity	**57**	**297,890**	**297,947**	**-**	**-**	**(22,481)**	**(22,481)**	**(2,444,628)**	**(2,169,162)**	**-**	**(2,169,162)**
Balance at December 31, 2018	**13,581**	**22,231,662**	**22,245,243**	**-**	**(26,267)**	**409,995**	**383,728**	**54,624,202**	**77,253,173**	**-**	**77,253,173**

Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Foreign currency translation reserve	Other reserve	Equity-settled employee benefits reserve	Total reserves	Retained income	Total attributable to equity holders of the Group / Company	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$	$	$	$
Balance at January 1, 2019	**13,581**	**22,231,662**	**22,245,243**	**-**	**(26,267)**	**409,995**	**383,728**	**54,624,202**	**77,253,173**	**-**	**77,253,173**
Profit for the year	-	-	-	-	-	-	-	10,377,619	10,377,619	-	10,377,619
Other comprehensive income	-	-	-	-	287,568	-	287,568	-	287,568	-	287,568
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**287,568**	**-**	**287,568**	**10,377,619**	**10,665,187**	**-**	**10,665,187**
Issue of shares	44	263,625	263,669	-	-	(263,669)	(263,669)	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	827,792	827,792	-	827,792	-	827,792
Dividends	-	-	-	-	-	-	-	(2,997,477)	(2,997,477)	-	(2,997,477)
Business combinations	-	-	-	-	-	-	-	-	-	1,199,681	1,199,681
Total contributions by and distributions to owners of company recognised directly in equity	**44**	**263,625**	**263,669**	-	-	**564,123**	**564,123**	**(2,997,477)**	**(2,169,685)**	**1,199,681**	**(970,004)**
Balance at December 31, 2019	**13,625**	**22,495,287**	**22,508,912**	**-**	**261,301**	**974,118**	**1,235,419**	**62,004,344**	**85,748,675**	**1,199,681**	**86,948,356**
Note(s)	20	20	20		21						

Statement of Cash Flows

		Group	
		2019	2018 Restated
	Note(s)	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26	28,690,964	30,358,728
Interest income received		182,035	401,020
Finance costs paid		(659,292)	(1,063,049)
Tax paid	25	(3,541,389)	(5,057,943)
Net cash from operating activities		**24,672,318**	**24,638,756**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(15,849,548)	(14,095,347)
Proceeds from sale of property, plant and equipment	9	6,754	418,685
Purchase of investments at fair value		(9,682,412)	(3,838,825)
Proceeds from sale of investments at fair value		1,738,964	1,191,195
Net cash from MSA		166,255	-
Net cash from investing activities		**(23,619,987)**	**(16,324,292)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new loans	23	2,000,000	-
Repayment of loans	23	(2,000,000)	(3,000,000)
Repayment of leases - principal		(289,537)	-
Dividends paid	8	(2,997,477)	(2,444,628)
Net cash from financing activities		**(3,287,014)**	**(5,444,628)**
Total cash movement for the year		**(2,234,683)**	**2,869,836**
Cash at the beginning of the year		19,888,764	16,911,383
Effect of exchange rate movement on cash balances		(33,458)	107,545
Total cash at end of the year	19	**17,620,623**	**19,888,764**

Accounting Policies

Corporate information

Capital Drilling 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 to mineral exploration and mining companies located in emerging and developed markets. The Group also provides survey and information technology services for mining and mining exploration companies

During the year ended 31 December 2019, the Group provided drilling services in Botswana, Egypt, Mauritania, Mali, Kenya, Tanzania and Ivory Coast. The Group’s administrative office is located in Mauritius.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these Group's Annual Financial Statements are set out below.

1.1 Basis of preparation and going concern

The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and are presented in United States Dollars since that is the currency in which the majority of the Group’s transactions are denominated. Where additional information has been presented in the current year Group Financial Statements, the prior year amounts have been re-presented to be consistent with the presentation in the current year.

The Group Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Financial Statements is determined on such a basis, except for share-based payment transactions that are in the scope of IFRS 2, leasing transactions which are within the scope of IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going Concern

At the end of 2019, the Group had a robust Balance Sheet, with significant financial resources at its disposal. The Group had a low debt gearing, with equity of $86.9 million and loans and borrowings of $13.2 million. Cash at year end was $17.6 million, with net cash of $4.4 million. Additional investments in listed entities provided additional flexibility.

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 Q1 2020.

The current Standard Bank Revolving Credit Facility (RCF) is set for renewal on 31 October 2020. Discussions are well advanced with the lender to renegotiate and extend the facility. We are also engaging with other reputable financial institutions as well as working closely with key suppliers to establish asset financing options to obtain optimal financing solutions. Furthermore, the business operates well within its covenant headroom, having consistently done so since the RCF was initiated.

The Board and Group acknowledge the significant current and future impact of COVID-19 on the global economy and have undertaken a thorough investigation into the potential risk it may have on going concern and working capital.

Accounting Policies

Although the pandemic continues to create uncertainty globally, mining and production activity have continued uninterrupted at all the Group's operations.

The strong Q1 revenue was in line with expectations and demonstrates that the Group has been largely unaffected during the quarter, however as we enter Q2 global travel restrictions are beginning to impact expat employee roster rotations with those on site working extended rosters.

In response to extended rosters for both expats and nationals, fatigue management policies have been implemented on-site in the form of shortened weekly rosters which will marginally reduce on-site activity in the current quarter.

The Group's supply chain movement is primarily land and sea based and remains largely unaffected. The majority of restrictions have been attributed to air-freight movements.

Greenfield exploration activity is temporarily put on hold at the moment as juniors find it difficult to access capital markets and exploration programs are deferred pending stabilisation of the current situation.

The Group's portfolio of eight 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.

The Board have considered the potential risks and impact of COVID-19 on the business and note that:

- 90% of the Groups revenue originate in the gold mining sector, a sector that has been very resilient to the impact of the pandemic due to the strict control and containment measures implemented by the active mines;
- Revenues from gold mines are critical for the support of the economies in which the mines operate, especially in the current macro-economic environment. There is therefore significant industry support from the relevant governments;
- Gold is currently trading at levels last seen in 2013, creating significant industry interest;
- The primary client base of the business is predominantly producing gold mining companies, which the Board considers are appearing to be operating in line with expectation. This opinion is supported by the various market announcements made by the companies;
- The primary client base is distributed across the African continent, including Tanzania, Egypt and West Africa; and
- To date, despite the pandemic, no client mines have seen a reduction in operations.

As a result, the Board considers that the downside scenario presented by COVID-19 to largely be limited to a reduction in the exploration market, with a fairly minimal impact on the Group. This position is reinforced by the Q1 performance and related market announcement.

Despite the above, and to test the robustness of the business to withstand a situation much worse than anticipated, the Board also considered a scenario, which acts as a reverse stress test, where turnover would be severely reduced (to model the situation where, in addition to reduction in the exploration market, a major client operation became closed for a sustained period). The Board noted that the model showed that even without taking any other protective steps, other than to reduce planned future capital expenditure and related variable costs, to address the downside, that this could prevail for a sustained period of over six months without impacting expected facilities and covenants.

The Board further noted that these scenarios assume that the RCF is successfully renewed before October, however in all scenarios modelled the forecast balance sheet liquidity remained sufficient such that the RCF would not actually be required.

As a result, the Board considers the business to be a going concern.

1.2 Consolidation

Basis of consolidation

The consolidated Annual Financial Statements incorporate the Annual Financial Statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the Group.

The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the consolidated Annual Financial Statements from the effective date of acquisition to the effective date of disposal.

1.2 Consolidation (continued)

Adjustments are made when necessary to the Annual Financial Statements of subsidiaries to bring their accounting policies in line with those of the Group.

All inter-company transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for Group purposes.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Accounting Policies

1.2 Consolidation (continued)

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the Group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

1.3 Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method, except when the investment is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the Statement of Financial Position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment losses.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the Group's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.4 Significant judgements and sources of estimation uncertainty

The preparation of Annual Financial Statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Impairment of Property, plant and equipment

At the end of every year, management uses judgement to review the indicators of impairment of property, plant and equipment. Depending on those indicators, management will determine if an impairment review needs to be done. Refer to Note 9 for details on external indicators.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Uncertain taxation provisions

The Group operates internationally in territories with different and complex tax codes.

Management exercises judgement in relation to the level of provision required for uncertain tax outcomes. There are a number of tax positions not yet agreed with the tax authorities where different interpretation of legislation and commercial arrangements could lead to a range of outcomes. The tax positions under review covers Corporate Income Tax, VAT, Minimum Income Tax, WHT and Payroll. Judgements are made for each position having regard to the particular circumstances and advice obtained. Please refer to Note 6 uncertain tax positions.

Management also exercise judgement in assessing the availability of suitable future taxable profits to support deferred tax asset recognition.

Further details of the Group's tax position are provided in Note 14.

Classification of spare parts

Management exercises judgement in assessing spare parts classification. Spare parts and servicing equipment are usually carried as inventory and recognised as an expense when consumed. However major spares stand-by equipment qualifies as property, plant and equipment when an entity expects to use them during more than one period and if spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

This is also a prior year adjustment. Refer to Note 35.

Customer contracts performance condition

Management does not consider its drilling services as a lease or a containing a lease. The output required is meters drilled. The Group is compensated for providing the personnel to drill, the machines as well as the technical expertise and the freight and logistics. Although mining Health and safety requires assets to be identified and do have controlled access to sites, the Group also have substantive substitution rights.

Investments at fair value

The Group holds a balance of investments classed as Level 3 valued at $5,841,147. The Group has assessed the recoverability of these investments incorporating historic and forward looking information, and based on specific scenarios. This requires judgements to be made and any provisions are recognised in the statement of profit or loss.

Going Concern

There is an element of judgement involved in determining the financial forecasts and availability of cash and headroom over banking facilities and covenants in the context of COVID-19.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful economic lives of drilling rigs were reassessed in the year and extended for a number of assets following rebuild and repairs done on those assets. When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

New contract costs

The Group capitalises costs incurred in fulfilling new contracts in order to satisfy the performance obligation in the future. All of the costs capitalised are related to specific contract and recoverable from the client. During such assessment Management takes into account the fact patterns specific to the contract involved. New venture costs $1,472,472 as at 31 December 2019 is included in the Prepaid expenses and other assets in the Statement of Financial Position.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Share-based payments

In calculating the share-based payment charge for the year under IFRS 2 Share-based payments, certain assumptions have been made surrounding the future performance of the Capital Drilling Limited share price and the number of employees likely to remain employed during the duration of the option life period. In addition, in order to arrive at a fair value for each of the grants, certain parameters have been assumed for the grants and these have been disclosed in Note 20.

Contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation, including taxation related claims, is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Transportation costs - Freight and customs

The Group has significant inventory which has been purchased across the world and move across borders. In order to allocate freight and customs to inventories management would have to make estimates and determine an average for overall customs and freight as a percentage relating to inventory. This is a prior year adjustment. Refer to Note 35.

Inventory provisions

Inventories are valued at the lower of cost or net realisable value. At year end, management estimates of the net realisable value of inventories to make a stock provision and thereby allocate obsolescence provision according to ageing.

1.5 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

Depreciation is recognised in profit or loss so as to write-off the cost of assets, less their residual values, over their expected useful lives using the straight-line method.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Drilling Rigs	Straight line	5-12 years
Associated drilling equipment	Straight line	2-7 years
Vehicles and Trucks	Straight line	4-7 years
Camp and Associated Equipment	Straight line	3-5 years

1.5 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. There have been no changes in the residual values of assets during the year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. The useful economic lives of drilling rigs were reassessed in the year and extended for a number of assets. This has resulted in a lower depreciation charge in the year for those assets as seen on Note 4. This is a change in estimate and therefore has no retrospective effect on the financial statements.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Spare parts

Capital spares are spare parts that are regularly replaced, usually as part of a general replacement programme. The parts removed are often repaired or overhauled and used in the next replacement cycle.

The Group carries these spare parts and servicing equipment as inventories and recognises them as an expense when consumed. However spare parts and servicing equipment that can only be used in connection with a specific item of property, plant and equipment and they are expected to be used more than one year are recognised as property, plant and equipment.

Depreciation of spares that are capitalised commences when the asset has been installed and is capable of being used. The depreciation charge is based on the expected useful life of the spare while it is being used, which may be shorter than the useful life of the asset to which it relates. When the spare is itself replaced, the asset is derecognised.

1.6 Intangible assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets, amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Accounting Policies

1.6 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	10 Years

1.7 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:
Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss.

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a Group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 29 Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and Prepaid expenses and other assets, are classified as financial assets subsequently measured at amortised cost (Note 16).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

1.7 Financial instruments (continued)

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and Prepaid expenses and other assets. When considering ECL, the Group look at historical and future information. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

A default event means when the Group deems that funds is irrecoverable and written off .

Investments in equity instruments

Classification

Investments in equity instruments are presented in Note 18. They are classified as mandatorily at fair value through profit or loss.

Recognition and measurement

Investments in equity instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income (and accumulated in equity in the reserve for valuation of investments) , depending on their classification. Details of the valuation policies and processes are presented in Note 30.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). Dividend income was only recognised when all the above criteria was met.

Trade and other payables

Classification

Trade and other payables (Note 24), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Accounting Policies

1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (Note 5).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to Note 29 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. For the purpose of the Statement of Cashflows, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and its subsidiaries operate at the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. This is not applicable for the Group as there are no deferred tax assets at the end of the reporting date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.9 Leases

The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense (Note 4) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Details of leasing arrangements where the Group is a lessee are presented in Note 10 Leases (Group as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The definition of the lessee's incremental borrowing rate states that the rate should represent what the lessee 'would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. In practice, judgement may be needed to estimate an incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the Group under residual value guarantees;
- The exercise price of purchase options, if the Group is reasonably certain to exercise the option;
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (Note 10).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (Note 5).

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impact the lease terms, which significantly affects the amount of lease liabilities and rights of use of assets recognised.

Accounting Policies

1.9 Leases (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- There has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- There has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- There has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- There has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or
- A lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- The initial amount of the corresponding lease liability;
- Any lease payments made at or before the commencement date;
- Any initial direct costs incurred;
- Any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- Less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Practical Expedients

In applying the modified retrospective approach, The Group has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics;

- Leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases (i.e. not recognised on balance sheet) even though the initial term of the leases from lease commencement date may have been more than twelve months;

- Initial direct costs have not been included in the measurement of the right-of-use asset as at the date of initial application.

1.9 Leases (continued)

- For the purposes of measuring the right-of-use asset hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as the term of leases) based on circumstances on or after the lease commencement date.

- On transition to IFRS 16, the Group elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases.

1.10 Inventories

Inventories relates to spare parts and consumables. They are measured at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. Redundant and slow-moving inventory are identified and written down to their net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. When it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income in profit or loss immediately

1.12 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the Group in which they are declared.

Accounting Policies

1.13 Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

Market conditions and non-vesting conditions are taken into account when estimating the fair value of the cash-settled share-based payment.

As an exception, when the Group is obligated, in terms of tax legislation, to withhold an amount of employees' tax associated with an equity-settled share-based payment transaction (thus creating a net settlement feature), the full transaction is still accounted for as an equity-settled share-based payment transaction.

1.14 Employee benefits

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of salaries, wages and leave entitlements in the period the related services is rendered. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Retirement Benefits

The Group does not have a legal obligation to provide for retirement benefits, however each subsidiary makes defined contributions for retirement benefits as per the country's statutory obligations and charged to Profit and Loss as payment falls due.

1.15 Revenue recognition

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Revenue from drilling contracts is recognised at the contractual drilling rates as the drilling services are delivered and direct expenses are incurred;
- Revenue from surveying is recognised at the contractual rates as the survey services is delivered; and
- Revenue from information technology services is recognised when the services are rendered.

1.15 Revenue recognition (continued)

- Laboratory analysis of drilling samples relates to sample analysis by MSA Laboratories provided to customers. Transfer of benefits is continuous and revenue is recognised accordingly.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). Dividend income was only recognised when all the above criteria was met.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1.16 Translation of foreign currencies

Functional and presentation currency

The individual Financial Statements of each Group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Group Financial Statements, the results and financial position of each Group Company are expressed in United States Dollars, which is the functional currency of the Group, and the presentation currency for the Group Financial Statements.

Foreign currency transactions

In preparing the Financial Statements of the individual Group companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting Group Financial Statements, the assets and liabilities of the Group's foreign operations are translated into United States Dollars at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to Profit and Loss.

1.17 Contingent Liabilities

Contingent Liabilities is a possible obligation from past events that will be confirmed by some future event or a present obligation from a past event, but either:

- The outflow of economic benefits to satisfy this obligation is not probable, or
- The amount of obligation cannot be reliably measured.

Notes to the Annual Financial Statements

1.17 Contingent Liabilities (continued)

In events where firm indications of a possible obligation exist the Group will use judgements based on estimates from expert advice to provide for the portion of the possible expense.

1.18 IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 is effective for periods beginning on or after 1 January 2019.

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a Group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group elected to apply IFRIC 23 retrospectively and there was no impact on tax liabilities or retained earnings as at 1 January 2019. Consequently comparative balances have not been restated.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28

Prepayment Features with Negative Compensation - Amendment to IFRS 9

Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle

Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle

Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle

Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle

Uncertainty over Income Tax Treatments

The above amendments do not have a material impact on the Group's Annual Financial Statements.

IFRIC 23 Uncertain tax positions

IFRIC 23 is effective from 1 January 2019.

IFRIC 23 applies where there is uncertainty over the acceptable income tax treatment of an item, for example, whether an item of income is taxable or not. The Interpretation requires that:

(a) An entity determines whether to consider each uncertain income tax treatment separately or together with other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty.

(b) An entity assumes that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

(c) If an entity concludes that the tax authority will accept an uncertain tax treatment, it will determine taxable profits, tax bases, tax losses, tax credits and tax rates consistently with that treatment.

(d) If an entity concludes that the tax authority will probably not accept an uncertain tax treatment, it should reflect the effect of uncertainty when determining taxable profits, tax bases, tax losses, tax credits and tax rates consistently with that treatment. The effect of uncertainty may be reflected based on the most likely amount or expected values.

(e) Consistent judgements and estimates must be made for both current and deferred tax.

(f) A judgement or estimate should be reassessed if the facts or circumstances on which it was based change.

IFRIC 23 is only relevant to Income taxes and not any other form of tax.

The Group has no material impact from the implementation of IFRIC 23.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which have impacted the Group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

The effective date of the standard is for years beginning on or after January 1, 2019.

The Group has adopted the standard for the first time in the 2019 Annual Financial Statements.

The impact of the standard is set out in Note 1.9 in Accounting Policy.

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2020 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the Group's Annual Financial Statements.

3. REVENUE

Revenue from the rendering of services comprises:

	Group	
	2019 **$**	**2018** **$**
Drilling and associated revenue	109,481,157	113,620,707
Revenue from surveying	1,794,290	1,986,698
Information technology revenue	351,650	413,130
MSALABS revenue (from 1 July 2019)	3,199,699	-
	114,826,796	**116,020,535**

The Group has four revenue streams:

- Drilling revenue relates to drilling services revenue where the terms of the contract with customers requires the Group to drill a specified number of meters at a specified drilling rate. Under IFRS 15 it has been concluded that the Group has an enforceable right to payment for performance completed to date.

- Revenue from surveying relates to short term hire of down hole surveying equipment. Under IFRS 15 it has been concluded that the Group has an enforceable right to payment for performance completed to date. Meeting of performance obligations and transfer of benefits is continuous.

- Information technology revenue relates to bandwidth and other information technology services provided to customers. Under IFRS 15 it has been concluded that the Group has an enforceable right to payment for performance completed to date.

- Laboratory analysis of drilling samples relates to sample analysis by MSA Laboratories provided to customers. Samples are analysed and invoiced as and when the results are obtained. The turnaround time for a sample from collection is between 14 and 20 days from receipt to invoice. Under IFRS 15 it has been concluded that the Group has an enforceable right to payment for performance completed to date.

The vast majority of the Group's revenue refer to drilling revenue on a per meter drilled basis. The transaction price for drilling is price per meter drilled times number of meters drilled. The e-plod system is a day by day tracker of the meters drilled per rig. This takes into account the meters, relevant rate per meter and leads to the revenue number. Revenue recognition occurs when the relevant geologist/mine manager signs and accepts the e-plod report which is converted monthly/bi-monthly into invoices.

Notes to the Annual Financial Statements

	Group	
	2019 $	2018 $
4. PROFIT (LOSS) FROM OPERATIONS		
The following items have been recognised as (income) expenses in determining profit (loss) from operations:		
Depreciation		
Depreciation on rights of use assets	264,178	-
Computer software	1,967	-
Drilling rigs	6,912,965	10,607,408
Leasehold improvements	69,152	-
Associated drilling equipment	1,228,688	655,251
Vehicles and trucks	1,458,404	1,596,481
Camp and associated equipment	701,703	625,186
Total depreciation	**10,637,057**	**13,484,326**
Leases		
Operating lease charges		
Short term equipment rental	2,791,772	2,639,075
Employee costs		
Salaries, wages, bonuses and other benefits	34,519,212	30,907,604
Share based compensation expense	827,792	275,466
Total employee costs	**35,347,004**	**31,183,070**
Other		
Loss on exchange differences	626,599	1,108,791
Loss on disposal of property, plant and equipment	448,495	611,412
Legal and professional fees	1,499,055	1,341,967
Stock written off	524,203	2,648,373
Other tax	174,634	-
Net loss on financial assets	1,111,456	719,939
Tax audit provisioning	509,017	751,710
Provision for inventory obsolescence	109,665	(238,423)
5. FINANCE COSTS		
Lease liabilities	47,646	-
Interest on bank loans	721,639	912,285
Other interest paid	122,465	139,063
Total finance charges	**891,750**	**1,051,348**

	Group	
	2019	2018
	$	$
6. TAXATION		
Major components of the tax expense		
Current		
Local income tax - current period	2,744,500	1,294,477
Local income tax - recognised in current tax for prior periods	(225,194)	132,479
Foreign income tax or withholding tax - current period	2,312,687	3,419,950
	4,831,993	**4,846,906**
Deferred		
Current year	(624,231)	8,426
Prior year	8,208	-
	(616,023)	**8,426**
	4,215,970	**4,855,332**

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

Reconciliation of the tax expense

The taxation charge for the year can be reconciled to the theoretical amount that would arise using the basic tax rate on the profit or loss per the statement of comprehensive income as follows:

	2019	2018
Accounting profit (loss)	14,593,589	12,579,367
Tax at domestic rates applicable to profits and losses in the jurisdictions in which the Group operates	2,368,305	512,790
Tax effect of adjustments on taxable income		
Foreign withholding taxes paid	2,312,687	3,419,950
Permanent differences	177,737	546,767
Prior year under provision	(225,194)	132,479
Change in unrecognised deferred tax assets	202,648	243,346
Utilisation of losses not previously recognised	(620,213)	-
Total taxation	**4,215,970**	**4,855,332**

The Group's consolidated income tax expense is affected by the varying tax laws and income tax rates in effect in the various countries in which it operates, which are mainly in Africa and Southeast Europe. There has been a decrease in foreign withholding taxes due to increased effectiveness in cash repatriation as well as a reduction in inter-company invoicing to assist newly established entities.

Notes to the Annual Financial Statements

	Group	
	2019	2018
	$	$

6. TAXATION (continued)

Uncertain tax positions

The Group operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions, the Group has taken income tax positions that Management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and relates to the interpretation of income tax laws. The Group periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions is based on Management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws. Considering all available information and the history of resolving income tax uncertainties, the Group believes that the ultimate resolution of such matters will not likely have a material effect on the Group's financial position, statements of operations or cash flows

Detail of uncertain tax position - income taxes

Nature of Assumption	Tax Type	Tax jurisdiction	Related tax years	Value of assessment	Amount provided	Expected resolution
Disallowance of tax deductions, Zambia Revenue Authority view this was not incurred in the production of income	Income Tax	Zambia	2007-2013	$462,214	$181,254	2020
Withholding tax assessments raised for tax on equipment hire invoices and Management fees invoices	Withholding Tax	Zambia	2007-2013	$6,583,180	$746,188	2020

Detail of uncertain tax position - other taxes

Nature of Assumption	Tax Type	Tax jurisdiction	Related tax years	Value of assessment	Amount provided	Expected resolution
Zambian Revenue Authority of the view that invoices were not zero-rated	Other Taxes	Zambia	2007-2013	$1,109,567	$24,642	2020
Assessments raised relating to expatriate employees	Other Taxes	Zambia	2007-2013	$2,899,575	$644,700	2020
Tax assessment raised with no supporting documents to substantiate the assessment	Payroll taxes	Tanzania	2009-2015	$8,481,868	$2,112,644	2020

Nature of Assumption	Tax Type	Tax jurisdiction	Related tax years	Value of assessment	Amount provided	Expected resolution
Assessment raised with regards to disallowed expenses and additional revenue deemed	Income Tax	Mauritania	2016-2018	$2,190,130	-	2021
VAT raised on deemed revenue	VAT	Mauritania	2016-2018	$567,336	$53,926	2021
Apprentice and securities tax	Other tax	Mauritania	2016-2018	$40,593	-	2021

	Group 2019 $	Group 2018 $

7. EARNINGS PER SHARE

Basic earnings per share

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

	2019 $	2018 $
Earnings for the year, used in the calculation of basic earnings per share	10,416,669	7,724,035
Weighted average number of ordinary shares for the purposes of basic earnings per share	136,138,967	135,670,075
Basic earnings per share		
From continuing operations (c per share)	7.65	5.69

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share measures are the same as those used in the equivalent basic earnings per share measures, as outline above.

	2019 $	2018 $
Reconciliation of weighted average number of ordinary shares used for earnings per share to weighted average number of ordinary shares used for diluted earnings per share		
Weighted average number of ordinary shares used for basic earnings per share	136,138,967	135,670,075
Adjusted for:		
Effect of STIP and LTIP shares	856,104	-
Diluted share awards	639,688	271,765
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**137,634,759**	**135,941,840**
Diluted earnings per share		
From continuing operations (c per share)	7.57	5.68

Share options granted in the previous year were anti-dilutive in nature and were not considered in the calculation of diluted earnings per share of the previous year.

8. DIVIDENDS PAID

	2019 $	2018 $
Dividends	(2,997,477)	(2,444,628)

During the 12 months ended 31 December 2019, a dividend of 1.5 cents (2018: 1.2 cent) per ordinary share, totalling to $2,043,734 (2018:$1,629,751) was declared as the final dividend for 2018 and paid to the shareholders on 03 May 2019 (2018: 18 May 2018) followed by a further dividend of 0.7 cents (2018: 0.6 cents) per share which was declared as interim dividend for 2019 totalling $953,743 (2018: $814,876) and paid on 27 September 2019 (2018: 03 October2018). The total dividend paid is $2,997,477 (2018: $2,444,628).

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

Notes to the Annual Financial Statements

9. PROPERTY, PLANT AND EQUIPMENT

Cost	Drilling rigs	Associated drilling equipment	Vehicles and trucks	Camp and associated equipment	Computer software	Leasehold improvements	Total
At 1 January 2018	84,236,047	7,840,235	14,895,681	8,436,121	-	-	115,408,084
Additions	8,051,284	3,021,186	1,797,035	1,225,842	-	-	14,095,347
Disposal	(2,365,047)	(876,779)	(1,429,062)	(1,515,659)	-	-	(6,186,547)
At 31 December 2018 - restated	89,922,284	9,984,642	15,263,654	8,146,304	-	-	123,316,884
Acquisition through business combination	-	-	34,916	2,289,220	522,049	36,073	2,882,258
Additions	11,930,689	4,312,232	3,364,576	207,680	6,022	-	19,821,199
Net transfers from subsidiaries	-	141,781	(141,781)	-	-	-	-
Disposal	(1,033,644)	(198,238)	(278,960)	(668,049)	-	-	(2,178,891)
At 31 December 2019	**100,819,329**	**14,240,417**	**18,242,405**	**9,975,155**	**528,071**	**36,073**	**143,841,450**
Accumulated Depreciation							
At 1 January 2018	53,627,516	4,487,923	9,934,212	5,952,669	-	-	74,002,320
Depreciation	10,607,408	655,251	1,596,481	625,187	-	-	13,484,327
Disposal	(1,551,322)	(829,626)	(1,311,091)	(1,464,411)	-	-	(5,156,450)
At 31 December 2018	62,683,602	4,313,548	10,219,602	5,113,445	-	-	82,330,197
Depreciation	6,912,965	1,228,688	1,458,404	701,703	69,152	1,967	10,372,879
Net transfers from subsidiaries	-	30,625	(30,625)	-	-	-	-
Disposal	(714,200)	(162,311)	(240,134)	(606,998)	-	-	(1,723,643)
At 31 December 2019	**68,882,367**	**5,410,550**	**11,407,247**	**5,208,150**	**69,152**	**1,967**	**90,979,433**
Carrying amount at 31 December 2018	27,238,682	5,671,094	5,044,052	3,032,859	-	-	40,986,687
Carrying amount at 31 December 2019	31,936,962	8,829,867	6,835,158	4,767,005	458,919	34,106	52,862,017

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment and reversal of impairment

The Group reviews the carrying amounts of its tangible assets at the end of each reporting period to determine whether there is any indication that those assets may be impaired. Property, plant and equipment was tested for impairment at the reporting date. As at this date, Management concluded that the carrying amount of property, plant and equipment did not exceed the value in use and therefore, no impairment loss was recognised on that basis.

A checklist is made against both the external and internal sources of impairment. External indicators include:

- Unexpected decline in market value of the asset;
- Adverse technological changes, market or legal environment; and
- Changes in customer demands which Capital Drilling fails to respond.

No indication of the above has been noted with regards to the drill Rigs. Market Values are still stable and in line with the carrying values on the assets. Capital Drilling has a total of 95 drill rigs.

All rigs that drilled during 2019 are deemed fit for purpose. Routine maintenance is carried out on the assets as required, including parts change out and service.

10. LEASES (GROUP AS LESSEE)

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

The Group adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17 and accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative have been recognised as part of property, plant and equipment. The information presented in this Note for right-of-use assets therefore only includes the current period.

	Group	
	2019	**2018**
	$	**$**
Right of use assets - Land and Buildings		
At 1 January 2019	215,708	-
Additions through business combinations	426,773	-
Additions	301,687	-
Depreciation	(264,177)	-
At 31 December 2019	**679,991**	**-**
Lease liabilities - Land and Buildings		
At 1 January 2019	215,708	-
Additions through business combinations	426,773	-
Additions	301,687	-
Interest expense	47,646	-
Lease payments	(289,537)	-
At 31 December 2019	**702,277**	**-**

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 8%.

Notes to the Annual Financial Statements

	Group	
	2019 $	2018 $

10. LEASES (GROUP AS LESSEE) (continued)

The aggregate lease liability recognised in the statement of financial position at 1 January 2019 and The Group's operating lease commitment at 31 December 2018 can be reconciled as follows:

	2019 $	2018 $
Operating lease commitment at 31 December 2018	1,632,498	-
Discounted using the incremental borrowing rate at 1 January 2019	1,511,572	-
Recognition exemption: Short-term and low-value leases	(1,295,864)	-
	215,708	**-**

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	2019 $	2018 $
Within one year	335,238	-
Two to five years	367,039	-
	702,277	**-**
Non-current liabilities	367,039	-
Current liabilities	335,238	-
	702,277	**-**

11. GOODWILL

Group	2019			2018		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	1,252,348	-	1,252,348	-	-	-

Reconciliation of goodwill - Group - 2019

	Opening balance	Additions through business combinations	Total
Goodwill	-	1,252,348	1,252,348

Goodwill arise from the business combination with the acquisition of control in MSA Mineral Services Analytical (Canada) Inc. (MSA) incorporated in Canada. Management used the Income approach (Discounted Cash Flow) valuation methodology with WACC of MSA. Cash Flow forecasting was performed up to 2023 with the last year as the base for the terminal value. Terminal value determined by the Gordon constant dividend growth model using a 2 % growth. Goodwill was calculated using a WACC of 13.8%.

Subsequent to the Business combination (Note 27) further loan conversions and a right's issue occurred. At 31 December 2019 the Group owns 73.87% of the share capital in MSA while other shareholders own the remaining 26.13% of the shares. There is no difference in voting rights for any of the shares.

11. GOODWILL (continued)

The Group is required to test, on an annual basis whether goodwill has suffered any impairments. Discounted cash flows were used to assess the goodwill as at 31 December 2019 and no impairment was found. The discount rate used was 13.8% and the growth rate was 2%. Discounted cash flow forecast was performed for 4.5 years and operating margin of 40% was used in the forecast. Goodwill will undergo impairment testing again in December 2020.

12. INTANGIBLE ASSETS

Group	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	303,191	-	303,191	-	-	-

Reconciliation of intangible assets - Group - 2019

	Opening balance	Additions	Additions through business combinations	Total
Computer software, other	-	21,315	281,876	303,191

No accumulated amortisation and impairment have been raised. The transactions occurred in the second half of the financial year.

The intangible asset is the additional fair value recognised in LIMS (Laboratory Information Management System) which is the software that underpins the laboratory system. The valuation was performed utilising the cost savings method. The system is operational and is in phase two of development. Once development is complete amortisation will start. It is envisaged that the Group will utilise the system for the next 8.5 years.

	Group	
	2019 $	2018 $

13. INVESTMENTS IN ASSOCIATES

The investment in associates as at December 2018 was US$1,482,368. This represented a holding of 38.76%. On 1 July 2019 the Group converted a loan of US$908k to shares increasing shareholding to 58.11% effectively gaining control over the entity.

Opening value as at 1 January 2019	1,482,368	-
Equity accounting up to 30 June 2019	(227,905)	-
Closing value at 30 June 2019	**1,254,463**	**-**

From 1 July the holding in MSA Mineral Services Analytical was accounted as a subsidiary under IFRS 3 Business Combinations.

Notes to the Annual Financial Statements

	Group 2019 $	Group 2018 $
14. DEFERRED TAX		
Deferred tax liability		
Excess of capital allowances over depreciation	(31,481)	-
Provisions	-	(9,320)
Total deferred tax liability	**(31,481)**	**(9,320)**
Deferred tax asset		
Excess of capital allowances over depreciation	-	9,102
The summarised position is as per below:		
Deferred tax liability	(31,481)	(9,320)
Deferred tax asset	-	9,102
Total net deferred tax (liability) asset	**(31,481)**	**(218)**
Reconciliation of deferred tax asset / (liability)		
At beginning of year	(218)	7,297
Taxable / (deductible) temporary difference movement on tangible fixed assets	(31,263)	911
Provisions	-	(8,426)
	(31,481)	**(218)**

During 2019 the Group undertook an assessment of the likelihood of utilising older tax losses. At the reporting date, the Group has estimated tax losses carried forward of $3.2 million (2018: $25.6 million) with a tax value of $0.7 million (2018: $6.5 million) available for offset against future profits. All losses will expire between 2-4 years.

	2019	2018
Status of operation		
Dormant Companies	-	1,947,591
Companies marked for closure	-	1,243,917
Operating Companies	734,380	3,310,327
	734,380	**6,501,835**

A deferred liability has been recognised to the value of $0.0315 million (2018: $0.0002 million)

15. INVENTORIES

	2019	2018
Drilling consumables	18,673,743	20,426,735
Goods in transit	287,126	19,175
Gross carrying value of inventory	18,960,869	20,445,910
Less impairment of inventory	(1,416,468)	(1,306,821)
	17,544,401	**19,139,089**

The cost of inventories recognised as an expense in the current year amounts to $10.1m (2018: $10.9m). During the year, the Group wrote off $625k (2018: $2.4m) of inventory resulting in a reduction in the carrying amount of the provision. Refer to Note 4 for details of the amount of write-down of inventories recognised as an expense in the period. Refer to Note 35 for prior period errors.

	Group 2019 $	Group 2018 $
16. TRADE AND OTHER RECEIVABLES		
Trade receivables	18,619,228	15,770,617
Total trade and other receivables	**18,619,228**	**15,770,617**

Trade receivables have credit periods of between 30 to 45 days. The ageing of trade receivables is detailed below:

	2019 $	2018 $
Current	12,447,947	7,886,810
Past due 1 - 30 days	3,171,078	2,595,935
Past due 31 - 45 days	914,317	3,490,066
Past due 46 - 60 days	277,266	6,600
Past due over 60 days	1,808,620	1,791,206
	18,619,228	**15,770,617**

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for each customer. Customers credit limits are reviewed annually. The Group's credit risk is concentrated as the Group currently provides drilling services to a limited number of major and mid-tier mining companies as well as junior explorers.

Included in trade receivables is the amount of $11,624,294 (2018: $12,487,983) receivable from five main customers.

The ECL model takes into account the historical credit loss experience, the diversity of the customer base as well as specific information regarding individual customers

The Group transacts mainly with mining companies listed on the stock exchanges. As such the ageing of accounts receivable is in good standing and no ECL impairment has been provided. Therefore, the impairment for 2019 was nil (2018: Nil). The Group only has one significant balance outside 60 days, and a suitable arrangement is in place with the client to recover the amount.

The Directors consider that the carrying amount of trade and other receivables approximate their fair values.

17. PREPAID EXPENSES AND OTHER ASSETS

	2019 $	2018 $
Prepayments	2,910,137	1,210,501
Capitalised contract costs	1,472,472	1,170,549
VAT	1,181,439	433,477
Accounts receivable - Sundry	417,400	1,497,080
Prepayment for fixed assets	388,675	-
Others	254,704	466,196
	6,624,827	**4,777,803**

18. INVESTMENTS AT FAIR VALUE

	2019 $	2018 $
Investments held by the Group which are measured at fair value, are as follows: Equity investments at fair value through profit or loss	12,537,105	5,705,113
Mandatorily at fair value through profit or loss:		
Listed shares	6,695,958	2,961,491
Level 3 shares	5,841,147	2,743,622
	12,537,105	**5,705,113**

Notes to the Annual Financial Statements

18. INVESTMENTS AT FAIR VALUE (continued)

The reconciliation of the investment valuations from 1 January 2019 to 31 December 2019 is as follow:

Details	Level 1	Level 3	Total
At 1 January 2019	2,961,491	2,743,622	5,705,113
Additions	6,682,412	3,000,000	9,682,412
Disposal	(1,844,411)	-	(1,844,411)
Fair value (loss)/gain	(1,103,534)	97,525	(1,006,009)
At 31 December 2019	**6,695,958**	**5,841,147**	**12,537,105**

Details	Level 1	Level 3	Total
At 1 January 2018	1,419,434	1,840,897	3,260,331
Additions	2,928,825	910,000	3,838,825
Disposal	(934,073)	(486,237)	(1,420,310)
Fair value (loss)/gain	(452,695)	478,962	26,267
At 31 December 2018	**2,961,491**	**2,743,622**	**5,705,113**

Fair value information

Level 1 shares

Market approach - Listed share price.

The Company's interests in various listed shares are valued at the 31 December 2019 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 considered the most appropriate valuation methodology is a multiples based approach based on comparing the enterprise values of a peer Group with their respective mineral reserves and resources.

The average multiple from peer analysis was applied to the reserves and resources of each level 3 company to arrive at an estimated enterprise value. An adjustment was then made to arrive at an estimated equity valuation from which the value of the level 3 shareholding was determined.

For the level 3 investments in exploration-phase companies, the Directors considered a peer Group of mines of junior exploration companies with West African assets. An average multiple of enterprise values to mineral resources (comprising resources in each of measured, indicated and inferred categories) of USD13/oz was used in the valuation.

For the level 3 investments in companies with a portfolio of assets (including production, development and exploration phases), the Directors considered a peer Group comprising of mid-sized, producing companies with primarily West African assets. Average multiples of enterprise value to mineral reserves and enterprise value to mineral resources (comprising resources in each of measured, indicated and inferred categories) of USD231/oz and USD98/oz, respectively, were used in the valuation.

	Group	
	2019 $	2018 $

18. INVESTMENTS AT FAIR VALUE (continued)

For the purposes of the disclosures required by IFRS 13, if the reserves and resources 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 USD5.8 million to USD7.4 million. The related fair value increase of USD1.6 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 USD5.8 million to USD4.3 million. The related fair value decrease of USD1.5 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.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	84,948	115,202
Bank balances	17,535,675	19,773,562
	17,620,623	**19,888,764**

20. SHARE CAPITAL AND PREMIUM

Authorised		
2,000,000,000 (2018: 2,000,000,000) Ordinary shares of $0.01 (2018: $0.01) each	200,000	200,000
Number of ordinary shares		
Balance at beginning of period	135,812,596	135,247,159
Number of shares issued	436,357	565,437
Balance at end of period	**136,248,953**	**135,812,596**
No of shares reserved for issue under options	2,160,000	2,160,000

On 1 April 2019, the Company issued 436,357 new common shares pursuant to the Company's employee incentive scheme. 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 dividend.

Issued share capital		
Balance at beginning of period	13,581	13,524
Share issued	44	57
Balance at end of period	**13,625**	**13,581**

The holders of ordinary shares have the same rights. They are entitled to receive dividends as declared from time to time and to one vote per share at the shareholders' meeting.

Share premium		
Balance at beginning of period	22,231,662	21,933,772
Share issue	263,625	297,890
Balance at end of period	**22,495,287**	**22,231,662**

Notes to the Annual Financial Statements

	Group	
	2019 $	2018 $

21. OTHER RESERVE

Other reserve consists of $71,245 arising from the fair value uplift on the intangible asset acquired through the business combination with MSA (refer to Note 27) and $190,056 arising upon the acquisition of further shares in MSA subsequent to this business combination.

22. EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE

All employees of the Group are eligible to participate in the discretional bonus incentive scheme approved by the Board of Directors. The scheme incentivises the achievement of a range of short-term and long-term performance targets that are key to the success of the Company. The Remuneration Committee awards at their discretion grants at no costs to the employee based on individual performance. Employees to whom share awards or options are offered are required to accept the offer prior to issuance of the certificate.

Grant terms are determined by the Remuneration Committee on the date of the grant. These include the number of options or share awards, vesting terms, exercise price and expiry date which are communicated to employees in the offer notice. Options and share awards are forfeited if the employee leaves the Group before the vesting date. If options are not exercised by the expiry date, they are cancelled. Details of the share awards and options outstanding during the year are as follows:

2010 Option Series

These options were granted in 2010 and expire in December 2020. The weighted average value at grant date was US$ 0.078 per option. Options are exercisable only at the weighted average exercise price of £0.80. If the options remain unexercised after a period of ten years from the date of the grant, the options expire. No options have been exercised. The number of outstanding share options granted under this scheme as at 31 December 2019 is 2,160,000 (2018 – 2,160,000) There were no options granted or cancelled during the year.

Figures in US Dollar	Group 2019 Number of shares	2018 Number of shares
Balance at the beginning of the year	2,160,000	2,340,000
Options (cancelled) granted	-	(180,000)
Balance at the end of the year	**2,160,000**	**2,160,000**

Shares awards:

Acceptance date by employee	Vesting date	Number	Expiry date	Weighted average exercise price	Weighted average grant date fair value per option
2014 Series 1/4/2014	1/3 on 31/3/15 1/3 on 31/3/16 1/3 on 31/3/17	32,642			£0.3100
2015 Series 1/4/2015	1/3 on 31/3/16 1/3 on 31/3/17 1/3 on 31/3/18	103,754			£0.2600
2016 Series 1/4/2016	1/3 on 01/4/17 1/3 on 03/4/18 1/3 on 02/4/19	762,737			£0.3050
2017 Series 1/4/2017	1/3 on 04/4/18 1/3 on 04/4/19 1/3 on 04/4/20	596,363			£0.5500
2018 Series 3/4/2018	on 03/4/19 on 03/4/20 on 03/4/21	125,994 563,678 244,899			£0.375

22. EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE (continued)

Share awards were valued at the closing price of the Company's ordinary shares at the date of the grant. In 2019, the Group recognised total expenses of $349,147 (2018: $275,466) related to share awards. Share awards are converted to ordinary shares upon vesting on a one-to-one basis.

	Group	
	2019 Number of shares	**2018 Number of shares**
The following reconciles the number of outstanding share awards granted under the company's share incentive schemes at the beginning and end of the year:		
Balance at the beginning of the year	531,560	841,137
Share awards granted	871,527	255,860
Shares issued	(436,357)	(565,437)
Balance at the end of the year	**966,730**	**531,560**

Short term incentive plan

Share awards were granted under the new Short-Term Incentive Plan (STIP) for 2019. The total value of the grant in shares is $ 382,432. The share price used in the calculation was £0.478 which was the quoted price of shares as at 10 March 2020 and the total number of shares granted was 613,890. Vesting date is March 2021 and vesting is contingent on continued employment to that date. The Group has expensed $ 191,296 in 2019.

The number of outstanding shares granted under this scheme as at 31 December 2019 is 613,890 (2018 – nil). All options were granted during the year and none were exercised nor cancelled during this period.

Long-Term Incentive Plan

The Long-Term Incentive Plan was granted on 1 January 2019 with a vesting date of 31 December 2021. The long-term incentive program consists of share awards. The costs are recognised on a straight-line basis following the respective valuation methods. The awards are share options with a nominal strike price of $0.0001

Vesting of shares is contingent upon:

i) the compound annual growth rate (CAGR) of the earnings per share (EPS) over the vesting period;

ii) market condition of Total shareholder return (TRS) over the vesting period

50% of the awarded share options are contingent on condition 1 (EPS), while the other 50% of the awarded share options are contingent on condition 2 (TRS).

The share options are valued separately due to the independent vesting conditions. Condition 1 being a non-market related condition, while condition 2 is a market condition.

Condition 1: (EPS CAGR)

Condition 1 is a non-market condition with a variable number of equity instruments. Valuation of condition 1 is done using the modified grant method which utilise a value component and a number component.

i) Value component: The value component is the grant-date fair value of the share award is the share price as observed in the market on grant-date. This value remains constant during the life of the instrument.

ii) Number component: The number of equity instruments expected to vest is based on the EPS CAGR estimate at year end date. Linear interpolation is performed between the upper and lower bound targets to obtain an estimate of the number of shares vesting. The estimated number of shares vesting is revised at year end.

Notes to the Annual Financial Statements

22. EQUITY-SETTLED EMPLOYEE BENEFITS RESERVE (continued)

Condition 2: (TRS)

Condition 2 is a market condition with a variable number of equity instruments. The grant-date fair value should therefore reflect the probability of satisfying the market condition. The binomial model is an appropriate valuation model as it considers the different possible outcomes while allowing the adjustment of intrinsic value for the vesting conditions. The share-based payment should not be adjusted for stock price changes related to the market condition on subsequent valuation dates.

The second condition utilised a binomial model with the following inputs

Volatility	37.16%
Starting Price	39.50p
Risk Free Rate	1.88%
Exercise price	0.0001
Number of periods	156

Volatility was calculated using the daily share price movement from 01 January 2014 to 31 December 2018.

The fair value at grant date of each award is 39.5p and the number of shares expected to vest at 31 December 2021 is 1,664,118 shares. In 2019 an expense was recognised of $ 287,431.

Share award scheme	Vesting date	Number	Expected total value with inputs 31/12/2019
2019 LTIP	31/12/2021	2,292,582	$ 862,293

23. LOANS AND BORROWINGS

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

Long-term liabilities consist of:

(a) $12 million revolving credit facility ("RCF") provided by Standard Bank (Mauritius) Limited

The Facilities Agreement was renewed on 30 October 2017. The Group is in discussion on the renewal of the RCF and expect a renewal shortly. The interest rate on the RCF is the prevailing three-month US LIBOR (payable in arrears) plus a margin of 5.75% and an annual commitment fee of 1.5% of the undrawn balance. The amount utilised on the RCF is $9 million.

	Group	
	2019 $	2018 $

23. LOANS AND BORROWINGS (continued)

Security for the Standard Bank (Mauritius) Limited facility comprises:
- Upward corporate guarantees from Capital Drilling (T) Limited, Capital Drilling (Botswana) Proprietary Limited and Capital Drilling Ltd; and
- A negative pledge over the assets of Capital Drilling (T) Limited and Capital Drilling Ltd;

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

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

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

24. TRADE AND OTHER PAYABLES

	2019 $	2018 $
Financial instruments:		
Trade payables	12,514,265	9,137,745
Other payables - Accrued expenses	5,176,513	5,263,640
Other payables - Employee related liabilities	4,887,980	3,662,852
Non-financial instruments:		
Amounts received in advance	542,400	-
	23,121,158	**18,064,237**

Trade payables comprise liabilities for the purchase of goods and services and have terms ranging from 60 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the appropriate credit time frame.

Trade and other payables approximates their fair values.

25. CURRENT TAX PAYABLE (RECEIVABLE)

	2019 $	2018 $
Current tax receivable		
Normal tax	137,862	130,854
Withholding tax	151,277	122,923
	289,139	**253,777**

	2019 $	2018 $
Current tax payable		
Normal tax	1,761,347	919,135
Withholding tax payable	2,574,041	2,737,570
	4,335,388	**3,656,705**

The taxation paid for the period under review can be reconciled as follows:

	2019 $	2018 $
Net amount payable at the beginning of the year	3,402,928	3,613,054
Amounts charged to the statement of comprehensive income (excluding deferred tax)	4,184,710	4,847,817
Net amount payable at the end of the year	(4,046,249)	(3,402,928)
Total Taxation Paid	**3,541,389**	**5,057,943**

Notes to the Annual Financial Statements

	Group 2019 $	Group 2018 $
26. CASH (USED IN)/GENERATED FROM OPERATIONS		
Profit (loss) before taxation	14,593,589	12,579,367
Adjustments for:		
Depreciation and amortisation	10,372,879	13,484,326
Loss on disposals, scrapings and settlements of assets and liabilities	448,495	611,412
Amortisation of Right of use assets	264,178	-
Share-based payment	827,792	275,466
Fair value loss on investment	1,111,456	719,939
Interest income	(182,035)	(401,020)
Income from equity accounted investments	227,904	869,668
Finance costs	891,750	1,051,348
Unrealised foreign exchange (gain) loss on foreign cash held	33,458	(107,545)
Changes in working capital:		
Inventories	1,594,687	4,073,660
Trade and other receivables	(5,023,468)	(1,130,997)
Trade and other payables	3,530,279	(1,666,896)
	28,690,964	**30,358,728**

27. BUSINESS COMBINATIONS

On 1 July 2019 the Group converted a loan increasing shareholding from 38.76% to 58.11% of the voting equity instruments of MSA Mineral Services Analytical (Canada) Inc. (MSA) incorporated in Canada. The principle reason for this acquisition was to enable the Group to provide a full bundle of mining related services as well as to exploit the synergies between its existing customer base and that of MSALABS.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value $	Adjustment and conversion $	Fair value $
Property, plant and equipment	2,882,258	-	2,882,258
WIP and PPE Prepayments	638,242	71,245	709,487
Trade receivables	721,416	-	721,416
Prepaid and other receivables	344,464	-	344,464
Cash	166,255	-	166,255
Shareholder loans	(2,131,835)	908,072	(1,223,763)
Trade payables	(1,126,728)	-	(1,126,728)
Other payables	(399,914)	-	(399,914)
Current portion of loans	(480,086)	-	(480,086)
Deferred tax liability	-	(27,073)	(27,073)
	614,072	**952,244**	**1,566,316**

No consideration consisting of cash and cash equivalents was paid on business combination.

Trade receivables have been collected and no other impairment of assets or adjustments were required. PPE and liabilities were reviewed and the stated value was fair.

27. BUSINESS COMBINATIONS (continued)

Goodwill Computation	**$**
Fair value of consideration (convertible loan)	908,072
Amount of NCI (Proportionate share of net assets)	656,130
Fair value of previously held investment	1,254,463
Fair value of net assets	(1,566,317)
Goodwill	**1,252,348**

NCI measured using proportionate share of net assets. The goodwill will not be deductible for tax purposes.

In the period since acquisition MSA has contributed revenue of US$ 3.2m and a loss before tax of US$ 61k. If MSA had been included in Group results for the full period, it would have resulted in full year revenue for the Group of US$ 120.2m and a profit before tax of US$14.0m.

The main factors leading to recognition of goodwill are:

- Synergies and opportunities to utilise cross-selling between the MSA and Group customer base
- The well-established personnel force and knowledge base which does not qualify as a separate intangible asset, but will deliver future benefit.

28. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal Management Reports regarding components of the Group. These are regularly reviewed by the Chairman in order to allocate resources to the segments and to assess their performance. Operating segments are identified based on the regions of operations. For the purposes of the segmental report, the information on the operating segments have been aggregated into the principal regions of operations of the Group.

The Group's reportable segments under IFRS 8 are therefore:

Africa:	Derives revenue from the provision of drilling 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.

Segmental revenue and results

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

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

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

Notes to the Annual Financial Statements

28. SEGMENTAL INFORMATION (continued)

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

The accounting policies of the reportable segments are the same as the Group's accounting policies. 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, losses of investment recognised at FVTPL, and income tax. This is the measure reported to the Chairman for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

	Group	
	2019 $	**2018** $
Segment assets:		
Africa	184,635,830	183,018,762
Rest of world	29,823,155	13,855,989
Total segment assets	214,458,985	196,874,751
Head Office companies	138,073,761	54,251,299
	352,532,746	251,126,050
Eliminations	(224,199,876)	(143,112,731)
Total Assets	**128,332,870**	**108,013,319**
Segment liabilities:		
Africa	85,462,428	51,040,236
Rest of world	28,745,632	9,002,688
Total segment assets	114,208,060	60,042,924
Head Office companies	145,304,748	112,362,444
	259,512,808	172,405,368
Eliminations	(218,128,294)	(141,645,222)
Total Liabilities	**41,384,514**	**30,760,146**

For the purposes of monitoring segment performance and allocating resources between segments, the Chairman 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 and investments amounts of $13.7 million [2018: $9.9 million] included in other receivables, and $6.4 million [2018: $5.2 million] in cash and cash equivalents held by the Head Office companies.

28. SEGMENTAL INFORMATION (continued)

As part of the reporting on segment performance, all the liabilities have been allocated to the respective segments with the exception of the long-term liabilities of $13 million [2018: $9 million] and part of the trade payables and intercompany balances held at the level of the head office which is further eliminated at the Group level.

Other segment information

Non-Cash items included in profit or loss:

	Group	
	2019 **$**	**2018** **$**
Depreciation		
Africa	10,247,157	13,181,232
Rest of world	322,225	268,876
Total segment depreciation	10,569,382	13,450,108
Head Office companies	67,675	34,218
	10,637,057	**13,484,326**
Loss on disposal of property, plant and equipment		
Africa	441,955	655,411
Rest of world	119	5,082
Total segment loss on disposal of property, plant and equipment	442,074	660,493
Head Office companies	6,421	(49,081)
	448,495	**611,412**
Impairment on Inventory		
Africa		
Stock Provision	(237,680)	(870,546)
Stock Write Offs	510,372	1,327,702
Rest of world		
Stock Provision	-	(850)
Stock Write Offs	5,852	11,418
Total segment impairment	278,544	467,724
Head Office companies	347,345	1,906,381
	625,889	**2,374,105**
Additions to property, plant and equipment		
Africa	16,989,179	10,761,369
Rest of world	630,196	(866,698)
Total segment additions to property, plant and equipment	17,619,375	9,894,671
Head Office companies	2,201,823	4,200,676
	19,821,198	**14,095,347**

Notes to the Annual Financial Statements

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The Group manage their capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of debt [refer to Note 23], cash and cash equivalents [refer to Note 19] and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings and the statement of changes in equity.

The Group's capital structure and going concern are dependent on the company's ability to obtain cash resources from its subsidiaries. There is currently no severe long-term restrictions in place which impairs the Company's ability to repatriate funds from its subsidiaries.

Under the terms of the Revolving Credit Facility ("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 order to meet Capital Risk Management objectives, the Group aims to ensure it meets these financial covenants attached to the RCF. There have been no breaches of the financial covenants during the reporting period.

Risk Management is conducted within a framework of policies and guidelines that are continuously monitored by Management and the Board of Directors. The objective is to minimise exposure to market risks (interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk.

Gearing

The gearing ratio at the end of the reporting period was as follows:

		Group	
		2019 **$**	**2018** **$**
Lease liabilities		(702,277)	-
Total long-term liabilities	24	(13,194,210)	(9,029,884)
Total borrowings		**(13,896,487)**	**(9,029,884)**
	19	17,620,623	19,888,764
Net cash		**3,724,136**	**10,858,880**
Equity		86,948,356	77,253,173
Gearing ratio		4.3 %	14.0 %

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Categories of financial instruments

The following table details the categories of financial instruments and their carrying values in the Statement of Financial Position for the Group.

Categories of financial assets

Group - 2019

	Note(s)	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Investments at fair value	18	12,537,105		12,537,105	12,537,105
Trade and other receivables	16	-	18,619,228	18,619,228	18,619,228
Cash and cash equivalents	19	-	17,620,623	17,620,623	17,774,578
		12,537,105	**36,239,851**	**48,776,956**	**48,930,911**

Group - 2018

	Note(s)	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Investments at fair value	18	5,705,113		5,705,113	5,705,113
Trade and other receivables	16	-	15,770,617	15,770,617	15,770,617
Cash and cash equivalents	19	-	19,888,764	19,888,764	19,888,764
		5,705,113	**35,659,381**	**41,364,494**	**41,364,494**

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

For further categorisation, refer to Note 18.

Notes to the Annual Financial Statements

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Categories of financial liabilities

Group - 2019

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	24	22,578,758	-	22,578,758	-
Lease liabilities		-	702,277	702,277	-
Loans and borrowings		13,194,210	-	13,194,210	-
		35,772,968	**702,277**	**36,475,245**	**-**

Group - 2018

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	24	18,064,237	18,064,237	-
Loans and borrowings		9,029,884	9,029,884	-
		27,094,121	**27,094,121**	**-**

The carrying values of financial assets and financial liabilities in the Statement of Financial Position for the Group approximate their fair values.

Financial risk management

Foreign currency risk

The Group's activities expose it to the financial risks of fluctuations in foreign currency exchange rates. In order to manage the Group's risk to foreign currency fluctuations, the Group tries to match the currency of operating costs with the currency of revenue as well as the currency of financial assets with currency of financial liabilities. Financial assets and liabilities denominated in foreign currencies are reviewed regularly by Management to ensure that the Group is not unduly exposed to foreign currencies risks. Further to this, the Group manages its exposure on foreign cash balances by converting excess local currency cash to United States Dollar to minimise local currency cash balances maintained.

The carrying amounts of the Group's foreign currency denominated monetary assets, cash and cash equivalents, trade and other receivables, and monetary liabilities, trade and other payables, at December 31, 2019 are as follows:

	Group	
	2019	**2018**
	$	**$**
Financial assets		
Australian Dollar	393,047	61,245
Botswana Pula	30,733	56,845
Egyptian Pound	85,157	266,639
Mauritanian Ouguiya	518,292	-
Tanzanian Shillings	6,391	444,976
Kenyan Shillings	113,778	403,048
Zambian Kwacha	-	2,906
Serbian Dinar	89,961	66,380
Canadian Dollar	284,562	228,786
West African CFA	2,987,876	2,118,664
All other currencies	490,715	77,266
	5,000,512	**3,726,755**

	Group	
	2019	2018
	$	$

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial liabilities		
Botswana Pula	48,596	4,204
Egyptian Pound	827,112	-
Mauritanian Ouguiya	32,309	570,116
Tanzanian Shillings	1,578,845	634,726
Zambian Kwacha	-	885,752
Serbian Dinar	-	132,933
All other currencies	711,977	603,522
	3,198,839	**2,831,253**

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% change in the United States Dollar against the relevant foreign currencies. The sensitivity analysis includes the outstanding foreign currency denominated monetary items at year end and adjusts their translation for a 10% change in foreign currency rates. A positive number below indicates an increase in profit before tax where the United States Dollar strengthens by 10% against the relevant currency. For a 10% weakening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit before tax.

Australian Dollar	158,618	222,801
Botswana Pula	(156,353)	(47,899)
Egyptian Pound	462,088	421,993
Mauritanian Ouguiya	(238,954)	214,618
South African Rand	(29,137)	265,280
Tanzanian Shillings	776,214	891,819
Serbian Dinar	-	10,991
West African CFA	(344,970)	469,075
All other currencies	194,946	345,418
	822,452	**2,794,096**

Interest rate risk management

As a result of changes in interest rates, the Group is exposed to interest rate risk as entities in the Group borrow funds at variable interest rates and therefore borrowing costs could increase with rate increases. The risk is managed by the Group by maintaining a conservative gearing ratio. The Group's exposure to interest rates on financial liabilities are detailed below.

Interest rate sensitivity analysis:
The sensitivity analysis below has been determined based on the exposure to interest rates at the date of the Statement of Financial Position. For floating rate liabilities, the analysis is prepared using the average balance outstanding for the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key Management personnel and represents Management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's profit before taxation for the year ended December 31, 2019 would decrease by $41,514 (2018: $60,917). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. The decrease in the Group's sensitivity to interest rates, is directly attributable to the variable interest rate long-term debt facilities, offset by the settlements that occurred during the year, as disclosed in Note 23.

Notes to the Annual Financial Statements

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Equity price risk management

The Group holds equity investments and is exposed to equity price risk. Equity investments are held for strategic purposes rather than trading purposes and the Group does not actively trade these investments.

If equity prices had been 5% higher and all other variables were held constant, the Group's net equity for the year ended December 31, 2019 would increase by $334,798 (2018: $148,074)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk relates to potential exposure on trade and other receivables and bank balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for each customer. Customers credit limits are reviewed annually. The Group's credit risk is concentrated as the Group currently provides drilling services to a limited number of major and mid-tier mining companies as well as junior exploration. Please refer to Note 16 for the disclosure on concentration risk for trade receivables.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk management

Ultimate responsibility for Liquidity Risk Management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves, banking and reserve borrowing facilities, continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Liquidity risk tables:

The following table details the Group's remaining contractual maturity for its financial assets and liabilities with agreed repayment periods. The tables for assets have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The tables for liabilities represent undiscounted cash flows of financial liabilities based on the earliest repayment date on which the Group can be required to pay at the reporting date:

2019	**1 month $**	**1 - 3 months $**	**3 months -1 year $**	**1 - 5 years $**
Financial assets				
Financial Assets under Amortised Cost	15,859,408	1,208,010	216,939	1,334,871
Financial liabilities				
Non-interest bearing - Financial Liabilities at Amortised Cost	11,988,017	7,001,222	3,724,773	407,146
Variable interest rate instruments	161,626	291,700	9,841,130	2,899,754
Lease liability	33,373	66,745	278,907	389,660
	12,183,016	**7,359,667**	**13,844,810**	**3,696,560**

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2018	1 month $	1 - 3 months $	3 months -1 year $	1 - 5 years $
Financial assets				
Financial Assets under Amortised Cost	10,744,551	3,507,486	1,518,580	-
Financial liabilities				
Non-interest bearing - Financial Liabilities at Amortised Cost	4,110,640	3,374,566	2,763,081	7,815,950
Variable interest rate instruments	29,884	-	-	9,000,000
	4,140,524	**3,374,566**	**2,763,081**	**16,815,950**

Financing facilities

The following table details the Group's secured loan facilities at the reporting date with a maturity date through to 2019 and which may be extended by mutual agreement.

	Group	
	2019 $	**2018 $**
Available amount	12,000,000	12,000,000
Unutilised amount	(3,000,000)	(3,000,000)
	9,000,000	**9,000,000**

30. FAIR VALUE MEASUREMENTS

Fair value adjustment on financial assets through profit and loss (investments)

The Group's fair value adjustment on financial assets through profit and loss are listed equity securities in the mining industry and are measured at fair value at the end of each reporting period. The financial assets FVTPL investments are designated as Level 1 in the fair value hierarchy. Their fair value is determined using quote bid prices in an active market. The fair value of these financial assets FVPTL amounted to $6,695,958 (2018: $2,961,491).

The fair values of financial instruments that are not traded in an active market are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on Group specific estimates. The Directors consider that the carrying value amounts of financial assets and financial liabilities recorded at amortised cost in the Consolidated Financial Statements are approximately equal to their fair values. The fair values disclosed for the financial assets and financial liabilities are classified in level 3 of the fair value hierarchy have been assessed to approximate their carrying amounts based on a peer Group analysis.

Notes to the Annual Financial Statements

	Group 2019 $	Group 2018 $

31. AUDITOR'S REMUNERATION

The Group auditors are BDO LLP ("BDO"). The Group has engaged BDO and other audit firms to provide both audit and non-audit services to its various subsidiaries.

	2019 $	2018 $
Fees paid to the Group's auditor		
The audit of the Group's Annual Financial Statements	190,000	191,620
Tax services - Group	-	38,150
Fees paid to associates of the Group's auditor		
The audit of the Group's subsidiaries	64,000	55,636
Non-audit services – subsidiaries	-	74,876
Fees paid to other auditors		
The audit of the Group's subsidiaries	25,930	68,888
Non-audit services – subsidiaries	9,290	19,731
Tax services - subsidiaries	112,788	30,665
	402,008	**479,566**

32. RELATED PARTIES

During the year, the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions. All transactions are entered into at amounts negotiated between the parties. As at 30 June 2019 MSA owed Capital Drilling US$ 2,131,835 (2018: US$ 1,538,072).

	2019 $	2018 $
Directors' emoluments		
Short Term Benefits	1,088,313	1,176,000
Share Based Payments	134,313	210,000
	1,222,626	**1,386,000**

The Group considers the Key Management Personnel to be limited to the Board of Directors as they are responsible for planning and directing the Group's activities.

33. COMMITMENTS

The Group has the following commitments:

	2019 $	2018 $
Committed capital expenditure	745,238	722,728

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

34. CONTINGENCIES

34.1. Zambia tax

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

34.2. Tanzania tax

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

34.3 Mauritania tax

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

35. PRIOR PERIOD ERRORS

Freight and customs capitalised to inventory.

The Group did not apply IAS2 Inventories correctly in previous periods. Freight and customs on inventory purchases were not capitalised to inventory. This was done with the aim of being prudent but is in contravention of IAS 2. The cost should have been capitalised as they were part of cost necessary to bring assets into trade. The calculated value of freight and customs was US$ 1,521,178.

Inventory classified as PPE

A requirement of IAS 16 Property Plant and Equipment is the reclassification of Capital spares from Inventory to Property, Plant and Equipment. For 2018 the reclassification increases PPE by US$ 2,167,497 and decreases inventory by US$ 2,167,497.

The adjustments did not have a taxation effect.

Notes to the Annual Financial Statements

35. PRIOR PERIOD ERRORS (continued)

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

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

36. EVENTS AFTER THE REPORTING PERIOD

An assessment relating to the 2016 – 2018 tax years was received from the Mauritanian Revenue Authority. A contingent liability was raised accordingly. See Note 34 Contingencies.

As discussed in Note 1.1, the Board have considered the impact of COVID-19 which the Board consider to be a non-adjusting post balance sheet event.

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 57 to 110 were approved by the Board of Directors on 13 May 2019 in Mauritius.

Appendix:

Glossary and Alternative Performance Measures

GLOSSARY

The following terms and alternative performance measures were used for the year ended 31 December 2019.

ARPOR	Average revenue per operating rig
Adjusted EBITDA	Earnings before interest, taxes, depreciation, amortisation and additional specific items
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

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES TO THE FINANCIAL STATEMENTS:

	2019 $	2018 $
ARPOR can be reconciled from the Financial Statements as per the below:		
Revenue per Financial Statements ($)	114,826,796	116,020,535
Non-drilling revenue ($)	10,287,796	5,841,535
Revenue used in the calculation of ARPOR ($)	104,539,000	110,179,000
Monthly Average Active Operating Rigs	49.5	47.3
Monthly Average Operating Rigs	92	93
ARPOR (rounded to nearest $'000)	176,000	194,000
Adjusted EBITDA can be reconciled from the Financial Statements as per the below:		
Profit for the year	10,377,619	7,724,035
Depreciation	10,637,057	13,484,326
Taxation	4,215,970	4,855,332
Share of losses from associate	227,904	869,668
Interest income	(182,035)	(401,020)
Finance charges	891,750	1,051,348
Fair value loss on investments in equity instruments designated at FVTPL	1,111,456	719,939
Adjusted EBITDA	27,279,721	28,303,628
Net cash can be reconciled from the Financial Statements as per the below:		
Cash and cash equivalents	17,620,623	19,888,764
Long-term liabilities	(2,899,754)	(9,000,000)
Current portion of long-term liabilities	(10,294,456)	(29,884)
Net cash	4,426,413	10,858,880

	2019 $	2018 $
Net Asset Value per share (cents) can be calculated as per the below:		
Total Equity	85,748,675	77,253,173
Weighted average number of ordinary shares used in the calculation of basic earnings per share	136,138,967	135,670,074
Net Asset Value per share (Cents)	63.0	56.9

ADJUSTED EBITDA

Adjusted EBITDA represents profit or loss for the year before interest, income taxes, depreciation and amortisation adjusted for share of income (loss) from associates, interest income, finance charges, fair value adjustments on financial assets at fair value through profit and loss and realised gain (loss) on available-for-sale shares.

Adjusted EBITDA is non-IFRS financial measure 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.

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 available-for-sale shares, which may significantly affect comparability of results of operations between periods.

Adjusted 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 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 cash (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 cash (debt) as reported by the Group to net cash (debt) of other companies.

AVERAGE REVENUE PER OPERATING RIG

ARPOR is a non-financial measure defined as the 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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