2021

ABRIDGED ANNUAL FINANCIAL RESULTS
for the year ended 31 December 2021

HIGHLIGHTS FOR THE PERIOD

- USD Revenue increased by 40.0% to USD171.8 million
- USD Earnings per share increased by 500.0% to 13.2 cents
- ZAR Earnings per share increased by 438,0% to 195,3 cents
- USD Headline earnings per share increased by 396.2% to 12.9 cents
- ZAR Headline earnings per share increased by 347,9% to 190,8 cents
- Stable order book of USD237.6 million
- Healthy pipeline of USD507.1 million
- Continued focus on working capital management
- Cash generated from operating activities amounted to USD32.5 million

CONTENTS

COMMENTARY

ABOUT MASTER DRILLING

Master Drilling was established in 1986 and listed on the Johannesburg Stock Exchange in 2012. The company delivers innovative drilling technologies and solutions and has built trusted partner relationships with blue-chip major and mid-tier clients in the mining, hydro-electric energy, civil engineering and construction sectors across various commodities worldwide for over 35 years. The Master Drilling business model of providing drilling solutions to clients through tailor-made designs coupled with a flexible support and logistics chain, makes it the preferred drilling partner throughout the lifecycle of projects from exploration to capital and production stages.

Commenting on the results for the year ended 31 December 2021, Danie Pretorius, CEO of Master Drilling, said:

"Master Drilling continued to show resilience in pursuing its growth path, notwithstanding another challenging year due to the Covid19 pandemic's ongoing effect on the global economy. We posted record revenue in USD up 40% from USD123.1 million last year to USD171.8 million, while cash from operating activities amounted to USD32.5 million. Cash generated was invested sensibly with the long-term growth plan in mind. We are satisfied with the Group's current financial position, as this will help us face the uncertainty of future trading conditions with confidence.

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

Looking forward, the Company will look to leverage its global footprint as part of its drive to create value for all stakeholders. We are closely monitoring the civil engineering and construction industries and the rapid growth of urbanisation worldwide, which present opportunities for us to benefit from our existing footprint exposure. The ramp-up in electric vehicle production will increase the demand for copper and other minerals. We are already exposed to a number of these minerals, and we continue to amplify our exposure to copper and nickel."

FINANCIAL OVERVIEW

Revenue increased 40% to USD171.8 million and operating profit grew 126% to USD27.8 million. These represent record results, achieved despite difficult global market and operating conditions. Cost savings initiatives implemented to limit the impact of the Covid-19 pandemic assisted in this.

USD earnings per share (EPS) increased 500.0% to 13.2 cents, and ZAR EPS increased 438,0% to 195,3 cents. USD headline earnings per share (HEPS) increased 396.2% to 12.9 cents, and ZAR HEPS increased 347,9% to 190,8 cents.

Net cash generated from operations amounted to USD32.5 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 USD19.4 million was applied as to 43% on expansion and 57% on sustaining the existing fleet.

Debt decreased from USD42.1 million to USD32.1 million and the gearing ratio, including cash, improved from 10.3% to 5.8% in the 2021 fiscal year.

COMMENTARY continued

OPERATIONAL OVERVIEW

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

Safety and response to Covid-19

From the onset of the pandemic, Master Drilling put in place extensive safety measures and support structures for its staff, their families and the communities in which we operate.

Through the Crisis Committee, the Group is continuously evaluating risks and adjusting responses, working closely with health authorities and clients to ensure that all sites are adhering to all protocols and guidance.

We continue to support and comply with all requirements set by governments and clients to contain the spread of the virus. Whilst doing that, the Group has also ensured that it continues to deliver services in a safe and responsible manner. Thankfully, the Group experienced relatively low infection rates.

Early proactive measures ensured the Group maintained adequate headroom in terms of liquidity and implemented stringent measures across the business to manage costs, optimise working capital and capital expenditure, and drive a stronger focus on cash flow generation during these uncertain times.

South America

Each business is up in revenue by more than 20% to 30%, compared to the prior period.

Brazil had one of the best years in the history of the Company with new clients coming on board, efficient utilisation of equipment, more deployment of larger equipment and shafts drilled increasing in size. We also maintained and renewed our long-term contract with one of our standing flagship clients. Growth in Brazil was mainly driven by expansion in our drilling scope with key clients.

Chile's profitability has improved to more acceptable levels. The Master Drilling Besalco Consortium is performing well, and the Consortium experienced a profitable year, with capex spend improving significantly by Codelco. Technology development for our blind hole and raise bore fleet remains a priority for the Chile business.

In Peru we saw a strong bounce back in 2021 with our utilisation rate increasing. We also regained two clients lost in prior years. Improved profitability and a recovery in our performance were attributable to the rebase and restructure of the operations during 2020. Furthermore, we successfully completed the Ecuador project.

Central and North America

The market for raise boring and exploration drilling activities in North America is buoyant in 2022. Our management team there is already working on tenders for the current year, as well as on some long-term drilling contracts. In addition, our North American entity will be employed in the execution of a project in Saudi Arabia.

The Canadian contract is advancing well. During 2021 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 licenses across each state in the USA. Doing this will assist in driving our new business pipelines, focusing primarily on mining-rich Nevada but also Arizona.

Mexico bounced back during 2021 and we have seen machines deployed to projects in satellite countries such as Nicaragua. We were recently awarded several projects in Mexico on the back of stronger commodity prices. We see a strong orderbook for the 2022 year in the region. Cost drivers remain a focus point. Significant improvements have already been made with a positive effect on gross profit.

The local Master Drilling Mexico business in partnership with A&R Group, an associate 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 currently have two machines working on two projects. However, it is expected that operations will be finalised by the end of the first quarter of 2022 as the contracts are about to commence reaming of the final ventilation hole.

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

Operations in Mali will see an uptick in revenue. Work on the ventilation shafts commenced end of 2021. Stable revenue is expected in Mali and the current client is regarded as a strategic partner of Master Drilling.

We are in the process of mobilizing equipment to Tanzania on a long-term contract. There are prospects of additional work and we believe this country will be an important contributor in the future.

Zimbabwe started with two contracts and the possibility exists of extending it for further additional scope on the back of the improvement in the platinum and palladium prices.

Although Zambia's operations were put into care and maintenance, we are mobilizing equipment to the country to start up a new project during 2022.

The South African operations have maintained steady growth. The XXXL machine at the strategic project is almost complete with this record hole. The 2nd XXXL has started collaring on the vent shaft and is planned to complete the hole at the same depth of 1 377m.

We remain committed to expansion into African countries meeting our investment criteria.

Scandinavia

Of note is that we changed the name of the European operations from Bergteamet (the operation we acquired) to Master Drilling Europe. In addition, we made changes to management with the appointment of a Swedish general manager in July 2021. We are seeing an uptick in work, and we were awarded our first project in Spain to shotcrete a 560m ventilation shaft. We expect further raise boring opportunities once we execute this project successfully. In general, we see much more movement in the market than just six months ago. Several enquiries are coming from infrastructure as well as hydro-electric sectors.

India

The Indian operations are performing well. The original contract expired during the year but after successful negotiations it was extended with a bigger scope of work for a further three years. Further discussions regarding expansion are continuing.

Other regions

Master Drilling is growing its presence in Australia and Central Asia, with a focus on raise boring.

The ramp-up in Australia required more investment than expected and, with new projects starting up, could require additional cash. However, this is a strategic investment into one of the biggest mining countries in the world and we will continue to pursue new opportunities. The focus is to get long-term contracts to serve as base for the operations there.

Other smaller projects in other regions of the world are currently being explored with the mindset of expanding the Group's already wide-spread presence.

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.

In order to spread our risk and lighten funding requirements, we entered into a joint venture (Master Sinkers) with the Industrial Development Corporation (IDC) with a view to pursuing a promising business case. Master Sinkers now have a signed letter of intent with a client to blind bore a ventilation shaft, and we are conducting investigative work on scoping and have started on the detailed design and procurement of resources for the shafts. The project is progressing well and by H2 2022 we hope to commission the service and start executing on the project. We are positioning ourselves as a specialised mining contractor, as opposed to a mainstream one.

We secured a contract for an underground exploration decline project in South Africa. We are looking to start tunnelling in the first quarter of 2022. We have also initiated a study on additional applications and projects. The study is associated with technologies and various value propositions which are substantially diversified including underground mining access and non-explosive mining methods to address the needs of clients.

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.

Plant and equipment

The fleet consists of 150 raise bore and 58 slim drilling rigs. The total raise boring fleet's utilisation rate was around 70%. The rate of new rigs coming on board will settle with a focus on larger units, which typically generate higher income.

Skills development

Safety across the Group is of paramount importance and one of our focus areas, with a goal of zero harm. Due to the ramp up of operations and the increase in manhours worked, we have seen a slight increase in our "all injury frequency rate". We are addressing this through several initiatives.

The foundation of our strategy is the people who make it happen; our success depends on the skills and expertise that support our goals. Our people have specialized knowledge aligned with global best practice, which is then applied to ensure that sound, sustainable use is made of our assets, enhancing growth, productivity, and profitability.

In 2021, the Group continued with the Human Capital project that focused on reviewing the current skills requirements and ensuring that these align with its future growth and expansion vision. Several new roles have subsequently been identified and approved, and individual development plans are being aligned to ensure continuous best practice in the development of our people in key areas.

Work has commenced to revise Master Drilling's overall safety induction programme. This initiative will ensure that Master Drilling satisfies legislative and client requirements. This initiative will continue during 2022.

The B-BBEE skills development initiatives for the SA entities were once again successfully coordinated and financed via Master Drilling Training Services. The B-BBEE certification for the Training Centre was finalised with a level 2 rating being achieved.

Remote learning via the Learner Management System to mitigate the risk of lapsing training certificates is ongoing. The range of training programmes available on this system continues to expand.

Dividend

In line with the Board's commitment to continue the Company's dividend history in future once circumstances permit, the Board gave careful consideration to declaring a dividend at this stage. Shareholders are advised that the Board concluded that, whilst the requirements for being able to pay a dividend are met, the massive global uncertainty caused by the recent outbreak of hostilities between Russia and Ukraine and by the current and potential further responses of various countries to this situation, makes it advisable to defer a dividend decision until more certainty exists regarding how this situation and its possible consequences may unfold. The Board will consider declaring a dividend as soon as that becomes possible, which may be by way of a special dividend rather than a normally scheduled dividend.

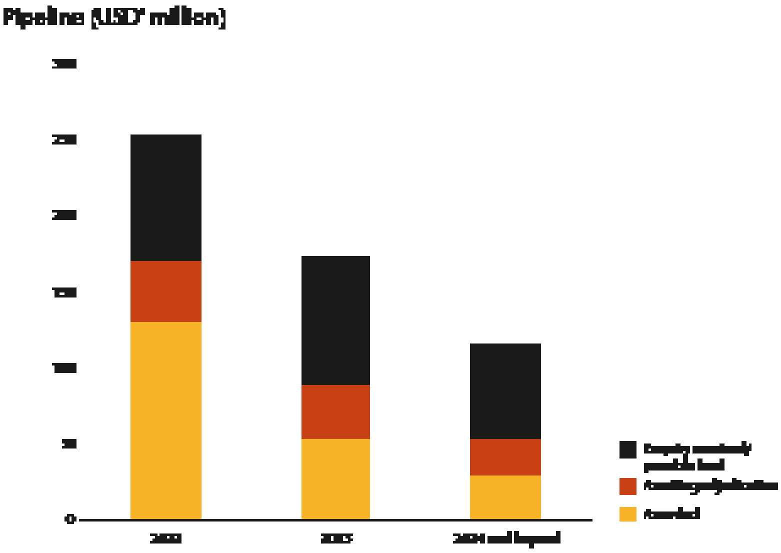
PIPELINE AND COMMITTED ORDERS

As at 31 December 2021 our pipeline totalled USD507 050 803 while the committed order book totalled USD237 593 876 for 2022 and beyond, spread as follows:

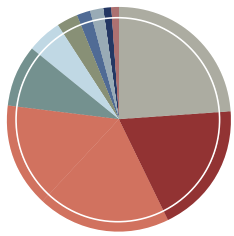
COMMENTARY continued

REVENUE

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



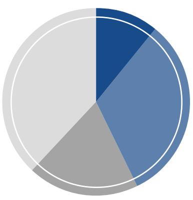
Committed orders



- 24% PGMS
- 19% Copper
- 19% Gold
- 15% Silver, Lead and Zinc
- 9% Nickel
- 5% Civil/Infrastructure
- 3% Coal
- 3% Tin
- 2% Diamonds
- 1% Manganese
- 1% Energy

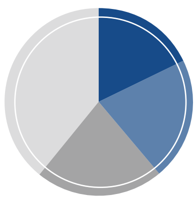
Revenue by geographical area

2021



- 11% Central and North America
- 32% South America
- 19% Other countries
- 38% Africa

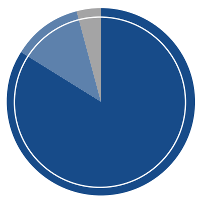
2020



- 18% Central and North America
- 21% South America
- 22% Other countries
- 39% Africa

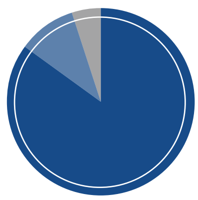
Revenue by mining activity

2021



- 84% Production
- 12% Capital
- 4% Exploration

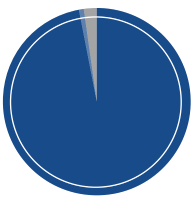
2020



- 85% Production
- 10% Capital
- 5% Exploration

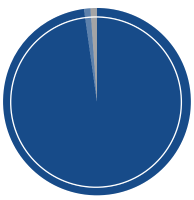
Revenue business sector

2021



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

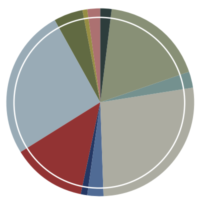
2020



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

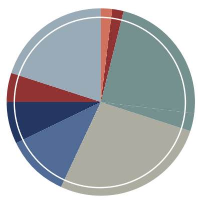
Revenue by commodity

2021



- 0% Chrome
- 2% Coal
- 18% Copper
- 3% Diamonds
- 27% Gold
- 3% Iron Ore
- 1% Other commodities
- 13% Platinum
- 26% Silver Lead Zinc
- 5% Nickel
- 1% Manganese
- 2% Civils

2020



- 2% Chrome
- 2% Coal
- 23% Copper
- 3% Diamonds
- 27% Gold
- 11% Iron Ore
- 7% Other commodities
- 5% Platinum
- 20% Silver Lead Zinc

OUTLOOK AND PROSPECTS

Master Drilling’s diversified footprint, proactive capital management, service orientation and quick response to ensure the safety of employees and clients have ensured a commendable performance. The fleet utilization is now moving towards the required benchmark of 75%. 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 operations. 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.

Pipeline as at 31 December 2021 totalled USD507.1m while the committed order book totalled USD237.6m for 2022 and beyond. In the short to medium term, the sales pipeline is expected to normalise and increase with further tactical acquisitions and joint ventures supporting performance.

Having made significant investments in its fleet, technology and geographical diversification over the past couple of years, the Group is now positioned to capitalise on the predicted bull run without requiring additional capital investment.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

	Notes	2021 USD Audited	2020 USD Audited
Assets			
Non-current assets			
Property, plant and equipment	3	**151 329 760**	156 281 876
Intangibles and goodwill	4	**5 242 991**	3 448 922
Financial assets		**5 112 298**	5 303 058
Deferred tax asset		**1 308 218**	1 651 701
Related-party loans		**101 900**	–
Investment in joint venture	13	**4 027 024**	–
Investment in associates	11	**5 693 903**	–
		172 816 094	166 685 557
Current assets			
Inventories		**33 553 420**	24 627 227
Related-party loans		**–**	105 377
Trade and other receivables	5	**54 469 805**	43 842 104
Current tax receivable		**4 125 018**	2 687 120
Call option asset	12	**2 322 360**	–
Derivative financial instruments		**54 604**	18 959
Cash and cash equivalents		**22 789 752**	24 790 077
		117 314 959	96 070 864
Non-current assets held for sale		**–**	2 381 810
		117 314 959	98 452 674
Total assets		**290 131 053**	265 138 231
Equity and liabilities			
Equity			
Share capital		**149 259 486**	149 259 486
Reserves		**(110 319 177)**	(100 641 125)
Retained income		**137 593 905**	117 773 867
		176 534 214	166 392 228
Non-controlling interest		**9 834 821**	9 757 161
		186 369 035	176 149 389

	Notes	2021 USD Audited	2020 USD Audited
Liabilities			
Non-current liabilities			
Interest bearing borrowings		**143 909**	27 083 992
Lease liabilities		**4 507 689**	3 589 672
Instalment sales liabilities		**477 810**	282 920
Contract liability	14	**3 932 115**	–
Contingent consideration	15	**1 195 290**	–
Deferred tax liability		**8 636 487**	9 405 537
		18 893 300	40 362 121
Current liabilities			
Interest bearing borrowings		**32 024 901**	15 021 835
Lease liabilities		**292 543**	357 885
Instalment sales liabilities		**563 173**	533 576
Related party loans		**357 292**	183 950
Current tax payable		**5 435 563**	5 614 795
Put option liability	12	**314 675**	–
Trade and other payables	6	**35 516 720**	26 914 680
Derivative financial instruments		**195 422**	–
Provisions	7	**2 314 809**	–
Contract liability	14	**4 726 181**	–
Contingent consideration	15	**1 725 210**	–
Cash and cash equivalents		**1 402 229**	–
		84 868 718	48 626 721
Total liabilities		**103 762 018**	88 988 842
Total equity and liabilities		**290 131 053**	265 138 231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	2021 USD	2020 USD
Revenue		**171 836 530**	123 141 882
Cost of sales		**(123 198 088)**	(95 175 065)
Gross profit		**48 638 442**	27 966 817
Other operating income		**4 160 714**	2 348 058
Other operating expenses		**(23 994 766)**	(18 004 684)
Movement of expected credit loss allowances		**(1 032 149)**	(1 194 200)
Operating profit		**27 772 241**	12 310 191
Investment income		**518 961**	272 565
Finance costs		**(2 558 208)**	(2 964 742)
Gain on bargain purchase		**–**	592 916
Loss on disposal of investment in associate		**–**	(1 378 542)
Fair value adjustment		**1 885 826**	–
Share of profit/(loss) from equity accounted investments		**521 402**	(151 276)
Profit before taxation		**28 140 222**	7 486 912
Taxation	8	**(8 225 912)**	(4 279 745)
Profit for the year		**19 914 310**	3 207 167
Other comprehensive income that will subsequently be classified to profit and loss:			
Exchange differences on translating foreign operations		**(9 678 052)**	(2 225 307)
Other comprehensive loss for the year net of taxation		**(9 678 052)**	(2 225 307)
Total comprehensive income		**10 236 258**	981 860
Profit/(Loss) attributable to:		**19 914 310**	3 207 167
Owners of the parent		**20 026 271**	3 336 421
Non-controlling interest		**(111 961)**	(129 254)
Total comprehensive income/(loss) attributable to:		**10 236 258**	981 860
Owners of the parent		**10 348 219**	1 111 114
Non-controlling interest		**(111 961)**	(129 254)
Earnings per share (USD)	9		
Basic earnings per share (cents)		**13.2**	2.2
Diluted earnings per share (USD)	9		
Diluted basic earnings per share (cents)		**13.2**	2.2
Earnings per share (ZAR)			
Basic earnings per share (cents)		**195.3**	36.3
Diluted earnings per share (ZAR)			
Diluted basic earnings per share (cents)		**195.3**	36.3

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December

	Notes	2021 USD	2020 USD
Cash flows from operating activities			
Cash generated from operations	10.1	**42 952 024**	29 614 914
Interest received		**246 494**	220 478
Finance costs		**(1 674 018)**	(2 142 606)
Tax paid	10.2	**(9 008 759)**	(2 180 925)
Net cash inflow from operating activities		**32 515 741**	25 511 861
Cash flows from investing activities			
Purchase of property, plant and equipment		**(17 533 557)**	(9 221 450)
Purchase of intangibles		**(1 292 702)**	(52 670)
Sale of property, plant and equipment		**927 792**	1 421 106
Advances to related parties		**(4 530)**	(15 350)
Non-current asset held for sale proceeds		**–**	–
Proceeds on disposal of associate		**–**	56 000
Additional investment in associate		**(5 053 615)**	(285 824)
Acquisition of joint arrangement		**(1 225 411)**	–
Acquisition of business	10.3	**–**	(941 601)
Net cash outflow from investing activities		**(24 182 023)**	(9 039 789)
Cash flows from financing activities			
Advance from financial liabilities		**138 848**	–
Repayment of financial liabilities		**(9 780 589)**	(9 393 708)
Repayment of capital portion of lease liabilities		**(502 810)**	(783 520)
Repayment of capital portion of instalment sales agreements		**(565 495)**	(230 986)
Advances from related parties		**188 194**	(292 512)
Issue of share capital		**–**	52 199
Dividends paid to non-controlling interest		**(1 661)**	(15 354)
Net cash outflow from financing activities		**(10 523 513)**	(10 663 881)
Total cash (outflow)/inflow for the period		**(2 189 795)**	5 808 191
Cash at the beginning of the period		**24 790 077**	19 507 205
Effect of exchange rate movement on cash balances		**(1 212 759)**	(525 319)
Total cash at end of the period		**21 387 523**	24 790 077

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

USD	Share capital	Equity arising on formation of the Group	Foreign currency translation reserve	Transactions between equity holders
Balance as at 31 December 2019	148 703 721	(58 264 013)	(41 897 821)	1 611 385
Share-based payments	–	–	–	–
Issue of share capital	555 765	–	–	–
Dividends declared by subsidiaries	–	–	–	–
Total comprehensive income for the year	–	–	(2 225 307)	–
Total changes	**555 765**	**–**	**(2 225 307)**	**–**
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**

Share-based payments reserve	Total reserves	Retained income	Attributable to owners of the parent	Non-controlling interest	Total Shareholders' equity
575 623	(97 974 826)	114 437 446	165 166 341	9 964 308	175 130 649
62 574	62 574	–	62 574	–	62 574
(503 566)	(503 566)	–	52 199	–	52 199
–	–	–	–	(77 893)	(77 893)
–	(2 225 307)	3 336 421	1 111 114	(129 254)	981 860
(440 992)	**(2 666 299)**	**3 336 421**	**1 225 887**	**(207 147)**	**1 018 740**
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**

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 2021, have been audited by BDO South Africa Incorporated, the Company's independent external auditors, whose unmodified audit report can be found on pages 6 to 10 of the consolidated annual financial statements 2021, 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 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 is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss.

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 is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss.

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

Based on the information available to it, the Board of Directors believes that the Group remains a 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.

Operating segments

There were no changes made to the reporting segments during the current financial year.

Changes to the board

The changes to the board of directors since the previous financial year was OM Matloa retired by rotation at the Master Drilling Group Limited Annual General Meeting held 14 June 2021. M Ramathe was appointed to the board of directors with effect 26 July 2021.

Annual general meeting

The annual general meeting of Master Drilling Group Limited will be held virtually, on Monday, 13 June 2022 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 2022.

Subsequent events

The situation in Russia and Ukraine is complex and constantly evolving. The directors are actively monitoring these events to comply with all relevant local and international laws and guidelines. The group has limited direct exposure to Russia through its controlled operations. The directors are, however, giving due consideration to the potential secondary impacts across our countries of operation, for example, financial markets, trade, transport logistics, commodity and food prices. The Group's exposure to revenue in Russia during the 2021 year amounted to USD0.5 million.

The company's tax rate in South Africa was reduced from 28% to 27% during the budget speech by South Africa's Minister of Finance in February 2022 and will only be effective for year-end ended 31 December 2023.

As at 31 December 2021, the Group's facility with ABSA Bank was repayable in full by 30 June 2022 and as a result has been disclosed as current. After year-end, the Group successfully negotiated a term sheet with ABSA Bank in terms of which the facility will be refinanced with additional revolving facilities for a further 5 years.

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

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**
IT equipment	**686 305**	**(414 449)**	**271 856**
Total	**213 512 005**	**(62 182 245)**	**151 329 760**

2020 USD	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and buildings	2 929 739	(843 878)	2 085 861
Right of use assets: Land and buildings	4 965 931	(1 262 869)	3 703 062
Instalment sale: Plant and machinery	7 409 668	(1 709 522)	5 700 146
Plant and machinery	196 212 205	(55 932 206)	140 279 999
Assets under construction	945 307	(2 566)	942 741
Furniture and fittings	1 401 232	(147 103)	1 254 129
Motor vehicles	5 026 064	(3 070 855)	1 955 209
IT equipment	691 655	(330 926)	360 729
Total	219 581 801	(63 299 925)	156 281 876

Borrowing cost

No borrowing costs were capitalised to the cost of property, plant and equipment during 2021 (2020:USD0).

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

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)**
IT equipment	**360 729**	**29 347**	**(17 176)**
	156 281 876	**18 135 357**	**(14 340 706)**

2020 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Land and buildings	4 419 140	236 285	(90 119)
Right of use assets: Land and buildings	5 906 188	–	(118 891)
Instalment sale: Plant and machinery	5 419 076	6 231	925 816
Plant and machinery	134 130 194	7 248 652	(2 332 474)
Assets under construction	5 003 956	432 601	(73 446)
Furniture and fittings	1 030 199	326 750	(26 349)
Motor vehicles	1 875 876	746 612	(71 649)
IT equipment	230 288	224 320	4 314
	158 014 917	9 221 451	(1 782 798)

Security

Moveable assets to the value of ZAR1,2 billion (USD75.3 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 SEK11.0 million (USD1.3 million at closing rate) of the European entity have been pledged to Swedbank as security for an interest bearing loan.

Impairment

There were no impairment of intangible assets during the current year (2020: USD0)

Assets acquired through business combination	Reclassifications and transfers (to)/from inventory and intangibles	Disposals	Depreciation	Re-measurement 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**

Assets acquired through business combination	Reclassifications and transfers (to)/from inventory/assets held for sale/derecognition of assets	Disposals	Depreciation	Remeasurement of right-of-use asset	Total
–	(2 381 810)	(94 801)	(2 834)	–	2 085 861
–	(1 484 275)	–	(599 960)	–	3 703 062
–	–	(26 681)	(624 296)	–	5 700 146
1 414 730	7 970 401	(662 945)	(7 488 559)	–	140 279 999
–	(4 370 906)	(49 464)	–	–	942 741
–	–	(47 875)	(28 596)	–	1 254 129
–	–	(103 745)	(491 885)	–	1 955 209
–	–	(28 323)	(69 870)	–	360 729
1 414 730	(266 590)	(1 013 834)	(9 306 000)	–	156 281 876

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

4. INTANGIBLE ASSETS AND GOODWILL

4.1 Intangible assets

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**

2020 USD	Cost	Accumulated amortisation and impairment losses	Carrying value
Computer software	2 187 543	(1 802 665)	384 878
Patents	202 482	–	202 482
Total	2 390 025	(1 802 665)	587 360

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)**

2020 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Computer software	550 856	52 670	(64 284)
Patents	212 182	–	(9 700)
	763 038	52 670	(73 984)

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

Assets acquired through business combination	Reclassifications and transfers (to)/from inventory/assets held for sale	Disposals	Amortisation	Impairment of intangible assets	Total
–	–	–	(154 364)	–	384 878
–	–	–	–	–	202 482
–	–	–	(154 364)	–	587 360

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 acquired an approximate 25% ownership in software licence agreements. This software licence agreements provides an 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.

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.

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 useful lives using the growth rates determined by management. The present value of the expected cash flows of the segment is determined by applying a suitable discount rate. Discount 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 business utilising the patent exceeds the carrying value by USD2 475 460 (2020: USD4 335 359)

	Growth rate 2021	**Discount rate 2021**	Growth rate 2020	Discount rate 2020
Software licence agreements	**0.00%**	**16.00%**	N/A	N/A
Patents	**3.40%**	**16.00%**	3.50%	11.40%

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.

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 flow to be generated by utilisation of the patent discounted at the applicable discount rate. Five year cash flow projections reflect these benefits to be realised.

4.2 Goodwill

	2021 USD	2020 USD
Goodwill recognised from value chain business combinations	**2 341 256**	2 324 063
Goodwill recognised from raisebore business combinations	**455 439**	537 499
Goodwill recognised from business combinations	**2 796 694**	2 861 562

2021 USD	**Opening balance**	**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 business combinations	**2 861 562**	**(64 867)**	**2 796 695**

2020 USD	Opening balance	Exchange difference on consolidation of foreign subsidiaries	Total
Goodwill recognised from value chain business combinations	2 221 699	102 364	2 324 063
Goodwill recognised from raisebore business combinations	502 478	35 021	537 499
Goodwill recognised from business combinations	2 724 177	137 385	2 861 562

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 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 138 638 (2020: USD1 103 073). The recoverable amount of the value chain cash-generating unit exceeds the carrying value by USD4 391 414 (2020: USD6 038 158).

4. INTANGIBLE ASSETS CONTINUED

4.2 Goodwill continued

	Growth rate 2021	**Discount rate 2021**	Growth rate 2020	Discount rate 2020
Value chain business combination	**4.00%**	**11.55%**	2.60%	11.81%
Raisebore business combination	**2.45%**	**13.38%**	2.45%	13.28%

Growth rate
The growth rates reflect the long-term average growth rates for the cash generating units. The significant change in growth rates between 2020 and 2021 is due to the global uncertainty that existed during 2020 as a result of the Covid-19 pandemic.

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 discounted future net cash flows generated using the applicable discount rate. Five year cash flow projections reflect these benefits being realised.

5. TRADE AND OTHER RECEIVABLES

	2021 USD	2020 USD
Trade receivables	**42 254 945**	37 278 279
Trade receivables – Normal (Gross)	**46 584 592**	38 488 814
Trade receivables – Retention (Gross)	**471 184**	2 521 142
Expected credit loss allowance of trade receivables	**(4 800 831)**	(3 731 677)
Loans to employees	**117 181**	119 967
Prepaid expenses	**4 637 430**	1 033 205
Deposits	**941 917**	240 719
Indirect taxes	**5 106 153**	3 824 954
Other receivables	**1 412 179**	1 344 980
	54 469 805	43 842 104

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.

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 increase in the expected credit losses is due to specific provisions that were made for trade receivables with a higher risk of non-payment.

The movement in expected credit losses is presented below

Balance 1 January	**3 731 677**	2 795 329
Exchange differences on translation of foreign operations	**37 005**	(257 852)
Amounts written off	**–**	–
Allowance for credit losses provided for	**1 032 149**	1 194 200
	4 800 831	3 731 677

Expected credit losses matrix:

Current	**0.15% to 3.15%**	0.10% to 3.25%
30 days	**0.10% to 3.25%**	0.20% to 3.50%
31 to 60 days	**3.00% to 3.50%**	3.21% to 3.95%
61 to 90 days	**3.55% to 4.00%**	3.57% to 4.45%
90 + days	**4.10% to 4.50%**	4.12% to 4.85%

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

	2021 USD	2020 USD
United States Dollar (USD)	**15 932 427**	14 892 558
South African Rands (ZAR)	**11 978 717**	6 489 979
Brazilian Reals (BRL)	**5 043 442**	3 279 495
Mexican Peso (MXN)	**–**	–
Chilean Peso (CLP)	**7 559 807**	5 297 898
Peruvian Nuevo Sol (PEN)	**1 357 156**	1 058 815
CFA Franc BCEAO (XOF)	**–**	708 394
Chinese Yuan Renminbi (CNY)	**449 573**	46 331
Guatemalan Quetzal (GTQ)	**8 677**	8 030
Zambian Kwacha (ZMW)	**577 135**	–
Turkish Lira (TRY)	**–**	9 758
Colombian Peso (COP)	**3 867**	33 781
Botswana Pula (BWP)	**–**	808 659
Swedish Krona (SEK)	**1 971 939**	1 307 457
Australian Dollar (AUD)	**1 585 708**	2 151 360
Canadian Dollar (CAD)	**3 291 519**	3 911 745
Indian Rupee (INR)	**4 709 838**	3 837 844
	54 469 805	43 842 104

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

6. TRADE AND OTHER PAYABLES

	2021 USD	2020 USD
Trade payables	**21 466 659**	14 301 951
Income received in advance	**–**	782 505
Indirect taxes	**3 591 463**	4 485 337
Leave pay accruals	**2 579 363**	1 855 028
Business combination consideration payable	**1 077 444**	1 172 463
Employee related	**5 299 258**	3 264 537
Other accruals	**1 502 533**	1 052 859
	35 516 720	26 914 680

7. PROVISIONS

	2021 USD	2020 USD
Long-term incentive	**1 143 941**	–
Short-term incentive	**1 170 868**	–
	2 314 809	–
Non-current liabilities	**–**	–
Current liabilities	**2 314 809**	–

	Long term incentive	Short term incentive
Balance on 1 January	**–**	**–**
Increase in provision	**1 143 941**	**1 170 868**
Balance on 31 December	**1 143 941**	**1 170 868**

Provisions relate to an incentive scheme applicable to employees within the Group. Provisions are made at year-end as the key indicators of the policies in place are likely to be met and it is probable that economic benefits will flow within the next 12 months from the end of the financial year.

8. TAXATION

8.1 Taxation

	2021 USD	2020 USD
Current		
Normal taxation	**8 110 512**	1 858 983
Current taxation	**7 329 220**	2 826 825
Under/(Over) provision	**781 292**	(967 842)
Deferred taxation: Temporary differences	**115 400**	2 420 762
	8 225 912	4 279 745

	2021 USD	2020 USD
Reconciliation of the tax expense		
Accounting profit	**28 140 222**	7 486 912
Tax at the applicable tax rate	**8 186 804**	5 324 189
Over provision	**(781 292)**	(967 842)
Interest accrued in respect of taxes	**72 924**	–
Imputed tax on controlled foreign companies	**1 773 591**	–
Exempt income - Dividends received	**(7 197)**	(204 190)
Non-deductible expenses - Fines and penalties	**201 759**	34 969
Estimated loss not recognised	**183 057**	1 494 723
Utilisation of estimated loss previously not recognised	**(1 403 734)**	(1 402 104)
Taxation per statement of profit or loss and other comprehensive income	**8 225 912**	4 279 745
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 total unrecognised assessed loss at 31 December 2021 is USD3 589 869 (2020: USD7 950 226).		
Normal taxation charge/(benefit) per entity within the Group		
Bergteamet Latin America SpA	**–**	(254 834)
Bergteamet Raiseboring Europe AB	**302 349**	540 593
Drilling Technical Services (Pty) Ltd	**622 665**	285 472
Drilling Technical Services SAC	**21**	–
Master Drilling (Pty) Ltd	**380 124**	(408 333)
Master Drilling Changzhou Co Ltd	**116 219**	126 121
Master Drilling do Brasil Ltda	**513 597**	321 544
Master Drilling Exploration (Pty) Ltd	**–**	157 586
Master Drilling Ghana Ltd	**473 236**	340 184
Master Drilling Mining Services (Pty) Ltd	**107 858**	–
Master Drilling Mali SRL	**64 725**	–
MDX Masterdrill Exploracoes E Sondagens Ltda	**70 711**	–
Master Drilling Group Ltd	**1 820 515**	–
Master Drilling India Ltd	**998 445**	1 235 337
Master Drilling International Ltd	**604 306**	(1 565 768)
Master Drilling Madencilik Ve Ticaret Limited Sirketi	**–**	1 427
Master Drilling Malta Limited	**652 150**	(410 110)
Consorsio Master Drilling Besalco SA	**349 307**	–
Master Drilling Peru SAC	**–**	115 098
Master Drilling RDC sprl	**766 378**	452 173
Master Tunnelling (Pty) Ltd	**–**	–
Master Drilling USA LLC	**–**	502 822
Master Drilling Zambia Limited	**(649 892)**	–
MD Botswana (Pty) Ltd	**112 975**	116 902
Master Drilling Services Ecuador SA	**262 855**	–
MD Katanga Drilling Company SAS	**539 436**	294 230
MD Training Services (Pty) Ltd	**2 532**	8 539
	8 110 512	1 858 983

There were no changes in tax rates within the Group during 2021.

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

9. EARNINGS PER SHARE

	2021 USD	2020 USD
Reconciliation between earnings and headline earnings		
Basic earnings for the year	**19 914 310**	3 207 167
Deduct:		
Non-controlling interest	**111 961**	129 254
Attributable to owners of the parent	**20 026 271**	3 336 421
Gain on disposal of property, plant and equipment	**(698 533)**	(287 516)
Gain on disposal of property, plant and equipment from equity accounted investments	**(7 105)**	–
Loss on disposal of investment in associate	**–**	1 378 542
Gain on bargain purchase	**–**	(592 916)
Non-controlling interest	**8 068**	–
Tax effect on gain on disposal of property, plant and equipment and impairments	**197 848**	80 505
Tax effect on gain on disposal of property, plant and equipment and impairments from equity accounted investments	**1 989**	–
Headline earnings for the year	**19 528 538**	3 915 036
Earnings per share (cents)	**13.2**	2.2
Diluted earnings per share (cents)	**13.2**	2.2
Headline earnings per share (cents)	**12.9**	2.6
Diluted headline earnings per share (cents)	**12.9**	2.6
Dividends per share (cents)	**–**	–
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	**151 262 777**	150 759 818
Effect of dilutive potential ordinary shares – employee share options (*)	**–**	–
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	**151 262 777**	150 759 818

(*) None of the share options were considered dilutive in the current year. The total number of share options in issue is disclosed in note 33 of the full consolidated annual financial statements.

10. CASH GENERATED FROM OPERATIONS

10.1 Cash generated from operations

	2021 USD	2020 USD
Profit before taxation	**28 140 222**	7 486 912
Adjustments for:		
Depreciation and amortisation	**11 313 750**	9 460 634
Fair value adjustment on derivatives	**140 818**	272 742
Fair value adjustment for options	**(2 007 685)**	–
Gain on bargain purchase	**–**	(592 916)
Profit from equity accounted investments	**(521 402)**	–
Unrealised foreign exchange movements	**1 159 237**	2 010 453
Exchange rate differences – interest bearing borrowings	**–**	1 027 199
Share-based payment – equity settled	**–**	62 574
Loss on disposal of investment in associate	**–**	1 378 542
Gain on disposal of fixed assets	**(698 532)**	(287 516)
Movement in expected credit loss allowance	**1 032 149**	1 194 200
Movement in allowance for obsolete inventory	**170 052**	(233 381)
Dividends received	**(272 467)**	(262 944)
Interest received	**(246 494)**	(220 478)
Finance costs	**2 558 208**	2 964 742
Changes in working capital:		
Inventories	**(12 167 408)**	2 164 097
Trade and other receivables	**(13 402 969)**	4 562 923
Trade and other payables	**16 762 480**	(1 372 869)
Movement in provisions	**2 314 810**	–
Derivative financial instrument settled in cash	**18 959**	–
Contract liability	**8 658 296**	–
	42 952 024	29 614 914

10.2 Tax paid

	2021 USD	2020 USD
Reported as at 1 January	**2 927 676**	2 943 562
Acquired through business combination	**–**	2 320
Current tax for the period recognised in profit and loss	**8 110 512**	1 858 983
Interest accrued in respect of taxation	**260 194**	–
Exchange effect on consolidation of foreign subsidiaries	**(979 079)**	303 736
Balance at end of the period	**(1 310 544)**	(2 927 676)
	9 008 759	2 180 925

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

On 19 March 2020, the Group fulfilled all the conditions of the agreement, and acquired Geoserve Exploration (Pty) Ltd, a wholly owned subsidiary within the African segment. The purchase consideration payable amounted to ZAR100 and assumed the bank overdraft facility and certain liabilities of the acquiree.

The gain on bargain purchase amount represents a value on acquisition after a detailed fair value purchase price allocation was performed on the drilling equipment.

In terms of the contractual agreement with the previous shareholders, contingent consideration would have been payable if specific pre-defined conditions were met as at 31 December 2020. Based on the assessment of these pre-defined conditions, not all the conditions were satisfied and it was concluded that no contingent consideration was due.

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

	2021 USD	2020 USD
Assets		
Property, plant and equipment	–	1 414 730
Liabilities		
Current tax payable	–	(2 320)
Working capital		
Trade and other receivables	–	904 261
Inventory	–	350 022
Trade and other payables	–	(1 132 176)
Cash and other equivalents	–	(941 595)
Total assets and liabilities acquired	–	592 922
Group's share of total assets and liabilities acquired	–	592 922
Gain on bargain purchase	–	(592 916)
Total consideration	–	6
Cash and cash equivalents on hand	–	941 595
Consideration paid	–	6
Net cash outflow on acquisition of subsidiary	–	941 601

11. INVESTMENT IN ASSOCIATES

	Note(s)	2021 USD	2020 USD
Investment in associate – Applied Vehicle Analysis (Pty) Ltd	11.1	**957 710**	–
Investment in associate – A&R Group (Pty) Ltd	11.2	**4 736 193**	–
		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, for ZAR 19 141 513 (USD 1 293 975). 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.

	2021 USD	2020 USD
Investment at cost	**1 293 975**	–
Share of loss from associate	**(336 265)**	–
Total investment	**957 710**	–
Carrying amount of the investment is as follow:		
Carrying amount as at 1 January	**–**	–
Additions	**1 293 975**	–
Share of loss from associate	**(336 265)**	–
Carrying amount as at 31 December	**957 710**	–

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

11. INVESTMENT IN ASSOCIATES CONTINUED

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

	2021 USD	2020 USD
Revenue	2 259 052	–
Loss from continuing operations	(840 664)	–
Total comprehensive loss	(840 664)	–
Group's share of total comprehensive loss	(336 265)	–
Dividends received from associate	–	–

	2021 USD	2020 USD
Non-current assets	43 596	–
Current assets	455 238	–
Non-current liabilities	160 467	–
Current liabilities	965 425	–
Net assets	(627 058)	–

11.2 Investment in associate – A&R Group (Pty) Ltd

During August 2021, the Group purchased approximately 25% equity interest in A&R Group ("A&R"), incorporated in South Africa, for ZAR67 036 222 (USD4 289 560) . AR is a specialist in data-driven mine fleet management solutions and is currently primarily operating with the African segment of the Group. Currently, AR is a leading operator 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, the Group still had contingent consideration payable that amounted to ZAR8,4 million (USD:0.5 million) - refer to note 15 below for more information.

The Group does not have control of A&R via the call option it has for the remainder of the shares in A&R. The call option does not give rise to the substantive control of A&R 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 year-end the mark-to-market valuation indicated a value of ZAR37 011 914 and ZAR5 015 031 for the call and put options respectively.

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 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.

	2021 USD	2020 USD
Investment at cost	**3 759 639**	–
Contingent consideration	**529 920**	
Share of profit from associate	**446 634**	–
Total investment	**4 736 193**	–
Carrying amount of the investment is as follow:		–
Carrying amount as at 1 January	**–**	–
Additions	**3 759 639**	–
Share of profit from associate	**446 634**	–
Carrying amount as at 31 December	**4 736 193**	–

	2021 USD	2020 USD
Revenue	**12 068 035**	–
Profit from continuing operations	**1 786 535**	–
Total comprehensive profit	**1 786 535**	–
Group's share of total comprehensive profit	**446 634**	–
Royalties received from associate	**388 256**	–

	2021 USD	2020 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**	–

12. OPTION INSTRUMENT

	2021 USD	2020 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

A ZAR31 996 886 fair value adjustment was recognised on the Group's option to acquire additional interest in A&R Group (Pty) Ltd. 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.

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:

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

13. 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, the Group still had contingent consideration payable that amounted to ZAR38,1 million (USD2.4 million) - refer to note 15 below for more information.

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 2021.

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

	2021 USD	2020 USD
Investment at cost	**1 225 411**	–
Contingent consideration	**2 390 580**	
Share of profit from joint venture	**411 033**	–
Total investment	**4 027 024**	–
Carrying amount of the investment is as follow:		–
Carrying amount as at 1 January	**–**	–
Additions	**3 615 991**	–
Share of profit from joint venture	**411 033**	–
Carrying amount as at 31 December	**4 027 024**	–

	2021 USD	2020 USD
Revenue	**6 666 209**	–
Depreciation and amortisation	**(648 066)**	–
Interest income and expenses	**–**	–
Profit from continuing operations	**822 067**	–
Total comprehensive profit	**822 067**	–
Group's share of total comprehensive profit	**411 033**	–

	2021 USD	2020 USD
Non-current assets	**2 392 436**	–
Current assets (*)	**2 244 395**	–
Non-current liabilities	**1 666**	–
Current liabilities	**3 569 425**	–
Net assets	**1 065 740**	–

(*) Includes an amount of USD1 080 939 for cash and cash equivalents

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

14. CONTRACT LIABILITY

During the current year, a company within the African segment entered into two different agreements where it received ZAR85million, ZAR43,7million and ZAR16,4 million 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. At the end of the financial reporting period, no amount of the contract liability has been released.

	2021 USD	2020 USD
Balance on 1 January	**–**	–
Contract with customers	**8 658 296**	
Closing on 31 December	**8 658 296**	
Non-current liabilities	**3 932 115**	
Current liabilities	**4 726 181**	

15. CONTINGENT CONSIDERATION

	2021 USD	2020 USD
Contingent consideration – A&R Group (Pty) Ltd As at 31 December, the Group have contingent consideration payable to the shareholders of A&R (Pty) Ltd as part of the approximate 25% investment in associate. The consideration payable is 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 is based and calculated on the best information available as at 31 December.	**529 920**	–
Contingent consideration – Hall Core Holdings (Pty) Ltd As at 31 December, the Group have contingent consideration payable to the shareholders of Hall Core Holdings (Pty) Ltd as part of the 50% investment in joint venture. The consideration payable is 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 is based and calculated on the best information available as at 31 December.	**2 390 580**	–
	2 920 500	–
Non-current liabilities	**1 195 290**	–
Current liabilities	**1 725 210**	–

16. CAPITAL COMMITMENTS

	2021 USD	2020 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.	**1 764 300**	61 213

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:

	2021 USD	2020 USD
Sales revenue by stage of mining activity		
Exploration	**6 422 158**	6 621 232
Capital	**20 772 331**	11 872 468
Production	**144 642 041**	104 648 182
	171 836 530	123 141 882
Gross profit by stage of mining activity		
Exploration	**(2 258 728)**	1 503 751
Capital	**8 458 727**	2 696 362
Production	**42 438 443**	23 766 704
	48 638 442	27 966 817

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.

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

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.

	2021 USD	2020 USD
Sales revenue by geographical market		
Africa	**64 348 625**	48 058 729
Central and North America	**19 308 704**	22 301 560
Other Countries	**33 234 859**	27 089 653
South America	**54 944 342**	25 691 940
	171 836 530	123 141 882
Gross profit by geographical market		
Africa	**19 166 684**	13 630 563
Central and North America	**4 905 188**	4 739 832
Other Countries	**10 128 755**	6 792 132
South America	**14 437 815**	2 804 290
	48 638 442	27 966 817

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 on the project requirements with these different segments. Transactions within the operating segments occur at arm's length.

	2021 USD	2020 USD
Depreciation and amoritisation by geographical market		
Africa	**4 807 315**	3 165 507
Central and North America	**1 811 332**	2 189 081
Other Countries	**2 485 304**	1 519 382
South America	**2 209 799**	2 586 394
	11 313 750	9 460 364

	2021 USD	2020 USD
Investment revenue by geographical market		
Africa	**272 467**	262 944
Central and North America	**–**	–
Other Countries	**75 856**	9 621
South America	**170 638**	–
	518 961	272 565

	2021 USD	2020 USD
Finance cost by geographical market		
Africa	**1 440 475**	1 228 859
Central and North America	**338 033**	684 751
Other Countries	**174 384**	218 411
South America	**605 316**	832 721
	2 558 208	2 964 742

	2021 USD	2020 USD
Taxation by geographical market		
Africa	**3 643 773**	(1 017 013)
Central and North America	**61 537**	1 460 907
Other Countries	**3 136 341**	2 338 323
South America	**1 384 261**	1 697 528
	8 225 912	4 479 745

	2021 USD	2020 USD
Total assets by geographical market		
Africa *	**104 744 612**	89 204 947
Central and North America	**42 848 751**	46 031 792
Other Countries	**76 947 105**	62 990 707
South America **	**65 590 585**	66 910 785
Total assets as per statement of financial position	**290 131 053**	265 138 231
Total liabilities by geographical market		
Africa	**33 217 777**	31 412 364
Central and North America	**16 722 257**	21 511 840
Other Countries	**26 899 489**	12 093 814
South America	**26 922 495**	23 970 824
Total liabilities as per statement of financial position	**103 762 018**	88 988 842

* *Assets in Africa includes the investment in associate.*

** *Assets in South America includes the non-current asset held for sale.*

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

for the year ended 31 December

18. SUBSEQUENT EVENTS

The situation in Russia and Ukraine is complex and constantly evolving. The directors are actively monitoring these events to comply with all relevant local and international laws and guidelines.

The group has limited direct exposure to Russia through its controlled operations. The directors are, however, giving due consideration to the potential secondary impacts across our countries of operation, for example, financial markets, trade, transport logistics, commodity and food prices. The Group's exposure to revenue in Russia during the 2021 year amounted to USD0.5 million.

The company's tax rate in South Africa was reduced from 28% to 27% during the budget speech by South Africa's Minister of Finance in February 2022 and will only be effective for year-end ended 31 December 2023.

As at 31 December 2021, the Group's facility with ABSA Bank was repayable in full by 30 June 2022 and as a result has been disclosed as current. After year-end, the Group successfully negotiated a term sheet with ABSA Bank in terms of which the facility will be refinanced with additional revolving facilities for a further 5 years.

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.

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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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
Gareth (Gary) Robert Sheppard #	Chief operating officer

Resident in USA

Non-executive

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

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CORPORATE INFORMATION continued

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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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