



MASTER DRILLING

INTEGRATED REPORT 2014



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NAVIGATION

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OUR STRATEGIC STATEMENT

We challenge the status quo to provide our clients with specialised, adaptive one-stop-shop drilling solutions

2014 PERFORMANCE

Master Drilling continues to deliver results that are in line with the growth strategy and targets communicated to shareholders upon listing in 2012

CAGR IN PAT 2014: 17% 2013: 30%	ASSET TURNOVER RATIO 2014: 1.11 2013: 1.23	PBT PERCENTAGE 2014: 20% 2013: 19%	GP PERCENTAGE 2014: 33% 2013: 33%
CASH GENERATED FROM OPERATIONS 2014: \$31.4M 2013: \$22.7M	PAT PERCENTAGE 2014: 14% 2013: 13%	HEPS 2014: 12.1 US CENTS 2013: 10.3 US CENTS	LTIFR 2014: 3.87 2013: 9.85
NUMBER OF DRILL RIGS IN OPERATION: SLIM RIGS 2014: 45 2013: 74	NUMBER OF DRILL RIGS IN OPERATION: RAISEBORE RIGS 2014: 94 2013: 88	ARPOR: RAISEBORE RIG 2014: \$118 215 2013: \$117 047	ARPOR: SLIM RIG 2014: \$58 525 2013: \$50 740
FLEET UTILISATION: SLIM RIGS 2014: 54% 2013: 54%	FLEET UTILISATION: RAISEBORE RIGS 2014: 75% 2013: 77%	BBBEE LEVEL 2014: 4 2013: 6	BBBEE SHARE SCHEME DIVIDEND 2014: \$321 041 2013: \$0

INNOVATION HIGHLIGHTS

REAL TIME GRADE SAMPLER

During the production stage of surface mining projects reverse circulation samples are drilled to ascertain the mineral quantity and grade. This is an important step in determining the mining feasibility and return on investment for the bench being mined.

Master Drilling in conjunction with Atlas Copco launched the Orealyzer XRF X-ray technology scanner which is mounted onto a drill rig where it continuously samples the mineralogy of the cutting that passes through it, thus avoiding delays or even stoppages.

REMOTE MONITORING

Another phase in the roadmap to automation is the capability to remotely monitor the rigs on site during operations.

Phase one consisted of fitting live video surveillance systems on the rigs. This enables observation of the operations and assists with trouble shooting and investigations, should any incidents occur.

Phase two is now under way, where drill data is being monitored by different sensors. This data is then transmitted to a control room, where it can be monitored and extracted for specific reporting purposes.

This will be a crucial factor in not only controlling rigs in the future, but also in the development of preventative maintenance strategies.

HANDS FREE ROD HANDLER FOR DIAMOND CORE DRILLS

A major risk in diamond core drilling is hand injuries to the assistants. These injuries are caused by rod handling and use of hand tools.

This motivated Master Drilling to develop a complete hands-free rod handling system and breakout system. This forms part of the larger automation project to fully automate the operation of drill rigs. The first prototype is currently undergoing field tests in the Northern Cape.

HANDHELD REPORTING (VIA TABLET)

Master Drilling is also moving to an online continuous reporting system. Using software developed in-house, we can now use any electronic (Android) device as a record keeping aid. The site scribe can collect his daily shift data, bit change data and sample data using an electronic tablet. This data is then logged onto a database from where it can be used to create shift reports, risk assessments, sample reports and bit reports. This data is also used for invoicing, investigations, preventative maintenance and communication.



REPORTING CONSIDERATIONS

REPORTING PHILOSOPHY AND APPROACH

This is the second Master Drilling Group Limited ('Master Drilling', 'the group' or 'the company') integrated report. It has been prepared according to the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework, and is a marked step forward in our corporate reporting journey. Key enhancements in reporting include the development of our business model, the consideration and inclusion of material matters, and an overview of our strategic response to these.

REPORTING BOUNDARY


This report covers the financial year 1 January 2014 to 31 December 2014 and includes the performance of our operations across all the areas in which we operate.

This report focuses on the material matters that were identified in line with best reporting practice, and are shown from pages 28 to 33. We define material matters for reporting purposes as those issues that substantially affect our ability to create and sustain value over the short¹, medium² and long term³.

The reports are identified and explained as follows:

	Integrated report	Annual financial statements
Contents	<ul style="list-style-type: none"> Business operations Business model Performance against strategy Material matters Summarised consolidated annual financial statements Governance report Notice of annual general meeting Proxy voting form 	<ul style="list-style-type: none"> Audit committee report Directors' report Independent auditor's report Consolidated annual financial statements
Relationship between reports	<ul style="list-style-type: none"> Includes references to website content and other detailed publications available online at: www.masterdrilling.com 	<ul style="list-style-type: none"> IAS 34 summarised AFS included in the integrated report with full AFS available online at: www.masterdrilling.com
Frameworks	<ul style="list-style-type: none"> IIRC's <IR> Framework V1.0 King Report on Governance for South Africa 2009 (King III) 	<ul style="list-style-type: none"> International Financial Reporting Standards (IFRS) Companies Act No 71 of 2008, as amended (Companies Act) Listings Requirements of the JSE Ltd (JSE Listings Requirements)
Assurance	<ul style="list-style-type: none"> Board of directors assisted by audit committee Management oversight 	<ul style="list-style-type: none"> Independent unqualified audit report from Grant Thornton Internal audit function outsourced to KPMG Internal controls Management oversight
Distribution	<ul style="list-style-type: none"> Hard copies available on request Electronic copy available online at: www.masterdrilling.com 	<ul style="list-style-type: none"> Hard copies available on request Electronic copy available online at: www.masterdrilling.com

¹ One year ² Two to three years ³ Over three years

 For more information on the materiality determination process, refer to page 28.

All monetary amounts reflected in the report are expressed in US dollar (USD or \$) or South African rand (ZAR). The results and financial position of foreign countries are translated into the presentation currency using the exchange rate at the date of transactions for income statement purposes and at the year-end closing rate for financial position items.

REPORTING COMPARABILITY

Since our first integrated report, no significant changes were made to the scope, boundary or measurement methods applied in this report and the rest of our reporting suite.

There were no restatements to comparatives unless otherwise stated.

2014 REPORTING SUITE

Master Drilling issued two reports for the 2014 financial year: the 2014 integrated report and the 2014 annual financial statements (AFS). These two reports are supported by other documents, including the King III checklist, which are available on our website www.masterdrilling.com


ASSURANCE

As part of the risk management process, Master Drilling applied a combined assurance principles approach to manage the level and extent of assurance it obtains.

We are committed to adopting best practice for quality, health and safety processes through the implementation of a number of relevant ISO standards. Quality control and assurance are managed by adhering to ISO 9001:2008, ISO 14000 and OSHAS 18 000 that sets out the criteria for a quality management system. We obtained this assurance through an independent audit carried out by DQS GmbH.

 Assurance certification is available online at www.masterdrilling.com

The summarised consolidated annual financial statements in this report are extracted from the full statutory annual financial statements available on our website. These were prepared in accordance with IFRS, the Companies Act, and the JSE Listings Requirements. The consolidated annual financial statements were independently audited by Grant Thornton.

 Refer to www.masterdrilling.com for the unqualified audit reports.

BOARD RESPONSIBILITY AND APPROVAL STATEMENT

The board is assisted by the audit committee and is responsible for overseeing the integrity of the integrated report. The board applied its collective mind to the preparation and presentation of this report and concluded that it is presented in accordance with the IIRC <IR> Framework V1.0. The integrated report was approved by the board on 24 June 2015 and signed on its behalf by:



Hennie van der Merwe
Chairman



Danie Pretorius
Chief executive officer

FORWARD-LOOKING STATEMENTS

Certain statements in this document may constitute 'forward-looking statements'. Such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual future results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Master Drilling undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. The forward-looking statements have not been reviewed or reported on by the auditors.

REQUEST FOR FEEDBACK

Stakeholders are invited to provide feedback on the contents and presentation of the 2014 integrated report to assist us in improving future reports. Please contact André van Deventer (chief financial officer) at avdeventer@masterdrilling.com.


MASTER DRILLING – THE BUSINESS

Master Drilling is recognised a world leader in the raisebore drilling services industry. Master Drilling provides specialised drilling services to blue-chip major and mid-tier companies in the mining, civil engineering and energy sector, across a number of commodities. Master Drilling was established in 1986 in South Africa and listed on the JSE in December 2012. The head group office is located in Fochville, Gauteng, South Africa.

Master Drilling comprises two main operational sub-groups – South African operations and international operations. The South African operations are managed from Fochville through three subsidiary companies – Master Drilling South Africa (the raisebore business), Master Drilling Exploration (the slim drilling business) and Drilling Technical Services (responsible for the engineering support for our raisebore and slim drilling businesses in South Africa and abroad).

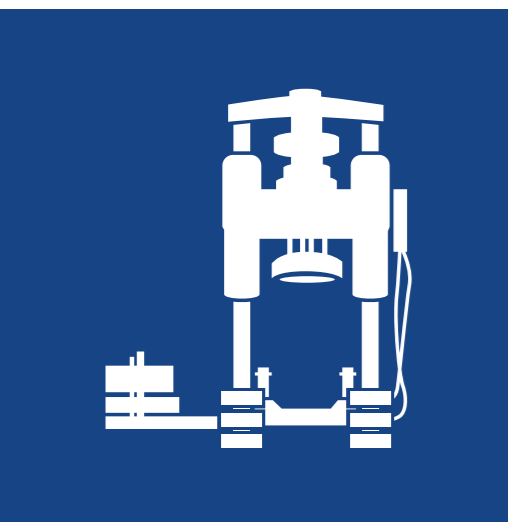
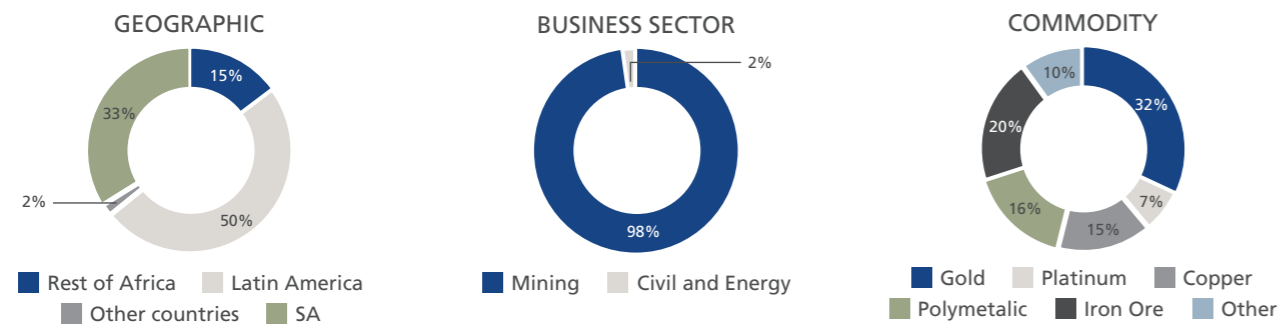
The international raisebore operations as managed abroad include entities in Latin America, Africa and Europe. The Chilean, Peruvian, Brazilian, and Mexican entities maintain both operational and engineering facilities. The international footprint also now includes operations in Guatemala, Ecuador, DRC and Ireland.

Group engineering support is also provided from South Africa and China, servicing several international locations.

 The detailed Master Drilling structure can be found on page 91.

DIVERSIFIED OPERATIONS ACROSS THE GLOBE

The following is an overview of the revenue contributions by geography, business sector and commodity:



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Output	19
Outcomes	20

MASTER DRILLING – THE BUSINESS (CONTINUED)

Master Drilling is a global business, with the majority of its revenue derived from South Africa and Latin America. We tailor solutions to meet the specific conditions and drilling requirements of our clients. Our vertical integration supports end-to-end solutions in terms of designing equipment, assembling drill rigs to client specifications, training, and providing operating and engineering support to our drill rigs.

Geographic

Master Drilling operates 139 drilling rigs, 94 raisebore and 45 slim rigs across 11 countries in Africa, Latin America, Asia and Europe. We provide support to our clients from permanent establishments in South Africa, DRC, Chile, Peru, Brazil, Mexico, Zambia and China.

As a result of operating in a number of countries, there is a diversification of currency inherent to our results. Most of the revenue is invoiced in US dollar, other currencies include South African rand, Brazilian real, Mexican and Chilean peso, Peruvian Nuevo sol, Zambian kwacha and Euro.

Rigs operate successfully on contracts in remote locations and can easily be deployed from one contract to the next, optimising new opportunities.

Business sector

Master Drilling is a world leader in the raisebore drilling services industry and provides drilling services primarily in the mining sector. It continually identifies new sectors for its specialised skills and directs a portion of its operations to providing its drilling services to the civil engineering and energy sectors.

Activity

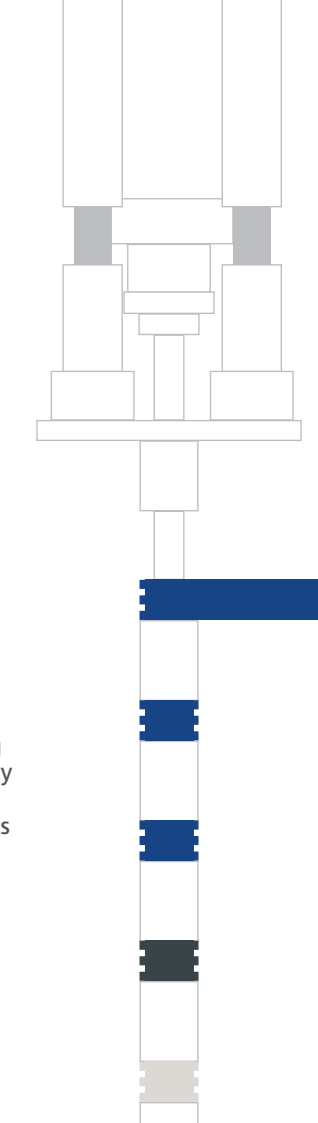
Master Drilling derives the majority, 82%, of its revenue from drilling services in the production-stage of the mining sector. Master Drilling also supports capital projects and exploration stages of mining activities, covering the full operational mining life cycle in its service offering.

The mining life cycle comprises four primary stages in which our services are focussed. The first stage involves exploration and feasibility. The exploration phase identifies mineralised areas to establish whether the quality and quantity of ore bodies identified are suitable for mining. After the feasibility study is concluded, the operations progress to stage two of the mining life cycle. Stage two comprises planning the mine with associated environmental assessments and construction of the infrastructure to gain the required access to the ore bodies. Stage three focuses on the production phase where the identified ore bodies are extracted and produced. The mine life cycle concludes in stage four when operations cease with the required site clearance and environmental rehabilitation.

Exploration-stage drilling focuses on the discovery and quantification of new mineral deposits and represents 5% of revenue for the 2014 financial year.

Capital project-stage drilling takes place once a potentially viable ore deposit or extension to an ore deposit is identified and its resource quantified.

Production-stage drilling is conducted within active mining areas encompassing surface and underground services. Production-stage drilling contracts are more certain in terms of continuity due to the integral nature of production activities in the mining sector and the high costs of changing service providers. In addition, such contracts are long term in nature and typically last two to three years, reflective of annuity revenue.



THE JOURNEY

1986

Master Drilling was established



1992

Commenced drilling at the Shabanie mine in the Masvingo district in Zimbabwe

Commenced drilling at Milpo El Porvenir mine in Pasco, Peru

1998

Commenced drilling at the Barrick group's El Indio mine in Chile

1993

2000

Commenced drilling at AngloGold Ashanti's Cuiaba mine in Minas Gerais, Brazil

2000

Commenced drilling at KCM mine in Zambia



2011

Acquired Drillcorp Africa (Pty) Ltd and renamed it Master Drilling Exploration (Pty) Ltd

2006

Commenced drilling at Penoles group's Tizapa mine in Mexico

2005

Opened site office at Glencore's Kamoto copper mine in Kolwezi province in DRC

2012

Through reorganisation the Master Drilling Group was created and listed on the JSE

Drilling commenced at Tara mines in Ireland

2014



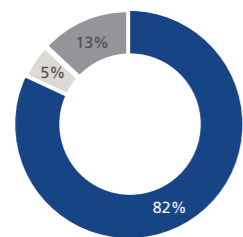
Drilling commenced at GoldCorp's Marlin mine in Guatemala

2013

MASTER DRILLING – THE BUSINESS (CONTINUED)

The following is an overview of the revenue contributions from each stage of mining activity:

MINING ACTIVITY



■ Production ■ Exploration ■ Capital

Commodity

Master Drilling provides drilling services to mining clients who operate across the mineral resources sector. This diversification of revenue across commodities shields us from market price fluctuations in a particular commodity. The precious and base metals sectors of gold, silver, copper, lead, zinc and platinum delivered 70% of the revenue in the current financial year. Other commodities serviced include iron ore, diamonds, tin, manganese chrome and coal. We aim to limit long-term exposure to any one commodity to 30%.

Value-added services

A strong technical division enables us to deliver innovative solutions to clients and be a market leader in drilling. The division enables us to challenge the status quo of drilling services provided to clients. Specialised in-house drilling equipment design, manufacturing, training and maintenance capabilities, support the unique needs of our clients. As we expand our vertical integration, it requires additional skills to design and support the machinery. Part of our strategy is to increase automation of drilling rigs as this delivers significant productivity gains and substantially reduces safety risks.

Refer to the business model on page 14.

Strategic focus

Our four strategic pillars are:



Sustainable growth



Optimisation and increased profitability

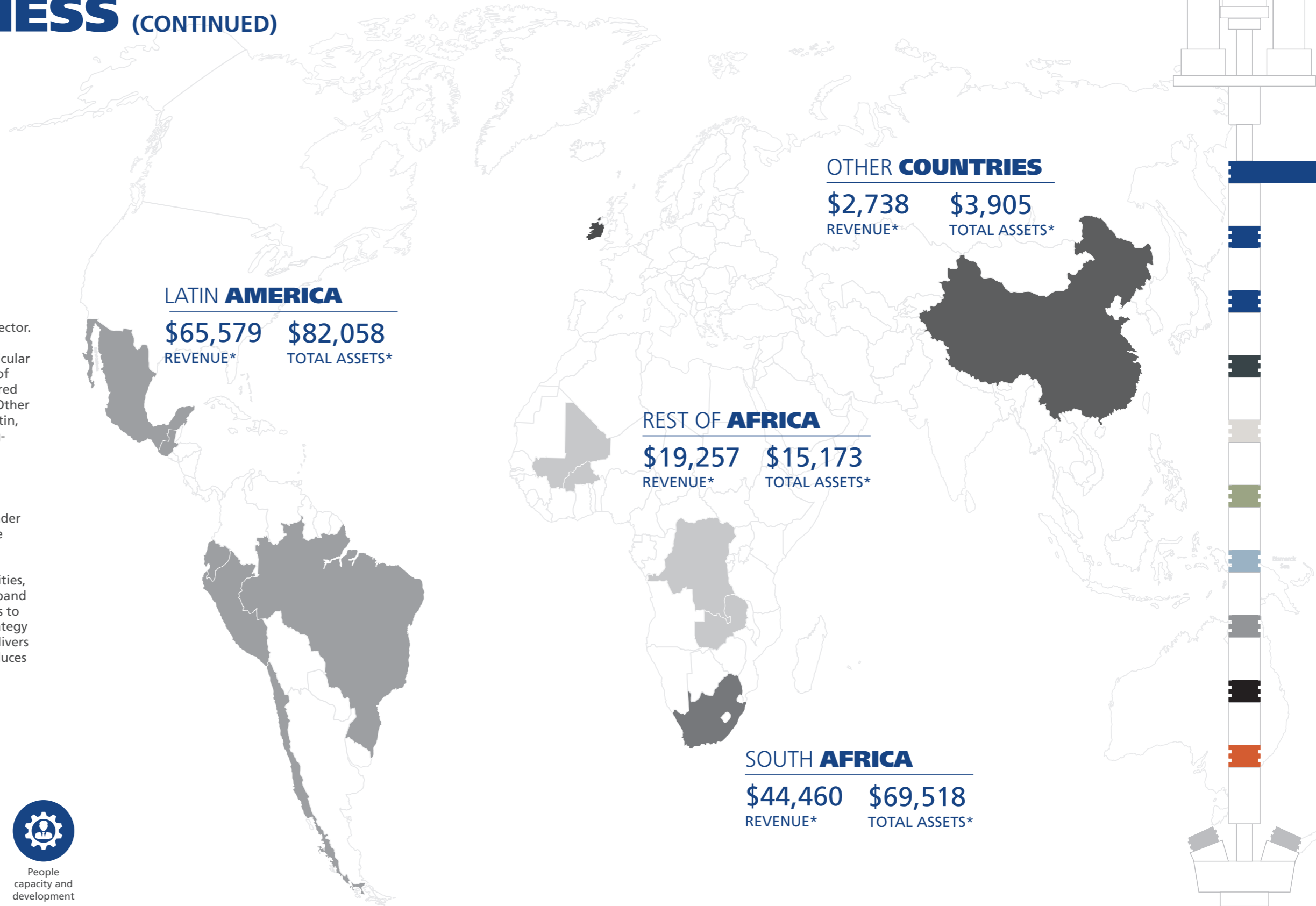


Technology optimisation and development



People capacity and development

Find more detail on the strategic pillars from page 34.




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MASTER DRILLING – THE BUSINESS (CONTINUED)

BUSINESS MODEL ELEMENTS

The Master Drilling business model aims to portray how we use various resources and capability input and how we optimise it to create value for our stakeholders through our core business activities. Our created value is expressed as output and outcomes. We set a long-term target of 20% compound annual growth in profit after tax.

Our ability to create and sustain value successfully is influenced by the external environment in which we operate and our stakeholders. These elements inform our material matters and are taken into account in developing an effective strategy to drive value creation.


 Refer to page 34 for more information on our strategy.

Each of the business model elements is briefly explained and represented in the business model diagram on the next page with further detail in the chapters that follow.

BUSINESS MODEL ELEMENTS


External environment

We provide drilling services primarily to the mining industry. Global economic factors and specific issues pertaining to the mining industry and the countries in which we operate influence business operations.

 Five influencing factors were identified and are explained in more detail on page 20.


Material matters

Material matters are those risks and opportunities that could substantively affect Master Drilling's ability to create value over the short, medium and long term.

 We have identified 13 material matters that are explained in more detail in the material matters section from page 28.


Input

Input is the key resources and relationships that we require to sustainably support business growth. In reference to the <IR> Framework, the input is described through the six capitals, the resources and relationships it uses and draws upon for our business activities.

 Find more detail on how we use and affect the six capitals from page 16.


Core activities and processes

Master Drilling creates value through transforming the above-mentioned input into output and outcomes through its business activities and processes, including the provision of efficient and reliable, high-quality drilling services.

 A detailed overview of our business activities and processes is available from page 18.


Output

Our output is illustrated and explained as the products and services we provide to the various sectors we service.

 A detailed overview of our business output can be found from page 19.

Outcomes

Master Drilling views outcomes as the value we create by doing business the Master Drilling way, and tie directly into our four strategic pillars used to drive and deliver value.

 A detailed overview of our business outcomes can be found from page 20, and strategy from page 34.



MASTER DRILLING – THE BUSINESS (CONTINUED)

BUSINESS MODEL

EXTERNAL ENVIRONMENT



Fluctuation in mining commodities

Exchange rate fluctuations

Mining outlook, locally and abroad

Talent war

Industrial action

External environment in detail: Page 20

INPUT

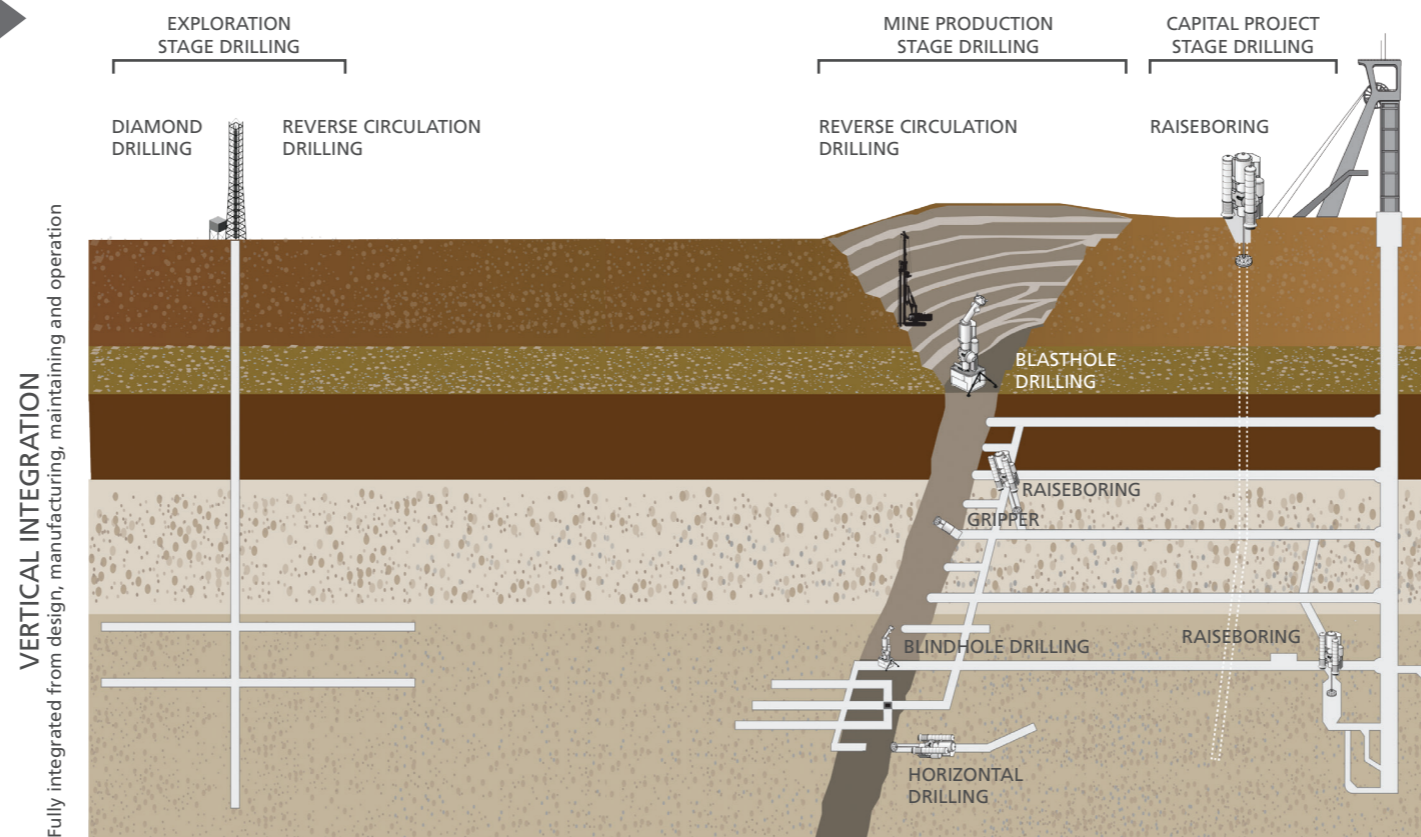
Resources and capabilities

- FINANCIAL CAPITAL**
 - Capital of ZAR333 million raised at listing in 2012
 - Low current gearing ratio of 19.5%
 - Flexibility on capex investment
 - Cash generative business
- HUMAN CAPITAL**
 - More than 2 000 employees with 85% directly engaged in drilling operations
 - Training centres in SA, Peru, Chile focussed on technical skills
 - Global diverse management team
 - Internship programme to develop skills
 - Mobility of management
- MANUFACTURED CAPITAL**
 - Diverse drill rig portfolio
 - Fleet of 139 drill rigs – 94 raisebore rigs and 45 slim rigs
 - Continuous upgrade programme
 - Ability to increase rig portfolio for growth plans
- INTELLECTUAL CAPITAL**
 - SA mining pedigree and world-class management and engineering expertise
 - Value-added support services conducted in-house
 - Automation control and remote operations of rigs
 - Custom design for specific requirements
 - Complete project management from exploration to production drilling
- SOCIAL AND RELATIONSHIP CAPITAL**
 - Strong customer base with opportunity to grow
 - Diverse employees
 - Foreign communities and governments
 - Mining and civil engineering sectors
 - Shareholders and Providers of funding
- NATURAL CAPITAL**
 - Direct consumption very low
 - Indirect dependency on natural resources high
 - Management of waste and noise
 - ISO 14001 accreditation for environmental management system

Six capitals in detail: Page 16

CORE ACTIVITIES AND PROCESSES

What we do



HEAD OFFICE SUPPORT (FOCHVILLE)
Finance and HR function; Customer Relationship Management, Enterprise wide IT platform; Central procurement function; Training centres in RSA, Peru and Chile

ONE-STOP-SHOP
Provide customers with full range of drilling services

OUTPUT

Our products and services to the various sectors we serve

ROCK BORING
Several rock boring applications are offered by Master Drilling including horizontal raise boring, box hole boring, slot hole drilling, tunnel boring, blind boring and reef boring. The application most commonly used by our clients is raise boring, our primary service offering. Raise boring is when a circular excavation is produced between two existing levels in an underground mine or between the surface and an existing level in a mine for example ore passes or ventilation shafts, without using explosives.

SLIM BORING
Slim boring includes a number of different drilling applications such as core drilling, percussion drilling, reverse circulation drilling, mud, air rotary drilling, directional drilling, analysing of ore, piling and blast hole drilling

SUPPORT SERVICES
Directional drilling, stage shaft support, remote operated shaft support, piling scan mobile and core yard management

Outputs in detail: Page 19

OUTCOMES

What we achieve link directly to our strategic objectives

STRATEGIC STATEMENT
We challenge the status quo to provide our clients with specialised, adaptive one-stop-shop drilling solutions

STRATEGIC PILLARS



Sustainable growth



Optimisation and increased profitability



Technology optimisation and development



People capacity and development

20% CAGR in PAT over the next 5 years

Strategy in detail: Page 34

MATERIAL MATTERS



Global mining and commodity cycles
Reliance on strategic equipment component suppliers
Unwanted health and safety related events
Fleet return optimisation

Funding risk
Contract execution
Customer dependency

Availability of management and technical skills
Fleet design and assembly process
Delivering technology expectations

Transformation in South Africa
Contract quality management
Cost escalation beyond budget

Material matters in detail: Page 28

MASTER DRILLING – THE BUSINESS (CONTINUED)

INPUT

Master Drilling uses a combination of input types or capitals in creating value for stakeholders. Some are more crucial than others, and it is the combination of all of these in the execution of our strategy that creates value. The business draws on those capitals and through its business activities and execution of its strategy create value in the short, medium and long term.


Financial capital

Master Drilling is a cash-generating business with a significant growth history. The group listed on the JSE in 2012 and raised ZAR333 million to fund the capital expansion programme and enable further growth plans.

We set a compound annual growth rate (CAGR) target of 20% over five years in profit after tax, which requires significant capital investment of additional raisebore drilling rigs and investment in technology. The current gearing ratio of 19.5% and net cash generation of \$23.8 million support our ability to fund capital expansion.

The capital allocation policy requires certain hurdle rates to be met before investments are made and capex allocated. Master Drilling operates comfortably within the targeted gearing ranges and is in the process of finalising a \$30 million banking facility for future growth.


The board resolved that no dividend will be paid for the year ended 31 December 2014 as earnings should at this stage be retained to support the growth plan.

 For more information see the chairman and chief executive officer's report on page 38.

Human capital

Master Drilling has more than 2,000 employees; 85% are currently employed in the global operations and 15% are allocated to support services.


There is a shortage of skilled talent particularly in the areas of technical raisebore drilling and operational site management. The availability of management and technical skills was identified as one of our material matters.

 Material matters are outlined in more detail from page 28.

We are committed to quality through dedicated in-house training facilities in South Africa, Peru and Chile. An induction programme is provided to all new employees enabling them to orientate themselves with our values and strategy. Training programmes primarily focus on the technical expertise required for drilling operations and will be expanded to include more managerial and soft skills training. These new programmes are intended to promote these career paths and create succession opportunities.

Succession plans are developed per country. Learnerships and internships are provided in the engineering and operational divisions. We have had success in identifying future potential at entry-level skilled employees and with training and development programmes they have progressed to operator and foreman levels. There are a number of employees participating in managers-in-training programmes in engineering, operations, as foreman and as operators. Clear performance management and career development provides a more attractive package to potential employees.

Further investment will be required for additional employees at executive and operational levels to support our growth target and a number of key positions will need to be filled as and when the requirements manifest themselves.

 For more information see the stakeholders section on page 22.

Manufactured capital

The nature of Master Drilling's business requires a versatile fleet of drilling rigs, which in combination with the skilled human resources, generates significant revenue.

Master Drilling currently operates 139 drilling rigs with 94 raisebore rigs. The fleet consists of seven categories ranging from small to XX-large which are used for surface and underground mining operations, 17 blind hole machines and five drain hole and slot raise rigs. A fleet of 45 slim rigs is used when defining ore bodies, reserve evaluation, ground investigation, grade control or cover drilling. To achieve the stated CAGR target we aim to have optimal capital and fleet operation programmes in place to support our growth strategy.

The large number of rigs and their geographic distribution gives us a competitive advantage to do multi-rig drilling projects and, importantly, to mobilise rigs on short notice, for new projects or to address rescheduling and scope modifications on existing jobs.

A preventative maintenance programme ensures that all rigs operate at optimal efficiency. The useful life of a raisebore rig is considered to be 20 years. Automation is part of our strategy as it increases machines' efficiencies and significantly reduces the safety risk. Automation is a global trend in the industry and is a distinguishing factor when we are compared to our competitors.

Our group administrative offices are in South Africa, with training offices and engineering facilities in Zambia, Chile, Peru, Brazil and Mexico. The location of the engineering facilities enables management to be on the ground at our day-to-day operations.

Master Drilling has an office and warehouse facility in China where specialised capital equipment is produced and procured. This is supplemented by informal regional sites where maintenance and design can also be carried out in a flexible manner, as projects move between countries.

Intellectual capital

We are proud of our history and the years of drilling experience, engineering skills and expertise that it brings. The value-added support services, including design, assembly and technology innovations and processes, are all in-house and were developed over a number of years.

The senior management team reflects our global diversification. The senior management and operational teams have extensive operating experience, technical expertise and strong relationships with clients in the mining sector. Collectively, the executive directors have been with the business for 69 years, and have an aggregate of 92 years of experience in the global mining industry.

A key differentiator for Master Drilling is the 'one-stop-shop' mindset of delivering quality services to clients. This is enabled by providing complete project management expertise from exploration-stage drilling to production-stage mining.

This focus has delivered technology innovations such as automation control and remote-operation for drill rigs. These innovations improve operating efficiencies and significantly improve the safety of on-site employees – 24% of the drill rig fleet is already fully automated. Fully enabled automated insertion and removal of drill rods and remote control spanners are used in 4% of our projects and represent the next phase of future automation development.

Automated machines are up to 30% more efficient than conventional machines. A data collector, connected via satellite, allows the user to monitor the machines in real time and act quickly in response to any event. Automated machines have a range of sensors and controls that guarantee the appropriate penetration and eliminate risks for personnel by minimising man-machine contact during the connection of the components.

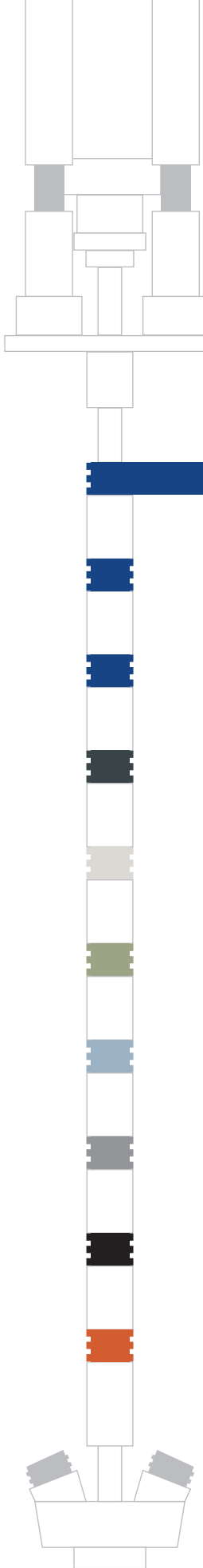
Social and relationship capital

We believe that in creating a sustainable business we have to partner with key stakeholders. We develop good relationships with clients, our people and investors by continuous interaction to fully understand the support they require. We are acutely aware of the communities and governments, locally and internationally, in which we operate and aim to strengthen the relationships with these role players.

 Refer to the stakeholder engagement commentary on page 22.

Natural capital

Master Drilling is not a direct consumer of many natural resources. However, the mining industry in which we operate is heavily dependent on the availability of scarce resources, which has an indirect impact on us. The drilling services we provide form part of the greater mining infrastructure towards which our mining clients put comprehensive rehabilitation and closure plans. When providing services, we consider it important to manage our impact actively, through drilling with precision. We also implement processes to manage recycled water in closed system operations and all waste is disposed of safely.




MASTER DRILLING – THE BUSINESS (CONTINUED)

CORE ACTIVITIES AND PROCESSES

Master Drilling is a world leader in the drilling services industry and provides drilling services to a number of different industries. Currently, Master Drilling operates primarily in the mining sector. It continually identifies new sectors for its specialised skills and directs a portion of its operations to provide its drilling services to the civil engineering and energy sectors.

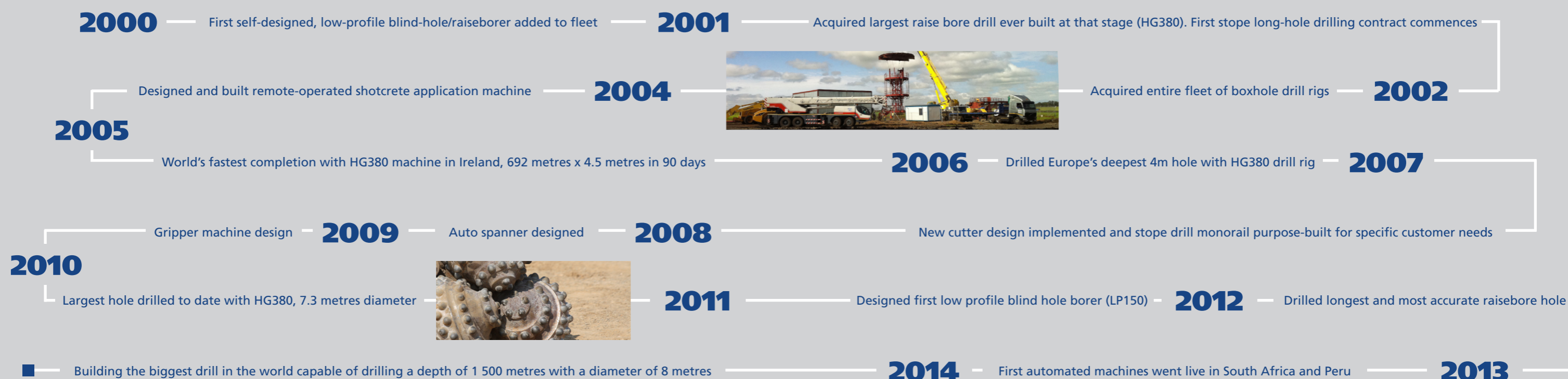
Master Drilling assists clients throughout the various stages of their projects by delivering different drilling and value-added services.

 A detailed overview of our business output can be found from page 19.

Projects typically go through four phases:


Exploration-stage	The feasibility of a project is considered in this planning phase of a project. The exploration-stage focuses on the discovery and quantification of new mineral deposits in the case of a mining project. This represents 5% of revenue for the 2014 financial year for Master Drilling.
Capital project-stage	A project enters the capital stage once a potentially viable ore deposit or extension to an ore deposit is identified and its resource quantified. Feasibility is proven and the capital outlay starts. This represents 12% of revenue for the 2014 financial year for Master Drilling.
Production-stage	The production stage starts when surface and underground services are in full swing. Production-stage drilling contracts are more certain in terms of continuity due to the integral nature of production activities in the mining sector and the high costs of changing service providers. In addition, such contracts are long term in nature and contracts typically last two to three years. This represents 83% of revenue for the 2014 financial year for Master Drilling.
Closure and rehabilitation stage	When all the ore reserves have been extracted the mine starts the closure process including rehabilitation of the natural habitat. Master Drilling does not provide any support services during this stage of the client's activities since our operators are required to be off site when the rehabilitation obligation process of the client commences.

OPERATIONAL MILESTONES



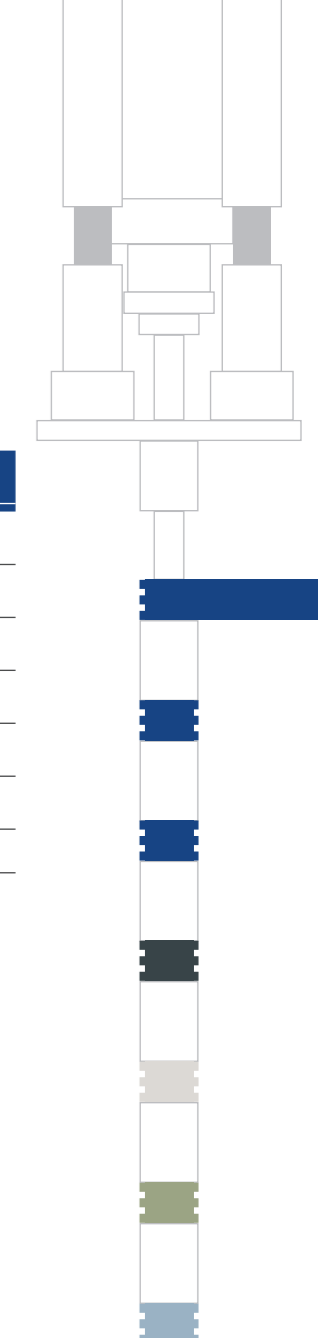
OUTPUTS

Rock boring	Slim drilling	Support services
Raise boring	Core drilling	Piling
Horizontal raise boring	Percussion drilling	Remote operated shaft support
Box hole boring	Reverse circulation drilling	Stage
Slot boring	Air rotary	Horizontal directional drilling
Tunnel	Mud rotary	Directional drilling
Blind hole boring	Blast hole drilling	Core yard management
Reef boring	Dewatering	

 The detailed explanations of our outputs can be found in the useful terms appendix from page 93.

Rock boring

Several rock boring applications are offered by Master Drilling including horizontal raise boring, box hole boring, slot hole drilling, tunnel boring, blind boring and reef boring. The application most commonly used by our clients is raise boring, our primary service offering. Raise boring is when a circular excavation is produced between two existing levels in an underground mine or between the surface and an existing level in a mine for example ore passes or ventilation shafts, without using explosives.



MASTER DRILLING – THE BUSINESS (CONTINUED)

Slim drilling

Slim drilling includes a number of different drilling applications such as core drilling, percussion drilling, reverse circulation drilling, mud and air rotary drilling, directional drilling, analysing of ore and blast hole drilling.

Value added services

Trough-pass boring, drain-hole drilling, ventilation and pressure shafts, long- and short -range dry-crete systems, piling and assistance with headgear on mining site.

Support processes

Our in-house support capabilities include two engineering and manufacturing facilities which supports our specialised and custom drill rig applications. The centralised procurement function service the global operations.

OUTCOMES

The internal and external results in doing business the Master Drilling way leads to outcomes in-line with our strategic statement: We challenge the status quo to provide our clients with specialised, adaptive one-stop-shop drilling solutions to drive and deliver value creation. The Board has built the strategy around four pillars:



Sustainable growth



Optimisation and increased profitability



Technology optimisation and development



People capacity and development

Find more detail on the strategic pillars from page 34.

EXTERNAL ENVIRONMENT

Fluctuations in mining commodities

Commodity cycles impact our clients' mining activities in so far as demand cycles affect the pricing of commodities and thus the associated capital hurdle rates at each stage of the mining life cycle. Regardless of the highs and lows in the commodity cycles, our clients still require access to the valuable ore bodies and related infrastructure development to execute on the life of mine plan. Being positioned primarily in the production stage of the value chain Master Drilling's exposure to volatility in commodity price cycles is limited. Master Drilling projects span a diversified commodity order book and we aim to limit our exposure to a singular commodity to a maximum of 30% of our revenues.

Find more detail in the financial report from the chief financial officer from page 44.

Mining outlook locally and abroad

Continuous improvement and cost pressure in mining required many of our clients to consider changes in technology and labour in order to regain profits in a volatile market. Master Drilling's focus on innovations such as automation of machines, positions us ideally to capitalise on these opportunities in the market and assisting our clients achieving their objectives.

The labour aspects of mining, whether it be industrial actions or wages, remains sensitive and the automation drive reduces the risks to our client. Most of our clients are cost and time sensitive and in response to their circumstances our automated rigs are 30% more efficient than conventional rigs, saving time and reducing labour.

Find more detail in the financial report from the chief financial officer from page 44.

Talent war

The weak mining and metals industry outlook has influenced individuals to view a career in mining and engineering as less promising. As a result a talent war to attract and retain the appropriate skills and expertise presents a challenge for the business. Part of the solution is automation which comprise the systems we use and the technology we apply. The focus on technology also appeals to the modern technologically advanced employee. It is important to retain the necessary skills and expertise and we aim to incentivise our employees accordingly.

Find more detail on remuneration from page 69.

Industrial action

At Master Drilling we have been fortunate to not experience major industrial action. Most of our unskilled employees are unionised and we aim to have good working relationships with the unions. Our clients however are more exposed to industrial action. This may result in limited access to the sites – however, our contract terms with the client limit our exposure in this regard.

Find more detail in the financial report from the chief financial officer from page 44.

Exchange rate fluctuations

By virtue of operating in a number of countries, there is a diversification of currency inherent to our results. Most of the revenue is invoiced in US dollar, other currencies include South African rand, Brazilian real, Mexican and Chilean peso, Peruvian Nuevo sol and Zambian kwacha.

We do not formally hedge our currency exposure. At a country-specific level there may be cost and revenue currency mismatches but at a group level a natural currency hedge exist.

Find more detail in the material matters section from page 28.




STAKEHOLDER ENGAGEMENT

Members of the senior management team engage with specific stakeholders on a regular and ongoing basis.

Due to their influence and the impact that they have on the group, the key Master Drilling stakeholders are clients, employees, shareholders and investors. The expectations of these stakeholders are discussed regularly at senior management and board meetings.

The board is satisfied that the approach taken by management is adequate for current operations and will encourage executives to adopt a more formalised stakeholder engagement programme as we expand.

The tables that follow identify the stakeholders, the current engagement process, their expectations and the material matters these relate to.

 Additional detail of stakeholder expectations is addressed in the material matters and strategy sections of this report, pages 28 and 34.

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Stakeholder engagement
is a key source of
business intelligence
to the group



STAKEHOLDER ENGAGEMENT (CONTINUED)

CLIENTS

Master Drilling primarily targets major and mid-tier mining companies, who conduct business across a number of commodities. More than one-third of clients are major-tier mining companies delivering approximately 40% of the revenue which presents a substantial growth opportunity for Master Drilling. One client based in South Africa accounts for 20% of our revenue for the 2014 financial year. Part of our growth aim would be to achieve a more balanced contribution from the client portfolio. Many of our clients have worked with us for a number of years.

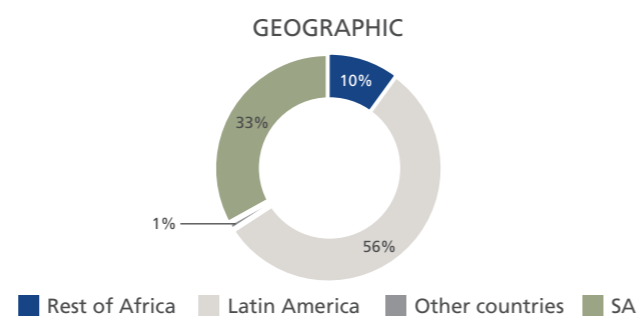
DIVERSIFIED CLIENT BASE



Nature of engagement	Stakeholders expectations	Material matters
<ul style="list-style-type: none"> Monthly client satisfaction survey Telephonic and written communication with senior management Formal site meetings Mining indaba and trade shows Technical meetings Business development meetings 	<ul style="list-style-type: none"> Quality and safety On time operational efficiency Drilling to agreed specifications within cost structure Competitive pricing Innovation to drive efficiency Technical skills Labour and community issues 	<ul style="list-style-type: none"> Client dependency Contract quality management Contract execution Fleet return optimisation Fleet design and assembly process Delivery on technology expectations Availability of management and technical skills Unwanted health and safety related events

EMPLOYEES

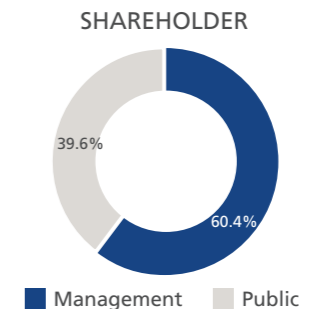
As a global business, Master Drilling employs more than 2,000 people across 13 countries. This diverse workforce reflects the demographics of those countries in terms of culture, language and technical competence. Skilled operational, mechanical and field personnel constitute 53% of the workforce and 47% are unskilled employees. The graphs show the geographical spread as at the end of December 2014.



Nature of engagement	Stakeholders expectations	Material matters
<ul style="list-style-type: none"> Induction programme Ongoing training Quarterly newsletters Meetings with executives, heads of departments and management committees Senior management site visits Performance reviews Employee survey conducted in South Africa 	<ul style="list-style-type: none"> Training and development Personal and career development opportunities Clarity on roles and responsibilities Culture fit Improved communication Remuneration and benefits 	<ul style="list-style-type: none"> Unwanted health and safety events Availability of management and technical skills

SHAREHOLDERS AND INVESTMENT COMMUNITY

Master Drilling currently has a small shareholder base, with management holding 60% of the issued share capital. With such a vested interest in the performance of Master Drilling value creation is at the focus of day-to-day operations.



The chief executive officer (and founder of Master Drilling) holds 53%. We are aware of the requirement of independence of the board and transparent communication with all shareholders as guided by the JSE regulations, and we are in compliance therewith.

Nature of engagement	Stakeholders expectations	Material matters
<ul style="list-style-type: none"> Management daily by executive meetings and day-to-day involvement in business Reporting into governance structure JSE and retail investors: integrated report Interim and year-end investor presentations Investor forums, roadshows Analyst meetings SENS Integrated report 	<ul style="list-style-type: none"> Sustainable growth Good reputation Good corporate governance Transparency Dividend pay-out Share liquidity Return on capital 	<ul style="list-style-type: none"> Global mining and commodity cycles Fleet return optimisation Cost escalation beyond budget Delivering on technology expectations

STAKEHOLDER ENGAGEMENT (CONTINUED)

OTHER KEY STAKEHOLDERS

Stakeholders	Nature of engagement	Expectations	Material matters
<i>Lenders and financiers</i>			
<ul style="list-style-type: none"> Client advances Group and regional banks 	<ul style="list-style-type: none"> Regular reviews with management Retail banks contact monthly in the form of management statements Covenant reviews 	<ul style="list-style-type: none"> Maintenance of covenants Financial position Outlook/forecast for future funding 	<ul style="list-style-type: none"> Cost escalation beyond budget Global mining and commodity cycles Funding risk
<i>Trade unions</i>			
<ul style="list-style-type: none"> South Africa is 80% unionised (UASA) Mexico approximately 75% unionised, Peru 38%, Chile 28%, Brazil 100% and Zambia 64% 	<ul style="list-style-type: none"> Wage negotiations Quarterly meetings 	<ul style="list-style-type: none"> Fair labour practice Adherence to country specific labour regulations 	<ul style="list-style-type: none"> Unwanted health and safety events Transformation in South Africa Availability of management and technical skills
<i>Media</i>			
<ul style="list-style-type: none"> Industry-related trade publications Newspapers Television 	<ul style="list-style-type: none"> Quarterly publications Financial results 	<ul style="list-style-type: none"> Transparency Insight into business Topical coverage 	<ul style="list-style-type: none"> Global mining and commodity cycles

Stakeholders	Nature of engagement	Expectations	Material matters
<i>Suppliers, service providers and business partners</i>			
<ul style="list-style-type: none"> Equipment component manufacturers Spares and consumables suppliers Business partners for specific drilling operations 	<ul style="list-style-type: none"> Regional procurement office for specific equipment component manufacturers for quality management Regular interactions with suppliers Specific on-site quality Assurance manager Monthly discussions on supplier variations 	<ul style="list-style-type: none"> Open communication Protection of intellectual property Quality and on spec products Mutually beneficial terms Safety 	<ul style="list-style-type: none"> Reliance on strategic component suppliers Delivering on technology expectations
<i>Government and regulatory bodies</i>			
<ul style="list-style-type: none"> JSE Regional central banks Governmental departments in geographic areas 	<ul style="list-style-type: none"> Regulatory returns Indirect communication through Master Drilling clients Direct communication from permanent offices 	<ul style="list-style-type: none"> Compliance Responsible business activities Regulatory returns Local employment and investment 	<ul style="list-style-type: none"> Unwanted health and safety events




MATERIAL MATTERS

Master Drilling considers material matters as those matters that could substantively affect its ability to create stakeholder value over the short, medium and long term. Our approach considers our external environment, stakeholder expectations and any other identified risks and opportunities that may affect our ability to execute our strategy.

RISK MANAGEMENT GOVERNANCE

Risk management is a central part of our strategic success and an essential part of the governance framework. A group risk manager was appointed in 2013 and risk management methodology was developed and approved by the audit and risk committee on 26 August 2014. The risk department is responsible for the implementation of the risk management policy and processes throughout the group.

During the financial year, the board agreed to appoint a separate risk committee to provide greater focus on risk management. All the committees' terms of reference were approved by the board during the year.

 The detailed committee terms are available online at www.masterdrilling.com

RISK MANAGEMENT PROCESS

Our risk management process is aligned with the ISO 31000 risk management standard. It was implemented across the group and covers all business operations.

The risk management department runs the risk identification process with management to identify our risks. Once identified, plans are developed to mitigate the risks, and key risk indicators are used to assist in monitoring risks. The monitoring of the risks are discussed at the risk committee meetings and used as input when determining our material matters.

MATERIAL MATTERS DETERMINATION PROCESS

The material matters determination process was guided by the principles of the <IR> Framework:

- Identify the matters to be considered:
 - Understand the external environment in which we operate, highlighted on page 20 .
 - Review engagement with stakeholders to determine their expectations, highlighted on page 22 .
 - Consider our risks and opportunities as managed within the business operations.
- Determine the materiality of the matters:
 - Assessing the severity of the impact a material matter has on Master Drilling and the probability of the occurrence.
 - Timing of the material matter, i.e. short, medium, and long term.
- Determine appropriate strategic responses that would adequately address the material matter.

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Our approach considers our external environment, stakeholder expectations and any other identified risks and opportunities that may affect our ability to execute strategy

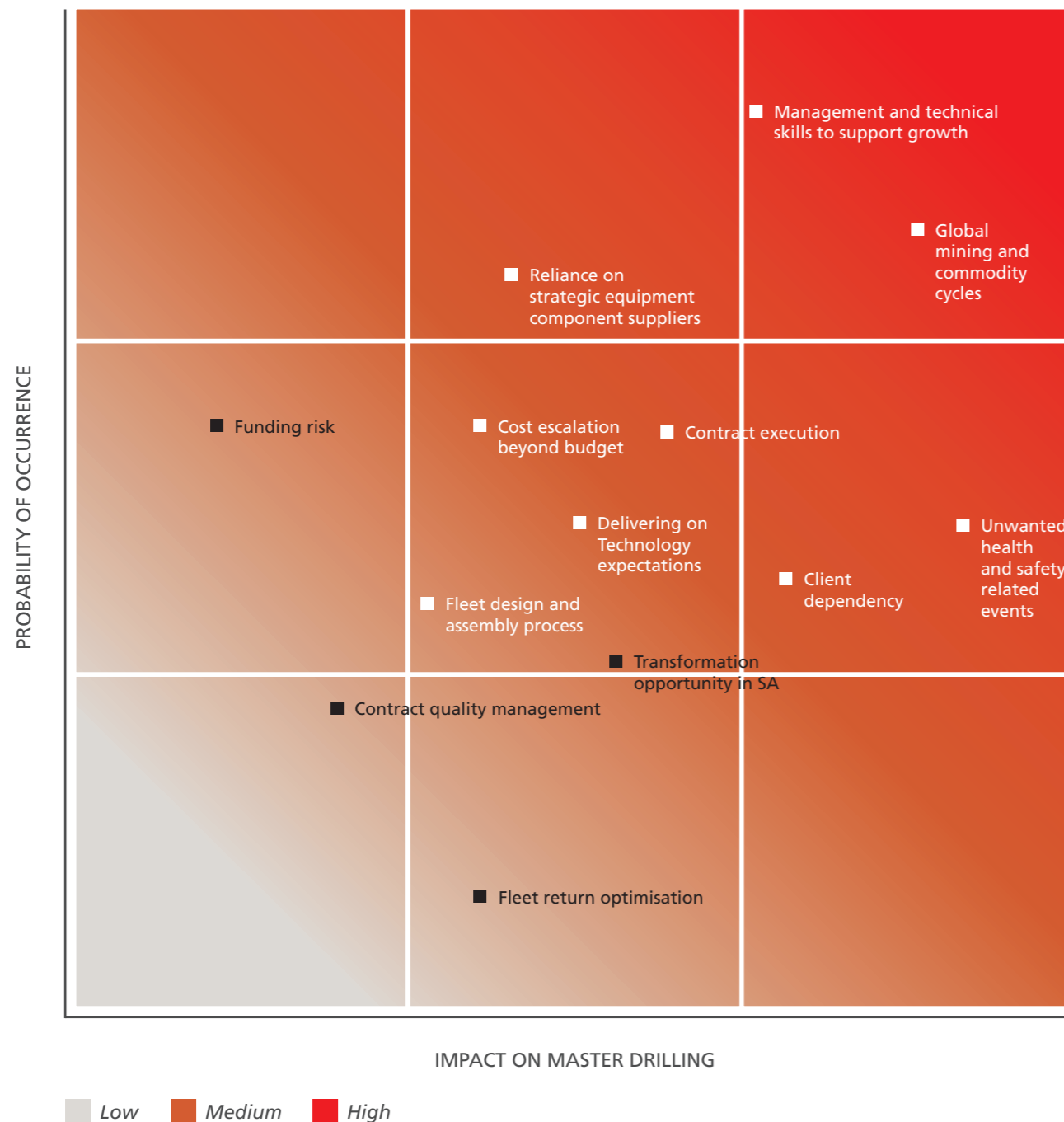


MATERIAL MATTERS (CONTINUED)

From this process, we identified 13 material matters that could substantively affect our ability to create value. The material matters are reviewed by the board on an annual basis to ensure that they are still relevant and appropriate for the short, medium and long term.

MATERIAL MATTERS

The material matters that could have a positive or negative impact on our performance are depicted in the matrices below.



The context of the material matters and their relationship to our strategic pillars are explained in the following table.

MATERIAL MATTER	CONTEXT FOR RISK AND OPPORTUNITIES WITH IMPACT	STRATEGIC PILLAR
Short-, medium- and long-term matters		
Global mining and commodity cycles	<p>The mining sector is exposed to commodity cycles that can affect Master Drilling as 98% of its revenue is derived from the mining sector. To maintain margins and reduce the impact this has on our business, we focus the majority (82%) of our activities on operating in the production-stage of mining.</p> <p>Master Drilling focuses on diversifying its commodity portfolio. We have a well-diversified revenue stream in different commodities.</p> <p>Find more detail in the financial report from the chief financial officer from page 44.</p> <p>Our operations are well-diversified geographically, which assists in absorbing commodity swings.</p> <p>Currently approximately 70% of the global mining industry is open-pit mining. Master Drilling is currently focussed on underground mining, therefore growth opportunities exist should we diversify further into open-pit mining. There is a global opportunity in specific commodities, which the management team investigates on a regular basis.</p>	
Unwanted health and safety-related events	<p>Mining is a labour intensive activity exposing employees to a range of potential health and safety hazards. Master Drilling recognises that by operating within the mining industry, health and safety of its employees is both an inherent risk and a material issue.</p> <p>Mining companies are becoming increasingly strict on subcontractors to apply best practice and internationally recognised health and safety requirements. Master Drilling has a health and safety programme in place to minimise incidents and ensure the safety of employees.</p>	
Fleet return optimisation	<p>The fleet of drill rigs are our manufactured capital. It is critical that we use the fleet of rigs optimally to maximise value creation for stakeholders. By owning the majority of its drill rigs Master Drilling has the ability and flexibility to use spare rig capacity to increase revenue or redeploy to projects with higher returns. Effective portfolio planning, forecasting and continued project reviews assist us in maintaining use and margins at targeted levels.</p>	
Cost escalation beyond budget	<p>Our top three cost items are labour, capital equipment and consumables. Active management on costs is an integral part of contract management and contract execution.</p> <p>The focus on automation and remote drilling will impact operational efficiency, which in turn will assist in managing the escalation of costs in the future. Escalation clauses are included in contracts. There may be cost and revenue currency mismatches at a country-specific level but Master Drilling has a natural hedge at a group level.</p>	

■ Short term
 ■ Medium term
 ■ Long term

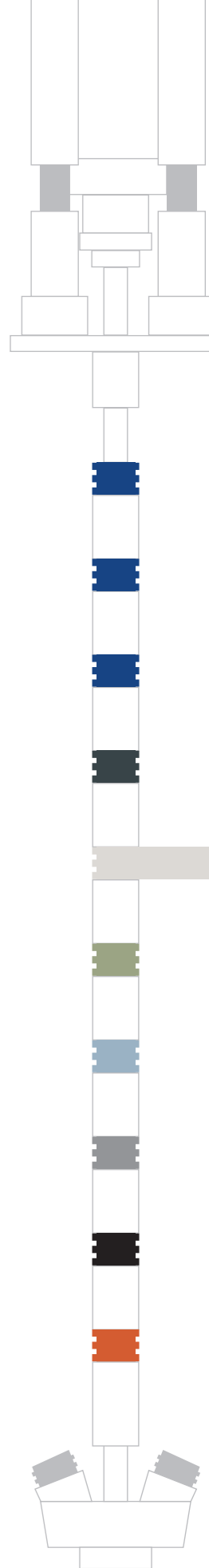
MATERIAL MATTERS (CONTINUED)

MATERIAL MATTER	CONTEXT FOR RISK AND OPPORTUNITIES WITH IMPACT	STRATEGIC PILLAR
Short-, medium- and long-term matters (continued)		
Contract execution	We could be at risk of reputational damage if contracts are not executed to agreed quality standards, due to equipment failure and/or due to inappropriate maintenance resulting in compromised safety. We have quality management systems in place to ensure that contracts are executed in line with the agreed processes. Operational risk management process was embedded over the years. Senior management receive weekly feedback on the operational monitoring of all contracts.	
Client dependency	One client based in South Africa accounts for 20% of our revenue for the 2014 financial year results. To be too dependent on any one particular client for a significant part of the revenue stream is an exposure we aim to balance more effectively in future. We also pride ourselves on the long-standing relationships we build with our clients based on transparent interactions and clear communication. The marketing department was tasked with delivering new business and manage existing clients to ensure active management of commercial risk of existing contracts. The development of a client relationship management programme will mitigate this risk.	
Medium and long-term matters		
Management and technical skills to support growth	Master Drilling has identified that the lack of management and business skills, project management expertise and skilled labour in the drilling industry generally could restrict the ability for future growth. Shortage of skilled labour could possibly inhibit the rate of expansion. To support and drive future growth, resources will be increased incrementally and focus will remain on training and development to deliver the specialised skills.	
Fleet design and assembly process	Master Drilling is reliant on its in-house design and assembly process to deliver additional rigs to react to changing demands and ultimately support growth. The risk is that the fleet planning and forecasting is not fully integrated within the business strategy and not able to react timeously as the market demands change. The forward assembly process plans must be able to handle the day-to-day volumes of maintenance and fulfil the future demand. The design and assembly process will be required to react to demand on a timeous basis so as to support client requirements.	
Delivering on technology expectations	Master Drilling is recognised as a market leader in the raisebore drilling industry and client expectations are to deliver technology innovations to reduce costs, increase efficiency and enhance employee safety. The in-house research division ensures a competitive advantage to deliver differentiated services within the mining industry.	

■ Short term ■ Medium term ■ Long term

MATERIAL MATTER	CONTEXT FOR RISK AND OPPORTUNITIES WITH IMPACT	STRATEGIC PILLAR
Medium and long-term matters (continued)		
Contract quality management	A jointly negotiated contract supports Master Drilling in managing the operational deliverables with its clients as part of the standard commercial contracting process. These contracts must consider the industry in which we operate and the inherent market and geographic issues. There are certain critical clauses (such as force majeure) that we must ensure are included in the contracts in order to manage the commercial contract risks. We are confident that the quality of contracts is of a high standard, and subject them to regular reviews to ensure their relevance for current market conditions.	
Transformation opportunity in South Africa	Master Drilling is based in South Africa and subscribes to the country's broad-based black economic empowerment (BBBEE) codes, to responsibly support the transformation agenda for its South African operations. Our major South African subsidiary achieved a level 4 contributor status. Master Drilling is proud of the ownership scheme that benefits our South African employees. Management training programmes aim to improve the skills development and equity scores. Procurement from local sources is applied where practical and a strong score is achieved for enterprise development. The social and ethics committee drives the strategy to support transformation.	
Short-term matters		
Reliance on strategic equipment component suppliers	Our assembly process relies on strategic suppliers situated in China for the delivery of equipment components in a cost-effective manner. The current suppliers provide high-quality components to our specifications. We can source other suppliers worldwide but not at the same cost and timeframes as in China. We continue developing new suppliers to reduce this reliance. A dedicated office in China monitors all aspect of the equipment component supply chain management process.	
Long-term matters		
Funding risk	As part of our growth plan, Master Drilling is constantly reviewing funding strategies and financial plans. The ability to fund future growth is considered as a key component of the plans.	

■ Short term ■ Medium term ■ Long term



STRATEGY

STRATEGY DEVELOPMENT

Strategy development is a continuous process governed by the board and implemented by senior management. The process includes setting clear strategic objectives, fully assessing material risks and opportunities, developing appropriate strategic initiatives and plans over the short, medium and long term to generate and sustain value for the group and its stakeholders. It also extends to overseeing the successful execution of the strategy and outcomes including ensuring that the right business model and resources are in place.

STRATEGIC PILLARS

A strategic review was conducted during the year and considered Master Drilling's external environment, its stakeholders and their needs, and operational risks. This informed the material matters that Master Drilling faces. From this, the six strategic pillars reported in the 2013 integrated report were refined to four and the board agreed that they will be the focus areas for the future.

Our four strategic pillars are:



Sustainable growth



Optimisation and increased profitability




Technology optimisation and development



People capacity and development

A summary of the current initiatives, the future focus and the key performance indicators (KPIs) for each strategic pillar are documented in the table.

 More detail on the performance against the strategic pillars is provided in the chairman and chief executive officer section from page 38.

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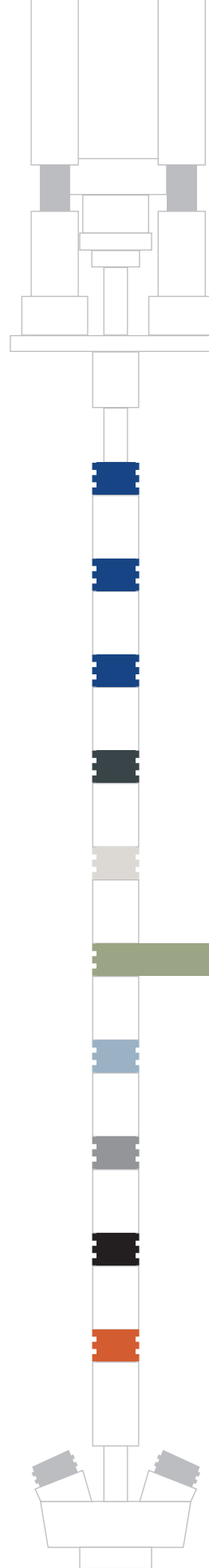
We challenge the status quo to provide our clients with specialised, adaptive one-stop-shop drilling solutions



STRATEGY (CONTINUED)

Strategic pillar	Current initiatives	Future focus	Kpis
 <p>Sustainable growth</p>	<ul style="list-style-type: none"> Continue optimising drilling competence Diversifying in terms of: <ul style="list-style-type: none"> Commodity Client expansion with increased exposure to top-tier Targeted countries by following existing clients Mining method and mining activity Develop client relationship management programme Develop marketing plan Develop five-year strategic plan for funding requirements Global certification of quality programmes (ISO and OHSAS) 	<ul style="list-style-type: none"> Continue diversifying in terms of: <ul style="list-style-type: none"> Commodity Client Countries Mining method Mining activity Expansion into new industries (civil and energy) Feasibility studies for applications supporting core drilling competence Embed effective client relationship management programme Drive marketing plan 	<ul style="list-style-type: none"> CAGR Gearing ratio Order book by commodity and region Fleet utilisation Asset turnover ratio
 <p>Optimising and increasing profitability</p>	<ul style="list-style-type: none"> Monitor and manage fleet performance (ROI) Capital budgets and capital evaluation processes (project basis) Set return on investment criteria for project evaluation Embed optimum drill rig use procedure Optimise contract pricing and structuring relative to risk Contract management to manage costs at budgeted levels and variation orders Contract management and reporting processes Quality control processes Drill rig fleet portfolio planning Optimisation programmes implemented to manage cost escalation within agreed levels Procurement efficiency and economy of scale 	<ul style="list-style-type: none"> Embed optimum drill rig use procedure Automation strategy rollout Focus on machine operational optimisation and efficiencies Continue monitoring and managing fleet performance Supplier management process to identify additional suppliers 	<ul style="list-style-type: none"> ARPOR Fleet utilisation PAT percentage

Strategic pillar	Current initiatives	Future focus	Kpis
 <p>People capacity and development</p>	<ul style="list-style-type: none"> Invest in people to support growth plans Improve current specialised in-house training centres in South Africa, Peru, Mexico and Chile Management in training (MIT) programmes developed Short-and long-term incentive schemes rolled out to senior operational levels Succession planning programme developed Development of 'fast-track' project management teams Conduct employee survey Skills development plans Employment equity plans Safety programmes and processes 	<ul style="list-style-type: none"> Training programmes to support automation of rigs Communication and rollout of group human resources policies Rollout of human resources management system to the group Revisit and redefine roles and responsibilities Define career paths Revise performance management process and job grading system Revise remuneration policy linking performance management criteria to group strategy Link LTIFR to performance management 	<ul style="list-style-type: none"> Labour turnover: <ul style="list-style-type: none"> Skilled Semi-skilled Unskilled BBBEE level LTIFR
 <p>Technology optimisation and development</p>	<ul style="list-style-type: none"> Structured research and development programme Remote operation and automation programme Drill rig fleet development programme Improvements in design and assembly process 	<ul style="list-style-type: none"> Ongoing supplier management process Continue remote operation and automation programme Design review process Researching alternative drilling services 	<ul style="list-style-type: none"> Asset turnover ratio ARPOR Research and development percentage to revenue Availability of fleet



FROM THE CHAIRMAN AND CEO

HIGHLIGHTS FOR THE YEAR

The 2014 year marks two years since Master Drilling listed on the Johannesburg Stock Exchange. We are pleased that during this time Master Drilling was able to deliver results in line with the growth strategy and targets communicated to the investing public at the time of listing.

In 2014, revenue increased 10.3% to \$132 million. We achieved headline earnings per share growth of 17.7% to 12.1 US cents and net cash generated from operations up by 52.9% to \$23.8 million.

ECONOMIC FACTORS

The mining industry in South Africa experienced mixed fortunes during 2014. Market data indicates that mining production contracted by 1.5% compared to 2013, largely as a result of the 28.7% contraction in platinum group metals (PGMs) production and a 5.1% decline in gold production. Coal and iron ore production fared better with increases of 2.0% and 12.6%, respectively. The five-month strike in the platinum sector in the first and second quarters of 2014 significantly impacted overall production growth in the mining industry, leading to reduced demand. As can be expected, the revenue earned from our activities related to these commodities reflects these increases and decreases.

In the past decade Latin America has gone through a mining boom seeing significant investment in exploration projects. During 2014 the boom tapered down amidst the falling commodity prices and as a result of more environmental and social concerns.


Nevertheless Latin America is still set to attract the most of the global mining investment. Africa's global mining investment remains flat from the prior year as a result of poor infrastructure, political instability and the introduction of new mining laws.

We attribute Master Drilling's satisfactory performance in these somewhat difficult conditions to the positioning of the Group's activities mainly in the more stable elements of the mining sector, i.e. production and capital stage drilling.

STRATEGY EXECUTION

The board reviews our short and long-term business strategy on a regular basis. The five-year strategy first confirmed in 2013 was refined during the year and is based on four strategic pillars, namely deliver sustainable growth, technology optimisation and development, maintain a strong focus on profitability, and ensure that we have adequately trained human capacity while ensuring that the quality ethos in operations and employees is maintained and improved.

The refinement of the strategy was informed by our identified material matters. These were the outcome of a process of engagement and feedback with key stakeholder groups, most notably clients, shareholders, investors and employees, as well as consideration of the business environment and associated risks and opportunities.

 More detail on the material matters is available from page 28, and external environment on page 20.



We achieved headline earnings per share growth of **32.4%** and net cash generated from operations rose by **52.9% to \$23.8 million**

FROM THE CHAIRMAN AND CEO (CONTINUED)

Progress to date against these strategic pillars is reviewed below:

Sustainable growth


A key growth driver is the diversification of our drilling services across a range of aspects, including geographies, business sectors, activities, commodities and clients. This is to cushion and strengthen the business in the face of negative cycles and to mitigate against exposure to any single aspect. By the end of 2014, Master Drilling had established sizeable operations in seven countries – South Africa, Mexico, Peru, Chile, Brazil, DRC and Zambia and smaller operations in Mali, Guatemala and Burkina Faso. We operated in Ireland on a short-term contract in 2014 and will pursue further opportunities as they arise in that region. We are also positive about prospects in Ecuador and Colombia where the gold and copper industries are in a fast developing phase. Following existing clients into new countries generally drives diversification into those countries. However, before entering a new country, the potential size of the operation in that country is first determined by assessing the number of drilling rigs that could viably be operated. Consequently, some countries may only be a one or two drill rig operation and other countries may have more substantial operations.

Master Drilling provides the majority of its drilling services to the mining sector, currently accounting for 98% of revenue. Drilling for the energy sector is currently conducted in Ecuador. We will continue to consider opportunities in other business sectors, provided that the risk versus reward structure meets our stated project investment targets.

	2009	2010	2011	2012	2013	2014
Total Raisebore rigs	68	73	78	88	88	94
Utilisation %	65	80	80	71	77	75
*ARPOR (US\$)	83 671	82 651	98 128	108 847	117 047	118 215
Total slim rigs	40	43	54	64	74	45**
Utilisation %	39	23	58	51	54	54
*ARPOR (US\$)	43 228	71 874	51 705	34 293	50 740	58 525

* average revenue per operating rig
** 31 rigs impaired during the year

We have one client based in South Africa operating in the capital-stage and production-stage of mining activity, which contributes 20% (2013: 12%) of total revenue. We aim to continuously grow the number of top-tier mining clients which support our market-leading positioning in the drilling services industry.

 More information on the diversification can be found in the chief financial officer's review on page 44.

Optimisation and increased profitability

The main drivers to increase profitability are the effective management of the drill rig portfolio, use of drill rig capacity, operational efficiencies and management of expenses.

Master Drilling currently operates 139 drilling rigs in total (2013: 162 rigs), 68% of which are raisebore rigs operating in the production-stage of the mining cycle. The decline in the number of rigs is due to the impairment of 31 slim rigs during the year in line with the planned decrease in the exposure of our drilling services to exploration activities going forward.

We strive to maintain high rates of utilisation, with raisebore rigs achieving 75% (2013: 77%). With production-stage drilling as its major focus, Master Drilling is targeting 80% utilisation rates, which are considered optimal for raisebore rigs. The 75% achieved for the year was managed with 94 rigs on a net increase of six rigs compared to 2013.

The use of slim rigs remained constant at 54%. Slim rigs are used in the exploration-stage of commodity mining and as this is not a core focus, targets are less aggressive.

Quality is a cornerstone of our operations. Quality is measured through ongoing interactions with clients and maintaining our ISO 9001, ISO 14001 and OHSAS 18001 certifications. These are critical to our licence to operate and allow us to work in a manner that ensures the safety of employees and provides quality procedures to our clients.

Technology optimisation and development

Ongoing research and development allow us to remain a market leader in the raisebore drilling services industry.

In the 2013 integrated report, we reported that our first automated machines were commissioned at Sasol Mining in South Africa and in Peru. We saw good results from this automation and client feedback has been positive. This gave us a strong base from which to further pursue the automation programme and, in the last 18 months, all new machines designed and assembled were equipped with fully automated operating systems. These machines are up to 30% faster than conventional machines, resulting in quicker drilling times.

The next phase in increasing the efficiency of the drilling rigs is the design and assembly of rigs that can be operated remotely and we fast-track the automation programme to drive this process as rapidly as possible. It is anticipated that the first remotely-operated rigs will be commissioned towards the end of 2015.

Master Drilling's in-house research division continues to deliver technological advancements, allowing it to 'challenge the status quo' in the drilling industry. During the year, we designed and manufactured the largest raisebore rig of our fleet.

Master Drilling was awarded a contract to drill two 1 200 metre shafts each with a 6.1 metre diameter, showing the confidence our clients have in our ability to deliver new drilling approaches to reduce their costs and improve efficiency.

People capacity and development

Our business model is dependent on highly skilled, competent and experienced employees (human capital) to deliver sustainable growth over time. Maintaining the skills and experience of trained drill rig operators is considered a material matter as the equipment is highly technical. We have a number of in-house training programmes and operate training centres in South Africa, Peru, Mexico and Chile. A total of 1 422 employees participated in training programmes during the year, an increase of 10% on 2013. A key focus for 2015 will be ongoing technical training to continue developing and enhancing the skills of our employees.

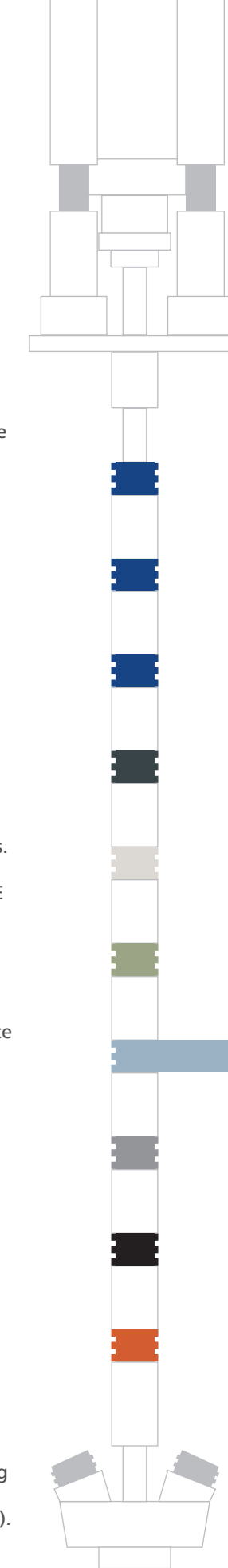
All employees participate in incentive schemes. Drill rig operators earn incentive bonuses dependent on the achievement of monthly drilling targets and senior management and executives participate in short-term incentive bonuses and long-term share incentive schemes. Previously disadvantaged employees in the South African operations participate in a BBBEE plan. It is pleasing to record that this scheme received its first preference dividend of \$321 041 during the year.

Labour turnover is relatively low at 3.8% and we continue leveraging the skills and experience of the executive team in managing operations and delivering against the strategy.

Succession planning is discussed regularly at nominations committee meetings for board and executive positions and by the CEO and executive directors for senior management positions. The nominations committee recognises the need to have appropriate plans in place to manage a smooth transition should any of the executive roles become vacant.

Safety is measured through monitoring the lost-time injury frequency rate (LTIFR). Master Drilling achieved a LTIFR of 3.87 at the end of December 2014, which is a 61% improvement from the beginning of the year (2013: 9.85).

While it is disappointing to report two disabling injuries during the year, we are pleased that there were no fatal accidents recorded (2013: 2).



FROM THE CHAIRMAN AND CEO (CONTINUED)

REVIEW OF PROJECTS

South Africa

In Southern Africa, surface drilling was conducted in Lesotho and South Africa, while underground drilling was completed in South Africa.

Master Drilling was awarded a five year contract to provide Kumba Iron Ore with a 'one-stop-shop' solution at its Kolomela mine in the Northern Cape. This contract is the first of its kind for us, the contract includes exploration, percussion drilling and grade controls services. This forms part of the strategic initiatives – to grow its revenue base by expanding its drilling services offering. Progress at Kolomela has been on budget and schedule, and we continue delivering efficiencies to the client's satisfaction.

Current and continuous raiseboring and exploration drilling projects in South Africa are situated in Rustenburg (platinum mines), Sasol and Melmoth (iron ore mines), in the Northern Cape (diamond and iron ore mines), Carletonville (gold mines), and Ermelo and Bethal (coal mines).

The raiseboring project in the Northern Cape is progressing well, with completion expected in 2015.

Rest of Africa

In Mali, the drilling of 1,400 metres of backfill holes and 1,200 metres of raiseboring commenced in June 2014. The five year Kibali project, in the DRC, started during the latter part of 2013 and consists of cover drilling and 7,000 metres of raiseboring and underground core drilling. The Kamoto Copper Company project is progressing well and in Zambia at the Mopani Copper mines site establishment occurred in the second half of the year realising increased revenues.

Latin America

The raisebore projects in Chile are mostly situated at copper mines, while in Peru we have 24 raisebore rigs that operate at mines producing silver, gold, copper, zinc and lead or at mines producing a combination of these metals. In Mexico there are eight operating rigs and we were awarded various contracts to drill 12 296 metres. The total of awarded contract meters in Brazil for 2014 is 5 433 metres.

Other countries

During the year, we completed a raisebore hole in excess of 600 metres in Ireland.

DIVIDEND

The board resolved not to declare an ordinary share dividend for 2014. This was in line with the expectation referred to in our listing prospectus that, during our initial steep growth phase, cash resources would be used primarily for investment in asset development. With Master Drilling still in this growth phase, the board remains of the view that for the present our cash resources would be best applied in further expansion of production capacity.

In line with the terms of our BBBEE preference shares, an amount of \$321 041 was paid to the BBBEE trust set up to manage the interests of our South African employees.

For more information on our BBBEE shareholding and payments made, please refer to the AFS and our structure on page 91.

GOVERNANCE

The board is committed to applying the principles of King III and continues the journey towards fully embedding sustainable and appropriate governance processes in line with these principles in the operations of Master Drilling.

All directors support the processes in place to apply the King III principles and are committed to seeing them entrenched.

During the year, the board resolved to separate the audit and risk committee into two committees – an audit committee and a risk committee. This allows both committees to focus on their respective terms of reference with the risk committee monitoring the management of strategic, operational and tactical risks that we face and the audit committee the financial and reporting risks.

More detail on the governance framework and process can be found in the governance section from page 60.

There were a number of changes to the board during the year, all effective 24 July 2014:

- Peter Ledger, who provided us with invaluable guidance during the listing process, resigned from the board.
- Roger Davey did not offer himself for re-election at the annual general meeting.

- Hennie van der Merwe was appointed as an independent non-executive director and chairman of the board.
- Chris O'Neill was appointed as an independent non-executive director to the board and was appointed as chairman of the risk committee.

We extend our thanks to the outgoing directors for their commitment and contribution to Master Drilling and welcome the new board members. These changes to the board support and enhance the skills and experience required to provide effective oversight for Master Drilling.

OUTLOOK

Master Drilling is well positioned to maintain its market position and performance during the mining industry's current downturn and to take advantage of positive changes in commodity cycles. Our strategies are clear and we continue pursuing them with vigour. The committed order book for 2015 and beyond stands at \$216 million, with potential scope for additional contracts to be included to achieve our growth targets. We continue exploring new countries to drive expansion with a focus on African and Latin American opportunities.

The mining sector's performance is likely to remain relatively subdued in 2015, in the context of low global commodity demand.

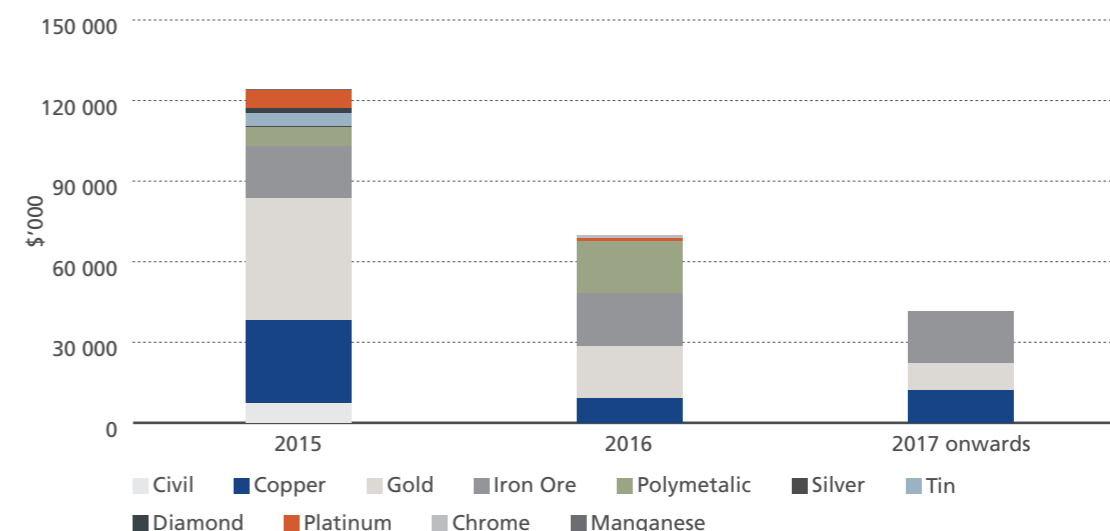
In South Africa, electricity supply shortages, and the consequent requests for industrial users to cut back on usage, will continue its negative impact on the mining industry. Labour unrest has forced mining producers to re-evaluate the way in which they do business and look for new technologies to move from labour intensive mining operations to mechanised operations. The development of fully automated and remotely operated drill rigs puts us in a strong position to provide mechanised operations, thus assisting our mining clients in furthering these objectives.

Even with investment reaching a low for Africa the estimated global committed project investment is 14%, above most countries' GDP growth rates which still makes mining in Africa attractive to the long-term investor, our clients and ultimately to Master Drilling. Latin America is very attractive with plans such as that of the Peruvian government to double copper production over the next two years and countries like Columbia doubling their total mining revenue over the past three years.


APPRECIATION

We would like to extend our appreciation to our board and employees on the achievement of our 2014 results. The hard work, dedication and passion that the executive team and the employees display in our operations are evident in the achievement of these results.

ORDERBOOK PER COMMODITY



FROM THE CHIEF FINANCIAL OFFICER

 This review should be read in conjunction with the summarised consolidated annual financial statements from page 48.

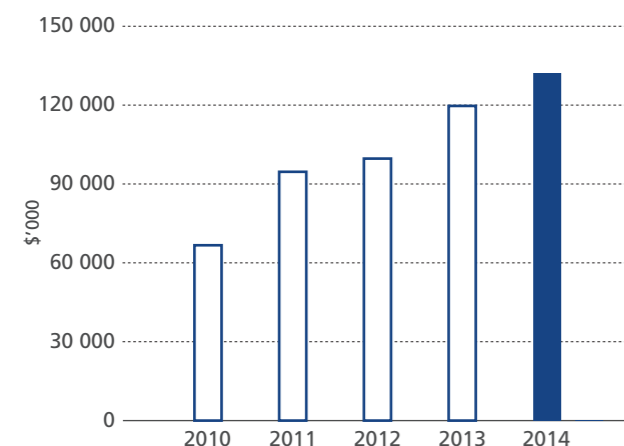
Master Drilling's consolidated annual financial statements are available online at www.masterdrilling.com

PERFORMANCE

Master Drilling achieved strong results despite the challenges in the South African economy and the variability of commodity performance.

Revenue increased by 10.3% to \$132 million (2013: \$119.7 million) and we achieved attributable profit of \$16.9 million (2013: \$15.1 million).

REVENUE



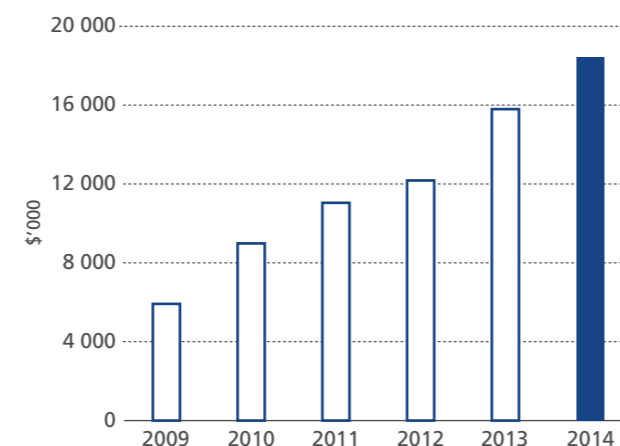
We sustained a CAGR over a five-year period in both revenue and profit after tax as shown in the graphs below.

Revenue of \$132 million contained an \$8.7 million negative impact for currency fluctuations which, if excluded, would have allowed us to achieve our CAGR target of 20%. Master Drilling remains highly cash-generative with net cash generated from operating activities up by 52.9% to \$23.8 million (2013: \$15.6 million).

Sustainable growth

As highlighted in the strategy section, we made good progress with diversifying to drive sustainable growth. Diversification has five components: geography, business sector, mining activity, commodity and client.

PROFIT AFTER TAX



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Master Drilling achieved strong results despite the challenges in the South African economy and the variability of commodity performance



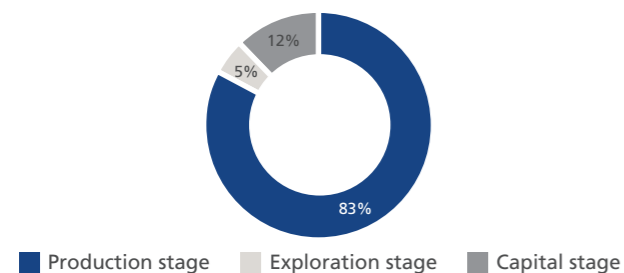
FROM THE CHIEF FINANCIAL OFFICER (CONTINUED)

The charts below, show our geographic diversification. The decline in revenue from the Latin American operations was due to challenging factors in Chile, including capital cutbacks from the main client, Codelco, and depressed peso levels. This resulted in a negative impact in revenue of \$6.3 million. We expect the Chilean operations to revert to normal levels in 2015.

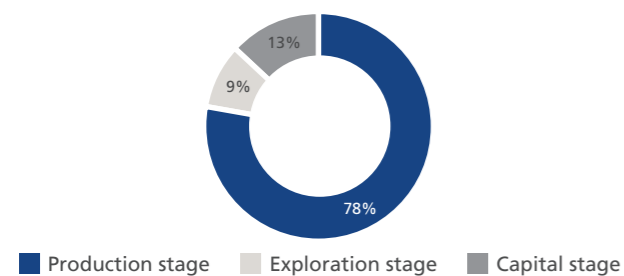
The improved revenue contribution from Africa was driven from Mali and the Democratic Republic of Congo (DRC).

As depicted in the charts below, we continued focusing on the production-stage with the contribution from production increasing to 83% in 2014 (2013: 78%). Exploration-stage drilling reduced to 5%, which is line with this aspect falling outside of our core focus areas.

REVENUE BY MINING ACTIVITY 2014



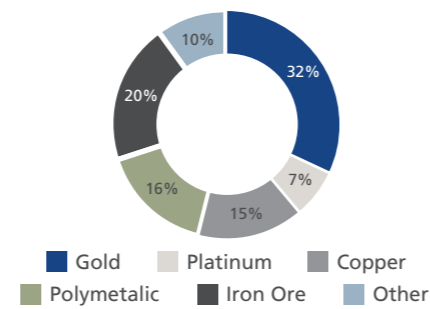
REVENUE BY MINING ACTIVITY 2013



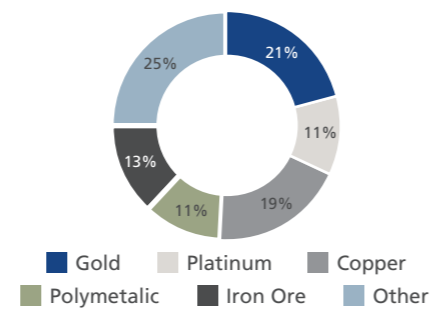
Commodity diversification over two years is shown in the charts below. The increase in iron ore from 13% to 20% was mainly due to an up-ramp from the Kolomela mine in South Africa. Going forward, this is expected to normalise to the 2013 levels.

The drop in platinum was as a result of the labour unrest experienced in the platinum industry in South Africa and the increase for the gold mines was due to the ramp-up of the DRC and Mali projects.

REVENUE BY COMMODITY 2014



REVENUE BY COMMODITY 2013



Optimisation and increased profitability

Profit attributable to equity shareholders increased by 11.8% to \$16.9 million (2013: \$15.1 million).

Gross profit margins were in line with 2013, achieving 33.1% for the 2014 financial year. Gross profit percentages vary based on drilling ground conditions, competition in the markets and the mix of country and foreign cost structures.

Expenses remain well managed, with other operating expenses increasing by 4.5% for the year, providing good leverage at operating profit level. The operating profit margin for 2014 was 20.1%, up from 18.8% achieved in 2013.

During 2014, the exploration segment in South Africa recognised an impairment loss of \$1.2 million. The impairment mainly related to a write-down of the idle slim drill rigs to their value in use. The calculation of value in use is most sensitive to fluctuations in mining commodity cycles. As a result of the declining commodity prices, clients reduced or deferred exploration activities, thereby cutting demand for slim drilling services.

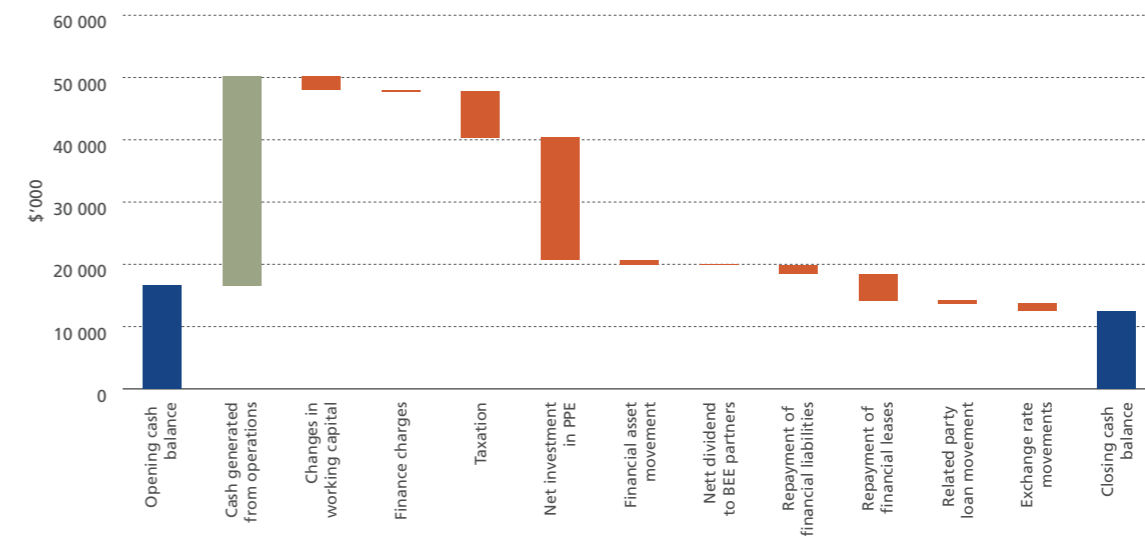
Technology optimisation and development

We invested \$24.3 million (2013: \$38.7 million) in capital expenditure during the financial year.

We commissioned 10 drilling rigs, amounting to \$8.4 million and a further \$5.6 million was invested in assets under construction. We invested \$3.9 million in land and buildings for the Peruvian operation, as the current facility became insufficient for the growing needs of this company. Also the facilities in Chile were bought from the company who leased these facilities to Master Drilling.

People capacity and development

In building skills and experience in the employee base we invested in a simulator training programme where drill rig operators can learn how automated machines will function.



FUNDING

Gearing levels remain at relatively low level of 19.5% in 2014 (2013: 22.3%).

We had a number of existing facility agreements in place in our operating countries. Interest-bearing debt stands at \$15.5 million, which is a marginal increase from \$14.5 million at December 2013. These facilities, mainly secured with plant and machinery as collateral, have varying interest rates and repayment terms; \$5.7 million was repaid during the year.

To support our continued growth and expansion, a \$30.0 million facility is in the process of being finalised. This facility will be used to increase the raiseboring rig fleet by approximately 10 rigs and enable us to accept additional orders. It is unlikely that the facility will be fully drawn down as the business is highly cash-generative.

Similarly we invest in training programs to transfer knowledge about drilling operations and project management.

CASH USE

Net cash generated from operating activities increased by 52.9% to \$23.8 million (2013: \$15.6 million).

The use of the cash generated at our operations is shown in the graph below. Taxation paid amounted to \$7.4 million. The net cash investment in property, plant and equipment was \$19.7 million, as explained above.

The board resolved not to declare an ordinary share dividend for 2014. This was in line with the expectation referred to in our listing prospectus that, during our initial steep growth phase, cash resources would be used primarily for investment in asset development.

OUTLOOK

In 2015 we expect to see the benefits realise from the expansion programme which includes both the contributions from the additional drill rigs in operation as well as our expansion of our geographic footprint.

A cost optimisation project is expected to provide an added benefit in the coming year as we aim to increase margins.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE MASTER DRILLING GROUP AS AT 31 DECEMBER

	Note(s)	USD 2014	USD 2013
Assets			
Non-current assets			
Property, plant and equipment	3.	94 381 855	86 393 649
Intangible assets		2 612 584	2 612 584
Deferred tax Asset		1 318 741	498 850
Financial assets		11 758 481	12 460 252
		110 071 661	101 965 335
Current assets			
Inventories		19 237 967	16 395 945
Related party loans		35 965	62 540
Trade and other receivables		28 830 915	27 429 963
Cash and cash equivalents		12 477 082	16 566 842
		60 581 929	60 455 290
Total assets		170 653 590	162 420 625
Equity and liabilities			
Equity			
Share capital		146 607 965	146 607 965
Reserves		(79 669 980)	(71 097 579)
Retained income		33 265 577	16 357 165
		100 203 562	91 867 551
Non-controlling interest		15 474 542	14 250 534
		115 678 104	106 118 085
Liabilities			
Non-current liabilities			
Long-term interest bearing borrowings		7 939 220	9 328 366
Finance lease obligations		6 156 254	6 291 285
Share based payment liability		754 603	358 800
Deferred tax liability		6 246 740	5 037 242
		21 096 817	21 015 693
Current liabilities			
Current portion of interest bearing borrowings		4 032 252	4 017 602
Finance lease obligations		4 478 720	4 084 681
Related party loans		1 048 659	1 594 879
Current tax payable		4 909 891	4 584 452
Trade and other payables		19 409 147	21 003 624
Bank overdraft		–	1 609
		33 878 669	35 286 847
Total liabilities		54 975 486	56 302 540
Total equity and liabilities		170 653 590	162 420 625

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE MASTER DRILLING GROUP FOR THE YEAR ENDED 31 DECEMBER

	USD 2014	USD 2013
Revenue	132 034 310	119 688 645
Cost of sales	(88 269 543)	(79 930 462)
Gross profit	43 764 767	39 758 183
Other operating income	1 782 703	891 774
Other operating expenses	(18 923 519)	(18 106 951)
Operating profit	26 623 951	22 543 006
Investment revenue	1 296 732	1 473 911
Finance costs	(1 506 118)	(1 926 791)
Profit before taxation	26 414 565	22 090 126
Taxation	(7 961 104)	(6 294 382)
Profit for the year	18 453 461	15 795 744
Other comprehensive income that will not be classified subsequently to profit and loss:		
Exchange differences on translating foreign operations	(8 764 054)	(12 562 962)
Other comprehensive loss for the year net of taxation	(8 764 054)	(12 562 962)
Total comprehensive income	9 689 407	3 232 782
Profit attributable to:	18 453 461	15 795 744
Owners of the parent	16 908 412	15 127 395
Non-controlling interest	1 545 049	668 349
Total comprehensive income attributable to:	9 689 407	3 232 782
Owners of the parent	8 144 358	2 564 433
Non-Controlling interest	1 545 049	668 349
Earnings per share (USD)		
Basic earnings per share (cents)	11.4	10.2
Headline earnings per share (cents)	12.1	10.3
Diluted earnings per share (USD)		
Diluted basic earnings per share (cents)	11.2	10.0
Diluted headline earnings per share (cents)	11.9	10.3
Earnings per share (ZAR)		
Basic earnings per share (cents)	123.7	98.4
Headline earnings per share (cents)	131.5	99.3
Diluted earnings per share (ZAR)		
Diluted basic earnings per share (cents)	121.9	96.4
Diluted headline earnings per share (cents)	129.6	99.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE MASTER DRILLING GROUP AS AT 31 DECEMBER

USD	Share capital	Equity due to change in control of interests	Foreign currency translation reserve	Share-based payments reserve	Total Reserves	Retained income	Attributable to owners of the parent	Non-controlling interest	Total shareholders equity
Balance at 31 December 2012	146 639 163	(58 264 013)	(286 815)	–	(58 550 828)	1 229 770	89 318 105	7 156 122	96 474 227
Listing cost	(31 198)	–	–	–	–	–	(31 198)	–	(31 198)
Share based payments	–	–	–	16 211	16 211	–	16 211	–	16 211
Shares issued to BEE partners	–	–	–	–	–	–	–	6 533 860	6 533 860
Dividends declared by subsidiaries	–	–	–	–	–	–	–	(107 797)	(107 797)
Total comprehensive income for the year	–	–	(12 562 962)	–	(12 562 962)	15 127 395	2 564 433	668 349	3 232 782
Total changes	(31 198)	–	(12 562 962)	16 211	(12 546 751)	15 127 395	2 549 446	7 094 412	9 643 858
Balance as at 31 December 2013	146 607 965	(58 264 013)	(12 849 777)	16 211	(71 097 579)	16 357 165	91 867 551	14 250 534	106 118 085
Share based payments	–	–	–	191 653	191 653	–	191 653	–	191 653
Shares issued to BEE partners	–	–	–	–	–	–	–	–	–
Dividends declared by subsidiaries	–	–	–	–	–	–	–	(321 041)	(321 041)
Total comprehensive income for the year	–	–	(8 764 054)	–	(8 764 054)	16 908 412	8 144 358	1 545 049	9 689 407
Total changes	–	–	(8 764 054)	191 653	(8 572 401)	16 908 412	8 336 011	1 224 008	9 560 019
Balance as at 31 December 2014	146 607 965	(58 264 013)	(21 613 831)	207 864	(79 669 980)	33 265 577	100 203 562	15 474 542	115 678 104

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE MASTER DRILLING GROUP FOR THE YEAR ENDED 31 DECEMBER

	USD 2014	USD 2013
Cash flows from operating activities		
Cash generated from operations	31 444 452	22 675 817
Interest income	1 296 732	1 473 911
Finance costs	(1 506 118)	(1 926 791)
Tax paid	(7 389 874)	(6 632 226)
Net cash from operating activities	23 845 192	15 590 711
Cash flows from investing activities		
Purchase of property, plant and equipment	(19 731 477)	(30 586 920)
Sale of property, plant and equipment	14 250	235 890
Financial assets movement	(763 642)	–
Dividends received on preference shares	265 316	–
Net cash outflow/inflow on acquisition of subsidiaries, net of cash	–	278 521
Net cash from investing activities	(20 215 553)	(30 072 509)
Cash flows from financing activities		
(Repayment)/Proceeds of financial liabilities	(1 374 496)	6 374 071
Repayment of financial leases	(4 283 157)	(2 230 579)
Related party loan movement	(519 645)	(13 601 683)
Dividends paid to BEE partners	(321 041)	–
Cost relating to issue of ordinary shares	–	(31 198)
Net cash from financing activities	(6 498 339)	(9 489 389)
Total cash movement for the period	(2 868 700)	(23 971 187)
Cash at the beginning of the period	16 565 233	49 573 277
Effect of exchange rate movement on cash balances	(1 219 451)	(9 036 857)
Total cash at end of the period	12 477 082	16 565 233

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE MASTER DRILLING GROUP AS AT 31 DECEMBER 2014

1. BASIS OF PREPARATION

The summarised consolidated annual financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting, International Financial Reporting Standards, the SAICA reporting guides as issued by the Accounting Standards Board and the requirements of the South African Companies Act, (Act No 71 of 2008), as amended and the Listings Requirements of the JSE Limited. The summarised consolidated annual financial statements have been prepared on the historical cost basis, except certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in US Dollars.

The significant accounting policies are consistent in all material respects with those applied in the previous year, except for the adoption of new standards and amendments which became effective in the current year.

The summarised consolidated financial statements for Master Drilling Group Limited for the period ended 31 December 2014 have been audited by Grant Thornton, who expressed an unmodified audit opinion thereon. A copy of the auditor's report on the summarised consolidated financial statements are available on www.masterdrilling.com. These summarised consolidated financial statements were derived from the consolidated annual financial statements.

The consolidated annual financial statements for Master Drilling Group Limited (Registration number 2011/008265/06), for the period ended 31 December 2014, have been audited by Grant Thornton, the Company's independent external auditors, whose unqualified audit report can be found on pages 8 to 9 of the consolidated annual financial statements 2014, which are available on: www.masterdrilling.com

The summarised consolidated financial statements presented have been prepared by the corporate reporting staff of Master Drilling, headed by Elzaan Swanepoel CA(SA), the Group's Management Accountant. This process was supervised by André Jean van Deventer CA(SA), the Group's Chief Financial Officer.

The auditor's report does not necessarily report on all of the information contained in this summarised consolidated set of financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

2. SIGNIFICANT ACCOUNTING POLICIES

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary environment in which the entity operates, i.e. "functional currency". The functional currency of the company is Rands. The consolidated financial statements are presented in United States Dollars (the "presentation currency"). Management believes that United States Dollars 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.

Basis of consolidation

The Group Annual Financial Statements incorporate all entities which are controlled by the Group.

At inception the Group Annual Financial Statements had been accounted for under the pooling of interest method as acquisition of entities under common control is excluded from IFRS 3. The entities had been accounted for at historical carrying values for the period presented.

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

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation/combination.

Non-controlling interests in the net assets of combined subsidiaries are identified and recognised separately from the company's interest therein, and are recognised within equity. Losses of subsidiaries attributable to

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE MASTER DRILLING GROUP AS AT 31 DECEMBER 2014

non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

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

- The investor has power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities;
- The investor has exposure, or rights to variable returns from its involvement with the investee; and
- 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.

Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- (a) it is probable that future economic benefits associated with the item will flow to the company; and
- (b) the cost of the item can be measured reliably.

The cost of an item of property, plant and equipment is recognised as an asset when:

it is probable that future economic benefits associated with the item will flow to the company; and the cost of the item can be measured reliably.

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

Assets under construction will be reclassified to the relevant asset category as soon as it is available for use.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the company is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

3. PROPERTY, PLANT AND EQUIPMENT

USD 2014	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and Buildings	3 928 551	(34 310)	3 894 241
Plant and Machinery	80 900 372	(24 904 365)	55 996 007
Assets under construction	7 951 543	(7 862)	7 943 681
Furniture and Fittings	1 173 654	(358 585)	815 069
Motor vehicles	3 128 981	(1 135 691)	1 993 290
Office equipment	83 059	(55 302)	27 757
IT Equipment	576 474	(299 256)	277 218
Finance lease: Plant and Equipment	25 717 363	(3 720 506)	21 996 857
Computer Software	1 873 601	(435 866)	1 437 735
Total	125 333 598	(30 951 743)	94 381 855

USD 2013	Cost	Accumulated depreciation and impairment losses	Carrying value
Buildings	232 071	(50 174)	181 897
Plant and Machinery	80 720 902	(22 000 482)	58 720 420
Assets under construction	11 846 158	(10 320)	11 835 838
Furniture and Fittings	1 255 679	(384 471)	871 208
Motor vehicles	3 487 337	(1 291 984)	2 195 353
Office equipment	123 602	(55 688)	67 914
IT Equipment	545 392	(328 083)	217 309
Finance lease: Plant and Equipment	13 615 803	(1 993 620)	11 622 183
Computer Software	870 797	(189 270)	681 527
Total	112 697 741	(26 304 092)	86 393 649

Plant and Machinery under Finance lease amounts to a net book value of \$21 996 857 (2013 – \$11 622 183) and assets pledged as security amounts to \$1 000 000 (2013 – \$1 000 000).

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE MASTER DRILLING GROUP AS AT 31 DECEMBER 2014

3.1 Reconciliation of property, plant and equipment

USD 2014	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries	Reclassifications and transfer to inventory	Disposals	Depreciation	Impairment of fixed assets	Total
Land and buildings	181 897	3 920 988	(21 350)	(124 449)	(40 563)	(22 282)	–	3 894 241
Plant and machinery	58 720 420	8 418 482	(4 872 936)	1 480 819	–	(6 552 037)	(1 198 741)	55 996 007
Assets under construction	11 835 838	5 570 469	(4 806)	(9 457 820)	–	–	–	7 943 681
Furniture and fittings	871 208	104 741	(25 711)	(31 064)	(50 013)	(54 092)	–	815 069
Motor vehicles	2 195 353	429 374	(132 186)	(26 301)	(150 889)	(322 061)	–	1 993 290
Office equipment	67 914	287	(6 736)	(17 898)	(4 944)	(10 866)	–	27 757
IT equipment	217 309	170 802	(13 032)	27 449	(34 323)	(90 987)	–	277 218
Finance lease: plant and equipment	11 622 183	4 542 165	(308 074)	7 667 398	–	(1 526 815)	–	21 996 857
Computer software	681 527	1 116 334	(52 794)	–	(18 045)	(289 287)	–	1 437 735
	86 393 649	24 273 642	(5 437 625)	(481 866)	(298 777)	(8 868 427)	(1 198 741)	94 381 855

USD 2013	Opening balance	Assets acquired through business combination	Additions	Exchange difference on consolidation of foreign subsidiaries	Reclassifications and transfer to inventory	Disposals	Depreciation	Total
Buildings	165 116	–	46 103	(8 371)	–	(2 202)	(18 749)	181 897
Plant and machinery	54 582 994	56 421	16 309 347	(5 924 785)	(995 895)	–	(5 307 662)	58 720 420
Assets under construction	66 008	–	11 781 939	(6 864)	(5 245)	–	–	11 835 838
Furniture and fittings	813 721	11 121	101 959	(17 952)	17 564	(1 422)	(53 783)	871 208
Motor vehicles	923 035	69 296	1 676 702	(76 884)	–	(42 213)	(354 583)	2 195 353
Office equipment	91 157	–	918	(6 758)	(3 866)	–	(13 537)	67 914
IT equipment	171 650	49 328	96 093	(11 869)	(310)	(8 689)	(78 894)	217 309
Finance lease: plant and equipment	4 783 910	–	8 085 395	(399 782)	–	–	(847 340)	11 622 183
Computer software	32 529	107 187	573 859	(1 634)	(5 437)	–	(24 977)	681 527
	61 630 120	293 353	38 672 315	(6 454 899)	(993 189)	(54 526)	(6 699 525)	86 393 649

Impairment

In assessing whether a write-down is required in the carrying value of a potentially impaired item of property, plant and equipment the asset's carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Unless indicated otherwise, the recoverable amount used in assessing the impairment losses described below is value in use. The group estimates value in use using a discounted cash flow model. The future cash flows are adjusted for risks specific to the asset and are discounted using a pre-tax discount rate. In certain circumstances an impairment assessment may be carried out using fair value less costs to sell as the recoverable amount when, for example, a recent market transaction for a similar asset has taken place.

During 2014, the Exploration segment in our South Africa segment recognized an impairment loss of \$1,199 million. The main elements were a write-down of the idle slim drilling drill rigs to its value in use. The calculation of value in use is most sensitive to mining commodity cycles. The future cash flows of the particular drill rigs was negatively affected by the current declining commodity prices of our customers, which is mostly mines. As a result of the declining prices our customers, reduced and deferred exploration slim drilling activities.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE MASTER DRILLING GROUP AS AT 31 DECEMBER 2014

4. SEGMENTAL REPORTING

Mining Activity

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

	USD 2014	USD 2013
Sales revenue by stage of mining activity		
Exploration	6 728 725	11 319 902
Capital	16 394 012	15 514 004
Production	108 911 573	92 854 739
	132 034 310	119 688 645
Gross profit by stage of mining activity		
Exploration	2 840 393	2 569 014
Capital	5 105 520	3 627 474
Production	35 818 854	33 561 695
	43 764 767	39 758 183

The CEO manages the activities of the Group concomitant to the inherent risks facing these activities. It is for this reason that the activities are separated between exploration, capital and production stage drilling. The equipment and related liabilities of the group can be used at the multiple stages and therefore cannot be presented per activity.

Geographical segments:

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

	USD 2014	USD 2013
Sales revenue by geographical market		
Rest of Africa	19 257 234	9 335 834
Latin America	65 578 798	71 947 011
Other countries	2 737 817	768 249
South Africa	44 460 461	37 637 551
	132 034 310	119 688 645
Gross profit by geographical market		
Rest of Africa	11 581 420	3 593 258
Latin America	20 002 522	27 008 402
Other countries	(352 598)	491 783
South Africa	12 533 423	8 664 740
	43 764 767	39 758 183

Note: The gross profit percentages vary based on drilling ground conditions, competition in the markets and the mix of in-country and foreign cost. A South African customer operating in the capital and production segment accounts for 20% (2013:12%) of the Group's revenue.

	USD 2014	USD 2013
Total assets by geographical market		
Rest of Africa	15 173 200	12 033 976
Latin America	82 057 976	77 405 547
Other countries	3 904 899	2 816 115
South Africa	69 517 515	70 164 987
Total assets as per statement of financial position	170 653 590	162 420 625
Total liabilities by geographical market		
Rest of Africa	14 227 570	12 903 816
Latin America	20 499 820	21 626 032
Other countries	1 469 643	902 620
South Africa	18 778 454	20 870 072
Total liabilities as per statement of financial position	54 975 487	56 302 540



GOVERNANCE AND REMUNERATION

GOVERNANCE APPROACH

Master Drilling is committed to the principles of openness, integrity and accountability in its dealings with stakeholders. The board is committed to and endorses the value and application of good corporate governance and standards as recommended in King III.

Applying King III to support and strengthen the governance processes is important. Our application of King III is detailed in the King III assessment available online at www.masterdrilling.com.

The board has nine directors – four independent non-executive directors, one non-executive director and four executive directors. The roles of chairman and chief executive officer are separate and clearly defined. The executive directors attend all board meetings, as well as committee meetings by invitation, but are not members of board committees.

BOARD OF DIRECTORS

Master Drilling has a unitary board with nine directors, the majority of whom are non-executive directors. The chairman of the board is an independent non-executive director.

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GOVERNANCE AND REMUNERATION (CONTINUED)

BOARD OF DIRECTORS

Non-executive directors



Hennie van der Merwe
Independent chairman
 Appointed July 2014
 BA Law, LLB, LLM Tax
 Committees: nominations, corporate governance and risk
 Joined Master Drilling 2014
 Positions held elsewhere: Director Trecor Limited, Klein Karoo Group and Abagold Limited



Chris O'Neill
Independent
 Appointed July 2014
 B.Com. MBL
 Committees: social and ethics, risk, audit, nominations, and corporate governance
 Joined Master Drilling 2014
 Positions held elsewhere: Director and CEO Fibertex (Pty) Ltd



Akhter Deshmukh
Independent
 Appointed November 2012
 B.Com. MBL
 Committees: audit, social and ethics, and remuneration
 Joined Master Drilling 2012
 Positions held elsewhere: Director and CFO Lephatsi Investments (Pty) Ltd



Jacques de Wet
Independent
 Appointed November 2012
 CA(SA)
 Committees: audit, risk, remuneration, social and ethics
 Joined Master Drilling 2012
 Positions held elsewhere:
 Head of business development, corporate finance and strategy at Thebe Investment Corporation



Shane Ferguson
Non-independent
 Appointed September 2012
 B.Com L.LB
 Committees: nominations, remuneration and corporate governance
 Joined Master Drilling 2012
 Positions held elsewhere: Director ST Ferguson (Pty) Ltd (tax consultant and legal advisor to Master Drilling)

Executive directors



Danie Pretorius
Chief executive officer
 Appointed July 2012
 Government Engineers Certificate of Competency
 Joined Master Drilling Founder 1986



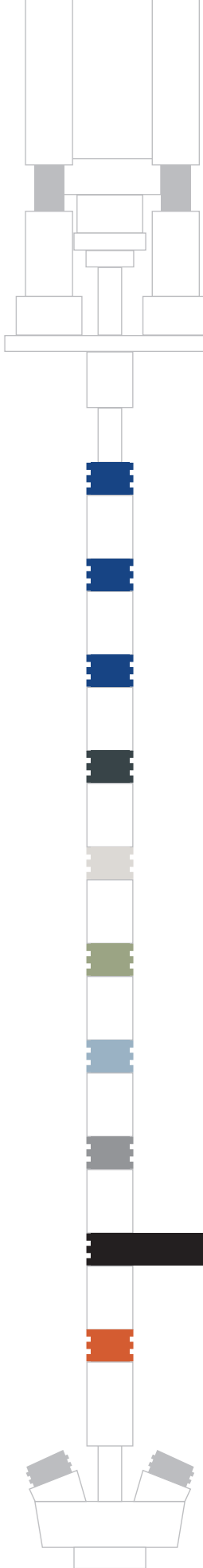
André van Deventer
Chief financial officer
 Appointed April 2011
 CA(SA)
 Joined Master Drilling 2001



Koos Jordaan
Technical director
 Appointed July 2012
 BEng, MBA, BS in International Technology Management
 Joined Master Drilling 2001



Gary Sheppard
Chief Operating Officer
 Appointed November 2012
 BSc Eng, MBA
 Joined Master Drilling 1999



GOVERNANCE AND REMUNERATION (CONTINUED)

EXECUTIVE SUMMARY

Key governance initiatives for the year

A number of initiatives to enhance Master Drilling's governance were implemented during 2014.

A new chairman of the board was appointed on 24 July 2014 at the annual general meeting.

The responsibilities for risk management, previously managed by the audit and risk committee, were delegated to a separate risk committee. The risk committee was formed on 26 August 2014 and will provide more focus on our risks as we implement strategies and initiatives to support our growth targets.

The application of King III principles guides our effective governance. We explained in 2013 that we did not apply the following two principles:

- Implementation of a governance framework between Master Drilling and the subsidiary boards.
- The assurance of sustainability reporting.

The board is pleased to note that progress was made by implementing a governance framework between Master Drilling and the subsidiaries in 2014. Policies are updated and shared across the group within our online collaboration site. Notifications on new or updated policies are distributed to all employees by means of electronic news flashes.

Master Drilling does not obtain independent external assurance on environmental, health, and safety reporting. Such information is subject to our internal audits as well as management controls before being reported.

Key challenges going forward

Our focus areas going forward will be to support the group's growth aspirations by ensuring compliance with the regulatory and legislative requirements of the new geographies we proceed to do business in, maintaining the highest safety standards and ensuring an effective and ethical stakeholder engagement process as we grow our customer and employee bases.

GOVERNANCE FRAMEWORK

The diagram below depicts the governance framework adopted by the board. The framework is an integral component of the combined assurance principles applied. Six board committees – the audit, risk, remuneration, nominations, social and ethics and governance committees – assist the board in managing specific responsibilities delegated to them. The audit

and social and ethics committees have additional statutory responsibilities derived from the Companies Act.

The executive directors are under the leadership of the chief executive officer and derives their powers from the board. The executive directors are responsible for the day-to-day operations of the company. The executive directors represent all the geographic areas in which we operate and meet on a more regular basis than the board.

This governance structure ensures a balanced authority of power amongst directors.

Directors are appointed formally with assistance from the nominations committee and new directors take part in a formal induction programme.

Combined assurance

Management is in process of devising an integrated assurance framework. At present Master Drilling applies combined assurance principles as part of the governance framework. The executive directors together with underlying management, process and system controls are seen as the first line of defence within the combined assurance model. The risk management and compliance functions comprise a second line of assurance providers for the board. External audit, the outsourced internal audit function and the external evaluation of ISO certifications fulfil the third line of defence.

Compliance

There are a number of regulations, codes and statutes that Master Drilling must comply with. A compliance function was established at group level including a group legal compliance policy with reporting structures. Adherence to non-binding rules, codes and standards is considered and, where deemed appropriate, is enforced as practicable. Compliance with these regulations is tabled at the risk committee meetings.

Ethics

The board charter and the code of conduct set the ethical foundation for how we operate. To provide employees with further direction and guidance, various policies were developed for conflicts of interest, gifts and hospitality, anti-bribery and anti-corruption. The employee ethics and code of conduct policy together with the conflict of interest policy are communicated to all employees.

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS:

H van der Merwe (Chairman)
AA Deshmukh
ST Ferguson (non-independent)
CG O'Neill
JP de Wet

EXECUTIVE DIRECTORS:

DC Pretorius (Chief Executive Officer)
AJ van Deventer (Chief Financial Officer)
BJ Jordaan
GR Sheppard

BOARD COMMITTEES

AUDIT COMMITTEE

Responsible for integrity of financial controls and financial statements, integrated reporting and statutory duties
Chris O'Neill, Akhter Deshmukh and Jacques de Wet

RISK COMMITTEE

Responsible for risk and compliance management
Hennie van der Merwe, Christopher O'Neill and Jacques de Wet

NOMINATIONS COMMITTEE

Responsible for appointment of directors, succession planning for Board and senior management and board effectiveness
Hennie van der Merwe, Chris O'Neill and Shane Ferguson

REMUNERATION COMMITTEE

Responsible for remuneration strategy, policies and practices to attract and retain executives, directors and employees
Akhter Deshmukh, Jacques de Wet and Shane Ferguson

SOCIAL AND ETHICS COMMITTEE

Responsible for statutory duties as prescribed in Regulation 43 of Companies Act
Chris O'Neill, Akhter Deshmukh and Jacques de Wet

GOVERNANCE COMMITTEE

Responsible for evaluating, managing and monitoring the company's compliance with corporate governance requirements
Hennie van der Merwe, Shane Ferguson and Chris O'Neill

EXECUTIVE DIRECTORS

Responsible for day-to-day management of the Group, including policies and procedures approved by board

ASSURANCE

Internal audit
Risk management
External audit
ISO certifications

LAWS/REGULATIONS/CODES

JSE Listings Requirements
Companies Act
King III Code of Corporate Governance
Employment Equity Act of South Africa
Labour Law
Local legislation where Group has operations

GROUP POLICIES AND GUIDELINES

Board charter
Delegation of authority
Health and Safety policy
Whistle-blowing
Employee ethics
Conflict of interest
Anti-bribery
Anti-corruption
Gift policy

The terms of reference for all board committees and the board charter are approved by the board and reviewed on a regular basis.

The detailed terms of reference for each committee are available online at www.masterdrilling.com

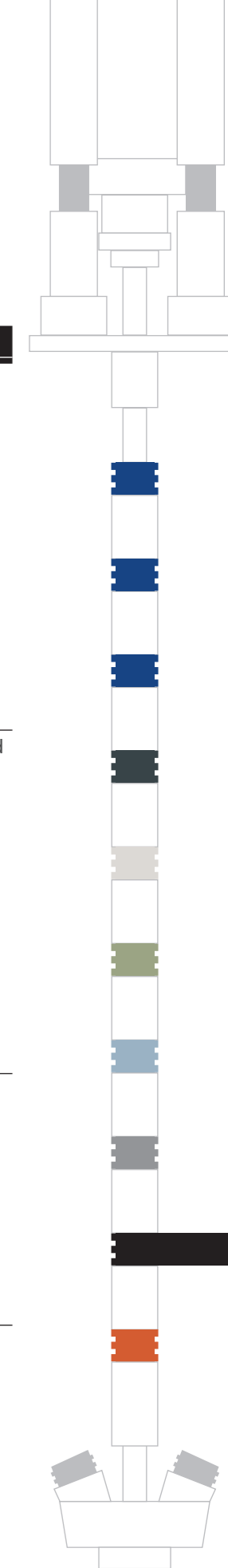
GOVERNANCE AND REMUNERATION (CONTINUED)

ACTIVITIES FOR THE YEAR

The activities carried out by each committee in supporting and enhancing the governance framework is explained in the table below. Where there are significant focus areas for 2015 to enhance the application of King III and other governance matters, this is also provided.

Committee	How the committees added value	2015 focus
Board	<ul style="list-style-type: none"> Approved the longer-term strategy and one-year operating plan Approved the interim and year-end financial results Monitored our financial and operational performance, and found it satisfactory Approved the integrated report Agreed no interim or final dividend payout in favour of investing funds into this stage of growth Ensured a board committee structure to oversee all aspects of our activities Monitored the activities of all board committees and received their report-backs Satisfied with the competence, qualifications and experience of the independent group secretary Approved executive directors' remuneration and recommended non-executive directors' remuneration for shareholder approval 	<ul style="list-style-type: none"> Monitoring the long-term strategy remains appropriate. Testing assumptions underlying the view that satisfactory growth in earnings will be achieved, and monitor these. Ensuring all manpower, funding and operational resources are in place to enable expected performance and growth. Monitoring, through report-backs from the board committees and management, actual performance against operational, financial and corporate governance targets. Ensuring informative and timeous reporting to shareholders and the investing public. Continuous monitoring of the independence of the company secretary with reference to the individual shareholders of the board.
Audit	<ul style="list-style-type: none"> Reviewed and recommended interim and year-end financial results to the board Appointed external auditors, agreed scope of work and fees for year-end audit Satisfied with competence, qualifications and experience of financial director and finance team Oversee and review of combined assurance principles applied Appointed KPMG to perform internal audit function and agreed internal audit plan Reviewed and recommended integrated report to the board Satisfied with the performance of internal audit function and external audit 	<ul style="list-style-type: none"> Continue to monitor the rollout of the integrated enterprise resource planning system to all geographies. This includes the financial and management accounting modules Continue to monitor the independence of the external auditors and the cooperation between the internal and external auditors Continuous review of the finance department and training of the support function to ensure an effective delivery Oversee the implementation of a comprehensive integrated assurance strategy and framework Further integration of the internal audit plan with the combined assurance process Further streamlining of the integrated reporting process to ensure effective reporting on all aspects of the company affecting future strategy

Committee	How the committees added value	2015 focus
Risk	<ul style="list-style-type: none"> Approved risk management plan Reviewed group risks and the mitigation plans Monitors controls and residual risk profile of significant group risks against agreed tolerance levels Reviewed compliance with the significant areas of legislation that affect Master Drilling 	<ul style="list-style-type: none"> Overseeing the rollout of the risk management process across all geographies Refining the risk registers by geographic region and the formulation of manning plans to further mitigate this risk Developing templates and associated skills development programme to support the growth strategies Expanding the business geographically to spread the risk of dependence on a particular region
Nominations	<ul style="list-style-type: none"> Considered board composition and recommended changes Considered the performance evaluation of directors and the committee effectiveness Satisfied with the independence classification of non-executive directors Established a corporate governance committee to ensure proper corporate governance and compliance with all rules and regulations 	<ul style="list-style-type: none"> Reviewing the make-up of the board to ensure correct competence mix and adequate independence. Reviewing the structure and composition of board committees to ensure optimal functioning Monitoring self-evaluation of board and committee members
Remuneration	<ul style="list-style-type: none"> Reviewed and approved short-term incentive bonus payments Reviewed and approved allocation of share options Reviewed and recommended non-executive directors' remuneration Reviewed and recommended remuneration policy for tabling at the annual general meeting 	<ul style="list-style-type: none"> Reviewing the Share Option Plan Reviewing the LTI and STI policies – downward modifiers
Social and ethics	<ul style="list-style-type: none"> Considered employment equity plan Reviewed BBBEE rating for 2014 year Performed functions of committee for all South African subsidiaries of Master Drilling 	<ul style="list-style-type: none"> Focusing and refining the health and safety programmes [ongoing focus] Progressing a transformation programme Progressing the stakeholder engagement programme Supporting the risk committee with safety, health, environmental, social licence, reputation, ethics and stakeholder related risk assurance activities



GOVERNANCE AND REMUNERATION (CONTINUED)

Committee	How the committees added value	2015 focus
Corporate governance	<ul style="list-style-type: none"> This committee was appointed after the year-end on 15 April 2015. 	<ul style="list-style-type: none"> Evaluating and monitoring the company's corporate governance processes, policies and principles, and developing these further where necessary. Reviewing and reporting to the board on the company's compliance with the corporate governance requirements above, including those in applicable listing rules Ensuring that shareholders are informed about Master Drilling's corporate governance through the inclusion of an approved corporate governance statement in the integrated report

Meeting attendance

The attendance at meetings for the year ended 31 December 2014 is shown in the table below.

The chief executive officer and executive directors are not members of any committees of the board. The chief executive officer may attend committee meetings by invitation and when required by the committee members. The financial director attends the audit and risk committee meetings by invitation to answer questions on financial aspects of Master Drilling. The head of internal audit and the external auditors attend the audit committee meetings.

Director	Board meetings	Committees				
		Audit	Risk ¹	Nominations	Remuneration	Social and ethics
Number of meetings	4	5	1	1	3	2
H van der Merwe*	3	n/a	1	1	n/a	n/a
DC Pretorius	4	n/a	n/a	n/a	n/a	n/a
RO Davey**	0	0	n/a	n/a	n/a	n/a
AJ van Deventer	4	n/a	n/a	n/a	n/a	n/a
AA Deshmukh	4	5	n/a	n/a	3	2
ST Ferguson	3	n/a	n/a	1	3	n/a
BJ Jordaan	4	n/a	n/a	n/a	n/a	n/a
CG O'Neill***	3	2	1	1	n/a	2
PJ Ledger**	0	n/a	n/a	n/a	n/a	n/a
JP de Wet	4	5	1	n/a	2	2
GR Sheppard	3	n/a	n/a	n/a	n/a	n/a

¹ Risk committee formed on 26 August 2014

* Appointed on 24 July 2014 as independent non-executive chairman

** Resigned from board on 24 July 2014

*** Appointed on 24 July 2014 as independent non-executive director

REMUNERATION PHILOSOPHY

We believe that all employees contribute to the success and progress of Master Drilling; therefore, we subscribe to a policy of paying employees fairly for the work they perform in accordance with agreed conditions and principles of service that are free from discrimination, and rewards this contribution accordingly by providing performance-based bonuses or incentives.

REMUNERATION COMMITTEE

Name of director	Position
Akhter Alli Deshmukh (<i>Chairman</i>)	Independent non-executive director
Shane Trevor Ferguson	Non-executive director
Jacques Pierre De Wet	Independent non-executive director

The remuneration committee (the remco) is responsible for determining and agreeing with the board, within its agreed terms of reference, Master Drilling's policy for the remuneration of the executive directors and the individual remuneration packages for each executive director. Where the remco considers it appropriate, the committee will make recommendations in relation to the remuneration of senior management. The committee also liaises with the board about the preparation of the board's integrated report to shareholders on Master Drilling's policy on the remuneration of executive directors and in particular the directors' remuneration report, as required by the Companies Act, the JSE Listings Requirements and the company's memorandum of incorporation.

The committee's terms of reference are available online at www.masterdrilling.com. Given their diverse experience, the three non-executive directors who make up the committee are able to offer a balanced view and the necessary expertise in relation to Master Drilling's remuneration issues.

REMUNERATION STRUCTURES

Our approach to reward is holistic, balanced across the following elements:

- A guaranteed package
- Variable pay in the form of short and long-term incentives
- Performance management
- Individual growth and development
- A stimulating work environment

GOVERNANCE AND REMUNERATION (CONTINUED)

Remuneration component	Executives	Senior management	Middle junior management	Bargaining wage employees	Non-executives	
Fixed	Basic salary	<ul style="list-style-type: none"> Increase based on: <ul style="list-style-type: none"> Inflationary based Individual performance, qualifications and experience Continuously benchmarked (PWC remuneration survey used as guideline document) Aligned with the objectives and strategy of the company and in the best interests of the shareholders Salary increases for the financial year were 6% for executives, 7.5% for senior management and 6.2% for employees Basic salary is on a cost to company basis which may include some or all of the benefits below 		<ul style="list-style-type: none"> Increase based on: <ul style="list-style-type: none"> Wage negotiations Last wage increase as negotiated was 6.2% 	<ul style="list-style-type: none"> Subjected to annual benchmarking Based on the principle that attracts, retains and motivates the right calibre of person. Chairpersons receive higher rates Fees are made up of a base fee (50%) and an attendance fee (50%). 	
	Benefits	<ul style="list-style-type: none"> Retirement fund contribution Medical aid Reimbursable travel claims – We reimburse company related travel at 100% of cost or agreed AA rates Fixed allowances for uniforms and protective clothing as required 		<ul style="list-style-type: none"> Reimbursable travel claims 		
	Insurance	<ul style="list-style-type: none"> Liability insurance Takes into account possible risks and liabilities attached to the position 	N/A	N/A	N/A	<ul style="list-style-type: none"> Liability insurance Amount determined by management in consultation with the audit and risk committees Takes into account possible risks and liabilities attached to the position
	Circumstantial pay	<ul style="list-style-type: none"> Retention of specific skill sets Unique to specific position 				N/A
	Over-time pay	Overtime is paid in line with company policy derived from the local labour law				N/A
Variable	STI	<ul style="list-style-type: none"> Discretionary Calculated at varying percentages of net profit, or profit in excess of targets. Capped at a percentage of annual salary Continuously benchmarked against the market Linked to achieving financial and strategic objectives STI payments will only be paid out when the minimum profit target has been achieved (excluding Per, Mexico and Chile where labour law stipulates a percentage earnings payout) An attributable profit of US\$16.9 million was achieved for the 2014 financial year and therefore 86% STI payments were made 		N/A	Incentive bonuses based on the achievement of production targets	N/A
	LTI	<ul style="list-style-type: none"> In the form of share or phantom ownership. Takes account of the objective to align long-term interests of executives with that of shareholders Aimed at attracting and retaining high-calibre employees. Based on the company attaining its stated objectives in share price and CAGR of PAT and on the individual's performance 		N/A	BBBEE share option plan open to BBBEE candidates within this employee band within South Africa	N/A

N/A – Not applicable to this employee category

Short-term incentive scheme (STI)

Role	On-target percentage of total guaranteed package	Percentage capping of total guaranteed package
Chief Executive Officer	75%	75%
Executive directors	50%	50%
Senior management	25%	25%

Long-term Incentive scheme (LTI)

During the Master Drilling Group Ltd board meeting held on 27 November 2014, the board considered and approved an amendment to the vesting period contained in the plan. This amendment shall be put to the shareholders' vote for approval – details are provided on page 84 of the notice of annual general meeting 2015. Such amendment to be approved by an ordinary resolution passed at a general meeting of the company with a 75% majority (excluding shares held under the plan by the option holders).

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 Master Drilling and his/her individual performance measured in the context of the applicable internal performance appraisal process, amongst other factors.

The maximum number of shares in respect of which options can be granted to any one option holder is 500 000 shares. 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.

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 10th anniversary of the date of grant.

* 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 company, any member of the Remco or any trustee of an employee benefit trust.

Details	Options
Total number of options attributable to the share option scheme	5 000 000
Less:	
Total number of options granted 29 November 2013	(2 000 000)
Total number of options granted 19 May 2014	(327 286)
Total number of options exercised during 2013 and 2014	–
Total options unissued at 31 December 2014	2 672 714

Find more detail on how our share incentive scheme is structured in the annual financial statements available online at: www.masterdrilling.com

GOVERNANCE AND REMUNERATION (CONTINUED)

BBBEE share scheme

As part of the Reorganisation, BEE participation has been implemented for the Group's three principal operating subsidiaries in South Africa.

A 26% shareholding in each of MDSA and DTS was issued to Mosima Drilling (Pty) Limited ("Mosima"), a BEE-owned and controlled company, for consideration of R89.6 million and R859 000 respectively (approximately \$10 192 000 and \$99 000). The main shareholder of Mosima is the MD HDSA Trust, a trust formed for the benefit of employees of MDSA, which holds 80% of the BEE stake. The balance of the shares in Mosima are held by the DCP BEE Foundation, a trust formed to provide welfare, humanitarian, educational and development assistance to disadvantaged communities or individuals.

Mosima is entitled to nominate one director to the boards of each of MDSA and DTS (currently Akhter Alli Deshmukh for both MDSA DTS).

A 26% shareholding in MDX was issued to Epha Drilling (Pty) Limited ("Epha"), a BEE-owned and controlled company, for a consideration of R59.7 million (approximately \$6 904 000). The main shareholder of Epha is the Drillcorp BEE Trust, a trust formed for the benefit of employees, which holds 60% of the BEE stake. 20% of the shares in Epha are held by the DCP BEE Foundation, a trust formed to provide welfare, humanitarian, educational and development assistance to disadvantaged communities.

The remaining 20% of the shares in Epha are held by the following individuals in equal proportions:

- Shadreck Moralikobo Motloug, a senior employee of MDX.
- Petrus Ngwenya, a senior employee of MDX.
- Akhter Deshmukh, CFO of Lephatsi Investments (Pty) Limited.
- Ronnie Mamoepa, Deputy General: Communications: Home Affairs.

Epha is entitled to nominate one director to the board of MDX (currently Akhter Alli Deshmukh).

Proposed BEE vendor finance

Each of the foregoing BEE transactions has been funded by way of the issuance of preference shares by Mosima or Epha, as the case may be, to MDSA, DTS and MDX. Each of the preference shares bears a coupon in the amount of 72% of prime interest rate set by the South African Reserve Bank and may be redeemed on the 10th anniversary of the date of issuance, or earlier if Mosima or Epha, as the case may be, fails to remain empowered. Shares issued to Mosima and Epha cannot be transferred without the prior written consent of MDSA, DTS or MDX, as the case may be.

DIRECTORS' REMUNERATION

The total remuneration, benefits and fees paid to each of the directors in respect of the period ended 31 December 2014 are as follows:

Directors remuneration 2014 (USD)									
	Basic salary	Travel allowance	Bonus	Fringe benefits	Provident/pension fund contributions	Director's fees	Consulting and legal fees	Gains on exercise of options	Total
Executive director									
Danie Pretorius	341 166	33 199	312 585	18 448	-	-	-	-	705 398
Andre van Deventer	226 537	22 133	115 967	12 471	-	-	-	-	377 108
Gary Sheppard	391 521	-	136 311	-	29 196	-	-	-	557 028
Koos Jordaan	224 870	22 133	115 967	12 516	-	-	-	-	375 486
Subtotal	1 184 094	77 465	680 830	43 435	29 196	-	-	-	2 015 020
Non-executive director									
Hennie vd Merwe	-	-	-	-	-	20 335	-	-	20 335
Chris O'Neill	-	-	-	-	-	13 153	-	-	13 153
Shane Ferguson	-	-	-	-	-	23 192	112 719	-	135 911
Roger Davey	-	-	-	-	-	6 285	-	-	6 285
Jacques de Wet	-	-	-	-	-	26 985	-	-	26 985
Peter Ledger	-	-	-	-	-	27 543	-	-	27 543
Akhter Deshmukh	-	-	-	-	-	26 187	-	-	26 187
Subtotal	-	-	-	-	-	143 680	112 719	-	256 399
Alternate director									
Izak Bredenkamp	77 807	-	-	5 953	1 962	-	-	-	85 722
Subtotal	77 807	-	-	5 953	1 962	-	-	-	85 722
Total	1 261 901	77 465	680 830	49 388	31 158	143 680	112 719	-	2 357 141

GOVERNANCE AND REMUNERATION (CONTINUED)

Directors remuneration 2013 (USD)									
	Basic salary	Travel allowance	Bonus	Fringe benefits	Provident/pension fund contributions	Director's fees	Consulting and legal fees	Gains on exercise of options	Total
Executive director									
Danie Pretorius	320 583	21 777	241 381	33 435	-	-	-	-	617 176
Andre van Deventer	190 368	23 825	193 538	16 012	-	-	-	-	423 743
Gary Sheppard	310 784	3 210	152 509	-	58 233	-	-	-	524 736
Koos Jordaan	206 172	23 436	196 842	17 763	890	-	-	-	445 103
Subtotal	1 027 907	72 248	784 270	67 210	59 123	-	-	-	2 010 758
Non-executive director									
Shane Ferguson	-	-	-	-	-	-	177 622	-	177 622
Roger Davey	-	-	-	-	-	28 724	-	-	28 724
Jacques de Wet	-	-	-	-	-	26 029	-	-	26 029
Peter Ledger	-	-	-	-	-	46 665	-	-	46 665
Akhter Deshmukh	-	-	-	-	-	22 399	-	-	22 399
Subtotal	-	-	-	-	-	123 817	177 622	-	301 439
Total	1 027 907	72 248	784 270	67 210	59 123	123 817	177 622	-	2 312 197

DIRECTORS' INTEREST 2014

Directors' interest 2014				
	Number of shares: direct beneficial	Number of shares: indirect beneficial	Total	Percentage of issued ordinary share capital
Executive director				
Danie Pretorius	900	78 630 565	78 631 465	53.03%
Andre van Deventer	1 727 648	2 245 016	3 972 664	2.68%
Gary Sheppard	-	3 955 884	3 955 884	2.67%
Koos Jordaan	1 781 861	1 228 336	3 010 197	2.03%
Total	3 510 409	86 059 801	89 570 210	60.41%

Non-executives had no interests

Directors' interest 2013				
	Number of shares: direct beneficial	Number of shares: indirect beneficial	Total	Percentage of issued ordinary share capital
Executive director				
Danie Pretorius	900	78 461 078	78 461 978	52.92%
Andre van Deventer	1 727 648	2 228 336	3 955 984	2.67%
Gary Sheppard	-	3 955 884	3 955 884	2.67%
Koos Jordaan	1 781 861	2 228 336	4 010 197	2.70%
Total	3 510 409	86 873 634	90 384 043	60.96%

Non-executives had no interests

Directors' service contracts and restraints of trade

There is a three-year term of office for our executive and non-executive directors and a notice period of three months. A restraint of trade which prohibits the executive to engage in any raisebore-related activities for one year is placed on:



Danie Pretorius



André van Deventer



Koos Jordaan



Gary Sheppard



Shane Ferguson

APPENDICES

LETTER FROM THE CHAIRMAN

Dear Shareholder

This document is important and requires your immediate attention.

It gives me great pleasure to invite you to attend the Third Annual General Meeting of shareholders of Master Drilling Group Limited ("Master Drilling" or the "Company") since its listing, to be held on Thursday, 23 July 2015 at 09:00.

To provide you with a holistic view of Master Drilling, this Notice of Meeting forms part of, and should be read in conjunction with, the Master Drilling Integrated Report 2014, which has been produced in line with the recommendations of the King Report on Governance for South Africa 2009 ("King III"), the Companies Act, 2008 (Act No 71 of 2008), as amended ("Companies Act") and the Listings Requirements of the JSE Limited.

The summarised consolidated financial statements included in the Integrated Report 2014 present a summarised review of the year and have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

Grant Thornton, the Company's independent external auditors, have audited the financial statements for the 2014 financial year which comprise the statements of financial position, the statements of comprehensive income, statements of cash flows and statements of changes in equity and notes to the financial statements. The unqualified audit report of Grant Thornton is available for inspection at the Company's registered office.

If you are a certificated or "own name" registered dematerialised shareholder and you are not able to attend the Annual General Meeting in person, you are able to exercise your right as a shareholder to vote on the resolutions to be proposed at the meeting as well as to take part in the governance of the Company by completing, signing and returning the enclosed form of proxy to the share registrars at the address included in the corporate information reflected on page 97 of this document for administrative purposes by no later than 09h30 on 21 July 2015. If you are a dematerialised shareholder other than "own name" registered, please refer to the procedure to follow on page 80 of the Integrated Report 2014, available on www.masterdrilling.com.

We are aware that some stakeholders may still prefer to receive copies of our reports either posted to them or in electronic form, and as such, stakeholders are requested to contact companysecretary@masterdrilling.com or complete the request form which can be found on the Company's website under the tab "contact us" at www.masterdrilling.com should they wish to receive a copy.

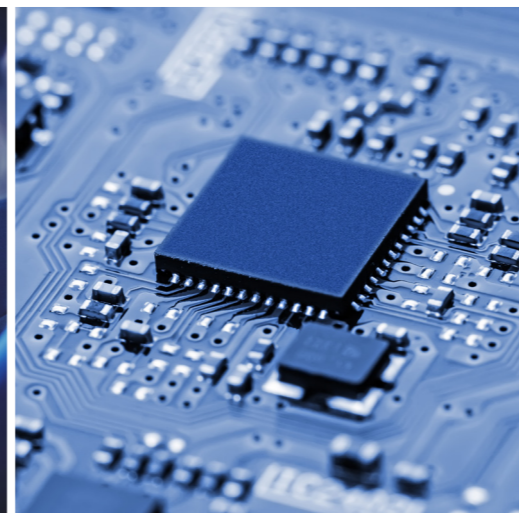
The Directors and I look forward to seeing as many of our shareholders as possible at the Annual General Meeting, and thank you for your continued support.



HR Van Der Merwe
Chairman

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APPENDICES (CONTINUED)

NOTICE OF ANNUAL GENERAL MEETING

Master Drilling Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 2011/008265/06
JSE share code: "MDI":
ISIN: ZAE000171948
(Master Drilling or the Company)

Notice is hereby given that the Third Annual General Meeting of Master Drilling will be held (subject to any adjournment, postponement or cancellation thereof) at Grant Thornton offices, Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg on Thursday, 23 July 2015 at 09h00 to consider, and if deemed fit, pass with or without modification, the resolutions as set out in this notice.

Form of Notice and Proxy

This Notice and Proxy has been approved by the Board of Directors of Master Drilling and was signed on their behalf by Mr HR Van Der Merwe, Chairman, on 24 June 2015.

Registered and corporate office

4 Bosman Street, Fochville, Gauteng, South Africa.
(PO Box 902, Fochville 2515, South Africa)

Proposed resolutions for shareholder approval at the meeting:

- the consideration of the annual financial statements;
- the re-appointment of the external auditors;
- the re-election of all Directors appointed by the Board during 2014, and of those retiring by rotation;
- the appointment of members of the Audit Committee;
- the granting of authority to Directors to allot and issue ordinary shares;
- the granting of authority to Directors to issue shares for cash;
- the granting of authority to the Company to acquire its own shares;
- the approving of Directors' fees;
- the adoption of the Company's Remuneration Report, as a non-binding advisory vote; and
- the granting of authority to the Directors to commit the company to providing financial assistance.
- approving the amendment to the share option plan

ADMINISTRATION: SHAREHOLDERS' DIARY

Financial year end		31 December
Annual Results 2014	Published on	30 March 2015
Integrated Report 2014	Published on or about	30 June 2015
Annual General Meeting 2015	09h00	23 July 2015
Interim report 2015	Published on or about	30 September 2015

IMPORTANT INFORMATION REGARDING ATTENDANCE AT THE ANNUAL GENERAL MEETING

Attending the Annual general meeting

Shareholders who have dematerialised their shares in the Company (other than those shareholders whose shareholding is recorded in their own name in the sub-register maintained by their CSDP) and who wish to attend the annual general meeting to be held on Thursday, 23 July 2015 in person, will need to request their CSDP or broker to provide them with the necessary authority in terms of the custody agreement entered into between them and the CSDP or broker.

Voting rights

The South African Companies Act, Act No 71 of 2008 (as amended) provides that if voting is by a show of hands, any person present and entitled to exercise voting rights has one vote, irrespective of the number of voting rights that person would otherwise be entitled to. If voting is taken by way of a poll, any shareholder who is present at the meeting, whether in person or by duly appointed proxy, shall have one vote for every share held.

Change of details

Shareholders are reminded that the onus is on them to keep the Company apprised, through the share registrars, of any change in postal address and personal particulars. Similarly, shareholders who have elected to receive dividend payments electronically (EFT) should ensure that the banking details which the share registrars and/or CSDPs have on file are correct.

Annual reports

Should you wish to receive printed copies of the Master Drilling Integrated Annual Report 2014, please request same by completing the form on the Company website at www.masterdrilling.com or from companysecretary@masterdrilling.com

Identification

In terms of section 63(1) of the Companies Act, before any person may attend or participate in the Annual General Meeting, that person must present reasonably satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of the person to participate and vote at the Annual General Meeting, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified. Forms of identification include the presentation of a valid identity document, driver's licence or passport.

Record dates, voting and proxies

The Board of Directors of the Company ("Board") has determined, in accordance with sections 59(1) (a) and (b) of the Companies Act, that:

- The record date for the purposes of receiving notice of the Annual General Meeting (being the date on which a shareholder must be registered in the Company's register of shareholders in order to receive notice of the Annual General Meeting), shall be the close of business on Friday, 19 June 2015 (Notice Record Date);
- The record date for the purposes of participating in and voting at the annual general meeting (being the date on which a shareholder must be registered in the Company's register of shareholders in order to participate in and vote at the Annual General Meeting), shall be the close of business on Friday, 17 July 2015 (Voting Record Date), and;
- The last day to trade for purposes of participating in and voting at the Annual General Meeting shall be the close of business on Friday, 10 July 2015;
- The date by which forms of proxy for the Annual General Meeting should be lodged for administrative purposes shall be *09h30 on Tuesday, 21 July 2015.

* Note: Any proxy forms not lodged by this date must be handed to the Chairman immediately prior to the commencement of the Annual General Meeting.

APPENDICES (CONTINUED)

A. IF YOU HAVE DEMATERIALISED YOUR SHARES WITHOUT "OWN NAME" REGISTRATION

Voting at the Annual General Meeting

- If you have not been contacted by your CSDP or broker, it would be advisable for you to contact your CSDP/broker and furnish them with your voting instructions.
- If your CSDP/broker does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the agreement concluded between you and your CSDP/broker.
- You must NOT complete the attached form of proxy.

Attendance and representation at the Annual General Meeting

In accordance with the mandate between you and your CSDP/broker, you must advise your CSDP/broker if you wish to attend the Annual General Meeting in person, or if you wish to send a proxy to represent you at the annual general meeting. Your CSDP/broker will issue the necessary letter of representation to you or your proxy to attend the Annual General Meeting.

B. IF YOU HAVE NOT DEMATERIALISED YOUR SHARES OR HAVE DEMATERIALISED YOUR SHARES WITH "OWN NAME" REGISTRATION:

Voting, attendance and representation at the Annual General Meeting

You may attend, speak and vote at the Annual General Meeting in person.

Alternatively, you may appoint one or more proxies to represent you at the Annual General Meeting by completing the attached form of proxy in accordance with the instructions it contains. A proxy need not be a shareholder of the Company. It is requested that the form be lodged with or posted to the share registrars to be received, for administrative purposes, no later than 09h30 on Tuesday, 21 July 2015.

C. ELECTRONIC PARTICIPATION

In compliance with the provisions of the Companies Act, Master Drilling intends to offer shareholders reasonable access, through electronic facilities, to participate in the Annual General Meeting by means of a conference call facility. Shareholders will be able to listen to the proceedings and raise questions should they wish to do so and are invited to indicate their intention to make use of this facility by making application, in writing (including details as to how the shareholder or representative can be contacted) to the share registrars at the address set out on page 88 of this Notice of Meeting. The application is to be received by the share registrars at least ten business days prior to the date of the Annual General Meeting, namely Thursday, 9 July 2015. The share registrars will, by way of e-mail, provide information enabling participation to those shareholders who have made application. Voting will not be possible via the electronic facility and shareholders wishing to exercise their voting rights at the Annual General Meeting are required to be represented at the meeting either in person, by proxy or by letter of representation as provided for in the Notice of Meeting.

ORDINARY BUSINESS:

1. ORDINARY RESOLUTION NUMBER 1

Presentation of annual financial statements

"Resolved as an ordinary resolution that the abridged consolidated audited annual financial statements of the Company and its subsidiaries, together with the auditor's, Audit Committee and Directors' reports for the year ended 31 December 2014, have been received and considered by shareholders at the meeting."

Ordinary resolution number 1 is to receive and consider the consolidated annual financial statements of the Company and its subsidiaries for the financial year ended 31 December 2014.

2. ORDINARY RESOLUTION NUMBER 2

Re-appointment of Grant Thornton as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company, and noting that J Barradas will be the designated registered auditor.

"Resolved as an ordinary resolution that Grant Thornton be and are hereby appointed as the auditors of the Company, to hold office from the conclusion of the Annual General Meeting at which this resolution is passed until the conclusion of the next Annual General Meeting of the Company. It was noted that J Barradas will serve as the designated registered auditor."

Ordinary resolution number 2 is to reappoint Grant Thornton as the independent auditor and to note J Barradas as the designated registered auditor.

3. ORDINARY RESOLUTION NUMBER 3

Re-election of Mr Hendrik (Hennie) Roux Van Der Merwe as a Non-Executive Director

"Resolved as an ordinary resolution that Mr HR Van Der Merwe, having been appointed by the Board of Directors since the last Annual General Meeting of the Company and being obliged, in accordance with the provisions of the Company's Memorandum of Incorporation, to retire at this Annual General Meeting but being eligible and available for election, offers himself for re-election as Director of the Company, be and he is hereby re-elected as a non-executive director of the company."

Mr HR Van Der Merwe's brief curriculum vitae is disclosed on page 62 of the Integrated Report 2014, available on www.masterdrilling.com

4. ORDINARY RESOLUTION NUMBER 4

Re-election of Mr Christopher (Chris) Gerald O' Neill as a Non-Executive Director

"Resolved as an ordinary resolution that Mr CG O'Neill, having been appointed by the Board of Directors since the last Annual General Meeting of the Company and being obliged, in accordance with the provisions of the Company's Memorandum of Incorporation, to retire at this Annual General Meeting but being eligible and available for election, offers himself for re-election as Director of the Company, be and he is hereby re-elected as a non-executive director of the company."

Mr CG O' Neill's brief curriculum vitae is disclosed on page 62 of the Integrated Report 2014, available on www.masterdrilling.com

5. ORDINARY RESOLUTION NUMBER 5

Re-election of Mr Jacques Pierre de Wet as a Non-Executive Director

"Resolved as an ordinary resolution that Mr JP de Wet, who retires by rotation at this AGM in accordance with the Company's Memorandum of Incorporation and who is eligible and available for re-election, be and is hereby re-elected as a Non- Executive Director of the Company."

Mr JP de Wet's brief curriculum vitae is disclosed on page 62 of the Integrated Report 2014, available on www.masterdrilling.com

6. ORDINARY RESOLUTION NUMBER 6

Re-election of Mr Akhter Alli Deshmukh as a Non-Executive Director

"Resolved as an ordinary resolution that Mr AA Deshmukh, who retires by rotation at this AGM in accordance with the Company's Memorandum of Incorporation and who is eligible and available for re-election, be and is hereby re-elected as a Non- Executive Director of the Company."

Mr AA Deshmukh's brief curriculum vitae is disclosed on page 62 of the Integrated Report 2014, available on www.masterdrilling.com

APPENDICES (CONTINUED)

7. ORDINARY RESOLUTION NUMBER 7

7.1 Re-appointment of Mr Jacques Pierre de Wet as a member of the Audit Committee of the Company

"Subject to the passing of Ordinary Resolution Number 5, resolved as an ordinary resolution that Mr JP de Wet, be and is hereby re-appointed as a member of the Audit Committee, from the conclusion of the Annual general meeting at which this resolution is passed until the conclusion of the next Annual General Meeting of the Company."

Ordinary resolution number 7.1 is to appoint members of the Audit Committee in accordance with the guidelines of King III and the requirements of the Companies Act. In terms of the aforementioned requirements, the Audit Committee should be comprised of a minimum of three members, all of whom must be independent Non-Executive Directors of the Company and membership of the Audit Committee may not include the Chairman of the Board.

A brief curriculum vitae of Mr JP de Wet is disclosed on page 62 of the Integrated Report 2014, available on www.masterdrilling.com

7.2 Re-appointment of Mr Christopher Gerald O' Neill as a member of the Audit Committee of the Company

"Subject to the passing of Ordinary Resolution Number 4, resolved as an ordinary resolution that Mr CG O' Neill, be and is hereby re-appointed as a member of the Audit Committee, from the conclusion of the Annual general meeting at which this resolution is passed until the conclusion of the next Annual General Meeting of the Company."

Ordinary resolution number 7.2 is to appoint members of the Audit Committee in accordance with the guidelines of King III and the requirements of the Companies Act. In terms of the aforementioned requirements, the Audit Committee should be comprised of a minimum of three members, all of whom must be independent Non-Executive Directors of the Company and membership of the Audit Committee may not include the Chairman of the Board.

A brief curriculum vitae of Mr CG O' Neill is disclosed on page 62 of the Integrated Report 2014, available on www.masterdrilling.com

7.3 Re-appointment of Mr Akhter Alli Deshmukh as a member of the Audit Committee of the Company

"Subject to the passing of Ordinary Resolution Number 6, resolved as an ordinary resolution that Mr AA Deshmukh, be and is hereby re-appointed as a member of the Audit Committee, from the conclusion of the Annual general meeting at which this resolution is passed until the conclusion of the next Annual General Meeting of the Company."

Ordinary resolution number 7.3 is to appoint members of the Audit Committee in accordance with the guidelines of King III and the requirements of the Companies Act. In terms of the aforementioned requirements, the Audit Committee should be comprised of a minimum of three members, all of whom must be independent Non-Executive Directors of the Company and membership of the Audit Committee may not include the Chairman of the Board.

A brief curriculum vitae of Mr AA Deshmukh is disclosed on page 62 of the Integrated Report 2014, available on www.masterdrilling.com

8. ORDINARY RESOLUTION NUMBER 8

General authority to Directors to allot and issue ordinary shares

"Resolved as an ordinary resolution that, subject to the provisions of the Companies Act and the JSE Listings Requirements from time to time, the Directors of the Company be and are hereby, as a general authority and approval, authorised to allot and issue, for such purposes and on such terms as they may in their discretion determine, ordinary shares of no par value each in the authorised but unissued share capital of the Company, up to a maximum of 5% of the number of ordinary shares of no par value each in issue from time to time."

Ordinary resolution number 8 is to seek a general authority and approval for the Directors to allot and issue ordinary shares, up to a maximum of 5% of the ordinary shares of the Company in issue from time to time, in order to enable the Company to take advantage of business opportunities which might arise in the future. Pursuant to the Memorandum of Incorporation, this general authority shall be valid only until the next Annual General Meeting of the Company, at which time it may be submitted for renewal.

9. ORDINARY RESOLUTION NUMBER 9

General authority to Directors to issue for cash those ordinary shares which the Directors are authorised to allot and issue in terms of ordinary resolution number 8

"Resolved as an ordinary resolution that, subject to ordinary resolution number 8 being passed, the Directors of the Company be and are hereby authorised, in accordance with the Listings Requirements of the JSE Limited to allot and issue for cash, on such terms and conditions as they may deem fit, all or any of the ordinary shares of no par value each ("ordinary shares") in the authorised but unissued share capital of the Company which they shall have been authorised to allot and issue in terms of ordinary resolution number 8, subject to the following conditions:

- 9.1 this authority shall be limited to a maximum number of 7,513,275 shares (being 5% of the issued ordinary shares in the share capital of the Company as at the date of the notice convening this Annual General Meeting at which this ordinary resolution number 9 is to be proposed, being 23 July 2015);
- 9.2 this authority shall only be valid until the next annual general meeting of the Company but shall not extend beyond 15 months;
 - 9.2.1 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 year contemplated in paragraph 9.2 above, 5% (7,513,275) of the number of ordinary shares in issue prior to the issue concerned excluding treasury shares;
 - 9.2.2 in the event of a sub-division or consolidation of issued shares during the year contemplated in paragraph 9.2 above, this authority must be adjusted accordingly to represent the same allocation ratio;
- 9.3 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; and
 - 9.3.1 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."

Any equity securities issued under the authority during the year contemplated in paragraph 9.2 above, must be deducted from such number in paragraph 9.1 above.

The purpose of ordinary resolution number 9 is that the Directors consider it advantageous to have the authority to issue ordinary shares for cash in order to enable the Company to take advantage of any business opportunity which might arise in the future.

It should be noted that this authority relates only to those ordinary shares which the Directors are authorised to allot and issue in terms of ordinary resolution number 8 and is not intended to (nor does it) grant the Directors authority to issue ordinary shares over and above, and in addition to, the ordinary shares which the Directors are authorised to allot and issue in terms of ordinary resolution number 8.

In terms of the JSE Listings Requirements, a 75% majority of the votes cast by shareholders present in person or represented by proxy at the Annual General Meeting is required for the approval of ordinary resolution number 9.

10. ORDINARY RESOLUTION NUMBER 10

Advisory endorsement of the Master Drilling remuneration policy

"To endorse, through a non-binding advisory vote, the remuneration policy of the Company as set out on page 69 of the Integrated Report 2014, available on www.masterdrilling.com, (excluding the remuneration of Directors for their services as Directors and members of the Board or statutory committees) in terms of the King Report on Governance for South Africa 2009."

APPENDICES (CONTINUED)

The Group remuneration policy is set out on page 69 of the Integrated Report 2014, available on www.masterdrilling.com, of which this notice forms part.

11. ORDINARY RESOLUTION NUMBER 11

Amendment to the Master Drilling Group Limited Share Option Plan (the "Plan")

"Resolved that the first amending deed to The Master Drilling Group Limited Plan, a copy of which has been labelled for identification purposes and tabled at the Annual General Meeting, be and is hereby approved."

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company from the date of issue of the Integrated Report of which this Notice of Annual General Meeting forms part, up to and including the date of the Annual General Meeting:

- (i) the Company's 2014 Integrated Report;
- (ii) the Plan and the registered amendments to the Plan;
- (iii) the proposed first amendment to the Plan; and
- (iv) a consolidated version of the Plan, incorporating the proposed amendment to the Plan.

In order for this resolution to be approved, the support of at least 75% of the voting rights exercised on this resolution is required, excluding voting rights attaching to securities owned or controlled by persons who are existing participants in the Plan which have been acquired in terms of the Plan as well as the securities held by the Plan.

SPECIAL BUSINESS:

12. SPECIAL RESOLUTION NUMBER 1

Acquisition of the Company's own shares

"Resolved, pursuant to the Company's Memorandum of Incorporation, that the acquisition by the Company or by any of the Company's subsidiaries from time to time, of ordinary shares issued by the Company, in accordance with the Companies Act and the JSE Listings Requirements, is hereby authorised by way of a general approval, provided that:

- any such acquisition of shares shall be effected through the order book operated by the JSE Limited trading system or on the open market of any other stock exchange on which the shares are or may be listed, subject to the approval of the JSE Limited and of the relevant other stock exchange, as necessary;
- in either event without any prior understanding or arrangement between the Company and the counterparty;
- this approval shall be valid only until the next Annual General Meeting of the Company, or for 15 months from the date of passing of this resolution, whichever period is shorter;
- shares issued by the Company may not be acquired at a price greater than 10% above the weighted average market price of the Company's shares for the five business days immediately preceding the date of the acquisition being effected;
- the Company only appoints one agent to effect any acquisitions on its behalf;
- the Board of the Company has resolved to authorise the acquisition and that the Company and its subsidiaries shall satisfy the solvency and liquidity test immediately after the acquisition and that since the test was done there have been no material changes to the financial position of the Group;
- the Company may not, in any one financial year, acquire in excess of 5% of the Company's issued ordinary share capital as at the date of passing of this resolution;
- an announcement containing details of such acquisitions shall be published as soon as the Company and/or the subsidiaries, collectively, shall have acquired ordinary shares issued by the Company constituting, on a cumulative basis, not less than 3% of the number of ordinary shares in the Company in issue as at the date of this approval; and an announcement containing details of such acquisitions will be published in respect of each subsequent acquisition by either the Company and/or by the subsidiaries, collectively, of ordinary shares issued by the Company, constituting, on a cumulative basis, not less than 3% of the number of ordinary shares in the Company in issue as at the date of this approval;

- the acquisition of shares by the Company or its subsidiaries may not be effected during a prohibited period, as defined in the JSE Listings Requirements, unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant year are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- the Company's subsidiaries shall not be entitled to acquire ordinary shares issued by the Company if the acquisition of shares will result in them holding, on a cumulative basis, more than 10% of the number of ordinary shares in issue in the Company; and
- the shares acquired by the Company's subsidiaries shall not carry with them any voting rights."

This special resolution is to grant a general authority for the acquisition of the Company's ordinary shares by the Company, or by a subsidiary or subsidiaries of the Company.

The effect of special resolution number 1, if passed and becoming effective shall be to authorise the Company or any of its subsidiaries to acquire ordinary shares issued by the Company on the JSE Limited or any other stock exchange on which the Company's shares are or may be listed.

The Directors of Master Drilling believe that the Company should retain the flexibility to take action if future acquisitions of its shares were considered desirable and in the best interests of the Company and its shareholders.

The Directors shall ensure at the time of the Company's commencement of any acquisitions of its own shares, after considering the effect of acquisitions up to the maximum limit, of the Company's issued ordinary shares, that they are of the opinion that if such acquisitions were implemented:

- the Company and the Group would be able in the ordinary course of business to pay its debts for a period of 12 months after the repurchase;
- the assets of the Company and the Group would be in excess of the liabilities of the Company and the Group for a period of 12 months after the repurchase. For this purpose, the assets and liabilities would be recognised and measured in accordance with the accounting policies used in the latest audited group Annual Financial Statements;
- the ordinary capital and reserves of the Company and the Group would be adequate for ordinary business purposes for a period of 12 months after the date of the notice issued in respect of the Annual General Meeting, and the working capital of the Company and the Group would be adequate in the ordinary course of business for a period of 12 months after the date of the repurchase.

Prior to executing an acquisition of the Company's own shares under the authority granted in terms of special resolution number 1, the directors will submit to the JSE the required confirmation of the adequacy of working capital

In terms of Section 11.26 of the JSE Listings Requirements, the following information is disclosed in the Integrated Report 2014, available on www.masterdrilling.com:

Directors and management – pages 62 and 63;

Major shareholders – page 25;

Material change statement – page 50;

Directors' interest in securities – page 74;

Share capital of the Company – page 50.

APPENDICES (CONTINUED)

13. SPECIAL RESOLUTION NUMBER 2

Directors' fees

"Resolved as special resolution number 2, in terms of section 66(9) of the Companies Act, that the remuneration, as set out in the table below, to be paid to directors for their service as directors of the Company for the ensuing year (with effect from 1st August 2015), as recommended by the Remuneration Committee and the Board, be and are hereby approved"

	2015 ZAR	2014 ZAR
Board Chairman	*534,240	504,000
Board Member	*345,560	159,040
Audit Committee and Risk Committee Chairman	0,00	63,840
Audit Committee and Risk Committee Member	0,00	24,640
Remuneration and Nomination Committee Chairman	0,00	47,040
Remuneration and Nomination Committee Member	0,00	35,840
Social and Ethics Committee Chairman	0,00	22,400
Social and Ethics Committee Member	0,00	11,200

* The Directors fees comprises of a fixed annual portion and a portion based on attendances of Board and Committee meetings. The estimate for the 2015 financial year is predicated on the assumption of full Board and Committee attendances by the directors for the ensuing year.

The fees payable in terms of special resolution number 2 will be in accordance with the agreed fees between the Company and the Directors for both Board and Committee attendance during the ensuing year.

Proposing special resolution number 2 and the effect of this special resolution, if passed and becoming effective, is to reward Non-Executive Directors for their services as Directors and in line with best practice.

In order for special resolution number 2 to be approved, it must be supported by 75% of the voting rights required.

14. SPECIAL RESOLUTION NUMBER 3

Financial assistance in terms of sections 44 and 45 of the Companies Act.

"Resolved as a special resolution, to the extent required by the Companies Act, that the shareholders hereby approve of Master Drilling providing, at any time and from time to time during the period of 2 (two) years, commencing on the date of this special resolution, if passed and becoming effective, any direct or indirect financial assistance as contemplated in sections 44 and 45 of the Companies Act to any 1 (one) or more related or inter-related companies or corporations of Master Drilling, provided that:

- i) the recipient or recipients of such financial assistance;
- (ii) the form, nature and extent of such financial assistance, and;
- (iii) the terms and conditions under which such financial assistance is provided, are determined by the Board from time to time.

The Board may not authorise Master Drilling to provide any financial assistance pursuant to this special resolution unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise Master Drilling to provide such financial assistance; and such financial assistance to a recipient thereof is, in the opinion of the Board, required for the purpose of:

- (i) meeting all or any of such recipient's operating expenses (including capital expenditure), and/or;
- (ii) funding the growth, expansion, reorganisation or restructuring of the businesses or operations of such recipient, and/or;
- (iii) funding such recipient for any other purpose which in the opinion of the Board is directly or indirectly in the interest of Master Drilling."

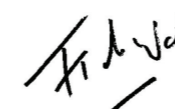
The reason for proposing special resolution 3 and the effect of this special resolution, if passed and becoming effective, is to allow Master Drilling to grant direct or indirect financial assistance to any company or corporation forming part of the Group, including in the form of loans or the guaranteeing of their debts.

This authority will be in place for a period of two years from the date of adoption of this special resolution number 3.

RESPONSIBILITY

The directors whose names appear on pages 62 and 63 of the Integrated Report 2014, available on www.masterdrilling.com, collectively and individually accept full responsibility for the accuracy of the information given in this notice and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the Listings Requirements of the JSE Limited.

By order of the board



Theophilus (Theo) de Wet
Company Secretary

De Wets Incorporated
(Registration number 2000/003792/21)
6 Dwars Street
Krugersdorp, 1739
South Africa
(PO Box 158, Krugersdorp, 1740, South Africa)

24 June 2015

APPENDICES (CONTINUED)

REGISTERED AND CORPORATE OFFICE

4 Bosman Street
PO Box 902
Fochville, 2515
South Africa

IMPORTANT NOTES ABOUT THE ANNUAL GENERAL MEETING:

Date

Thursday, 23 July 2015.

Venue

Grant Thornton offices, Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg.

Timing

The Annual General Meeting will start promptly at 09h00 (South African time).

Refreshments

Refreshments will be served after the meeting.

Admission

Shareholders and others attending the Annual General Meeting are asked to register at the registration desk at the venue. Shareholders and proxies are required to provide proof of identity – see “IDENTIFICATION” on page 79 of this notice of meeting.

Security

Secure parking is provided at the venue. Mobile telephones should be switched off during the Annual General Meeting.

Enquiries and questions

Shareholders who intend to ask questions relating to the business of the annual general meeting or on related matters are asked to furnish their name, address and question(s) at the registration desk. Personnel will be available to provide any advice and assistance required.

Queries about the Annual General Meeting

If you have any queries about the Annual General Meeting, please telephone any of the contact names listed on page 97 of this document

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Ground Floor, 70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
South Africa
www.masterdrilling.com



MASTER DRILLING

FORM OF PROXY

(Incorporated in the Republic of South Africa)
(Registration number: 2011/008265/06)
Share code on the JSE Limited: “MDI”
ISIN: ZAE000171948
 (“Master Drilling” or “the Company”)

FORM OF PROXY FOR MASTER DRILLING SHAREHOLDERS

Only for use by certificated shareholders or dematerialised shareholders of Master Drilling Group Limited who have selected “own name” registration.

For use by Master Drilling shareholders at the Annual General Meeting of shareholders to be held at Grant Thornton offices, Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg, on Thursday, 23 July 2015 at 09h00 and at any adjournment of that meeting.

If you have dematerialised your shares with a Central Securities Depository Participant (“CSD Participant”) or broker and have not selected “own name” registration, you must arrange with your CSD Participant or broker to provide you with the necessary letter of representation to attend the General Meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSD Participant or broker.

I/We (Names in full in BLOCK LETTERS)

of (address):

being the holder/s of _____ shares in issued ordinary share capital of Master Drilling hereby appoint:

1. _____ of _____ or failing him/her,
2. _____ of _____ or failing him/her,

3. the Chairman of the Annual General Meeting,

as my/our proxy to attend, speak and vote on a show of hands or on a poll for me/us and on my/our behalf at the Annual General Meeting of Master Drilling shareholders to be held for the purpose of considering, and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the Master Drilling ordinary shares registered in my/our name in accordance with the following instructions (see notes):

Please indicate with an “X” in the appropriate spaces how votes are to be cast	For	Against	Abstain
Ordinary Resolution Number 1 Presentation of annual financial statements			
Ordinary Resolution Number 2 Re-appointment of Grant Thornton as auditors and noting J Barradas as audit partner			
Ordinary Resolution Number 3 Re-election of Mr HR Van Der Merwe as a Non-Executive Director			
Ordinary Resolution Number 4 Re-election of Mr CG O’ Neill as a Non-Executive Director			
Ordinary Resolution Number 5 Re-election of Mr JP de Wet as a Non-Executive Director			
Ordinary Resolution Number 6 Re-election of Mr AA Deshmukh as a Non-Executive Director			
Ordinary Resolution Number 7.1 Re-appointment of Mr JP de Wet as a member of the Audit Committee of the Company			
Ordinary Resolution Number 7.2 Re-appointment of Mr CG O’ Neill as a member of the Audit Committee of the Company			
Ordinary Resolution Number 7.3 Re-appointment of Mr AA Deshmukh as a member of the Audit Committee of the Company			
Ordinary Resolution Number 8 General authority to Directors to allot and issue ordinary shares			
Ordinary Resolution Number 9 General authority to Directors to issue for cash, those ordinary shares placed under the control of the Directors in terms of ordinary resolution number 8			
Ordinary Resolution Number 10 Advisory endorsement of the Master Drilling remuneration policy			
Ordinary Resolution Number 11 Amendment to the Master Drilling Group Limited Share Option Plan (the “Plan”)			
Special Resolution Number 1 Acquisition of Company’s own shares			
Special Resolution Number 2 Directors’ fees			
Special Resolution Number 3 Approval to grant financial assistance in terms of sections 44 and 45 of the Companies Act			

Signed at _____ on _____ 2015

Name of shareholder/joint holders

Signature/s

Assisted by me (if applicable)

Full name/s of signatory/ies if signing in a representative capacity:

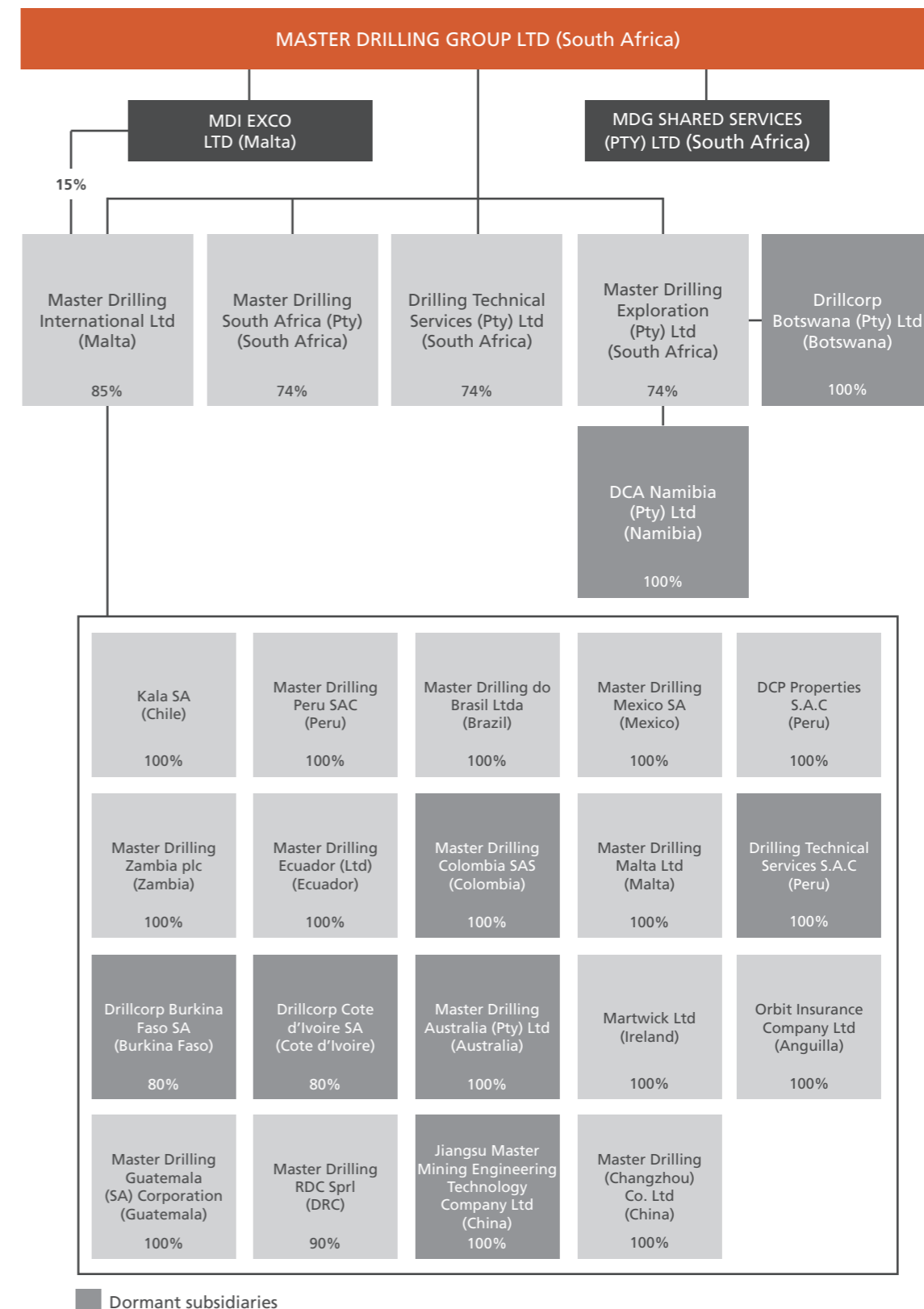
(In block letters and authority to be attached – see note 12 on page 90)

APPENDICES (CONTINUED)

NOTES TO FORM OF PROXY

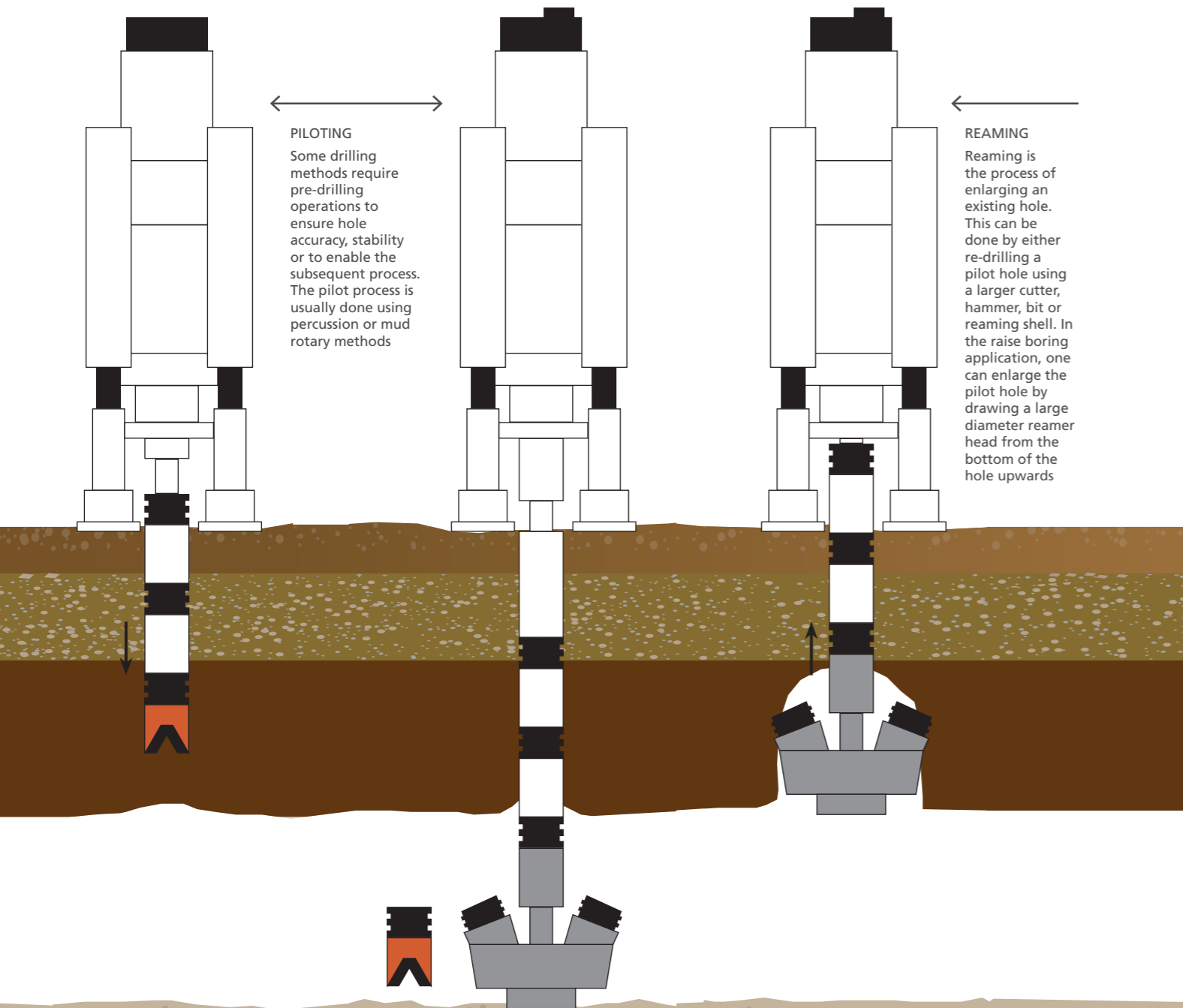
- Every shareholder present in person or represented by proxy and entitled to vote at the Annual General Meeting of the Company shall, on a show of hands, have only one vote, irrespective of the number of shares such shareholder holds. In the event of a poll, the total number of votes exercised and abstained by the shareholder or his/her proxy shall be counted, provided that such votes shall not exceed the total of the votes exercisable by the shareholder or the proxy.
- A signatory to this form of proxy may insert the name of a proxy or the name of an alternate proxy of the signatory's choice in the blank spaces provided, with or without deleting "the chairman of the Annual General Meeting", but such deletion must be signed in full by the signatory. Any insertion or deletion not complying with the foregoing will be deemed not to have been validly effected. The person present at the Annual General Meeting, whose name appears first on the list of names overleaf, shall be the validly appointed proxy for the shareholder at the Annual General Meeting.
- A shareholder's instructions to the proxy must be indicated in the appropriate spaces provided. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, or to cast all those votes in the same way, but the total of votes cast, and in respect whereof abstention is directed, may not exceed the total of the votes exercisable by the shareholder or the proxy. Failure to comply with the above or to provide voting instructions or the giving of contradictory instructions will be deemed to authorise the proxy, if he is the chairman of the Annual General Meeting, to vote in favour of all resolutions at the Annual General Meeting in respect of all the shareholder's votes exercisable at the Annual General Meeting or if he/she is not the chairman of the Annual General Meeting, to vote or abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable at the Annual General Meeting.
- A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
- A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the share in respect of which the proxy is given, unless notice of any of the aforementioned matters shall have been received by the share registrars not less than twenty-four hours before the commencement of the Annual General Meeting, or at any adjournment thereof.
- Any alteration or correction made to this form of proxy must be signed in full and not only initialled by the signatory.
- Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the share registrars of the Company.
- A minor must be assisted by his/her guardian and the relevant documentary evidence establishing his/her legal capacity must be attached to this form of proxy unless previously recorded by the share registrars of the Company.
- When there are joint holders of shares, any one holder may sign the form of proxy.
- The completion and lodging of this form of proxy will not preclude the shareholder who grants the proxy from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.
- The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.
- The appointment of a proxy or proxies:
 - is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
 - is revocable in which case a shareholder may revoke the proxy appointment by:
 - cancelling it in writing or making a later inconsistent appointment of a proxy; and
 - delivering a copy of the revocation instrument to the proxy and to the Company.
- Forms of proxy must be lodged with or posted to the share registrars, Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received (for administrative purposes) by no later than 09h30 on 21 July 2015.

ORGANISATIONAL STRUCTURE



APPENDICES (CONTINUED)

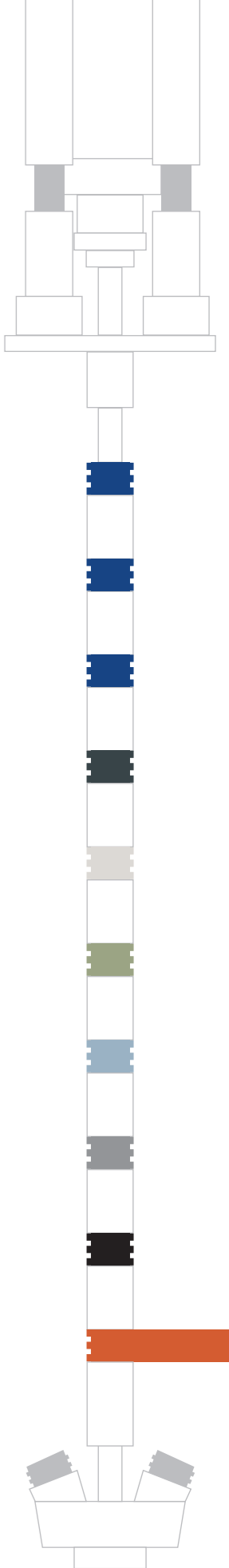
RAISE DRILL OPERATING CYCLE



USEFUL TERMS

Operational definitions

Raisebore drilling	In underground mining, raise boring is used for ventilation, transferring ore from one level to another, silos for storing rock, access of personnel or material underground, and the hoisting of rock and ore to surface. In urban infrastructure, raise boring is used to collect waste or flood water from streets and route it to an underground tunnel to dispose of, and access shafts and ventilation shafts required in underground metro and rail systems. The energy sector uses these type of holes and shafts in hydro electric or pump storage plants as pressure shafts. In addition, it is used for access to underground nuclear storage facilities.
Horizontal raise boring (HRB)	In mining, HRB is used where a horizontal excavation is required and a chamber is available at both ends. Typically such tunnels are bored in a block cave mining layout, or on an undercut or production level where the ring tunnel is first established. In urban infrastructure, HRB is used for excavating tunnels through mountains/hills, for connecting parallel metro or rail tunnels, as well as tunnels required under roads. HRB is used in the energy industry, for nuclear storage tunnels or short tail races in hydro-electric plants.
Box hole drilling	Most box holes are drilled in underground mining applications where bottom access is available in a production section. The holes are drilled from the bottom up to where it intersects with the ore body. When mining activity reaches this hole, it may then be used as a transfer pass for dropping material from the reef/ore horizon downwards where it can be collected and transported; or as a ventilation shaft to the mining location. In some cases the shaft is equipped with a chute to hold a certain volume of material, similar to a small silo. In other cases it is used for transfer passes into an existing ore pass or where construction of material handling infrastructure is already in place and explosives cannot be used to create an excavation. In addition, it is used for trough passes in block cave mines.
Slot hole boring	Slot boring is similar to traditional raise and box hole boring. The raise boring configuration can be adapted so that a pilot hole is drilled downward and then reamed from the top down, instead of from the bottom up, depending on the mining method required. Slot boring systems are faster-moving than the other conventional boring methods as the length of boring is shorter and normally a number of holes are required. There is no sequence to the holes and a suite of equipment can easily move between levels, lodes or sections of a mine, between holes



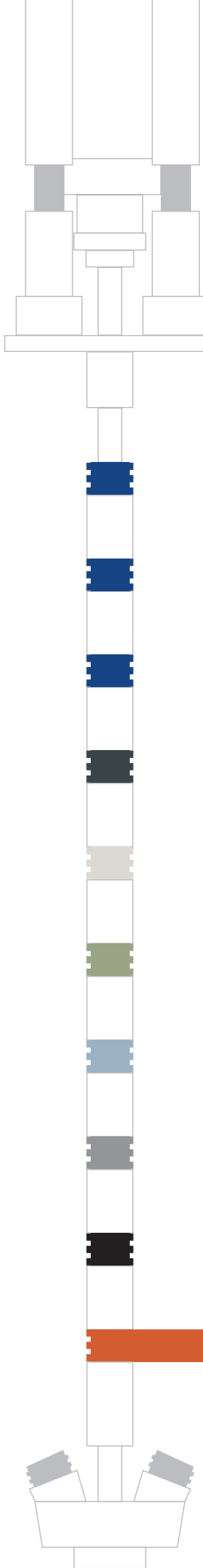
APPENDICES (CONTINUED)

Operational definitions

Tunnel boring	<p>Tunnel boring is used to excavate tunnels with a circular cross-section through a variety of soil and rock strata, varying from hard rock to sand.</p> <p>TBMs are used for the construction of metro, utility (waste water pipes, communication, etc.), fresh/waste water collection/removal, railway tunnels in the transport and urban infrastructure industries.</p> <p>In the mining industry, it is used for the construction of access tunnels to ore bodies in either a decline-type ramp or horizontal haulage format. There are various other applications where it is effective for opening up of blocks of ground and increasing the mine's footprint, such as finger raises.</p> <p>For energy-type projects, tunnel boring is predominantly used in hydro-electric or pump storage projects for the use of tailrace tunnels. It is also used for nuclear waste storage facility construction.</p>
Blind hole boring	<p>Blind hole boring or enlargement is used for the construction of access or ventilation shafts for the mining industry in various forms. In the urban infrastructure industry it is used for access and ventilation shafts to metro tunnels and underground storage areas such as parking garages. In the energy sector it is used for surge, ventilation, access and pressure shafts.</p>
Reef boring	<p>Reef boring is related to narrow vein ore bodies, where the equipment is moved underground and positioned in such a way that it can drill a hole on the reef horizon, whether down dip, up dip or on strike. Small single pass holes are drilled and, if required, enlarged by reaming</p>
Core drilling	<p>Core drilling is used in underground mining for delineation of an ore body and resource definition and valuation. It is used in tunnel infrastructure to ensure that no methane pockets of air are mined into, as well as for water bearing areas that could potentially flood the underground infrastructure. In addition, core drilling is used for the geo-technical evaluation of the nature, material properties and type of rock for the purposes of designing a certain size shaft, tunnel or stoping panel to be used for the calculation of the type and amount of rock support required.</p> <p>In many cases core drilling is used for resource definition, which enables engineers to see the exact position in relation to an access tunnel of a certain geological feature of interest in the construction of infrastructure or in mining. On the surface, it is similar depending on the stage of exploration of grid holes for resource estimation and information purposes. This is optimised to a finer grid as mining operations start and finer detail is required.</p> <p>In the construction or urban infrastructure industries, core drilling is mainly used for geotechnical information in the design of foundations for bridges, buildings, tunnels, etc. In the energy industry, it is used for the collecting of core in gas, oil, coal or uranium carrying geology.</p> <p>The sample is stored and tested in a laboratory to understand the yield of energy that could be extracted from this type of geology and the nature of the structure.</p>

Operational definitions

Percussion drilling	<p>Percussion drilling is a very mobile type of drilling with fast production rates. The drilling assembly down the hole comprises a button bit fitted to a precipitating hammer with drill rods to the drill rig.</p> <p>Percussion drilling is commonly used to establish a fast hole in the ground. When used for sampling geology it is referred to as reverse air blast or RAB drilling. The most common use for this type of drilling is for the drilling of de-watering holes on open cast mines, water-wells for domestic use, blast holes for the injection of explosives during mining, utility holes used for cables, and production-wells for oil and gas. In many cases these type of holes are also established for diamond tailing, which refers to the establishment of a fast hole by percussion drilling to a particular depth of no geological importance and then to diamond tale the hole with core drilling.</p>
Reverse circulation drilling	<p>Reverse circulation drilling is a fast way for resource definition and a very good way through grade control drilling to determine the composition of the ore body that will be mined.</p>
Air rotary	<p>Air rotary drilling is most commonly used for the application of large diameter blast holes in the surface or opencast mining industry and is similar to the blast hole application of percussion drilling. This type of drilling is often used in weak ground when a raise boring rig is used to establish a pilot hole for paste, utility holes or a raisebored shaft.</p>
Mud rotary	<p>Mud rotary drilling is used in the mining industry for the drilling of utility, paste, de-watering and other infrastructure holes. In urban infrastructure it is used predominantly for water wells and horizontal directional drilling, while the most common use in the energy sector is the drilling of coal bed methane, shale gas, gas, oil and geothermal holes. Mud drilling is also commonly used for the directional drilling of horizontal wells.</p>
Piling	<p>Master Drilling predominantly uses piling for the construction of circular secant pile walls, used to establish a barrel from surface through unconsolidated ground socketed into fresh rock.</p>
Skilled	<p>Using the Patterson's grading model skilled employees would be upper level employees from C4 level e.g. managers, skilled artisans, foreman, administrators and qualified artisans.</p>
Semi-skilled	<p>C – lower and B upper level employees e.g. artisan aids, operators and assistants</p>
Unskilled	<p>Wage workers e.g. raisebore assistants, general workers and cleaners.</p>



APPENDICES (CONTINUED)

GLOSSARY

ACPOR	Average cost per operating rig
ARPOR	Average revenue per operating rig
Asset turnover	Annual revenue divided by the average historical cost of property, plant and equipment
BBBEE	Broad-based black economic empowerment
BBBEE level	BBBEE certification level of Master Drilling Exploration (Pty) Ltd.
CAGR	Compound annual growth rate
DRC	Democratic Republic of Congo
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
HEPS	Headline earnings per share
IAS	International Auditing Standards
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ISO	International Organisation for Standardisation
ISO 14001	ISO Environmental Management
ISO 9001	ISO Quality Management System
JSE	Johannesburg Stock Exchange
Latin America	Includes following countries: Mexico, Guatemala, Chile, Peru, Argentina, Brazil
LTI	Long-term incentive scheme
LTIFR	Lost-time injury frequency rate
LTSOP	Long-term share option plan
MDX	Master Drilling Exploration (Pty) Ltd
OSHAS	Occupational Health and Advisory Services
OSHAS 18001	Occupational Health Management Systems, South Africa
PAT	Profit after tax
Rest of Africa	Includes following countries: Mali, Burkina Faso, Democratic Republic of Congo, Zambia, Botswana, Zimbabwe
Other countries	Includes following countries: Ireland, Malta, China, Saudi Arabia
PBT percentage	Profit before tax as a percentage of revenue
STI	Short-term incentive plan scheme
GP	Gross profit

ADMINISTRATION

MASTER DRILLING GROUP LTD

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

4 Bosman Street, Fochville, 2515, South Africa

PO Box 902, Fochville, 2515, South Africa

General email enquiries: info@masterdrilling.co.za

Master Drilling website: www.masterdrilling.com

DIRECTORS

Executive

Daniel (Danie) Coenraad Pretorius
 Andre Jean van Deventer
 Barend Jacobus (Koos) Jordaan
 Gareth (Gary) Robert Sheppard*
 *Resident in Peru

Chief executive officer and founder
 Chief financial officer
 Technical director
 Chief operating officer

Non-Executive

Hendrik (Hennie) Roux Van Der Merwe
 Christopher (Chris) Gerald O'Neill
 Akhter Alli Deshmukh
 Jacques Pierre de Wet
 Shane Trevor Ferguson

Chairman and independent non-executive
 Independent non-executive
 Independent non-executive
 Independent non-executive
 Non-executive

Company secretary

Theophilus (Theo) Timotheus de Wet
 De Wets Incorporated
 6 Dwars Street, Krugersdorp, 1739, South Africa
 PO Box 158, Krugersdorp, 1740, South Africa
 companysecretary@masterdrilling.co.za

Independent registered auditors

Grant Thornton
 South African member of Grant Thornton International Ltd
 52 Corlett Drive, Illovo, 2196, South Africa

JSE sponsor

Absa Bank Ltd (acting through its Corporate and Investment Banking Division)
 15 Alice Lane, Sandton, 2196, South Africa

Investor relations

Nthabiseng Chapheshamano
 Ogilvy
 Telephone: +27 11 709 6605
 Mobile: +27 72 255 4105
 Email: nthabiseng.chapheshamano@ogilvypr.co.za

Transfer secretaries

Computershare Investor Services (Pty) Ltd
 (Registration number: 2004/003647/07)
 Ground Floor, 70 Marshall Street, Johannesburg, 2001, South Africa
 PO Box 61051, Marshalltown, 2107, South Africa

