MASTER DRILLING

2022

ABRIDGED ANNUAL FINANCIAL RESULTS
for the year ended 31 December 2022

HIGHLIGHTS FOR THE PERIOD

- USD Revenue increased by 31.7% to record high USD226.4 million
- USD Earnings per share increased by 7.6% to 14.2 cents
- ZAR Earnings per share increased by 19,0% to 232,5 cents
- USD Headline earnings per share increased by 10.1% to 14.2 cents
- ZAR Headline earnings per share increased by 21,9% to 232,5 cents
- Stable order book of USD265.4 million
- Healthy pipeline of USD567.9 million
- Dividend of ZAR47,5 cents per share declared increased from the ZAR32,5 cents per share from 2021
- Cash generated from operating activities amounted to USD25.0 million

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COMMENTARY

ABOUT MASTER DRILLING

Master Drilling was established in 1986 and listed on the Johannesburg Stock Exchange Limited (JSE) in 2012. The Group delivers innovative drilling technologies and mining solutions. Master Drilling has built trusted partner relationships with blue-chip and mid-tier clients in the mining, hydro-electric energy, civil, engineering, as well as construction sectors worldwide. The Company is exposed to various key commodities that ensure its sustainability. The Master Drilling business model of providing drilling solutions and mining services to clients through tailor-made designs, coupled with a flexible support and logistics chain, makes it the preferred partner throughout the life cycle of projects.

Commenting on the results for the year ended 31 December 2022, Danie Pretorius, Chief Executive Officer of Master Drilling, said:

"Master Drilling is grateful to announce that we had a stellar year in 2022. Revenue is up by 32% to a record high of USD226.4 million and cash generated from the business was USD25.0 million This is on the back of higher utilisation and investment in new business ventures. We must thank our clients and business partners for their continued support.

Our continued focus capital discipline has resulted in increased returns.

There was a renewed focus on technology development, and we have seen some of our new technologies maturing and making an impact on the way mining is conducted. We believe in our vision of "making a difference" and we are going to stay the course, to make the industry safer, more productive, and cost-effective.

Apart from our cutting and drilling technologies, we have also invested in asset-light business ventures in the digital space. Master Drilling has further invested in businesses that provide proximity detection solutions and integrated data and resource management systems for mining. These business ventures have contributed to the bottom line and have also opened up new opportunities for the Group. These actions will ensure that the Group remains relevant and maintains its standing as a leading innovator.

Master Drilling has been able to leverage its relationships with clients and partners, as well as its international footprint, to grow the business. The importance of building sound relationships has provided us with the foundation to offer more turnkey solutions to our clients and has seen the business metamorphose into a more holistic contractor.

Looking forward, the Company is optimistic about the future. Analysts are referring to a "super-cycle" in the mining industry that is being driven by the energy transition. We will, however, ensure that we remain responsible and focus on our cost control, capital allocation and operational excellence."

FINANCIAL OVERVIEW

Revenue increased 32% to USD226.4 million and operating profit grew 26% to USD35.1 million. These figures represent record results, achieved despite uncertain market and operating conditions experienced globally.

USD earnings per share (EPS) increased 7.6% to 14.2 cents, and ZAR EPS increased 19,0% to 232,5 cents. USD headline earnings per share (HEPS) increased 10.1% to 14.2 cents, and ZAR HEPS increased 21,9% to 232,5 cents.

Net cash generated from operations amounted to USD25.0 million. Cash resources continue to be managed carefully to cater for emerging opportunities that require specific design, planning and investment.

Master Drilling's total capital spend of USD24.4 million was applied as follows: 63% on expansion and 37% on sustaining the existing fleet.

Debt increased from USD32.1 million to USD46.1 million and the gearing ratio, including cash, increased from 5.8% to 7.8% in the 2022 fiscal year.

COMMENTARY continued

OPERATIONAL OVERVIEW

Globally, Master Drilling's operations experienced a profitable year, demonstrating the benefits of significant capex investment over the past 10 years.

Safety and response to risk

The Group has an extensive risk management program, and this is made visible through a collaborative platform. Progress on the implementation of mitigation measures is tracked and significant business risk is escalated to the executive team and Board. A group of internal auditors provides assurance that actions are followed through and have the desired effect.

Our Lost Time Injury Frequency Rate for 2022 has been 0,83 indicating a significant improvement from 1,65 on our path to zero harm. This was achieved in a period where we employed many new employees which can potentially increase risk. Through a focus on behaviour-based training and growing a high-performance culture, we have been able to drive compliance with policies and procedures. Our priority remains to remove people out of harm's way through innovative engineering solutions.

South America

South America delivered a strong performance despite several political headwinds for miners in the region.

Brazil's performance for the year was satisfactory. We commenced a flagship shaft project that will keep one XXL machine busy for most of 2023. We will continue to service our current client base in the region and focus on efficiencies and further automating our operations. We have also deployed one remote-operated raise bore machine at one of our client's operations. We are actively looking for new mining projects and exploring other drilling opportunities.

Chile had its best performing year of the past several years. Contracts with Codelco performed well and we have seen high levels of utilisation during the year.

The Master Drilling Besalco Consortium is performing well with a record year of production. We expect to expand the Consortium and obtain more contracts from Codelco and other miners in the region. We are developing a new-generation blind hole machine to be deployed in Chile during the next year. These machines are technologically superior to those available through other companies and we believe they will have a major impact on the market.

In Peru, we were awarded several new contracts in 2022. This is a result of very good operational performance over the past few years. We have seen strong growth from Peru together with better profitability. Bigger raise boring equipment has been mobilised to the region to service the need of our clients for bigger ventilation shafts. We are actively pursuing other opportunities in neighbouring countries such as Ecuador and Colombia.

Central and North America

The market for raise boring and exploration drilling activities in North America was buoyant in 2022. Our management team there is already working on tenders for the current year as well as long-term drilling contracts.

The Canadian contracts are advancing well. During the previous year, we were awarded a new contract and started mobilising equipment towards the end of last year. The remote locations present logistical challenges; however, we are well positioned to meet these. We have established a solid base in Canada and are well positioned to capitalise on increasing opportunities.

We continue with our efforts to secure contractors' licences across each relevant state in the USA. Doing this will assist in driving our new business pipelines, focusing primarily on mining-rich Nevada and also Arizona.

Mexico had a fair performance in 2022. For the first time ever, we were able to enter into one of the biggest mining groups in Mexico. We saw several new contracts being awarded in the latter part of the year, which is setting the business up for a good start in 2023. Additional machines have been deployed to projects in satellite countries such as Nicaragua. We continue to work on our operational efficiencies to reduce overall costs.

The Master Drilling Mexico business in partnership with A&R Engineering and Mining Services and related companies, a subsidiary of the Group, has delivered its first project in this region.

Africa

Africa remains the key area for the Group, and we are aggressively pursuing further opportunities in this market.

In Ghana, we are strategically placed to service existing and potential contracts in the Western African region.

In the DRC, we continued our satisfactory performance with our long-term project. We have a strong working relationship with the client, with additional opportunities for work on the copper, nickel and cobalt mines. Further growth opportunities are in the pipeline in this region.

Stable revenue is expected in Mali and the current client is regarded as a strategic partner of Master Drilling.

We mobilised two additional machines to Sierra Leone towards the end of 2022, to start a new project at the beginning of 2023, and believe this area will be a long-term contributor.

We mobilised two machines to Tanzania in 2022, and our outlook is positive for this country's operations.

Zimbabwe's projects concluded at the end of 2022, and we are currently pursuing new opportunities in this platinum-rich country.

We remain optimistic about opportunities in Zambia and are staying close to the developments in the country.

In Botswana, we are progressing well with a long-term contract at one of the copper mines.

The South African operations have maintained steady growth. With two XXXL machines busy on long-term contracts with a key client, the medium-term outlook is very positive.

Master Drilling will continue to support its loyal domestic clients although growth will likely remain subdued.

We remain committed to further expansion into other African countries that meet our investment criteria.

Scandinavia

Master Drilling Europe has stabilised well during 2022 and showed decent returns. The flagship TELT project in Europe has finally started and we are performing on schedule. This project is key to providing ventilation through four 500m shafts to the high-speed train between France and Italy. We are expanding our business in Iberia with additional equipment mobilised to the region. Our shaft construction projects in Stockholm are performing well and we will continue investing in similar projects. We see great opportunities in the region in the years to come.

India

The Indian operations are performing well, in line with expectations. We will continue to seek additional projects within India and the surrounding areas.

Other regions

Master Drilling is growing its presence in Australia and Central Asia, with a focus on consolidation in the marketplace and organic growth.

Growth in Australia was promising for the year. We were fortunate to work for some of the largest mining houses in the country. We continue to actively market our offering for additional projects in this region.

We are staying close to emerging mining countries and are confident of further geographical growth in 2023.

Technology

Technological innovation is a key priority for Master Drilling to support clients to move down the cost curve, optimise their operations and increase safety.

Given our mining clients' challenges, we have identified three technology focus areas in order to develop a growth strategy and diversify the business: shaft sinking, tunnelling and non-explosive mining.

In order to spread our risk and lighten funding requirements, we partnered (Master Sinkers) with the Industrial Development Corporation (IDC) with a view to pursuing a promising business case. During 2022, Master Sinkers continued to design, manufacture, and assemble the shaft boring system. Master Sinkers are currently engaging with the market to seek the best possible project to implement the technology in a phased approach. It is envisaged that the shaft boring machine will be commissioned H2 2023 during the test sink of a 50m deep shaft in South African hard rock. We are positioning ourselves as a specialised mining contractor, as opposed to a mainstream one.

During 2022 the application of the Mobile Tunnel Borer for the construction of the Sandsloot Exploration Decline at Mogalakwena Mine for Anglo American progressed well during which key performance indicators were met. It is planned to complete the turnkey scope during 2023. The technology looks very promising while a steep learning curve is being experienced with associated mining specific interactions. A 2nd generation Mobile Tunnel Borer design is progressing well and will be completed and considered for further development during 2023. From our experience gained it has become evident that alternative non-explosive tunnelling technologies would be required for specific tunnelling application needs not addressed by the Mobile Tunnel Borer, and that will be considered in future for further development.

Non-explosives mining is still an uncharted area, and we are looking to provide solutions for clients that are not bound by the requirement of explosives approvals, while at the same time shielding personnel against hazards by offering the flexibility to operate remotely. We have engaged with four different clients where we are able to develop these technologies and provide bespoke solutions that cater to their specific needs. By doing so, we hope to build relationships with these clients in a phased approach thereby ensuring gradual progress and minimising large exposure or risk. All these projects are progressing well.

These technologies all relate to providing a safer, higher productivity, cost-competitive and efficient solution.

Operational equipment

The fleet consists of 140 raise bore, 38 slim drilling and 1 mobile tunnel boring rigs. The total raise boring fleet utilisation rate was around 77% while the slim drilling fleet utilisation was around 67%. The rate of new rigs coming on board will settle with a focus on larger units, which typically generate higher income.

Our people

We believe that a motivated and engaged workforce creates a sustainable, competitive advantage for our business and benefits society. We are committed to attracting, developing and retaining the best people, providing a safe working environment for them and creating a winning culture that embraces their diversity and celebrates their contribution.

As at 31 December 2022, Master Drilling Group, together with its joint ventures, employs a total of 2 892 employees. This headcount includes the incorporation of Hall Core Holdings (Pty) Ltd (237) and A&R Engineering and Mining Services (Pty) Ltd and related companies (436) personnel due to the acquisition of the businesses. There was a total increase in headcount movement of 709 from the corresponding previous period in 2021.

We continuously drive and strive to embed our RAISE values to ultimately create and foster a culture where all employees can thrive and grow. It is imperative to improve our working environment to one where employees feel:

1. Respected
2. Accountable
3. Innovative
4. Safe
5. Efficient

Human capital strategy

We have recently developed a human capital strategy, which is currently in the implementation phase. The focus areas are:

- to attract the best people; and
- to create a high-performance culture in which our employees are engaged, motivated and equipped to support the achievement of our group strategy.

The core elements and objectives of our human capital strategy are:

- a positive and safe working environment that encourages a sense of well-being in our employees;
- leadership development and creating strong teams;
- growth opportunities that enable our employees to be leaders, and our leaders to grow and excel;
- rewards for and recognition of outstanding performance and stewardship; and
- succession planning by building junior and middle management talent pipelines.

Creating an ethical culture

The Master Drilling Group's code of ethics is made available and explained to all employees as part of their induction. Our code of ethics provides employees with information about the core principles of the Group, including legal compliance, ethical dealings, labour practices, human rights, and gender and race diversity. We recognise the right of employees to freedom of association, organisation and collective bargaining. As part of the process of monitoring our ethics, we have an independent, anonymous whistle-blower hotline. This allows anyone to report illegal or unethical behaviour, including mismanagement, discrimination, harassment, vandalism, corruption, violence and theft. The whistle-blower hotline is available to both national and international callers. Hotline activities are reported to the Social, Ethics and Sustainability Committee, Audit Committee, Risk Committee and the Board.

The above continues to be a strong focus area as part of our ESG strategic pillar.

The B-BBEE skills development initiatives for the South African entities were once again successfully co-ordinated and financed via Master Drilling Training Services. The B-BBEE certification for Master Drilling Exploration was finalised with a Level 1 rating being achieved. Master Drilling South Africa was also finalised, and an improved Level 3 rating was achieved.

COMMENTARY continued

Dividend

Since listing in 2012, the Company has delivered on its key strategic objectives, as set out in its listing prospectus. This, coupled with significant ongoing cash generation, now enables the Company to strike a balance between continued investment in capital projects to support the Company's further growth and enhancing returns to shareholders through the payment of appropriate dividends. Thus, in respect of the financial year ended 31 December 2022, the Board on 27 March 2023 declared a gross dividend of ZAR47,5 cents per share payable to shareholders recorded in the company's share register on 19 May 2023. This dividend represents a 5 times earnings cover which is in line with the desired level indicated in its listing prospectus, of a 4 to 5 times earnings cover.

The dividend is payable from distributable reserves and where subject to dividend withholding tax of 20%, a net dividend of ZAR38,00000 cents per share to shareholders will be payable after such dividend withholding tax.

The number of shares in issue at date of declaration amounts to 151 362 777 and the Company's tax reference number is 9797/433/15/9.

In order to comply with the requirements of Strate, the following details are provided:

Shares may not be dematerialised or re-materialised between Wednesday, 17 May 2023 and Friday 19 May 2023, both dates inclusive.

A dividend of 32,5 cents per share in ZAR terms relating to FY2021 was declared and paid during June 2022. Any dividend unclaimed after a period of three years from the date on which the same has been declared to be payable shall be forfeited and revert to the Company.

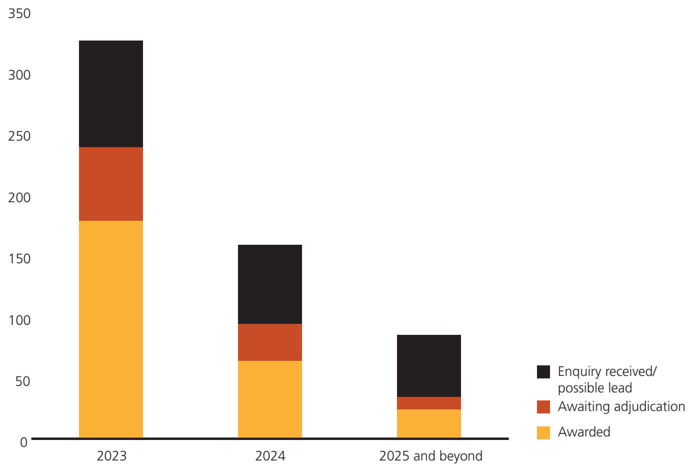
There are no arrangements under which future dividends are waived or agreed to be waived.

The Company complies with the requirements of the Companies Act in terms of satisfying the solvency and liquidity test when declaring this dividend.

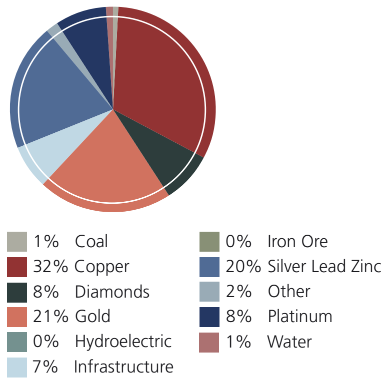
PIPELINE AND COMMITTED ORDERS

As at 31 December 2022 our pipeline totalled USD567.9 million while the committed order book totalled USD265.4 million for 2023 and beyond, spread as follows:

Pipeline (USD million)



Committed orders

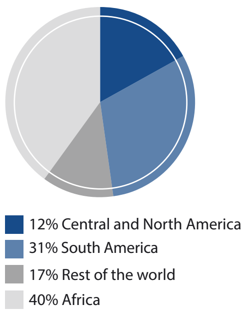


REVENUE

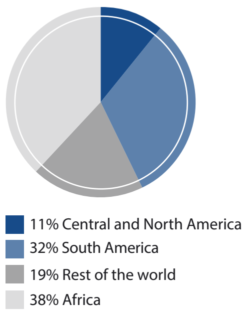
The following graphs reflect the Group's combined revenue for financial years ended 31 December:

Revenue by geographical area

2022

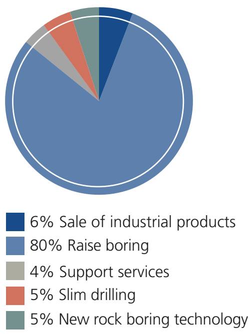


2021

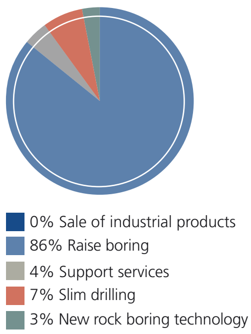


Revenue by activity

2022



2021

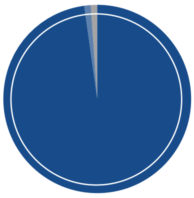


COMMENTARY continued

REVENUE continued

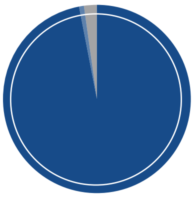
Revenue business sector

2022



- 98% Mining sector
- 1% Hydroelectricity
- 1% Civil and construction

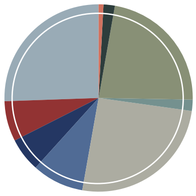
2021



- 97% Mining sector
- 1% Hydroelectricity
- 2% Civil and construction

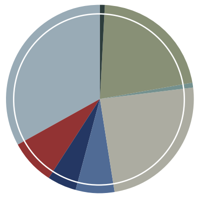
Revenue by commodity

2022



- 1% Chrome
- 2% Coal
- 23% Copper
- 2% Diamonds
- 26% Gold
- 9% Iron Ore
- 6% Other commodities
- 7% Platinum
- 26% Silver Lead Zinc

2021



- 0% Chrome
- 1% Coal
- 22% Copper
- 1% Diamonds
- 25% Gold
- 7% Iron Ore
- 5% Other commodities
- 8% Platinum
- 31% Silver Lead Zinc

OUTLOOK AND PROSPECTS

Despite global uncertainty, we are confident that Master Drilling will perform well because of its long-term contracts, diversified footprint, proactive capital management and service orientation. The fleet utilisation is now moving towards the required benchmark of 75%. Capital Management remains a top priority. The Group's diversification across regions, commodities, currencies, and industries proved to be a key factor in this and will remain a key part of Master Drilling's strategy.

The Group remains committed to ensuring the safety of its people and will continue using innovative mechanised equipment in its operation. This is also the future of the industry, with an increased focus on mechanisation and remote operations, which is the space in which Master Drilling likes to operate and is well placed to compete. Opportunities to diversify outside of the traditional drilling business into areas such as artificial intelligence will also continue to be pursued.

The pipeline as at 31 December 2022 totalled USD501.1 million, while the committed order book totalled USD199.6 million for 2023 and beyond. In the short to medium term, the sales pipeline is expected to stabilise and increase with further tactical acquisitions and joint ventures supporting performance.

We will continue to invest in our people, and we have started to employ best practice in a number of areas within human capital that will ensure that we are an employer of choice and attract the best of the best in the industry.

There is an evolving commitment and enhanced contribution to all matters relating to ESG. This is not just the right thing to do, it will also support the industry objective and ensure that Master Drilling remains sustainable into the future.

Master Drilling's technology and experience put the Group in a strong position to continue to support its clients' drive to improve productivity and efficiencies while reducing operational risk.

Ultimately, our strategic focus remains the same. We want to make a difference in the lives of our employees and our clients. We challenge the status quo and want to ensure we address the challenges of safety, cost and productivity in the way we work. Our 2023 focus will be on building a sustainable, diversified and scalable business through organic and acquisitive growth as well as formal partnerships and alliances.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

	Notes	2022 USD Audited	2021 USD Audited
Assets			
Non-current assets			
Property, plant and equipment	3	**152 274 557**	151 329 760
Intangibles and goodwill	4	**15 921 053**	5 242 991
Financial assets		**5 084 173**	5 112 298
Deferred tax asset		**2 860 120**	1 308 218
Related party loans		**1 577 056**	101 900
Investment in joint venture	13	**4 382 221**	4 027 024
Investment in associates	11	**790 777**	5 693 903
		182 889 957	172 816 094
Current assets			
Inventories		**46 529 294**	33 553 420
Related party loans		**729 641**	–
Trade and other receivables	5	**79 359 647**	54 469 805
Current tax receivable		**4 034 447**	4 125 018
Call option asset	12	**–**	2 322 360
Derivative financial instruments		**248 648**	54 604
Cash and cash equivalents		**30 669 450**	22 789 752
		161 571 127	117 314 959
Total assets		**344 461 084**	290 131 053
Equity and liabilities			
Equity			
Share capital		**149 365 330**	149 259 486
Reserves		**(124 051 438)**	(110 319 177)
Retained income		**145 107 125**	137 593 905
		170 421 017	176 534 214
Non-controlling interest		**18 710 890**	9 834 821
		189 131 907	186 369 035
Liabilities			
Non-current liabilities			
Interest bearing borrowings		**41 411 477**	143 909
Lease liabilities		**5 773 563**	4 507 689
Instalment sales liabilities		**514 055**	477 810
Contract liability	14	**3 270 349**	3 932 115
Provisions		**500 182**	–
Consideration payable		**1 568 072**	–
Contingent consideration	15	**–**	1 195 290
Put option liability for non-controlling interest	10.3	**9 622 678**	–
Deferred tax liability		**9 956 970**	8 636 487
		72 617 346	18 893 300

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

as at 31 December

	Notes	2022 USD Audited	2021 USD Audited
Current liabilities			
Interest bearing borrowings		**4 702 628**	32 024 901
Lease liabilities		**610 876**	292 543
Instalment sales liabilities		**1 158 671**	563 173
Related party loans		**2 030 367**	357 292
Current tax payable		**7 344 355**	5 435 563
Put option liability	12	**–**	314 675
Trade and other payables	6	**57 335 004**	35 516 720
Derivative financial instruments		**424 288**	195 422
Provisions		**1 073 806**	2 314 809
Contract liability	14	**5 626 167**	4 726 181
Contingent consideration	15	**–**	1 725 210
Put option liability for non-controlling interest	10.3	**2 405 669**	–
Cash and cash equivalents		**–**	1 402 229
		82 711 831	84 868 718
Total liabilities		**155 329 177**	103 762 018
Total equity and liabilities		**344 461 084**	290 131 053

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	2022 USD	2021 USD
Revenue	7	**226 393 741**	171 836 530
Cost of sales		**(161 478 511)**	(123 198 088)
Gross profit		**64 915 230**	48 638 442
Other operating income		**2 138 087**	4 160 714
Other operating expenses		**(31 933 529)**	(23 994 766)
Movement of expected credit loss allowances		**(22 614)**	(1 032 149)
Operating profit		**35 097 174**	27 772 241
Investment income		**893 544**	518 961
Finance costs		**(4 470 312)**	(2 558 208)
Fair value adjustment		**(167 929)**	1 885 826
Share of profit from equity accounted investments		**1 376 748**	521 402
Profit before taxation		**32 729 225**	28 140 222
Taxation	8	**(10 412 013)**	(8 225 912)
Profit for the year		**22 317 212**	19 914 310
Other comprehensive income that will subsequently be classified to profit and loss:			
Exchange differences on translating foreign operations		**(13 686 597)**	(9 678 052)
Other comprehensive loss for the year net of taxation		**(13 686 597)**	(9 678 052)
Total comprehensive income		**8 630 615**	10 236 258
Profit/(Loss) attributable to:		**22 317 212**	19 914 310
Owners of the parent		**21 532 239**	20 026 271
Non-controlling interest		**784 973**	(111 961)
Total comprehensive income/(loss) attributable to:		**8 630 615**	10 236 258
Owners of the parent		**7 845 642**	10 348 219
Non-controlling interest		**784 973**	(111 961)
Earnings per share (USD)	9		
Basic earnings per share (cents)		**14.2**	13.2
Diluted earnings per share (USD)	9		
Diluted basic earnings per share (cents)		**14.2**	13.2
Earnings per share (ZAR)			
Basic earnings per share (cents)		**232.5**	195.3
Diluted earnings per share (ZAR)			
Diluted basic earnings per share (cents)		**232.5**	195.3

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December

	Notes	2022 USD	2021 USD
Cash flows from operating activities			
Cash generated from operations	10.1	**35 282 480**	42 952 024
Interest received		**577 554**	246 494
Dividends received		**1 763**	–
Finance costs paid		**(3 326 260)**	(1 674 018)
Tax paid	10.2	**(7 577 569)**	(9 008 759)
Net cash inflow from operating activities		**24 957 968**	32 515 741
Cash flows from investing activities			
Purchase of property, plant and equipment		**(21 369 195)**	(17 533 557)
Purchase of intangibles		**–**	(1 292 702)
Sale of property, plant and equipment		**1 919 155**	927 792
Advances to related parties		**(164 006)**	(4 530)
Proceeds from related parties		**234 221**	–
Payment of consideration for joint venture		**(1 196 968)**	–
Loss of control in subsidiary		**(349 350)**	
Additional investment in associate		**–**	(5 053 615)
Acquisition of joint venture		**–**	(1 225 411)
Acquisition of business	10.3	**(4 025 435)**	–
Net cash outflow from investing activities		**(24 951 578)**	(24 182 023)
Cash flows from financing activities			
Advance from financial liabilities		**20 953 706**	138 848
Repayment of financial liabilities		**(4 726 500)**	(9 780 589)
Repayment of capital portion of lease liabilities		**(355 167)**	(502 810)
Repayment of capital portion of instalment sales agreements		**(734 616)**	(565 495)
Repayment from related parties		**(365 543)**	–
Advances received from related parties		**178 213**	188 194
Dividends paid to shareholders		**(3 051 413)**	–
Dividends paid to non-controlling interest		**(973 062)**	(1 661)
Net cash from financing activities		**10 925 618**	(10 523 513)
Total cash for the period		**10 932 008**	(2 189 795)
Cash at the beginning of the period		**21 387 523**	24 790 077
Effect of exchange rate movement on cash balances		**(1 650 081)**	(1 212 759)
Total cash at end of the period		**30 669 450**	21 387 523

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

USD	Share capital	Equity arising on formation of the Group [1]	Foreign currency translation reserve [2]	Transactions between equity holders [3]
Balance as at 31 December 2020	149 259 486	(58 264 013)	(44 123 128)	1 611 385
Dividends declared by subsidiaries	–	–	–	–
Sale of interest in subsidiary	–	–	–	–
Total comprehensive income for the year	–	–	(9 678 052)	–
Total changes	**–**	**–**	**(9 678 052)**	**–**
Balance as at 31 December 2021	**149 259 486**	**(58 264 013)**	**(53 801 180)**	**1 611 385**
Dividends declared by subsidiaries	**–**	**–**	**–**	**–**
Non-controlling equity contribution	**–**	**–**	**–**	**–**
Change in control of subsidiary	**–**	**–**	**–**	**–**
Put option liability for non-controlling interest	**–**	**–**	**–**	**–**
Issue of share capital for options exercised	**105 844**	**–**	**–**	**–**
Dividends to shareholders	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**(13 686 597)**	**–**
Total changes	**105 844**	**–**	**(13 686 597)**	**–**
Balance as at 31 December 2022	**149 365 330**	**(58 264 013)**	**(67 487 777)**	**1 611 385**

[1] *Equity arising on formation of the Group – Equity that arose with the formation of the Group on the initial Johannesburg Stock E*

[2] *Foreign currency translation reserve – Equity that arose as a result consolidation subsidiaries that have a different currency to that*

[3] *Transactions between equity holders – Equity that arose due to transactions between different equity holders with the formation*

Share-based payments reserve	Total reserves	Retained income	Attributable to owners of the parent	Non-controlling interest	Total Shareholders' equity
134 631	(100 641 125)	117 773 867	166 392 228	9 757 161	176 149 389
–	–	–	–	(16 612)	(16 612)
–	–	(206 233)	(206 233)	206 233	–
–	(9 678 052)	20 026 271	10 348 219	(111 961)	10 236 258
–	**(9 678 052)**	**19 820 038**	**10 141 986**	**77 660**	**10 219 646**
134 631	**(110 319 177)**	**137 593 905**	**176 534 214**	**9 834 821**	**186 369 035**
–	**–**	**–**	**–**	**(973 062)**	**(973 062)**
–	**–**	**559 560**	**559 560**	**537 616**	**1 097 176**
–	**–**	**–**	**–**	**8 526 542**	**8 526 542**
–	**–**	**(11 527 166)**	**(11 527 166)**	**–**	**(11 527 166)**
(45 664)	**(45 664)**	**–**	**60 180**	**–**	**60 180**
–	**–**	**(3 051 413)**	**(3 051 413)**	**–**	**(3 051 413)**
–	**(13 686 597)**	**21 532 239**	**7 845 642**	**784 973**	**8 630 615**
(45 664)	**(13 732 261)**	**7 513 220**	**(6 113 197)**	**8 876 069**	**2 762 872**
88 967	**(124 051 438)**	**145 107 125**	**170 421 017**	**18 710 890**	**189 131 907**

xchange Listing

t of the Group's reporting currency

n of the Group

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS

for the year ended 31 December

NATURE OF BUSINESS

Master Drilling Group Limited is an investment holding company, whose subsidiary companies provide specialised drilling services to blue chip major and mid-tier companies in the mining, civil engineering, construction and hydro-electric power sectors, across a number of commodities and geographies.

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

The abridged audited financial results have been prepared in accordance with IAS 34: Interim Financial Reporting, International Financial Reporting Standards and the requirements of the South African Companies Act, (Act No 71 of 2008), as amended and the Listings Requirements of the JSE Limited. The audited consolidated 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 United States Dollar ("USD").

The significant accounting policies are consistent in all material respects with those applied in the previous year.

The consolidated annual financial statements for Master Drilling Group Limited (Registration number 2011/008265/06), for the period ended 31 December 2022, have been audited by BDO South Africa Incorporated, the Company's independent external auditors, whose unmodified audit report, including the key audit matters, can be found on pages 6 to 10 of the consolidated annual financial statements 2022, which are available on: www.masterdrilling.com.

These abridged financial results were extracted from the audited consolidated financial statements that have been prepared by the corporate reporting staff of Master Drilling, headed by Willem Ligthelm CA(SA), the Group's financial manager. This process was supervised by André Jean van Deventer CA(SA), the Group's chief financial officer.

The auditor's report does not necessarily report on all of the information contained in these abridged audited consolidated financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Group annual financial statements incorporate all entities which are controlled by the Group.

At inception the Group's annual financial statements had been accounted for under the pooling of interest method as acquisition of entities under common control is excluded from IFRS 3. The entities had been accounted for at historical carrying values for the period presented.

Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Control is considered to exist if all of the factors below are satisfied.

(a) The investor has power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities;

(b) The investor has exposure, or rights to variable returns from its involvement with the investee; and

(c) The investor has the ability to use its power over the investee to affect the amount of the investors' returns.

The Group assesses its control of an investee at the time of its initial investment and again if changes in facts and circumstances affect one or more of the control factors listed above. In assessing whether the Group has control over an investee, consideration is given to many factors including shareholding, voting rights and their impact on the Group's ability to direct the management, operations and returns of the investee; contractual obligations; minority shareholder rights and whether these are protective or substantive in nature; and the financial position of the investee.

De-facto control

De-facto control exists when the size of a Group's own voting rights relative to the size and dispersion of other vote holders give the Group the practical ability unilaterally to direct the relevant activities of the investee. The Group, based on its assessment of its practical ability to direct the relevant activities of the investee without holding the majority of the voting rights as well as other relevant facts and circumstances, concluded that de-facto control exists due to the Group's practical ability to direct the relevant activities and as a result consolidated the subsidiary with a 50% non-controlling interest.

Property, plant and equipment and intangibles assets

Property, plant and equipment are initially measured at cost and subsequently at cost less any accumulated depreciation and accumulated impairment losses.

Patents are acquired by the Group and have an indefinite useful life as the Group's plan and ability is to renew and maintain the patent indefinitely. It is expected that the patent will generate revenue for the Group for an unlimited period of time. Patents are carried at cost less accumulated impairment losses. Patents are assessed annually for possible impairment.

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 part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

An asset under construction will be reclassified to the relevant asset category as soon as it is available for use. Assets under construction are not depreciated.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Investment in associate

The results, assets and liabilities are incorporated in these consolidated annual financial statements using the equity method of accounting. An investment in associate is initially recognised in the consolidated statement of financial position at cost and adjusted for thereafter to recognise the Group's share of the profit or loss in associate and other comprehensive income of the associate.

Contingent consideration on investments in associates is included in the cost at its fair value on the acquisition date. Contingent consideration is classified as a financial liability and any subsequent remeasurement is capitalised to the cost of the investment.

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

2. SIGNIFICANT ACCOUNTING POLICIES continued

Investment in joint arrangements

The group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

For all joint arrangements structured in separate vehicles, the Group assessed the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment required the Group to consider amongst other, the following factors to determine whether it has rights to the joint arrangement's net assets or rights to and obligations for specific assets, liabilities, expenses, and revenues:

- Structure
- Legal form
- Contractual agreement
- Other facts and circumstances

Upon consideration of these factors, the Group's management has determined that all of its joint arrangements give it rights to and obligations for net assets and have therefore been classified as joint ventures.

Contingent consideration on investments in joint arrangements is included in the cost at its fair value on the acquisition date. Contingent consideration is classified as a financial liability and any subsequent remeasurement is capitalised to the cost of the investment.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary environment in which the entity operates, i.e. "functional currency". The consolidated annual financial statements are presented in USD (the "presentation currency"). Management believes that USD is more useful to the users of the consolidated financial statements, as this currency most reliably reflects the global business performance of the Group as a whole.

Going concern

The annual financial statements have been prepared on the going concern basis. This basis presumes that funds will be available to finance future operations for the next 12-month period and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The annual financial statements have been prepared on the going concern basis. This basis presumes that funds will be available to finance future operations for the next 12-month period and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Operating segments

Changes were made to the operating segments from those disclosed at 31 December 2021. These changes are aligned with the Group's strategic pillars and will enable the chief decision maker, under direct supervision of the resident boards, to improve the management of performances and decisions on allocation of resources to the different segments. The comparative reporting periods were adjusted accordingly as the information was available.

Changes to the board

There were no changes to the Board since the previous reporting period except GR Sheppard which has with effect from 24 March 2023 resigned as an executive director of the Company and he has been appointed as an alternate director to DC Pretorius on the Board.

Annual general meeting

The annual general meeting of Master Drilling Group Limited will be held virtually, on Tuesday, 13 June 2023 at 09:00. More details on arrangements around the virtual annual general meeting will be disclosed in the notice and proxy that will be available no later than 30 April 2023.

Subsequent events

The Board approved a dividend on 27 March 2023 of ZAR47,5 cents per share payable to shareholders recorded in the Company's share register on 19 May 2023. The dividend declared is not reflected in the financial statements for the year ended 31 December 2022.

The directors are not aware of any other matters or circumstances arising since the reporting date to the date of this report, not otherwise dealt with in this report.

3. PROPERTY, PLANT AND EQUIPMENT

2022 USD	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and buildings	3 436 696	(323 563)	3 113 133
Right of use assets: Land and buildings	6 868 057	(1 400 888)	5 467 169
Instalment sale: Plant and machinery	5 686 422	(3 290 312)	2 396 110
Plant and machinery	194 311 636	(60 232 647)	134 078 989
Assets under construction	4 655 583	(2 567)	4 653 016
Furniture and fittings	1 567 821	(1 250 980)	316 841
Motor vehicles	6 868 527	(5 101 995)	1 766 532
Right of use assets: Motor Vehicles	103 519	(18 440)	85 079
IT equipment	1 125 641	(727 953)	397 688
Total	**224 623 902**	**(72 349 345)**	**152 274 557**

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

3. PROPERTY, PLANT AND EQUIPMENT continued

2021 USD	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and buildings	2 911 343	(808 832)	2 102 511
Right of use assets: Land and buildings	5 996 500	(2 014 106)	3 982 394
Instalment sale: Plant and machinery	5 696 718	(2 679 064)	3 017 654
Plant and machinery	190 255 715	(52 706 031)	137 549 684
Assets under construction	755 922	(2 567)	753 355
Furniture and fittings	1 439 757	(271 116)	1 168 641
Motor vehicles	5 769 745	(3 286 080)	2 483 665
Right of use assets: Motor Vehicles	–	–	–
IT equipment	686 305	(414 449)	271 856
Total	213 512 005	(62 182 245)	151 329 760

Borrowing cost

No borrowing costs were capitalised to the cost of property, plant and equipment during 2022 (2021:USD0).

3.1 Reconciliation of property, plant and equipment

2022 USD	**Opening balance**	**Additions**	**Exchange difference on consolidation of foreign subsidiaries**
Land and buildings	**2 102 511**	**848 782**	**243 348**
Right of use assets: Land and buildings	**3 982 394**	**1 619 746**	**(34 010)**
Instalment sale: Plant and machinery	**3 017 654**	**264 125**	**(130 314)**
Plant and machinery	**137 549 684**	**16 293 266**	**(5 696 847)**
Assets under construction	**753 355**	**3 934 548**	**(30 779)**
Furniture and fittings	**1 168 641**	**20 122**	**(280 863)**
Motor vehicles	**2 483 665**	**1 070 744**	**(517 463)**
Right of use assets: Motor Vehicles	**–**	**107 708**	**(3 443)**
IT equipment	**271 856**	**242 098**	**47 441**
	151 329 760	**24 401 139**	**(6 402 930)**

Assets acquired through business combination	Reclassifications and transfers (to)/from intangibles	Disposals	Depreciation	Impairment/ Scrapping	Derecognition on loss of control	Re-measurement of right-of-use asset	Total
36 905	–	(4 766)	(113 647)	–	–	–	3 113 133
526 626	–	–	(627 587)	–	–	–	5 467 169
–	–	(449 756)	(305 599)	–	–	–	2 396 110
807 022	–	(567 183)	(11 885 613)	(658 265)	(1 763 075)	–	134 078 989
–	–	(4 108)	–	–	–	–	4 653 016
85 231	–	(43 241)	(633 049)	–	–	–	316 841
253 690	–	(72 112)	(1 451 992)	–	–	–	1 766 532
–	–	–	(19 186)	–	–	–	85 079
13 401	–	(27 322)	(149 786)	–	–	–	397 688
1 722 875	–	(1 168 488)	(15 186 459)	(658 265)	(1 763 075)	–	152 274 557

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

3. PROPERTY, PLANT AND EQUIPMENT continued

3.1 Reconciliation of property, plant and equipment continued

2021 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Land and buildings	2 085 861	291 869	(242 205)
Right of use assets: Land and buildings	3 703 062	–	(412 022)
Instalment sale: Plant and machinery	5 700 146	587 693	(381 874)
Plant and machinery	140 279 999	15 807 090	(13 002 276)
Assets under construction	942 741	179 712	(233 560)
Furniture and fittings	1 254 129	68 105	(2 281)
Motor vehicles	1 955 209	1 171 541	(49 312)
Right of use assets: Motor Vehicles	–	–	–
IT equipment	360 729	29 347	(17 176)
	156 281 876	18 135 357	(14 340 706)

Security

Moveable assets to the value of ZAR1,8 billion (USD105.4 million at closing spot rate) of the South African subsidiaries have been bonded to ABSA Capital as security for an interest bearing loan.

Property, plant and equipment to the value of SEK40.8 million (USD4.0 million at closing rate) of the European entity have been pledged to Swedbank as security for an interest bearing loan.

Impairment

During the year, the businesses within the African region recognised impairment/scrapping of USD658 265. The future cash flows of the particular rigs were negatively affected by the type of drilling it was initially designed and built for and resulting in becoming obsolete in the industry. There were no impairment of property, plant and equipment during the previous year.

4. INTANGIBLE ASSETS AND GOODWILL

	Notes	**2022 USD**	2021 USD
Intangible assets	4.1	**8 152 825**	2 446 297
Goodwill	4.2	**7 768 228**	2 796 694
		15 921 053	5 242 991

Assets acquired through business combination	Reclassifications and transfers (to)/ from intangibles	Disposals	Depreciation	Impairment/ Scrapping	Derecognition on loss of control	Remeasurement of right-of-use asset	Total
–	–	–	(33 014)	–	–	–	2 102 511
–	–	–	(478 678)	–	–	1 170 032	3 982 394
–	(2 158 071)	(3 941)	(726 299)	–	–	–	3 017 654
–	3 811 563	(188 169)	(9 158 523)	–	–	–	137 549 684
–	(135 538)	–	–	–	–	–	753 355
–	–	–	(151 312)	–	–	–	1 168 641
–	–	(32 881)	(560 892)	–	–	–	2 483 665
–	–	–	–	–	–	–	–
–	–	(4 268)	(96 776)	–	–	–	271 856
–	1 517 954	(229 259)	(11 205 494)	–	–	1 170 032	151 329 760

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

4. INTANGIBLE ASSETS AND GOODWILL continued

4.1 Intangible assets

2022 **USD**	**Cost**	**Accumulated amortisation and impairment losses**	**Carrying value**
Computer software	**1 661 465**	**(1 414 872)**	**246 593**
Software licence agreements	**6 942 368**	**–**	**6 942 368**
Patents	**963 864**	**–**	**963 864**
Total	**9 567 697**	**(1 414 872)**	**8 152 825**

2021 USD	Cost	Accumulated amortisation and impairment losses	Carrying value
Computer software	1 619 577	(1 337 855)	281 722
Software licence agreements	1 196 447	–	1 196 447
Patents	968 128	–	968 128
Total	3 784 152	(1 337 855)	2 446 297

2022 **USD**	**Opening balance**	**Additions**	**Exchange difference on consolidation of foreign subsidiaries**
Computer software	**281 722**	**–**	**37 212**
Software licence agreements	**1 196 447**	**–**	**(51 062)**
Patents	**968 128**	**–**	**(4 264)**
	2 446 297	**–**	**(18 114)**

2021 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Computer software	384 878	3 697	1 403
Software licence agreements	–	1 289 005	(92 558)
Patents	202 482	–	(16 218)
	587 360	1 292 702	(107 373)

Assets acquired through business combination	Reclassifications and transfers (to)/from property, plant and equipment	Deemed disposal on obtaining control	Amortisation	Impairment of intangible assets	Total
1 120	**–**	**–**	**(51 839)**	**(21 622)**	**246 593**
6 911 133	**–**	**(1 114 150)**	**–**	**–**	**6 942 368**
–	**–**	**–**	**–**	**–**	**963 864**
6 912 253	**–**	**(1 114 150)**	**(51 839)**	**(21 622)**	**8 152 825**

Assets acquired through business combination	Reclassifications and transfers (to)/from property, plant and equipment	Deemed disposal on obtaining control	Amortisation	Impairment of intangible assets	Total
–	–	–	(108 256)	–	281 722
–	–	–	–	–	1 196 447
–	781 864	–	–	–	968 128
–	781 864	–	(108 256)	–	2 446 297

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

4. INTANGIBLE ASSETS CONTINUED

4.1 Intangible assets continued

Software licence agreement

The Group is a co-licensor in software licence agreements and acquired additional stake during the current year. This software licence agreements provides a fully integrated solution to clients for monitoring and tracking of plant and human resources on mines to ensure compliance with policies, practices and procedures in force in the mines, to promote and enhance safety and productivity on the mines and provide intelligence to management of mines for development of future resource strategies.

In July 2021, the Group acquired an approximate 25% software licence agreements as part of the transaction related to investment in associate of A&R Engineering and Mining Services (Pty) Ltd (A&R) and Lamproom Solutions and Consulting (LSC). As part of the option exercised during the year (refer to note 38), the Group acquired an approximate 26% additional stakeholding in software licence agreements. The software license agreements has been identified as a separate identifiable intangible asset related to the A&R business combination. Refer to note 25.3 for more information

Patents

The group owns a patent it acquired from an external party when the drawings and design for its Shaft Boring System ("SBS") was approved. The patent relates to the specific design and functioning of the SBS that is currently being manufactured and tested by the Group.

Impairment testing

For the purpose of annual impairment testing, patents are allocated to the plant and machinery within the group that is expected to benefit from the use of the patent while software licence agreements are assessed for the royalties it could potentially earn over a forecasted period of seven years discounted with a suitable rate. The period of seven years deviate from the suggested five years due to the fact that the project for which the patent will be used will have a slow start-up as the concept, even though tested before put into working condition, might still have some aspects that needs to be modified to be fully operational as intended.

The recoverable amount of the software licence agreements and patents were determined based on a value-in-use calculation covering a five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using the growth rates determined by management. The present value of the expected cash flows of the cash-generating unit is determined by applying a suitable discount rate. Discount and growth rates used are based on industry linked market conditions and is not reasonably expected to change so significantly that it could result in impairment.

The recoverable amount for the individual cash-generating unit utilising the software licence agreements and patents exceed the carrying value by USD2 709 170 (2021: USD0) and USD539 830 (2021: USD2 475 460) respectively.

	Growth rate 2022	**Discount rate 2022**	Growth rate 2021	Discount rate 2021
Software licence agreements	**4.50%**	**32.59%**	0.00%	16.00%
Patents	**4.50%**	**24.73%**	3.40%	16.00%

Growth rate
The growth rates reflect the long-term average growth rates for the cash generating units. Growth rates are based on the average inflation rates forecasted for regions that the intangibles will operate in.

Discount rate
The discount rates reflect appropriate adjustments relating to market risk and specific risk factors for the region that the intangible assets are expected to operate.

Cash flow assumptions
Management's key assumptions include the present value of the cash flows expected to be generated by utilisation of the intangible assets discounted at the applicable market indicative rates. Five year cash flow projections reflect these benefits to be realised.

Sensitivity analysis – Patents
The following table indicates the sensitivity analysis:

Discount rate 2% increase	(527 001)
Growth rate 2% decrease	44 387
Project profitability 5% decrease	(641 108)

4.2 Goodwill

	2022 USD	2021 USD
Goodwill recognised from value chain business combinations	**2 162 370**	2 341 256
Goodwill recognised from raisebore business combinations	**445 038**	455 439
Goodwill recognised from software support services	**5 160 820**	–
Goodwill recognised from business combinations	**7 768 228**	2 796 694

2022 USD	**Opening balance**	**Additions**	**Exchange difference on consolidation of foreign subsidiaries**	**Total**
Goodwill recognised from value chain business combinations	**2 341 256**	**–**	**(178 886)**	**2 162 370**
Goodwill recognised from raisebore business combinations	**455 439**	**–**	**(10 401)**	**445 038**
Goodwill recognised from software support services	**–**	**5 107 039**	**53 781**	**5 160 820**
Goodwill recognised from business combinations	**2 796 695**	**5 107 039**	**(135 506)**	**7 768 228**

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

4. INTANGIBLE ASSETS CONTINUED

4.2 Goodwill continued

2021 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries	Total
Goodwill recognised from value chain business combinations	2 324 063	–	17 193	2 341 256
Goodwill recognised from raisebore business combinations	537 499	–	(82 060)	455 439
Goodwill recognised from software support services	–	–	–	–
Goodwill recognised from business combinations	2 861 562	–	(64 867)	2 796 695

Impairment testing

For the purpose of annual impairment testing, goodwill is allocated to the cash generating units which is expected to benefit from the synergies of the business combination in which the goodwill arose.

The recoverable amount was determined based on a value-in-use calculation covering a five-year forecast, followed by an extrapolation of expected cash flows for the remaining forecasted period using the growth rates determined by management. The present value of the expected cash flows of the cash-generating unit is determined by applying a suitable discount rate. Discount and growth rates used are based on industry linked market conditions and is not reasonably expected to change significantly that it could result in impairment.

The recoverable amount for the raise bore cash generating unit exceeds the carrying value by USD1 989 211 (2021: USD1 138 638). The recoverable amount of the value chain cash-generating unit exceeds the carrying value by USD7 577 550 (2021: USD4 391 414) while the recoverable amount of the software support services exceed the carrying amount by USD1 026 301 (2021: USD0).

	Growth rate 2022	**Discount rate 2022**	Growth rate 2021	Discount rate 2021
Value chain business combination	**3.00%**	**12.51%**	4.00%	11.55%
Software support services	**4.50%**	**25.65%**	N/A	N/A
Raisebore business combination	**2.45%**	**23.88%**	2.45%	13.38%

Growth rate
The growth rates reflect the long-term average growth rates for the cash generating units.

Discount rate
The discount rates reflect appropriate adjustments relating to market risk and specific risk factors related to the industries and markets the businesses attracting goodwill operates.

Cash flow assumptions
Management's key assumptions include the present value of the cash flows expected to be generated by utilisation of the intangible assets discounted at the applicable market indicative rates. Five year cash flow projections reflect these benefits to be realised.

5. TRADE AND OTHER RECEIVABLES

	2022 USD	2021 USD
Trade receivables	**59 973 365**	42 254 945
Trade receivables – Normal (Gross)	**63 566 215**	46 584 592
Trade receivables – Retention (Gross)	**1 213 210**	471 184
Expected credit loss allowance of trade receivables	**(4 806 060)**	(4 800 831)
Contract asset	**5 794 169**	–
Loans to employees	**270 735**	117 181
Prepaid expenses	**7 808 828**	4 637 430
Deposits	**291 886**	941 917
Indirect taxes	**4 083 177**	5 106 153
Other receivables	**1 137 487**	1 412 179
	79 359 647	54 469 805

Trade receivables of South African subsidiaries have been ceded to ABSA Capital as security for an interest bearing loan. Retention receivables are collectable within a period of 12 months.

Trade receivables are assessed for recoverability using the expected credit losses matrix. The matrix is determined based on the underlying economical factors of each of the countries that the subsidiaries operate within.

The Group's policy does not allow for loans to employees to exceed the monetary value of earnings due to the employee in the notice period. As a result no expected credit loss allowances have been recognised.

Deposits represent deposits held as security for rentals and utilities across the world where the Group operates. Deposits are generally a month's rental and/or payment in advance and no expected credit losses have been recognised as one would expect to still receive the service for the month that notice is given by the supplier.

Retention trade receivables are considered for expected credit losses based on the same assumptions as for normal trade receivables. The expected credit losses remained fairly consistent year on year. This is due to the mix of the specific risk factors across the various jurisdictions the Group operate within.

The Group assesses the recoverability of its other receivables based on the underlying economical factors of each of the countries that the subsidiaries operate within.

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

5. TRADE AND OTHER RECEIVABLES CONTINUED

The movement in expected credit losses is presented below

Balance 1 January	**4 800 831**	3 731 677
Exchange differences on translation of foreign operations	**(106 682)**	37 005
Expected credit loss adjustment on business combination	**89 297**	–
Amounts written off	**–**	–
Allowance for credit losses recognised	**22 614**	1 032 149
	4 806 060	4 800 831

Gross trade receivables per region :

Africa	**25 899 131**	17 038 685
Central and North America	**9 671 893**	6 526 545
Rest of the World	**7 817 418**	7 430 734
South America	**21 390 983**	16 059 811
	64 779 425	47 055 776

Expected credit losses matrix:

AFRICA		
Current	**4.05% to 4.55%**	3.15% to 3.96%
30 days	**4.15% to 4.65%**	3.25% to 4.06%
31 to 60 days	**4.40% to 4.90%**	3.50% to 4.31%
61 to 90 days	**4.90% to 5.40%**	4.00% to 4.81%
90 + days	**5.90% to 6.40%**	4.50% to 5.21%
REST OF THE WORLD		
Current	**0.10% to 4.05%**	0.15% to 3.15%
30 days	**0.15% to 4.15%**	0.10% to 3.25%
31 to 60 days	**0.35% to 4.40%**	3.00% to 3.50%
61 to 90 days	**0.55% to 4.90%**	3.55% to 4.00%
90 + days	**0.70% to 5.15%**	4.10% to 4.50%
CENTRAL AND NORTH AMERICA		
Current	**2.17% to 2.47%**	2.21% to 2.52%
30 days	**2.57% to 2.67%**	2.55% to 2.69%
31 to 60 days	**2.82% to 2.99%**	2.88% to 3.03%
61 to 90 days	**3.32% to 3.46%**	3.43% to 3.66%
90 + days	**3.69% to 3.94%**	3.77% to 3.99%
SOUTH AMERICA		
Current	**3.31% to 3.51%**	3.41% to 3.71%
30 days	**3.41% to 3.65%**	3.51% to 3.75%
31 to 60 days	**3.66% to 3.99%**	3.76% to 4.09%
61 to 90 days	**4.16% to 4.31%**	4.06% to 4.44%
90 + days	**4.33% to 4.58%**	4.19% to 4.85%

The carrying amount in USD of trade and other receivables are denominated in the following currencies:

	2022 USD	2021 USD
United States Dollar (USD)	**25 870 621**	15 932 427
South African Rands (ZAR)	**19 901 000**	11 978 717
Brazilian Reals (BRL)	**6 120 217**	5 043 442
Chilean Peso (CLP)	**13 481 684**	7 559 807
Peruvian Nuevo Sol (PEN)	**1 421 086**	1 357 156
Chinese Yuan Renminbi (CNY)	**280 618**	449 573
Guatemalan Quetzal (GTQ)	**91 004**	8 677
Zambian Kwacha (ZMW)	**8 010**	577 135
Colombian Peso (COP)	**1 242**	3 867
Swedish Krona (SEK)	**3 532 451**	1 971 939
Australian Dollar (AUD)	**140 962**	1 585 708
Canadian Dollar (CAD)	**3 180 354**	3 291 519
Indian Rupee (INR)	**5 330 398**	4 709 838
	79 359 647	54 469 805

6. TRADE AND OTHER PAYABLES

	2022 USD	2021 USD
Trade payables	**24 254 945**	21 466 659
Accruals	**13 993 467**	–
Indirect taxes	**5 872 703**	3 591 463
Leave pay accruals	**3 465 954**	2 579 363
Consideration payable (*)	**2 665 460**	1 077 444
Employee related	**5 550 939**	5 299 258
Other payables	**1 531 536**	1 502 533
	57 335 004	35 516 720

(*) Included in consideration payable is an amount of USD1 568 072, the short-term portion, payable to Newham (Pty) Ltd which is also disclosed as a joint venture partner.

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

7. REVENUE

	2022 USD	2021 USD
Revenue from contracts with customers		
Rendering of services	**212 948 610**	171 836 530
Sale of goods	**13 445 131**	–
	226 393 741	171 836 530
Dissaggregation of revenue from contracts with customers		
The Group disaggregates revenue from customers as follows:		
Rendering of services	**212 948 610**	171 836 530
Sale of goods	**13 445 131**	–
	226 393 741	171 836 530
Timing of revenue recognition		
Over time		
Rendering of services	**212 948 610**	171 836 530
At a point in time		
Sale of goods	**13 445 131**	–

8. TAXATION

8.1 Taxation

	2022 USD	2021 USD
Current		
Normal taxation	**9 610 429**	8 110 512
Current taxation	**11 039 947**	7 329 220
(Over)/Under provision	**(1 429 518)**	781 292
Deferred taxation	**707 972**	115 400
Deferred taxation: Temporary differences	**743 198**	115 400
Deferred taxation: Change in taxation rate	**(35 226)**	–
Dividend withholding taxation	**93 612**	–
	10 412 013	8 225 912

	2022 USD	2021 USD
Reconciliation of the tax expense		
Accounting profit	**32 729 225**	28 140 222
Tax at the applicable tax rate - Average rate 34% (2021: 29%)	**10 974 214**	8 186 804
Over provision	**(1 429 518)**	(781 292)
Change in taxation rate	**(35 226)**	–
Interest accrued in respect of taxes	**–**	72 924
Imputed tax on controlled foreign companies	**–**	1 773 591
Exempt income - Dividends and royalties received	**(375 709)**	(7 197)
Non-deductible expenses - Fines and penalties	**374 178**	201 759
Estimated loss not recognised	**1 092 122**	183 057
Utilisation of estimated loss previously not recognised	**(188 048)**	(1 403 734)
Taxation per statement of profit or loss and other comprehensive income	**10 412 013**	8 225 912

Deferred taxation assets have been recognised in respect of tax losses and temporary differences where, having reviewed the financial projections of the Group, the directors are of the opinion that it is probable that these assets will be recoverable.

The tax at applicable rate has increased compared to prior year due a combination of no deferred taxation raised on certain estimated tax losses due to the different profit mix between the different tax jurisdictions with the different tax rates.

The total unrecognised assessed loss at 31 December 2022 is USD5 107 581 (2021: USD3 589 869).

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

8. TAXATION CONTINUED

8.1 Taxation continued

	2022 USD	2021 USD
Normal taxation charge/(benefit) per entity within the Group		
MD Drilling Services Tanzania Ltd	**42 595**	–
Master Drilling Europe AB	**682 070**	302 349
Drilling Technical Services (Pty) Ltd	**(226 675)**	622 665
Drilling Technical Services SAC	**324 181**	21
Master Drilling (Pty) Ltd	**152 846**	380 124
Master Drilling Changzhou Co Ltd	**750 989**	116 219
Master Drilling do Brasil Ltda	**331 003**	513 597
MDG Shared Services (Pty) Ltd	**73 186**	–
Master Drilling Ghana Ltd	**–**	473 236
Master Drilling Mining Services (Pty) Ltd	**92 615**	107 858
Master Drilling Mali SRL	**101 659**	64 725
MDX Masterdrill Exploracoes E Sondagens Ltda	**222 190**	70 711
Master Drilling Group Ltd	**(484 661)**	1 820 515
Master Drilling India Ltd	**1 809 494**	998 445
Master Drilling International Ltd	**295 358**	604 306
Master Drilling Madencilik Ve Ticaret Limited Sirketi	**(5 364)**	–
Master Drilling Malta Limited	**915 382**	652 150
Consorsio Master Drilling Besalco SA	**396 499**	349 307
Master Drilling Peru SAC	**6 482**	–
Master Drilling RDC sprl	**–**	766 378
Master Mining (Pty) Ltd	**101 485**	–
Master Drilling USA LLC	**155 410**	–
Master Drilling Zambia Limited	**–**	(649 892)
MD Botswana (Pty) Ltd	**45 710**	112 975
Master Drilling Services Ecuador SA	**–**	262 855
MD Katanga Drilling Company SAS	**938 588**	539 436
A&R Engineering and Mining Services (Pty) Ltd	**357 407**	–
Embedded IQ (Pty) Ltd	**283 075**	–
Embedded Works (Pty) Ltd	**54 444**	–
Lamproom Solutions and Consulting (Pty) Ltd	**87 132**	–
Moxie Digital (Pty) Ltd	**58**	–
Master Drilling Mexico SA	**1 195 581**	–
Master Drilling Chile SA	**863 818**	–
Drilling Admin Services SAC	**43 126**	–
MD Training Services (Pty) Ltd	**4 746**	2 532
	9 610 429	8 110 512

There were no changes in normal income tax rates within the Group during 2022. The Group however accrued deferred taxation on the South African subsidiaries with the change in tax rate from 28% to 27% effective 31 March 2023.

9. EARNINGS PER SHARE

	2022 USD	2021 USD
Reconciliation between earnings and headline earnings		
Basic earnings for the year	**22 317 212**	19 914 310
Deduct:		
Non-controlling interest	**(784 973)**	111 961
Attributable to owners of the parent	**21 532 239**	20 026 271
Gain on disposal of property, plant and equipment	**(750 665)**	(698 533)
Loss/(Gain) on disposal of property, plant and equipment from equity accounted investments	**5 715**	(7 105)
Impairment of property, plant and equipment	**658 265**	–
Impairment of intangibles	**21 622**	–
Impairment of property, plant and equipment from non-controlling interest	**(171 149)**	–
Fair value adjustment on step-up acquisition	**213 367**	–
Gain on loss of control of subsidiary	**(109 599)**	–
Loss on disposal of property, plant and equipment from non-controlling interest	**64 321**	8 068
Tax effect on gain on disposal of property, plant and equipment and impairments	**35 553**	197 848
Tax effect on gain on disposal of property, plant and equipment and impairments from equity accounted investments	**(1 600)**	1 989
Tax effect on gain on disposal of property, plant and equipment and impairments from non-controlling interest	**29 912**	–
Headline earnings for the year	**21 527 981**	19 528 538
Earnings per share (cents)	**14.2**	13.2
Diluted earnings per share (cents)	**14.2**	13.2
Headline earnings per share (cents)	**14.2**	12.9
Diluted headline earnings per share (cents)	**14.2**	12.9
Dividends per share (cents)	**32.5**	–
Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share and headline earnings per share	**151 319 215**	151 262 777
Effect of dilutive potential ordinary shares – employee share options (*)	**50 198**	–
Weighted average number of ordinary shares at the end of the year for the purpose of diluted basic earnings per share and diluted headline earnings per share	**151 369 413**	151 262 777

(*) None of the share options were considered dilutive in the current year. The total number of share options in issue is disclosed in note 34 of the full consolidated annual financial statements.

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

10. CASH GENERATED FROM OPERATIONS

10.1 Cash generated from operations

	2022 USD	2021 USD
Profit before taxation	**32 729 225**	28 140 222
Adjustments for:		
Depreciation and amortisation	**15 238 298**	11 313 750
Fair value adjustment on derivatives	**34 822**	140 818
Fair value adjustment for options	**(45 438)**	(2 007 685)
Impairment of property, plant and equipment	**679 887**	–
Profit from equity accounted investments	**(1 376 748)**	(521 402)
Unrealised foreign exchange movements	**1 880 083**	1 159 237
Fair value adjustment for previously held interest in associate	**213 367**	–
Put option for non-controlling interest expense	**501 181**	–
Gain on loss of control of subsidiary	**(219 200)**	–
Gain on disposal of fixed assets	**(750 667)**	(698 532)
Movement in expected credit loss allowance	**22 614**	1 032 149
Movement in allowance for obsolete inventory	**366 416**	170 052
Dividends received	**(315 990)**	(272 467)
Interest received	**(577 554)**	(246 494)
Movement in provisions	**(440 530)**	2 314 810
Derivative financial instrument settled in cash	**–**	18 959
Finance costs	**4 470 312**	2 558 208
Changes in working capital:		
Inventories	**(6 880 592)**	(12 167 408)
Trade and other receivables	**(25 418 721)**	(13 402 969)
Trade and other payables	**14 810 593**	16 762 480
Contract liability	**361 122**	8 658 296
	35 282 480	42 952 024

10.2 Tax paid

	2022 USD	2021 USD
Reported as at 1 January	**1 310 545**	2 927 676
Acquired through business combination	**196 833**	–
Current tax for the period recognised in profit and loss	**9 610 429**	8 110 512
Interest accrued in respect of taxation	**–**	260 194
Exchange effect on consolidation of foreign subsidiaries	**(230 330)**	(979 079)
Balance at end of the period	**(3 309 908)**	(1 310 544)
	7 577 569	9 008 759

10.3 Net cash flow on business combination

During August 2021, the Group purchased approximately 25% equity interest in A&R Engineering and Mining Services (Pty) Ltd and related entities, incorporated in South Africa, for ZAR67,0 million (USD4.3 million). These companies specialise in data-driven mine fleet management solutions and is currently primarily operating with the African segment of the Group. These companies are currently the leading operators in the underground rail bound and trackless equipment hardware environment in terms of management systems and intelligent devices installed across various mining operations. The investment is aligned with the strategic intent of Master Drilling to diversify its range of services to include services that are not necessarily drilling related but focused on technology that can improve the safety and operational performance of miners globally. This transaction will better diversify overall market exposure and add additional revenue streams to the Group. As at 31 December 2021, the Group had contingent consideration payable that amounted to ZAR8,4 million (USD0.5 million). The contingent consideration was finalised during the year, adjusted upwards with ZAR17,8 million (USD1.0 million) and settled when control of was obtained. Refer to note 11.2.

During August 2022, the Group exercised its option to acquire an approximate additional 26% shareholding in A&R Engineering and Mining Services (Pty) Ltd and related companies. As a result the Group obtained control of these companies and consolidated accordingly.

The accounting for the business combination has been accounted for provisionally. Amounts recognised are subject to change in accordance with the requirements of IFRS 3 which permits the acquirer to use provisional amounts for the items for which the accounting is incomplete. A detailed purchase price allocation is being performed and directors currently anticipate that there will be a possible fair value revaluation of underlying assets, including intangible assets and liabilities. The purchase price allocation will be finalised by 28 August 2023.

The provisional carrying amount of assets and liabilities assumed at date of acquisition was:

	2022 USD	2021 USD
Assets		
Property, plant and equipment (*)	**1 722 875**	–
Intangibles (*)	**6 912 253**	–
Deferred taxation asset (*)	**71 911**	–
Liabilities		–
Lease liabilities (*)	**(526 626)**	–
Related party balances acquired	**(3 201 631)**	–
Current tax payable	**(196 833)**	–
Working capital		–
Trade receivables	**4 230 084**	–
Trade receivables – Normal (Gross)	**4 405 233**	
Expected credit loss allowance of trade receivables	**(175 149)**	
Inventory	**9 532 509**	–
Cash and cash equivalents on hand	**4 636 654**	–
Trade and other payables	**(5 699 729)**	–
Total assets and liabilities acquired	**17 481 467**	–

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

10. CASH GENERATED FROM OPERATIONS CONTINUED

10.3 Net cash flow on business combination

	2022 USD	2021 USD
Less: Non-controlling interests' portion of assets and liabilities acquired	(8 526 542)	–
Group's share of total assets and liabilities acquired	8 954 925	–
Goodwill at acquisition	5 107 039	–
Total consideration	14 061 964	–
Cash and cash equivalents on hand at acquisition	(4 636 654)	–
Consideration still payable	(89 119)	–
Sales claims acquired	999 418	–
Provisional fair value of intangibles previously held (*)	(1 114 150)	
Split out historical sales claims	980 223	
Settlement of prior year consideration	1 533 555	
Fair value of options exercised	(1 913 555)	–
Fair value of previously held equity interest	(5 796 246)	–
Net cash on acquisition of subsidiaries	4 025 435	–
Profit after tax since acquisition date included in the consolidated results for the year	1 985 707	–
Turnover since acquisition date included in the consolidated results for the year	11 532 989	–
Group's hypothetical profit after tax assuming acquiree had been included in the consolidated results for the full year	24 616 127	–
Group's hypothetical revenue assuming acquiree had been included in the consolidated results for the full year	245 629 209	–

(*) Provisional accounting

Put option liability for non-controlling interest

The put option liability represents the approximate 49% remaining to be purchased from the minority interest of A&R Engineering and Mining Services (Pty) Ltd and related companies.

The amount was determined using a contractual agreement indicating 5.00 to 6.50 times cover of the the average profit after taxation and royalties respectively for the three years ending 31 December 2022. The contractual agreement indicates that the shareholders need to be employed for a period of 36 months from the original contract date, 31 July 2021, and that should these employees are no longer employed, that the Group is obligated to take up the equity and software license agreements. The amounts owed can be repaid over 60 equal instalments.

	2022 USD	2021 USD
Put option liability for non-controlling interest	12 028 347	–
Non-current liabilities	9 622 678	–
Current liabilities	2 405 669	–

11. INVESTMENT IN ASSOCIATES

	Note(s)	2022 USD	2021 USD
Investment in associate – Applied Vehicle Analysis (Pty) Ltd	11.1	**790 777**	957 710
Investment in associate – A&R Group (Pty) Ltd	11.2	**–**	4 736 193
		790 777	5 693 903

11.1 Investment in associate – Applied Vehicle Analysis (Pty) Ltd

During January 2021, the Group purchased a 40% equity interest in Applied Vehicle Analysis (Pty) Ltd ("AVA"), incorporated in South Africa and Applied Vehicle Analysis IOT Ltd ("AVA IOT"), incorporated in Ireland, for ZAR 19,1 million (USD 1.3 million). AVA is a specialist in data-driven mine fleet management solutions and is currently primarily operating with the African segment of the Group. Currently, AVA's unique digital platform analyses and tracks vehicles across 28 different sites in 5 countries for a range of blue-chip companies. This investment is aligned with the Group's strategy to diversify its services and invest in businesses that help meet clients' demand for increased mechanisation and digitisation.

The Group performed an assessment of control and concluded that it does not have control of AVA as the definition of control has not been satisfied.

The financial year-end of AVA is 28 February. This was the reporting date established when that company was incorporated, and a change of reporting date is not possible at this stage. For the purpose of applying the equity method of accounting, the financial information of AVA up to 31 December have been used in preparing the Group's consolidated annual financial statements. Appropriate adjustments were made for fair value adjustments at acquisition and differences in accounting policies and effects of significant transactions up to 31 December 2021.

The table below summarises and also reconciles the statement of comprehensive income's financial information as at 31 December.

	2022 USD	2021 USD
Cumulative reconciliation:		
Investment at cost	**1 293 975**	1 293 975
Foreign exchange differences	**(57 592)**	–
Share of loss from associate	**(445 606)**	(336 265)
Total investment	**790 777**	957 710
Carrying amount of the investment is as follow:		
Carrying amount as at 1 January	**957 710**	–
Additions	**–**	1 293 975
Foreign exchange differences	**(57 592)**	–
Share of loss from associate	**(109 341)**	(336 265)
Carrying amount as at 31 December	**790 777**	957 710
Loan to associate	**164 006**	–

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

11. INVESTMENT IN ASSOCIATES CONTINUED

	2022 USD	2021 USD
Revenue	**2 008 635**	2 259 052
Loss from continuing operations	**(273 353)**	(840 664)
Total comprehensive loss	**(273 353)**	(840 664)
Group's share of total comprehensive loss	**(109 341)**	(336 265)
Dividends received from associate	**–**	–

	2022 USD	2021 USD
Non-current assets	**97 507**	43 596
Current assets	**448 522**	455 238
Non-current liabilities	**(844 739)**	(160 467)
Current liabilities	**(593 829)**	(965 425)
Net assets	**(892 539)**	(627 058)
Group's share of net assets	**(357 015)**	(250 823)
Goodwill	**1 257 133**	1 544 798
Share of loss from associate	**(109 341)**	(336 265)
Investment in associate	**790 777**	957 710

11.2 Investment in associate – A&R Engineering and Mining Services (Pty) Ltd

During August 2021, the Group purchased approximately 25% equity interest in A&R Engineering and Mining Services (Pty) Ltd and related entities, incorporated in South Africa, for ZAR67,0 million (USD4.3 million). These companies specialise in data-driven mine fleet management solutions and is currently primarily operating with the African segment of the Group. These companies are currently the leading operators in the underground rail bound and trackless equipment hardware environment in terms of management systems and intelligent devices installed across various mining operations. The investment is aligned with the strategic intent of Master Drilling to diversify its range of services to include services that are not necessarily drilling related but focused on technology that can improve the safety and operational performance of miners globally. This transaction will better diversify overall market exposure and add additional revenue streams to the Group. As at 31 December 2021, the Group still had contingent consideration payable that amounted to ZAR8,4 million (USD:0.5 million) - refer to note 15 for more information.

The contingent consideration was finalised during the year, adjusted upwards with ZAR17,8 million (USD1.0 million) and settled when control of was obtained.

As at 31 December 2021, the Group did not have control of A&R Engineering and Mining Services (Pty) Ltd and related companies via the call option it had for the remainder of the shares. The call option did not give rise to the substantive control until such time as the Group exercises the call option which expires within three years from now or the put option which expires towards the end of 2022. The put option gives the option to put the current 25% owned by the Group back to the sellers at the original purchase price thus effectively cancelling the transaction. Management considered the valuation of the call and put option. At 31 December 2021, the mark-to-market valuation indicated a value of ZAR37,0 million (USD2.3 million) and ZAR5,0 million (USD0.3 million) for the call and put options respectively - refer to note 12 for more information on the options.

During August 2022, the Group exercised its option to acquire an approximate additional 26% shareholding in A&R Engineering and Mining Services (Pty) Ltd and related companies. As a result the Group obtained control of these companies and consolidated accordingly. Refer to note 25.3 for more information on the purchase price allocation.

The financial year-end of A&R is 28 February. This was the reporting date established when that company was incorporated, and a change of reporting date is not possible at this stage. For the purpose of applying the equity method of accounting, the financial information of A&R up to date control was obtained have been used in preparing the Group's consolidated annual financial statements. Appropriate adjustments were made for fair value adjustments at acquisition and differences in accounting policies and effects of significant transactions up to date of obtaining control.

		2022 USD	2021 USD
Cumulative reconciliation:			
Investment at cost		**5 329 517**	3 759 639
Contingent consideration	15	**–**	529 920
Fair value adjustment		**(213 367)**	–
Foreign exchange difference		**(341 267)**	–
Share of profit from associate		**1 021 363**	446 634
Total investment		**5 796 246**	4 736 193
Derecognition on obtaining control		**(5 796 246)**	–
Total investment		**–**	4 736 193
Carrying amount of the investment is as follow:			
Carrying amount as at 1 January		**4 736 193**	–
Additions		**–**	3 759 639
Share of profit from associate		**574 729**	446 634
Fair value adjustment		**(213 367)**	–
Contingent consideration adjustment		**1 039 958**	529 920
Foreign exchange difference		**(341 267)**	–
Derecognition on obtaining control		**(5 796 246)**	–
Carrying amount as at 31 December		**–**	4 736 193

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

11. INVESTMENT IN ASSOCIATES CONTINUED

	2022	2021 USD
Revenue	**19 235 468**	12 068 035
Profit from continuing operations	**2 298 915**	1 786 535
Total comprehensive profit	**2 298 915**	1 786 535
Group's share of total comprehensive profit	**574 729**	446 634
Royalties received from associate	**419 950**	388 256

(*) The amounts in the table above represent the information for the period it was still an equity accounted invested

	2022 USD	2021 USD
Non-current assets	**–**	1 470 330
Current assets	**–**	13 339 543
Non-current liabilities	**–**	(1 332 799)
Current liabilities	**–**	(2 521 981)
Net assets	**–**	10 955 093
Group's share of net assets	**–**	2 765 071
Goodwill	**–**	1 524 488
Share of loss from associate	**–**	446 634
Investment in associate	**–**	4 736 193

12. OPTION INSTRUMENT

	2022 USD	2021 USD
Call option asset (*)	**–**	2 322 360
Put option liability (*)	**–**	(314 675)
Fair value option instrument recognised through profit and loss	**–**	2 007 685

(*) Refer to note 11.2 for more information on option instruments

During 2021, a ZAR32,0 million (USD2.0 million) fair value adjustment was recognised on the Group's option to acquire additional interest in A&R Engineering and Mining Services (Pty) Ltd and related companies. The options to acquire additional shares have been accounted for as a derivative financial asset measured at fair value through profit or loss up until 31 December 2021.

During August 2022, the Group exercised its option to acquire an approximate additional 26% shareholding in A&R Engineering and Mining Services (Pty) Ltd and related companies. The Group revalued the option on date of valuation and accounted for an fair value adjustment of ZAR7,7 million (USD0.5 million) through profit and loss.

Refer to note 10.3 for more information on the business combination.

	Call option asset	Put option liability	Nett
Opening Balance	**2 322 360**	**(314 675)**	**2 007 685**
Fair value option instrument recognised through profit and loss	**668 030**	**(622 592)**	**45 438**
Foreign exchange differences	**(187 894)**	**48 326**	**(139 568)**
De-recognition on exercising options	**(2 802 496)**	**888 941**	**(1 913 555)**
Closing balance	**–**	**–**	**–**

In calculating the fair value of the options, management used significant judgement in estimating unobservable inputs, which contains elements of estimation uncertainty. The options fall into level 3 of the fair value hierarchy.

The following assumptions were applied in valuing the options:

	2022	2021
Valuation method	**Black-Scholes method**	**Black-Scholes method**
Implied volatility	**39.52%**	**39.00%**
Risk-free rates	**6.76%**	**4.84%**
Dividend yield	**Ranges between 0% and 23.82%**	**Ranges between 0% and 1.87%**
Strike price	**Ranges between ZAR47 161 and ZAR1 619 271**	**Ranges between ZAR47 161 and ZAR1 619 271**

13. INVESTMENT IN JOINT VENTURE – HALL CORE HOLDINGS (PTY) LTD

Investment in joint venture – Hall Core Holdings (Pty) Ltd

Master Drilling Exploration (Pty) Ltd, a subsidiary within the Group, is a 50% partner in Hall Core Holdings (Pty) Ltd ("Hall Core"), incorporated in South Africa, a joint venture formed within the exploration drilling industry. Hall Core's principal place of business is in the African segment. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements by recognising its share of profit in joint venture. As at 31 December, in terms of the contractual agreement between the parties, the Group still had consideration payable that amounted to ZAR53,4 million (USD3.1 million) payable in 2 equal instalments during 2023 and 2024 (2021:USD0) - after making a payment of USD1.2 million during the year. The amount outstanding bears interest at the South African prime lending rate.

The financial year end of Hall Core is 28 February. This was the reporting date established when that company was incorporated, and a change of reporting date is not possible at this stage. For the purpose of applying the equity method of accounting, the financial information of Hall Core have been used in preparing the Group's consolidated annual financial statements. Appropriate adjustments were made for fair value adjustments at acquisition and differences in accounting policies and effects of significant transactions up to 31 December.

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

13. INVESTMENT IN JOINT VENTURE – HALL CORE HOLDINGS (PTY) LTD CONTINUED

The table below summarises and also reconciles the statement of comprehensive income's financial information as at 31 December.		**2022 USD**	2021 USD
Cumulative reconciliation:			
Investment at cost		**3 344 775**	1 225 411
Contingent consideration	14	**–**	2 390 580
Foreign exchange differences		**(284 947)**	–
Share of profit from joint venture		**1 322 393**	411 033
Total investment		**4 382 221**	4 027 024
Carrying amount of the investment is as follow:			
Carrying amount as at 1 January		**4 027 024**	–
Additions		**–**	3 615 991
Contingent consideration fair value adjustment		**2 008 459**	–
Sales claims acquired		**(2 279 675)**	–
Foreign exchange differences		**(284 947)**	–
Share of profit from joint venture		**911 360**	411 033
Carrying amount as at 31 December		**4 382 221**	4 027 024
Loan to joint venture		**1 779 434**	–
Consideration payable to joint venture partner:			
Non-current liabilities		**1 568 072**	**–**
Current liabilities	6	**1 568 072**	**–**

	2022 USD	2021 USD
Revenue	**19 068 318**	6 666 209
Depreciation and amortisation	**(585 812)**	(648 066)
Interest income and expenses	**(262 395)**	–
Profit from continuing operations	**1 822 720**	822 067
Total comprehensive profit	**1 822 720**	822 067
Group's share of total comprehensive profit	**911 360**	411 033

	2022 USD	2021 USD
Non-current assets	**4 739 864**	2 392 436
Current assets (*)	**8 160 636**	2 244 395
Non-current liabilities	**(2 627 362)**	(1 666)
Current liabilities	**(5 497 433)**	(3 569 425)
Net assets	**4 775 705**	1 065 740
Group's share of net assets	**2 387 853**	532 870
Goodwill	**1 083 008**	3 083 121
Share of profit from associate	**911 360**	411 033
Investment in associate	**4 382 221**	4 027 024

(*) Includes an amount of USD194 150 for cash and cash equivalents

14. CONTRACT LIABILITY

During the previous year, a company within the African segment entered into agreements where it received amounts upfront as part of a contract with customers that is expected to be realised aligned with the performance obligations in terms of the contract with the clients. During the current year the company also entered into an additional agreement where it received an amount upfront as part of a contract with customer that is expected to be realised aligned with the performance obligations in terms of the contract with the client. Unwinding of revenue and interest is respectively realised to profit and loss.

	2022 USD	2021 USD
Balance on 1 January	**8 658 296**	–
Contract with customers	**4 515 571**	8 658 296
Interest on unwinding of contract liability	**429 306**	–
Recognised as revenue	**(4 154 449)**	–
Foreign exchange differences	**(552 208)**	–
Closing on 31 December	**8 896 516**	8 658 296
Non-current liabilities	**3 270 349**	3 932 115
Current liabilities	**5 626 167**	4 726 181

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

15. CONTINGENT CONSIDERATION

	2022 USD	2021 USD
Contingent consideration – A&R Group (Pty) Ltd As at 31 December 2021, the Group had contingent consideration payable to the shareholders of A&R Engineering and Mining Services (Pty) Ltd and related companies as part of the approximate 25% investment in associate. The consideration payable was calculated based on a multiple between 4.50 and 5.85 of the company's audited profit after taxation for the FY2022 that ends 28 February and is payable upon the completion of each year's audited financial information. The consideration payable amount was based and calculated on the best information available as at 31 December 2021. All contingent consideration related to A&R Engineering and Mining Services (Pty) Ltd and related companies were settled during the year as part of the Group exercising its option to gain control by gaining another approximately 26% shareholding. Refer to Note 10.3 for more information.	–	529 920
Contingent consideration – Hall Core Holdings (Pty) Ltd As at 31 December 2021, the Group had contingent consideration payable to the shareholders of Hall Core Holdings (Pty) Ltd as part of the 50% investment in joint venture. The consideration payable was calculated based on a 3.80 multiple of the company's EBITDA for the FY2022 that ends 28 February and is payable in two equal instalments. The consideration payable amount was based and calculated on the best information available as at 31 December 2021. The business combination consideration payable was finalised during the year and the final amount payable is disclosed in note 13.	–	2 390 580
	–	2 920 500
Non-current liabilities	–	1 195 290
Current liabilities	–	1 725 210

16. DERECOGNITION ON LOSS OF CONTROL

During 2021, the Group established a subsidiary, Master Detra LLC, incorporated in Russia. With the outbreak of the war during 2022 between Russia and Ukraine, the Board resolved in March 2022 that the Group had to withdraw its control of the subsidiary so as not to put the wider Group at risk due to the sanctions that were imposed on Russia. As a result, the Group effectively lost control over the investment and unconsolidated the investment.

The Group included the following amounts in the consolidated financial statements until loss of control (31 March 2022):

	2022 USD	2021 USD
Revenue	**648 979**	–
Profit/(Loss)	**(11 758)**	–
Total comprehensive income/(loss)	**(11 758)**	–
The Group lost control of the following assets and liabilities:		
Non-current assets	**1 860 603**	–
Property, plant and equipment	**1 763 075**	–
Deferred tax	**97 528**	–
Current assets	**3 124 470**	–
Trade and other receivables	**1 205 359**	–
Cash and cash equivalents	**349 350**	–
Inventory	**1 569 761**	–
Current liabilities	**(5 204 273)**	–
Trade and other payables	**(5 204 273)**	–
Nett equity	**(219 200)**	–
Non-controlling interest	**(109 600)**	–

The Group accounts for the investment in Master Detra LLC as an IFRS 9 instrument. A related party loan of USD1 545 944 was credit impaired on initial recognition.

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

17. SEGMENT REPORTING

17.1 Mining activity

The following table shows the distribution of the Group's combined sales by mining activity, regardless of where the goods were produced:

	2022 USD	2021 USD
Sales revenue by activity		
Sale of industrial products	**13 445 131**	–
Raise boring	**180 261 596**	148 380 152
Support services	**9 249 892**	6 114 991
Slim drilling	**11 197 473**	12 124 795
New rock-boring technology	**12 239 649**	5 216 592
	226 393 741	171 836 530
Gross profit by activity		
Sale of industrial products	**4 072 065**	–
Raise boring	**57 366 860**	47 286 002
Support services	**3 715 530**	(2 258 728)
Slim drilling	**(4 524 158)**	1 948 737
New rock-boring technology	**4 284 933**	1 662 431
	64 915 230	48 638 442

The chief operating decision maker of the Group is the Chief Executive Officer. Information reported to the group's chief operating decision maker for purposes of resource allocation and assessment of segment performance is focused on geographical areas. Each reportable segment derives its revenues from services rendered. The accounting policies of the reportable segments are the same as the group's accounting policies.

Changes were made to the operating segments from those disclosed at 31 December 2021. These changes are aligned with the Group's strategic pillars and will enable the chief decision maker, under direct supervision of the resident boards, to improve the management of performances and decisions on allocation of resources to the different segments. The comparative reporting periods were adjusted accordingly as the information was available.

17.2 Geographical segments

Although the Group's major operating divisions are managed on a geographical area basis, they operate in four principal geographical areas of the world.

	2022 USD	2021 USD
Sales revenue by geographical market		
Africa	**91 501 620**	64 348 625
Central and North America	**26 201 504**	19 308 704
Rest of the World	**37 820 595**	33 234 859
South America	**70 870 022**	54 944 342
	226 393 741	171 836 530
Gross profit by geographical market		
Africa	**31 520 829**	19 166 684
Central and North America	**7 756 373**	4 905 188
Rest of the World	**7 524 282**	10 128 755
South America	**18 113 746**	14 437 815
	64 915 230	48 638 442

The gross profit percentages vary based on drilling ground conditions, competition in the markets and the mix of in-country and foreign cost.

Assets and liabilities are relocated to amongst operating segments based the project requirements with these different segments. Transactions within the operating segments occur at arm's length.

	2022 USD	2021 USD
Depreciation and amortisation by geographical market		
Africa	**7 868 304**	4 807 315
Central and North America	**1 914 503**	1 811 332
Rest of the World	**3 179 389**	2 485 304
South America	**2 276 102**	2 209 799
	15 238 298	11 313 750

	2022 USD	2021 USD
Investment income by geographical market		
Africa	**709 956**	272 467
Central and North America	**–**	–
Rest of the World	**29 274**	75 856
South America	**154 314**	170 638
	893 544	518 961

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

17. SEGMENT REPORTING CONTINUED

17.2 Geographical segments continued

	2022 USD	2021 USD
Finance cost by geographical market		
Africa	**3 118 136**	1 440 475
Central and North America	**459 152**	338 033
Rest of the World	**67 049**	174 384
South America	**825 975**	605 316
	4 470 312	2 558 208

	2022 USD	2021 USD
Taxation by geographical market		
Africa	**5 531 351**	3 643 773
Central and North America	**1 611 555**	61 537
Rest of the World	**2 235 134**	3 136 341
South America	**1 033 973**	1 384 261
	10 412 013	8 225 912

	2022 USD	2021 USD
Total assets by geographical market		
Africa	**142 549 854**	104 744 612
Central and North America	**47 947 391**	42 848 751
Rest of the World	**73 990 307**	76 947 105
South America	**79 973 532**	65 590 585
Total assets as per statement of financial position	**344 461 084**	290 131 053
Total liabilities by geographical market		
Africa	**85 304 984**	33 217 777
Central and North America	**15 308 598**	16 722 257
Rest of the World	**20 138 767**	26 899 489
South America	**34 576 828**	26 922 495
Total liabilities as per statement of financial position	**155 329 177**	103 762 018

18. SUBSEQUENT EVENTS

The Board approved a dividend on 27 March 2023 of ZAR47,5 cents per share payable to shareholders recorded in the Company's share register on 19 May 2023. The dividend declared is not reflected in the financial statements for the year ended 31 December 2022.

The directors are not aware of any other matters or circumstances arising since the reporting date to the date of this report, not otherwise dealt with in this report.

19. GOING CONCERN

The annual financial statements have been prepared on the going-concern basis. This basis presumes that funds will be available to finance future operations for the next 12-month period and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

20. CAPITAL COMMITMENTS

	2022 USD	2021 USD
Capital expenditure for plant and machinery authorised by the directors and contracted for within 12 months. Capital expenditure will be funded through cash generated from operations.	**4 843 883**	1 764 300

CORPORATE INFORMATION

MASTER DRILLING GROUP LIMITED

Registration number: 2011/008265/06
Incorporated in the Republic of South Africa
JSE share code: MDI
ISIN: ZAE000171948 ||| LEI 37890095B2AFC611E529

REGISTERED AND CORPORATE OFFICE

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South Africa

DIRECTORS

Executive

Daniël (Danie) Coenraad Pretorius	Chief executive officer and founder
André Jean van Deventer	Financial director and chief financial officer
Barend Jacobus (Koos) Jordaan	Technical director

Non-executive

Hendrik (Hennie) Roux van der Merwe	Chairman and independent non-executive
Akhter Alli Deshmukh	Independent non-executive
Andries Willem Brink	Independent non-executive (also the lead independent director)
Hendrik Johannes Faul	Independent non-executive
Mamokete Ramathe	Independent non-executive
Shane Trevor Ferguson	Non-executive

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Master Drilling posts information that is important to investors on the main page of its website at www.masterdrilling.com and under the "investors" tab on the main page. The information is updated regularly and investors should visit the website to obtain important information about Master Drilling.

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