

A close-up photograph of a metal drill bit, showing its cutting edges and the arrangement of the flutes. The metal has a brushed, industrial appearance. The background is dark and out of focus.

# 2023

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 December 2023

# TABLE OF CONTENTS

Directors' responsibilities and approval	1
Secretary's certificate	2
Audit committee report	3
Independent auditor's report	6
Directors' report	11
Consolidated statement of financial position	16
Consolidated statement of profit or loss and other comprehensive income	17
Consolidated statement of changes in equity	18
Consolidated statement of cash flows	20
Accounting policies	21
Notes to the consolidated annual financial statements	39
Supplementary information	102
Corporate information	103

## 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("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, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the JSE Listings 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 endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems, and ethical behaviour 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 2024 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 30(2)(a) of the Companies Act, the financial statements of the Group, for the year ended 31 December 2023, 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.

Each of the directors, whose names are stated below, hereby confirm that:

1. the annual financial statements set out on pages 1 to 5 and 11 to 104, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
2. to the best of our knowledge and belief, 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;



## DIRECTORS' RESPONSIBILITIES AND APPROVAL (CONTINUED)

- 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 as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies;
- we are not aware of any fraud involving directors.

The Group's audited annual financial statements as approved on 25 March 2024, 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  
25 March 2024



**André Jean van Deventer**  
*Director*

Johannesburg  
25 March 2024

## 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 2023, the Company has lodged with the Companies and Intellectual Property Commission, all such returns and notices as are required of a public company in terms of the Companies Act, and that all such returns and notices are true, correct and up-to-date.



**Andrew Colin Beaven**  
*Company Secretary*

6 Dwars Street  
Krugersdorp  
1741  
25 March 2024



# AUDIT COMMITTEE REPORT

## for the year ended 31 December 2023

This report is provided by the audit committee in respect of the 2023 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](http://www.masterdrilling.com)). The Audit Committee Terms of Reference was informed by the Companies Act, JSE Listings Requirements as well as the Corporate Governance Principles under King IV and approved by the directors. The Audit Committee Terms of Reference is reviewed on an annual basis.

### MEMBERSHIP

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

### DUTIES AND RESPONSIBILITIES

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

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

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

- nominated BDO South Africa Incorporated as the external auditor for both the holding and subsidiary companies for the financial period ended 31 December 2024;
- ensured that the appointment of the external auditor complied with all applicable legal and regulatory requirements;
- approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditor for 2023;
- obtained an annual written statement from the external 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 2023 pro-active monitoring report and other various JSE communications, where applicable.

## AUDIT COMMITTEE REPORT (CONTINUED)

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

- established an independent inhouse internal audit function that is from time to time supported by PwC on specialist matters;
- satisfied itself that the function effectively provided objective and relevant assurance on the areas covered during the year;
- reviewed internal audit reports and deliberated on the audit findings in accordance with the combined assurance plan and internal audit work program;
- 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 has:

- reviewed the Group's enterprise risk management and combined assurance implementation plan and improvement initiatives;
- reviewed the Group's enterprise risk management and combined assurance policy and framework; and
- formed 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. Assurance activities were focused on addressing 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 2024.

In addition, the audit committee:

- considered the expertise, resources and experience of the finance function and concluded that these were appropriate;
- considered the experience and expertise of the chief financial officer and concluded that these were appropriate;
- considered the key audit matters as determined by BDO South Africa Incorporated and as described in the independent external auditor's report;
- reviewed sections 3, 8, 13, 15 and schedule 8 of the JSE Listings Requirements, as amended from time to time and 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 management (ISQM 1) inspection on the audit firm during its previous inspection cycle;
  - (ii) the external 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 external auditor levels; and
  - (iii) both the audit firm and the individual external 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	16 March 2023	22 March 2023 Special	7 June 2023	21 August 2023	16 November 2023
Andries Willem Brink	P	P	P	P	P
Akhter Ali Deshmukh	P	P	P	P	P
Shane Trevor Ferguson	A	A	P	P	P
Mamokete Ramathe	P	P	P	P	P

*P – Attended*

*A – Absent*

## INDEPENDENCE AND SUITABILITY OF THE EXTERNAL AUDITOR

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

- representations made by BDO South Africa Incorporated to the audit committee;
- the external 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 consolidated annual financial statements of the Group for the period ended 31 December 2023, the audit committee is of the view that, in all material aspects, they comply with the relevant provisions of the Companies Act, IFRS and JSE Listings Requirements and fairly present the consolidated position at that date and the results of operations and cash flows for the period then ended.

Having satisfied itself in all respects, the audit committee has recommended the financial statements, for the period ended 31 December 2023 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  
25 March 2024



# 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 101, which comprise the consolidated statement of financial position as at 31 December 2023, 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 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board 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
<p><b>Plant, machinery and related intangible asset (Notes 3 and 4.1):</b></p>	<p><b>Our audit procedures included the following:</b></p>
<p>Plant and machinery is used in various remote locations, including underground mines, around the world. This fact results in practical difficulty regarding the assessment of the existence of plant and machinery.</p>	<ul style="list-style-type: none"> <li>• We assessed the design and implementation of relevant controls relating to the existence and valuation of plant and machinery;</li> <li>• 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 machinery, the recalculation of depreciation charges and the assessment of useful lives assigned to plant and machinery. 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 machinery working papers to assess the work performed and conclusions reached;</li> <li>• 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;</li> <li>• We inspected management's control documentation to assess the physical movement of drilling machinery between sites and countries;</li> <li>• We assessed management's depreciation method against the requirements of IAS 16 Property, Plant and Equipment;</li> <li>• On a sample basis, we performed assessments of the Rods' useful lives and recalculated the depreciation charges for the year. Further, we performed analytical review procedures to assess the actual depreciation charges against our independent expectations;</li> <li>• In assessing the value-in-use of the shaft boring machine, we performed a detailed review of key inputs and assumptions used in the valuation model, considering specifically the operating cash flow projections, discount rates, and long-term growth rates to external sources where appropriate, and our knowledge of the industry and business. The key assumptions used for estimating cash flow projections in the group's impairment testing are those relating to growth in revenue and operating profit margin;</li> <li>• In respect of the patent, we made use of our internal valuation expertise to assess the valuation models and related key inputs and assumptions for reasonability, and to assess whether the methods applied are consistent with IFRS Accounting Standards and industry norms; and</li> <li>• We evaluated the adequacy of disclosures against the requirements of IFRS Accounting Standards.</li> </ul>
<p>In addition, the depreciation calculations relating to plant and machinery are complex, specifically for Rods, due to the estimates in the Units of Production, i.e. the useful lives, used. Management's assessment of the Units of Production for plant and machinery requires significant judgement and estimates.</p>	
<p>Furthermore, a patent is held by the group in relation to an under-construction shaft boring machine. Management assessed the patent to have an indefinite useful life. The patent and underlying under-construction shaft boring machine were assessed for impairment in the current year, considering that the related asset is not yet operational, with additional costs still to be incurred in getting it to operate. Due to this technology being a first in its class, limited information is available in determining its recoverable amount.</p>	
<p>Due to the:</p> <ul style="list-style-type: none"> <li>• practical challenges in respect of assessing the existence of the plant and machinery;</li> <li>• significant judgement and estimates involved in management's assessment of the useful lives, especially the Rods; and</li> <li>• significant judgments and estimates applied in the valuation of the shaft boring machine included in plant and machinery and the related intangible asset,</li> </ul> <p>the above matters were considered to be of most significance in our current year audit of the consolidated financial statements.</p>	



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><b>Acquisition of A&amp;R Engineering and Mining Services (Pty) Ltd, Lamproom Solutions and Consulting (Pty) Ltd, Embedded IQ (Pty) Ltd and Moxie Digital (Pty) Ltd ('A&amp;R Group') (note 25.3):</b></p> <p>In August 2022, Master Drilling Mining Services (Pty) Ltd, a subsidiary of Master Drilling Group Limited, acquired an additional interest in the A&amp;R Group, resulting in control being obtained.</p> <p>The group has therefore prepared consolidated financial statements, that includes A&amp;R Group from 22 August 2022, being the acquisition date, and has applied the acquisition method of IFRS 3 to the business combination.</p> <p>The accounting for the business combination had been provisionally accounted for in the 2022 financial statements and the final purchase price allocation and fair value calculations on date of acquisition were concluded in the current year.</p> <p>The accounting for the resulting Purchase Price Allocation ('PPA') was a matter of most significance to the current year audit of the consolidated financial statements, due to the following:</p> <ul style="list-style-type: none"><li>• The significant judgement and estimates involved in the model applied by management to determine the fair value of the previously held equity interest; and</li><li>• The significant judgement and estimates involved in the model applied by management to determine the fair value of the identifiable assets and liabilities in terms of IFRS 3.</li></ul>	<p><b>Our audit procedures included the following:</b></p> <ul style="list-style-type: none"><li>• We made use of our internal IFRS expertise to evaluate the accounting treatment on group level in terms of IFRS 3;</li><li>• We made use of our internal valuation expertise to assess the valuation model of the PPA, reflecting the fair value of the assets and liabilities as well as to assess whether the valuation is consistent with IFRS Accounting Standards and industry norms;</li><li>• The related key inputs and assumptions in the PPA, were assessed for reasonability, by comparing to external sources where appropriate;</li><li>• We tested the integrity and mathematical accuracy of the value in use impairment calculation by reperforming the calculation; and</li><li>• We considered the adequacy of the group's disclosures in terms of IFRS Accounting Standards in respect of the PPA.</li></ul>



## **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 2023" and in the document titled "Master Drilling Group Limited Separate Financial Statements for the year ended 31 December 2023" which includes the Directors' Report, the Audit Committee 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 Integrated Report which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 on the other information that we obtained prior to the date of this auditor's report, 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 IFRS Accounting Standards as issued by the International Accounting Standards Board 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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- 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.

### 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 twelve years.



**BDO South Africa Incorporated**  
Registered Auditors

**EFG Dreyer**  
Director  
Registered Auditor

26 March 2024  
Wanderers Office Park  
52 Corlett Drive  
Illovo, 2196



# 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.

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

As at 31 December 2023	%
Barrange (Pty) Ltd	28,9
MDG Equity Holdings (Pty) Ltd	25,7
Ninety-One	5,9

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

As at 31 December 2023	%
Camissa Asset Management (previously Kagiso Asset Management)	12,9
Abax Investments	6,0
Ninety-One	5,9

## Share capital

### Authorised

500 000 000 ordinary shares of no-par value.

There was no movement in authorised ordinary share capital during the year. The change in issued share capital relates to employees who exercised share options during the year.

### Unissued ordinary shares

	Number of shares	
	2023	2022
At 1 January	348 637 223	348 737 223
Issued during the year	115 000	100 000
At 31 December	348 522 223	348 637 223

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.



## DIRECTORS' REPORT (CONTINUED)

### 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 7 573 889 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% (7 573 889) 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		Beneficial	
		Direct 2023	Indirect	Direct 2022	Indirect
<b>Director</b>					
DC Pretorius	52.2	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
<b>Total Directors</b>	<b>58.0</b>	<b>2 292 761</b>	<b>85 497 569</b>	<b>2 292 761</b>	<b>85 497 569</b>
RJ Swanepoel	0	11 500	–	11 500	–
<b>Total</b>	<b>58.0</b>	<b>2 304 261</b>	<b>85 497 569</b>	<b>2 304 261</b>	<b>85 497 569</b>

(\*) Rounding of % may result in computational discrepancies.

At 31 December 2023, the directors of the Company held direct and indirect interests of 58,0% (2022: 58,1%) of the Company's issued ordinary share capital. None of the non-executive directors hold any interest in shares of the Company. There were no changes between the end of the financial year and the date of approval of the consolidated annual financial statements.

## **DIVIDENDS**

### **Dividend**

Since listing in 2012, the Company has delivered on its key strategic objectives, as set out in its listing prospectus. This, coupled with significant ongoing cash generation, now enables the Company to strike a balance between continued investment in capital projects to support the Company's further growth and enhancing returns to shareholders through the payment of appropriate dividends. Thus, in respect of the financial year ended 31 December 2023, the Board on 25 March 2024 declared a gross dividend of 52,5 cents per share in ZAR terms payable to shareholders recorded in the company's share register on Friday 19 May 2024. This dividend represents a 5 times earnings cover which is in line with the desired level indicated in its listing prospectus, of a 4 to 5 times earnings cover.

The dividend is payable from distributable reserves and subject to dividend withholding tax of 20%, a net dividend of 42,00000 cents per share in ZAR terms will be payable to shareholders.

The number of shares in issue at date of declaration amounts to 151 477 777 and the Company's tax reference number is 9797/433/15/9.

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

Last date to trade cum dividend:	Tuesday 14 May 2024
Trading ex dividend commences:	Wednesday 15 May 2024
Record date:	Friday 17 May 2024
Payment date:	Monday 20 May 2024

Shares may not be dematerialised or re-materialised between Wednesday, 15 May 2024 and Friday 17 May 2024, both dates inclusive.

Gross dividend of 47,5 cents per share in ZAR terms relating to FY2022 was declared and paid during May 2023. Any dividend unclaimed after a period of three years from the date on which the same has been declared to be payable shall be forfeited and revert to the Company.

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

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

## **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.

## **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 44.

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

## **DIRECTORS' REPORT (CONTINUED)**

### **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**

There were no changes to the Board since the previous reporting period.

### **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](http://www.masterdrilling.com)).

### **ANNUAL GENERAL MEETING**

The annual general meeting of Master Drilling Group Limited will be held virtually, on Tuesday, 10 June 2024 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 2024.

### **SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE**

The subsidiaries, associates and joint ventures of Master Drilling are disclosed in notes 32, 36 and 39 respectively of this document.

### **EVENTS SUBSEQUENT TO YEAR-END**

The Board approved a gross dividend on 25 March 2024 of 52,5 cents per share in ZAR terms payable to shareholders recorded in the Company's share register on Friday 17 May 2024. The dividend declared is not reflected in the financial statements for the year ended 31 December 2023.

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.



## **MATERIAL RESOLUTIONS**

No material special shareholders resolutions were passed during the year under review, except those passed at the annual general meeting held on 13 June 2023. 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 has been no changes to the operating segments as previously reported. See note 30 for more details.

On behalf of the Board



**Hendrik Roux van der Merwe**  
*Chairman*

Johannesburg  
25 March 2024

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

	Note(s)	2023 USD	2022 USD Restated (*)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	165 493 018	152 274 557
Intangibles and goodwill	4	21 079 664	23 432 336
Financial assets	5	5 196 817	5 084 173
Deferred tax asset	6	3 350 729	2 860 120
Related party loans	26	3 623 467	1 577 056
Investment in joint venture	39	4 469 712	4 382 221
Investment in associates	36	958 496	790 777
		<b>204 171 903</b>	<b>190 401 240</b>
<b>Current assets</b>			
Inventories	7	48 106 842	46 529 294
Related party loans	26	726 464	729 641
Trade and other receivables	8	76 367 261	79 359 647
Current tax receivable		4 319 829	4 034 447
Derivative financial instruments	37	326 327	248 648
Cash and cash equivalents	9	27 851 965	30 669 450
		<b>157 698 688</b>	<b>161 571 127</b>
<b>Total assets</b>		<b>361 870 591</b>	<b>351 972 367</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	10	149 470 175	149 365 330
Reserves		(129 762 649)	(124 051 438)
Retained income		165 166 453	147 707 905
		<b>184 873 979</b>	<b>173 021 797</b>
<b>Non-controlling interest</b>	35	<b>24 110 007</b>	<b>23 060 403</b>
		<b>208 983 986</b>	<b>196 082 200</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest bearing borrowings	12.1	39 508 019	41 411 477
Lease liabilities	13	5 153 677	5 773 563
Instalment sales liabilities	14	61 160	514 055
Contract liability	40	4 782 670	3 270 349
Provisions	16	1 288 163	500 182
Consideration payable	39	–	1 568 072
Related party loans	26	–	–
Put option liability for non-controlling interest	38	7 074 250	7 456 718
Deferred tax liability	6	9 922 984	13 225 411
		<b>67 790 923</b>	<b>73 719 827</b>
<b>Current liabilities</b>			
Interest bearing borrowings	12.1	4 572 533	4 702 628
Lease liabilities	13	601 775	610 876
Instalment sales liabilities	14	1 339 205	1 158 671
Related party loans	26	1 894 998	2 030 367
Current tax payable		6 920 411	7 344 355
Put option liability	38	–	–
Trade and other payables	15	63 770 049	57 335 004
Derivative financial instruments	37	576 164	424 288
Provisions	16	1 145 024	1 073 806
Contract liability	40	2 506 961	5 626 167
Put option liability for non-controlling interest	38	1 768 562	1 864 178
Cash and cash equivalents		–	–
		<b>85 095 682</b>	<b>82 170 340</b>
<b>Total liabilities</b>		<b>152 886 605</b>	<b>155 890 167</b>
<b>Total equity and liabilities</b>		<b>361 870 591</b>	<b>351 972 367</b>

(\*) Refer to note 41 for more details



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

	Note(s)	2023 USD	2022 USD Restated (*)
Revenue	17	242 797 541	226 393 741
Cost of sales		(174 365 710)	(161 478 511)
<b>Gross profit</b>		<b>68 431 831</b>	<b>64 915 230</b>
Other operating income	18	3 109 686	2 138 087
Other operating expenses		(37 993 230)	(32 220 048)
Movement of expected credit loss allowances	8	289 139	( 22 614)
<b>Operating profit</b>	19	<b>33 837 426</b>	<b>34 810 655</b>
Investment income	20	1 402 578	893 544
Finance costs	21	(5 804 895)	(4 470 312)
Fair value adjustment		( 22 989)	( 167 929)
Share of profit from equity accounted investments	36 + 39	753 445	1 376 748
<b>Profit before taxation</b>		<b>30 165 565</b>	<b>32 442 706</b>
Taxation	22	(7 867 907)	(10 334 653)
<b>Profit for the year</b>		<b>22 297 658</b>	<b>22 108 053</b>
<b>Other comprehensive income that will subsequently be classified to profit and loss:</b>			
Exchange differences on translating foreign operations		(5 844 900)	(13 686 597)
<b>Other comprehensive loss for the year net of taxation</b>		<b>(5 844 900)</b>	<b>(13 686 597)</b>
<b>Total comprehensive income</b>		<b>16 452 758</b>	<b>8 421 456</b>
<b>Profit attributable to:</b>		<b>22 297 658</b>	<b>22 108 053</b>
Owners of the parent		20 582 171	21 425 568
Non-controlling interest		1 715 487	682 485
<b>Total comprehensive income attributable to:</b>		<b>16 452 758</b>	<b>8 421 456</b>
Owners of the parent		14 737 271	7 738 971
Non-controlling interest		1 715 487	682 485
<b>Earnings per share (USD)</b>	24		
Basic earnings per share (cents)		13.6	14.2
<b>Diluted earnings per share (USD)</b>	24		
Diluted basic earnings per share (cents)		13.6	14.2
<b>Earnings per share (ZAR)</b>			
Basic earnings per share (cents)		251.0	232.5
<b>Diluted earnings per share (ZAR)</b>			
Diluted basic earnings per share (cents)		251.0	232.5

(\*) Refer to note 41 for more details

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

USD	Share capital	Equity arising on formation of the Group <sup>1</sup>	Foreign currency translation reserve <sup>2</sup>	Transactions between equity holders <sup>3</sup>
<b>Balance as at 31 December 2021</b>	149 259 486	(58 264 013)	(53 801 180)	1 611 385
Dividends declared by subsidiaries	–	–	–	–
Non-controlling equity contribution	–	–	–	–
Acquisition of subsidiary	–	–	–	–
Put option liability for non-controlling interest (*)	–	–	–	–
Issue of share capital for options exercised	105 844	–	–	–
Dividends to shareholders	–	–	–	–
Total comprehensive income for the year	–	–	(13 686 597)	–
Total changes	105 844	–	(13 686 597)	–
<b>Balance as at 31 December 2022 – restated (*)</b>	149 365 330	(58 264 013)	(67 487 777)	1 611 385
Dividends declared by subsidiaries	–	–	–	–
Non-controlling equity contribution	–	–	–	–
Share-based payment	–	–	–	–
Put option liability for non-controlling interest	–	–	–	–
Issue of share capital for options exercised	104 845	–	–	–
Dividends to shareholders	–	–	–	–
Total comprehensive income for the year	–	–	(5 665 631)	–
Total changes	104 845	–	(5 665 631)	–
<b>Balance as at 31 December 2023</b>	149 470 175	(58 264 013)	(73 153 408)	1 611 385
Note(s)	10	11		

<sup>1</sup> Equity arising on formation of the Group – Equity that arose with the formation of the Group on the initial Johannesburg Stock Exchange Listing

<sup>2</sup> Foreign currency translation reserve – Equity that arose as a result consolidation subsidiaries that have a different currency to that of the Group's reporting currency

<sup>3</sup> Transactions between equity holders – Equity that arose due to transactions between different equity holders with the formation of the Group

(\*) Refer to note 41 for more details



Share-based payments reserve	Total reserves	Retained income	Attributable to owners of the parent	Non-controlling interest	Total Shareholders' equity
134 631	(110 319 177)	137 593 905	176 534 214	9 834 821	186 369 035
-	-	-	-	(973 062)	(973 062)
-	-	559 560	559 560	537 616	1 097 176
-	-	-	-	12 978 543	12 978 543
-	-	(8 819 715)	(8 819 715)	-	(8 819 715)
(45 664)	(45 664)	-	60 180	-	60 180
-	-	(3 051 413)	(3 051 413)	-	(3 051 413)
-	(13 686 597)	21 425 568	7 738 971	682 485	8 421 456
(45 664)	(13 732 261)	10 114 000	(3 512 417)	13 225 582	9 713 165
88 967	(124 051 438)	147 707 905	173 021 797	23 060 403	196 082 200
-	-	-	-	(665 883)	(665 883)
-	-	-	-	-	-
(13 636)	(13 636)	-	(13 636)	-	(13 636)
-	-	591 291	591 291	-	591 291
(31 944)	(31 944)	-	72 901	-	72 901
-	-	(3 714 914)	(3 714 914)	-	(3 714 914)
-	(5 665 631)	20 582 171	14 916 540	1 715 487	16 632 027
(45 580)	(5 711 211)	17 458 548	11 852 182	1 049 604	12 901 786
43 387	(129 762 649)	165 166 453	184 873 979	24 110 007	208 983 986

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December

	Note(s)	2023 USD	2022 USD Restated (*)
<b>Cash flows from operating activities</b>			
Cash generated from operations	25.1	51 320 693	35 282 480
Interest received	20	674 275	577 554
Dividends received	20	–	1 763
Finance costs paid	21	(4 634 630)	(3 326 260)
Tax paid	25.2	(11 903 235)	(7 577 569)
<b>Net cash inflow from operating activities</b>		<b>35 457 103</b>	<b>24 957 968</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	3	(33 932 052)	(21 369 195)
Purchase of intangibles	4.1	(72 639)	–
Sale of property, plant and equipment		3 566 451	1 919 155
Advances to related parties		(815 988)	(164 006)
Proceeds from related parties		1 369 568	234 221
Payment of consideration for joint venture	39	(1 186 684)	(1 196 968)
Loss of control in subsidiary	42	–	(349 350)
Investment in equity instruments		–	–
Acquisition of joint venture		–	–
Acquisition of business	25.3	–	(4 025 435)
<b>Net cash outflow used in investing activities</b>		<b>(31 071 344)</b>	<b>(24 951 578)</b>
<b>Cash flows from financing activities</b>			
Advance from financial liabilities	12.2	2 716 083	20 953 706
Repayment of financial liabilities	12.2	(2 830 443)	(4 726 500)
Repayment of capital portion of lease liabilities	12.2	(564 787)	(355 167)
Repayment of capital portion of instalment sales agreements	12.2	(888 403)	(734 616)
Repayment of related parties	12.2	–	(365 543)
Advances received from related parties	12.2	–	178 213
Issue of share capital		21 918	–
Dividends paid to shareholders		(3 714 914)	(3 051 413)
Dividends paid to non-controlling interest		(665 883)	(973 062)
<b>Net cash (used in)/from financing activities</b>		<b>(5 926 429)</b>	<b>10 925 618</b>
<b>Total cash (outflow)/inflow for the period</b>		<b>(1 540 670)</b>	<b>10 932 008</b>
Cash at the beginning of the period		30 669 450	21 387 523
Effect of exchange rate movement on cash balances		(1 276 814)	(1 650 081)
<b>Total cash at end of the period</b>	9	<b>27 851 966</b>	<b>30 669 450</b>

(\*) Refer to note 41 for more details



# ACCOUNTING POLICIES

## 1. PRESENTATION OF FINANCIAL INFORMATION

The Group's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the requirements of the Companies Act and the JSE Listings Requirements. The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments at fair value 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 2023 as indicated in note 2.1 below.

### 1.1 Functional and presentation currency

Items included in the consolidated 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 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. Assets and liabilities are translated at the closing rate, income and expenses at transaction rates. Exchange differences are recognized in other comprehensive income and reported within equity.

### 1.2 Consolidation

#### Basis of consolidation

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

At inception the Group 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.

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.

The group accounts for any fair value adjustments on call and/or put options and previously held equity interest through profit and loss.

### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the Group 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 and other 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.

Contract assets for the Group arise as a result of its right to consideration as determined in the contractual agreement between the parties. These assets usually arise from the Group's providing a drilling related service in terms of the contractual performance obligations between the parties. Contract assets are assessed for expected credit losses in terms of IFRS 9. Contract assets are recognised aligned with the performance obligations being satisfied as to be consistent with IFRS15. Refer to note 8.

(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. Refer to note 4.2 for more information on the assumptions used in estimation of the value-in-use.



## 1.4 Significant judgements and sources of estimation uncertainty continued

### Estimates and assumptions continued

(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. Refer to note 22.

(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 based on potential contracts to be executed in the foreseeable future. Estimates of future taxable income are based on forecast taxable income is done with reference to confirmed contracts 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. Refer to note 6

(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 for the drilling industry, no specific benchmark is available. Refer to note 1.10

(f) 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 recoverability based on the relevance of the technology it relates to in the markets it operates within. Refer to note 4.1.

(g) 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: (Refer to note 29)

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

## ACCOUNTING POLICIES (CONTINUED)

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

#### (g) Financial instruments continued

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.

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.

#### Judgements

#### (h) 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. Refer to note 38.

#### (i) 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, Consortium Master Drilling Besalco SA, 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. Refer to note 32



## 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 Put liability for non-controlling interest

The put liability relating to the obligation to pay in cash in the future to purchase minority shares must be recognised by the purchaser, even if the payment is conditional on the option being exercised by the holder. The put liability is recognised as a financial liability at the present value of the amount to be paid in terms of a contractual agreement. On consolidation, the initial put liability is recognised as a reduction of the Group's equity, as the risk and rewards remain with the non-controlling interest.

On subsequent measurement, the adjustments to the redemption liability are recognised directly in equity as these are transactions with equity holders as there is no change in control.

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

## 1.8 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 involves the contractually agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). 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



## ACCOUNTING POLICIES (CONTINUED)

### 1.8 Investment in joint arrangements continued

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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

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

### 1.9 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.

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 maintain the software licence 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 at least annually for possible impairment.

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

Contractual client relationships are initially recognized at cost when they are acquired in a business combination and meet the identifiability intangible asset criteria. Contractual client relationships are amortised over straight line and is subsequently measured at cost less accumulated amortization and 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.

<b>Item</b>	<b>Average useful life</b>	<b>Depreciation Method</b>
Computer software	3 – 10 years	Straight line
Patent	Indefinite	Indefinite
Software licence agreements	Indefinite	Indefinite
Contractual client relationships	15 years	Straight line

## 1.10 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)		
	Remaining life percentages	Diminishing value
– Drill rods	2 years	Straight line
– Slim drilling surface rods	15 000 drilling metres	Units of production
– Drum rods	2 000 drilling metres	Units of production
– Reamers and reamer wings	1 000 drilling metres	Units of production
– Fins	800 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

## ACCOUNTING POLICIES (CONTINUED)

### 1.10 Property, plant and equipment continued

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.

### 1.11 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 and sale of goods.

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.

### 1.12 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.

Contract assets for the Group arise as a result of its right to consideration as determined in the contractual agreement between the parties. These assets usually arise from the Group providing a drilling related service in terms of the contractual performance obligations



## 1.12 Financial instruments continued

between the parties. Contract assets are assessed for expected credit losses in terms of IFRS 9. Contract assets are recognised aligned with the performance obligations being satisfied as to be consistent with IFRS15

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 either fair value less transactional costs or fair value through 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 default and the expected credit loss measurements. Default is defined as the counterparty's failure to meet its contractual obligations. Writing off of financial assets is when the Group acknowledges that it may not recover the money owed by the counterparty. The Group is not exposed to significant credit risk due to the nature of trade receivables which consists mainly of blue-chip mining clients across the world.

Other financial assets for which expected credit losses are considered include cash and cash equivalents and other debt-type financial assets, like loans to employees, deposits and financial assets which are measured at amortised cost. The Group uses the general approach to determine potential expected credit losses on these financial assets.

Besides for the trade receivables, the Group performed credit risk assessment on its financial assets, related party receivables and cash and cash equivalents and concluded that expected

## ACCOUNTING POLICIES (CONTINUED)

### 1.12 Financial instruments continued

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 forward-looking information to recognise expected credit losses – the expected credit loss model.

In applying this forward-looking approach which is applied to all financial assets except for trade and other receivables, 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.

(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.

## 1.12 Financial instruments continued

### (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.

## 1.13 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 recognized for all taxable temporary differences, excluding those from initial asset or liability recognition in transactions that don't impact accounting or taxable profit. A deferred tax asset is recognized for deductible temporary differences and unused tax losses, assuming probable future taxable profit for utilization. Exceptions include assets or liabilities from initial recognition transactions not affecting profits. Deferred taxes are measured using tax rates expected to apply in the asset realization or liability settlement year, according to enacted or substantively enacted tax laws by the reporting period's end.

A deferred tax asset is recognized for deductible temporary differences and unused tax losses, assuming probable future taxable profit for utilization. Exceptions include assets or liabilities from initial recognition transactions not affecting profits. Deferred taxes are measured using tax rates expected to apply in the asset realization or liability settlement year, according to enacted or substantively enacted tax laws by the reporting period's end.

### (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.



## ACCOUNTING POLICIES (CONTINUED)

### 1.13 Tax continued

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

which are accounted for on a straight-line basis.

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 revised discount rate that is applicable at the date of revision. 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.

## 1.16 Inventories continued

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 non-financial assets

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.

The Group assesses goodwill for impairment annually or when there is any indicators of potential impairment.

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 its 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.



## ACCOUNTING POLICIES (CONTINUED)

### 1.18 Employee benefits continued

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. Contractually agreed services are recognised as revenue over time when the drilling service has met the performance obligations as achieved 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:

- Identification of the contract with the customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price; and
- Revenue recognition when or as performance obligations are satisfied.

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.



## 1.20 Revenue continued

A portion of the group's revenue is derived from selling industrial products with revenue recognised at a point in time when control of the products has transferred to the customer. This is generally when the products are delivered to the customer. However, for the small minority of export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the group no longer has physical possession, usually will have a present right to payment and retains none of the significant risks and rewards.

## 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 of 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.

## ACCOUNTING POLICIES (CONTINUED)

### 1.23 Translation of foreign currencies continued

(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.

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.

### 1.24 Related party transactions

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.

### 1.25 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.

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 2023 as indicated below:

- IAS 1 *Disclosure of accounting policies*;
- IAS 8 *Definition of accounting estimates*;
- IAS 12 *Deferred tax related to assets and liabilities arising from a single transaction*;

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 2023. 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 1 *Non-current liabilities with covenants*

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

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

The directors have assessed the impact of the new standard, they believe the new standards will not have a material impact on the Group's financial statements as the Group already discloses its compliance to long-term borrowings.

#### 2.2.2 IAS 1 *Classification of liabilities as current or non-current*

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

The directors have assessed the impact of the new standard, they believe the new standards will not have a material impact on the Group's financial statements as careful consideration is given to classification and the necessary classifications are disclosed accordingly.

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

#### 2.2.3 IAS 7 *Supplier arrangements*

Amendments supplements existing disclosure requirements to disclose specific information about supplier finance agreements that allows the users to assess the effect on the liabilities, cash flows and liquidity risk.

The directors have assessed the impact of the new standard, they believe the new standards will not have a material impact on the Group's financial statements as the Group does not have a history of such transactions.

IAS 7 is effective from periods beginning on or after 1 January 2024.



## ACCOUNTING POLICIES (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 21 *Lack of exchangeability*

Amendment requires a company to apply a consistent approach to assess whether a currency is exchangeable into another currency and, when it is not, to determine the exchange rate to use and disclosure to provide.

The directors have assessed the impact of the new standard, they believe the new standards will not have a material impact on the Group's financial statements as the Group does not have an history with exchange ability of currencies into another currency.

IAS 21 is effective from periods beginning on or after 1 January 2025.

#### 2.2.5 IAS 28 *Investment in associates and joint ventures*

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

The directors have assessed the impact of the new standard, they believe the new standards will not have a material impact on the Group's financial statements as the Group does not have a history of such transactions.

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

#### 2.2.6 IFRS 7 *Supplier arrangements*

Amendments supplements existing disclosure requirements to disclose specific information about supplier finance agreements that allows the users to assess the effect on the liabilities, cash flows and liquidity risk.

The directors have assessed the impact of the new standard, they believe the new standards will not have a material impact on the Group's financial statements as the Group does not have a history of such transactions.

IFRS 7 is effective from periods beginning on or after 1 January 2024.

#### 2.2.7 IFRS 10 *Consolidated financial statements*

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

The directors have assessed the impact of the new standard, they believe the new standards will not have a material impact on the Group's financial statements as the Group does not have a history of such transactions.

IFRS 10 effective date has been deferred indefinitely until further notice.

#### 2.2.8 IFRS 16 *Lease liability in a sale and leaseback*

Amendments that require the seller-lessee to determine lease payments in such a manner that there will be no gain or loss relating to the right-of-use retained by the seller-lessee.

The directors have assessed the impact of the new standard, they believe the new standards will not have a material impact on the Group's financial statements as the Group does not have a history of such transactions.

IFRS 16 is effective from periods beginning on or after 1 January 2024.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT

2023 USD	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and buildings	1 557 091	(701 374)	855 717
Right of use assets: Land and buildings	6 712 984	(2 092 537)	4 620 447
Instalment sale: Plant and machinery	713 469	(512 534)	200 935
Plant and machinery	204 911 205	(61 356 564)	143 554 641
Assets under construction	12 781 073	–	12 781 073
Furniture and fittings	1 880 631	(1 661 355)	219 276
Motor vehicles	7 210 466	(4 374 611)	2 835 855
Right of use assets: Motor Vehicles	248 241	(188 510)	59 731
IT equipment	1 044 595	(679 252)	365 343
<b>Total</b>	<b>237 059 755</b>	<b>(71 566 737)</b>	<b>165 493 018</b>

  

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

### Borrowing cost

No borrowing costs were capitalised to the cost of property, plant and equipment during 2023 (2022:USD0).

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 3. PROPERTY, PLANT AND EQUIPMENT continued

### 3.1 Reconciliation of property, plant and equipment

2023 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Land and buildings	3 113 133	73 719	(231 419)
Right of use assets: Land and buildings	5 467 169	30 438	(237 387)
Instalment sale: Plant and machinery	2 396 110	–	188 085
Plant and machinery	134 078 989	23 630 155	(2 235 024)
Assets under construction	4 653 016	8 449 904	25 540
Furniture and fittings	316 841	234 895	12 496
Motor vehicles	1 766 532	2 081 974	170 674
Right of use assets: Motor Vehicles	85 079	–	(6 239)
IT equipment	397 688	155 540	(33 498)
	152 274 557	34 656 625	(2 346 772)

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

#### Security

Moveable assets to the value of ZAR1,8 billion (USD98.0 million at closing spot rate) of the South African subsidiaries have been bonded to ABSA Capital as security for an interest bearing loan.

Property, plant and equipment to the value of SEK40.8 million (USD4.0 million at closing rate) of the European entity have been pledged to Swedbank as security for an interest bearing loan (Refer to note 12).

#### Impairment

During the year, the businesses within the African region recognised impairment/scraping of plant and machinery. The future cash flows of specific rigs were negatively affected due to the cessation of operations by a customer in this region as the assets are not retrievable from the underground mine. Also in the current year, businesses within the South American and Rest of the World region recognised impairment/scraping of rigs that have negatively impacted cash flows due to the size of drilling rigs becoming obsolete to the industry.



Assets acquired through business combination	Reclassifications between different categories	Disposals	Depreciation	Impairment/ Scrapping	Derecognition on loss of control	Reclassification from assets under construction to plant and machinery	Total
–	–	(1 975 371)	(124 345)	–	–	–	855 717
–	–	–	(639 773)	–	–	–	4 620 447
–	(1 896 622)	(395 627)	(91 011)	–	–	–	200 935
–	1 896 622	(392 869)	(11 567 785)	(2 202 834)	–	347 387	143 554 641
–	–	–	–	–	–	(347 387)	12 781 073
–	–	(307 679)	(37 277)	–	–	–	219 276
–	–	(193 511)	(989 814)	–	–	–	2 835 855
–	–	–	(19 109)	–	–	–	59 731
–	–	(17 909)	(136 478)	–	–	–	365 343
–	–	(3 282 966)	(13 605 592)	(2 202 834)	–	–	165 493 018

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

During the previous year, the businesses within the African region recognised impairment/scrapping of plant and machinery. The future cash flows of the particular rigs were negatively affected by the type of drilling it was initially designed and built for and resulting in becoming obsolete in the industry.

No impairment losses recognised in prior years were reversed in the current year.

During the current reporting period, an impairment loss was recognized on the Group's Mobile Tunnel Borer included in plant and machinery.

This impairment reflects a decline in the asset's recoverable amount, which is the estimated future cash flows expected to be generated from the asset. An assessment determined that the asset's expected future benefits will not be sufficient to cover its current net book value, which is the carrying amount after accumulated depreciation.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 4. INTANGIBLE ASSETS AND GOODWILL

	Notes	2023 USD	2022 USD Restated (*)
Intangible assets	4.1	18 042 647	20 269 306
Goodwill	4.2	3 037 017	3 163 030
		<b>21 079 664</b>	<b>23 432 336</b>

(\*) Refer to note 41 for more details

### 4.1 Intangible assets

2023 USD	Cost	Accumulated amortisation and impairment losses	Carrying value
Computer software	1 199 464	(1 027 375)	172 089
Software licence agreements	6 441 475	–	6 441 475
Contractual client relationship	11 429 125	(953 289)	10 475 836
Patents	953 247	–	953 247
<b>Total</b>	<b>20 023 311</b>	<b>(1 980 664)</b>	<b>18 042 647</b>

2022 USD	Cost	Accumulated amortisation and impairment losses	Carrying value
Computer software	1 661 465	(1 414 872)	246 593
Software licence agreements	6 942 368	–	6 942 368
Contractual client relationship	12 403 000	(286 519)	12 116 481
Patents	963 864	–	963 864
<b>Total</b>	<b>21 970 697</b>	<b>(1 701 391)</b>	<b>20 269 306</b>

2023 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Computer software	246 593	11 099	(2 350)
Software licence agreements	6 942 368	2 930	(503 823)
Contractual client relationship	12 116 481	–	(878 153)
Patents	963 864	58 609	(69 226)
<b>Total</b>	<b>20 269 306</b>	<b>72 638</b>	<b>(1 453 552)</b>

2022 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Computer software	281 722	–	37 212
Software licence agreements	1 196 447	–	(51 062)
Contractual client relationship	–	–	66 897
Patents	968 128	–	(4 264)
	<b>2 446 297</b>	<b>–</b>	<b>48 783</b>

Assets acquired through business combination	Disposal	Deemed disposal on obtaining control	Amortisation	Impairment of intangible assets	Total
–	–	–	(58 981)	(24 272)	172 089
–	–	–	–	–	6 441 475
–	–	–	(762 492)	–	10 475 836
–	–	–	–	–	953 247
–	–	–	(821 473)	(24 272)	18 042 647

Assets acquired through business combination	Disposal	Deemed disposal on obtaining control	Amortisation	Impairment of intangible assets	Total
1 120	–	–	(51 839)	(21 622)	246 593
6 911 133	–	(1 114 150)	–	–	6 942 368
12 336 103	–	–	(286 519)	–	12 116 481
–	–	–	–	–	963 864
19 248 356	–	(1 114 150)	(338 358)	(21 622)	20 269 306



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 4. INTANGIBLE ASSETS AND GOODWILL continued

### 4.1 Intangible assets continued Software licence agreement

The Group is a co-licensor in software licence agreements and acquired additional stake during the 2022. This software licence agreements provides a fully integrated solution to clients for monitoring and tracking of plant and human resources on mines to ensure compliance with policies, practices and procedures in force in the mines, to promote and enhance safety and productivity on the mines and provide intelligence to management of mines for development of future resource strategies. The software license agreements has been identified as a separate identifiable intangible asset related to the A&R business combination. Refer to note 25.3 for more information

#### Contractual client relationship

The Group identified formal agreements between itself and clients, outlining the specific services that will be provided and the obligations of each party. These agreements are legally binding and define the terms of the business engagement. These contractual client relationships were identified as part of the final purchase price allocation of the transaction it relates to as detailed in note 25.3.

The remaining useful life is 13.67 years (2022: 14.67 years).

#### Patents

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

#### Impairment testing

For the purpose of annual impairment testing, patents are allocated to the plant and machinery within the group that is expected to benefit from the use of the patent while software licence agreements are assessed for the royalties it could potentially earn over a forecasted period of five years discounted with a suitable rate.

The recoverable amount of the software licence agreements and patents were determined based on a value-in-use calculation covering a five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using the growth rates determined by management. The present value of the expected cash flows of the cash-generating unit is determined by applying a suitable discount rate. Discount and growth rates used are based on industry linked underlying market conditions of the country the cash-generating unit is operational and will vary depending on the status of the market the asset is operational within.

Impairment of the patent was done considering that the machinery and technology it relates to is not yet operational and that additional cost is still to be incurred to complete the machine and the technology.

	Growth rate 2023	Discount rate 2023	Head room (*)	Growth rate 2022	Discount rate 2022	Head room (*)
Software licence agreements	1.00%	24.50%	3 170 259	4.50%	32.59%	2 709 170
Contractual client relationship	1.00%	19.22%	14 031 520	0.00%	0.00%	–
Patents	5.50%	18.84%	2 874 171	4.50%	24.73%	539 830

(\*) Head room is defined as the value the recoverable amount for the individual cash-generating unit exceed the carrying value.

#### Growth rate

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

#### Discount rate

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

#### Cash flow assumptions

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

#### Sensitivity analysis – Patents

Recognizing the dynamic nature of the market, the sensitivity analysis over patents aim to assess the potential impact given the uncertainty surrounding market responses and the market fluctuations to technological advancement, the analysis provided valuable insights into the resilience and adaptability of patent assets amidst changing landscapes:

	2023 USD	2022 USD
The following table indicates the sensitivity analysis:		
Discount rate 2% increase	(459 213)	(527 001)
Growth rate 2% decrease	114 919	44 387
Project profitability 5% decrease	(169 792)	(641 108)

## 4.2 Goodwill

	2023 USD	2022 USD Restated (*)
Goodwill recognised from value chain business combinations	2 085 808	2 162 370
Goodwill recognised from raisebore business combinations	435 146	445 038
Goodwill recognised from software support services	516 063	555 622
<b>Goodwill recognised from business combinations</b>	<b>3 037 017</b>	<b>3 163 030</b>

(\*) Refer to note 41 for more details

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 4. INTANGIBLE ASSETS AND GOODWILL *continued*

### 4.2 Goodwill *continued*

2023 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries	Total
Goodwill recognised from value chain business combinations	2 162 370	–	(76 562)	2 085 808
Goodwill recognised from raisebore business combinations	445 038	–	(9 892)	435 146
Goodwill recognised from software support services	555 622	–	(39 559)	516 063
<b>Goodwill recognised from business combinations</b>	<b>3 163 030</b>	<b>–</b>	<b>(126 013)</b>	<b>3 037 017</b>
2022 USD Restated (*)	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries	Total
Goodwill recognised from value chain business combinations	2 341 256	–	(178 886)	2 162 370
Goodwill recognised from raisebore business combinations	455 439	–	(10 401)	445 038
Goodwill recognised from software support services	–	553 686	1 936	555 622
<b>Goodwill recognised from business combinations</b>	<b>2 796 695</b>	<b>553 686</b>	<b>(187 351)</b>	<b>3 163 030</b>

(\*) Refer to note 41 for more details

#### Impairment testing

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

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



## 4. INTANGIBLE ASSETS AND GOODWILL continued

### 4.2 Goodwill continued

	Growth rate 2023	Discount rate 2023	Head room (*)	Growth rate 2022	Discount rate 2022	Head room (*)
Value chain business combination	4.16%	19.74%	4 573 887	3.00%	19.74%	7 577 550
Raisebore business combination	1.90%	15.30%	1 863 668	2.45%	24.45%	1 989 211
Software support services	1.00%	23.97%	27 510 498	4.50%	25.65%	20 551 619

(\*) Head room is defined as the value the recoverable amount for the individual cash-generating unit exceed the carrying value.

#### Growth rate

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

#### Discount rate

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

#### Cash flow assumptions

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

## 5. FINANCIAL ASSETS

	Notes	2023 USD	2022 USD
Investment in preference shares	5.1	5 121 733	5 084 173
Investment in equity instruments	5.2	75 084	–
Investment in unconsolidated entity	5.3	–	–
		5 196 817	5 084 173

### 5.1 Investment in preference shares

	Epha Drilling (Pty) Ltd <sup>1</sup>	Mosima Drilling (Pty) Ltd <sup>2</sup>	Total
Investment in BEE Partner			
<b>2023 USD</b>			
Opening balance	4 986 079	98 094	5 084 173
Exchange rate differences on translation	(357 617)	(7 036)	(364 653)
Preference dividends receivable capitalised	394 497	7 716	402 213
Ordinary dividend received	–	–	–
<b>Closing balance</b>	<b>5 022 959</b>	<b>98 774</b>	<b>5 121 733</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 5. FINANCIAL ASSETS continued

### 5.1 Investment in preference shares continued

2022  
USD

Opening balance	5 013 662	98 636	5 112 298
Exchange rate differences on translation	(335 747)	(6 605)	(342 352)
Preference dividends receivable capitalised	308 164	6 063	314 227
Ordinary dividend received	–	–	–
<b>Closing balance</b>	<b>4 986 079</b>	<b>98 094</b>	<b>5 084 173</b>

<sup>1</sup> Master Drilling Exploration (Pty) Ltd has an investment in BEE Partner – Epha Drilling (Pty) Ltd  
<sup>2</sup> Drilling Technical Services (Pty) Ltd has an investment in BEE Partner – Mosima Drilling (Pty) Ltd

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 on the earlier of 10 years from date of issue, in 2022 an extension of three years were agreed 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 credit risks were identified that could lead to potential expected credit losses. The financial assets are carried at amortised cost.

Refer to note 28 and note 29 for more details.

	2023 USD	2022 USD
<b>5.2 Investment in equity instruments</b>	<b>75 084</b>	–

The investments in equity instruments consist of equity shares in publicly traded companies which are measured at fair value.

	2023 USD	2022 USD
<b>5.3 Investment in unconsolidated entity</b>	<b>–</b>	–

During 2021, the Group established a subsidiary, Master Detra LLC, incorporated in Russia. With the outbreak of the war during 2022 between Russia and Ukraine, the Board resolved that the Group had to withdraw its control of the subsidiary not to put the wider Group at risk due to the sanctions that were imposed on Russia. As a result, the Group effectively lost control over the investment and unconsolidated the investment. Refer to note 42 for more details on the unconsolidated entity.

## 6. DEFERRED TAX

	2023 USD	2022 USD Restated (*)
Property, plant and equipment	11 249 955	11 499 646
Intangibles	2 751 115	3 268 441
Pre-payments	483 925	580 491
Allowance for expected credit losses	(1 197 501)	(1 565 510)
Provisions	(632 905)	(408 446)
Lease asset	(167 791)	161 554
Lease liability		
Contract liability	(272 331)	687 497
Accrual for employee benefits	(1 371 318)	(896 916)
Estimated tax losses	(4 381 788)	(2 615 564)
Unrealised foreign exchange loss	110 894	(345 902)
<b>Net deferred tax liability</b>	<b>6 572 255</b>	<b>10 365 291</b>
<b>Reconciliation of net deferred tax liability</b>		
Reported as at 1 January	10 365 291	7 328 269
Exchange differences on translation of foreign operations	132 544	(490 093)
Change in taxation rate	(21 649)	(35 226)
Property, plant and equipment	803 443	(1 512 845)
Intangibles	(517 326)	3 268 441
Pre-payments	(96 566)	574 929
Allowance for expected credit losses	(685 124)	(1 235 211)
Lease asset	15 139	287 219
Lease liability		
Provisions	(568 943)	239 701
Contract liability	(959 828)	1 781 331
Accrual for employee benefits	(474 402)	(535 579)
Estimated tax losses	(1 766 224)	439 825
Derecognition on loss of control	-	97 528
Acquired through business combination	-	(71 911)
Unrealised foreign exchange profit/loss	345 900	228 913
	<b>6 572 255</b>	<b>10 365 291</b>
<b>As disclosed in terms of IAS 12:</b>		
Deferred tax liability	9 922 984	13 225 411
Deferred tax asset	(3 350 729)	(2 860 120)
	<b>6 572 255</b>	<b>10 365 291</b>

Deferred taxation assets have been recognised in respect of tax losses and temporary differences where, having reviewed the financial projections for the foreseeable future of the underlying entities within 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 2023 is USD5 205 422 (2022: USD5 107 581).

The Group accrued deferred taxation on the Indian subsidiary with the change in tax rate reducing from 29.12% to 25.17% effective 1 April 2024.



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 7. INVENTORIES

	2023 USD	2022 USD
Consumables	33 765 776	23 877 572
Cutters	8 948 159	17 329 086
Goods in transit	4 729 985	–
Work in progress	1 651 677	6 105 866
	<b>49 095 597</b>	<b>47 312 524</b>
Allowance for obsolete inventory	(988 755)	(783 230)
	<b>48 106 842</b>	<b>46 529 294</b>

The carrying amount of inventory as presented reflects the cost price of inventory less allowance for obsolete inventory. No write downs were recorded in the current year (2022:0)

## 8. TRADE AND OTHER RECEIVABLES

	2023 USD	2022 USD
Trade receivables	61 086 302	59 973 365
Trade receivables – Normal (Gross)	63 677 158	63 566 215
Trade receivables – Retention (Gross)	1 854 961	1 213 210
Expected credit loss allowance of trade receivables	(4 445 817)	(4 806 060)
Contract asset	4 536 722	5 794 169
Loans to employees	194 562	270 735
Prepaid expenses	6 943 248	7 808 828
Deposits	320 125	291 886
Indirect taxes	2 007 357	4 083 177
Other receivables	1 278 945	1 137 487
	<b>76 367 261</b>	<b>79 359 647</b>

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

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

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

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

## 8. TRADE AND OTHER RECEIVABLES continued

	2023 USD	2022 USD
<p><i>Retention trade receivables are considered for expected credit losses based on the same assumptions as for normal trade receivables. The expected credit losses remained fairly consistent year on year. This is due to the mix of the specific risk factors across the various jurisdictions the Group operate within. The Group provides for clients that have specifically been identified as not recoverable. Thereafter the group uses the general matrix approach and expected credit loss allowance per ageing bracket for each of the regions were determined based on specific economically, political and market conditions for each of the country that is included in each of the regions.</i></p>		
<p><b>The movement in expected credit losses is presented below</b></p>		
Balance 1 January	4 806 060	4 800 831
Exchange differences on translation of foreign operations	480 022	(106 682)
Reversal of credit losses recognised previously	(1 226 395)	–
Expected credit loss adjustment on business combination	–	89 297
Amounts written off	(551 126)	–
Allowance for credit losses recognised	937 256	22 614
	<b>4 445 817</b>	<b>4 806 060</b>
<p><b>Gross trade receivables per region :</b></p>		
Africa	26 488 577	25 899 131
Central and North America	8 215 083	9 671 893
Rest of the World	5 797 141	7 817 418
South America	25 031 318	21 390 983
	<b>65 532 119</b>	<b>64 779 425</b>
<p><b>Expected credit losses matrix:</b></p>		
<p><b>AFRICA</b></p>		
Current	3.62% to 4.20%	4.05% to 4.55%
30 days	3.72% to 4.30%	4.15% to 4.65%
31 to 60 days	3.97% to 4.55%	4.40% to 4.90%
61 to 90 days	3.97% to 4.55%	4.90% to 5.40%
90 + days	4.47% to 5.05%	5.90% to 6.40%
<p><b>REST OF THE WORLD</b></p>		
Current	2.35% to 3.41%	0.10% to 4.05%
30 days	2.45% to 3.51%	0.15% to 4.15%
31 to 60 days	2.65% to 2.70%	0.35% to 4.40%
61 to 90 days	2.65% to 2.70%	0.55% to 4.90%
90 + days	2.90% to 3.20%	0.70% to 5.15%
<p><b>CENTRAL AND NORTH AMERICA</b></p>		
Current	0.00% to 2.47%	2.17% to 2.47%
30 days	0.10% to 2.67%	2.57% to 2.67%
31 to 60 days	0.35% to 2.99%	2.82% to 2.99%
61 to 90 days	0.35% to 2.99%	3.32% to 3.46%
90 + days	0.85% to 3.94%	3.69% to 3.94%

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 8. TRADE AND OTHER RECEIVABLES continued

	2023 USD	2022 USD
<b>SOUTH AMERICA</b>		
Current	3.31% to 3.51%	3.31% to 3.51%
30 days	3.41% to 3.65%	3.41% to 3.65%
31 to 60 days	3.66% to 3.99%	3.66% to 3.99%
61 to 90 days	4.16% to 4.31%	4.16% to 4.31%
90 + days	4.33% to 4.58%	4.33% to 4.58%
<b>The carrying amount in USD of trade and other receivables are denominated in the following currencies:</b>		
Australian Dollar	347 833	140 962
Brazilian Real	3 721 250	6 120 217
Botswana Pula	18 253	
Canadian Dollar	3 773 360	3 180 354
Chilean Peso	18 006 942	13 481 684
Chinese Yuan	573 164	280 618
Colombian Peso	1 600	1 242
Euro	5 744	–
Ghanaian Cedi	889 390	–
Guatemalan Quetzales	10 057	91 004
Indian Rupee	4 437 217	5 330 398
Peruvian Sol	860 953	1 421 086
Swedish Krona	2 516 073	3 532 451
United States Dollar	28 999 403	25 870 621
South African Rand	11 515 006	19 901 000
Zambian Kwacha	691 016	8 010
	<b>76 367 261</b>	<b>79 359 647</b>

Refer to note 27.6 where the Group's potential impact on profit based on currency exposure.

## 9. CASH AND CASH EQUIVALENTS

	2023 USD	2022 USD
Cash on hand	67 230	126 699
Bank balances	26 304 243	28 321 387
Short-term deposits (*)	1 480 492	2 221 364
Bank overdraft	–	–
	<b>27 851 965</b>	<b>30 669 450</b>
Current assets	<b>27 851 965</b>	<b>30 669 450</b>
Current liabilities	–	–

(\*) Short-term deposits comprise of fixed cash deposits that ICICI Bank and NAB holds to the value of INR 25 million as cover for supplier invoices.

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, therefore no expected credit losses allowances have been recognised.



## 10. SHARE CAPITAL

Authorised	2023		2022	
	Number of shares		Number of shares	
Ordinary no par value shares	500 000 000		500 000 000	

  

Reconciliation of number of shares issued:	2023		2022	
	Number of shares	Value USD	Number of shares	Value USD
Balance at the beginning of the period	151 362 777	149 365 330	151 262 777	149 259 486
Share options exercised	115 000	104 845	100 000	105 844
Balance at the end of the period	151 477 777	149 470 175	151 362 777	149 365 330

The un-issued shares are under the control of the directors. The increase in the number of issued shares in 2023 is as a result of share options exercised.

## 11. EQUITY ARISING ON FORMATION OF THE GROUP

	2023 USD	2022 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
<b>Total</b>	<b>58 264 013</b>	<b>58 264 013</b>

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.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 12. INTEREST-BEARING BORROWINGS

	2023 USD	2022 USD
<b>12.1 Held at amortised cost</b>		
Secured		
<b>ABSA Bank</b>	41 869 229	44 472 348
<i>A portion of the loan, USD21 486 496 (2022: USD19 392 992), is denominated in USD. The USD denominated portion of the loan bears interest at a marginal rate of 3.25% over SOFR as applicable.</i>		
<i>The remainder of the loan, USD20 382 732 (2022: USD25 079 356), is denominated in ZAR and bears interest at a marginal rate of 3,20% over JIBAR as applicable. USD11 662 671, denominated in ZAR is repayable over 20 equal quarterly instalments until end September 2027. The remainder of the capital is repayable in full by end September 2025. The capital repayable by end September 2025 is renewable for a further two year period. Refer to note 3 and 8 respectively for the securities</i>		
<b>Swedbank</b>	1 930	13 052
<i>The loan is denominated in Swedish Krona, secured by owned plant and machinery which is pledged as collateral (refer to note 3). The loan bears interest at a 2.45% 3-month fixing period rate.</i>		
<i>The loan is repayable in equal quarterly instalments of which the final will be payable in the first quarter of 2024.</i>		
<b>Industrial Development Corporation ("IDC")</b>	2 209 393	1 628 705
<i>The loan is denominated in South African Rands, has been used to invest with the IDC in new technology. The loan currently bears no interest and may be repayable after the initial term of 7 years. The inception date of the loan was during 2021. Should the underlying subsidiary be unable to repay, the IDC will convert the loan into equity. The number of shares will be confirmed on date of conversion. The Group discounted the interest free loan using the prime interest rate of South Africa over the remaining period of the loan.</i>		
<b>Total interest-bearing borrowings</b>	<b>44 080 552</b>	46 114 105
<b>Non-current liabilities</b>		
At amortised cost	39 508 019	41 411 477
<b>Current liabilities</b>		
At amortised cost	4 572 533	4 702 628
	<b>44 080 552</b>	46 114 105

## 12. INTEREST-BEARING BORROWINGS continued

### 12.2 Changes in liabilities arising from financing activities

	2023 USD	2023 USD	2023 USD	2023 USD	2023 USD
	Interest bearing borrowings	Leases	Instalment Sales Agreement	Related Parties	Total
Opening balance	46 114 105	6 384 439	1 672 726	2 030 367	56 201 637
Foreign exchange movement	(1 948 585)	(144 087)	(78 098)	(144 609)	(2 315 379)
Fair value adjustment	(317 049)	–	–	–	(317 049)
New agreements	–	30 438	694 140	–	724 578
Acquired through business combination	–	–	–	–	–
Accrued interest	4 226 263	562 135	174 946	–	4 963 344
Interest paid	(3 879 822)	(512 686)	(174 946)	–	(4 567 454)
Cash received	2 716 083	–	–	–	2 716 083
Cash flows – repayments	(2 830 443)	(564 787)	(888 403)	9 240	(4 274 393)
Closing balance	44 080 552	5 755 452	1 400 365	1 894 998	53 131 367
	2022 USD	2022 USD	2022 USD	2022 USD	2022 USD
	Interest bearing borrowings	Leases	Instalment Sales Agreement	Related Parties	Total
Opening balance	32 168 810	4 800 232	1 040 983	357 292	38 367 317
Foreign exchange movement	(1 750 186)	(206 998)	(28 197)	(90 526)	(2 075 907)
Fair value adjustment	(1 097 176)	–	–	–	(1 097 176)
New agreements	–	1 619 746	1 394 556	1 950 931	4 965 233
Acquired through business combination	–	526 626	–	–	526 626
Accrued interest	1 581 839	624 848	124 602	–	2 331 289
Interest paid	(1 016 388)	(624 848)	(124 602)	–	(1 765 838)
Cash received	20 953 706	–	–	178 213	21 131 919
Cash flows – repayments	(4 726 500)	(355 167)	(734 616)	(365 543)	(6 181 826)
Closing balance	46 114 105	6 384 439	1 672 726	2 030 367	56 201 637



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 13. LEASE LIABILITIES

	2023 USD	2022 USD
<b>13.1 Lease liabilities</b>		
<b>Lease payment due</b>		
– within one year	1 067 510	1 122 235
– in second to third year	1 030 790	1 703 162
– in third to fourth year	934 382	1 253 732
– in fourth to fifth year	853 962	877 530
– more than five years	6 373 617	6 773 906
<b>Total lease payments due</b>	<b>10 260 261</b>	<b>11 730 565</b>
<b>Less: Future finance charges</b>		
Less: Future finance charges	(4 504 809)	(5 346 126)
<b>Present value of lease payment</b>	<b>5 755 452</b>	<b>6 384 439</b>
Non-current liabilities	5 153 677	5 773 563
Current liabilities	601 775	610 876
<b>13.2 Lease obligation reconciliation</b>		
Opening balance	6 384 439	4 800 232
Remeasurement	–	–
Interest expense	562 135	624 848
Additions	30 438	1 619 746
Lease payments	(1 077 473)	(980 015)
Acquired through business combination	–	526 626
Foreign exchange movements	(144 087)	(206 998)
Closing balance	<b>5 755 452</b>	<b>6 384 439</b>

The lease liabilities are related to the right of use asset for land and buildings and motor vehicles 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.

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 USD176 961 (2022: USD172 528).

## 14. INSTALMENT SALES LIABILITIES

	2023 USD	2022 USD
<b>Minimum payment due</b>		
– within one year	1 364 060	904 298
– in second to third year	134 908	777 823
– in third to fourth year	25 453	166 993
	<b>1 524 421</b>	<b>1 849 114</b>
Less: Future finance charges	(124 056)	(176 390)
<b>Present value of minimum payment</b>	<b>1 400 365</b>	<b>1 672 724</b>
– within one year	1 339 205	1 158 671
– in second to third year	36 653	344 417
– in third to fourth year	24 507	169 638
<b>Present value of minimum payments</b>	<b>1 400 365</b>	<b>1 672 726</b>

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 liabilities are secured by a pledge over certain fixed assets of the Group. Refer to note 3 for more information.

## 15. TRADE AND OTHER PAYABLES

	2023 USD	2022 USD
Trade payables	39 048 646	24 254 945
Accruals	6 780 857	13 993 467
Indirect taxes	4 344 654	5 872 703
Leave pay accruals	3 028 456	3 465 954
Consideration payable (*)	2 455 588	2 665 460
Employee related	6 276 423	5 550 939
Other payables	1 835 425	1 531 536
	<b>63 770 049</b>	<b>57 335 004</b>

(\*) Included in consideration payable is an amount of USD1 520 432, the short-term portion, payable to Newham (Pty) Ltd which is also disclosed as a joint venture partner. Refer to note 39.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 16. PROVISIONS

	2023 USD	2022 USD
Long-term incentive	1 288 163	500 182
Short-term incentive	1 145 024	1 073 806
	<b>2 433 187</b>	<b>1 573 988</b>
Non-current liabilities	1 288 163	500 182
Current liabilities	1 145 024	1 073 806
<b>2023</b>	<b>Long term incentive</b>	<b>Short term incentive</b>
Balance on 1 January	500 182	1 073 806
Increase in provision	837 688	1 137 062
Exchange rate differences	(49 707)	(113 297)
Utilisation of provision	–	(952 547)
Balance on 31 December	<b>1 288 163</b>	<b>1 145 024</b>
<b>2022</b>	<b>Long term incentive</b>	<b>Short term incentive</b>
Balance on 1 January	1 143 941	1 170 868
Increase in provision	480 727	1 032 039
Exchange rate differences	(91 056)	(209 236)
Utilisation of provision	(1 033 430)	(919 865)
Balance on 31 December	500 182	1 073 806

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 as a result.



## 17. REVENUE

	2023 USD	2022 USD
<b>Revenue from contracts with customers</b>		
Rendering of services	208 839 091	212 948 610
Sale of industrial products	33 958 450	13 445 131
	<b>242 797 541</b>	226 393 741
<b>Disaggregation of revenue from contracts with customers</b>		
The Group disaggregates revenue from customers as follows:		
Rendering of services	208 839 091	212 948 610
Sale of industrial products	33 958 450	13 445 131
	<b>242 797 541</b>	226 393 741
<b>Timing of revenue recognition</b>		
<b>Over time</b>		
Rendering of services	208 839 091	212 948 610
<b>At a point in time</b>		
Sale of industrial products	33 958 450	13 445 131

Refer to note 30 – Segment Reporting for disaggregation of revenue by stage of mining activity and geographical area.

## 18. OTHER INCOME

	2023 USD	2022 USD
Foreign exchange gains	1 051 740	–
Gain on disposal of assets to third parties	283 485	750 667
Covid-19 relief funds	–	162 125
Royalty income	–	409 493
Rental income	1 534 763	358 370
Scrap sales	140 420	41 405
Gain on loss of control	–	219 199
Other	99 278	196 828
	<b>3 109 686</b>	2 138 087

Royalty income is earned on its software licence agreements in terms of the contracts the Group has with its clients. Royalty income is not considered to be part of the main revenue generating activities and thus disclosed separately from revenue.

Rental income is earned rental of auxiliary equipment rented out to clients and related parties to assist with achieving the drilling related milestones that is contractually agreed with the clients. Rental income is not considered to be part of the main revenue generating activities and thus disclosed separately from revenue.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 19. OPERATING PROFIT

	2023 USD	2022 USD Restated (*)
<b>Operating profit for the year is stated after accounting for the following:</b>		
Gain on sale of property, plant and equipment	283 485	750 667
Impairment of property, plant and equipment	(2 202 834)	(658 265)
Impairment of intangibles	(24 272)	(21 622)
Gain/(Loss) on exchange differences	1 051 740	(1 832 634)
Depreciation on property, plant and equipment	(12 946 710)	(14 539 686)
Depreciation on right of use asset	(658 882)	(646 773)
Amortisation	(821 473)	(338 358)
Employee costs	(81 984 344)	(77 165 676)
Incentive provision	(1 974 750)	(1 573 988)
External audit fee	398 855	345 942
Approved audit fees payable for the year ended	381 549	344 498
Non- audit service	17 306	1 444
Royalty income	–	409 493
Covid-19 relief benefits	–	162 125

(\*) Refer to note 41 for more details

## 20. INVESTMENT INCOME

	2023 USD	2022 USD
Total dividends	402 214	315 990
Unlisted preference dividends	402 214	314 227
Other dividends received	–	1 763
Total interest received	1 000 364	577 554
Interest from related party	246 675	84 761
Bank	753 689	492 793
	1 402 578	893 544

## 21. FINANCE COST

	2023 USD	2022 USD
Interest bearing borrowings	4 076 840	1 581 839
Lease and instalment sales agreement liabilities	737 081	749 450
Bank	120 852	1 500 206
Interest on unwinding of contract liability	496 644	429 306
Interest accrued in respect of taxes	29 746	–
Interest on consideration payable	247 980	149 295
Other	95 752	60 216
	<b>5 804 895</b>	<b>4 470 312</b>
<b>Reconciliation of finance cost paid in cash:</b>		
Total finance cost	5 804 895	4 470 312
Interest accrued on interest bearing borrowings	346 441	565 451
Interest accrued on installment sales agreement	49 454	–
Interest unwinding contract liability	496 644	429 306
Interest accrued in respect of taxation	29 746	–
Interest accrued – consideration payable	247 980	149 295
Finance cost paid in cash	<b>4 634 630</b>	<b>3 326 260</b>



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 22. TAXATION

### Taxation

	2023 USD	2022 USD Restated (*)
<b>Current</b>		
Normal taxation	11 338 997	9 610 429
Current taxation	11 543 717	11 039 947
(Over)/Under provision	(204 720)	(1 429 518)
Deferred taxation	(3 471 090)	630 612
Deferred taxation: Temporary differences	(3 449 441)	665 838
Deferred taxation: Change in taxation rate	(21 649)	(35 226)
Dividend withholding taxation	–	93 612
	<b>7 867 907</b>	<b>10 334 653</b>
<b>Reconciliation of the tax expense</b>		
Accounting profit	30 165 565	32 729 225
Tax at the applicable tax rate – Average rate 24% (2022: 34%)	6 966 652	10 896 854
Over provision	(204 720)	(1 429 518)
Change in taxation rate	(21 649)	(35 226)
Exempt income – Dividends and royalties received	(1 298 828)	(375 709)
Non-deductible expenses – Fines and penalties	1 912 270	374 178
Estimated loss not recognised	514 182	1 092 122
Utilisation of estimated loss previously not recognised	–	(188 048)
<b>Taxation per statement of profit or loss and other comprehensive income</b>	<b>7 867 907</b>	<b>10 334 653</b>

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 as forecasts for underlying entities indicated probable income.

The tax at applicable rate has decreased compared to prior year due a different profit mix between the different tax jurisdictions with the different tax rates.

The total unrecognised assessed loss at 31 December 2023 is USD5 205 422 (2022: USD5 107 581).

## 22. TAXATION continued

	2023 USD	2022 USD Restated (*)
<b>Normal taxation charge/(benefit) per entity within the Group</b>		
Master Drilling Australia (Pty) Ltd	300 378	–
Master Drilling do Brasil Ltda	–	331 003
MDX Masterdrill Exploracoes E Sondagens Ltda	189 530	222 190
MD Botswana (Pty) Ltd	273 100	45 710
MD Katanga Drilling Services SAS	687 088	938 588
Kipushi Drilling ASA	155 932	–
Master Drilling Chile S.A.	–	863 818
Consorsio Master Drilling Besalco SA	394 643	396 499
Master Drilling Changzhou Co Ltd	398 425	750 989
Master Drilling Ghana Ltd	849 674	–
Master Drilling India Pvt Ltd	1 707 439	1 809 494
Master Drilling Mali Sarl	1 122 842	101 659
Master Drilling Malta Limited	134 040	915 382
Master Drilling International Ltd	5 386	295 358
Master Drilling Mexico SA de CV	(387 957)	1 195 581
Master Drilling Nicaragua SA	43 004	–
Master Drilling Peru S.A.C.	839 955	6 482
Drilling Technical Services Peru S.A.C.	246 625	324 181
Drilling Administrative Services S.A.C.	88 046	43 126
Bergteamet Raiseboring Europe AB	1 368 461	682 070
Master Drilling Madencilik Ve Ticaret Limited Sirketi <sup>1)</sup>	–	(5 364)
Master Drilling Tanzania Ltd	91 204	42 595
Master Drilling USA LLC	–	155 410
Master Drilling Group Ltd	(28 544)	(484 661)
Drilling Technical Services (Pty) Ltd	(119 714)	(226 675)
Master Mining (Pty) Ltd	(31 495)	101 485
Master Drilling (Pty) Ltd	757 323	152 846
MDG Shared Services (Pty) Ltd	3 860	73 186
Master Drilling Mining Services (Pty) Ltd	243 696	92 615
MD Training Services (Pty) Ltd	9 167	4 746
A&R Engineering and Mining Services (Pty) Ltd	648 525	357 407
Embedded IQ (Pty) Ltd	1 092 187	283 075
Embedded Works (Pty) Ltd	56 874	54 444
Lamproom Solutions and Consulting (Pty) Ltd	199 303	87 132
Moxie Digital (Pty) Ltd	–	58
	<b>11 338 997</b>	<b>9 610 429</b>

The South African corporate tax rate was reduced from 28% to 27% for all tax assessments after 31 March 2023

The Group accrued deferred taxation on the Indian subsidiary with the change in tax rate reducing from 29.12% to 25.17% effective 1 April 2024.

<sup>1)</sup> Refer to note 41 for more details

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 23. DIRECTORS' REMUNERATION

2023 USD	Basic salary	Bonus
<b>Executive directors</b>		
Danie Pretorius <sup>†</sup>	395 123	204 314
Andre van Deventer <sup>†</sup>	289 391	162 471
Koos Jordaan <sup>†</sup>	280 500	111 604
<b>Sub-total</b>	<b>965 014</b>	<b>478 389</b>
<b>Non-executive directors</b>		
Hennie vd Merwe <sup>^</sup>	–	–
Shane Ferguson <sup>^</sup>	–	–
Andries Brink <sup>^</sup>	–	–
Hendrik Faul <sup>^</sup>	–	–
Mamokete Ramathe <sup>^</sup>	–	–
Akhter Deshmukh <sup>^</sup>	–	–
<b>Sub-total</b>	<b>–</b>	<b>–</b>
<b>Alternate director</b>		
Gary Sheppard <sup>#</sup>	348 505	28 796
Eddie Dixon <sup>§</sup>	155 071	–
<b>Sub-total</b>	<b>503 576</b>	<b>28 796</b>
<b>Prescribed Officer</b>		
Roelof Swanepoel <sup>†</sup>	164 503	70 146
<b>Sub-total</b>	<b>164 503</b>	<b>70 146</b>
<b>Total</b>	<b>1 633 093</b>	<b>577 331</b>

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.

Compensation paid to key personnel have been disclosed in note 24.

\* Paid by MDG Shared Services (Pty) Ltd

+ Paid by Master Drilling New Technology Holdings (Pty) Ltd

" Paid by MDG Shared 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
20 203	–	–	–	619 640
13 372	–	–	–	465 234
15 387	–	–	–	407 491
48 962	–	–	–	1 492 365
–	–	58 683	–	58 683
–	–	32 027	81 927	113 954
–	–	32 787	–	32 787
–	–	16 546	–	16 546
–	–	24 305	–	24 305
–	–	38 590	–	38 590
–	–	202 938	81 927	284 865
36 679	–	–	–	413 980
11 270	17 393	–	–	183 734
47 949	17 393	–	–	597 714
5 157	12 062	–	–	251 868
5 157	12 062	–	–	251 868
102 068	29 455	202 938	81 927	2 626 812

Share options held by directors and/or prescribed officers:

Refer to note 34	EP ZAR	Number of shares	Danie Pretorius	Roelof Swanepoel
Outstanding – 1 January	–	–	–	–
Additional share options granted	1.27	709 758	500 000	209 758
Outstanding – 31 December	1.27	709 758	500 000	209 758
Expense recognised	–	12 584	8 865	3 719

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 23. DIRECTORS' REMUNERATION CONTINUED

2022 USD	Basic salary	Bonus
<b>Executive directors</b>		
Danie Pretorius "	679 743	--
Andre van Deventer "	407 467	274 463
Gary Sheppard #	348 349	22 784
Koos Jordaan +	276 288	456 544
Sub-total	1 711 847	753 791
<b>Non-executive directors</b>		
Hennie vd Merwe ^	--	--
Shane Ferguson ^	--	--
Andries Brink ^	--	--
Hendrik Faul ^	--	--
Mamokete Ramathe ^	--	--
Akhter Deshmukh ^	--	--
Sub-total	--	--
Alternate director		
Eddie Dixon \$	164 851	--
<b>Sub-total</b>	164 851	--
<b>Prescribed Officer</b>		
Roelof Swanepoel *	154 848	174 177
<b>Sub-total</b>	154 848	174 177
<b>Total</b>	2 031 546	927 968

\* 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
19 979	–	–	–	699 722
15 361	–	–	–	697 291
12 732	–	–	–	383 865
18 735	–	–	–	751 567
66 807	–	–	–	2 532 445
–	–	60 266	–	60 266
–	–	33 904	79 392	113 296
–	–	34 708	–	34 708
–	–	23 585	–	23 585
–	–	25 729	–	25 729
–	–	40 896	–	40 896
–	–	219 088	79 392	298 480
11 423	18 347	–	–	194 621
11 423	18 347	–	–	194 621
6 244	12 678	–	–	347 947
6 244	12 678	–	–	347 947
84 474	31 025	219 088	79 392	3 373 493

Share options held by directors and/or prescribed officers:

Refer to note 34	EP	Number of shares	Danie Pretorius	Roelof Swanepoel
Outstanding – 1 January		–	–	–
Additional share options granted		–	–	–
Outstanding – 31 December		–	–	–
Expense recognised		–	–	–



## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 24. EARNINGS PER SHARE

	2023 USD	2023 USD	2022 USD	2022 USD
	Gross	Nett	Restated (*) Gross	Restated (*) Nett
<b>Reconciliation between earnings and headline earnings</b>				
Basic earnings for the year	22 297 658	22 297 658	22 924 420	22 108 053
<i>Deduct:</i>				
Non-controlling interest	–	(1 715 487)	–	(682 485)
<b>Attributable to owners of the parent</b>	<b>22 297 658</b>	<b>20 582 171</b>	<b>22 924 420</b>	<b>21 425 568</b>
Gain on disposal of property, plant and equipment	(283 485)	(136 653)	(750 667)	(616 764)
Impairment of property, plant and equipment	2 202 834	1 506 277	487 116	487 116
Impairment of intangibles	24 272	24 272	21 622	21 622
Fair value adjustment on step-up acquisition	–	–	213 367	213 367
Gain on loss of control of subsidiary	–	–	(109 599)	(109 599)
<b>Headline earnings for the year</b>	<b>24 241 279</b>	<b>21 976 067</b>	<b>22 786 259</b>	<b>21 421 310</b>
<b>Earnings per share</b>				
Earnings per share (cents)		13.6		14.2
Diluted earnings per share (cents)		13.6		14.2
Headline earnings per share (cents)		14.5		14.2
Diluted headline earnings per share (cents)		14.5		14.2
Dividends per share (cents)		47.5		32.5
<b>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</b>		<b>151 512 667</b>		<b>151 319 215</b>
Effect of dilutive potential ordinary shares – employee share options (**)		17 290		50 198
<b>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</b>		<b>151 529 957</b>		<b>151 369 413</b>

(\*) Refer to note 41 for more details

(\*\*) The total number of share options in issue is disclosed in note 34

## 25. CASH GENERATED FROM OPERATIONS

### 25.1 Cash generated from operations

	2023 USD	2022 USD Restated (*)
Profit before taxation	30 165 565	32 442 706
<b>Adjustments for:</b>		
Depreciation	13 605 592	15 186 459
Amortisation	821 473	338 358
Share-based payment expense	(13 636)	–
Fair value adjustment on derivatives	22 989	34 822
Fair value adjustment for options	–	(45 438)
Impairment of property, plant and equipment	2 227 106	679 887
Profit from equity accounted investments	(753 445)	(1 376 748)
Unrealised foreign exchange movements	7 067	1 880 083
Fair value adjustment for previously held interest in associate	–	213 367
Put option for non-controlling interest expense	840 519	501 181
Gain on loss of control of subsidiary	–	(219 200)
Gain on disposal of fixed assets	(283 485)	(750 667)
Movement in expected credit loss allowance	(289 139)	22 614
Movement in allowance for obsolete inventory	205 525	366 416
Bad debt written off	551 126	–
Dividends received	(402 214)	(315 990)
Interest received	(1 000 364)	(577 554)
Movement in provisions	1 022 203	(440 530)
Derivative financial instrument settled in cash	–	–
Finance costs	5 804 895	4 470 312
<b>Changes in working capital:</b>		
Inventories	(4 284 113)	(6 880 592)
Trade and other receivables	(2 105 508)	(25 418 721)
Trade and other payables	6 499 067	14 810 593
Contract liability	(1 320 530)	361 122
	<b>51 320 693</b>	<b>35 282 480</b>

(\*) Amounts restated from amounts previously reported. Refer to note 41 for more information

### 25.2 Tax paid

	2023 USD	2022 USD
Reported as at 1 January	3 309 908	1 310 545
Acquired through business combination	–	196 833
Current tax for the period recognised in profit and loss	11 338 997	9 610 429
Interest accrued in respect of taxation	29 746	–
Exchange effect on consolidation of foreign subsidiaries	(174 834)	(230 330)
Balance at end of the period	(2 600 582)	(3 309 908)
	<b>11 903 235</b>	<b>7 577 569</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 25. CASH GENERATED FROM OPERATIONS continued

### 25.3 Net cash flow on business combination

During August 2021, the Group purchased approximately 25% equity interest in A&R Engineering and Mining Services (Pty) Ltd and related entities, incorporated in South Africa, for ZAR67,0 million (USD4.3 million). These companies specialise in data-driven mine fleet management solutions and is currently primarily operating with the African segment of the Group. These companies are currently the leading operators in the underground rail bound and trackless equipment hardware environment in terms of management systems and intelligent devices installed across various mining operations. The investment was 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 diversified the overall market exposure and added additional revenue streams to the Group.

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

In accordance with IFRS 3, this approach allows for the preliminary accounting to be adjusted to reflect additional information obtained about facts and circumstances that existed at the acquisition date, which, in turn, affects the measurement of the assets acquired and liabilities assumed during this period.

The initial recognition and measurement of these intangible assets were based on provisional amounts due to the inherent complexity of valuing such assets at the time of acquisition. Within the 12-month adjustment period, we have obtained more reliable estimates of the fair value of the acquired intangible assets, leading to adjustments in their carrying amounts.

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

	2023 USD	2022 USD Restated (*)
<b>Assets</b>		
Property, plant and equipment	–	1 722 875
Intangibles (*)	–	19 248 356
<b>Liabilities</b>		
Lease liabilities	–	(526 626)
Related party balances acquired	–	(3 201 631)
Deferred taxation liability (*)	–	(3 258 836)
Current tax payable	–	(196 833)
<b>Working capital</b>		
Trade receivables	–	4 230 084
Trade receivables – Normal (Gross)	–	4 405 233
Expected credit loss allowance of trade receivables	–	(175 149)
Inventory	–	9 532 509
Cash and cash equivalents on hand	–	4 636 654
Trade and other payables	–	(5 699 729)



## 25. CASH GENERATED FROM OPERATIONS continued

### 25.3 Net cash flow on business combination continued

	2023 USD	2022 USD Restated (*)
Total assets and liabilities acquired	–	26 486 823
Less: Non-controlling interests' portion of assets and liabilities acquired	–	(12 978 543)
Group's share of total assets and liabilities acquired	–	13 508 280
Goodwill	–	553 686
<b>Total consideration</b>	–	14 061 964
Cash and cash equivalents on hand at acquisition	–	(4 636 654)
Consideration still payable	–	(89 119)
Sales claims acquired	–	999 418
Fair value of intangibles previously held	–	(1 114 150)
Split out historical sales claims	–	980 223
Settlement of prior year consideration	–	1 533 555
Fair value of options exercised	–	(1 913 555)
Fair value of previously held equity interest	–	(5 796 246)
<b>Net cash on acquisition of subsidiaries</b>	–	<b>4 025 435</b>
Profit after tax since acquisition date included in the consolidated results for the year	–	1 985 707
Turnover since acquisition date included in the consolidated results for the year	–	11 532 989
Group's hypothetical profit after tax assuming acquiree had been included in the consolidated results for the full year	–	24 616 127
Group's hypothetical revenue assuming acquiree had been included in the consolidated results for the full year	–	245 629 209

(\*) Amounts restated from amounts previously reported. Refer to note 41 for more information

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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

	2023 USD	2022 USD
A&R Holdings (Pty) Ltd <sup>6</sup>	(1 191 501)	(1 283 647)
Applied Vehicle Analysis (Pty) Ltd <sup>7</sup>	161 404	164 006
Barrange (Pty) Ltd <sup>1</sup>	2 624	959
Drilling Properties (Pty) Ltd <sup>1</sup>	–	436
DrillX Innovations (Pty) Ltd <sup>8</sup>	454 931	33 127
Besalco SA <sup>5</sup>	195 141	–
Lamproom Holdings (Pty) Ltd <sup>6</sup>	(558 654)	(591 399)
EIQ Investment Holdings (Pty) Ltd <sup>6</sup>	184 751	232 893
Hall Core Holdings (Pty) Ltd <sup>8</sup>	3 260 862	1 779 434
Master Detra LLC <sup>9</sup>	–	–
MDG Equity Holdings (Pty) Ltd <sup>1, 3 &amp; 4</sup>	718	774
Epha Drilling (Pty) Ltd <sup>2</sup>	(81 645)	(87 994)
Mosima Drilling (Pty) Ltd <sup>2</sup>	(60 720)	(65 441)
MD Drilling Employees Trust <sup>2</sup>	(2 478)	(1 716)
MD HDSA Trust <sup>2</sup>	30 764	33 156
DCP BEE Foundation Trust <sup>2</sup>	20 697	21 701
The Drillcorp BEE Trust <sup>2</sup>	37 311	40 211
MD Engineering Employees Trust <sup>1</sup>	728	(170)
	<b>2 454 933</b>	<b>276 330</b>
Related party loans receivable from	<b>4 349 931</b>	<b>2 306 697</b>
Related party loans owing to	<b>(1 894 998)</b>	<b>(2 030 367)</b>
Net related party loans	<b>2 454 933</b>	<b>276 330</b>
<b>Non-current assets</b>	<b>3 623 467</b>	<b>1 577 056</b>
<b>Current assets</b>	<b>726 464</b>	<b>729 641</b>
<b>Non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>Current liabilities</b>	<b>1 894 998</b>	<b>2 030 367</b>

Related party loans are interest free with no repayment terms with the exception of the loan with Hall Core Holdings (Pty) Ltd and DrillX Innovations (Pty) Ltd which bears interest at the South African prime lending rate plus 2% and is repayable in monthly instalments of USD43 339.

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 related party for on-demand collectability. Based on the assessment, no expected credit losses have been recognised.

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.

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

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. Refer to note 5 for more information.

Refer to note 33 for more details on related parties

The above loans are with legal entities where the following related parties have control:

<sup>1</sup> Danie Pretorius

<sup>2</sup> BEE Partner

<sup>3</sup> Andre van Deventer

<sup>4</sup> Koos Jordaan

<sup>5</sup> Co-owner of Consorsio Master Drilling Besalco SA

<sup>6</sup> Co-owner of A&R Engineering (Pty) Ltd and related companies

<sup>7</sup> Associate company of the Group

<sup>8</sup> Joint venture partner of Hallcore Holdings (Pty) Ltd

<sup>9</sup> Unconsolidated entity, Master Detra LLC, a related party loan was credit impaired on initial recognition

## 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 (actual ratios as at 31 December):

- leverage ratio less than 1.5 – 0.32 (2022:0.31);
- debt service cover ratio not less than 1.4 – 2.59 (2022:3.55); and
- interest coverage rate not less than 4 – 12.37 (2022:31.82).

The above covenant ratios are closely monitored by management and as at 31 December 2023 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.



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 27. RISK MANAGEMENT continued

### 27.3 Interest rate risk

The Group has no significant interest-bearing assets, other than bank balances and interest bearing preference shares.

The Group's main 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 2023 the Group's borrowings at variable rate were denominated in the United States Dollars, Swedish Krona and South African Rand. Interest bearing borrowings, including cash and cash equivalents, comprise 7,8% of equity and are therefore deemed to be low risk.

The relevant borrowing rates for the Group's significant borrowings are JIBAR plus 3,20% and SOFR plus 3.25% for ZAR and USD denominated loan facilities respectively.

The Group does bi-annual comparisons of interest rates for similar facility of banks across the globe to determine if the Group's interest rate is still market related and if there are different options of facilities available from which the Group could benefit.

The Group assesses the sensitivity of interest rate based on the economical market indicative conditions specific to the countries that utilised the facility. Based on this, the below sensitivity analysis indicates the potential impact on the Group's result.

#### 2023 USD

	+75 basis points	-75 basis points
<b>USD denominated debt:</b>		
Profit and loss	(161 149)	161 149
Equity, net of finance tax	(119 117)	119 117
	<b>+30 basis points</b>	<b>-30 basis points</b>
<b>ZAR denominated debt:</b>		
Profit and loss	(61 148)	61 148
Equity, net of finance tax	(44 638)	44 638
	<b>+90 basis points</b>	<b>-90 basis points</b>
<b>2022 USD</b>		
Profit and loss	(448 102)	448 102
Equity, net of finance tax	(313 137)	313 137

## 27. RISK MANAGEMENT continued

### 27.4 Credit risk

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

The main credit risk for the Group consist mainly arises on trade receivables and cash equivalents which is managed from a Group level as well as individual company basis.

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. Risk mainly arises from the fluctuations in commodity prices to which the clients are exposed to.

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.

#### 2023

USD	Gross	ECL
<b>Non-current financial assets</b>		
Financial assets	5 196 817	–
Related-party loans	3 623 467	–
<b>Current financial assets</b>		
Trade and other receivables	71 542 348	(4 445 817)
Related-party loans	726 464	–
Derivative financial instrument	326 327	–
Cash and cash equivalents	27 851 965	–

*ECL = expected credit losses*

#### 2022

USD	Gross	ECL
<b>Non-current financial assets</b>		
Financial assets	5 084 173	–
Related-party loans	2 306 697	–
<b>Current financial assets</b>		
Trade and other receivables	71 981 816	(4 806 060)
Related-party loans	729 641	–
Derivative financial instrument	248 648	–
Cash and cash equivalents	30 669 450	–

*ECL = expected credit losses*

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 27. RISK MANAGEMENT continued

#### 27.5 Liquidity risk

The Group's risk to liquidity is a result of the funds available to cover future commitments. 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.

2023 USD	Carrying amount Total	Contractual cash flows					Total
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	5 years and after	
Long-term interest bearing borrowings	44 080 552	8 326 427	34 757 110	3 264 655	2 240 985	3 289 922	51 879 099
Lease liabilities	5 755 452	1 067 510	1 030 790	934 382	853 962	6 373 617	10 260 261
Instalment sales obligations	1 400 365	1 364 060	134 908	25 453	–	–	1 524 421
Related party loans	1 894 998	1 895 225	531 320	–	–	–	2 426 545
Put option liability for non-controlling interest	8 842 812	2 215 644	2 215 644	2 215 644	2 215 644	2 215 644	11 078 220
Trade and other payables	50 120 516	50 120 516	–	–	–	–	50 120 516

2022 USD	Carrying amount Total	Contractual cash flows					Total
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	5 years and after	
Long-term interest bearing borrowings	46 114 105	8 764 719	6 423 201	33 506 412	3 513 844	5 098 463	57 306 639
Lease liabilities	6 384 439	1 122 235	1 299 805	1 278 141	1 256 478	6 773 905	11 730 564
Instalment sales obligations	1 672 726	904 298	708 697	163 348	72 771	–	1 849 114
Related party loans	2 030 367	2 030 367	–	–	–	–	2 030 367
Put option liability	9 320 896	2 281 336	2 281 336	2 281 336	2 281 336	2 281 336	11 406 680
Trade and other payables	42 445 408	42 445 408	–	–	–	–	42 445 408



## 27. RISK MANAGEMENT continued

### 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 the emerging currencies 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. The Group makes use of collar instruments and derivatives to mitigate exchange rate exposure arising from future commitments in functional currencies.

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

		USD	USD	Year-end rate
<b>Currency</b>		+10%	-10%	
Australian Dollar	AUD	104 651	(127 907)	1.47
Brazilian Real	BRL	159 450	(194 883)	4.86
Botswana Pula	BWP	(87 133)	106 496	13.38
Canadian Dollar	CAD	7	(9)	1.32
Chilean Peso	CLP	(123 645)	151 121	880.98
Chinese Yuan Renminbi	CNY	(268 447)	328 102	7.10
Colombian Peso	COP	24 226	(29 610)	3 854.92
Euro	EUR	807	(986)	0.91
Ghanian Sedi	GHS	(43 467)	53 126	7.83
Indian Rupee	INR	(472 032)	576 928	83.21
Mexican Peso	MXN	157 948	(193 048)	36.20
Nicaraguan Córdoba	NIO	(9 122)	11 149	3.70
Peruvian Sol	PEN	(60 478)	73 918	10.07
Turkish Lira	TRY	3 347	(4 091)	29.53
Central African Franc	XOF	(184 789)	225 853	594.23
South African Rand	ZAR	(1 331 515)	1 627 408	18.36
Zambian Kwacha	ZMW	(1 819)	2 223	25.73

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 28. FINANCIAL INSTRUMENTS

2023  
USD

	Category	Value
<b>Non-current financial assets</b>		
Financial assets	Amortised Cost	5 121 733
Financial assets	FVTPL	75 084
Related-party loans	Amortised Cost	3 623 467
<b>Current financial assets</b>		
Trade and other receivables	Amortised Cost	67 096 531
Related-party loans	Amortised Cost	726 464
Call option asset	FVTPL	–
Derivative financial instrument	FVTPL	326 327
Cash and cash equivalents	Amortised Cost	27 851 965
<b>Non-current financial liabilities</b>		
Interest bearing borrowings	Amortised Cost	39 508 019
Related-party loans	Amortised Cost	–
Consideration payable	Amortised Cost	–
Contingent consideration	FVTPL	–
<b>Current financial liabilities</b>		
Interest bearing borrowings	Amortised Cost	4 572 533
Put option liability	FVTPL	–
Related-party loans	Amortised Cost	1 894 998
Derivative financial instrument	FVTPL	576 164
Contingent consideration	FVTPL	–
Trade and other payables	Amortised Cost	50 120 516
Cash and cash equivalents	Amortised Cost	–

FVTPL = fair value through profit or loss.

Financial assets carried at amortised cost – the carrying value approximates its fair value

2022

USD

	Category	Value
<b>Non-current financial assets</b>		
Financial assets	Amortised Cost	5 084 173
Related-party loans	Amortised Cost	1 577 056
<b>Current financial assets</b>		
Trade and other receivables	Amortised Cost	71 981 816
Related-party loans	Amortised Cost	729 641
Call option asset	FVTPL	–
Derivative financial instrument	FVTPL	248 648
Cash and cash equivalents	Amortised Cost	30 669 450
	<b>Category</b>	<b>Value</b>
<b>Non-current financial liabilities</b>		
Interest bearing borrowings	Amortised Cost	41 411 477
Related-party loans	Amortised Cost	–
Consideration payable	Amortised Cost	1 568 072
Contingent consideration	FVTPL	–

## 28. FINANCIAL INSTRUMENTS continued

2022

USD

	Category	Value
<b>Current financial liabilities</b>		
Interest bearing borrowings	Amortised Cost	4 702 628
Put option liability	FVTPL	–
Related-party loans	Amortised Cost	2 030 367
Derivative financial instrument	FVTPL	424 288
Contingent consideration	FVTPL	–
Trade and other payables	Amortised Cost	42 445 408
Cash and cash equivalents	Amortised Cost	–

*FVTPL = fair value through profit or loss.*

*Financial assets carried at amortised cost – the carrying value approximates its fair value*

## 29. FAIR VALUE

2023

USD

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):

	Notes	Level 1	Level 2	Level 3	Total
Investment in equity instruments	5	75 084	–	–	75 084
Derivative financial instrument	37	–	326 327	–	326 327
Derivative financial instrument	37	–	(576 164)	–	(576 164)
Put option for non-controlling interest	38	–	8 842 812	–	8 842 812

2022

USD

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):

	Notes	Level 1	Level 2	Level 3	Total
Investment in equity instruments	5	–	–	–	–
Derivative financial instrument	37	248 648	–	–	248 648
Derivative financial instrument	37	(424 288)	–	–	(424 288)
Put option for non-controlling interest	38	–	9 320 896	–	9 320 896



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 30. SEGMENT REPORTING

### 30.1 Mining activity

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

	2023 USD	2022 USD
<b>Sales revenue by activity</b>		
Sale of industrial products	33 958 450	13 445 131
Raise boring	177 134 224	180 261 596
Support services	18 009 488	9 249 892
Slim drilling	10 599 275	11 197 473
New rock-boring technology	3 096 104	12 239 649
	<b>242 797 541</b>	<b>226 393 741</b>
<b>Gross profit by activity</b>		
Sale of industrial products	11 584 344	4 072 065
Raise boring	48 958 912	57 366 860
Support services	2 472 104	3 715 530
Slim drilling	4 148 896	(4 524 158)
New rock-boring technology	1 267 575	4 284 933
	<b>68 431 831</b>	<b>64 915 230</b>

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.

There were no changes made to the segments compared to the previous reporting period.

### 30.2 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.

	2023 USD	2022 USD
<b>Sales revenue by geographical market</b>		
Africa	104 587 856	91 501 620
Central and North America	30 866 028	26 201 504
Rest of the World	37 528 777	37 820 595
South America	69 814 880	70 870 022
	<b>242 797 541</b>	<b>226 393 741</b>
<b>Gross profit by geographical market</b>		
Africa	33 296 079	31 520 829
Central and North America	5 062 782	7 756 373
Rest of the World	9 724 038	7 524 282
South America	20 348 932	18 113 746
	<b>68 431 831</b>	<b>64 915 230</b>

### 30. SEGMENT REPORTING *continued*

#### 30.2 Geographical segments *continued*

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

A customer in the African region, operating in the raiseboring segment accounts for 9% (2022: 11%) of the Group's total revenue.

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.

	2023 USD	2022 USD Restated(*)
<b>Depreciation, amortisation and impairment by geographical market</b>		
Africa	7 436 024	8 834 710
Central and North America	2 667 220	1 914 503
Rest of the World	3 491 538	3 179 389
South America	3 059 389	2 276 102
	<b>16 654 171</b>	16 204 704
	<b>2023 USD</b>	<b>2022 USD</b>
<b>Investment income by geographical market</b>		
Africa	1 076 324	709 956
Central and North America	–	–
Rest of the World	200 872	29 274
South America	125 382	154 314
	<b>1 402 578</b>	893 544
	<b>2023 USD</b>	<b>2022 USD</b>
<b>Finance cost by geographical market</b>		
Africa	2 436 784	3 118 136
Central and North America	2 004 017	459 152
Rest of the World	59 163	67 049
South America	1 304 931	825 975
	<b>5 804 895</b>	4 470 312
	<b>2023 USD</b>	<b>2022 USD</b>
<b>Taxation by geographical market</b>		
Africa	2 830 539	5 453 991
Central and North America	(820 727)	1 611 555
Rest of the World	3 862 111	2 235 134
South America	1 995 984	1 033 973
	<b>7 867 907</b>	10 334 653

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 30. SEGMENT REPORTING *continued*

#### 30.2 Geographical segments *continued*

	2023 USD	2022 USD
<b>Total assets by geographical market</b>		
Africa (**)	146 045 841	150 061 137
Central and North America	51 040 634	47 947 391
Rest of the World	84 062 830	73 990 307
South America	81 774 419	79 973 532
<b>Total assets as per statement of financial position</b>	<b>362 923 724</b>	351 972 367
<b>Total liabilities by geographical market</b>		
Africa	61 963 745	85 943 334
Central and North America	50 410 135	15 308 598
Rest of the World	10 882 470	20 138 767
South America	30 683 388	34 576 828
<b>Total liabilities as per statement of financial position</b>	<b>153 939 738</b>	155 967 527

(\*) Refer to note 41 for more details

(\*\*) Assets in Africa included the investment in associate and investment in joint venture. See note 36 and 39 respectively

### 31. CONTINGENCY

	2023 USD	2022 USD
Payment bonds issued to customers	–	31 108
Retention bonds issued to customers	1 397 580	1 307 589
Performance bonds issued to customers	11 609 286	8 881 921
	<b>13 006 866</b>	10 220 618

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



## 32. INVESTMENTS IN SUBSIDIARIES

Master Drilling Group Limited investment in subsidiaries	% holding 2023	% holding 2022	Status	Country	Functional Currency
MDI Exco Ltd	100.00%	100.00%	Investment Holding	Malta	USD
Raisebore Rental (Pty) Ltd	95.00%	95.00%	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 (*)	86.19%	86.19%	Investment Holding	Malta	USD
MDG Shared Services (Pty) Ltd	50.79%	50.79%	Operational	RSA	ZAR
Master Sinkers (Pty) Ltd	51.00%	51.00%	Operational	RSA	ZAR
Master Drilling New Technologies Holding (Pty) Ltd	95.00%	95.00%	Investment Holding	RSA	ZAR
MD Training Services (Pty) Ltd	50.79%	50.79%	Operational	RSA	ZAR
Master Drilling Mining Services (Pty) Ltd	100.00%	100.00%	Operational	RSA	ZAR
Master Drilling (Pty) Ltd	100.00%	100.00%	Operational	RSA	ZAR
<b>Master Drilling Exploration (Pty) Ltd investment in subsidiaries</b>					
Geoserve Exploration Drilling (Pty) Ltd	100.00%	100.00%	Operational	RSA	ZAR
<b>Master Drilling New Technologies Holding (Pty) Ltd investment in subsidiary</b>					
Master Tunnelling (Pty) Ltd	100.00%	100.00%	Operational	RSA	ZAR
Master Mining (Pty) Ltd	100.00%	100.00%	Operational	RSA	ZAR
<b>Master Drilling Mining Services (Pty) Ltd investment in subsidiaries</b>					
A&R Engineering and Mining Services (Pty) Ltd	51.40%	51.40%	Operational	RSA	ZAR
Embedded IQ (Pty) Ltd	50.83%	50.83%	Operational	RSA	ZAR
Lamproom Solutions and Consulting (Pty) Ltd	51.15%	51.15%	Operational	RSA	ZAR
Moxie Digital (Pty) Ltd	50.83%	50.83%	Operational	RSA	ZAR
<b>Embedded IQ (Pty) Ltd investment in subsidiaries</b>					
Embedded Works (Pty) Ltd	100.00%	100.00%	Operational	RSA	ZAR

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 32. INVESTMENTS IN SUBSIDIARIES continued

Master Drilling Group Limited investment in subsidiaries	% holding 2023	% holding 2022	Status	Country	Functional Currency
<b>Master Drilling International Limited investment in subsidiaries</b>					
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%	Dormant	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%	Dormant	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%	Operational	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
Master Drilling 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%	50.00%	Operational	Russia	RUB
Master Drilling Nicaragua SA	100.00%	100.00%	Operational	Nicaragua	USD
Master Drilling Raise Boring Ltd	100.00%	100.00%	Dormant	Zambia	ZMW
Raisebore Rental Ghana Sprl	100.00%	0.00%	Dormant	Ghana	GHS
Master Drilling Mauritius Ltd	100.00%	100.00%	Dormant	Mauritius	USD

## 32. INVESTMENTS IN SUBSIDIARIES continued

Master Drilling Group Limited investment in subsidiaries	% holding 2023	% holding 2022	Status	Country	Functional Currency
<b>Master Drilling Chile SA investment in subsidiaries</b>					
Consorsio Master Drilling Besalco SA	50.00%	50.00%	Operational	Chile	CLP
<b>Master Drilling Malta Limited investment in subsidiaries</b>					
Master Drilling Chile División Raise Borer SpA	100.00%	100.00%	Operational	Chile	CLP

Refer to note 35 for disclosure on non-controlling interest.

The Group has control of MD Katanga Drilling Company SAS even though the effective shareholding is less than 50% because there are contractual arrangements that permit the Group to appoint the majority of the directors.

Raisebore Rental Ghana Sprl (newly established subsidiary) is a new entity added during the current year.

The Group has the practical ability to unilaterally direct the relevant activities of Consorsio Master Drilling Besalco SA even though the Group does not hold the majority of the voting right. The Group concluded that it has de-facto control because of its practical ability to direct the relevant activities of the investee. As a result relevant facts and circumstances concluded that de-facto control is obtained and as a result consolidated the subsidiary with a 50% non-controlling interest.

Master Drilling Europe AB has a 31 August and Master India Private Ltd has a 31 March year-ends. A&R Engineering (Pty) Ltd, Lamproom Solutions and Consulting (Pty) Ltd and Moxie Digital (Pty) Ltd previously had 28 February year-ends that were different from that of the Group but changed to 31 December during 2023. The financial information of each of these entities up to 31 December have been used in preparing the Group's consolidated annual financial statements. Appropriate adjustments were made for the fair value adjustments at acquisition and differences in accounting policies and effects of significant transactions up to 31 December.

(\*) The remaining 13.81% shareholding of Master Drilling International Ltd is held by MDI Exco, a company that is a 100% subsidiary of Master Drilling Group Ltd.

(\*\*) The Group unconsolidated the entity due to a loss of control during 2022 – refer to note 42 for more information.

## 33. RELATED PARTIES

### Relationships

#### Subsidiaries

#### Shareholder with significant influence

#### Joint venture partner

#### Companies controlled by directors

#### Related party balances

#### Associate

#### Joint venture

Refer to note 32

Barrange (Pty) Ltd

MDG Equity Holdings (Pty) Ltd

Newham (Pty) Ltd

Refer to note 26

Refer to note 26

Refer to note 36

Refer to note 39

Rentals paid to Barrange (Pty) Ltd amounts to 2023: USD403 101 (2022: USD209 334). Rental income received from Hall Core Holdings (Pty) Ltd amounts to USD1 388 356 (2022: USD274 081). The loan with Newham (Pty) Ltd bears interest at the South African prime lending rate plus 2% and is repayable in monthly installments of USD43 339. The interest amount to USD247 979 (2022: USD149 295).



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 33. RELATED PARTIES

Related party transactions generally relate to administration and management fees paid to external suppliers by the Group on behalf of related parties. Administration and management fees for the year amounted to USD742 (2022: USD2 748).

Key management is defined as the employees for the Group's 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.

Salaries and short-term benefits paid to key management amounts to 2023: USD2 985 382 (2022: USD2 797 595).

## 34. 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.

### 34. SHARE OPTION SCHEME *continued*

#### Options granted

Additional share options were granted for the year ended 31 December 2023 – 709 758 (31 December 2022: 0). The share options outstanding as at 31 December 2023 all vested and are exercisable except for the additional share options granted during the current year. Refer to note 23.

#### 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.

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.

#### 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:

	2023 USD	2022 USD
Expense arising from equity-settled share-based payment transactions	7 179	–

#### *Movements during the year:*

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

	EP	2023 Number of shares	EP	2022 Number of shares
Outstanding – 1 January	5.21	310 000	5.21	410 000
Additional share options granted	1.27	709 758		–
Expired during the year		(80 000)		–
Exercised during the year	11.60	(115 000)		(100 000)
Outstanding – 31 December	7.42	824 758	5.21	310 000

The total number of share options exercised, amounted to 4 117 044 while 882 956 remains un-issued.

The remaining contractual life for the share options outstanding as at 31 December 2023 was 2,97 years (2022: 2,91).

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 35. NON-CONTROLLING INTEREST

The following subsidiaries have material non-controlling interest.

2023 USD	Master Drilling Exploration (Pty) Ltd	Master Drilling New Technology Holdings (Pty) Ltd	Master Sinkers (Pty) Ltd	Drilling Technical Services (Pty) Ltd
Principal place of business	RSA	RSA	RSA	RSA
Non-controlling interest ("NCI")	26.00%	5.00%	49.00%	26.00%
Revenue	10 546 843	4 556 226	–	22 622 376
Profit/(Loss)	2 906 929	1 697 641	(243 235)	2 247 764
Total comprehensive income/(loss)	2 906 929	1 697 641	(243 235)	2 247 764
Amortisation on contractual client relationship	–	–	–	–
<b>Profit/Loss allocated to NCI</b>	<b>755 802</b>	<b>84 882</b>	<b>(119 185)</b>	<b>–</b>
<b>Comprehensive income attributable to NCI</b>	<b>755 802</b>	<b>84 882</b>	<b>(119 185)</b>	<b>–</b>
Non-current assets	21 318 669	22 567 677	3 728 607	5 073 888
Current assets	5 249 013	12 135 132	358 378	24 660 791
Non-current liabilities	11 277 392	23 052 150	2 217 191	20 253 638
Current liabilities	2 121 745	5 338 275	34 429	8 153 668
<b>Net assets</b>	<b>13 168 545</b>	<b>6 312 384</b>	<b>1 835 366</b>	<b>1 327 373</b>
<b>Net assets attributable to NCI</b>	<b>3 423 822</b>	<b>315 619</b>	<b>899 329</b>	<b>345 117</b>
Cash flows from operating activities	1 145 779	5 909 010	7 247	(12 557 334)
Cash flows from investing activities	(2 543 752)	404 600	(58 919)	(409 694)
Cash flows from financing activities	1 173 959	(6 249 593)	(407 550)	12 205 706
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(224 014)</b>	<b>(64 017)</b>	<b>(459 222)</b>	<b>(761 322)</b>
Dividends paid	–	–	–	–

(\*) Refer to note 5.3

(\*\*) The non-controlling interest share of Drilling Technical Services (Pty) Ltd, Raisebore Rental (Pty) Ltd, Embedded IQ (Pty) Ltd and Embedded Works (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.



Master Drilling USA LLC	Master Detra LLC (*)	Raisebore Rental (Pty) Ltd	Consorsio Master Drilling Besalco SA	A&R Engineering and Mining Services (Pty) Ltd	Embedded IQ (Pty) Ltd	Embedded Works (Pty) Ltd	Lamproom Solutions and Consulting (Pty) Ltd	Moxie Digital (Pty) Ltd
USA	Russia	RSA	Chile	RSA	RSA	RSA	RSA	RSA
10.00%	50.00%	5.00%	50.00%	48.60%	49.17%	49.17%	48.85%	49.17%
4 603 389	–	7 265 943	23 478 690	23 079 032	10 370 968	674 764	8 207 632	210 749
(631 653)	–	(877 170)	860 456	1 567 329	2 923 614	152 375	372 370	(18 780)
(631 653)	–	(877 170)	860 456	1 567 329	2 923 614	152 375	372 370	(18 780)
–	–	–	–	(153 338)	–	–	(154 126)	–
(63 165)	–	–	430 228	608 384	–	–	27 777	(9 234)
(63 165)	–	–	430 228	608 384	–	–	27 777	(9 234)
7 797 891	–	22 162 544	249 696	616 735	1 238 944	202 669	194 784	172 666
4 363 248	–	1 352 242	10 423 321	9 807 860	7 859 512	241 932	3 480 321	12 262
–	–	8 113 762	–	2 450 700	261 580	36 498	1 151 379	12 954
18 016 872	–	12 782 327	7 919 312	4 573 321	987 302	24 925	883 841	–
(5 855 733)	–	2 618 697	2 753 705	3 400 574	7 849 573	383 177	1 639 884	171 975
(585 573)	–	130 935	1 376 852	1 652 679	3 859 635	188 408	801 083	84 560
4 689 119	–	5 146 205	(1 456 992)	2 118 464	119 489	103 581	(1 863 327)	(63 994)
(2 921 102)	–	(3 732 720)	(43 363)	(439 802)	(142 052)	(12 321)	5 087	(76)
(1 520 100)	–	(1 433 854)	1 222 750	(1 974 626)	67 827	(142 507)	1 563 844	35 589
247 917	–	(20 369)	(277 605)	(295 964)	45 264	(51 247)	(294 396)	(28 481)
–	–	–	–	–	(665 883)	–	–	–

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 35. NON-CONTROLLING INTEREST continued

2022 USD	Master Drilling Exploration (Pty) Ltd	Master Drilling New Technology Holdings (Pty) Ltd	Master Sinkers (Pty) Ltd	Drilling Technical Services (Pty) Ltd
Principal place of business	RSA	RSA	RSA	RSA
Non-controlling interest ("NCI")	26.00%	5.00%	49.00%	26.00%
Revenue	11 197 473	11 080 601	–	20 667 508
Profit/(Loss)	(2 224 972)	3 418 286	(102 239)	508 173
Total comprehensive income/(loss)	(2 224 972)	3 418 286	(102 239)	508 173
Amortisation on contractual client relationship	–	–	–	–
Loss of control in subsidiary	–	–	–	–
<b>Profit/Loss allocated to NCI</b>	<b>(578 493)</b>	<b>170 914</b>	<b>(50 097)</b>	<b>–</b>
<b>Comprehensive income attributable to NCI</b>	<b>(578 493)</b>	<b>170 914</b>	<b>(50 097)</b>	<b>–</b>
Non-current assets	15 283 862	9 716 671	3 423 411	
Current assets	10 578 897	26 136 218	448 698	25 769 289
Non-current liabilities	1 027 224	14 272 999	1 694 872	2 741 337
Current liabilities	13 792 621	16 549 674	1 274 097	21 614 957
<b>Net assets</b>	<b>11 042 914</b>	<b>5 030 216</b>	<b>903 140</b>	<b>1 412 995</b>
<b>Net assets attributable to NCI</b>	<b>2 871 158</b>	<b>251 511</b>	<b>442 539</b>	<b>367 379</b>
Cash flows from operating activities	2 066 368	5 839 305	951 198	(12 956 812)
Cash flows from investing activities	(3 416 294)	602 606	(43 741)	(119 396)
Cash flows from financing activities	2 874 800	(6 117 111)	(31 979)	14 486 731
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1 524 874</b>	<b>324 800</b>	<b>875 478</b>	<b>1 410 523</b>
Dividends paid	–	–	–	–

(\*) Refer to note 5.3

(\*\*) The non-controlling interest share of Drilling Technical Services (Pty) Ltd, Raisebore Rental (Pty) Ltd, Embedded IQ (Pty) Ltd and Embedded Works (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.

Master Drilling USA LLC	Master Detra LLC (*)	Raisebore Rental (Pty) Ltd	Consorsio Master Drilling Besalco SA	A&R Engineering and Mining Services (Pty) Ltd	Embedded IQ (Pty) Ltd	Embedded Works (Pty) Ltd	Lamproom Solutions and Consulting (Pty) Ltd	Moxie Digital (Pty) Ltd
USA	Russia	RSA	Chile	RSA	RSA	RSA	RSA	RSA
10.00%	50.00%	5.00%	50.00%	48.60%	49.17%	49.17%	48.85%	49.17%
1 367 479	648 979	7 150 487	19 623 667	5 267 634	4 048 044	277 944	6 265 355	239 963
732 865	(11 758)	416 364	1 441 080	170 361	263 104	22 511	223 784	25 523
732 865	(11 758)	416 364	1 441 080	170 361	263 104	22 511	223 784	25 523
–	–	–	–	(51 113)	–	–	(51 375)	–
–	219 200	–	–	–	–	–	–	–
73 286	103 721	–	720 540	31 684	129 368	11 069	57 943	12 550
73 286	103 721	–	720 540	31 684	129 368	11 069	57 943	12 550
5 042 615	–	22 530 215	129 124	282 741	1 176 254	300 148	237 905	12 150
5 608 353	–	7 166 979	8 813 249	10 188 799	6 993 358	315 861	5 510 173	232 268
–	–	11 828 182	–	–	420 132	–	51 120	–
15 875 052	–	14 054 665	6 937 803	8 504 819	989 825	368 083	4 333 022	37 755
(5 224 084)	–	3 814 348	2 004 570	1 966 720	6 759 655	247 926	1 363 937	206 664
(522 408)	–	190 717	1 002 285	955 826	3 323 722	121 905	666 283	101 617
(1 723 771)	–	1 751 599	2 406 778	(2 533 601)	577 848	328 754	360 785	218 884
3 728	–	(3 555 684)	(76 341)	(143 090)	(825 660)	(61 404)	(163 737)	–
2 176 003	–	1 857 743	(1 468 728)	1 804 778	106 600	(195 387)	(458 495)	(198 401)
455 960	–	53 658	861 709	(871 913)	(141 212)	71 963	(261 447)	20 483
–	–	–	–	–	(973 062)	–	–	–



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 36. INVESTMENT IN ASSOCIATES

	Note(s)	2023 USD	2022 USD
Investment in associate – Applied Vehicle Analysis (Pty) Ltd	36.1	958 496	790 777
		958 496	790 777

### 36.1 Investment in associate – Applied Vehicle Analysis (Pty) Ltd

During January 2021, the Group purchased a 40% equity interest in Applied Vehicle Analysis (Pty) Ltd (“AVA”), incorporated in South Africa and Applied Vehicle Analysis IOT Ltd (“AVA IOT”), incorporated in Ireland, for ZAR 19,1 million (USD 1.3 million). AVA is a specialist in data-driven mine fleet management solutions and is currently primarily operating with the African segment of the Group. Currently, AVA’s unique digital platform analyses and tracks vehicles across various sites in 7 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.

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

	2023 USD	2022 USD
<b>Cumulative reconciliation:</b>		
Investment at cost	1 293 975	1 293 975
Foreign exchange differences	(61 388)	(57 592)
Share of loss from associate	(274 091)	(445 606)
<b>Total investment</b>	<b>958 496</b>	<b>790 777</b>
<b>Carrying amount of the investment is as follow:</b>		
Carrying amount as at 1 January	790 777	957 710
Additions	–	–
Foreign exchange differences	(3 796)	(57 592)
Share of profit/(loss) from associate	171 515	(109 341)
<b>Carrying amount as at 31 December</b>	<b>958 496</b>	<b>790 777</b>
Loan to associate (refer to note 26)	161 404	164 006

## 36. INVESTMENT IN ASSOCIATES continued

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

	2023 USD	2022 USD
Revenue	3 500 637	2 008 635
Loss from continuing operations	428 788	(273 353)
<b>Total comprehensive loss</b>	<b>428 788</b>	<b>(273 353)</b>
<b>Group's share of total comprehensive loss</b>	<b>171 515</b>	<b>(109 341)</b>
<b>Dividends received from associate</b>	<b>–</b>	<b>–</b>
	<b>2023 USD</b>	<b>2022 USD</b>
Non-current assets	6 546	97 507
Current assets	990 028	448 522
Non-current liabilities	817 467	(844 739)
Current liabilities	543 888	(593 829)
<b>Net assets</b>	<b>(364 781)</b>	<b>(892 539)</b>
<b>Group's share of net assets</b>	<b>(145 912)</b>	<b>(357 015)</b>
<b>Goodwill</b>	<b>932 893</b>	<b>1 257 133</b>
<b>Share of profit/(loss) from associate</b>	<b>171 515</b>	<b>(109 341)</b>
<b>Investment in associate</b>	<b>958 496</b>	<b>790 777</b>

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

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

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

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 36. INVESTMENT IN ASSOCIATES *continued*

### 36.2 Investment in associate – A&R Group (Pty) Ltd *continued*

	2023 USD	2022 USD
<b>Cumulative reconciliation:</b>		
Investment at cost	–	5 329 517
Contingent consideration	–	–
Fair value adjustment	–	(213 367)
Foreign exchange difference	–	(341 267)
Share of profit from associate	–	1 021 363
<b>Total investment</b>	–	5 796 246
Derecognition on obtaining control	–	(5 796 246)
<b>Total investment</b>	–	–
<b>Carrying amount of the investment is as follow:</b>		
Carrying amount as at 1 January	–	4 736 193
Additions	–	–
Share of profit from associate	–	574 729
Fair value adjustment	–	(213 367)
Contingent consideration adjustment	–	1 039 958
Foreign exchange difference	–	(341 267)
Derecognition on obtaining control	–	(5 796 246)
<b>Carrying amount as at 31 December</b>	–	–
	<b>2023 USD</b>	<b>2022 USD</b>
Revenue	–	19 235 468
Profit from continuing operations	–	2 298 915
<b>Total comprehensive profit</b>	–	2 298 915
<b>Group's share of total comprehensive profit</b>	–	574 729
<b>Royalties received from associate</b>	–	419 950

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

	2023 USD	2022 USD
Non-current assets	–	–
Current assets	–	–
Non-current liabilities	–	–
Current liabilities	–	–
<b>Net assets</b>	–	–
<b>Group's share of net assets</b>	–	–
Goodwill	–	–
Share of loss from associate	–	–
Investment in associate	–	–



	2023 USD	2022 USD
<b>37. DERIVATIVE FINANCIAL INSTRUMENTS</b>		
Derivative financial instruments	326 327	248 648
Derivative financial instruments	(576 164)	(424 288)
<b>Net derivative financial instruments</b>	<b>(249 837)</b>	<b>(175 640)</b>
<b>Loss on derivative financial instruments recognised through profit and loss</b>	<b>(74 197)</b>	<b>(34 822)</b>

The Group uses collar instruments to mitigate exchange rate exposure arising from 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. There are a number collar instruments, each with a different strike rate and expiry date.

### 38. PUT OPTION LIABILITY FOR NON-CONTROLLING INTEREST

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

The amount was determined using a contractual agreement indicating 5.00 to 6.50 times cover of the average profit after taxation and royalties respectively for the three years ending 31 December 2023. The contractual agreement indicates that the shareholders need to be employed for a period of 36 months from the original contract date, 31 July 2021, and that should these employees no longer be employed, that the Group is obligated to take up the equity and software license agreements up to a shareholding percentage of 67%. The amounts owed can be repaid over 60 equal instalments.

	2023 USD	2022 USD
<b>Put option liability for non-controlling interest</b>	<b>8 842 812</b>	<b>9 320 896</b>
<b>Non-current liabilities</b>	<b>7 074 250</b>	<b>7 456 718</b>
<b>Current liabilities</b>	<b>1 768 562</b>	<b>1 864 178</b>
<b>Reconciliation:</b>		
Balance – 1 January	9 320 896	–
Service charge recognised	840 519	501 181
Release of option	(591 291)	–
Options recognised	–	8 897 164
Foreign exchange differences	(727 312)	(77 449)
<b>Balance– 31 December</b>	<b>8 842 812</b>	<b>9 320 896</b>

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 2 of the fair value hierarchy.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 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, in terms of the contractual agreement between the parties, the Group still had consideration payable that amounted to ZAR27,9 million (USD1.5 million) payable during 2024 (2022:USD3.1 million) – after making a payment of USD1.6 million during the year. The amount outstanding bears interest at the South African prime lending rate. Refer to note 15.

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.

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

	2023 USD	2022 USD
<b>Cumulative reconciliation:</b>		
<b>Investment at cost</b>	3 344 775	3 344 775
<b>Contingent consideration</b>	–	–
<b>Foreign exchange differences</b>	(779 386)	(284 947)
<b>Share of profit from joint venture</b>	1 904 323	1 322 393
<b>Total investment</b>	4 469 712	4 382 221
<b>Carrying amount of the investment is as follow:</b>		
<b>Carrying amount as at 1 January</b>	4 382 221	4 027 024
<b>Additions</b>	–	–
<b>Contingent consideration fair value adjustment</b>	–	2 008 459
<b>Sales claims acquired</b>	–	(2 279 675)
<b>Foreign exchange differences</b>	(494 439)	(284 947)
<b>Share of profit from joint venture</b>	581 930	911 360
<b>Carrying amount as at 31 December</b>	4 469 712	4 382 221
<b>Loan to joint venture (refer to note 26)</b>	3 260 862	1 779 434
<b>Consideration payable to joint venture partner (refer to note 15):</b>		
<b>Non-current liabilities</b>	–	1 568 072
<b>Current liabilities</b>	1 520 432	1 568 072

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

	2023 USD	2022 USD
Revenue	19 179 788	19 068 318
Depreciation and amortisation	(850 018)	(585 812)
Interest income and expenses	(389 429)	(262 395)
Profit from continuing operations	1 163 860	1 822 720
<b>Total comprehensive profit</b>	<b>1 163 860</b>	<b>1 822 720</b>
<b>Group's share of total comprehensive profit</b>	<b>581 930</b>	<b>911 360</b>
	<b>2023 USD</b>	<b>2022 USD</b>
Non-current assets	6 657 270	4 739 864
Current assets (*)	6 597 921	8 160 636
Non-current liabilities	(3 777 752)	(2 627 362)
Current liabilities	(5 291 202)	(5 497 433)
<b>Net assets</b>	<b>4 186 237</b>	<b>4 775 705</b>
<b>Group's share of net assets</b>	<b>2 093 119</b>	<b>2 387 853</b>
<b>Goodwill</b>	<b>1 794 663</b>	<b>1 083 008</b>
<b>Share of profit from joint venture</b>	<b>581 930</b>	<b>911 360</b>
<b>Investment in joint venture</b>	<b>4 469 712</b>	<b>4 382 221</b>

(\*) Includes an amount of USD644 720 (2022: USD194 150) for cash and cash equivalents

### 40. CONTRACT LIABILITY

During the previous year, a company within the African segment entered into agreements where it received amounts upfront as part of a contract with customers that is expected to be realised aligned with the performance obligations in terms of the contract with the clients.

During the current year the Group entered into additional agreements in its African and South American regions where it received amounts upfront as part of a contract with customer that are expected to be realised aligned with the performance obligations in terms of the contract with the client. Unwinding of revenue and interest is respectively realised to profit and loss as and when performance obligations in terms of the contract is met.

	2023 USD	2022 USD
<b>Balance on 1 January</b>	<b>8 896 516</b>	<b>8 658 296</b>
<b>Contract with customers</b>	<b>3 457 520</b>	<b>4 515 571</b>
<b>Interest on unwinding of contract liability</b>	<b>496 644</b>	<b>429 306</b>
<b>Recognised as revenue</b>	<b>(4 957 847)</b>	<b>(4 154 449)</b>
<b>Foreign exchange differences</b>	<b>(603 202)</b>	<b>(552 208)</b>
<b>Closing on 31 December</b>	<b>7 289 631</b>	<b>8 896 516</b>
<b>Non-current liabilities</b>	<b>4 782 670</b>	<b>3 270 349</b>
<b>Current liabilities</b>	<b>2 506 961</b>	<b>5 626 167</b>



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## 41. RESTATEMENT OF PRIOR YEAR PERIOD

### 41.1 Restatement of prior year period

In accordance with IFRS 3, during the current financial period, the Group has taken the provision to recognize and measure the fair value of acquired intangible assets from business combinations within the 12-month period post-acquisition. This approach allows for the preliminary accounting to be adjusted to reflect additional information obtained about facts and circumstances that existed at the acquisition date, which, in turn, affects the measurement of the assets acquired and liabilities assumed during this period.

The initial recognition and measurement of these intangible assets were based on provisional amounts due to the inherent complexity of valuing such assets at the time of acquisition. Within the 12-month adjustment period, we have obtained more reliable estimates of the fair value of the acquired intangible assets, leading to adjustments in their carrying amounts.

The adjustments made during the 12-month period post-acquisition are as follow:

	2022 – as reported	2022 – restated	Change
<b>Statement of Financial Position</b>			
Goodwill	5 107 039	553 686	(4 553 353)
Contractual client relationship	–	12 116 481	12 116 481
Deferred tax liability	–	3 320 286	(3 320 286)
Non-controlling interest	8 526 542	12 876 055	(4 349 513)
<b>Statement of Profit or Loss and Other Comprehensive Income</b>			
Amortisation (*)	–	(286 519)	286 519
Deferred tax expense (*)	–	77 360	(77 360)
Profit attributable to non-controlling interest	–	102 488	(102 488)

## 41. RESTATEMENT OF PRIOR YEAR PERIOD *continued*

	2022 – as reported	2022 – restated	Change
Earnings per share (cents)	14.2	14.2	–
Diluted earnings per share (cents)	14.2	14.2	–
Headline earnings per share (cents)	14.2	14.2	–
Diluted headline earnings per share (cents)	14.2	14.2	–

*(\*) Amortisation and deferred tax on intangibles resulted in a change in earnings per share. Refer to note 24 for restated earning per share*

### 41.2 Correction of prior year error

While performing the final valuation of the put option liability relating to the A&R Engineering and Mining Services (Pty) Ltd and related companies (as disclosed in note 25.3) it was identified that for one of the shareholders there is a minimum number of shares that the individual must hold, 25% and that the Group will therefore not be able to acquire this percentage within the option period related to this transaction. In the previous year the Group accounted for a put option for non-controlling interest at approximately 49% and had to adjust to approximately 24%. The effect of the error is a correction of liabilities and equity as disclosed below.

There is the no need to include a third column balance sheet as the correction required arose in the previous (the restated) year.

## NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	2022 – as reported	2022 – restated	Change
Retained earnings	145 107 125	147 814 576	(2 707 451)
Put option liability for non-controlling interest : Non-current	9 622 678	7 456 718	2 165 960
Put option liability for non-controlling interest : Current	2 405 669	1 864 178	541 491

### 42. DERECOGNITION ON LOSS OF CONTROL

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

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

	2023 USD	2022 USD
Revenue	–	648 979
Profit/(Loss)	–	(11 758)
Total comprehensive income/(loss)	–	(11 758)
The Group lost control of the following assets and liabilities:		
<b>Non-current assets</b>	–	1 860 603
Property, plant and equipment	–	1 763 075
Deferred tax	–	97 528
<b>Current assets</b>	–	3 124 470
Trade and other receivables	–	1 205 359
Cash and cash equivalents	–	349 350
Inventory	–	1 569 761
<b>Current liabilities</b>	–	(5 204 273)
Trade and other payables	–	(5 204 273)
<b>Nett equity</b>	–	(219 200)
<b>Non-controlling interest</b>	–	(109 600)

The Group accounts for the investment in Master Detra LLC as an IFRS 9 instrument (as indicated in note 5). A related party loan of USD1 545 944 was credit impaired on initial recognition.



#### 43. SUBSEQUENT EVENTS

The Board approved a gross dividend on 25 March 2024 of 52,5 cents per share in ZAR terms payable to shareholders recorded in the Company's share register on Friday 17 May 2024. The dividend declared is not reflected in the financial statements for the year ended 31 December 2023.

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.

#### 44. CONTINGENT LIABILITY

As part of a global transaction, the Group and Atlantis Group concluded agreements pursuant to which the businesses in each of the following countries were sold by the Atlantis Group subsidiary in the country to the Group's subsidiary in that country, namely - India, Zambia, Brazil and South Africa.

The aggregate purchase price for all transactions was USD6.5 million (ZAR99,5 million).

Each of the Atlantis Group's subsidiaries has instituted legal action against the Group's respective subsidiaries to set aside the agreement in each country and for a claim of damages.

Management has assessed each claim and based on its interpretation of the underlying facts, independent legal advice and legal counsel, it is not probable that an outflow will be required to settle the claims. We received judgement from the High Court of Zambia, and we have been successful in our defence. It should be mentioned that the Atlantis Group have lodged an appeal.

During the year, a possible non-compliance with India's Foreign Exchange Management Act of 1999 has been identified where potential fines and penalties could be levied should the Indian Regulators confirm any non-compliance on repayment of inter-group balances. Based on management's assessment it was concluded that no provision is required as the probability of an outflow is not certain at this stage.

#### 45. 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.

#### 46. CAPITAL COMMITMENTS

	2023 USD	2022 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.	<b>10 420 709</b>	<b>4 843 883</b>

## SUPPLEMENTARY INFORMATION

### ANALYSIS OF SHAREHOLDING

Size of holdings	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
1 – 1 000	3 108	71.3%	443 961	0.3%
1 001 – 10 000	905	20.8%	3 321 163	2.2%
10 001 – 100 000	265	6.0%	8 069 109	5.3%
100 001 – 1 000 000	65	1.5%	22 843 541	15.1%
1 000 000+	17	0.4%	116 800 003	77.1%
<b>Total</b>	<b>4 360</b>	<b>100.0%</b>	<b>151 477 777</b>	<b>100.0%</b>

  

Shareholder type	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
Public shareholders	4 346	99.7%	63 675 947	42.0%
Non-public shareholders				
Directors' indirect holdings	10	0.2%	85 497 569	56.5%
Directors' direct holdings	4	0.1%	2 304 261	1.5%
<b>Total</b>	<b>4 360</b>	<b>100.0%</b>	<b>151 477 777</b>	<b>100.0%</b>

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)	19 578 158	12.9%
Abax Investments	9 040 000	6.0%
Ninety One	8 950 043	5.9%
<b>Total</b>	<b>37 568 201</b>	<b>24.8%</b>

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	28.8%
MDG Equity Holdings (Pty) Ltd	38 954 436	25.7%
Ninety One Ltd	8 950 043	5.9%
<b>Total</b>	<b>91 601 129</b>	<b>60.5%</b>

### Stock exchange information as at 31 December

#### JSE share code: MDI

		2023	2022
Market price (ZAR cents)	– high	1 477	1 550
	– low	1 120	1 148
	– closing	1 360	1 448
	– average	1 345	1 349
Shares traded		12 480 578	13 131 721

# 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  
André Jean van Deventer  
Barend Jacobus (Koos) Jordaan

Chief executive officer and founder  
Financial director and chief financial officer  
Executive director

### Non-executive

Hendrik (Hennie) Roux van der Merwe  
Akhter Alli Deshmukh  
Andries Willem Brink

Chairman and independent non-executive  
Independent non-executive  
Independent non-executive (also the lead independent director)  
Independent non-executive  
Independent non-executive  
Non-executive

Hendrik Johannes Faul  
Mamokete Ramathe  
Shane Trevor Ferguson

## 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



## **CORPORATE INFORMATION (CONTINUED)**

### **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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### **GENERAL E-MAIL QUERIES**

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### **MASTER DRILLING WEBSITE**

[www.masterdrilling.com](http://www.masterdrilling.com)

### **COMPANY SECRETARIAL E-MAIL**

[Companysecretary@masterdrilling.com](mailto:Companysecretary@masterdrilling.com)

Master Drilling posts information that is important to investors on the main page of its website at [www.masterdrilling.com](http://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



[www.masterdrilling.com](http://www.masterdrilling.com)

