MASTER DRILLING

2021

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2021

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors of Master Drilling Group Limited and its subsidiaries ("the Group") are required in terms of the Companies Act No. 71 of 2008 ("Companies Act"), to maintain adequate accounting records and are responsible for the preparation, the content and integrity of the Group's annual financial statements and related financial information included in this report. It is their responsibility to ensure that the Group's annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards ("IFRS"), the Companies Act and the Johannesburg Stock Exchange ("JSE") Listings Requirements. The external auditor is engaged to express an independent opinion on the Group's financial statements.

The Group's annual financial statements are prepared in accordance with IFRS, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and JSE Listing Requirements and are based upon appropriate accounting policies and the requirements of the Companies Act consistently applied and supported by reasonable and prudent judgements and estimates.

The audited financial statements have been prepared by the corporate reporting staff, headed by Willem Ligthelm CA(SA), the Group's financial manager. This process was supervised by André Jean van Deventer CA(SA), the Group's chief financial officer.

The directors of Master Drilling Group Limited acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set 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 Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances, is above reproach. While operating risk cannot be fully eliminated, the Group endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems, and ethical behavior are applied and managed within predetermined procedures and constraints.

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

The directors of Master Drilling Group Limited have reviewed the Group's cash flow forecast for the year to 31 December 2022 and, in the light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future. The directors are responsible for the financial affairs of the Group.

The external auditor is responsible for independently auditing and reporting on the Group's financial statements. In accordance with section 29(1)(e)(ii) of the Companies Act, the annual financial statements of the Group, for the year ended 31 December 2021, have been audited by BDO South Africa Incorporated, the Group's independent external auditor, whose unqualified audit report can be found on pages 6 to 10 of this document.

The CEO and CFO of Master Drilling Group Limited confirm the following after due, careful, and proper consideration:

1. the annual financial statements set out on pages 3 to 88, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
2. no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
3. internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

DIRECTORS' RESPONSIBILITIES AND APPROVAL (CONTINUED)

4. the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action. (*)

The directors, whose names are stated below, hereby confirm that:

The Group's audited annual financial statements as approved on 21 March 2022, which have been prepared on the going concern basis, were signed by the CEO and CFO on behalf of the board of directors.

Daniël Coenraad Pretorius
Director

Johannesburg
21 March 2022

André Jean van Deventer
Director

Johannesburg
21 March 2022

(*) Whilst the directors are aware of their responsibility to communicate fraud incidents to the audit committee and auditor, no incidents of such fraud were identified for communication during the period under review

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 2021, the Group 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
21 March 2022

AUDIT COMMITTEE REPORT
for the year ended 31 December 2020

This report is provided by the audit committee in respect of the 2021 financial period of the Group. The Group'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 Group, 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 Group's website (www.masterdrilling.com). The Audit Committee Terms of Reference was informed by the Companies Act, JSE Listing 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, 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 2022;
- 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 2021;
- 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 2021 pro-active monitoring report and the various JSE communications with the regard to the impact of Covid-19 and appropriate action was taken, where applicable.

AUDIT COMMITTEE REPORT (CONTINUED)

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

- appointed an internal auditor with the necessary international presence and experience and were 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 with management legal matters that could have a material effect on the Group; 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 2022.

In addition, the audit committee:

- considered the expertise, resources and experience of the finance function and concluded that these were appropriate; and
- 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.

MEMBERSHIP AND ATTENDANCE AT MEETINGS

The audit committee's members attended the following meetings:

Members	11 March 2021	17 March 2021 Special	18 March 2021 Second Special	3 June 2021	18 August 2021	18 November 2021
Andries Willem Brink	P	P	P	P	P	P
Akhter Ali Deshmukh	P	P	P	P	P	P
Shane Trevor Ferguson	P	P	P	A	P	P
Octavia Matshidiso Matloa (*)	P	P	P	P	N/A	N/A
Mamokete Ramathe (*)	N/A	N/A	N/A	N/A	P	P

(*)Octavia Matloa retired by rotation at the Master Drilling Group Limited Annual General Meeting held 14 June 2021. Mamokete Ramathe was appointed to the MDGL Board with effect 26 July 2021.

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:

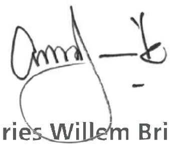
- representations made by BDO South Africa Incorporated to the audit committee;
- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the Group;
- the external auditor's independence was not impaired by any consultancy, 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 Group for the period ended 31 December 2021, 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 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 2021 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
21 March 2022

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

MASTER DRILLING GROUP LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Master Drilling Group Limited and its subsidiaries ("the group") set out on pages 16 to 88, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Master Drilling Group Limited and its subsidiaries as at 31 December 2021, and its consolidated financial performance and consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following key audit matter relates to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Plant and equipment (Note 3): Drilling machinery is used in various remote locations, including underground mines, around the world. In addition, management's assessment of the useful lives and residual values of plant and equipment is complex and requires significant management judgement and estimates. Due to the significant judgement involved in management's assessment of useful lives of plant and equipment, as well as the practical challenges posed by confirming the existence thereof, this matter was considered a matter of most significance in our audit of the consolidated financial statements of the current year.	**Our audit procedures included the following:** • We assessed the design and implementation of relevant controls relating to the existence and calculation of the carrying value of plant and equipment. • In accordance with our scoping of the audit of the consolidated financial statements, we issued instructions to component teams regarding the specific information and audit evidence we required in respect of the existence of plant and equipment, the recalculation of depreciation charges and the assessment of useful lives and residual values assigned to plant and equipment. In this regard we held various update and feedback sessions with component auditors to assess the results of work performed. We also performed detailed reviews of the component auditors' plant and equipment working papers to assess the work performed and conclusions reached. • With the assistance of the component auditors, we assessed the existence of samples of drilling machinery through a combination of physical inspection during site visits, inspection of time stamped photos, conducting video conferencing calls and other relevant procedures. • We inspected management's control documentation to assess the physical movement of drilling machinery between sites and countries. • We assessed management's depreciation method against the requirements of International Accounting Standard 16 Property, Plant and Equipment. • On a sample basis we recalculated the depreciation charges for the year and performed analytical review procedures to assess the actual charges against our independent expectations; and • Evaluated the adequacy of disclosures in terms of International Financial Reporting Standards.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Consolidated Annual Financial Statements for the year ended 31 December 2021" and in the document titled "Master Drilling Group Limited Separate Financial Statements for the year ended 31 December 2021", which includes the Directors' Report, the Audit Committee's Report and the Secretary's Certificate as required by the Companies Act of South Africa which we obtained prior to the date of this report, and the Annual 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 group'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 group'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 consolidated 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 group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 and its subsidiaries for ten years.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

EFG Dreyer
Director
Registered Auditor

21 March 2022

DIRECTORS' REPORT

NATURE OF BUSINESS

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

GOING CONCERN BASIS OF ACCOUNTING

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

The escalation in the global spread and effects of the Covid-19 pandemic during 2021 is likely to have a continuous impact on our business and that of our customers and suppliers in most, if not all geographies in which the Group operates until the roll-out of the vaccines have been successfully completed. As at the date of signing this report, the Board considered the current cash position of the Group and did stress tests on the ability of the Group to absorb periods lower than normal revenue being generated based on different inverse scenarios and found that the Group will be able to service its obligations. Management and the Board are and will remain focused on managing unfortunate situations as best as possible.

BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE OF MASTER DRILLING'S ISSUED SHARE CAPITAL

As at 31 December 2021	%
Barrange (Pty) Ltd	28,9
MDG Equity Holdings (Pty) Ltd	25,8
Ninety-One	5,9

FUND MANAGERS HOLDING 5% OR MORE OF MASTER DRILLING'S ISSUED SHARE CAPITAL

As at 31 December 2021	%
Camissa Asset Management (previously Kagiso Asset Management)	12,7
Abax Investments	6,6
Ninety-One	5,9

Share capital

Authorised

500 000 000 ordinary shares of no-par value.

There was no movement in authorised or issued ordinary share capital during the year.

Unissued ordinary shares

	Number of shares 2021	2020
At 1 January	**348 737 223**	**349 407 223**
Issued during the year	**–**	**(670 000)**
At 31 December	**348 737 223**	**348 737 223**

There have been no changes to the unissued ordinary share capital of the Company since year end to the date of this report.

RIGHTS ATTACHING TO SHARES

All the authorised and issued ordinary shares are of the same class, and rank *pari passu* with each other 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's shareholders at a general meeting.

CONTROL OF SHARE CAPITAL

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

In terms of the JSE Listings Requirements and as permitted by the Memorandum of Incorporation of the Company, the shareholders of the Company have authorised the directors to issue ordinary shares held under their control for cash, subject to certain restrictions as set out below:

1. This authority shall be limited to a maximum number of 7 563 139 ordinary shares (being 5% of the issued ordinary shares in the share capital of the Company).
2. This authority shall only be valid until the next annual general meeting of the Company but shall not extend beyond 15 months.
3. An announcement, in compliance with section 11.22 of the Listings Requirements of the JSE Limited, shall be published after any issue representing, on a cumulative basis within the period contemplated as in paragraph 2 above, 5% (7 563 139) of the number of ordinary shares in issue prior to the issue concerned excluding treasury shares.
4. In the event of a sub-division or consolidation of issued ordinary shares during the period contemplated as per paragraph 2 above, this authority must be adjusted accordingly to represent the same allocation ratio.
5. In determining the price at which an issue of ordinary shares for cash shall be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE Limited over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities.
6. Any issue of ordinary shares under this authority shall be made only to a public shareholder, as defined in the Listings Requirements of the JSE Limited.
7. Any equity securities issued under the authority during the period contemplated in paragraph 2 above, must be deducted from such number in 1 above.

There were no repurchases of ordinary shares during the period under review.

DIRECTORS' INTERESTS IN SHARES

The interests of Directors and associates in the ordinary share capital of the Company at 31 December, are made up as follows:

	Total % holding of issued capital	Beneficial Direct 2021	Indirect 2021	Beneficial Direct 2020	Indirect 2020
Director					
DC Pretorius	52,3	**500 900**	**78 641 565**	500 900	78 641 565
AJ van Deventer	1,8	**10 000**	**2 671 784**	10 000	2 671 784
GR Sheppard	2,0	**–**	**2 955 884**	–	2 955 884
BJ Jordaan	2,0	**1 781 861**	**1 228 336**	1 781 861	1 228 336
Total Directors	58,1	**2 292 761**	**85 497 569**	2 292 761	85 497 569
FG Dixon	0,0		**––**	105 000	–
RJ Swanepoel	0,0	**11 500**	**–**	11 500	–
Total	58,1	**2 304 261**	**85 497 569**	2 409 261	85 497 569

Rounding of % may result in computational discrepancies.

At 31 December 2021, the directors of the Company held direct and indirect interests of 58,1% (2020: 58,1%) of the Company's issued ordinary share capital. The only change to the directors' shareholding since the previous financial year-end is that FG Dixon sold his shares during the current year. None of the non-executive directors hold any interest in shares of the Company.

DIVIDENDS

Dividend

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

BORROWING POWERS

The borrowing powers of the directors of the Company and its subsidiaries have not been exceeded and may only be varied by amending the relevant provisions of the Memorandum of Incorporation of the particular company. Such amendment must be affected in accordance with sections 16(1) and 16(4) of the Companies Act and would require a special resolution.

The directors of subsidiaries within the Group are restricted from borrowing any amount without the approval of subsidiaries' majority shareholder.

DIRECTORS' REPORT (CONTINUED)

LEGAL PROCEEDINGS

There are no governmental, legal or arbitration proceedings, including any proceedings that are pending or threatened, of which the board is aware, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position except for the contingent liability relating to a claim from the owner of the Atlantis Group as disclosed in note 43.

The Group is not a party to unduly onerous funding arrangements.

MATERIAL CHANGE

The financial and trading position of Master Drilling Group Limited has not materially changed for the financial year. The ultimate holding company, Master Drilling Group Limited, is incorporated in South Africa.

CHANGES TO THE BOARD

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

SEPARATE COMPANY FINANCIAL STATEMENTS

A copy of the Master Drilling Group Limited company financial statements can be found on the company's website (www.masterdrilling.com).

ANNUAL GENERAL MEETING

The annual general meeting of Master Drilling Group Limited will be held virtually, on Monday, 13 June 2022 at 09:00. More details on arrangements around the virtual annual general meeting will be disclosed in the notice and proxy that will be available no later than 30 April 2022.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The subsidiaries, associates and joint arrangements of Master Drilling are disclosed in notes 31, 35 and 39 respectively of this document.

EVENTS SUBSEQUENT TO YEAR-END

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

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

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

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

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

COVID-19 PANDEMIC

Various measures have been announced by governments around the world in response to the Covid-19 pandemic. The Group is mainly operating in the mining industry and sought to comply with the specific government measures in the countries that it operates in as well as with the specific measures implemented by its customers. The Group remained fully committed to doing its part in limiting the spread of the Covid-19 virus, with stringent workplace measures in place and further measures to be implemented as required. Ensuring the safety of our staff, their families, and communities, and delivering our service to our clients, businesses and countries that we serve, remain key priorities. As the Group, we will continue our best endeavours to support all our key stakeholders and the countries in which we operate.

During the year, the Group received the following benefits from government institutions:

Europe

In Sweden, the Group received government assistance to the value of SEK2.4 million to sustain the business operations within the country. There were no special conditions linked to the assistance received from the government and the amount was disclosed as part of the Group’s other income in the income statement.

United States of America

In the USA, the Group received government assistance in the form of an interest free loan of USD0.3 million. During 2021, the US Government forgave the loan. The Group disclosed the forgiven loan as part other income in the financial statements.

Canada

In Canada, the Group received government assistance to the value of CAD0.9 million to sustain the business operations within the country. There were no special conditions linked to the assistance received from the government and the amount was disclosed as part of the Group’s other income in the income statement.

MATERIAL RESOLUTIONS

No material special shareholders resolutions were passed during the year under review, except those passed at the annual general meeting held on 14 June 2021. Copies of all material shareholders resolutions taken by the subsidiaries during the year under review may be obtained from the office of the Company Secretary.

OPERATING SEGMENTS

There were no changes made to the reporting segments during the current financial year. See note 30 for more details.

On behalf of the Board

Hendrik Roux van der Merwe
Chairman

Johannesburg
21 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

	Note(s)	2021 USD Audited	2020 USD Audited
Assets			
Non-current assets			
Property, plant and equipment	3	**151 329 760**	156 281 876
Intangibles and goodwill	4	**5 242 991**	3 448 922
Financial assets	5	**5 112 298**	5 303 058
Deferred tax asset	6	**1 308 218**	1 651 701
Related-party loans	26	**101 900**	–
Investment in joint venture	39	**4 027 024**	–
Investment in associates	35	**5 693 903**	–
		172 816 094	166 685 557
Current assets			
Inventories	7	**33 553 420**	24 627 227
Related-party loans	26	**–**	105 377
Trade and other receivables	8	**54 469 805**	43 842 104
Current tax receivable		**4 125 018**	2 687 120
Call option asset	38	**2 322 360**	–
Derivative financial instruments	37	**54 604**	18 959
Cash and cash equivalents	9	**22 789 752**	24 790 077
		117 314 959	96 070 864
Non-current assets held for sale	36	**–**	2 381 810
		117 314 959	98 452 674
Total assets		**290 131 053**	265 138 231
Equity and liabilities			
Equity			
Share capital	10	**149 259 486**	149 259 486
Reserves		**(110 319 177)**	(100 641 125)
Retained income		**137 593 905**	117 773 867
		176 534 214	166 392 228
Non-controlling interest		**9 834 821**	9 757 161
		186 369 035	176 149 389
Liabilities			
Non-current liabilities			
Interest bearing borrowings	12.1	**143 909**	27 083 992
Lease liabilities	13	**4 507 689**	3 589 672
Instalment sales liabilities	14	**477 810**	282 920
Contract liability	40	**3 932 115**	–
Contingent consideration	41	**1 195 290**	–
Deferred tax liability	6	**8 636 487**	9 405 537
		18 893 300	40 362 121
Current liabilities			
Interest bearing borrowings	12.1	**32 024 901**	15 021 835
Lease liabilities	13	**292 543**	357 885
Instalment sales liabilities	14	**563 173**	533 576
Related party loans	26	**357 292**	183 950
Current tax payable		**5 435 563**	5 614 795
Put option liability	38	**314 675**	–
Trade and other payables	16	**35 516 720**	26 914 680
Derivative financial instruments	37	**195 422**	–
Provisions	16	**2 314 809**	–
Contract liability	40	**4 726 181**	–
Contingent consideration	41	**1 725 210**	–
Cash and cash equivalents	9	**1 402 229**	–
		84 868 718	48 626 721
Total liabilities		**103 762 018**	88 988 842
Total equity and liabilities		**290 131 053**	265 138 231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

	Note(s)	2021 USD	2020 USD
Revenue	17	**171 836 530**	123 141 882
Cost of sales		**(123 198 088)**	(95 175 065)
Gross profit		**48 638 442**	27 966 817
Other operating income	18	**4 160 714**	2 348 058
Other operating expenses		**(23 994 766)**	(18 004 684)
Movement of expected credit loss allowances	8	**(1 032 149)**	(1 194 200)
Operating profit	19	**27 772 241**	12 310 191
Investment income	20	**518 961**	272 565
Finance costs	21	**(2 558 208)**	(2 964 742)
Gain on bargain purchase	25.3	**–**	592 916
Loss on disposal of investment in associate		**–**	(1 378 542)
Fair value adjustment	37 + 38	**1 885 826**	–
Share of profit/(loss) from equity accounted investments	35 + 39	**521 402**	(151 276)
Profit before taxation		**28 140 222**	7 486 912
Taxation	22	**(8 225 912)**	(4 279 745)
Profit for the year		**19 914 310**	3 207 167
Other comprehensive income that will subsequently be classified to profit and loss:			
Exchange differences on translating foreign operations		**(9 678 052)**	(2 225 307)
Other comprehensive loss for the year net of taxation		**(9 678 052)**	(2 225 307)
Total comprehensive income		**10 236 258**	981 860
Profit/(Loss) attributable to:		**19 914 310**	3 207 167
Owners of the parent		**20 026 271**	3 336 421
Non-controlling interest		**(111 961)**	(129 254)
Total comprehensive income/(loss) attributable to:		**10 236 258**	981 860
Owners of the parent		**10 348 219**	1 111 114
Non-controlling interest		**(111 961)**	(129 254)
Earnings per share (USD)	24		
Basic earnings per share (cents)		**13.2**	2.2
Diluted earnings per share (USD)	24		
Diluted basic earnings per share (cents)		**13.2**	2.2
Earnings per share (ZAR)			
Basic earnings per share (cents)		**195.3**	36.3
Diluted earnings per share (ZAR)			
Diluted basic earnings per share (cents)		**195.3**	36.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December

USD	Share capital	Equity arising on formation of the Group	Foreign currency translation reserve	Transactions between equity holders
Balance as at 31 December 2019	148 703 721	(58 264 013)	(41 897 821)	1 611 385
Share-based payments	–	–	–	–
Issue of share capital	555 765	–	–	–
Dividends declared by subsidiaries	–	–	–	–
Total comprehensive income for the year	–	–	(2 225 307)	–
Total changes	**555 765**	**–**	**(2 225 307)**	**–**
Balance as at 31 December 2020	**149 259 486**	**(58 264 013)**	**(44 123 128)**	**1 611 385**
Dividends declared by subsidiaries	**–**	**–**	**–**	**–**
Sale of interest in subsidiary	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**(9 678 052)**	**–**
Total changes	**–**	**–**	**(9 678 052)**	**–**
Balance as at 31 December 2021	**149 259 486**	**(58 264 013)**	**(53 801 180)**	**1 611 385**
Note(s)	10	11		

Share-based payments reserve	Total reserves	Retained income	Attributable to owners of the parent	Non-controlling interest	Total Shareholders' equity
575 623	(97 974 826)	114 437 446	165 166 341	9 964 308	175 130 649
62 574	62 574	–	62 574	–	62 574
(503 566)	(503 566)	–	52 199	–	52 199
–	–	–	–	(77 893)	(77 893)
–	(2 225 307)	3 336 421	1 111 114	(129 254)	981 860
(440 992)	**(2 666 299)**	**3 336 421**	**1 225 887**	**(207 147)**	**1 018 740**
134 631	**(100 641 125)**	**117 773 867**	**166 392 228**	**9 757 161**	**176 149 389**
–	**–**	**–**	**–**	**(16 612)**	**(16 612)**
–	**–**	**(206 233)**	**(206 233)**	**206 233**	**–**
–	**(9 678 052)**	**20 026 271**	**10 348 219**	**(111 961)**	**10 236 258**
–	**(9 678 052)**	**19 820 038**	**10 141 986**	**77 660**	**10 219 646**
134 631	**(110 319 177)**	**137 593 905**	**176 534 214**	**9 834 821**	**186 369 035**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December

	Note(s)	2021 USD	2020 USD
Cash flows from operating activities			
Cash generated from operations	25.1	**42 952 024**	29 614 914
Interest received		**246 494**	220 478
Finance costs		**(1 674 018)**	(2 142 606)
Tax paid	25.2	**(9 008 759)**	(2 180 925)
Net cash inflow from operating activities		**32 515 741**	25 511 861
Cash flows from investing activities			
Purchase of property, plant and equipment		**(17 533 557)**	(9 221 450)
Purchase of intangibles		**(1 292 702)**	(52 670)
Sale of property, plant and equipment		**927 792**	1 421 106
Advances to related parties		**(4 530)**	(15 350)
Non-current asset held for sale proceeds		**–**	–
Proceeds on disposal of associate		**–**	56 000
Additional investment in associate		**(5 053 615)**	(285 824)
Acquisition of joint arrangement		**(1 225 411)**	–
Acquisition of business	25.3	**–**	(941 601)
Net cash outflow from investing activities		**(24 182 023)**	(9 039 789)
Cash flows from financing activities			
Advance from financial liabilities	12.2	**138 848**	–
Repayment of financial liabilities	12.2	**(9 780 589)**	(9 393 708)
Repayment of capital portion of lease liabilities	12.2	**(502 810)**	(783 520)
Repayment of capital portion of instalment sales agreements	12.2	**(565 495)**	(230 986)
Advances from related parties		**188 194**	(292 512)
Issue of share capital		**–**	52 199
Dividends paid to non-controlling interest		**(1 661)**	(15 354)
Net cash outflow from financing activities		**(10 523 513)**	(10 663 881)
Total cash (outflow)/inflow for the period		**(2 189 795)**	5 808 191
Cash at the beginning of the period		**24 790 077**	19 507 205
Effect of exchange rate movement on cash balances		**(1 212 759)**	(525 319)
Total cash at end of the period	9	**21 387 523**	24 790 077

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL INFORMATION

The Group's consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act and the JSE Listings Requirements. The consolidated annual financial statements have been prepared on the historical cost basis, except for certain financial instruments at fair value or amortised cost and incorporate the principal accounting policies set out below. They are presented in United States Dollar ("USD"). The 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 annual financial year ending 31 December 2021 as indicated in note 2.1 below.

1.1 Functional and presentation currency

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

1.2 Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES (CONTINUED)

1.3 Business combinations

The Group applies the acquisition method in accounting for business combinations.
The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the Group annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial information and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial information. Significant judgements and areas of uncertainty include:

Estimates and assumptions

(a) Trade receivables

In making this assessment, as far as available, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from various other external sources such as economic expert reports, financial analysts, governmental bodies as well as consideration of actual and forecast economic and other information such as expected growth rates, market condition, and others that relate to the Group's core operations. These assessments are done in the various business units for the specific countries that it operates in.

(b) Goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

(c) 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 Group 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.

(d) Deferred taxation

The Group 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 Group 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 Group to realise the net deferred tax assets recorded at the end of the reporting year could be impacted.

(e) Useful lives of depreciable assets

Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain assets. Management uses judgement to determine the useful lives and residual values based on the specific environmental conditions it operates within. As the majority of the assets are purpose built, no specific benchmark is available.

(f) Covid-19 Pandemic

The effects of Covid-19 have resulted in estimates and assumptions being significant in the current period when they had not been in the past. This is due to the uncertainty introduced by the effects of the pandemic, such as collection risk for customers, the cash flows included in estimates of recoverable amounts.

(g) Intangible assets

Management reviews its estimate of the useful lives and residual values of depreciable intangibles at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain intangibles. Management uses judgement to determine the useful lives and residual values based on the specific environmental conditions it operates within.

(h) Financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data; and

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

1.4 **Significant judgements and sources of estimation uncertainty** continued

(h) Financial instruments continued

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and over the counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values.

For more complex instruments such as investments in unlisted equities, the Group uses primarily the Discounted Cash Flow and Black Scholes valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates such as comparable beta ratios or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, selection of appropriate discount rates, forecasted and terminal growth rates and other model inputs.

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised (all amounts in USD as at 31 December 2021):

	Notes	Level 1	Level 2	Level 3	**Total**
Derivative financial instrument	37	–	54 604	–	**54 604**
Call option asset	38	–	–	2 322 360	**2 322 360**
Contingent consideration	41	–	–	(2 920 500)	**(2 920 500)**
Derivative financial instrument	37	–	(195 422)	–	**(194 946)**
Put option liability	38	–	–	(314 675)	**(314 675)**

Judgements

(i) Joint arrangements

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

(j) De-facto control

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

1.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost in the functional currency as established at the date of acquisition of the business (see note 4) less accumulated impairment losses, if any. Goodwill is translated to presentation currency and the difference is accounted for as a foreign currency translation difference.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

1.6 Investment in associate

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

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

1.7 Investment in joint arrangements

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

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

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

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

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

1.8 Intangibles

Patents are acquired by the Group and have an indefinite useful life and are thus not depreciated as the Group's plan and ability are to renew and maintain the patent indefinitely. It is expected that the patents will generate revenue for the Group for an unlimited period of time. Patents are carried at cost less accumulated impairment losses. Patents are assessed annually for possible impairment.

1.8 Intangibles continued

Software licence agreements are acquired by the Group and have an indefinite useful life and is thus not depreciated as the Group's plan and ability is to renew and maintain the patent indefinitely. It is expected that the software licence agreements will generate revenue for the Group for an unlimited period of time. Software licence agreements are carried at cost less accumulated impairment losses. Software licence agreements are assessed annually for possible impairment.

Computer software are initially measured at cost and subsequently at cost less any accumulated amortisation and accumulated impairment losses.

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

Costs include costs incurred initially to acquire computer software.

Item	Average useful life	Depreciation Method
Computer software	3 – 10 years	Straight line

1.9 Property, plant and equipment

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

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

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

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

Item	Average useful life	Depreciation method
Land	Indefinite	Not Applicable
Buildings	20 years	Straight line
Drilling Rigs (included under plant and machinery)		
– Raisebore\Piling	20 years	Straight line
– Blindhole	20 years	Straight line
– Blasting	15 000 machine hours	Units of production
– Mobile tunnel boring	10 000 drilling metres	Units of production
– Dropraise	20 years	Straight line
– Slim drilling rigs (surface)	10 years	Straight line
– Slim drilling rigs (underground)	3 – 5 years	Straight line

Other drilling equipment (included under plant and machinery)		
– Drill rods	Remaining life percentages	Diminishing value
– Slim drilling surface rods	2 years	Straight line
– Drum rods	15 000 drilling metres	Units of production
– Reamers and reamer wings	2 000 drilling metres	Units of production
– Fins	1 000 drilling metres	Units of production
– Stem bars	800 drilling metres	Units of production
– Pilot and reaming stabilisers	800 drilling metres	Units of production
– Cross overs	600 drilling metres	Units of production
– Bitsubs	600 drilling metres	Units of production
– Raise beams	5 years	Straight line
– Locomotives	5 years	Straight line
– Tool and rod cars	5 years	Straight line
– Water pumps	5 years	Straight line
Furniture and fixtures	5 – 10 years	Straight line
Vehicles		
– Light duty vehicles	2 – 5 years	Straight line
– Heavy duty vehicles	5 – 10 years	Straight line
IT equipment	5 years	Straight-line

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year based on the economic, market and operating environment conditions. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset. Depreciation is recognised on a straight-line basis or units of production method as appropriate, to write down the cost less estimated residual values of the property, plant and equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.10 Segment reporting

The chief operating decision maker of the Group is the Chief Executive Officer. Information reported to the group’s chief operating decision maker for purposes of resource allocation and assessment of segment performance is focused on geographical areas. Each reportable segment derives its revenues from drilling related services.

The Group has four operating segments. In identifying these operating segments, the group’s chief operating decision maker reviews allocated resources based on the geographical areas. Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources.

1.11 Financial instruments

Financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(a) Classification

The Group classifies financial assets and financial liabilities into the following categories:

- amortised cost; and
- fair value through profit and loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL, if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value, and net gains and losses including any interest expense, are recognised in profit or loss.

(b) Initial recognition and measurement

Financial instruments are recognised initially at amortised cost and fair value through profit and loss. Transaction costs are recognised in profit and loss.

(c) 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.

Trade receivables are carried at amortised cost less expected credit losses using the Group's business model for managing its financial assets.

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 expected credit losses which is presented as a separate line item on the consolidated statement of profit or loss and other comprehensive income.

All derivative financial instruments are subsequently measured at fair value through profit and loss.

(d) Impairment of financial assets

IFRS 9's impairment requires the use of forward-looking information to recognise expected credit losses. The Group uses the simplified approach on the expected credit loss measurements for trade receivables based on a provision matrix. The Group considers risks related to the clients that it deals with in the industries it operates in to calculate the expected credit loss measurements. The Group's clients have been fairly consistent over an extensive period of time, making it possible to consider the past events, current conditions, reasonable and supportable forecasts available in the determination of the expected credit loss measurements.

Instruments for which expected credit losses are recognised include cash and cash equivalents 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.

Besides for the trade and receivables, the Group performed credit risk assessment on its financial assets, related parties and cash and cash equivalents and concluded that expected credit loss measurements are immaterial. Refer to notes 8, 9 and 26 respectively for more details on the assessment of expected credit losses.

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

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').

Expected credit losses and reversal of expected credit losses are recognised in profit or loss.

The Group 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 expected credit loss, the Group makes use of the simplified method approach as disclosed in note 8.

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.

Expected credit losses and reversal of expected credit losses are recognised in profit or loss.

1.11 Financial instruments continued

(e) Loans to/(from) related parties

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

Loans to related parties are classified as financial assets carried at amortised cost.

Loans from related parties are classified as financial liabilities measured at amortised cost.

(f) Loans to employees

These financial assets are classified as financial assets carried under amortised cost.

(g) Financial assets

These financial assets as disclosed in note 5 are classified as financial assets carried under amortised cost.

(h) 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.

(i) Trade and other payables

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

(j) 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.

(k) Bank overdrafts and borrowings

Bank overdrafts and borrowings are initially measured at fair value including transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group’s accounting policy for borrowing costs.

(l) Derivative financial instruments

Fair values for simple over-the-counter derivative financial instruments are based on market quotes. These quotes are assessed for reasonableness by discounting estimated future cash flows using the market rate for similar instruments at measurement date.

1.12 Non-current assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, non-current assets are no longer depreciated.

1.13 Tax

(a) Current tax assets and liabilities

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

Current tax liabilities (assets) for the current and prior years 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 reporting year.

(b) Deferred tax assets and liabilities

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

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

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

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

(c) Tax expenses

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

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

1.14 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

On initial recognition, the carrying amount of lease liability includes amount expected to be payable under the agreement while the right of use asset are initially measured at the same amount as the lease liability.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

When the group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Refer to note 3 and 13 of the financial statements to see the impact of both the right of use of assets and liabilities.

1.15 Provisions

The group has recognised provisions for liabilities of uncertain timing or amount for incentives. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

1.16 Inventories

Inventories are measured at the lower of cost and net realisable value. Allowance for obsolete stock is made on the basis of stock becoming redundant and no future economic benefits is expected to flow to the Group.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

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

The cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

1.17 Impairment of goodwill and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment, and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which Management monitors goodwill.

An impairment loss is recognised for the amount by which the assets or cash-generating units carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is allocated *pro rata* to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the assets or cash-generating unit's recoverable amount exceeds it carrying amount.

1.18 Employee benefits

(a) 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 as an expense in the year 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.

(b) Defined contribution plans

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

1.19 Contingencies

Contingent assets are disclosed when it is probable that there will be an inflow of future economic benefits. Contingent liabilities are recognised as a provision when it is probable that there will be an outflow of economic resources, unless the possibility of an outflow of economic resources is remote.

1.20 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a service to a customer using the five-step approach in the revenue framework in IFRS 15. The Group performance obligation is to provide drilling services to its customers. Drilling revenue is recognised as revenue when the outcome of the drilling can be estimated reliably to the actual chargeable meters drilled. Such services are recognised as a performance obligation is satisfied over time when the drilling service has met the performance obligations under IFRS 15. Payment for drilling services is contractually agreed in advance and is not due from the customer until the drilling service has been performed and invoiced. Revenue from the provision of services in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

The length of the Group's contracts varies between a couple of months to a maximum of five-years based on the drilling services to be rendered to the customers. Payment terms are negotiated with each customer individually.

The outcome can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the drilling service rendered will flow to the Group;
- the work performed of the drilling service at the end of the reporting period can be measured reliably and has been agreed with the customer; and
- the costs incurred for and to complete the drilling can be measured reliably.

Management's assessment indicated that the contract's performance obligations and related contract costs are realised over time and revenue for the Group is recognised using the output method based on the progress towards completion of the contract and meters drilled. The selling prices are contract specific.

The Group has taken advantage of the practical exemptions:

- not to account for significant financing components where the time difference between receiving consideration and transferring control of services to its customers is one year or less; and
- expense the incremental costs of obtaining a contract when the amortization period of the asset otherwise recognized would have been one year or less.

1.21 Investment income

Interest is recognised, in profit or loss, using the effective interest rate method. Interest is disclosed as investment income in the statement of profit and loss and other comprehensive income.

Dividends are recognised, in profit or loss, when the Group's right to receive payment has been established. Dividends received is disclosed as investment income in the statement of profit and loss and other comprehensive income.

1.22 Cost of sales

The related cost of providing services recognised as revenue in the current year is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.23 Translation on foreign currencies

(a) Foreign currency translation

A foreign currency transaction is translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

At the end of the reporting year:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in previous financial statements are recognised in profit or loss in the year in which they arise.

When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(b) Translation to presentation currency

The results and financial position of operations are translated into the presentation currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated as a foreign currency translation reserve.

1.23 Translation on foreign currencies continued

(b) Translation to presentation currency

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through other comprehensive income on disposal of the net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

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.

1.24 Share-based payments

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

(a) 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 Group'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. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS

2.1 Standards, amendments and interpretations adopted

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 2021 as indicated below:

- IFRS 7 *Financial instruments: Disclosures (Interest rate benchmark reform phase 2);*
- IFRS 9 *Financial instruments (Interest rate benchmark reform phase 2);*
- IAS 39 *Financial instruments: Disclosures (Interest rate benchmark reform phase 2)*

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 2021. 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 group

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 Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group'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 Group's annual financial statements is provided below.

2.2.1 IAS 16 *Property, Plant and Equipment*

Amendments were made to proceeds before intended use.

IAS 16 is effective from periods beginning on or after 1 January 2022.

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

2.2.2 IAS 1 *Presentation of financial statements*

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 2023.

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

2.2.3 IAS 1 *Disclosure of accounting policies*

Amendments were made to the disclosure of material accounting policy information rather than the significant accounting policies.

IAS 1 is effective from periods beginning on or after 1 January 2023.

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

ACCOUNTING POLICIES (CONTINUED)

2. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS CONTINUED

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

2.2.4 IAS 37 *Provisions, contingent liabilities and contingent assets*
Amendments were made to the cost of fulfilling an onerous contract.

IAS 37 is effective from periods beginning on or after 1 January 2022.

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

2.2.5 IFRS 3 *Reference to Conceptual Framework*
Amendments were made to the conceptual framework for financial reporting without changing the accounting requirements for business combinations.

IFRS 3 is effective from periods beginning on or after 1 January 2022.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

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

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

Borrowing cost

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

3.1 Reconciliation of property, plant and equipment

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

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

Security

Moveable assets to the value of ZAR1,2 billion (USD75.3 million at closing spot rate) of the South African subsidiaries have been bonded to ABSA Capital as security for an interest bearing loan.

Property, plant and equipment to the value of SEK11.0 million (USD1.3 million at closing rate) of the European entity have been pledged to Swedbank as security for an interest bearing loan.

Impairment

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

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

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

4. INTANGIBLE ASSETS AND GOODWILL

4.1 Intangible assets

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

4. INTANGIBLE ASSETS AND GOODWILL CONTINUED

4.1 Intangible assets continued

Software licence agreement

The Group acquired an approximate 25% ownership in software licence agreements. This software licence agreements provides an fully integrated solution to clients for monitoring and tracking of plant and human resources on mines to ensure compliance with policies, practices and procedures in force in the mines, to promote and enhance safety and productivity on the mines and provide intelligence to management of mines for development of future resource strategies.

Impairment testing

For the purpose of annual impairment testing, patents are allocated to the plant and machinery within the group that is expected to benefit from the use of the patent.

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

The recoverable amount for the business utilising the patent exceeds the carrying value by USD2 475 460 (2020: USD4 335 359)

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

Growth rate

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

Discount rate

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

Cash flow assumptions

Management's key assumptions include the present value of the cash flow to be generated by utilisation of the patent discounted at the applicable discount rate. Five year cash flow projections reflect these benefits to be realised.

4.2 Goodwill

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

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

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

Impairment testing

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

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

4. INTANGIBLE ASSETS AND GOODWILL CONTINUED

4.2 Goodwill continued

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

Growth rate

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

Discount rate

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

Cash flow assumptions

Management's key assumptions include the discounted future net cash flows generated using the applicable discount rate. Five year cash flow projections reflect these benefits being realised.

5. FINANCIAL ASSETS

Subsidiary	**Master Drilling Exploration (Pty) Ltd**	**Drilling Technical Services (Pty) Ltd**	**Total**
Investment in BEE Partner	**Epha Drilling (Pty) Ltd**	**Mosima Drilling (Pty) Ltd**	
2021 USD			
Opening balance	**5 201 019**	**102 039**	**5 303 058**
Exchange rate differences on translation	**(439 630)**	**(8 646)**	**(448 276)**
Preference dividends receivable capitalised	**267 224**	**5 243**	**272 467**
Ordinary dividend received	**(14 951)**	**–**	**(14 951)**
Closing balance	**5 013 662**	**98 636**	**5 112 298**
2020 USD			
Opening balance	5 225 425	95 220	5 320 645
Exchange rate differences on translation	(219 885)	1 893	(217 992)
Preference dividends receivable capitalised	258 018	4 926	262 944
Ordinary dividend received	(62 539)	–	(62 539)
Closing balance	5 201 019	102 039	5 303 058

Variable rate cumulative redeemable preference shares. The variable rate is 72% of the prevailing South African prime overdraft rate as published by First National Bank.

Preference shares are redeemable the earlier of 10 years from date of issue or at the election of the holder when the BEE company ceases to be wholly-owned by historically disadvantaged individuals.

The carrying amounts of the financial assets approximate its fair value. Based on the assessment of the recoverable amount of the financial assets, no indicators of expected credit losses were identified. The financial assets are carried at amortised cost.

6. DEFERRED TAX

	2021 USD	2020 USD
Property, plant and equipment	**13 012 491**	11 687 584
Pre-payments	**5 562**	33 614
Allowance for expected credit losses	**(330 299)**	(21 217)
Provisions	**(648 147)**	–
Leases	**(125 665)**	608 295
Contract liability	**(1 093 834)**	–
Accrual for employee benefits	**(361 337)**	(547 065)
Estimated losses	**(3 055 389)**	(3 873 588)
Unrealised foreign exchange profit/loss	**(75 113)**	(133 787)
Net deferred tax liability	**7 328 269**	7 753 836
Reconciliation of net deferred tax liability		
Reported as at 1 January	**7 753 836**	5 427 298
Exchange differences on translation of foreign operations	**(540 967)**	104 867
Property, plant and equipment	**1 920 479**	1 096 236
Pre-payments	**6 207**	(347 203)
Income in advance	**–**	25 074
Allowance for expected credit losses	**(300 307)**	250 093
Leases	**(732 331)**	(235 031)
Provisions	**(658 456)**	–
Contract liability	**(1 187 252)**	–
Accrual for employee benefits	**(253 414)**	196 551
Estimated losses	**1 371 233**	1 223 533
Unrealised foreign exchange profit/loss	**(50 759)**	12 418
	7 328 269	7 753 836
As disclosed in terms of IAS 12:		
Deferred tax liability	**8 636 487**	9 405 537
Deferred tax asset	**(1 308 218)**	(1 651 701)
	7 328 269	7 753 836

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

The total unrecognised assessed loss at 31 December 2021 is USD3 589 869 (2020: USD7 950 226).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

7. INVENTORIES

	2021 USD	2020 USD
Consumables	**20 400 439**	15 180 775
Cutters	**12 662 267**	8 521 573
Work in progress	**907 528**	1 171 641
	33 970 234	24 873 989
Allowance for obsolete inventory	**(416 814)**	(246 762)
	33 553 420	24 627 227

The carrying amount of inventory as presented reflects the cost price of inventory less allowance for obsolete inventory.

The Group reversed write-down of inventory during the current period to the value of USD0 (2020: USD99 831).

8. TRADE AND OTHER RECEIVABLES

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

	2021 USD	2020 USD
Trade receivables of South African subsidiaries have been ceded to ABSA Capital as security for an interest bearing loan. Retention receivables are collectable within a period of 12 months.		
The Group's policy does not allow for loans to employees to exceed the monetary value of earnings due to the employee in the notice period. As a result no expected credit loss allowances have been recognised.		
Deposits represent deposits held as security for rentals and utilities across the world where the Group operates. Deposits are generally a month's rental and/or payment in advance and no expected credit losses have been recognised as one would expect to still receive the service for the month that notice is given by the supplier.		
Retention trade receivables are considered for expected credit losses based on the same assumptions as for normal trade receivables. The increase in the expected credit losses is due to specific provisions that were made for trade receivables with a higher risk of non-payment.		
The movement in expected credit losses is presented below		
Balance 1 January	**3 731 677**	2 795 329
Exchange differences on translation of foreign operations	**37 005**	(257 852)
Amounts written off	**–**	–
Allowance for credit losses provided for	**1 032 149**	1 194 200
	4 800 831	3 731 677
Expected credit losses matrix:		
Current	**0.15% to 3.15%**	0.10% to 3.25%
30 days	**0.10% to 3.25%**	0.20% to 3.50%
31 to 60 days	**3.00% to 3.50%**	3.21% to 3.95%
61 to 90 days	**3.55% to 4.00%**	3.57% to 4.45%
90 + days	**4.10% to 4.50%**	4.12% to 4.85%
The carrying amount in USD of trade and other receivables are denominated in the following currencies:		
United States Dollar (USD)	**15 932 427**	14 892 558
South African Rands (ZAR)	**11 978 717**	6 489 979
Brazilian Reals (BRL)	**5 043 442**	3 279 495
Mexican Peso (MXN)	**–**	–
Chilean Peso (CLP)	**7 559 807**	5 297 898
Peruvian Nuevo Sol (PEN)	**1 357 156**	1 058 815
CFA Franc BCEAO (XOF)	**–**	708 394
Chinese Yuan Renminbi (CNY)	**449 573**	46 331
Guatemalan Quetzal (GTQ)	**8 677**	8 030
Zambian Kwacha (ZMW)	**577 135**	–
Turkish Lira (TRY)	**–**	9 758
Colombian Peso (COP)	**3 867**	33 781
Botswana Pula (BWP)	**–**	808 659
Swedish Krona (SEK)	**1 971 939**	1 307 457
Australian Dollar (AUD)	**1 585 708**	2 151 360
Canadian Dollar (CAD)	**3 291 519**	3 911 745
Indian Rupee (INR)	**4 709 838**	3 837 844
	54 469 805	43 842 104

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

9. CASH AND CASH EQUIVALENTS

	2021 USD	2020 USD
Cash on hand	47 466	30 725
Bank balances	20 545 221	24 429 036
Short-term deposits (*)	2 197 065	330 316
Bank overdraft	(1 402 229)	–
	21 387 523	24 790 077
Current assets	22 789 752	24 790 077
Current liabilities	1 402 229	–

(*) Includes a bank guarantee that ICICI Bank holds to the value of INR 24 995 520 as cover for supplier invoices as well as a bank guarantee that NAB holds to the value of AUD1 820 529

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions the Group holds accounts with major international banks within the countries it operates with credit ratings ranging between Baa1 and Baa3. No expected credit losses allowances have been recognised.

10. SHARE CAPITAL

Authorised	2021 Number of shares		2020 Number of shares	
Ordinary no par value shares	500 000 000	–	500 000 000	–

Reconciliation of number of shares issued:	2021 Number of shares	2021 Value USD	2020 Number of shares	2020 Value USD
Balance at the beginning of the period	151 262 777	149 259 486	150 592 777	148 703 721
Movement	–	–	670 000	555 765
Balance at the end of the period	151 262 777	149 259 486	151 262 777	149 259 486

The un-issued shares are under the control of the directors. The increase in the number of issued shares in 2020 is as a result of share options exercised.

11. EQUITY ARISING ON FORMATION OF THE GROUP

	2021 USD	2020 USD
Foreign entities acquired through business combinations	9 594 855	9 594 855
South African entities acquired through business combinations	21 506 359	21 506 359
South African assets acquired through business combinations	27 162 799	27 162 799
Total	58 264 013	58 264 013

Equity that arose with the formation of the Group on the initial Johannesburg Stock Exchange Listing. Refer to note 1.2 for the accounting policy related to the equity arising on formation of the Group.

12. INTEREST-BEARING BORROWINGS

		2021 USD	2020 USD
12.1	**Held at amortised cost**		
	Secured		
	ABSA Capital, a division of ABSA Bank Limited *A portion of the loan, USD20 904 876, is denominated in USD. The remainder of the loan, USD10 894 071, is denominated in ZAR. The loan is repayable in 20 quarterly instalments.* *The USD denominated portion of the loan bears interest at a marginal rate of between 3.45% and 3.90% over libor as applicable. The remainder of the loan is denominated in ZAR and bears interest at a marginal rate of between 3,45% and 3,90% over jibar as applicable. The full capital value of the loan is repayable by the end of June 2022 while interest is repayable in quarterly instalments since September 2017.*	**31 798 947**	41 059 188
	Swedbank *The loan is denominated in Swedish Krona, secured by owned plant and machinery which is pledged as collateral. The loan bears interest at a 2.45% 3-month fixing period rate.* *The loan is repayable in equal quarterly instalments of which the final will be payable in 2023.*	**240 986**	1 046 639
	Industrial Development Corporation *The loan is denominated in South African Rands, and together with the IDC forms part of the Group investment in new technology. The loan currently bears no interest and may be repayable after the initial term of 7 years.*	**128 877**	–
	Total interest-bearing borrowings	**32 168 810**	42 105 827
	Non-current liabilities		
	At amortised cost	**143 909**	27 083 992
	Current liabilities		
	At amortised cost	**32 024 901**	15 021 835
		32 168 810	42 105 827

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

12. INTEREST-BEARING BORROWINGS continued

12.2 Changes in liabilities arising from financing activities

	2021 USD	2021 USD	2021 USD	2021 USD	2021 USD
	Interest bearing borrowings	**Leases**	**Instalment Sales Agreement**	**Related Parties**	**Total**
Opening balance	**42 105 827**	**3 947 557**	**816 496**	**183 950**	**47 053 830**
Foreign exchange movement	**(919 272)**	**(259 735)**	**(148 496)**	**(14 622)**	**(1 342 125)**
Remeasurement	**–**	**1 170 032**	**–**	**–**	**1 170 032**
New agreements	**–**	**445 188**	**938 478**	**–**	**1 383 666**
Accrued interest	**623 996**	**385 530**	**46 537**	**–**	**1 056 063**
Interest paid	**–**	**(385 530)**	**(46 537)**	**–**	**(432 067)**
Cash received	**138 848**	**–**	**–**	**188 194**	**327 042**
Cash flows – repayments	**(9 780 589)**	**(502 810)**	**(565 495)**	**(230)**	**(10 849 124)**
Closing balance	**32 168 810**	**4 800 232**	**1 040 983**	**357 292**	**38 367 317**

	2020 USD	2020 USD	2020 USD	2020 USD	2020 USD
	Interest bearing borrowings	Leases	Instalment Sales Agreement	Related Parties	Total
Opening balance	51 447 312	5 991 857	1 516 775	481 067	59 437 011
Foreign exchange movement	(462 683)	(112 205)	(469 293)	(4 605)	(904 546)
Derecognition	–	(1 495 499)	–	–	(1 495 499)
Accrued interest	514 906	346 924	–	–	861 830
Cash flows – drawdown	–	–	–	–	–
Cash flows – repayments	(9 393 708)	(783 520)	(230 986)	(292 512)	(10 844 966)
Closing balance	42 105 827	3 947 557	816 496	183 950	47 053 830

13. LEASE LIABILITIES

	2021 USD	2020 USD
Lease liabilities		
Minimum lease payment due		
– within one year	**676 046**	723 305
– in second to fifth year	**2 686 127**	2 438 632
– more than five years	**6 672 938**	2 916 144
	10 035 111	6 078 081
Less: Future finance charges	**(5 234 878)**	(2 130 524)

	2021 USD	2020 USD
Present value of minimum lease payment	**4 800 233**	3 947 557
– within one year	**292 543**	357 885
– in second to fifth year	**1 301 751**	1 302 463
– more than five years	**3 205 938**	2 287 209
	4 800 232	3 947 557
Lease obligation reconciliation		
Opening balance	**3 947 558**	5 991 857
Remeasurement	**1 170 032**	–
Interest expense	**360 749**	346 924
Additions	**445 187**	–
Lease payments	**(863 559)**	(783 520)
Derecognition	**–**	(1 495 499)
Foreign exchange movements	**(259 735)**	(112 205)
Closing balance	**4 800 232**	3 947 557

The lease liabilities are related to the right of use asset for land and buildings as disclosed in note 3. The lease liabilities relate to land and buildings being leased across the world where the Group has a footprint. The lease periods vary between 3 to 20 years and interest rates used are based on the country specific market conditions.

During the current year, a lease liability was remeasured with two of the subsidiaries within the African segment where renewal lease agreements with an option to extend were put in place.

The Group has low-value assets for which it does not recognise any lease liabilities or corresponding right of use asset that relates primarily to the rental of office equipment. The value of low-value asset expenses amounted to USD172 528 (2020: USD289 382).

14. INSTALMENT SALES LIABILITIES

	2021 USD	2020 USD
Minimum payment due		
– within one year	**595 928**	564 807
– in second to fifth year	**518 055**	290 752
	1 113 983	855 559
Less: Future finance charges	**(73 000)**	(39 063)
Present value of minimum payment	**1 040 983**	816 496
– within one year	**563 173**	533 576
– in second to fifth year	**477 810**	282 920
Present value of minimum payments	**1 040 983**	816 496

Interest is payable at rates between zero and 2% above the current bank lending rate applicable in the respective countries. The settlement dates are between one and five years and therefore recorded at amortised cost. The leases are secured by a pledge over certain fixed assets of the Group.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. TRADE AND OTHER PAYABLES

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

16. PROVISIONS

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

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

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

17. REVENUE

	2021 USD	2020 USD
Rendering of services	171 836 530	123 141 882

Refer to note 29 – Segment Reporting for disaggregation of revenue.

18. OTHER INCOME

	2021 USD	2020 USD
Discount received	316 203	4 745
Gain on disposal of assets to third parties	698 532	287 516
Covid-19 relief funds	1 187 544	235 828
Royalty income	388 256	–
Rental income	476 319	575 824
Scrap sales	163 276	47 617
Other	930 585	1 196 528
	4 160 715	2 348 058

19. OPERATING PROFIT

	2021 USD	2020 USD
Operating profit for the year is stated after accounting for the following:		
Gain on sale of property, plant and equipment	698 532	287 516
Impairment	–	–
(Loss)/Profit on exchange differences	(183 080)	1 337 278
Depreciation on property, plant and equipment	(10 726 816)	(8 706 040)
Depreciation on right of use asset	(478 678)	(599 960)
Amortisation	(108 256)	(154 364)
Employee costs	(61 678 344)	(45 410 172)
Incentive provision	(2 314 809)	–
Research (*)	(946 406)	(712 469)
Royalty income	388 256	–
Covid-19 relief benefits	1 187 544	235 828

(*) Research

Shaft Boring System (SBS) was launched in 2016, in terms of the benefits it can deliver to the mining and construction sectors. SBS is an in-house technology currently being developed that promises to change mining and construction industry significantly.

20. INVESTMENT INCOME

	2021 USD	2020 USD
Total dividends		
Unlisted preference dividends	272 467	262 944
Total interest received		
Bank	246 494	9 621
	518 961	272 565

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

21. FINANCE COST

	2021 USD	2020 USD
Financial liabilities	**1 462 851**	1 863 988
Lease and instalment sales agreement liabilities	**740 376**	868 928
Bank	**91 711**	196 496
Interest accrued in respect of taxes	**260 194**	–
Other	**3 076**	35 330
	2 558 208	2 964 742

22. TAXATION

Taxation

	2021 USD	2020 USD
Current		
Normal taxation	**8 110 512**	1 858 983
Current taxation	**7 329 220**	2 826 825
Under/(Over) provision	**781 292**	(967 842)
Deferred taxation: Temporary differences	**115 400**	2 420 762
	8 225 912	4 279 745
Reconciliation of the tax expense		
Accounting profit	**28 140 222**	7 486 912
Tax at the applicable tax rate	**8 186 804**	5 324 189
Over provision	**(781 292)**	(967 842)
Interest accrued in respect of taxes	**72 924**	–
Imputed tax on controlled foreign companies	**1 773 591**	–
Exempt income - Dividends received	**(7 197)**	(204 190)
Non-deductible expenses - Fines and penalties	**201 759**	34 969
Estimated loss not recognised	**183 057**	1 494 723
Utilisation of estimated loss previously not recognised	**(1 403 734)**	(1 402 104)
Taxation per statement of profit or loss and other comprehensive income	**8 225 912**	4 279 745

	2021 USD	2020 USD
Deferred taxation assets have been recognised in respect of tax losses and temporary differences where, having reviewed the financial projections of the Group, the directors are of the opinion that it is probable that these assets will be recoverable.		
The total unrecognised assessed loss at 31 December 2021 is USD3 589 869 (2020: USD7 950 226).		
Normal taxation charge/(benefit) per entity within the Group		
Bergteamet Latin America SpA	**–**	(254 834)
Bergteamet Raiseboring Europe AB	**302 349**	540 593
Drilling Technical Services (Pty) Ltd	**622 665**	285 472
Drilling Technical Services SAC	**21**	–
Master Drilling (Pty) Ltd	**380 124**	(408 333)
Master Drilling Changzhou Co Ltd	**116 219**	126 121
Master Drilling do Brasil Ltda	**513 597**	321 544
Master Drilling Exploration (Pty) Ltd	**–**	157 586
Master Drilling Ghana Ltd	**473 236**	340 184
Master Drilling Mining Services (Pty) Ltd	**107 858**	–
Master Drilling Mali SRL	**64 725**	–
MDX Masterdrill Exploracoes E Sondagens Ltda	**70 711**	–
Master Drilling Group Ltd	**1 820 515**	–
Master Drilling India Ltd	**998 445**	1 235 337
Master Drilling International Ltd	**604 306**	(1 565 768)
Master Drilling Madencilik Ve Ticaret Limited Sirketi	**–**	1 427
Master Drilling Malta Limited	**652 150**	(410 110)
Consorsio Master Drilling Besalco SA	**349 307**	–
Master Drilling Peru SAC	**–**	115 098
Master Drilling RDC sprl	**766 378**	452 173
Master Tunnelling (Pty) Ltd	**–**	–
Master Drilling USA LLC	**–**	502 822
Master Drilling Zambia Limited	**(649 892)**	–
MD Botswana (Pty) Ltd	**112 975**	116 902
Master Drilling Services Ecuador SA	**262 855**	–
MD Katanga Drilling Company SAS	**539 436**	294 230
MD Training Services (Pty) Ltd	**2 532**	8 539
	8 110 512	1 858 983

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

23. DIRECTORS' REMUNERATION

2021 USD	Basic salary	Bonus
Executive directors		
Danie Pretorius "	344 880	–
Andre van Deventer "	340 294	–
Gary Sheppard #	354 657	–
Koos Jordaan +	251 018	–
Sub-total	1 290 849	–
Non-executive directors		
Hennie vd Merwe ^	–	–
Shane Ferguson ^	–	–
Octavia Matloa ^	–	–
Andries Brink ^	–	–
Hendrik Faul ^	–	–
Mamokete Ramathe ^	–	–
Akhter Deshmukh ^	–	–
Sub-total	–	–
Alternate director		
Eddie Dixon $	154 465	–
Prescribed Officer		
Roelof Swanepoel *	131 479	–
Sub-total	285 944	–
Total	1 576 793	–

A prescribed officer is defined as having general executive control over and management of a significant portion of the Group or regularly participates therein to a material degree, and is not a director of the Group. Director emoluments are paid for by subsidiaries within the Group. The amounts in this table represent the actual amounts paid to directors during the current year.

During the previous year, the directors sacrificed 25% of their remuneration for a 3 month period to assist the company during the initial difficult Covid-19 pandemic outbreak.

* *Paid by Drilling Technical Services (Pty) Ltd*
\+ *Paid by Master Drilling New Technology Holdings (Pty) Ltd*
" *Paid by Drilling Technical Services (Pty) Ltd and Master Drilling Malta Ltd*
\# *Paid by Master Drilling USA LLC*
^ *Paid by Master Drilling Group Ltd*
$ *Paid by Master Drilling Exploration (Pty) Ltd*

Fringe benefits	Provident/ Pension fund contributions	Director's fees	Consulting and legal fees	Total
45 042	–	–	–	389 922
30 351	–	–	–	370 645
–	–	–	–	354 657
30 966	–	–	–	281 984
106 359	–	–	–	1 397 208
–	–	66 277	–	66 277
–	–	30 131	117 454	147 585
–	–	13 490	–	13 490
–	–	36 676	–	36 676
–	–	24 509	–	24 509
–	–	13 266	–	13 266
–	–	43 108	–	43 108
–	–	227 457	117 454	344 911
28 213	18 752	–	–	201 430
20 641	12 469	–	–	164 589
48 854	31 221	–	–	366 019
155 213	31 221	227 457	117 454	2 108 138

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

23. DIRECTORS’ REMUNERATION continued

2020 USD	Basic salary	Bonus
Executive directors		
Danie Pretorius "	302 558	–
Andre van Deventer "	224 554	–
Gary Sheppard #	368 167	–
Koos Jordaan +	233 527	–
Sub-total	1 128 806	–
Non-executive directors		
Hennie vd Merwe ^	–	–
Shane Ferguson ^	–	–
Octavia Matloa ^	–	–
Andries Brink ^	–	–
Hendrik Faul ^	–	–
Akhter Deshmukh ^	–	–
Sub-total	–	–
Prescribed Officer		
Eddie Dixon $	143 940	–
Roelof Swanepoel *	108 583	–
Sub-total	252 523	–
Total	1 381 329	–

* *Paid by Drilling Technical Services (Pty) Ltd*
\+ *Paid by Master Drilling New Technology Holdings (Pty) Ltd*
" *Paid by Drilling Technical Services (Pty) Ltd and Master Drilling Malta Ltd*
\# *Paid by Master Drilling USA LLC*
^ *Paid by Master Drilling Group Ltd*
$ *Paid by Master Drilling Exploration (Pty) Ltd*

Fringe benefits	Provident/ Pension fund contributions	Director's fees	Consulting and legal fees	Total
17 751	–	–	–	320 309
12 315	–	–	–	236 869
20 537	–	–	–	388 704
12 316	–	–	–	245 843
62 919	–	–	–	1 191 725
–	–	52 041	–	52 041
–	–	27 037	29 246	56 283
–	–	25 879	–	25 879
–	–	27 402	–	27 402
–	–	10 721	–	10 721
–	–	34 409	–	34 409
–	–	177 489	29 246	206 735
15 478	10 389	–	–	169 807
4 605	7 769	–	–	120 957
20 083	18 158	–	–	290 764
83 002	18 158	177 489	29 246	1 689 224

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

24. EARNINGS PER SHARE

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

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

25. CASH GENERATED FROM OPERATIONS

25.1 Cash generated from operations

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

25.2 Tax paid

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

25. CASH GENERATED FROM OPERATIONS CONTINUED

25.3 Net cash flow on business combination

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

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

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

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

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

26. RELATED PARTY LOANS RECEIVABLE FROM/(OWING TO)

	2021 USD	2020 USD
Barrange (Pty) Ltd [1]	**1 025**	1 223
MD Employees Trust [2]		(198)
Besalco SA [5]	**(188 316)**	–
MDG Equity Holdings (Pty) Ltd [1, 3 & 4]	**828**	19
Epha Drilling (Pty) Ltd [2]	**(95 349)**	(103 660)
Mosima Drilling (Pty) Ltd [2]	**(70 671)**	(77 073)
MD Drilling Employees Trust [2]	**(2 956)**	(3 019)
MD HDSA Trust [2]	**35 095**	38 190
DCP BEE Foundation Trust [2]	**21 575**	19 046
The Drillcorp BEE Trust [2]	**42 638**	46 095
MD Engineering Employees Trust [2]	**739**	804
	(255 392)	(78 573)
Related party loans receivable from	**101 900**	105 377
Related party loans owing to	**(357 292)**	(183 950)
	(255 392)	(78 573)

Related party transactions relate to administration and management fees and are payable on demand with no fixed repayment terms. Related party loans are interest free. Administration and management fees for the year amounted to USD2 966 (2020: USD6 782)

The group assesses the expected credit losses on related party receivables based on the forward-looking expected credit loss model. The methodology used to determine the amount of provision is based on the underlying liquid assets of the individual subsidiaries for on-demand collectability. Based on the assessment, no expected credit losses are probable.

The trusts included as related parties were established for the benefit of employees of the Group. The trusts were founded by a related party to the Group, DC Pretorius. The Group does not consolidate the trusts as the Group does not have the right to appoint the trustees of the trust nor is the Group a beneficiary of the trust.

The trusts are sponsored by its founder and the Group lends money to trustees, employees of the Group, and pays the accounting and administration fees on behalf of the trusts. The Group is also assisting in the dividend distribution process of the trusts due to insufficient resources available within the trusts.

Through Epha Drilling (Pty) Ltd and Mosima Drilling (Pty) Ltd, the employees of the Group effectively owns 26% of the shares in Master Drilling Exploration (Pty) Ltd and Drilling Technical Services (Pty) Ltd respectively via preference shares. These companies are sponsored through dividends declared on profits from the companies respectively.

26. RELATED PARTY LOANS RECEIVABLE FROM/(OWING TO) CONTINUED

The above loans are with legal entities where the following related parties have control:
[1] Danie Pretorius
[2] BEE Partner
[3] Andre van Deventer
[4] Koos Jordaan
[5] Co-owner of Consorsio Master Drilling Besalco SA

Salaries paid to key management amounts to 2021: USD1 703 269 (2020: USD1 446 127).

Key management is defined as the employees for the Group's foreign subsidiaries who have the authority to directly or indirectly plan and control the specific business operations within the country it operates. Key management excludes the directors and prescribed officer of the Group. Refer to note 23 for disclosure on directors' remuneration.

27. RISK MANAGEMENT

27.1 Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 Group consists of debt, which includes the borrowings disclosed in notes 12 and 13, cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position.

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

The ABSA Capital facility has the following covenant ratio requirements:
– leverage ratio less than 1.5;
– debt service cover ratio not less than 1.4; and
– interest coverage rate not less than 4.

The above covenant ratios are closely monitored by management and as at 31 December 2021 the above covenant ratios were all adhered to.

27.2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The principles for financial management are included in the Group's treasury policy and cover specific areas, such as foreign exchange risk, interest rate risk, credit risk.

27.3 Interest rate risk

As the Group has no significant interest-bearing assets, other than interest bearing preference shares, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2021 the Group's borrowings at variable rate were denominated in the United States Dollars, South African Rand, Peruvian Sol and Chillian Peso. Interest bearing borrowings, including cash and cash equivalents, comprise 5,8% of equity and is therefore deemed to be low risk.

The relevant borrowing rates for the Group's significant borrowings are JIBAR plus 3,45% and LIBOR plus 3.45% for ZAR and USD denominated loan facilities respectively.

2021 **USD**	**+50 basis points**	**-50 basis points**
Profit and loss	**(195 037)**	**195 037**
Equity, net of finance tax	**(140 160)**	**140 160**

2020 USD	+50 basis points	-50 basis points
Profit and loss	(56 634)	56 634
Equity, net of finance tax	(39 360)	39 360

27.4 Credit risk

Credit risk is managed on a Group basis as well as individual company basis.

Credit risk consists mainly of cash deposits, cash equivalents, trade debtors, related party loans and preference shares.

Trade receivables comprise a widespread customer base of which the majority consists of large international mining companies. Management evaluates credit risk relating to customers on an ongoing basis. Individual risk limits are set in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Despite the global lockdown restrictions imposed as a result of Covid-19, the Group did not experience any noticeable deterioration in the collection of receivables during the reporting period. The long-term impact on the liquidity and creditworthiness of the Group’s customer base is, however, significantly more uncertain.

The maximum credit risk the Group is exposed to is the receivable balance on the financial assets, trade receivables, cash and cash equivalents and related party loans as disclosed in notes 5, 8, 9 and 26 respectively.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

27. RISK MANAGEMENT continued

27.4 Credit risk continued

2021 USD	Gross	ECL
Non-current financial assets		
Financial assets	**5 112 298**	**–**
Current financial assets		
Trade and other receivables	**48 585 136**	**(4 800 831)**
Related-party loans	**101 900**	**–**
Derivative financial instrument	**54 604**	**–**
Cash and cash equivalents	**21 387 523**	**–**

2020 USD	Gross	ECL
Non-current financial assets		
Financial assets	5 303 058	–
Current financial assets		
Trade and other receivables	41 009 956	(3 731 677)
Related-party loans	105 377	–
Derivative financial instrument	18 959	–
Cash and cash equivalents	24 790 077	–

27.5 Liquidity risk

Management manages cash flow on a Group-basis through an on-going review of future commitments and credit facilities. Cash flow forecasts are prepared and borrowing facilities are monitored for compliance with internal balance sheet ratio targets.

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying amount	Contractual cash flows			
2021 USD	Total	Less than 1 year	Between 2 and 5 years	5 years and after	Total
Long-term interest bearing borrowings	**32 168 810**	**33 099 286**	**150 230**	**128 887**	**33 378 403**
Lease liabilities	**4 800 232**	**676 046**	**2 686 127**	**6 672 938**	**10 035 111**
Instalment sales obligations	**1 040 983**	**595 928**	**518 055**	**–**	**1 113 983**
Related party loans	**357 292**	**357 292**	**–**	**–**	**357 292**
Put option liability	**314 675**	**314 675**	**–**	**–**	**314 675**
Trade and other payables	**24 046 636**	**24 046 636**	**–**	**–**	**24 046 636**

2020 USD	Carrying amount Total	Contractual cash flows Less than 1 year	Between 2 and 5 years	5 years and after	Total
Long-term interest bearing borrowings	42 105 827	16 293 191	27 950 096	–	44 243 287
Lease liabilities	3 947 557	723 305	2 438 632	2 916 144	6 078 081
Instalment sales obligations	816 496	564 807	290 752	–	855 559
Related party loans	183 950	183 950	–	–	183 950
Trade and other payables	17 309 778	17 309 778	–	–	17 309 778

27.6 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to ZAR, CLP, BRL, CAD, INR and PEN. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management is of the view that only the ZAR poses a significant foreign exchange risk given its volatility against the USD.

The Group reviews its foreign currency exposure, including commitments on an ongoing basis, and has adopted a formal treasury policy to monitor and manage the foreign exchange risk.

Illustrated below is the estimated impact on profitability due to currency movements:

		USD	USD	Year-end rate
Currency		**+10%**	**-10%**	
Australian Dollar	AUD	**53 474**	**(65 357)**	**1.38**
Brazilian Real	BRL	**(399 096)**	**487 784**	**5.58**
Botswana Pula	BWP	**(37 512)**	**45 848**	**11.75**
Canadian Dollar	CAD	**(43 019)**	**52 579**	**1.26**
Chilean Peso	CLP	**(57 702)**	**70 525**	**852.01**
Chinese Tuan Renminbi	CNY	**(69 297)**	**84 696**	**6.36**
Colombian Peso	COP	**981**	**(1 199)**	**4 080.32**
Euro	EUR	**222**	**(272)**	**0.88**
Guatemalan Quetzal	GTQ	**163**	**(199)**	**7.72**
Indian Rupee	INR	**(400 988)**	**490 096**	**74.34**
Peruvian Sol	PEN	**(53 918)**	**65 900**	**4.00**
Russian Rubble	RUB	**19 927**	**(24 356)**	**74.68**
Swedish Krona	SEK	**(75 823)**	**92 673**	**9.05**
Turkish Lira	TRY	**1 078**	**(1 317)**	**13.30**
Central African Franc	XOF	**(16 374)**	**20 012**	**576.80**
South African Rand	ZAR	**881 048**	**(1 076 837)**	**15.94**
Zambian Kwacha	ZMW	**23 618**	**(28 867)**	**16.67**

28. FINANCIAL INSTRUMENTS

2021 USD	Category	Value
Non-current financial assets		
Financial assets	Amortised Cost	5 112 298
Related-party loans	Amortised Cost	101 900
Current financial assets		
Trade and other receivables	Amortised Cost	43 784 305
Call option asset	FVTPL	2 322 360
Derivative financial instrument	FVTPL	54 604
Cash and cash equivalents	Amortised Cost	22 789 752

	Category	Value
Non-current financial liabilities		
Interest bearing borrowings	Amortised Cost	143 909
Contingent consideration	FVTPL	1 195 290
Current financial liabilities		
Interest bearing borrowings	Amortised Cost	32 024 901
Put option liability	FVTPL	314 675
Loans to related parties	Amortised Cost	357 292
Derivative financial instrument	FVTPL	195 422
Contingent consideration	FVTPL	1 725 210
Trade and other payables	Amortised Cost	24 046 636
Cash and cash equivalents	Amortised Cost	1 402 229

FVTPL = fair value through profit or loss

2020 USD	Category	Value
Non-current financial assets		
Financial assets	Amortised Cost	5 303 058
Current financial assets		
Trade and other receivables	Amortised Cost	38 743 226
Related-party loans	Amortised Cost	105 377
Derivative financial instrument	FVTPL	18 959
Cash and cash equivalents	Amortised Cost	24 790 077

	Category	Value
Non-current financial liabilities		
Interest bearing borrowings	Amortised Cost	27 083 992
Current financial liabilities		
Interest bearing borrowings	Amortised Cost	15 021 835
Loans to related parties	Amortised Cost	183 950
Trade and other payables	Amortised Cost	24 004 168
Cash and cash equivalents	Amortised Cost	–

29. SEGMENT REPORTING

29.1 Mining activity

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

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

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

29.2 Geographical segments

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

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

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

29. SEGMENT REPORTING continued

29.2 Geographical segments continued

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

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

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

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

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

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

** Assets in Africa included the investment in associate. See note 36*

*** Assets in South America includes the non-current asset held for sale. See Note 37*

30. CONTINGENCY

	2021 USD	2020 USD
Payment bonds issued to customers	**4 081 523**	36 188
Retention bonds issued to customers	**1 228 597**	232 500
Performance bonds issued to customers	**4 947 051**	3 804 121
	10 257 171	4 072 809

The bonds are issued to customers and underwritten by Lombard's Insurance and ABSA Bank.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

31. INVESTMENTS IN SUBSIDIARIES

Master Drilling Group Limited investment in subsidiaries	% holding 2021	% holding 2020	Status	Country	Functional Currency
MDI Exco Ltd	**100.00%**	100.00%	Investment Holding	Malta	USD
Raisebore Rental (Pty) Ltd	**95.00%**	100.00%	Operational	RSA	ZAR
Drilling Technical Services (Pty) Ltd	**74.00%**	74.00%	Operational	RSA	ZAR
Master Drilling Exploration (Pty) Ltd	**74.00%**	74.00%	Operational	RSA	ZAR
Master Drilling International Ltd (*)	**85.00%**	85.00%	Investment Holding	Malta	USD
MDG Shared Services (Pty) Ltd	**52.91%**	52.91%	Operational	RSA	ZAR
Master Sinkers (Pty) Ltd	**51.00%**	51.00%	Operational	RSA	ZAR
Master Drilling New Technologies Holding (Pty) Ltd	**95.00%**	90.00%	Investment Holding	RSA	ZAR
MD Training Services (Pty) Ltd	**50.79%**	50.79%	Operational	RSA	ZAR
MD Retail (Pty) Ltd	**100.00%**	100.00%	Operational	RSA	ZAR
Master Drilling (Pty) Ltd	**100.00%**	100.00%	Operational	RSA	ZAR
Master Drilling Exploration (Pty) Ltd investment in subsidiaries					
Geoserve Exploration Drilling (Pty) Ltd	**100.00%**	100.00%	Operational	RSA	ZAR
Master Drilling New Technologies Holding (Pty) Ltd investment in subsidiary					
Master Tunnelling (Pty) Ltd	**100.00%**	100.00%	Operational	RSA	ZAR

Master Drilling Group Limited investment in subsidiaries	% holding 2021	% holding 2020	Status	Country	Functional Currency
Master Drilling International Limited investment in subsidiaries					
Master Drilling Chile SA	**100.00%**	100.00%	Operational	Chile	CLP
Master Drilling Peru SAC	**100.00%**	100.00%	Operational	Peru	PEN
Master Drilling do Brasil Ltda	**100.00%**	100.00%	Operational	Brazil	BRL
Master Drilling Mexico SA	**100.00%**	100.00%	Operational	Mexico	USD
Master Drilling Zambia Ltd	**100.00%**	100.00%	Operational	Zambia	ZMW
Master Drilling Australia (Pty) Ltd	**100.00%**	100.00%	Operational	Australia	AUD
Master Drilling Colombia S.A.S	**100.00%**	100.00%	Operational	Colombia	COP
Master Drilling Namibia (Pty) Ltd	**100.00%**	100.00%	Dormant	Namibia	NAD
Drillcorp Burkina Faso SA	**80.00%**	80.00%	Dormant	Burkina Faso	XOF
Drillcorp Cote d'Ivoire SA	**80.00%**	80.00%	Dormant	Cote d'Ivoire	XOF
Master Drilling Botswana (Pty) Ltd	**100.00%**	100.00%	Operational	Botswana	BWP
Master Drilling Guatemala SA	**100.00%**	100.00%	Operational	Guatemala	GTQ
Master Drilling RDC Sprl	**100.00%**	100.00%	Operational	DRC	USD
Master Drilling Malta Ltd	**100.00%**	100.00%	Operational	Malta	USD
Jiangsu Master Mining Engineering Technology Company Ltd	**100.00%**	100.00%	Dormant	China	CNY
Master Drilling Jiangsu Company Ltd	**100.00%**	100.00%	Dormant	China	CNY
Martwick Ltd	**100.00%**	100.00%	Dormant	Ireland	EUR
Drilling Technical Services SAC	**100.00%**	100.00%	Operational	Peru	PEN
Drilling Admin Services SAC	**100.00%**	100.00%	Operational	Peru	PEN
DCP Properties SAC	**100.00%**	100.00%	Dormant	Peru	PEN
Master Drilling Changzhou Co. Ltd	**100.00%**	100.00%	Operational	China	CNY
Orbit Insurance Company Ltd	**100.00%**	100.00%	Operational	Anguilla	USD
Master Drilling Ecuador SA	**100.00%**	100.00%	Operational	Ecuador	USD
Master Drilling USA LLC	**90.00%**	90.00%	Operational	USA	USD
MD Drilling Services Tanzania Ltd	**100.00%**	100.00%	Dormant	Tanzania	USD
Master Drilling Sierra Leone Ltd	**100.00%**	100.00%	Dormant	Sierra Leone	USD
Mater Drilling India Private Ltd	**100.00%**	100.00%	Operational	India	INR
Bergteamet Raiseboring Europe AB	**100.00%**	100.00%	Operational	Sweden	SEK
Master Drilling Mali SARL	**100.00%**	100.00%	Operational	Mali	XOF
Master Drilling Madencilik Ve Ticaret Limited Sirketi’	**100.00%**	100.00%	Dormant	Turkey	TRY
MD Katanga Drilling Company SAS	**49.00%**	49.00%	Operational	DRC	USD
MDX - Masterdrill Explorações E Sondagens Ltda	**100.00%**	100.00%	Operational	Brazil	BRL
Master Drilling Canada Ltd	**100.00%**	100.00%	Operational	Canada	CAD
Master Drilling Ghana Sprl	**100.00%**	100.00%	Operational	Ghana	GHS
Master Detra LLC	**50.00%**	0.00%	Operational	Russia	RUB

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

31. INVESTMENTS IN SUBSIDIARIES continued

Master Drilling Group Limited investment in subsidiaries	% holding 2021	% holding 2020	Status	Country	Functional Currency
Master Drilling Chile SA investment in subsidiaries					
Consorsio Master Drilling Besalco SA	**50.00%**	0.00%	Operational	Chile	CLP
Master Drilling Malta Limited investment in subsidiaries					
Master Drilling Chile División Raise Borer SpA	**100.00%**	100.00%	Operational	Chile	CLP

The Group obtains control in MD Katanga Drilling Company SAS where effective shareholding is 50% or less, via contractual arrangements where the Group has the power to appoint the majority of the subsidiary's board.

Consorsio Master Drilling Besalco SA and Master Detra LLC are new investments during the current year.

The Group assessed the practical ability unilaterally to direct the relevant activities of Master Detra LLC. The Group, based on its assessment of the contractual agreement where the Group holds the majority voting rights, concluded that control is obtained and as a result consolidated the subsidiary with a 50% non-controlling interest.

The Group assessed the practical ability unilaterally to direct the relevant activities of Consorsio Master Drilling Besalco SA. The Group, based on its assessment of its practical ability to direct the relevant activities of the investee without the holding the majority of the voting rights as well as other relevant facts and circumstances concluded that de-facto control is obtained and as a result consolidated the subsidiary with a 50% non-controlling interest.

Bergteamet Raiseboring Europe AB has a 31 August and Master India Private Ltd has a 31 March year-end that is different from the Group.

(*) The remaining 15% shareholding of Master Drilling International Ltd is held by MDI Exco, a company that is a 100% subsidiary of Master Drilling Group Ltd.

32. RELATED PARTIES

Relationships	
Subsidiaries	Refer to note 31
Shareholder with significant influence	Barrange (Pty) Ltd
	MDG Equity Holdings (Pty) Ltd
Companies controlled by directors	Refer to note 26
Related party balances	Refer to note 26
Associate	Refer to note 35
Joint venture	Refer to note 39

Rentals paid to Barrange (Pty) Ltd amounts to 2021: USD219 746 (2020: USD186 796).

Key management is defined as the employees who have the authority to directly or indirectly plan and control the specific business operations within the country it operates in. Key management excludes the directors and prescribed officer of the Group. Refer to note 23 for disclosure on directors' and prescribed officer's remuneration.

33. SHARE OPTION SCHEME

General

The Group 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 Group, 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.

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 are granted for no consideration and will be non-transferable, except to the option holder's heirs or executors on death.

Plan limits

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.

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 Group.

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.

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.

Options issued

No additional share options were granted for the year ended 31 December 2021 (31 December 2020: 0). The share options outstanding as at 31 December 2021 all vested and are exercisable.

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 is dependant 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.

33. SHARE OPTION SCHEME CONTINUED

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 2020.

Share option plan
Under the share option plan, share options of the Group are granted to eligible employees of the Group. 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 Group 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:

	2021 USD	2020 USD
Expense arising from equity-settled share-based payment transactions	**–**	62 574

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

	EP	**2021 USD**	EP	2020 USD
Outstanding – 1 January	**5.21**	**410 000**	5.21	1 080 000
Forfeited during the year		**–**	0	–
Exercised during the year		**–**	1.30	(670 000)
Outstanding – 31 December	**5.21**	**410 000**	11.61	410 000

The total number of share options exercised, amounted to 3 407 286 while 1 592 714 remains un-issued.

The remaining contractual life for the share options outstanding as at 31 December 2021 was 3,91 years (2020: 4,91).

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

34. NON-CONTROLLING INTEREST

The following subsidiaries have material non-controlling interest.

2021 USD	Master Drilling Exploration (Pty) Ltd	Master Drilling New Technology Holdings (Pty) Ltd (*)	Master Sinkers (Pty) Ltd	Drilling Technical Services (Pty) Ltd (*)	Master Drilling USA LLC	Master Detra LLC	Raisebore Rental (Pty) Ltd (*)	Consorsio Master Drilling Besalco SA
Principal place of business	RSA	RSA	RSA	RSA	USA	Russia	RSA	RSA
Non-controlling interest ("NCI")	26%	5%	49%	26%	10%	50%	5%	50%
Revenue	13 577 807	1 972 187	–	15 230 973	–	482 870	4 891 398	11 331 611
Profit/(Loss)	(1 084 540)	2 678 280	(126 116)	2 083 554	(839 861)	(219 200)	985 315	582 977
Total comprehensive income/(loss)	(1 084 540)	2 678 280	(126 116)	2 083 554	(839 861)	(219 200)	985 315	582 977
Profit/Loss allocated to NCI	(281 981)	133 914	(61 797)	–	(83 986)	(109 600)	–	291 489
Comprehensive income attributable to NCI	(281 981)	133 914	(61 797)	–	(83 986)	(109 600)	–	291 489
Non-current assets	14 406 832	10 843 228	3 614 174	290 517	5 166 545	1 945 118	22 347 235	230 132
Current assets	12 304 304	5 452 783	26 665	29 326 284	3 064 484	2 779 830	7 397 505	3 809 564
Non-current liabilities	–	972 686	128 877	–	–	–	2 742 831	–
Current liabilities	12 779 758	13 457 979	2 427 355	25 925 443	14 187 978	4 954 676	23 352 036	3 509 450
Net assets	13 931 378	1 865 346	1 084 607	3 691 358	(5 956 949)	(229 728)	3 649 873	530 246
Net assets attributable to NCI	3 622 158	93 267	531 457	129 156	(595 695)	(114 864)	182 494	265 123
Cash flows from operating activities	1 663 063	1 552 192	309 722	309 772	(868 983)	415 768	7 895 984	(1 229 246)
Cash flows from investing activities	(5 405 136)	977 639	(90 122)	(102 349)	(5 208)	(1 996 418)	(4 821 993)	(169 256)
Cash flows from financing activities	2 356 691	(2 533 926)	(219 791)	(219 791)	857 660	1 775 444	(3 145 241)	1 478 092
Net increase/(decrease) in cash and cash equivalents	(1 385 382)	(4 095)	(191)	(12 368)	(16 531)	194 794	(71 250)	79 590
Dividends paid	16 612	–	–	–	–	–	–	–

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

34. NON-CONTROLLING INTEREST continued

2020 USD	Master Drilling Exploration (Pty) Ltd	Master Drilling New Technology Holdings (Pty) Ltd	Master Sinkers (Pty) Ltd	Drilling Technical Services (Pty) Ltd (*)	Master Drilling USA LLC	Master Detra LLC	Raisebore Rental (Pty) Ltd	Consorsio Master Drilling Besalco SA
Principal place of business	RSA	RSA	RSA	RSA	USA	Russia	RSA	RSA
Non-controlling interest ("NCI")	26%	10%	49%	26%	10%	0%	0%	0%
Revenue	6 365 906	–	17 901	22 144 181	2 457 697	–	–	–
Profit/(Loss)	234 404	(816 327)	3 966	2 185 779	(1 105 099)	–	–	–
Total comprehensive income/(loss)	234 404	(816 327)	3 966	2 185 779	(1 105 099)	–	–	–
Profit/Loss allocated to NCI	60 945	(81 633)	1 944	–	(110 510)	–	–	–
Comprehensive income attributable to NCI	60 945	(81 633)	1 944	–	(110 510)	–	–	–
Non-current assets	8 810 341	13 257 667	3 845 493	2 950 881	5 496 980	–	–	–
Current assets	7 570 218	522 075	429 484	29 143 654	4 450 205	–	–	–
Non-current liabilities	568 913	487 040	–	501 102	9 214 097	–	–	–
Current liabilities	2 135 329	12 575 926	1 611 620	29 196 841	5 347 354	–	–	–
Net assets	13 676 317	716 776	2 663 357	2 396 592	(4 614 266)	–	–	–
Net assets attributable to NCI	3 555 842	2 254 264	1 305 045	623 114	(461 427)	–	–	–
Cash flows from operating activities	226 936	131 650	(432 990)	(2 328 354)	(2 364 350)	–	–	–
Cash flows from investing activities	170 070	145 700	(2 517 124)	4 180 956	(107 220)	–	–	–
Cash flows from financing activities	(339 480)	(253 602)	2 949 037	388 470	2 507 670	–	–	–
Net increase/(decrease) in cash and cash equivalents	57 527	23 748	(1 077)	(1 322 926)	36 100	–	–	–
Dividends paid	77 893	–	–	–	–	–	–	–

(*) The non-controlling interest share of Drilling Technical Services (Pty) Ltd and Raisebore Rental (Pty) Ltd is calculated after taking into account the elimination of inter-group transactions. The non-controlling interest of both Master Drilling Exploration (Pty) Ltd and Master Drilling New Technology Holdings (Pty) Ltd represent the consolidated amounts for the company and its subsidiaries.

35. INVESTMENT IN ASSOCIATES

	Note(s)	2021 USD	2020 USD
Investment in associate – Applied Vehicle Analysis (Pty) Ltd	33.1	**957 710**	–
Investment in associate – A&R Group (Pty) Ltd	33.2	**4 736 193**	–
		5 693 903	–

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

During January 2021, the Group purchased a 40% equity interest in Applied Vehicle Analysis (Pty) Ltd ("AVA"), incorporated in South Africa, for ZAR 19 141 513 (USD 1 293 975). AVA is a specialist in data-driven mine fleet management solutions and is currently primarily operating with the African segment of the Group. Currently, AVA's unique digital platform analyses and tracks vehicles across 28 different sites in 5 countries for a range of blue-chip companies. This investment is aligned with the Group's strategy to diversify its services and invest in businesses that help meet clients' demand for increased mechanisation and digitisation.

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

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

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

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

35. INVESTMENT IN ASSOCIATES continued

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

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

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

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

During August 2021, the Group purchased approximately 25% equity interest in A&R Group ("A&R"), incorporated in South Africa, for ZAR67 036 222 (USD4 289 560) . AR is a specialist in data-driven mine fleet management solutions and is currently primarily operating with the African segment of the Group. Currently, AR is a leading operator in the underground rail bound and trackless equipment hardware environment in terms of management systems and intelligent devices installed across various mining operations. The investment is aligned with the strategic intent of Master Drilling to diversify its range of services to include services that are not necessarily drilling related but focused on technology that can improve the safety and operational performance of miners globally. This transaction will better diversify overall market exposure and add additional revenue streams to the Group. As at 31 December, the Group still had contingent consideration payable that amounted to ZAR8,4 million (USD:0.5 million) - refer to note 41 below for more information.

The Group does not have control of A&R via the call option it has for the remainder of the shares in A&R. The call option does not give rise to the substantive control of A&R until such time as the Group exercises the call option which expires within three years from now or the put option which expires towards the end of 2022. The put option gives the option to put the current 25% owned by the Group back to the sellers at the original purchase price thus effectively cancelling the transaction. Management considered the valuation of the call and put option. At year-end the mark-to-market valuation indicated a value of ZAR37 011 914 and ZAR5 015 031 for the call and put options respectively.

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

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

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

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

	2021 USD	2020 USD
Non-current assets	**1 470 330**	–
Current assets	**13 339 543**	–
Non-current liabilities	**1 332 799**	–
Current liabilities	**2 521 981**	–
Net assets	**10 955 093**	–

36. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale – Property

In May 2020, management committed to a plan to sell the vacant property owned in Peru. The Group finalised all the legal documentation for the sales transaction and the sale was concluded in the first half of 2021.

No impairment losses were recognised in profit and loss as at 31 December 2020.

As at 31 December, the assets held for sale were comprised of the following:

	2021 USD	2020 USD
Land and buildings	**–**	2 381 810
Non-current assets held for sale	**–**	2 381 810

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	2021 USD	2020 USD
37. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial instruments	**54 604**	268 959
Derivative financial instruments	**(195 422)**	(250 000)
(Loss)/Profit on derivative financial instruments recognised through profit and loss	**(140 818)**	18 959

The Group uses collar instruments to mitigate exchange rate exposure arising future commitments in functional currencies. These collar instruments are settled on a net basis and their fair values of this derivative have been estimated by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 2 of the fair value hierarchy. The fair value of the USD derivative reflects the US-dollar spot rate as at the reporting date.

38. OPTION INSTRUMENT

	2021 USD	2020 USD
Call option asset (*)	**2 322 360**	–
Put option liability (*)	**(314 675)**	–
Fair value option instrument recognised through profit and loss	**2 007 685**	–

(*) refer to note 35.2 for more information on option instruments

A ZAR31 996 886 fair value adjustment was recognised on the Group's option to acquire additional interest in A&R Group (Pty) Ltd. The options to acquire additional shares have been accounted for as a derivative financial asset measured at fair value through profit or loss up until 31 December 2021.

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

The following assumptions were applied in valuing the options:

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

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

Master Drilling Exploration (Pty) Ltd, a subsidiary within the Group, is a 50% partner in Hall Core Holdings (Pty) Ltd ("Hall Core"), incorporated in South Africa, a joint venture formed within the exploration drilling industry. Hall Core's principal place of business is in the African segment. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements by recognising its share of profit in joint venture. As at 31 December, the Group still had contingent consideration payable that amounted to ZAR38,1 million (USD2.4 million) - refer to note 41 below for more information.

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

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

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

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

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

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

40. CONTRACT LIABILITY

During the current year, a company within the African segment entered into two different agreements where it received ZAR85million, ZAR43,7million and ZAR16,4 million as part of a contract with customers that is expected to be realised aligned with the performance obligations in terms of the contract with the clients. At the end of the financial reporting period, no amount of the contract liability has been released.

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

41. CONTINGENT CONSIDERATION

	2021 USD	2020 USD
Contingent consideration – A&R Group (Pty) Ltd As at 31 December, the Group have contingent consideration payable to the shareholders of A&R (Pty) Ltd as part of the approximate 25% investment in associate. The consideration payable is calculated based on a multiple between 4.50 and 5.85 of the company's audited profit after taxation for the FY2022 that ends 28 February and is payable upon the completion of each year's audited financial information. The consideration payable amount is based and calculated on the best information available as at 31 December.	**529 920**	–
Contingent consideration – Hall Core Holdings (Pty) Ltd As at 31 December, the Group have contingent consideration payable to the shareholders of Hall Core Holdings (Pty) Ltd as part of the 50% investment in joint venture. The consideration payable is calculated based on a 3.80 multiple of the company's EBITDA for the FY2022 that ends 28 February and is payable in two equal instalments. The consideration payable amount is based and calculated on the best information available as at 31 December.	**2 390 580**	–
	2 920 500	–
Non-current liabilities	**1 195 290**	–
Current liabilities	**1 725 210**	–

42. SUBSEQUENT EVENTS

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

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

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

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

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

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

43. CONTINGENT LIABILITY

The Group is the defendant in legal proceedings brought by the owner of the Atlantis Group with the acquisition of the Atlantis Group in 2018. Despite the additional claims brought by the owner of the Atlantis Group during the current year against the Group for the operations that was held in India, Zambia and Brazil, management’s assessment, based on its interpretation of the underlying purchase agreement, independent legal advice and legal counsel, is that the basis for the claim has little merit and it is not probable that an outflow will be required to settle the claim. The Group’s assessment of the estimated value of this contingent liability, taking into account the range of possible outcomes of the judicial process does not exceed outstanding purchase price consideration. Refer to note 16 for more details.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

44. GOING CONCERN

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

45. CAPITAL COMMITMENTS

	2021 USD	2020 USD
Capital expenditure for plant and machinery authorised by the directors and contracted for within 12 months. Capital expenditure will be funded through cash generated from operations.	**1 764 300**	**61 213**

SUPPLEMENTARY INFORMATION

ANALYSIS OF SHAREHOLDING

Size of holdings	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
1 – 1 000	2 847	72.0%	450 859	0.3%
1 001 – 10 000	811	20.5%	2 810 341	1.9%
10 001 – 100 000	214	5.4%	6 737 031	4.5%
100 001 – 1 000 000	63	1.6%	24 255 176	16.0%
1 000 000+	19	0.5%	117 009 370	77.4%
Total	**3 954**	**100.0%**	**151 262 777**	**100.0%**
Shareholder type				
Public shareholders	3 943	99.7%	63 460 947	42.0%
Non-public shareholders				
Directors' indirect holdings	7	0.2%	85 497 569	56.5%
Directors' direct holdings	4	0.1%	2 304 261	1.5%
Total	**3 954**	**100.0%**	**151 262 777**	**100.0%**

According to the share register of the Company the following fund managers other than directors are registered as holding in excess of 5% of the issued share capital of the Company:

	Number of shares	% of shares in issue
Camissa Asset Management (previously Kagiso Asset Management)	19 243 271	12.7%
Abax Investments	10 009 058	6.6%
Ninety One	8 967 043	5.9%
Total	**38 219 372**	**25.2%**

According to the share register of the Company the following beneficial shareholders other than directors are registered as holding in excess of 5% of the issued share capital of the Company:

	Number of shares	% of shares in issue
Barrange (Pty) Ltd	43 696 650	28.9%
MDG Equity Holdings (Pty) Ltd	38 954 436	25.8%
Ninety One	8 931 730	5.9%
Total	**91 582 816**	**60.6%**

Stock exchange information as at 31 December

JSE share code: MDI

		2021	2020
Market price (ZAR cents)	– high	**1 360**	1 049
	– low	**652**	500
	– closing	**1 148**	750
Shares traded		**24 066 539**	18 919 051

CORPORATE INFORMATION

MASTER DRILLING GROUP LIMITED

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

REGISTERED AND CORPORATE OFFICE

4 Bosman Street
PO Box 902
Fochville, 2515
South Africa

DIRECTORS

Executive

Daniël (Danie) Coenraad Pretorius	Chief executive officer and founder
André Jean van Deventer	Financial director and chief financial officer
Barend Jacobus (Koos) Jordaan	Executive director
Gareth (Gary) Robert Sheppard #	Chief operating officer

Non-executive

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

 # Resident in USA

COMPANY SECRETARY

Andrew Colin Beaven
6 Dwars Street
Krugersdorp
1739
South Africa
PO Box 158, Krugersdorp, 1740
South Africa

JSE SPONSOR

Investec Bank Limited
(Registration number: 1969/004763/06)
100 Grayston Drive, Sandown
Sandton, 2196
South Africa

INDEPENDENT AUDITOR

BDO South Africa Incorporated
South African member of BDO Group
52 Corlett Drive
Illovo
2196
South Africa

SHARE TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)
South Africa

INVESTOR RELATIONS CONTACTS

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MASTER DRILLING WEBSITE

www.masterdrilling.com

COMPANY SECRETARIAL E-MAIL

Companysecretary@masterdrilling.com

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

www.masterdrilling.com