



(Incorporated in the Republic of South Africa) / Registration No. 2011/008265/06
 JSE share code: MDI / ISIN: ZAE 0001711948 / ("Master Drilling" or "the Company")



REPORT TO SHAREHOLDERS

AUDITED PROVISIONAL REPORT FOR MASTER DRILLING GROUP LIMITED
 FOR THE PERIOD ENDED 31 DECEMBER 2012

Highlights for the period

- Listed on the JSE Limited on **20 December 2012**, the first company of its kind to be represented on the exchange;
- Raised **\$41.6 million**, (R352.5 million) before expenses, in equity issues at listing;
- Signed long-term contracts with stable major companies;
- Revenues up from \$94.6 million in 2011 to **\$99.7 million** in 2012;
- Profit attributable to equity shareholders up by 10.2% to **\$11.9 million**;
- Adjusted headline earnings per share of **14.1 US cents** (115.5 South African cents);
- NAV of **\$96.5 million**.

SHAREHOLDER INFORMATION

ISSUED CAPITAL

Category of shareholder	Number of shares	% of issued share capital
Shares held by public shareholders	56,000,000	37.77
Shares held by directors and key management	92,265,491	62.23
Total ordinary shares in issue at 31 December 2012	148,265,491	100.00

Market Capitalisation at 31 December 2012: R1,319,562,870.

ABOUT MASTER DRILLING

Master Drilling is one of the leaders in the raiseboring market and provides specialised drilling services to major, mid-tier and junior mining and exploration companies which focus on mining a range of different commodities and resources. It also provides services for civil engineering applications in a variety of emerging markets.

In addition, Master Drilling provides complete project management expertise in projects ranging from exploration stage drilling through to production stage drilling. The Group has specialised

in-house drilling equipment design, manufacturing, training and maintenance capabilities which allows it to tailor solutions to meet the specific conditions and drilling requirements of its customers. The Group's raiseboring capability offers advantages over other conventional drilling methods including increased speed and safety.

By year-end, the Group was actively operating 152 drilling rigs across Southern Africa, Latin America, West Africa and the Middle East. These rigs are owned or leased by Master Drilling, with a few operated through rentals from third parties.

NOTE FROM THE CHAIRMAN

DEAR SHAREHOLDERS

2012 was an historic year in the life of Master Drilling – we commenced the year as a number of privately owned companies, and ended as a proudly South African publicly listed Group of those companies.

Since our listing your board and the executive have been hard at work with one primary objective – that of consolidating and expanding our current position as a leading global specialised drilling services company.

We have held a number of workshops aimed at ensuring that our strategy as laid out in our listing document is brought to fruition and that key milestones are set for the next few years. We will expand on these initiatives more fully when our Annual Report for 2012 is published in the next few months.

In the meanwhile rest assured that your company is in good hands with a driven Executive and competent employees.

To the board of directors and the management team, I look forward to working with you; I am confident that, together, we can deliver value to our shareholders.

To every employee of the Master Drilling Group, it is through your dedication that we are this very special company – thank you one and all.

To our shareholders, I thank you for your confidence in and support of your Company.

Peter Ledger

Chairman

25 March 2013

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

The condensed consolidated audited provisional financial statements of the Group for the period ended 31 December 2012 have been prepared in accordance with the recognition and measurement principles of IAS 34: Interim Financial Reporting, International Financial Reporting Standards (IFRS) and presented in accordance with the minimum content, including disclosures, prepared in accordance with the JSE Limited Listings Requirements. See Presentation of Financial Information on page 6.

These accounting policies are consistent with those used in the offering document as issued on 13 December 2012.

The annual financial statements of the Group have been audited by Grant Thornton, whose unqualified audit report is available for inspection at the Company's registered office.

The financial statements have been prepared by the corporate reporting staff of Master Drilling Group Limited, headed by Peet van Coller, the Group's Senior Manager: Financial Accounting. This process was supervised by André Jean van Deventer, the Group's Chief Financial Officer (Hons B.Acc; CA(SA)).

REORGANISATION

Prior to the Reorganisation, Master Drilling comprised of separate businesses in two regions: (i) a group consisting of companies conducting operations in Southern Africa, (including South Africa and Botswana), including Master Drilling's raiseboring projects in the

region, the exploration activities of Master Drilling Exploration (Pty) Limited in the region and its design, engineering, manufacturing, customisation and maintenance support operations conducted by Drilling Technical Services (Pty) Limited, and (ii) a group consisting of companies conducting operations internationally, including in Chile, Peru, Brazil, Mexico, Zambia, Burkina Faso and Saudi Arabia. The two groups were managed independently, with experienced management and technical personal and permanent offices in most countries, although ownership of the two groups vested principally with Mr DC Pretorius and/or family trusts of which he is a beneficiary, with minority positions having been held by local and foreign management and certain BEE entities. Following the Reorganisation, central management is consolidated under the Company.

The merger of the local and international companies resulted in the creation of the current Master Drilling Group. The rationale behind the merger and reorganisation was to consolidate the various companies under the listing entity, Master Drilling Group Limited, to eliminate certain minority shareholdings and to renew the empowerment of the various Master Drilling subsidiaries for the long term under the South African Broad-Based Black Economic Empowerment Act, No. 53 of 2003, as amended (the "BBBEE Act").

The Reorganisation of the Group began in mid-2012 and was undertaken in two separate exercises.

Firstly, Master Drilling's Southern Africa group was acquired by the Company. This entailed the sale of the shares and claims by shareholders of Master Drilling Exploration (Pty) Ltd (formerly Drillcorp Africa (Pty) Ltd) and Drilling Technical Services (Pty) Ltd to the Company and the sale by Master Drilling (Pty) Ltd of its business to the company.

The transactions were principally effected on a share-for-share basis. The agreements were signed by the relevant parties during July and August 2012, all conditions precedent in terms of the agreements were met on 12 October 2012 for the share transactions and 1 November 2012 for the sale of business transaction respectively.

The financial results of the South African shares and claims transaction is included into the financial results as from 12 October 2012 and the sale of the South African business transaction is included into the financial results as from 1 November 2012 respectively.

Secondly, the international group (comprised of Master Drilling International Limited and MDI Exco Limited) was acquired by the

Company. Agreements were entered into among the relevant parties at the end of August 2012, and all conditions were fulfilled on 14 December 2012.

These transactions were effected on a share-for-share basis, and the shares of the international group were delivered on fulfilment of the last suspensive condition.

The financial results of the International shares and claims transaction is included into the financial results as from 14 December 2012.

COMPARATIVE FIGURES

This is the company's first year of trading therefore no comparative figures have been presented.

The 2011 figures have been included into the Statement of Comprehensive Income for comparative purposes only. These numbers were prepared on the same basis as the 2011 numbers included into the offering document, copy of which is available on the Company's website www.masterdrilling.com.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2012 Audited US\$
Assets	
Total non-current assets	68,771,479
Total current assets	89,214,216
Total assets	157,985,695
Equity and liabilities	
Equity	
Equity	89,318,105
Non-controlling interest	7,156,122
Total equity	96,474,227
Liabilities	
Total non-current liabilities	10,853,021
Total current liabilities	50,658,447
Total liabilities	61,511,468
Total equity and liabilities	157,985,695

CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

	At effective date Audited US\$ ⁽¹⁾	Full year Unaudited 2012 US\$ ⁽²⁾	Full year Unaudited 2011 US\$ ⁽³⁾
Continuing operations			
Revenue	10,822,978	99,656,608	94,631,187
Cost of Sales	(7,251,698)	(70,219,566)	(66,164,018)
Gross profit	3,571,280	29,437,042	28,467,169
Other operating income	388,271	6,012,935	1,263,783
Other operating expenses	(2,057,700)	(18,198,969)	(12,382,027)
Operating profit	1,901,851	17,251,008	17,348,925
Investment revenue	163,246	400,319	223,795
Finance costs	(317,507)	(1,934,540)	(1,997,265)
Profit before taxation	1,747,590	15,716,787	15,575,455
Taxation	(451,179)	(3,538,609)	(3,900,547)
Profit for the period	1,296,411	12,178,178	11,674,908
Discontinued operations			
Loss from discontinued operations	–	–	(630,249)
Profit for the period	1,296,411	12,178,178	11,044,659
Other comprehensive income:			
Loss on property revaluation	–	–	(292,486)
Exchange differences on translating foreign operations	(286,815)	206,951	(2,122,348)
Other comprehensive (loss) income for the period net of taxation	(286,815)	206,951	(2,414,834)
Total comprehensive Income	1,009,596	12,385,129	8,629,825
Profit attributable to:			
Owners of the parent			
Profit for the period from continuing operations	1,229,770	11,900,259	10,835,744
Non-controlling interest			
Profit for the period from continuing operations	66,641	277,919	208,915
Total comprehensive income attributable to:	1,009,596	12,385,129	8,629,825
Owners of the parent	942,955	12,107,210	8,420,910
Non-controlling interest	66,641	277,919	208,915
Earnings per share (US dollars)			
Basic and diluted earnings (US cents per share)	9.4	14.5	14.0
Headline and diluted headline earnings (US cents per share)	8.9	14.1	13.3
Earnings per share (Rands)			
Basic and diluted earnings (SA cents per share)	82.1	119.3	101.7
Headline and diluted headline earnings (SA cents per share)	77.3	115.5	96.6

⁽¹⁾ The International entities results are included into the Statement of Comprehensive Income (SOCI) for a period of 17 days. The South African entities results are included into the SOCI for a period of three months. Further to this, the company acquired assets from Master Drilling (Pty) Limited on 1 November 2012, and the results for these assets are included in the SOCI for a period of two months.

⁽²⁾ A Factual Findings Report was issued on the 2012 full year SOCI.

⁽³⁾ The 2011 numbers are as presented in the Offering Document issued on 13 December 2012.

	At effective date Audited US\$	Full year Unaudited 2012 US\$
Reconciliation between earnings and headline earnings		
Basic earnings for the period	1,296,411	12,178,178
<i>Deduct:</i>		
Non-controlling interest	(66 641)	(277,919)
Attributable to owners of the parent	1,229,770	11,900,259
(Gain) on disposal of fixed assets	(100,208)	(528,696)
Tax effect of (gain) on disposal of fixed assets	28,058	145,497
Headline Earnings for the period	1,157,620	11,517,060
Basic earnings per share (cents)	9.4	14.5
Diluted earnings per share (cents)	9.4	14.5
Headline earnings per share (cents)	8.9	14.1
Diluted headline earnings per share (cents)	8.9	14.1
Net asset value per share (cents)	738.7	110.2
Tangible net asset value per share (cents)	738.7	110.2
Dividends per share (cents)	–	–
Weighted average number of ordinary shares		
Issued ordinary shares at the beginning of the period	1,000	1,000
Effect of Shares issued (Purchase of assets)	4,494,031	4,494,031
Effect of Shares issued (RSA restructuring)	4,514,100	18,106,007
Effect of Shares issued (International restructuring)	2,697,634	57,919,796
Effect of Shares issued (Listing)	1,353,151	1,353,151
Weighted average number of ordinary shares at the end of the period for the purpose of basic earnings per share and headline earnings per share	13,059,916	81,873,985
Effect of dilutive potential ordinary shares – other	–	–
Weighted average number of ordinary shares at the end of the period for the purpose of diluted basic earnings per share and diluted headline earnings per share	13,059,916	81,873,985

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2012

	Share capital	Equity due to change in control of interests	Foreign currency translation reserve US\$	Total reserves US\$	Retained income US\$	Attributable to shareholders of the entity US\$	Non-controlling interest US\$	Total Shareholders' equity US\$
Balance at incorporation	–	–	–	–	–	–	–	–
Shares issued	146,639,163	–	–	–	–	146,639,163	–	146,639,162
Equity due to change in control of interests	–	(58,264,013)	–	(58,264,013)	–	(58,264,013)	–	(58,264,013)
Total comprehensive income for the year	–	–	(286,815)	(286,815)	1,229,770	942,955	66,641	1,009,596
Shares issued to BEE partners	–	–	–	–	–	–	7,089,481	7,089,481
Total changes	146,639,163	(58,264,013)	(286,815)	(58,550,828)	1,229,770	89,318,105	7,156,122	96,474,227
Balance as at 31 December 2012	146,639,163	(58,264,013)	(289,224)	(58,550,828)	1,229,770	89,318,105	7,156,122	96,474,227

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended 31 December 2012 Audited US\$
Net cash flow from operating activities	8,929,202
Net cash flow from investing activities	4,392,690
Net cash flow from financing activities	36,544,753
Total cash movement for the year	49,866,645
Cash at the beginning of the period	–
Effect of exchange rate movement on cash balances	(293,368)
Total cash at the end of the year	49,573,277

ACCOUNTING POLICIES

1 PRESENTATION OF FINANCIAL INFORMATION

The consolidated Annual Financial Statements have been prepared in accordance with IAS 34: Interim Financial Reporting, International Financial Reporting Standards, the SAICA reporting guides as issued by the Accounting Standards Board and the requirements of the Companies Act. The annual financial statements have been prepared on the historical cost basis, except certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in US Dollars.

1.1 CONSOLIDATION

Basis of consolidation

The Group Annual Financial Statements incorporates the all entities, including special purpose entities, which are controlled by the group.

(a) The Group Annual Financial Statements have been accounted for under the pooling of interest method as acquisition of entities under common control is excluded from IFRS 3. The entities have been accounted for at historical carrying values for the periods presented.

The adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the company.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation/combination.

1.2 PROPERTY, PLANT AND EQUIPMENT

The cost of 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 company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost except for drill rods which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment. Cost associated with equipment upgrades that result in increased capabilities or performance enhancements of property and equipment are capitalised. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

2. PROPERTY, PLANT AND EQUIPMENT

	Cost US\$	Accumulated depreciation US\$	Carrying value US\$
Buildings	278,915	(113,799)	165,116
Plant and Machinery	70,224,365	(15,641,371)	54,582,994
Assets under construction	77,878	(11,870)	66,008
Furniture & Fittings	1,363,606	(549,885)	813,721
Motor vehicles	2,282,787	(1,359,752)	923,035
Office equipment	144,518	(53,361)	91,157
IT Equipment	665,901	(494,251)	171,650
Finance lease: Plant & Equipment	6,266,801	(1,482,891)	4,783,910
Computer Software	212,220	(179,691)	32,529
Total	81,516,991	(19,886,871)	61,630,120

3. SEGMENTAL REPORTING

	2012 US\$
MINING ACTIVITY	
The following table shows the distribution of the Company's Combined sales by mining activity, regardless of where the goods were produced:	
Sales Revenue by Stage of mining activity	
Exploration	3,701,683
Capital	1,184,265
Production	5,937,030
	10,822,978
Gross Profit by Stage of mining activity	
Exploration	853,455
Capital	499,853
Production	2,217,972
	3,571,280
GEOGRAPHICAL SEGMENTS:	
Although the Company's major operating divisions are managed on a worldwide basis, they operate in three principal geographical areas of the world.	
Sales Revenue by geographical market	
Africa	6,990,754
Latin America	3,581,160
Other Countries	251,064
	10,822,978
Gross Profit by geographical market	
Africa	2,207,253
Latin America	1,188,210
Other Countries	175,817
	3,571,280
Total Assets by geographical market	
Africa	78,355,414
Latin America	37,326,677
Other Countries	42,303,604
	157,985,695
Total Liabilities by geographical market	
Africa	35,877,282
Latin America	23,716,780
Other Countries	1,917,406
	61,511,468

OUTLOOK AND PROSPECTS

Master Drilling's strategy is to develop and grow its current position as a leading global specialised drilling company. This will be achieved through the continued expansion of its services; by strengthening and consolidating its position in existing markets, through focused organic growth and through acquisitions and joint venture partnerships.

The recent signing of a strategic agreement with Anglo American, together with a number of other agreements signed with major and mid-tier companies has provided the Company and its shareholders with a very promising step in achieving some of our strategic objectives.

CHANGES TO THE BOARD

During the period under review, the following appointments to the board were made:

Name	Position	Date appointed
RO Davey	Independent Non-Executive Director	26 November 2012
AA Deshmukh	Independent Non-Executive Director	26 November 2012
JP de Wet	Independent Non-Executive Director	26 November 2012
ST Ferguson	Non-Executive Director	1 September 2012
BJ Jordaan	Executive Director and Technical Director	17 July 2012
PJ Ledger	Chairman and Independent Non-Executive Director	26 November 2012
DC Pretorius	Executive Director and Chief Executive Officer	17 July 2012
GR Sheppard	Executive Director and Director of International Operations	26 November 2012

There has been no change to the composition of the board since year-end to date of this report.

REGISTERED OFFICE

4 Bosman Street, Fochville, South Africa
(PO Box 902, Fochville 2515, South Africa)
Telephone +27 18 771 8100
Fax +27 18 771 5156
Email info@masterdrilling.com

DIRECTORS

Executive

Daniël (Danie) Coenraad Pretorius*
Chief Executive Officer and founder

André Jean van Deventer*
Financial Director and Chief Financial Officer

Gareth (Gary) Robert Sheppard**
Director for International Operations

Barend Jacobus (Koos) Jordaan*
Technical Director

Non-Executive

Peter John Ledger*
Chairman and Independent Non-Executive

Shane Trevor Ferguson*
Non-Executive

Roger Owen Davey ~
Independent Non-Executive

Jacques Pierre de Wet*
Independent Non-Executive

Akhter Alli Deshmukh*
Independent Non-Executive

* South African ~ British # Peru

Company Secretary

Theophilus (Theo) de Wet

De Wets Incorporated

(Registration Number: 2000/003792/21)
6 Dwars Street, Krugersdorp, South Africa
(PO Box 158, Krugersdorp, 1740, South Africa)

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited

(Registration Number: 2004/003647/07)
Ground Floor, 70 Marshall Street, Johannesburg, South Africa
(PO Box 61051, Marshalltown, 2107, South Africa)

JSE SPONSOR

Sasfin Capital, a division of Sasfin Bank Limited

29 Scott Street, Waverly, Johannesburg, South Africa
(PO Box 95104, Grant Park, 2051, South Africa)

INDEPENDENT AUDITORS

Grant Thornton Chartered Accountants (SA)

137 Daisy Street
corner Grayston Drive
Sandown 2196
South Africa

INVESTOR RELATIONS CONTACTS

James Duncan

Russell and Associates

(Registration Number: 1999/018884/23)

Tel: +27 11 880 3924

Fax: +27 11 880 3788

Mobile: +27 82 892 8052

E-mail: james@rair.co.za

General E-mail enquiries

info@masterdrilling.com

Master Drilling website

www.masterdrilling.com

Company Secretarial E-mail

companysecretary@masterdrilling.com

FORWARD LOOKING STATEMENTS

This Provisional Report includes statements that are, or may be deemed to be, "forward-looking statements". Any statements about Master Drilling's expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will", "will likely result," "are expected to," "will continue," "believe," "is anticipated," "estimated," "intends," "expects," "plans," "seek," "projection" and "outlook". They appear in a number of places throughout this document and include, but are not limited to, statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and expectations. These statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. All forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document. Key factors that have a direct bearing on Master Drilling's results of operations include the general economic and business conditions; competition in the industry in which Master Drilling operates; industry trends and changes in demand for services in the drilling industry; Master Drilling's ability to attract and retain skilled personnel and employees; Master Drilling's ability to introduce new business lines, identify and acquire new facilities and integrate future acquisitions; the impact of new laws, regulations and standards (and the interpretation and application thereof) in the environment, tax and health and safety; changes in business strategy, political and economic uncertainty; and the risks resulting from currency fluctuations. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry, in which Master Drilling operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. Because a variety of factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this document by Master Drilling or on Master Drilling's behalf, undue reliance should not be placed on any of these forward-looking statements. Applicants should specifically consider the factors identified in this document, which could cause results to differ, before making an investment decision. Any forward-looking statement in this document reflects the Company's current view with respect to future events and is subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations and growth strategy. Subject to the Listings Requirements, Master Drilling undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for Master Drilling to predict such factors. In addition, Master Drilling cannot assess the effect of each factor on Master Drilling's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

www.masterdrilling.com



Master Drilling will be releasing its Integrated Report 2012 in June 2013. The Annual General Meeting will be held on 25 July 2013, notice of which will be sent to shareholders as part of the Integrated Report 2012.

COPIES OF REPORTS

While it is Master Drilling's aim to move towards an online platform for its reporting, the Company has taken cognisance of the fact that some stakeholders may still prefer to receive copies of reports either posted to them or in electronic form, and as such, stakeholders are requested to complete the instruction form below and forward same as detailed hereunder:

INSTRUCTION FORM

I, *(name in full)*

of *(address)*

..... Post Code:.....

request that all Company reports, including annual financial statements, circulars and notice of meetings, be forwarded to me

(please tick as appropriate)

- by post to the above address:
- electronically to the following e-mail address: *(please print)*

Once completed, please return the form to:

Computershare Investor Services (Pty) Limited
Ground Floor, 70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Alternatively, the completed form can be faxed to: Master Drilling on +27 18 771 5156
or scan and send to **companysecretary@masterdrilling.com**

MASTER DRILLING GROUP LIMITED

(Incorporated in the Republic of South Africa)

Registration Number: 2011/008265/06

JSE Share Code: MDI • **ISIN Number:** ZAE 0001711948

Registered office: 4 Bosman Street, PO Box 902, Fochville, 2515, South Africa

Telephone: +27 18 771 8100 • **Fax:** +27 18 771 5156 • **Email:** info@masterdrilling.com

Directors:

Non-executive: PJ Ledger (Chairman) • RO Davey (British) • AA Deshmukh
JP de Wet • ST Ferguson

Executive: DC Pretorius (CEO) • AJ van Deventer (CFO) • BJ Jordaan • GR Sheppard

Company Secretary: T de Wet, a partner at De Wets Incorporated

Registered office:

4 Bosman Street, Fochville, South Africa
(PO Box 902, Fochville 2515, South Africa)

Telephone: +27 18 771 8100

Fax: +27 18 771 5156

Email: info@masterdrilling.com

www.masterdrilling.com