



Master Drilling Group Limited
Annual Financial Statements
for the year ended 31 December 2021

Master Drilling Group Limited

(Registration number 2011/008265/06)

Annual Financial Statements for the year ended 31 December 2021

General Information

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

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Directors' Responsibilities and Approval

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

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

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

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

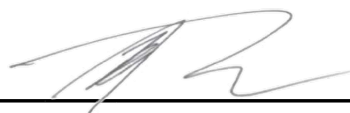
The directors have reviewed the company's cash flow forecast for the year to 31 December 2022 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 4 to 40, which have been prepared on the going concern basis, were approved by the directors on 21 March 2022 and were signed on their behalf by:



Director



Director

Johannesburg

21 March 2022

Master Drilling Group Limited

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Audit Committee Report

This report is provided by the audit committee in respect of the 2021 financial period of the Group. The Group's audit committee is established as a statutory committee in terms of section 94(2) of the Companies Act and oversees audit committee matters for all of the South African subsidiaries within the Group, as permitted by section 94(2)(a) of the Companies Act.

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

Membership

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

Duties and Responsibilities

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

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

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

- nominated BDO South Africa Incorporated as the external auditor for both the holding and subsidiary companies for the financial period ended 31 December 2022;
- ensured that the appointment of the external auditor complied with all applicable legal and regulatory requirements for the appointment of an auditor. The audit com
- approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditor for 2021;
- obtained an annual written statement from the auditor that its independence was not impaired;
- determined the nature and extent of all non-audit services provided by the external auditor and approved the applicable non-audit services undertaken;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, 2005, and determined that there were none.

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

- confirmed the going concern as the basis of preparation of the annual financial statements;
- considered whether any complex taxation areas exist that could have a material impact on the financial statements and determined that matters identified are being addressed by management;
- examined and reviewed the annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the directors;
- ensured that the annual financial statements fairly present the financial position of the Group as at the end of the period and the results of operations and cash flows for the financial period;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- reviewed the representation letter relating to the annual financial statements which was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the annual financial statements; and
- considered the 2020 pro-active monitoring report and the various JSE communications with the regard to the impact of Covid-19 and appropriate action was taken, where applicable.

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Audit Committee Report

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

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

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

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

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

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

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

In respect of the company's integrated report, the audit committee collaborated with the risk, social, ethics and sustainability, remuneration and governance committees to ensure the accuracy and completeness of the report. The integrated report is expected to be released in April 2022.

In addition, the audit committee:

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

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Audit Committee Report

Membership and Attendance at Meetings

The audit committee's members attended the following meetings:

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

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

P - Attended

A - Absent

Independence and suitability of the external auditor

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

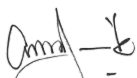
- representations made by BDO South Africa Incorporated to the audit committee;
- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the Group;
- the external auditor's independence was not impaired by any consultancy,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

Annual financial statements

Following the review by the audit committee of the annual financial statements of the Group for the period ended 31 December 2021, the audit committee is of the view that, in all material aspects, they comply with the relevant provisions of the Companies Act, IFRS, APC and JSE requirements and fairly present the consolidated position at that date and the results of operations and cash flows for the period then ended.

Having satisfied itself in all respects, the audit committee has recommended the financial statements, for the period ended 31 December 2021 for approval to the directors. The directors have subsequently approved the financial statements, which will be open for consideration at the forthcoming annual general meeting.

On behalf of the audit committee



Andries Willem Brink
Chairman of the audit committee

Johannesburg

21 March 2022

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Secretary's certificate

In my capacity as company secretary, I hereby certify that in terms of section 88(2)(e) of the Companies Act, for the year ended 31 December 2021, the Group has lodged with the Companies and Intellectual Property Commission, all such returns and notices as are required of a public company in terms of the Companies Act, and that all such returns and notices are true, correct and up-to-date.



Andrew Colin Beaven

Company Secretary

6 Dwars Street
Krugersdorp
1741

21 March 2022

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Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Master Drilling Group Limited for the year ended 31 December 2021.

1. Nature of business

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

2. Review of financial results and activities

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

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

3. Share capital

Authorised	2021	2020
Ordinary shares	Number of shares	Number of shares
	500 000 000	500 000 000
Issued	2021	2020
Ordinary shares	Number of shares	Number of shares
	151 262 777	151 262 777

There were no movement in authorised ordinary share capital during the year. Issued ordinary share capital increased by nil (2020: 670 000) shares. Refer to note 8 for more details.

Rights attaching to shares

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

Control of share capital

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

4. Dividends

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

5. Changes to the Board

OM Matloa

Retired by rotation in accordance with the Companies' Memorandum of Incorporation at the Companies' Annual General Meeting held on 14 June 2021
Appointed to the Board effective 26 July 2021

ME Remathe

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Directors' Report

6. Directorate

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

Directors	Changes
BJ Jordaan	
AW Brink	
AA Deshmukh	
ST Ferguson	
FG Dixon - Alternate director	
HJ Faul	
OM Matloa	Retired by rotation in accordance with the Companies' Memorandum of Incorporation at the Companies' Annual General Meeting held on 14 June 2021
DC Pretorius	
ME Remathe	Appointed to the Board effective 26 July 2021
GR Sheppard	
AJ Van Deventer	
HR Van Der Merwe	

7. Events after the reporting period

The company's tax rate of South Africa was reduced from 28% to 27% during the budget speech by South Africa's Minister of Finance during the budget speech held in February 2022.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

8. Going concern

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

The escalation in the global spread and effects of the Covid-19 pandemic during 2020 is likely to have a continuous impact on our business and that of our customers and suppliers in most, if not all geographies in which the company operates until the roll-out of the vaccines have been successfully completed. As at the date of signing this report, the Board considered the current cash position of the company, and did stress tests on the ability of the company to absorb periods of up to 6 months lower than normal revenue being generated and found that the company will be able to service its obligations. Management and the Board are and will remain focused on managing this unfortunate situation as best as possible.

9. Auditors

BDO South Africa Incorporated continued in office as auditors for the company for 2021.

10. Secretary

The company secretary is Mr Andrew Beaven.

Postal address: PO Box 158
Krugersdorp
1740

Business address: 6 Dwars Street
Krugersdorp
1739

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Directors' Report

11. Consolidation

Group accounts have been separately prepared as the directors have elected the exemption contained in IFRS 10: Consolidated and separate financial statements.



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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Master Drilling Group Limited (the company) set out on pages 14 to 40, which comprise the separate statement of financial position as at 31 December 2021, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Master Drilling Group Limited as at 31 December 2021, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Master Drilling Group Limited Separate Financial Statements for the year ended 31 December 2021" and the documents titled "Consolidated Annual Financial Statements for the year ended 31 December 2021" which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the Annual Report which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Separate Financial Statements

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

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

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

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

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

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

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

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

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



Report on Other Legal and Regulatory Requirements

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

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

EFG Dreyer
Director
Registered Auditor

21 March 2022

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

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Statement of Financial Position as at 31 December 2021

Figures in Rand	Notes	2021	2020
Assets			
Non-Current Assets			
Investments in subsidiaries	3	751 956 791	754 436 852
Deferred tax	4	226 038	787 496
Loans to group companies	5	103 643 618	23 402 418
		855 826 447	778 626 766
Current Assets			
Loans to group companies	5	477 986 419	327 324 174
Trade and other receivables	6	3 050	206 000
Cash and cash equivalents	7	2 581 420	5 635 470
		480 570 889	333 165 644
Total Assets		1 336 397 336	1 111 792 410
Equity and Liabilities			
Equity			
Share capital	8	1 280 243 821	1 280 243 821
Reserves		(200 772 655)	(200 772 655)
Accumulated loss		(42 368 552)	(11 452 287)
		1 037 102 614	1 068 018 879
Liabilities			
Current Liabilities			
Loans from group companies	10	268 315 464	42 868 031
Trade and other payables	11	988 623	905 500
Current tax payable		29 990 635	-
		299 294 722	43 773 531
Total Equity and Liabilities		1 336 397 336	1 111 792 410

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Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2021	2020
Revenue	12	10 352 626	12 854 948
Other operating gains (losses)	13	310	(1 450)
Other operating expenses		(11 299 932)	(9 999 081)
Operating (loss) profit	14	(946 996)	2 854 417
Finance income	15	1 510 474	182 849
Finance costs	16	(3 987 765)	(1 458 512)
(Loss) profit before taxation		(3 424 287)	1 578 754
Taxation	17	(27 491 978)	164 374
(Loss) profit for the year		(30 916 265)	1 743 128

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Statement of Changes in Equity

	Share capital	Share based payment reserve	Equity due to change in control of interests	Total reserves	Accumulated loss	Total equity
Figures in Rand						
Balance at 01 January 2020	1 270 970 271	8 045 126	(202 744 405)	(194 699 279)	(13 195 415)	1 063 075 577
Profit for the year	-	-	-	-	1 743 128	1 743 128
Total comprehensive income for the year	-	-	-	-	1 743 128	1 743 128
Issue of shares	9 273 550	(8 402 550)	-	(8 402 550)	-	871 000
Share option reserve	-	2 329 174	-	2 329 174	-	2 329 174
Total contributions by and distributions to owners of company recognised directly in equity	9 273 550	(6 073 376)	-	(6 073 376)	-	3 200 174
Balance at 01 January 2021	1 280 243 821	1 971 750	(202 744 405)	(200 772 655)	(11 452 287)	1 068 018 879
Loss for the year	-	-	-	-	(30 916 265)	(30 916 265)
Total comprehensive loss for the year	-	-	-	-	(30 916 265)	(30 916 265)
Balance at 31 December 2021	1 280 243 821	1 971 750	(202 744 405)	(200 772 655)	(42 368 552)	1 037 102 614
Notes	8		9			

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Statement of Cash Flows

Figures in Rand	Notes	2021	2020
Cash flows from operating activities			
Cash used in from operations	18	(4 728 913)	(2 048 664)
Interest revenue		148 482	182 849
Dividend revenue		-	-
Finance costs		(91 337)	(1 458 512)
Tax paid	20	(697 549)	-
Net cash from operating activities		(5 369 317)	(3 324 327)
Cash flows from investing activities			
Loans repaid by group companies		135 331 168	3 223 974
Loans advanced to group companies		(220 107 609)	-
Net cash from investing activities		(84 776 441)	3 223 974
Cash flows from financing activities			
Proceeds on share issue	8	-	871 000
Advances of loans from group companies	21	191 116 000	3 070 695
Repayment of loans from group companies		(104 024 292)	-
Net cash from financing activities		87 091 708	3 941 695
Total cash movement for the year		(3 054 050)	3 841 342
Cash at the beginning of the year		5 635 470	1 794 128
Total cash at end of the year	7	2 581 420	5 635 470

Master Drilling Group Limited

(Registration number 2011/008265/06)

Annual Financial Statements for the year ended 31 December 2021

Accounting Policies

1. Presentation of annual financial statements

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

1.1 Basis of preparation

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

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

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

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

Taxation

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

Deferred taxation

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

Covid-19 Pandemic

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

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Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Investments in subsidiaries

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

Loans to group companies

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

1.3 Investments in subsidiaries

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

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.4 Financial instruments

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

Classification

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

- Amortised cost.

Classification of financial asset is determined by:

- the entity's business model for managing financial instruments; and
- the contractual cashflow characteristics.

Initial recognition and measurement

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

Subsequent measurement

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

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

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

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

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Accounting Policies

1.4 Financial instruments (continued)

Impairment of financial assets

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

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

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

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

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

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

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

Impairment losses are recognised in profit or loss.

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

Reversals of impairment losses are recognised in profit or loss.

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

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

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

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

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

Trade and other receivables

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

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Accounting Policies

1.4 Financial instruments (continued)

Trade and other payables

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

Cash and cash equivalents

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

1.5 Tax

Current tax assets and liabilities

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

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

Deferred tax assets

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

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

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

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

Tax expenses

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

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

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

1.6 Impairment of assets

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

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

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Accounting Policies

1.6 Impairment of assets (continued)

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

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

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

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

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

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

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

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

1.7 Share capital and equity

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

1.8 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

1.9 Revenue

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

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

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

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

1.10 Borrowing costs

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

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Accounting Policies

1.11 Related parties

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

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

1.12 Share based payments

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

Equity-settled transactions

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

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

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

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

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Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early

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

IAS 16 Property, Plant and Equipment

Amendments were made to proceeds before intended use.

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

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

IFRS 10 Consolidated financial statements

Amendments were made to the sale or contribution of assets between an investor and its associate or joint venture.

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

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

IAS 1 Presentation of financial statements

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

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

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

IAS 28 Investments in associated and joint ventures

Amendments were made to the sale or contribution of assets between an investor and its associate or joint venture.

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

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

IAS 37 Provisions, contingent liabilities and contingent assets

Amendments were made to the cost of fulfilling an onerous contract.

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

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

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Figures in Rand 2021 2020

3. Investments in subsidiaries

Name of company	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
Drilling Technical Services Proprietary Limited	74,00 %	74,00 %	2 444 058	2 444 058
MDG Shared Services Proprietary Limited *	52,91 %	52,91 %	-	2 480 011
Master Drilling Exploration Proprietary Limited	74,00 %	74,00 %	160 681 481	160 681 481
MDI Exco Limited	100,00 %	100,00 %	79 027 688	79 027 688
Master Drilling International Limited	85,00 %	85,00 %	490 013 226	490 013 226
Raisebore Rental Proprietary Limited	95,00 %	100,00 %	950	1 000
Master Sinkers Proprietary Limited	51,00 %	51,00 %	19 788 102	19 788 102
Master Drilling Proprietary Limited	100,00 %	100,00 %	100	100
Master Drilling New Technology Holding Proprietary Limited	90,00 %	90,00 %	90	90
MD Training Services Proprietary Limited	50,79 %	50,79 %	96	96
MD Retail Proprietary Limited	100,00 %	100,00 %	1 000	1 000
			751 956 791	754 436 852

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

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

* The investment in subsidiary was fully impaired in the current year.

Master Drilling Group Limited investment in subsidiaries	% effective holding 2021	Status	Country	% effective holding 2020
- MDI Exco Limited	100,00 %	Operational	Malta	100,00 %
- Raisebore Rental Proprietary Limited	95,00 %	Operational	RSA	100,00 %
- Drilling Technical Services Proprietary Limited	74,00 %	Operational	RSA	74,00 %
- Master Drilling Exploration Proprietary Limited	74,00 %	Operational	RSA	74,00 %
- Master Drilling International Limited	85,00 %	Investment	Malta	85,00 %
- MDG Shared Services Proprietary Limited	52,91 %	Operational	RSA	52,91 %
- Master Sinkers Proprietary Limited	51,00 %	Operational	RSA	51,00 %
- Master Drilling Proprietary Limited	100,00 %	Operational	RSA	100,00 %
- Master Drilling New Technology Holding Proprietary Limited	90,00 %	Investment	RSA	90,00 %
- MD Training Services Proprietary Limited	50,79 %	Operational	RSA	50,79 %
- MD Retail Proprietary Limited	100,00 %	Operational	RSA	100,00 %

4. Deferred tax

Deferred tax asset

Provisions and accruals	226 038	10 360
Tax losses available for set off against future taxable income	-	777 136
Total deferred tax asset	226 038	787 496

Reconciliation of deferred tax asset

At beginning of year	787 496	623 122
Provisions and accruals	215 678	973
Tax losses available for set off against future taxable income	(777 136)	163 401
	226 038	787 496

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Figures in Rand	2021	2020
5. Loans to group companies		
Subsidiaries		
Master Drilling Exploration Proprietary Limited	16 712 524	-
MDG Shared Services Proprietary Limited	1 525 002	597 640
Drilling Technical Services Proprietary Limited	153 866 375	201 882 053
Master Drilling New Technology Holding Proprietary Limited	1 992 145	-
Master Sinkers Proprietary Limited	16 421 918	23 402 418
Master Drilling Changzhou Co. Limited	202 667	202 667
Master Drilling Mexico SA	303 998	303 998
Master Drilling do Brasil Limiteda	274 163	274 163
Master Drilling Peru SAC	617 464	617 464
Raisebore Rental Proprietary Limited	266 405 584	123 446 189
Geoserve Exploration Drilling Proprietary Limited	38 078 642	-
Master Drilling Mining Services Proprietary Limited	85 229 555	-
	581 630 037	350 726 592

The above loans are unsecured, interest free and are repayable on demand, except for the Master Drilling New Technology Holdings (Pty) Ltd Loan that bears interest at 3.90% over JIBAR as applicable.

Split between non-current and current portions

Non-current assets	103 643 618	23 402 418
Current assets	477 986 419	327 324 174
	581 630 037	350 726 592

6. Trade and other receivables

Financial instruments:

Sundry debtors	3 050	50 000
Staff loans	-	156 000
	3 050	206 000

Categorisation of trade and other receivables

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

At amortised cost	3 050	206 000
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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2 581 420	5 635 470
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Group cross suretyship in the amount of R6 500 000 by and between Raisebore Rental (Pty) Ltd, Master Drilling Exploration (Pty) Ltd, Drilling Technical Services (Pty) Ltd and Master Drilling Group Ltd.

ST FNB Credit Card Facility - R400 000

ST FNB Auto Card Facility - R1 000 000

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Figures in Rand	2021	2020
8. Share capital		
Authorised		
500 000 000 Ordinary no par value shares	500 000 000	500 000 000
Reconciliation of number of shares issued:	2021	2020
	Number of shares	Number of shares
Reported as at 31 December	150 592 777	150 592 777
	Value Rand	Value Rand
	1 280 243 821	1 280 243 821
Issued		
Ordinary no par value shares	1 280 243 821	1 280 243 821
9. Equity due to change in control of interests		
Assets acquired through business combination	(202 744 405)	(202 744 405)
10. Loans from group companies		
Fellow subsidiaries		
Master Drilling Exploration Proprietary Limited	-	20 775 471
MD Training Services Proprietary Limited	854 800	1 469 322
Master Drilling New Technology Holding Proprietary Limited	-	5 289 723
Raisebore Rental Proprietary Limited	113 096 902	-
Geoserve Exploration Drilling Proprietary Limited	-	200 000
Master Drilling Proprietary Limited	154 363 762	15 133 515
	268 315 464	42 868 031
The above loans are unsecured, interest free, except for interest on Master Drilling New Technology Holdings (Pty) Ltd loan which bears interest at 3.90% over JIBAR applicable.		
In the prior year, the Master Sinker Proprietary Limited loan bore interest at JIBAR 2.95% and were repayable on demand. The interest on this loan was waived for 2021.		
Split between non-current and current portions		
Current liabilities	268 315 464	42 868 031
11. Trade and other payables		
Financial instruments:		
Trade payables	14 486	238 639
Other payables	689 576	480 751
Non-financial instruments:		
Employee related accruals	164 556	-
Value Added Taxation	120 005	186 110
	988 623	905 500

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Figures in Rand	2021	2020
12. Revenue		
Revenue from contracts with customers		
Rendering of services	9 653 192	9 608 084
Revenue other than from contracts with customers		
Dividends received	699 434	3 246 864
	10 352 626	12 854 948
13. Other operating gains (losses)		
Foreign exchange gains (losses)		
Net foreign exchange gains (losses)	310	(1 450)
14. Operating profit		
Operating (loss) profit for the year is stated after charging the following, amongst others:		
Employee costs		
Employee costs	5 297 231	5 822 648
Impairment losses		
Investment in subsidiary	2 480 011	-
Other		
Share base payment	-	2 329 174
15. Finance income		
Interest revenue		
Bank	148 481	182 849
Loans from group companies	1 361 993	-
Total interest revenue	1 510 474	182 849
16. Finance costs		
Loans to group companies	138 763	1 382 415
Interest on imputed taxation of controlled foreign companies	3 757 665	-
Other interest	91 337	76 097
Total finance costs	3 987 765	1 458 512

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
17. Taxation		
Major components of the tax expense (income)		
Current		
Local income tax - current period	694 136	-
Imputed taxation on controlled foreign companies	26 236 383	-
	26 930 519	-
Deferred		
Originating and reversing temporary differences	(75 626)	(164 374)
Under provision of deferred taxation for prior periods	637 085	-
	561 459	(164 374)
	27 491 978	(164 374)
Reconciliation of the tax expense (income)		
Reconciliation between accounting profit and tax expense (income).		
Accounting profit	(3 424 287)	1 578 754
Tax at the applicable tax rate of 28% (2020: 28%)	(958 800)	442 051
Tax effect of adjustments on taxable income		
Impairment of investment in subsidiary	694 403	-
Dividends received	(195 842)	(909 122)
Share options	-	(652 169)
Assessed loss	-	954 866
Deferred taxation for prior years	637 085	-
Imputed taxation on controlled foreign companies	26 236 383	-
Non deductible expenditure	26 603	-
Interest accrued in respect of taxation	1 052 146	-
	27 491 978	(164 374)
18. Cash generated from (used in) operations		
Loss before taxation	(3 424 287)	1 578 754
Adjustments for:		
Dividend revenue received	(699 435)	(3 246 864)
Interest revenue received	(1 510 474)	(182 849)
Finance costs	3 987 765	1 458 512
Impairment of investment in subsidiary	2 480 011	-
Movement in share based payment reserve	-	2 329 176
Changes in working capital:		
Trade and other receivables	19 (10 898 171)	(11 238 348)
Trade and other payables	5 335 678	7 252 955
	(4 728 913)	(2 048 664)
20. Tax paid		
Current tax for the year recognised in profit or loss	(26 930 519)	-
Interest accrued in respect of taxation	(3 757 665)	-
Balance at end of the year	29 990 635	-
	(697 549)	-

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Notes to the Annual Financial Statements

21. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2021

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

Reconciliation of liabilities arising from financing activities - 2020

	Opening balance	Non-cash flows	Cash flows	Closing balance
Loans from group companies	57 775 125	(17 977 789)	3 070 695	42 868 031

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Figures in Rand

2021

2020

22. Related parties

Relationships

Subsidiaries of Master Drilling Group Limited

Drilling Technical Services Proprietary Limited
MDG Shared Services Proprietary Limited
Master Drilling Exploration Proprietary Limited
MDI Exco Limited
Master Drilling International Limited
Raisebore Rental Proprietary Limited
Master Sinkers Proprietary Limited
Master Drilling Proprietary Limited
Master Drilling New Technology Holdings Proprietary Limited
MD Training Services Proprietary Limited
Master Drilling Mining Services Proprietary Limited

Subsidiaries of Master Drilling International Limited

Master Drilling Changzhou Co. Limited
Master Drilling Mexico SA
Master Drilling do Brasil Limiteda
Master Drilling Peru SAC

Subsidiary of Master Drilling Exploration Proprietary Limited

Geoserve Exploration Drilling Proprietary Limited

Companies with common directors

Barrange Exotic Game Proprietary Limited
Barrange Proprietary Limited
DNA Developments Proprietary Limited
Drilling Properties Proprietary Limited
Epha Drilling Proprietary Limited
Erf 1044 Fochville Proprietary Limited
Erf 429 Keursands Eksklusiewe Vakansieoord Proprietary Limited
MDG Equity Holdings Proprietary Limited
Mosima Drilling Proprietary Limited
Nicaud Companies 101 Proprietary Limited
The 1997 DP Investment Trust
The AMI Trust
The DCP BEE Foundation Trust
The Drillcorp BEE Trust
The MD Drilling Employee Trust
The MD Engineering Employee Trust
The MD HDSA Trust
Vandev Investments Proprietary Limited

Shareholder with significant influence

DC Pretorius

Directors

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

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Figures in Rand	2021	2020
22. Related parties (continued)		
Related party balances		
Loan accounts - Owing (to) by related parties		
Drilling Technical Services Proprietary Limited	153 866 375	201 882 053
MDG Shared Services Proprietary Limited	1 525 002	597 640
Master Drilling Exploration Proprietary Limited	16 712 524	(20 775 471)
Raisebore Rental Proprietary Limited	153 308 682	123 446 189
Master Drilling Proprietary Limited	(154 363 762)	(15 133 515)
Master Drilling Changzhou Co. Limited	202 667	202 667
Master Drilling Mexico SA	303 998	303 998
Master Drilling do Brasil Limiteda	274 163	274 163
Master Drilling Peru SAC	617 464	617 464
MD Training Services Proprietary Limited	(854 800)	(1 469 322)
Master Drilling New Technology Holding Proprietary Limited	1 992 145	(5 289 723)
Master Sinkers Proprietary Limited	16 421 918	23 402 418
Geoserve Exploration Drilling Proprietary Limited	38 078 642	(200 000)
MD Retail Proprietary Limited	85 229 555	-
	313 314 573	307 858 561
Related party transactions		
Interest received from related party		
Master Drilling New Technology Holding Proprietary Limited	1 361 992	-
Interest paid to related party		
Master Drilling New Technology Holding Proprietary Limited	-	1 382 415
Master Sinkers Proprietary Limited	138 763	-
	138 763	1 382 415
Administration and management fees (received from)/paid to related parties		
Drilling Technical Services Proprietary Limited	-	8 352
Drilling Technical Services Proprietary Limited	(2 536 984)	(2 427 516)
MDG Shared Services Proprietary Limited	-	(112 970)
MDG Shared Services Proprietary Limited	-	8 063
Master Drilling Exploration Proprietary Limited	(1 510 124)	(2 820 210)
Raisebore Rental Proprietary Limited	(677 820)	(632 801)
Geoserve Exploration Drilling Proprietary Limited	(1 510 124)	-
Master Drilling Proprietary Limited	(2 740 320)	(2 936 767)
Master Drilling Proprietary Limited	-	32 487
MD Training Services Proprietary Limited	(338 910)	(338 910)
MD Training Services Proprietary Limited	-	10 141
Master Drilling New Technology Holding Proprietary Limited	(338 910)	(338 910)
	(9 653 192)	(9 549 041)
Dividends received from related party		
Master Drilling Exploration Proprietary Limited	699 435	3 246 864

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23. Directors' and prescribed officer's emoluments

Executive

2021

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

2020

	Emoluments	Bonus	Fringe benefits	Provident / pension fund contributions	Total
AJ Van Deventer	3 686 520	-	202 177	-	3 888 697
BJ Jordaan	3 833 841	-	202 192	-	4 036 033
DC Pretorius	4 967 122	-	291 427	-	5 258 549
GR Sheppard	6 044 239	-	337 156	-	6 381 395
	18 531 722	-	1 032 952	-	19 564 674

Non-executive

2021

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

2020

	Directors' fees	Consulting and legal fees	Total
AA Deshmukh	564 893	-	564 893
A Brink	449 861	-	449 861
HR Van Der Merwe	854 364	-	854 364
OM Matloa	424 865	-	424 865
ST Ferguson	443 869	480 131	924 000
HJ Faul	176 000	-	176 000
	2 913 852	480 131	3 393 983

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

Prescribed officer

2021

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

2020

	Emoluments	Bonus	Fringe benefits	Pension and medical aid	Total
R Swanepoel	1 782 623	-	75 601	127 547	1 985 771
FG Dixon	2 363 086	-	254 099	170 564	2 787 749
	4 145 709	-	329 700	298 111	4 773 520

Directors' interest

Executive directors

2021

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

Executive directors

2020

	Number of shares: Direct beneficial	Number of shares: Indirect beneficial	Total	Percentage of issued ordinary share capital
DC Pretorius	500 900	78 641 565	79 142 465	52.32%
AJ Van Deventer	10 000	2 671 784	2 681 784	1.77%
GR Sheppard	-	2 955 884	2 955 884	1.96%
BJ Jordaan	1 781 861	1 228 336	3 010 197	2.00%
Prescribed Officer				
FG Dixon	105 000	-	105 000	0.07%
R Swanepoel	11 500	-	11 500	0.01%
Total	2 409 261	85 497 569	87 906 830	58.13%

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Figures in Rand 2021 2020

24. Share based payments

Long term incentive scheme

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

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

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

Share Option Plan

Under the share option plan, share options of the company are granted to eligible employees of the company. The exercise price of the share options is determined on the grant date. The share options vest on the third anniversary of the grant date. The fair value of the share options is estimated at the grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the share options were granted.

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

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

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

Expense arising from equity-settled share based payment transactions	-	2 329 174
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Movement during the year:

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

	EP	2021	EP	2020
Outstanding - 1 January	5,21	1 080 000	5,21	1 080 000
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	1.30	(670 000)
Outstanding - 31 December	5,21	1 080 000	11,61	410 000

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

The remaining contractual life for the share options outstanding as at 31 December 2021 was 3.91 years (2020: 4,91).

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

The following table lists the inputs to the model used for the Share option Plan for 31 December	2021	2020
Expected volatility	30 %	30 %
Risk-free interest rate	7,5 %	7,5 %
Expected life of share options	3 years	3 years
Weighted average share price	9,79	9,79
Model used	Black-Scholes	Black-Scholes

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

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25. Share option scheme

25.1 General

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

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

25.2 Form of option

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

25.3 Plan Limits

(a) Overall

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

(b) Individual

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

(c) Vesting and exercise

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

(d) Voting and dividend rights

Option holders will have no right to voting or dividends until the acquisition of the shares following exercise of the option.

(e) Options issued

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

26. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2021

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

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26. Financial instruments and risk management (continued)

2020

	Notes	Amortised cost	Total
Loans to group companies	5	350 726 592	350 726 592
Trade and other receivables	6	206 000	206 000
Cash and cash equivalents	7	5 635 470	5 635 470
		356 568 062	356 568 062

Categories of financial liabilities

2021

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

2020

	Notes	Amortised cost	Total
Trade and other payables	11	719 390	719 390
Loans from group companies	10	42 868 031	42 868 031
		43 587 421	43 587 421

Gains and losses on financial assets

2021

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

2020

	Note	Amortised cost	Total
Recognised in profit or loss:			
Interest income	15	182 849	182 849

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26. Financial instruments and risk management (continued)

Gains and losses on financial liabilities

2021

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

2020

	Note	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	16	(1 458 512)	(1 458 512)

Capital risk management

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

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

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

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

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

Financial risk management

Overview

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

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

Credit risk

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

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

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26. Financial instruments and risk management (continued)

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

		2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans to group companies	5	581 630 037	-	581 630 037	350 726 592	-	350 726 592
Trade and other receivables	6	3 050	-	3 050	206 000	-	206 000
Cash and cash equivalents	7	2 581 420	-	2 581 420	5 635 470	-	5 635 470
		584 214 507	-	584 214 507	356 568 062	-	356 568 062

Liquidity risk

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

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

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

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

2021

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

2020

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	11	719 390	719 390	719 390
Loans from group companies	10	42 868 031	42 868 031	42 868 031
		43 587 421	43 587 421	43 587 421

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27. Events after the reporting period

The company's tax rate of South Africa was reduced from 28% to 27% during the budget speech by South Africa's Minister of Finance during the budget speech held in February 2022.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

28. Going concern

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

The escalation in the global spread and effects of the Covid-19 pandemic during 2020 is likely to have a continuous impact on our business and that of our customers and suppliers in most, if not all geographies in which the company operates until the roll-out of the vaccines have been successfully completed. As at the date of signing this report, the Board considered the current cash position of the company, and did stress tests on the ability of the company to absorb periods of up to 6 months lower than normal revenue being generated and found that the company will be able to service its obligations. Management and the Board are and will remain focused on managing this unfortunate situation as best as possible.