Master Drilling Group Limited
Annual Financial Statements
for the year ended 31 December 2022

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment holding company, whose subsidiary companies provide specialised drilling services to major, mid-tier and junior mining companies
Directors	AW Brink AA Deshmukh FG Dixon - Alternate director HJ Faul ST Ferguson BJ Jordaan DC Pretorius ME Ramathe GR Sheppard - Alternate director AJ Van Deventer HR Van Der Merwe
Business address	No 4 Bosman Street Fochville 2515
Postal address	PO Box 902 Fochville 2515
Bankers	First National Bank - a division of FirstRand Bank Limited ABSA Bank Limited
Auditor	BDO South Africa Incorporated Registered Auditors
Secretary	Andrew Beaven
Company registration number	2011/008265/06
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act South Africa.
Preparer	The annual financial statements were internally compiled by: Willem Ligthelm CA (SA) under the supervision of AJ van Deventer CA (SA)

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The reports and statements set out below comprise the annual financial statements presented to the shareholders:

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 December 2023 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 11 to 13.

The annual financial statements set out on pages 4 to 10; 14 to 42 which have been prepared on the going concern basis, were approved by the directors on 27 March 2023 and were signed on their behalf by:

Director

Director

Johannesburg

27 March 2023

Audit Committee Report

This report is provided by the audit committee in respect of the 2022 financial period of the company. The company's audit committee is established as a statutory committee in terms of section 94(2) of the Companies Act and oversees audit committee matters for all of the South African subsidiaries within the company, as permitted by section 94(2)(a) of the Companies Act.

The audit committee's operation is guided by detailed terms of reference, a copy of which can be found on the company's website (www.masterdrilling.com). The Audit Committee Terms of Reference was informed by the Companies Act, JSE Listings Requirements as well as the Corporate Governance Principles under King IV and approved by the directors. The Audit Committee Terms of Reference is reviewed on an annual basis.

Membership

The audit committee consisted of four non-executive directors of whom three were independent at all times during the year. The members at the date of this report comprise of AW Brink (Chairman), AA Deshmukh, ST Ferguson and M Ramathe. In addition, the chief executive officer, chief financial officer, company's risk and assurance manager, as well as the internal and external auditors are permanent invitees to the audit committee meetings. The audit committee meets at least four times a year and details of attendance are disclosed later in this report.

Duties and Responsibilities

The audit committee has executed its duties and responsibilities during the period in accordance with its terms of reference as they relate to the Group's accounting, internal auditing, internal control and financial reporting practices.

During the period under review the committee engaged on the following:

In respect of the external auditor and the external audit, the audit committee, amongst other matters:

- nominated BDO South Africa Incorporated as the external auditor for both the holding and subsidiary companies for the financial period ended 31 December 2023;
- ensured that the appointment of the external auditor complied with all applicable legal and regulatory requirements for the appointment of an auditor. The audit committee confirms that the auditor is accredited by the JSE;
- approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditor for 2022;
- obtained an annual written statement from the auditor that its independence was not impaired;
- determined the nature and extent of all non-audit services provided by the external auditor and approved the applicable non-audit services undertaken;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, 2005, and determined that there were none.

In respect of the annual financial statements, the audit committee, amongst other matters:

- confirmed the going concern as the basis of preparation of the annual financial statements;
- considered whether any complex taxation areas exist that could have a material impact on the financial statements and determined that matters identified are being addressed by management;
- examined and reviewed the annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the directors;
- ensured that the annual financial statements fairly present the financial position of the Group as at the end of the period and the results of operations and cash flows for the financial period;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- reviewed the representation letter relating to the annual financial statements which was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the annual financial statements; and
- considered the 2022 pro-active monitoring report and other various JSE communications, where applicable.

Audit Committee Report

In respect of internal financial control and internal audit, the audit committee, amongst other matters:

- established an independent inhouse internal auditor department along with existing external internal auditor with the necessary international presence and experience and was satisfied that it effectively provided objective and relevant assurance on the areas covered during the year;
- reviewed internal audit reports and deliberated on the audit findings of the internal auditor as part of the internal audit work programme;
- considered the Group's system of internal financial control, during the year under review, with input and reports from the independent internal auditors; and
- considered the extended scope of the internal audit activities and actions taken by management to address identified control deficiencies.

In respect of legal and regulatory requirements, to the extent that these may have an impact on the annual financial statements, the audit committee:

- reviewed legal matters with management that could have a material effect on the company; and
- considered reports provided by management and the external auditor regarding compliance with legal and regulatory requirements.

In respect of risk management and governance the audit committee, amongst other matters:

- reviewed the Group's Enterprise Risk Management implementation and improvements initiatives and the combined assurance framework;
- reviewed the Group's combined assurance policy and framework; and
- forms an integral part of the risk management process and oversees the risk committee functions.

In respect of the co-ordination of assurance activities, the audit committee reviewed the plans and outcomes as outlined in the combined assurance plan. Although the Covid-19 pandemic had an impact on the execution of audit plans, assurance activities were focused to address all significant financial and other risks facing the business.

In respect of the company's integrated report, the audit committee collaborated with the risk, social, ethics and sustainability, remuneration and governance committees to ensure the accuracy and completeness of the report. The integrated report is expected to be released in April 2023.

In addition, the audit committee:

- considered the expertise, resources and experience of the finance function and concluded that these were appropriate;
- considered the experience and expertise of the chief financial officer and concluded that these were appropriate.
- considered the key audit matters as determined by BDO South Africa Incorporated and as described in the independent auditor's report;
- reviewed sections 3, 8, 13, 15 and 22 and schedule 8 of the JSE Listings Requirements and confirmed that based on the amended requirements for the JSE-accreditation of Auditors, effective 15 October 2017, the audit committee was satisfied that:
  (i) the audit firm has met all the criteria stipulated in the requirements, including that the audit regulator has completed a firm-wide independent quality control (ISQC 1) inspection on the audit firm during its previous inspection cycle;
  (ii) the auditor has provided to the audit committee the required IRBA inspection decision letters, findings report and the proposed remedial action to address the findings, both at the audit firm and the individual auditor levels; and
  (iii) both the audit firm and the individual auditor understand their roles and have the competence, expertise, experience and skills required to discharge their specific audit and financial reporting responsibilities.

Audit Committee Report

Membership and Attendance at Meetings

The audit committee's members attended the following meetings:

Members	14 March 2022	16 March 2022 Special	02 June 2022	15 August 2022	17 November 2022
Andries Willem Brink	P	P	P	P	P
Akhter Ali Deshmukh	P	P	P	P	P
Shane Trevor Ferguson	P	P	P	P	P
Mamokete Ramathe	P	P	P	P	P

P - Attended
A - Absent

Independence and suitability of the external auditor

The audit committee is satisfied that BDO South Africa Incorporated is independent and suitable for the Group after taking the following factors into account:

- representations made by BDO South Africa Incorporated to the audit committee;
- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the company;
- the external auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the external auditor;
- the external auditor's independence was not prejudiced as a result of any previous appointment as external auditor; and
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

Annual financial statements

Following the review by the audit committee of the annual financial statements of the company for the period ended 31 December 2022, the audit committee is of the view that, in all material aspects, they comply with the relevant provisions of the Companies Act, IFRS and JSE Listings Requirements and fairly present the consolidated position at that date and the results of operations and cash flows for the period then ended.

Having satisfied itself in all respects, the audit committee has recommended the financial statements, for the period ended 31 December 2022 for approval to the directors. The directors have subsequently approved the financial statements, which will be open for consideration at the forthcoming annual general meeting.

On behalf of the audit committee

Andries Willem Brink
Chairman of the audit committee

Johannesburg

27 March 2023

Secretary's certificate

In my capacity as company secretary, I hereby certify that in terms of section 88(2)(e) of the Companies Act, for the year ended 31 December 2022, the company has lodged with the Companies and Intellectual Property Commission, all such returns and notices as are required of a public company in terms of the Companies Act, and that all such returns and notices are true, correct and up-to-date.

Andrew Colin Beaven

Company Secretary

6 Dwars Street
Krugersdorp
1741

27 March 2023

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Master Drilling Group Limited for the year ended 31 December 2022.

1. Nature of business

Master Drilling Group Limited is incorporated in South Africa with interests in the investment holding industry, whose subsidiary companies provide specialised drilling services to major, mid-tier and junior mining companies. The company operates in South Africa.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

3. Share capital

	2022	2021
Authorised	Number of shares	
Ordinary shares at no par value	500 000 000	500 000 000

	2022	2021
Issued	Number of shares	
Ordinary shares at no par value	151 362 777	151 262 777

There were no movement in authorised ordinary share capital during the year. Issued ordinary share capital increased by 100 000 (2021: nil) shares. Refer to note 8 for more details.

Rights attaching to shares

All of the authorised and issued shares are of the same class, and rank pari passu with each other in all aspects and are fully paid. Accordingly, no share has any special rights to dividends, capital or profits of the Company. No share has any preferential voting, exchange or conversion rights. The rights attaching to the shares may only be varied by a special resolution passed by the requisite majority of the Company shareholders at a general meeting.

Control of share capital

In accordance with the Memorandum of Incorporation, the authorised but unissued shares of the Company are under the control of the Directors subject to the provisions of the Companies Act and the JSE Listing Requirements.

4. Dividends

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.

Directors' Report

4. Dividends (continued)

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

Last date to trade cum dividend:	Tuesday 16 May 2023
Trading ex dividend commences:	Wednesday 17 May 2023
Record date:	Friday 19 May 2023
Payment date:	Monday 22 May 2023

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.

5. 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.

6. Directorate

The directors in office at the date of this report are as follows:

Directors
AW Brink
AA Deshmukh
FG Dixon - Alternate director
HJ Faul
ST Ferguson
BJ Jordaan
DC Pretorius
ME Ramathe
GR Sheppard - Alternate director
AJ Van Deventer
HR Van Der Merwe

Refer to note 5 above.

7. Events after the reporting period

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. Refer to note 4 above.

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.

Directors' Report

8. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

9. Auditors

BDO South Africa Incorporated continued in office as auditors for the company for 2022.

10. Secretary

The company secretary is Mr Andrew Beaven.

Postal address:	PO Box 158 Krugersdorp 1740
Business address:	6 Dwars Street Krugersdorp 1739

11. Consolidation

The consolidated financial statements (Group) that includes the relevant information is available on the website of the Company, at the registered office of the Company or on request from the company secretary.

![BDO]

Independent Auditor's Report
To the Shareholders of
Master Drilling Group Limited

Report on the Audit of the Separate Financial Statements

Opinion
We have audited the separate financial statements of Master Drilling Group Limited (the company) set out on pages 14 to 42, which comprise the separate statement of financial position as at 31 December 2022, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Master Drilling Group Limited as at 31 December 2022, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for *Auditors' Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International *Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period.

We have determined that there are no key audit matters to communicate in our report.

Other Information
The directors are responsible for the other information. The other information comprises the information included in the document titled "Master Drilling Group Limited Separate Financial Statements for the year ended 31 December 2022" and the documents titled "Consolidated Annual Financial Statements for the year ended 31 December 2022" which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the Integrated Report which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Master Drilling Group Limited for eleven years.

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

EFG Dreyer
Director
Registered Auditor

28 March 2023

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Statement of Financial Position as at 31 December 2022

Figures in Rand	Notes	2022	2021
Assets			
Non-Current Assets			
Investments in subsidiaries	3	751 956 791	751 956 791
Deferred tax	4	125 951	226 038
Loans to group companies	5	228 031 358	103 643 618
		980 114 100	**855 826 447**
Current Assets			
Loans to group companies	5	400 048 004	477 986 419
Trade and other receivables	6	1 163 000	3 050
Cash and cash equivalents	7	19 293 383	2 581 420
		420 504 387	**480 570 889**
Total Assets		**1 400 618 487**	**1 336 397 336**
Equity and Liabilities			
Equity			
Share capital	8	1 281 859 821	1 280 243 821
Reserves		(201 228 655)	(200 772 655)
Accumulated loss		(94 088 091)	(42 368 552)
		986 543 075	**1 037 102 614**
Liabilities			
Current Liabilities			
Loans from group companies	10	379 508 152	268 315 464
Trade and other payables	11	1 319 274	988 623
Current tax payable		20 266 922	29 990 635
Financial guarantee contracts	26	12 981 064	-
		414 075 412	**299 294 722**
Total Equity and Liabilities		**1 400 618 487**	**1 336 397 336**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2022	2021
Revenue	12	8 193 095	10 352 626
Other operating gains	13	59 399	310
Other operating expenses		(10 454 825)	(11 299 932)
Loss on financial guarantee liability		(12 981 064)	-
Operating loss	14	**(15 183 395)**	**(946 996)**
Finance income	15	5 039 531	1 510 474
Finance costs	16	(251 323)	(3 987 765)
Loss before taxation		**(10 395 187)**	**(3 424 287)**
Taxation	17	7 836 051	(27 491 978)
Loss for the year		**(2 559 136)**	**(30 916 265)**

Master Drilling Group Limited
(Registration number 2011/008265/06)
Annual Financial Statements for the year ended 31 December 2022

Statement of Changes in Equity

Figures in Rand	Share capital	Share based payment reserve [1]	Equity due to change in control of interests [2]	Total reserves	Accumulated loss	Total equity
Balance at 01 January 2021	**1 280 243 821**	**1 971 750**	**(202 744 405)**	**(200 772 655)**	**(11 452 287)**	**1 068 018 879**
Loss for the year	-	-	-	-	(30 916 265)	(30 916 265)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(30 916 265)**	**(30 916 265)**
Balance at 01 January 2022	**1 280 243 821**	**1 971 750**	**(202 744 405)**	**(200 772 655)**	**(42 368 552)**	**1 037 102 614**
Loss for the year	-	-	-	-	(2 559 136)	(2 559 136)
Total comprehensive Loss for the year	**-**	**-**	**-**	**-**	**(2 559 136)**	**(2 559 136)**
Issue of shares	1 616 000	(456 000)	-	(456 000)	-	1 160 000
Dividends paid	-	-	-	-	(49 160 403)	(49 160 403)
Balance at 31 December 2022	**1 281 859 821**	**1 515 750**	**(202 744 405)**	**(201 228 655)**	**(94 088 091)**	**986 543 075**
Notes	8		9			

[1] Share-based payment reserve represents the accumulated charge for share options.

[2] Equity arising on formation of the Group – Equity that arose with the formation of the Group on the initial Johannesburg Stock Exchange Listing.

Statement of Cash Flows

Figures in Rand	Notes	2022	2021
Cash flows from operating activities			
Cash used in from operations	18	(1 758 524)	(4 728 913)
Interest income	15	956 732	148 482
Finance costs	16	(251 323)	(91 337)
Tax paid	19	(1 787 575)	(697 549)
Net cash from operating activities		**(2 840 690)**	**(5 369 317)**
Cash flows from investing activities			
Loans advanced to group companies	5	(389 445 538)	(220 107 609)
Loans repaid by group companies	5	310 790 747	135 331 168
Net cash from investing activities		**(78 654 791)**	**(84 776 441)**
Cash flows from financing activities			
Repayments of loans from group companies	5	(198 011 655)	(104 024 292)
Advances of loans from group companies	5	296 219 099	191 116 000
Net cash from financing activities		**98 207 444**	**87 091 708**
Total cash movement for the year		**16 711 963**	**(3 054 050)**
Cash and cash equivalents at the beginning of the year		2 581 420	5 635 470
Cash and cash equivalents at the end of the year	7	**19 293 383**	**2 581 420**

Accounting Policies

1. Presentation of annual financial statements

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act and the JSE Listing Requirements.

The financial statements have been prepared on the historic cost basis, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

The consolidated financial statements of the group is available for inspection on https://www.masterdrilling.com.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The assessment of IFRIC 23 indicated no material changes in the corporate tax liabilities.

Deferred taxation

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting year could be impacted.

Financial guarantee contracts

The valuation of the guarantees includes assumptions on credit default rates, credit risks, credit ratings and expected credit losses. The ECL model includes estimates relating to the probability of a default by the borrower and the resultant loss to the guarantor for each underlying borrower. The likelihood of the particular guarantor entity being called upon to make payments under the guarantee has been estimated using financial information of the guarantor entities and the suretyship agreed with the financial institution. The capital on the loan is repayable at the end of the loan term. Management has assessed whether the day one fair value of the guarantees should be amortised and concluded that amortisation on a straight-line basis is appropriate.

Lifetime ECL percentages applied ranges between 0.44% and 5.13% with loss given default rates ranging between 51.56% and 53.48%.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

The company carries 29% of the financial guarantee liability which has been based on the company's contribution to the group net asset value.

Investments in subsidiaries

The company assesses the in recoverable amount of the investment in subsidiaries based on the recoverable amount of the individual subsidiaries.

Loans to group companies

The company assesses expected credit losses for inter-group receivables based on the underlying liquid assets of the individual subsidiaries for on-demand collectability.

1.3 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

The cost of an investment in a subsidiary is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

1.4 Financial instruments

The standard for financial instruments (IFRS 9) provides guidance on the classification and measurement of financial assets and 'expected credit loss' model for the impairment of financial assets.

Classification
The company classifies financial assets and financial liabilities into the following categories:
- Amortised cost.

Classification of financial asset is determined by:
- the entity's business model for managing financial instruments; and
- the contractual cashflow characteristics.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments at fair value. Classification of financial liabilities is determined by the purpose for which the liability was acquired and its contractual terms.

Subsequent measurement

Financial assets are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Instruments for which expected credit losses are recognised include loans and other debt-type financial assets measured at amortised cost, trade receivables and loans to employees that are not measured at fair value through profit or loss.

Accounting Policies

1.4 Financial instruments (continued)

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss model.

The company assesses expected credit losses for inter-group receivables based on the underlying liquid assets of the individual subsidiaries for on-demand collectability.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); or
- financial instruments that have objective evidence of impairment at the reporting date ('Stage 3').

Besides for the trade and receivables, the company performed credit risk assessment on its financial assets, related parties and cash and cash equivalents and concluded that ECL measurements are immaterial.

Impairment losses are recognised in profit or loss.

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial instruments. In assessing ECL, the company makes use of the general 3-stage approach as disclosed in note 6.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to (from) group companies

These include loans to and from subsidiaries and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as financial assets measured at amortised cost.

Loans from group companies are classified as financial liabilities measured at amortised cost.

The company assesses expected credit losses for inter-group receivables based on the underlying liquid assets of the individual subsidiaries for on-demand collectability.

Trade and other receivables

Trade receivables are measured at initial recognition at transaction price and are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as financial assets carried at amortised cost.

Accounting Policies

1.5 Tax

Current tax assets and liabilities

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year.

Deferred tax assets

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

Tax expenses

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

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

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

1.6 Impairment of assets

The company assesses at each end of the year whether there is any indication that an asset other than financial assets may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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

An impairment loss of assets carried at cost is recognised immediately in profit or loss.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

Accounting Policies

1.6 Impairment of assets (continued)

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost other than goodwill is recognised immediately in profit or loss.

1.7 Share capital and equity

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

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.9 Revenue

Interest is recognised, in profit or loss, using the effective interest method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Inter-company cost recoveries are recognized when the company's right to receive payment has been established.

Management fees are recognized when the company's right to receive payment has been established.

1.10 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.11 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all executive and non-executive directors.

Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

1.12 Share based payments

Eligible employees of the company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

Accounting Policies

1.12 Share based payments (continued)

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the year in which the performance and/or service conditions are fulfilled in employee benefits expense.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting year has expired and the company's best estimate of the number of equity instruments that will ultimately vest.

The statement of profit or loss expense or credit for a year represents the movement in cumulative expense recognised as at the beginning and end of that year and is recognised in employee benefits expense. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

1.13 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Recognition and measurement

The initial recognition of intergroup guarantees are accounted for as a distribution in equity as the economic substance is more akin to a distribution as a result of the parent/subsidiary relationship between the guarantor and the debt holder. The subsequent measurement gain or loss is recognised in profit or loss.

Financial guarantee contracts issued by the company are initially measured at fair value and are subsequently measured at the higher of:

- The ECL in accordance with IFRS 9; or
- The amount initially recognised less, where appropriate, the cumulative amount of income/amortisation recognised in accordance with IFRS 15 Revenue from Contracts with Customers.

The ECL's are a probability weighted estimate of credit losses (the cash shortfalls) over the expected life of the guarantee. Accordingly, the cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs.

The fair value of the financial guarantee liability on initial recognition is determined using valuation techniques that requires management to make certain assumptions about the model inputs; which include the probability of default ("PD"), exposure at default ("EAD") and loss given default rates ("LGD").

No upfront fee or premium was paid in exchange for the financial guarantee at initiation. As such, a discounted cash flow technique was applied to determine the fair value on initial recognition of the financial guarantee which included estimated probabilities of default/survival to ensure that the inherent credit risk, and value derived from movement in the reference entity's credit spreads, is adequately reflected in the instrument's overall valuation.

The cost (expected credit loss) of the guarantees is valued on a income approach which is modelled using a market participant framework. Market participants have been selected from large South African Banks. A TTC recovery rate of 50.08% was assumed (i.e. an LGD of 49.92%) based on past industry recovery experience and collateral analysis. The TTC PDs and LGD were considered for forward-looking factors.

As no premium is received in return for the financial guarantees in this instance, the value of the financial guarantee is therefore based solely on the estimation of PDs of the reference entity. The present values of the expected credit-adjusted cash flows were determined by discounting each projected cash flow at valuation date. Using reasonable and supportable evidence, the likelihood of which guarantor will be called upon in a default scenario by the debt holder was incorporated into the valuation of the financial guarantee liability for the company.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

The significant accounting policies are consistent in all material respects with those applied in the previous year except for the list of amendments to IFRS that are mandatory and effective for the financial year ending 31 December 2022 as indicated below:

- IFRS 9 Financial instruments annual improvements to IFRS Standards 2018 to 2020;
- IAS 16 Property, plant and equipment: Proceeds before intended;
- IAS 37 Onerous Contracts: Cost of fulfilling a contract.

The directors have reviewed the above-mentioned mandatory standards and has applied these, where applicable, in the consolidated financial statements for the financial year ending 31 December 2022. None of the standards adopted had a material impact on the consolidated financial statements.

2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company

At the date of authorisation of these annual financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board but are not yet effective and have not been early adopted by the Company. Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first year beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's annual financial statements is provided below.

Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company does not envisage the adoption of the amendment until such time as it becomes applicable to the company's operations.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company does not envisage the adoption of the amendment until such time as it becomes applicable to the company's operations.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 01 January 2023.

Notes to the Financial Statements

2. **New Standards and Interpretations (continued)**

The company does not envisage the adoption of the amendment until such time as it becomes applicable to the company's operations.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

IAS 1 Non-current liabilities with covenants

Amendment clarifies that only covenants that is required to be complied with on or before reporting date affects the classification.

IAS 1 is effective from periods beginning on or after 1 January 2024.

The directors have assessed the impact of the new standard, they believe the new standards will not have a material impact on the Company's financial statements.

IAS 1 Classification of liabilities as current or non-current

Amendments were made to the classification of liabilities as current or non-current.

IAS 1 is effective from periods beginning on or after 1 January 2024.

The directors have assessed the impact of the new standard, they believe the new standards will not have a material impact on the Company's financial statements.

IAS 28 Investment in associates and joint ventures

Amendments to address an acknowledged inconsistency in dealing with sale or contribution of assets between an investor and its associate or joint venture.

The directors have assessed the impact of the new standard, they believe the new standards will not have a material impact on the Company's financial statements.

IAS 28's effective has been deferred indefinitely until further notice.

IFRS 10 Consolidated financial statements

Amendments to address an acknowledged inconsistency in dealing with sale or contribution of assets between an investor and its associate or joint venture.

The directors have assessed the impact of the new standard, they believe the new standards will not have a material impact on the Company's financial statements.

IFRS 10 effective has been deferred indefinitely until further notice.

Notes to the Financial Statements

Figures in Rand	2022	2021

3. Investments in subsidiaries

Name of company	% holding 2022	% holding 2021	Carrying amount 2022	Carrying amount 2021
Drilling Technical Services Proprietary Limited	74.00 %	74.00 %	2 444 058	2 444 058
Master Drilling Exploration Proprietary Limited	74.00 %	74.00 %	160 681 481	160 681 481
MDI Exco Limited	100.00 %	100.00 %	79 027 688	79 027 688
Master Drilling International Limited	85.00 %	85.00 %	490 013 226	490 013 226
Raisebore Rental Proprietary Limited	95.00 %	95.00 %	950	950
Master Sinkers Proprietary Limited	51.00 %	51.00 %	19 788 102	19 788 102
Master Drilling Proprietary Limited	100.00 %	100.00 %	100	100
Master Drilling New Technology Holding Proprietary Limited	90.00 %	90.00 %	90	90
MD Training Services Proprietary Limited	50.79 %	50.79 %	96	96
MD Retail Proprietary Limited	100.00 %	100.00 %	1 000	1 000
			751 956 791	751 956 791

The carrying amounts of subsidiaries are shown net of impairment losses.

A written cession in securitatem debiti agreement concluded contemporaneously between ABSA Capital (Barclays) and Master Drilling Group Limited in terms of which, inter alia, Master Drilling Group Limited cede to ABSA Capital (Barclays) its right, title and interest in and to its shares in, and claims against, Master Drilling South Africa Proprietary Limited, Drilling Technical Services Proprietary Limited and Master Drilling Exploration Proprietary Limited (and any other subsidiary which the company may form, acquire or incorporate from time to time), as security for its obligations to ABSA Capital (Barclays).

Master Drilling Group Limited investment in subsidiaries	% effective holding 2022	Status	Country	% effective holding 2021
- MDI Exco Limited	100.00 %	Investment	Malta	100.00 %
- Raisebore Rental Proprietary Limited	95.00 %	Operational	RSA	95.00 %
- Drilling Technical Services Proprietary Limited	74.00 %	Operational	RSA	74.00 %
- Master Drilling Exploration Proprietary Limited	74.00 %	Operational	RSA	74.00 %
- Master Drilling International Limited	85.00 %	Investment	Malta	85.00 %
- MDG Shared Services Proprietary Limited (*)	52.91 %	Operational	RSA	52.91 %
- Master Sinkers Proprietary Limited	51.00 %	Operational	RSA	51.00 %
- Master Drilling Proprietary Limited	100.00 %	Operational	RSA	100.00 %
- Master Drilling New Technology Holding Proprietary Limited	90.00 %	Investment	RSA	90.00 %
- MD Training Services Proprietary Limited	50.79 %	Operational	RSA	50.79 %
- MD Retail Proprietary Limited	100.00 %	Operational	RSA	100.00 %

All of the subsidiaries have the same year-end as its holding company, 31 December.

(*) Investment in subsidiary fully impaired.

4. Deferred tax

Deferred tax asset

	2022	2021
Provisions and accruals	125 951	226 038

Reconciliation of deferred tax asset

	2022	2021
At beginning of year	226 038	787 496
Provisions and accruals	(95 422)	215 678
Tax losses available for set off against future taxable income	-	(777 136)
Change in tax rate	(4 665)	-
	125 951	**226 038**

Notes to the Financial Statements

Figures in Rand	2022	2021

5. Loans to group companies

Subsidiaries

Master Drilling Exploration Proprietary Limited	94 470 945	16 712 524
MDG Shared Services Proprietary Limited	-	1 525 002
Drilling Technical Services Proprietary Limited	10 654 011	153 866 375
Master Drilling New Technology Holding Proprietary Limited	-	1 992 145
Master Sinkers Proprietary Limited	197 368	16 421 918
Master Drilling Changzhou Co. Limited	-	202 667
Master Drilling Mexico SA	-	303 998
Master Drilling do Brasil Limiteda	-	274 163
Master Drilling Peru SAC	617 464	617 464
Raisebore Rental Proprietary Limited	266 405 584	266 405 584
Geoserve Exploration Drilling Proprietary Limited	27 900 000	38 078 642
Master Drilling Mining Services Proprietary Limited	227 833 990	85 229 555
	628 079 362	**581 630 037**

Management performed an assessment in terms of IFRS 9 on the loans receivable from group companies and found that no allowance for expected credit losses is required as the underlying liquid assets are sufficient.

The loans are unsecured, interest free and are repayable on demand, except for the Master Drilling Mining Services Proprietary Limited Loan that bears interest at 5% over prime interest rate as applicable. In the prior year, the Master Drilling New Technology Holdings (Pty) Ltd bore interest at 3.90% over JIBAR as applicable.

Loans with Master Sinkers (Pty) Ltd, Master Drilling Mining Services (Pty) Ltd and Raisebore Rental (Pty) Ltd is considered as non-current due to the fact that these entities are involved in either design of new technology to be used be in the future or holding shares in companies that will generate returns in the future. These amounts were borrowed to these entities for these specific reasons and will not be repayable in the short-term.

Split between non-current and current portions

Non-current assets	494 436 942	103 643 618
Current assets	133 642 420	477 986 419
	628 079 362	**581 630 037**

6. Trade and other receivables

Financial instruments:		
Sundry debtors	3 000	3 050
Staff loans	1 160 000	-
	1 163 000	**3 050**

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	1 163 000	3 050

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	19 293 383	2 581 420

Notes to the Financial Statements

Figures in Rand	2022	2021

7. Cash and cash equivalents (continued)

Group cross suretyship in the amount of R6 500 000 (2021: R6 500 000) by and between Raisebore Rental (Pty) Ltd, Master Drilling Exploration (Pty) Ltd, Drilling Technical Services (Pty) Ltd and Master Drilling Group Ltd.

ST FNB Credit Card Facility - R 400 000 (2021: R400 000)

ST FNB Auto Card Facility - R 1 400 000 (2021: R1 000 000)

Limited guarantee of R21 600 000 given by the Company for obligations of Geoserve Exploration Drilling (Pty) Ltd

8. Share capital

	2022	2021
Authorised		
500 000 000 Ordinary no par value shares	500 000 000	500 000 000

	2022		2021	
Reconciliation of number of shares issued:	**Number of shares**	**Value Rand**	**Number of shares**	**Value Rand**
Balance at the beginning of the period	151 262 777	1 280 243 821	151 262 777	1 280 243 821
Movement	100 000	1 616 000	-	-
	151 362 777	**1 281 859 821**	**151 262 777**	**1 280 243 821**

	2022	2021
Issued		
Ordinary no par value shares	1 281 859 821	1 280 243 821

9. Equity due to change in control of interests

	2022	2021
Assets acquired through business combination	(202 744 405)	(202 744 405)

10. Loans from group companies

Fellow subsidiaries

	2022	2021
Master Drilling New Technology Holding Proprietary Limited	147 179 999	-
MD Training Services Proprietary Limited	1 397	854 800
Raisebore Rental Proprietary Limited	69 581 902	113 096 902
Master Drilling Proprietary Limited	162 744 854	154 363 762
	379 508 152	**268 315 464**

The above loans are unsecured, interest free and are repayable on demand.

Split between non-current and current portions

	2022	2021
Current liabilities	379 508 152	268 315 464

11. Trade and other payables

	2022	2021
Financial instruments:		
Trade payables	729 356	14 486
Other payables	440 636	689 427
Non-financial instruments:		
Employee related accruals	139 101	164 705
Value Added Taxation	10 181	120 005
	1 319 274	**988 623**

Notes to the Financial Statements

Figures in Rand	2022	2021

12. Revenue

Revenue from contracts with customers		
Rendering of services	8 193 095	9 653 192
Revenue other than from contracts with customers		
Dividends received	-	699 434
	8 193 095	**10 352 626**

13. Other operating gains

Gains (losses) on disposals, scrappings and settlements		
Other financial liabilities	(12 981 064)	-
Foreign exchange gains		
Net foreign exchange gains	59 399	310
Total other operating gains (losses)	**(12 921 665)**	**310**

14. Operating loss

Operating loss for the year is stated after charging (crediting) the following, amongst others:

Employee costs		
Employee costs	5 542 552	5 297 231
Impairment losses		
Investment in subsidiary	-	2 480 011

15. Finance income

Interest revenue		
Bank	956 732	148 481
Loans from group companies	4 082 799	1 361 993
Total interest revenue	**5 039 531**	**1 510 474**

16. Finance costs

Loans to group companies	-	138 763
Interest on imputed taxation of controlled foreign companies	-	3 757 665
SARS	7 741	-
Other interest paid	243 582	91 337
Total finance costs	**251 323**	**3 987 765**

Notes to the Financial Statements

Figures in Rand	2022	2021

17. Taxation

Major components of the tax expense (income)

	2022	2021
Current		
Local income tax - current period	1 222 310	694 136
Local income tax - prior period over provision	(9 158 448)	-
Imputed taxation on controlled foreign companies	-	26 236 383
	(7 936 138)	**26 930 519**
Deferred		
Originating and reversing temporary differences	95 422	(75 626)
Changes in tax rates	4 665	-
Under provision of deferred taxation for prior periods	-	637 085
	100 087	**561 459**
	(7 836 051)	**27 491 978**

Reconciliation of the tax expense (income)

Reconciliation between accounting profit and tax expense (income).

	2022	2021
Accounting profit (loss)	(10 395 187)	(3 424 287)
Tax at the applicable tax rate of 28% (2021: 28%)	(2 910 652)	(958 800)
Tax effect of adjustments on taxable income		
Impairment of investment in subsidiary	-	694 403
Dividends received	-	(195 842)
Over provided from previoius years	(9 158 448)	-
Tax rate change	4 665	-
Deferred taxation for prior years	-	637 085
Imputed taxation on controlled foreign companies	-	26 236 383
Non deductible expenditure	593 686	26 603
Interest accrued in respect of taxation	-	1 052 146
Loss on financial guarantee liability	3 634 698	-
	(7 836 051)	**27 491 978**

18. Cash used in operations

	2022	2021
Profit (loss) before taxation	(10 395 187)	(3 424 287)
Adjustments for:		
Loss on financial guarantee liability	12 981 064	-
Impairment of investment in subsidiary	-	2 480 011
Interest revenue received	(5 039 531)	(1 510 474)
Dividend revenue received	-	(699 435)
Finance costs	251 323	3 987 765
Changes in working capital:		
Trade and other receivables	(1 240 076)	(10 898 171)
Trade and other payables	1 683 883	5 335 678
	(1 758 524)	**(4 728 913)**

Notes to the Financial Statements

Figures in Rand	2022	2021

19. Tax paid

	2022	2021
Balance at beginning of the year	(29 990 635)	-
Current tax recognised in profit or loss	7 936 138	(26 930 519)
Interest accrued in respect of taxation	-	(3 757 665)
Balance at end of the year	20 266 922	29 990 635
	(1 787 575)	**(697 549)**

20. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2022

	Opening balance	Non-cash flows	Total non-cash movements	Cash flows	Closing balance
Loans from group companies	268 315 464	12 985 244	12 985 244	98 207 444	379 508 152

Reconciliation of liabilities arising from financing activities - 2021

	Opening balance	Non-cash flows	Cash flows	Closing balance
Loans from group companies	42 868 031	138 355 725	87 091 708	268 315 464

Notes to the Financial Statements

Figures in Rand	2022	2021

21. Related parties

Relationships

Subsidiaries of Master Drilling Group Limited	Drilling Technical Services Proprietary Limited MDG Shared Services Proprietary Limited Master Drilling Exploration Proprietary Limited MDI Exco Limited Master Drilling International Limited Raisebore Rental Proprietary Limited Master Sinkers Proprietary Limited Master Drilling Proprietary Limited Master Drilling New Technology Holdings Proprietary Limited MD Training Services Proprietary Limited Master Drilling Mining Services Proprietary Limited
Subsidiaries of Master Drilling International Limited	Master Drilling Changzhou Co. Limited Master Drilling Mexico SA Master Drilling do Brasil Limiteda Master Drilling Peru SAC
Subsidiary of Master Drilling Exploration Proprietary Limited	Geoserve Exploration Drilling Proprietary Limited
Companies with common directors	Barrange Exotic Game Proprietary Limited Barrange Proprietary Limited DNA Developments Proprietary Limited Drilling Properties Proprietary Limited Epha Drilling Proprietary Limited Erf 1044 Fochville Proprietary Limited Erf 429 Keursands Eksklusiewe Vakansieoord Proprietary Limited MDG Equity Holdings Proprietary Limited Mosima Drilling Proprietary Limited Nicaud Companies 101 Proprietary Limited The 1997 DP Investment Trust The AMI Trust The DCP BEE Foundation Trust The Drillcorp BEE Trust The MD Drilling Employee Trust The MD Engineering Employee Trust The MD HDSA Trust Vandev Investments Proprietary Limited
Shareholder with significant influence	DC Pretorius
Directors	AA Deshmukh AJ Van Deventer BJ Jordaan DC Pretorius GR Sheppard HR Van Der Merwe ST Ferguson FG Dixon - Alternate director AW Brink HJ Faul ME Ramathe

Notes to the Financial Statements

Figures in Rand	2022	2021

21. Related parties (continued)

Related party balances

Loan accounts - Owing (to) by related parties		
Drilling Technical Services Proprietary Limited	10 654 011	153 866 375
MDG Shared Services Proprietary Limited	-	1 525 002
Master Drilling Exploration Proprietary Limited	94 470 945	16 712 524
Raisebore Rental Proprietary Limited	196 823 682	153 308 682
Master Drilling Proprietary Limited	(162 744 854)	(154 363 762)
Master Drilling Changzhou Co. Limited	-	202 667
Master Drilling Mexico SA	-	303 998
Master Drilling do Brasil Limiteda	-	274 163
Master Drilling Peru SAC	617 464	617 464
MD Training Services Proprietary Limited	(1 397)	(854 800)
Master Drilling New Technology Holding Proprietary Limited	(147 179 999)	1 992 145
Master Sinkers Proprietary Limited	197 368	16 421 918
Geoserve Exploration Drilling Proprietary Limited	27 900 000	38 078 642
Master Drilling Mining Services Proprietary Limited	227 833 990	85 229 555
	248 571 210	**313 314 573**

Related party transactions

Interest received from related party		
Master Drilling New Technology Holding Proprietary Limited	-	1 361 992
Master Drilling Mining Services Proprietary Limited	4 082 799	-
	4 082 799	**1 361 992**

Interest paid to related party		
Master Sinkers Proprietary Limited	-	138 763

Administration and management fees (received from)/paid to related parties		
Drilling Technical Services Proprietary Limited	(2 635 375)	(2 536 984)
Master Drilling Exploration Proprietary Limited	(942 850)	(1 510 124)
Raisebore Rental Proprietary Limited	(677 820)	(677 820)
Geoserve Exploration Drilling Proprietary Limited	-	(1 510 124)
Master Drilling Proprietary Limited	(2 740 320)	(2 740 320)
Master Drilling Proprietary Limited	36 558	-
MD Training Services Proprietary Limited	(338 910)	(338 910)
MD Training Services Proprietary Limited	11 579	-
Master Drilling Mining Services Proprietary Limited	(518 910)	-
Master Drilling New Technology Holding Proprietary Limited	(338 910)	(338 910)
	(8 144 958)	**(9 653 192)**

Dividends received from related party		
Master Drilling Exploration Proprietary Limited	-	699 435

Notes to the Financial Statements

22. Directors' and prescribed officer's emoluments

Executive

2022

	Emoluments	Bonus	Fringe benefits	Provident / pension fund contributions	Travel allowance	Total
BJ Jordaan	4 524 129	7 475 772	306 781	-	-	12 306 682
DC Pretorius	11 130 587	-	327 147	-	-	11 457 734
GR Sheppard	5 704 112	-	581 557	-	-	6 285 669
AJ Van Deventer	6 672 143	4 494 243	251 536	-	-	11 417 922
	28 030 971	**11 970 015**	**1 467 021**	**-**	**-**	**41 468 007**

2021

	Emoluments	Bonus	Fringe benefits	Provident / pension fund contributions	Travel allowance	Total
BJ Jordaan	3 713 254	-	218 080	-	240 000	4 171 334
DC Pretorius	5 101 744	-	306 298	-	360 000	5 768 042
GR Sheppard	5 246 373	-	-	-	-	5 246 373
AJ Van Deventer	5 033 900	-	208 972	-	240 000	5 482 872
	19 095 271	**-**	**733 350**	**-**	**840 000**	**20 668 621**

Non-executive

2022

	Directors' fees	Consulting and legal fees	Total
AW Brink	568 340	-	568 340
AA Deshmukh	669 667	-	669 667
HJ Faul	386 190	-	386 190
ST Ferguson	555 170	1 300 018	1 855 188
ME Ramathe	421 310	-	421 310
HR Van Der Merwe	986 830	-	986 830
	3 587 507	**1 300 018**	**4 887 525**

2021

	Directors' fees	Consulting and legal fees	Total
AW Brink	542 540	-	542 540
AA Deshmukh	637 690	-	637 690
HJ Faul	362 560	-	362 560
ST Ferguson	445 720	1 737 469	2 183 189
OM Matloa	199 556	-	199 556
ME Ramathe	196 240	-	196 240
HR Van Der Merwe	980 420	-	980 420
	3 364 726	**1 737 469**	**5 102 195**

Notes to the Financial Statements

22. Directors' and prescribed officer's emoluments (continued)

Prescribed officers

2022

	Emoluments	Bonus	Fringe benefits	Pension and medical aid	Total
R Swanepoel	2 535 592	2 852 091	102 237	207 602	5 697 522
FG Dixon	2 699 385	-	187 040	300 433	3 186 858
	5 234 977	**2 852 091**	**289 277**	**508 035**	**8 884 380**

2021

	Emoluments	Bonus	Fringe benefits	Pension and medical aid	Total
R Swanepoel	1 944 944	-	65 345	424 450	2 434 739
FG Dixon	2 284 963	-	177 354	517 397	2 979 714
	4 229 907	**-**	**242 699**	**941 847**	**5 414 453**

Directors' interest

Executive directors

2022

	Number of shares: Direct beneficial	Number of shares: Indirect beneficial	Total	Percentage of issued ordinary share capital
DC Pretorius	500 900	78 641 565	79 142 465	52.32%
AJ Van Deventer	10 000	2 671 784	2 681 784	1.77%
GR Sheppard	-	2 955 884	2 955 884	1.96%
BJ Jordaan	1 781 861	1 228 336	3 010 197	2.00%
Prescribed Officer				
R Swanepoel	11 500	-	11 500	0.01%
Total	**2 304 261**	**85 497 569**	**87 801 830**	**58.06%**

Executive directors

2021

	Number of shares: Direct beneficial	Number of shares: Indirect beneficial	Total	Percentage of issued ordinary share capital
DC Pretorius	500 900	78 641 565	79 142 465	52.32%
AJ Van Deventer	10 000	2 671 784	2 681 784	1.77%
GR Sheppard	-	2 955 884	2 955 884	1.96%
BJ Jordaan	1 781 861	1 228 336	3 010 197	2.00%
Prescribed Officer				
R Swanepoel	11 500	-	11 500	0.01%
Total	**2 304 261**	**85 497 569**	**87 801 830**	**58.06%**

Figures in Rand	2022	2021

23. Share based payments

Long term incentive scheme

The long-term incentive is granted to eligible employees of the parent. The incentive comprises of the issue of either shares in the company, phantom shares based on the company shares or cash settlement. Vesting are dependent on the performance conditions which include annual compound growth in profit after tax as well as the annual compound growth in the share price of Master Drilling Group Limited.

The eligible employee must remain in service of the Group until terminal date.

No expense was recognised for the current or prior year as the initial policy period of three years lapsed at the end of 2021.

Share Option Plan

Under the share option plan, share options of the company are granted to eligible employees of the company. The exercise price of the share options is determined on the grant date. The share options vest on the third anniversary of the grant date. The fair value of the share options is estimated at the grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the share options were granted.
The contractual term of each share option granted is until the tenth anniversary of the grant date. There are no cash settlement alternatives. The company does not have a past practice of cash settlement for these share options.

The contractual term of each share option granted is until the tenth anniversary of the grant date. There are no cash settlement alternatives. The company does not have a past practice of cash settlement for these share options.

The expense recognised for employee services received during the year is as follows:

	2022	2021
Expense arising from equity-settled share based payment transactions	-	-

Movement during the year:
The following table illustrates the number and exercise prices in ZAR ("EP") of, and movements in share options:

	EP	2022	EP	2021
Outstanding - 1 January	5.21	410 000	5.21	410 000
Forfeited during the year	-	-	-	-
Exercised during the year	11.60	(100 000)		
Outstanding - 31 December	-	**310 000**	**5.21**	**410 000**

The total number of share options issued, amounted to 3 407 286 while 1 592 174 remains un-issued.

The remaining contractual life for the share options outstanding as at 31 December 2022 was 2,91 years (2021: 3,91).

The expected volatility was determined by calculating the historical volatility of the Company's share price since listing.

The following table lists the inputs to the model used for the Share option Plan for 31 December	**2022**	**2021**
Expected volatility	30 %	30 %
Risk-free interest rate	7.5 %	7.5 %
Expected life of share options	3 years	3 years
Weighted average share price	11,60	9,79
Model used	Black-Scholes	Black-Scholes

The expected volatility was determined by calculating the historical volatility of the Company's share price since listing.

Notes to the Financial Statements

24. Share option scheme

24.1 General

The company adopted the plan on 15 November 2012. The plan is administered by its compliance officer under the direction of the remuneration committee (the "RemCo"). The plan allows the grant of options to acquire fully paid ordinary shares to eligible employees after admission. An eligible employee is any employee (including any executive director) of any member of the company, but shall not include any non-executive director of the Group, any member of the RemCo or any trustee of an employee benefit trust.

Any eligible employee selected at the discretion of the RemCo shall be eligible to receive grants under the plan. In making this selection, the RemCo shall take into account the contribution of the eligible employee's division to the Group and his/her individual performance measured in the context of the applicable internal performance appraisal process, amongst other factors.

24.2 Form of option

The plan allows for the grant of options in such form as the RemCo may consider appropriate, including to allow for options to be granted to individuals in jurisdictions outside the Republic of South Africa, subject to appropriate regulatory approvals. The plan allows for the grant of options with an exercise price determined by the RemCo at the date of grant. Options is granted for no consideration and will be non-transferable, except to the option holder's heirs or executors on death.

24.3 Plan Limits

(a) Overall
The maximum number of shares in respect of which options can be granted under the plan is five million shares. Options may be settled by existing shares purchased through the market, newly issued shares or shares held in treasury. Shares purchased through the market will not count towards this plan limit.

(b) Individual
The maximum number of shares in respect of which options can be granted to any one option holder under the Plan is 500 000 shares in any three year cycle. Subject to this, the maximum value of shares subject to an option to be awarded to an option holder will not usually exceed 200% of his/her base salary per financial year of the company.

(c) Vesting and exercise
Options will vest no earlier than the third anniversary of the date of grant. Options can be exercised in whole or in part once they have vested up to the tenth anniversary of the date of grant.

(d) Voting and dividend rights
Option holders will have no right to voting or dividends until the acquisition of the shares following exercise of the option.

(e) Options issued
No additional share options were granted for the year ended 31 December 2022 (31 December 2021: 0). The share options outstanding as at 31 December 2022 all vested and are exercisable.

Notes to the Financial Statements

25. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2022

	Notes	Amortised cost	Total
Loans to group companies	5	628 079 362	628 079 362
Trade and other receivables	6	1 163 000	1 163 000
Cash and cash equivalents	7	19 293 383	19 293 383
		648 535 745	**648 535 745**

2021

	Notes	Amortised cost	Total
Loans to group companies	5	581 630 037	581 630 037
Trade and other receivables	6	3 050	3 050
Cash and cash equivalents	7	2 581 420	2 581 420
		584 214 507	**584 214 507**

Categories of financial liabilities

2022

	Notes	Amortised cost	Total
Trade and other payables	11	1 169 992	1 169 992
Loans from group companies	10	379 508 152	379 508 152
Financial guarantee contracts	26	12 981 064	12 981 064
		393 659 208	**393 659 208**

2021

	Notes	Amortised cost	Total
Trade and other payables	11	704 062	704 062
Loans from group companies	10	268 315 464	268 315 464
		269 019 526	**269 019 526**

Notes to the Financial Statements

25. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2022

	Note	Amortised cost	Total
Recognised in profit or loss:			
Interest income	15	5 039 531	5 039 531

2021

	Notes	Amortised cost	Total
Recognised in profit or loss:			
Interest income	15	1 510 474	1 510 474

Gains and losses on financial liabilities

2022

	Note	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	16	(251 323)	(251 323)

2021

	Note	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	16	(3 987 765)	(3 987 765)

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of borrowings disclosed in note 10, cash and cash equivalents disclosed in note 7 and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio.

The company's strategy is to maintain a gearing ratio of less than 30%.

Notes to the Financial Statements

25. Financial instruments and risk management (continued)

Financial risk management

Overview

The company's activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by a central treasury department (company treasury) under policies approved by the board. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk consists mainly of loans to group companies, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a primarily from related parties. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

The maximum exposure to credit risk is presented in the table below:

		2022			2021		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Loans to group companies	5	628 079 362	-	628 079 362	581 630 037	-	581 630 037
Trade and other receivables	6	1 163 000	-	1 163 000	3 050	-	3 050
Cash and cash equivalents	7	19 293 383	-	19 293 383	2 581 420	-	2 581 420
Financial guarantee contracts	26	-	(12 981 064)	(12 981 064)	-	-	-
		648 535 745	**(12 981 064)**	**635 554 681**	**584 214 507**	**-**	**584 214 507**

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Notes to the Financial Statements

25. Financial instruments and risk management (continued)

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2022

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	11	1 169 992	1 169 992	1 169 992
Loans from group companies	10	379 508 152	379 508 152	379 508 152
Financial guarantee contracts	26	12 981 064	12 981 064	12 981 064
		393 659 208	**393 659 208**	**393 659 208**

2021

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	11	704 062	704 062	704 062
Loans from group companies	10	268 315 464	268 315 464	268 315 464
		269 019 526	**269 019 526**	**269 019 526**

Interest rate risk

The company's interest rate risk arises from group loans with a variable rate of prime lending rate plus 5% (2021: 3.90% over JIBAR).

Interest rate sensitivity analysis

	2022	2022	2021	2021
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss after taxation				
Profit and loss	1 139 170	(1 139 170)	92 070	(92 070)
Equity, net of finance tax	1 139 170	(1 139 170)	92 070	(92 070)
	2 278 340	**(2 278 340)**	**184 140**	**(184 140)**

Notes to the Financial Statements

Figures in Rand	2022	2021

26. Financial guarantee contracts

Financial guarantees	12 981 064	-

Reconciliation		
Carrying value at the beginning of the year	-	-
Loss/(gain) on financial guarantee (note 25)	12 981 064	-
Carrying value at the end of the year	**12 981 064**	**-**

The carrying amount of the financial guarantee is based on the higher of the net amount after applying an ECL and the initial fair value less amortised cost on a loan by loan basis.

Exposure to credit risk

The financial guarantees exposes the group to credit risk, being the risk that the group will incur a financial loss if guaranteed parties fail to make payments as they fall due.

The financial guarantee recognised has been recognised over the exposure arising from the ABSA facilities held by the Group. Total facilities owing to ABSA at year-end amount to USD 44.5M at 31 December 2022.

27. Events after the reporting period

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. Refer to note 4 in the Directors' Report.

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.

28. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.