



Master Drilling Group Limited  
**Integrated Report**  
**2015**

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## Performance against our strategy



### Sustainable growth

We grow the business in a sustainable way, by doing what we do well and diversifying into new geographies, commodities and business sectors



### Optimisation and increased profitability

We optimise our business by finding ways to be more effective and efficient in what we do, on a daily basis, in all our areas of operation



### Technology optimisation and development

We are flexible and provide specialised services to suit our clients' requirements, applying technology development as a competitive advantage to improve business performance for ourselves and for our clients



### People capacity and development

We view people as the foundation of our strategy and our success depends on how our skills and expertise support our goals.

### Navigational icons:



Page Reference



Website

Master Drilling provides specialised drilling services to blue-chip, major and mid-tier companies in the mining, civil engineering (civil), building construction (construction) and hydro-electric sectors, across a number of commodities. We are the world leader in the raise bore drilling services industry.

## Our strategic statement

We challenge the status quo to provide our clients with specialised, adaptive one-stop-service drilling solution.

<b>Revenue</b> <b>2015:</b> <b>\$119,9m</b> 2014: \$132m	<b>Asset turnover ratio</b> <b>2015: 0,97</b> 2014: 1,11	<b>Net cash generated</b> <b>2015:</b> <b>\$27,6m</b> 2014: \$25,8m	<b>Bergteamet acquisition</b> <b>40%</b>
<b>Gross profit %</b> <b>2015:</b> <b>39,9%</b> 2014: 32,6%	<b>Profit after tax</b> <b>2015:</b> <b>17,5%</b> 2014: 13,5%	<b>ARPOR</b> <b>2015:</b> <b>\$120,8m</b> 2014: \$118,2m Raise bore rigs	<b>Fleet utilisation</b> <b>2015: 70%</b> Raise bore rigs 2014: 75%
<b>Fleet automation</b> <b>100%</b> <b>on track</b>	<b>Research and development projects</b> <b>Gripper reef borer Sibanye Gold</b>	<b>Blind Shaft Boring System patented</b>	<b>Systems implemented and upgraded</b> <b>Dynamics AX software system</b> <b>ISO Metrix</b>
<b>Revenue per head</b> <b>2015:</b> <b>\$61 408</b> 2014: \$65 984	<b>Labour cost as a percentage of total cost</b> <b>2015: 45%</b> 2014: 43%	<b>LTIFR</b> <b>2015: 4.68</b> 2014: 4.04	<b>Monthly turnover rate</b> <b>2015: 3,3%</b> 2014: 3,8%



We are a global supplier of technologically advanced drilling operations, delivering value-added services. Our results reflect the merit of our diversification and organic growth strategies.



Further details on the development of our strategy and performance against our strategic pillars are provided in the strategy section on page 38 and in the Chairman and Chief Executive Officer's report on pages 4 to 7.

# About this report

 An overview of our reporting approach and assurance is provided in the governance section on page 68 of this report.

## 2015 reporting suite

As outlined in the table below, the 2015 reporting suite comprises two reports: the 2015 integrated report and the 2015 annual financial statements (AFS). These reports are supported by other documents, such as the King III checklist which is available on our website, [www.masterdrilling.com](http://www.masterdrilling.com).



	Integrated report	Annual financial statements
<b>Contents</b>	<ul style="list-style-type: none"> <li>• Business overview and business model</li> <li>• Performance against strategy</li> <li>• Material matters</li> <li>• Strategy</li> <li>• Summarised consolidated annual financial statements</li> <li>• Governance report</li> <li>• Remuneration</li> <li>• Notice of annual general meeting</li> <li>• Proxy voting form</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Committee report</li> <li>• Directors' report</li> <li>• Audit opinion</li> <li>• Consolidated annual financial statements</li> </ul>
<b>Relationship between reports</b>	<ul style="list-style-type: none"> <li>• Includes references to website content and other detailed publications available online at <a href="http://www.masterdrilling.com">www.masterdrilling.com</a></li> </ul>	<ul style="list-style-type: none"> <li>• IAS 34 summarised AFS included in the integrated report, with full AFS available online at <a href="http://www.masterdrilling.com">www.masterdrilling.com</a></li> </ul>
<b>Frameworks</b>	<ul style="list-style-type: none"> <li>• International Integrated Reporting Council's (IIRC) &lt;IR&gt; Framework V1.0</li> <li>• King Report on Governance for South Africa, 2009 (King III)</li> <li>• Listings Requirements of the Johannesburg Stock Exchange Ltd (JSE Listings Requirements)</li> </ul>	<ul style="list-style-type: none"> <li>• International Financial Reporting Standards (IFRS)</li> <li>• Companies Act, 71 of 2008, as amended (Companies Act)</li> <li>• Listings Requirements of the Johannesburg Stock Exchange Ltd (JSE Listings Requirements)</li> </ul>
<b>Assurance</b>	<ul style="list-style-type: none"> <li>• Board of directors assisted by the Audit Committee</li> <li>• Management oversight</li> </ul>	<ul style="list-style-type: none"> <li>• Independent unqualified audit opinion from Grant Thornton</li> <li>• Internal audit</li> <li>• Internal controls</li> <li>• Management oversight</li> </ul>
<b>Distribution</b>	<ul style="list-style-type: none"> <li>• Hard copies available on request</li> <li>• Electronic copy available online at <a href="http://www.masterdrilling.com">www.masterdrilling.com</a></li> </ul>	<ul style="list-style-type: none"> <li>• Hard copies available on request</li> <li>• Electronic copy available online at <a href="http://www.masterdrilling.com">www.masterdrilling.com</a></li> </ul>





### 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 results, performance or achievements to be materially different from the future results, performance or achievements 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.

### Board responsibility and approval statement

The Board, assisted by the Audit Committee, 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 according to the International Integrated Reporting Council's (IIRC) <IR> Framework V1.0. The integrated report was approved by the Board on 29 March 2016 and signed on its behalf by:

**Hennie van der Merwe**  
*Chairman*

**Danie Pretorius**  
*Chief Executive Officer*



# Chairman and Chief Executive Officer's review

## Highlights

Master Drilling continued to lead as the global supplier of technologically advanced drilling operations and to deliver value-added services in pursuit of our long-term growth targets. Our results are in line with expectations and reflect the merit of our diversification and growth strategies. While revenue was down by 9%, profits increased by 14% to \$21,1 million. We achieved growth in headline earnings per share of 14% to 13,8 US cents and net cash generated from operations stood at \$27,6 million, an increase of 15,6%.

Growth has been accelerated in line with our strategy of entering two new geographical regions a year. We established an office in the USA in September 2015. In this region we have not targeted any specific sector, but will go where the opportunities are. There is a strong likelihood of Chile, Brazil and Peru being negatively impacted by China's economic deceleration. However, Mexico is expected to benefit strongly from improving economic conditions in the USA, which receives 80% of Mexico's exports, underlining the business case for our decision to use our base in Mexico as an entry point into the USA. In addition, we completed the \$5 million acquisition of a 40% shareholding in Swedish company Bergteamet Raiseboring Europe as part of our focus on expansion into Europe. The latter has a fleet of 18 raise bore drilling rigs, holds dominant market share in Sweden, Finland and Norway and has recently secured a contract in Ireland. The equity accounted share of the Bergteamet profit after tax amounted to \$134 575 delivering an investment return of 36%.

On 22 January 2016, shortly after year-end, we acquired 100% of the assets

of the Chilean subsidiary of Bergteamet (Bergteamet Latin America SA) for the sum of €4 million.

Our business model complements that of Bergteamet and our cultures are similar. We believe that both companies will benefit from these points of convergence, through the transfer of knowledge, clients and operational execution. In addition to providing access to an expanded client base, the acquisition supports our investment case and business model by providing further diversification across currencies and sectors. Our income base will now also include Euros and we believe we can gain from Bergteamet's experience in automation and of operating in a first-world environment. The initial 40% shareholding allows us to de-risk the asset and understand the territory before deciding to increase this percentage. The deal includes a call option (expires 31 March 2019) and a put option (expires 31 May 2017) that gives the option to put the current 40% back to the seller at the original purchase price thus effectively cancelling the transaction if certain targets aren't met. Bergteamet has the benefit of purchasing plant and consumables from our manufacturing entity in South Africa rather than paying a premium to an external supplier.

The move entrenches Master Drilling firmly as the global market leader and positions us well for future growth, which can already be seen in our broadening geographical footprint.

Other highlights included:

- commissioning of the RD8, one of the largest raise bore rigs in the world;
- expansion of our geographical footprint into Ecuador and Colombia;
- increased service offerings in terms of hydroelectric projects; and
- progress in our drilling rig fleet automation programme to enhance safety and efficiencies.

## Opportunities in our current operating environment

The global downturn in commodities has had a negative impact on the majority of our clients who operate mainly in the mining sector.

We believe the downturn holds inherent opportunity for Master Drilling as mining companies increasingly look for innovative ways to mine, lower costs, reduced project time, enhanced safety and to boost productivity – all of which intersect with our unique value proposition of one-stop solutions.

We cannot change the fact that our main client base, the mining industry, is going through a tough time. However, as one of the few companies dedicated entirely to raise boring, we can make a difference by helping our clients improve their position in difficult circumstances. In many instances, we have worked at our own risk to prove the benefits of our technology to our clients. Our understanding of our clients' unique circumstances is based on long-standing relationships, informed by benchmarking exercises as described on page 26 of this report. We focus on selling solutions to our clients as opposed to simply selling a service.

In terms of costs, our clients' major concerns relate to labour, energy and explosives. Our technology and technical expertise enable us to make a difference in each of these areas. Through advancing without blasting, we are able to create a safer environment that enables 24-hour operation. Our raise boring technology is quicker than conventional drilling. We advance three times faster than the normal rate of approximately two-and-a-half metres a day.



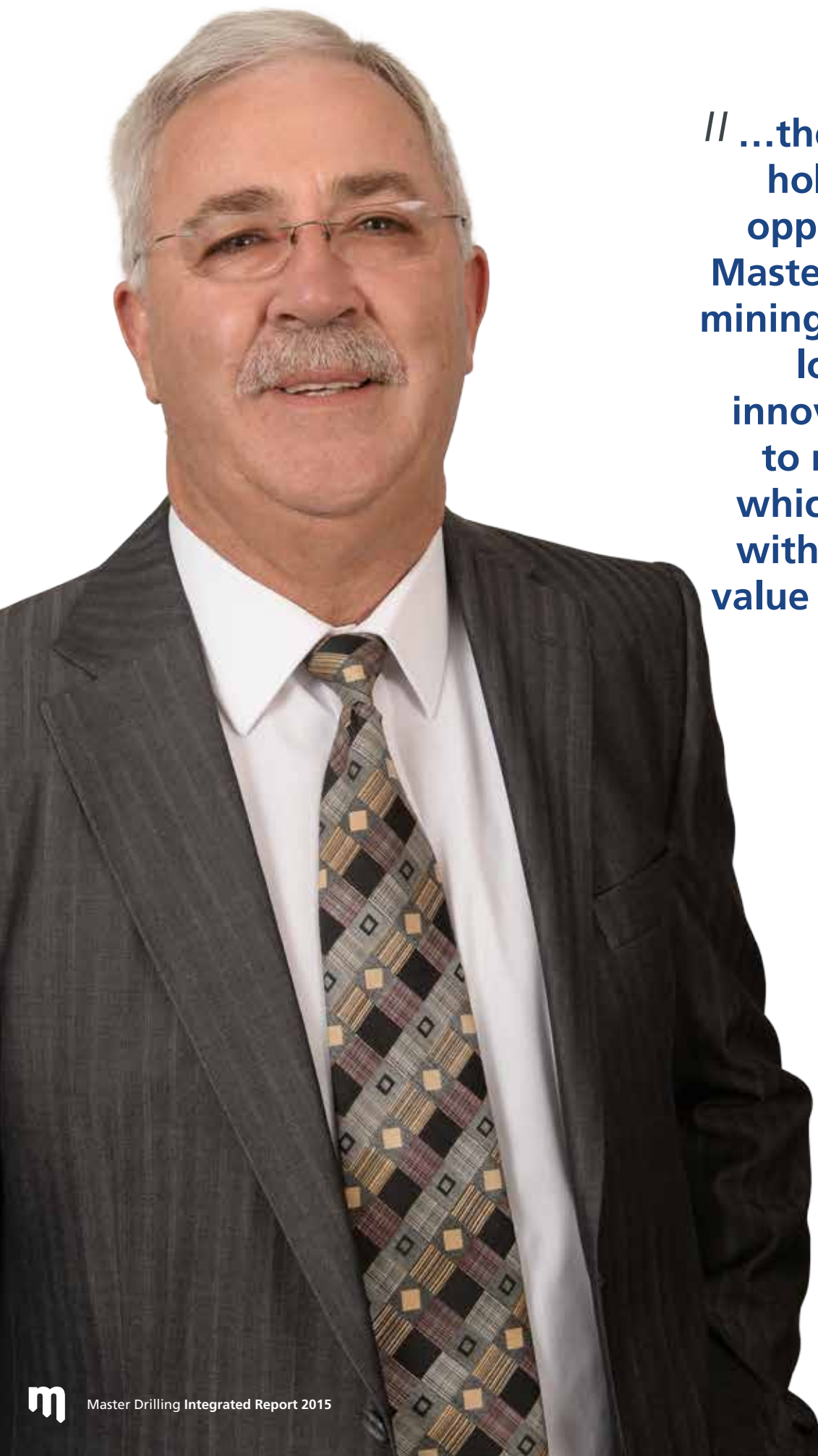


**// We achieved growth in headline earnings per share of 14% to 13,6 US cents and net cash generated from operations stood at \$27,6 million, an increase of 15,6% //**



Hennie van der Merwe  
Chairman





**// ...the downturn  
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solutions //**

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**Danie Pretorius**  
Chief Executive Officer





## Chairman and CEO's review continued

Clients tend to outsource drilling services as opposed to investing in their own equipment to reduce capital commitments and take advantage of the cost and operational efficiencies offered by drilling service providers.

We offer our clients an accelerated timeline in terms of project development and in terms of machine development. Sourcing a machine from an original equipment manufacturer typically takes between two to three years. Given our capacity to design, develop and service machinery, we are capable of delivering a machine within one to two years. The accelerated development timeline, improved safety and reduced labour complement offered by our technology help unlock reserves and bring mines closer to filling their installed production capacity.

A specific example demonstrating this capacity is at Sibanye Gold's Kloof mining operations where we are currently deploying a 10-ton tunnel borer with 2,1 metres in diameter to create a 70-metre inclined tunnel on a gold-bearing reef. Regular tunnel crawlers are much longer and heavier than our machine and cannot be broken into segments small enough to lower into a mine or operate on inclined surfaces. The crawler reduces the work done by handheld drills and explosives, leaving infrastructure behind that miners can use to branch out horizontally to extract the reef. The results of the project will be known in 2016. If successful, this could be a breakthrough in South Africa's deep-level mines, opening up gold and platinum deposits more quickly and easily and could also be utilised in deep-level mines internationally.

We are working with London-listed Petra Diamonds at the Cullinan kimberlite mine near Pretoria to develop a block caving method of using raise bore technology in a horizontal application to

develop tunnels in a fraction of the time it currently takes to advance them. Trials are being conducted using pilot holes drilled with water or air as an alternative to the traditional tunneling method, which involves drilling and blasting, weakening the excavation. The results of the trials will be known early 2016 and, should they prove successful, the innovation will open opportunities in block caving applications around the world. In keeping with our focus on incremental innovation, we plan to collect data from this operation and re-apply it in different innovations.

The RD8 raise borer, currently in use at Palabora Mining Company and described **IQ** on page 27 of this report, is another significant innovation.

Previously, investors took a 20-year view on mining projects. This impacts investment decisions as net present value (NPV) calculations in these extended time frames are negative – one of the reasons why many projects do not get off the ground. Our technology significantly shortens this time frame, making many projects more viable. An example is our development of a blind shaft borer that facilitates raise boring without bottom access and could be an industry game-changer. We are developing a machine for release in 2018, which will use 30 to 40 people instead of 160 and enable the establishment of infrastructure in half the time normally required. This innovation will enable our clients to access the ore body in less time, significantly improving the NPV of the project.

Progress to date against our strategic pillars is reviewed below:

### **Sustainable growth**

Strong partnerships with clients form the basis of our growth aspirations. These well-established relationships provide a financial carry-over base from year to year, thereby providing a certain security of income.

We continue to drive sustainable growth by creating value for our clients and aim to continuously grow our client base of the top-tier, lowest cost mining producers. Mining accounted for 94% of our revenue base, with 89% in the production, rather than the exploration phase. This reduces our exposure to the speculative aspect of the mining industry. In terms of mining, our aim is to make copper and gold 60% of the order book, with polymetallic metals, iron ore and diamonds making up the rest. However, we realise that this is more likely to be achieved in the long rather than the medium term.

At the same time, we continue to focus on reducing our reliance on commodities as a revenue stream by deploying our drilling expertise in the civil and construction and hydroelectric sectors. We have, for example, built up expertise in sinking inclined tunnels for hydroelectric schemes. With the growing emphasis on renewable energy globally, we are well positioned for further growth in this sector.

Overlaying this sector diversification is diversification in terms of geography and expertise, highlighted by the work conducted across the globe. These included:

- The construction of two ventilation shafts, each 6,1 metres in diameter and a record-breaking 1,2 kilometres deep, for refined-copper producer Palabora Mining Company in Limpopo province, South Africa, where we deployed the RD8-1500 (RDS) raise boring machine specifically customised for this contract.
- The completion of the one-kilometre Rowland shaft project at Lonmin's Marikana mine in the North West province, South Africa.

# Chairman and CEO's review continued

- In Mexico at La Colorada, an underground polymetallic silver mine located in the Sierra Madre mountain range in Zacatecas, we successfully completed one of the deepest and largest raise bore holes ever drilled in the country.
- In Colombia we have a \$7 million contract on the Ituango hydroelectric project – the country's largest (2.4GW) hydroelectric project when it reaches full operation.

In early 2016, we will begin work on a hydroelectric project in Peru.

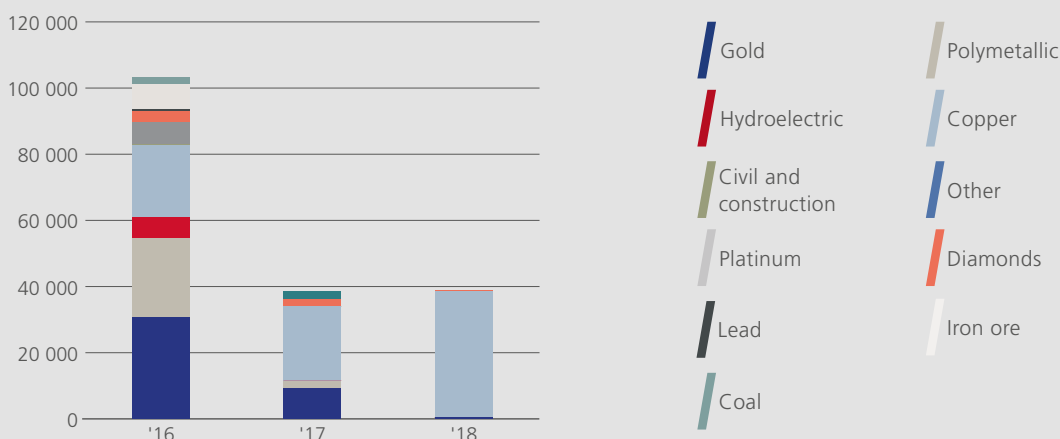
Having completed 100% of our 2015 drill rig fleet automation programme, organic growth will remain a key aspect of our strategy. We plan to automate our fleet as appropriate on a continuous basis; however, due to the capital requirements involved, our ability to meet this goal will depend largely on maximising utilisation.

While our fleet of 98 raise bore and 48 slim drilling rigs is the core of our business and our source of revenue, we are keen to become involved in other rock-cutting businesses and ways to improve our conventional offerings.

We aim to achieve this by expanding our service offering and broadening our use of technology specifically to lower costs and bring ore bodies to production more quickly.

Master Drilling's order book for 2016 is already over \$100 million, with the copper and gold sectors representing the largest portion of work.

Order book (\$'000)



## Optimisation and increased profitability

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

Master Drilling currently operates 146 drilling rigs in total (2014: 139 rigs), one of which is leased machine.

We achieved a 70% rate of utilisation (2014: 75%) with the raise bore fleet and 36% (2014: 54%) with the slim drill fleet.

**IQ** Please refer to the CFO's report on page 42 of the integrated report for more detail on our revenue and profitability performance.

## Technology optimisation and development

Our technology drive continued to pay off, with a number of projects reaching fruition:

- We deployed the RD8 machine, which uses a combination of electrical and hydraulic power to drive the equipment and can be operated and monitored remotely.
- In conjunction with Swedish companies, Atlas Copco and IMA Engineering, we developed the OREalysr which will primarily be used in the exploration side of the business. This is further described in our *Slim Drilling Solutions* brochure, available on our website.

- We conceptualised, engineered and manufactured the ROSS unit and inspection device (described in more detail in our *Rock Boring Solutions* brochure available on our website – [www.masterdrilling.com](http://www.masterdrilling.com)).



- We are currently experimenting on excavating thin reefs at great depths as a method of production. Further research and development will be done as work progresses to deal with remote operation and efficiencies.
- We are in the testing and set-up phase of using reef boring technology in the stoping environment, which will target reserves of legacy ore bodies.



## People capacity and development

While the number of qualified engineers available globally has increased, they are still in high demand across all engineering companies. Accordingly, we cannot afford to be complacent about our ability to recruit and retain these key skills.

Having a highly trained, committed workforce is critical to our ongoing success as a business, particularly as we expand our global presence and as we focus more intensely on contract management as a strategic initiative.

We recognise that to build a sustainable business, we need to transfer knowledge to local people in each country and appoint them to management positions. Accordingly, we have a number of in-house training programmes and operate training centres in South Africa, Peru, Mexico and Chile. A total of 712 employees participated in training programmes, an increase of 32% when compared to 2014.

In terms of management training, over the last 18 months we have been running a Managers in Training initiative, whereby 12 managers have been trained and we are beginning to see the results in terms of a manager pipeline coming through. The Board continued to focus on succession planning and formulated a strategy to accelerate the development of our leadership bench.

Safety is a key priority in our industry and is measured through monitoring the lost-time injury frequency rate (LTIFR). The rolling 12 months' average LTIFR was slightly higher than 2014 at 4.68 (2014: 4.04) but still much less than our 2013 base year LTIFR of 9.85.

We are making steady progress on improving the monthly turnover rate which is standing at 3,3% down from 3,8%. The contractual nature of our projects will naturally result in labour turnover rates higher and more fluctuating than in commercial environments.

## Dividend

Our decision not to declare a dividend is consistent with our position at the time of our initial public offering three years ago, when we stated that we would not be declaring dividends during our anticipated growth phase.

The Board remains of the view that for the foreseeable future, our cash resources would be best applied in further expansion of production capacity.

## Governance

While there are ongoing legal and compliance changes and developments in all jurisdictions in which we operate, we are confident that our assurance process, underpinned by our various Board committees, is robust enough to deal with all aspects of these changes. The assurance process was further strengthened in 2015, when we split the Audit and Risk Committee functions to intensify our risk and compliance focus. The function of the Audit Committee is to monitor and report risks, while the Risk Committee – supported by a full-time risk department – has an oversight function of risk management processes within the business.

We welcome the appointment of Chris O'Neill and Eddie Dixon as alternate Executive Directors, Andrew Beaven as Company Secretary and Johan Botha as independent Non-Executive Director. Johan will act as a member of both the Audit and Risk committees and as chairman of the Social, Ethics and Sustainability Committee.

## Outlook

We do not anticipate the downturn in the commodity market to reverse in the short or medium term. Going forward, our main focus will be working with our clients to deliver value creation in terms of cost, scheduling, safety and productivity. In doing so, we will continue to hone our own competitive advantage and entrench our position as a pioneer and market leader in technically specialised raise bore drilling.

Looking ahead, our business strategy remains to achieve organic growth through further diversification of our business operations globally and within selected industries.

Growth in Latin America will continue to be a focus area. We have a long history in the region and will continue to build on our existing structure and focus on improving our efficiencies in this region.

We anticipate achieving growth into the rest of Africa from our solid South African

base in partnership with major blue-chip mining companies.

To sustain our growth, as described earlier, we believe it is imperative to expand our services beyond raise bore drilling within the industries we have targeted. To this end, we have made significant progress by diversifying our service offering in presenting solutions to the challenges faced by our clients. We also believe that ongoing research into and development of mechanisation, automation and remote drilling services continuously improve the quality and cost effectiveness of our service offering.

We expect the expansion of our service offering into non-commodity-related services to gain traction in the hydroelectric sector and we look forward to commissioning a number of new machines within the first half of 2016.

## Appreciation

We would like to thank our Board members, who have gone the extra mile in terms of involvement and participation and made invaluable input into all aspects of our operations.

Thanks are also due to our clients, especially Randgold Resources, PMC, Petra Diamonds and Sibanye Gold, for partnering with us and having the confidence to embrace new innovations and different ways of doing things.

Finally, to all our employees who have worked so hard to help us achieve results which are above expectation despite the economic downturn in global commodity markets and who have moved us further along the road in achieving our strategic milestones – thank you for your commitment and passion. You are all an integral part of our ongoing journey toward cementing our position as global leader in our industry.

**Hennie van der Merwe**  
Chairman

**Danie Pretorius**  
Chief Executive Officer

# Business overview

**We specialise in global drilling solutions, providing raise boring and exploration (slim) drilling and specialised in-house drilling equipment design, manufacturing, training and maintenance capabilities that support our clients' unique needs. Master Drilling was established in South Africa in 1986 and listed on the JSE in December 2012, with our group administrative office in South Africa.**

Our operations span the world. On the African continent we have operations in South Africa, the Democratic Republic of Congo (DRC), Zambia and Mali. In Latin America, we have operations in Brazil, Chile, Colombia, Ecuador, Mexico, Guatemala and Peru.

We recently established a base in the United States of America (USA). On 1 December 2015, we acquired a 40% shareholding in Bergteamet Raiseboring Europe, headquartered in Sweden. We also have an office and warehouse facility in China, where specialised capital equipment is produced and procured. Group engineering manufacturing and support are provided from South Africa and China, servicing several international locations. Our vertically integrated business model supports one-stop solutions in terms of design and assembly of rigs, training and engineering support and, ultimately, diverse drilling applications.

We have intensified our efforts to expand our footprint into non-commodity-related services such as infrastructure and energy, including hydroelectric projects, to avoid overexposure to any one particular business sector.

## Diversified global operations

The key growth driver of our business 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 geography, commodity or sector.

Our vertically integrated business model facilitates revenue diversification, with the group benefiting from revenue generated at each level of the vertical hierarchy. The duration of our drilling programmes range from one month to five years. Accordingly, we benefit from annuity income, which ensures revenue stability and liquidity and facilitates planning.





## Geographic diversification



Geographic diversification is part of our strategy as it broadens our growth potential and reduces our overall risk. We enter new geographies on the basis of awarded contracts and, as in the case of our recent entry into the USA, on the basis of research. Linked to our geographic diversification is the currency diversification inherent in our results. Our strategy of operating across countries and currencies diversifies income and gives us a natural hedge against currency volatility.

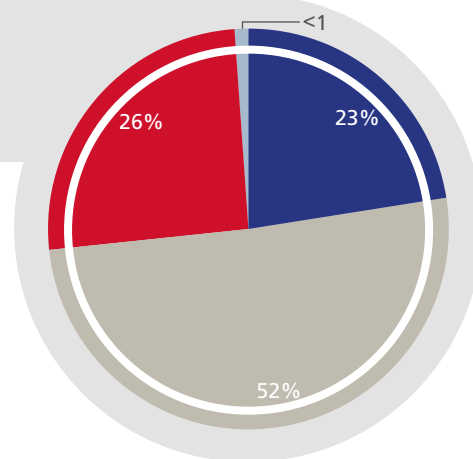
We actively seek Dollar-based contracts and constantly aim to leverage our currency diversification position. While costs are generally in local currencies, most of our revenue is invoiced in US Dollars (\$). Other currencies include South African Rand (ZAR), Brazilian Real, Mexican and Chilean

Peso, Peruvian Nuevo Sol, Guatemalan Quetzal, Zambian Kwacha, Euro and the DRC Franc.

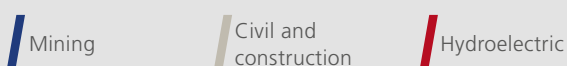
Most of our revenue, 78%, is derived from Latin America and South Africa, with the latter region accounting for 26% of our revenue. Mining investment in Latin America has grown exponentially over the past decade. We have capitalised on this growth and we now hold 70% of the raise boring market in the region.

Our high number of rigs and diversified geographic footprint gives us the flexibility to move rigs across geographies when we anticipate a downturn in a specific sector.

\* Excludes revenue from the Bergteamet acquisition.



## Business sector diversification

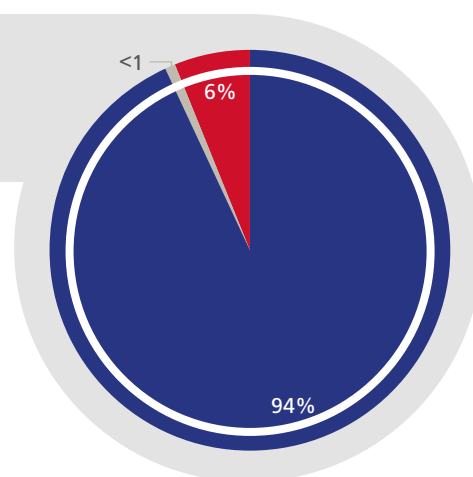


Master Drilling actively looks for business development opportunities in the mining, civil and construction and hydroelectric sectors. Projects in the civil and construction sectors are mainly in the capital phase, while the majority of projects in the mining sector are part of the production phase.

Our efforts gained traction, with mining accounting for 94% of revenue contribution (2014: 98%) and the civil

and construction and hydroelectric sectors accounting for 6% (2014: 2%).

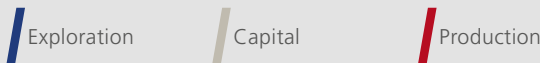
The global trend towards ongoing urbanisation and our ability to service the hydroelectric industry present opportunities, given the global drive toward renewable energy. Hydroelectric plants are currently the world's leading renewable energy source, producing 83% of renewable power.



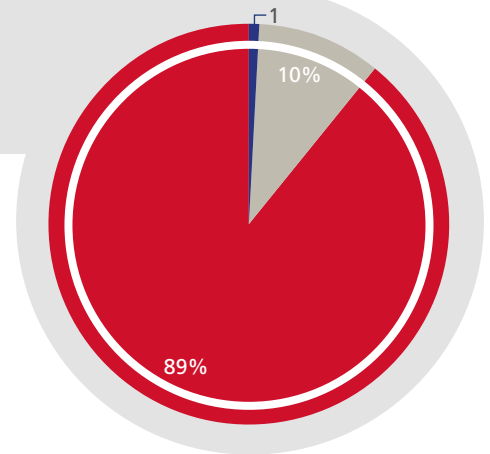


# Business overview continued




## Mining activity diversification



These core activities are centred on the production stage, thereby reducing our exposure to the more volatile aspects in business life cycles such as exploration and capital projects. Our ability to provide one-stop solutions to clients creates long-term relationships, which position us well across the project life cycle.

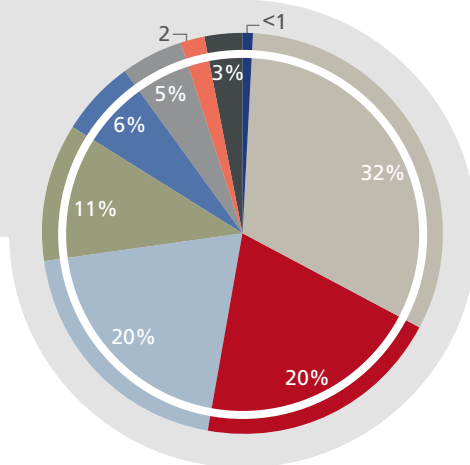


### Project stages and how we position ourselves

Sector	Project stage 1: Exploration and feasibility	Project stage 2: Capital	Project stage 3: Production	Project stage 4: Rehabilitation and closure
<b>Mining</b> 	The <b>exploration phase</b> focuses on the discovery and quantification of new mineral deposits and determines the feasibility of a project. Getting involved with a potential client at an early stage (green and brownfield projects) is important in establishing and maintaining long-term relationships.	A project enters the <b>capital stage</b> once a potentially viable ore deposit or extension to an ore deposit is identified and its resource quantified. Drilling occurs within an existing mine perimeter and is linked to a specific project.	Stage three focuses on <b>production</b> , where the identified ore bodies are extracted and produced. These contracts are mostly certain in terms of continuity, as production is integral to mining and the cost of changing service providers is high.	The mine life cycle concludes at this stage. Drill holes are closed to avoid contamination of groundwater and site clearance and demobilisation takes place.
<b>Civil and construction and hydro-electric</b> 	The technical and economic feasibility of the project is determined. Geophysical, geotechnical and seismological issues are among those taken into account.	Studies are conducted to collect data which is used to define the characteristics of the project, set the project schedule and estimate the cost.  Shaft construction begins. In construction engineering, raise boring is used to excavate access shafts and ventilation shafts in underground metro and rail systems.	However, the energy sector uses these types of holes and shafts in hydroelectric or pumped storage plants as pressure shafts.	
<b>Financial</b> 	This high-risk stage represents a small portion (1%) of our business and created \$1,67 million of our revenue for the 2015 financial year.	This is a medium to low-risk area and represents 10% of Master Drilling's revenue for the 2015 financial year of \$11,8 million.	Across all sectors, this is a low-risk area and represents 89% of Master Drilling's revenue for the 2015 financial year of \$106,4 million.	N/A



## Commodity and industry diversification



Master Drilling provides drilling services to mining clients operating across the mineral resources sector. This means we benefit from a diversification of revenue across commodities, which shields us from market price fluctuations of a particular commodity.

The precious and base metals sectors, covering copper, gold, lead, platinum, silver and zinc, delivered 77% of commodity revenue. Other commodities serviced include coal, diamonds, iron ore, manganese chrome and tin.

In recent years, China has consumed roughly two-thirds of the global iron ore supply and approximately 40% to 50% of the world's supply of other metals. The country's declining growth rates and economic health have negative implications for global commodities markets and, consequently, the mineral resources sector. However, we are able to mitigate the impacts of fluctuations in commodity supply and demand because we are diversified across the commodities spectrum. In addition, we have a high level of flexibility because our large number

of rigs and their geographic distribution enable us to operate multi-rig drilling projects and, importantly, to mobilise rigs quickly for new projects, or to address rescheduling and scope modifications on existing jobs. Our rigs can easily be deployed from one contract to the next, thereby optimising new opportunities – to the benefit of our clients and the group. We identify commodities on the down cycle and limit any capital spent in that area. We also strive to limit our exposure to any single commodity to 30% of revenue.

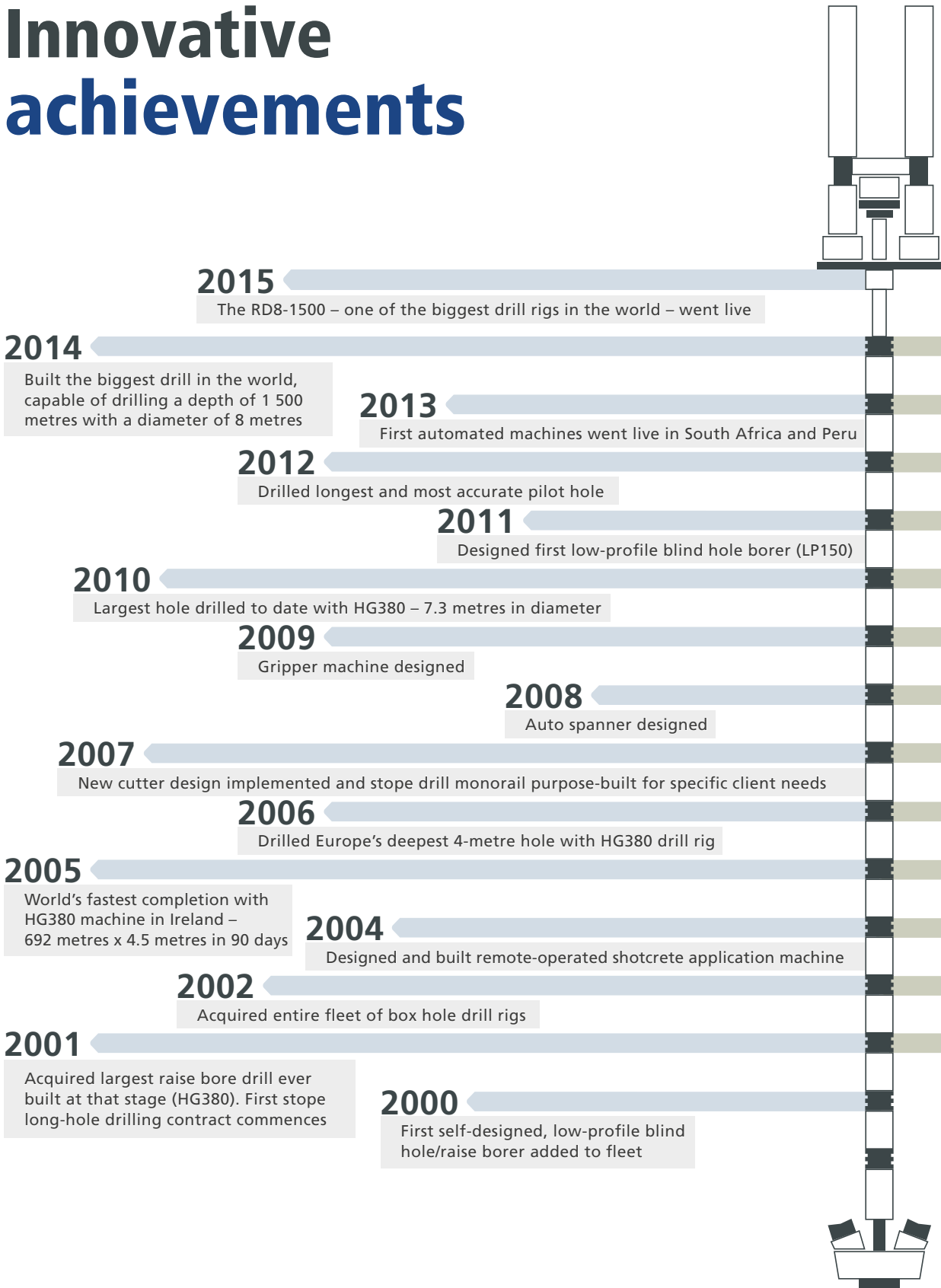
Platinum is in decline and iron ore prices are also expected to continue falling on the back of faltering steel prices. Analysts are divided about the prospects for gold, but seem to be generally optimistic. The longer-term outlook for copper appears more positive than other mining commodities. Our geographic diversification presents us with an opportunity to take advantage of the fast-developing gold and copper sectors in Ecuador and Colombia, where we have operations.

The decline in commodity markets has intensified the focus on costs. Our highly automated drilling solutions and vertically integrated business model give us a competitive advantage in that we can offer reduced labour costs and enhanced operating efficiencies.

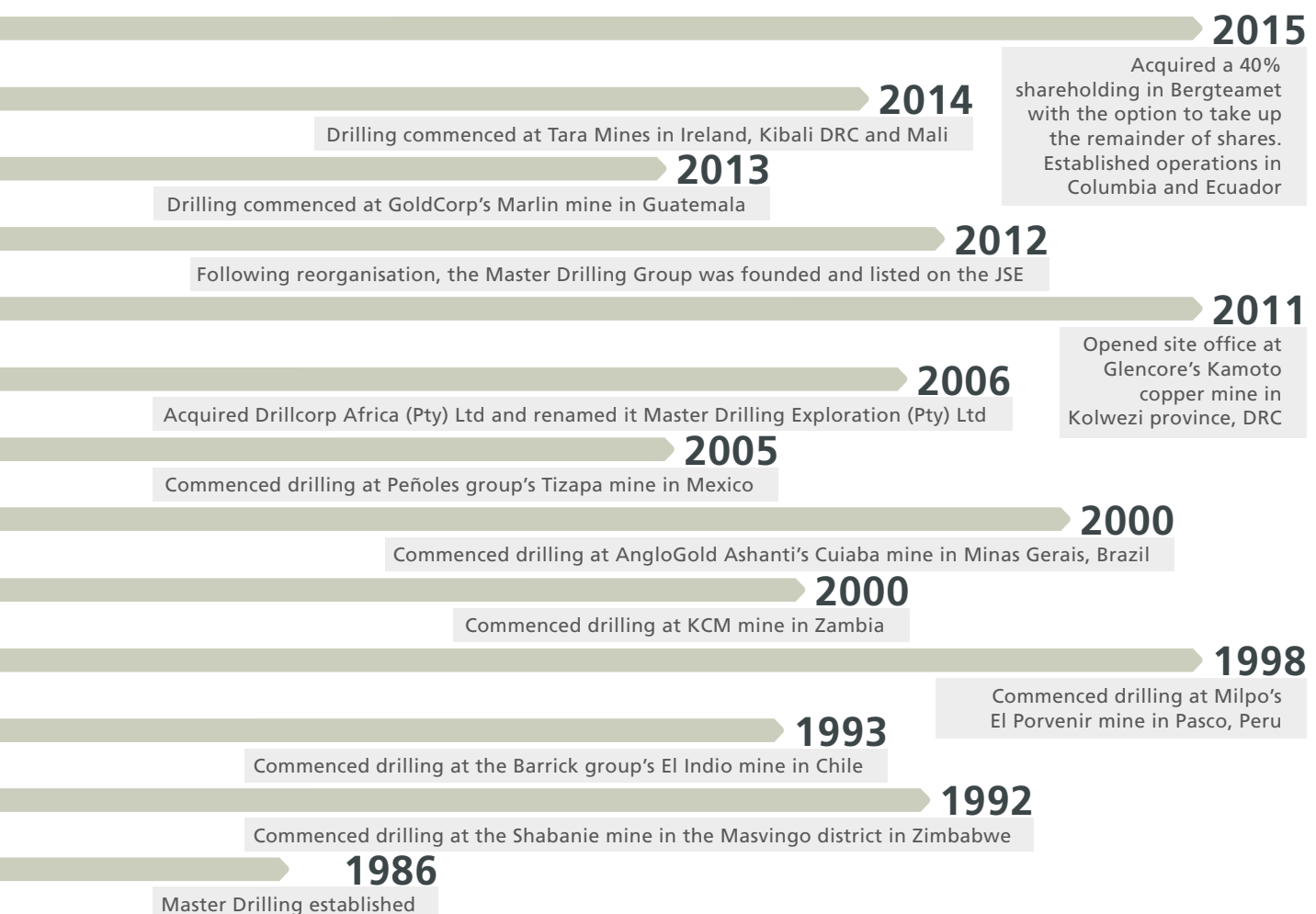


Typical Raise bore pipe loader

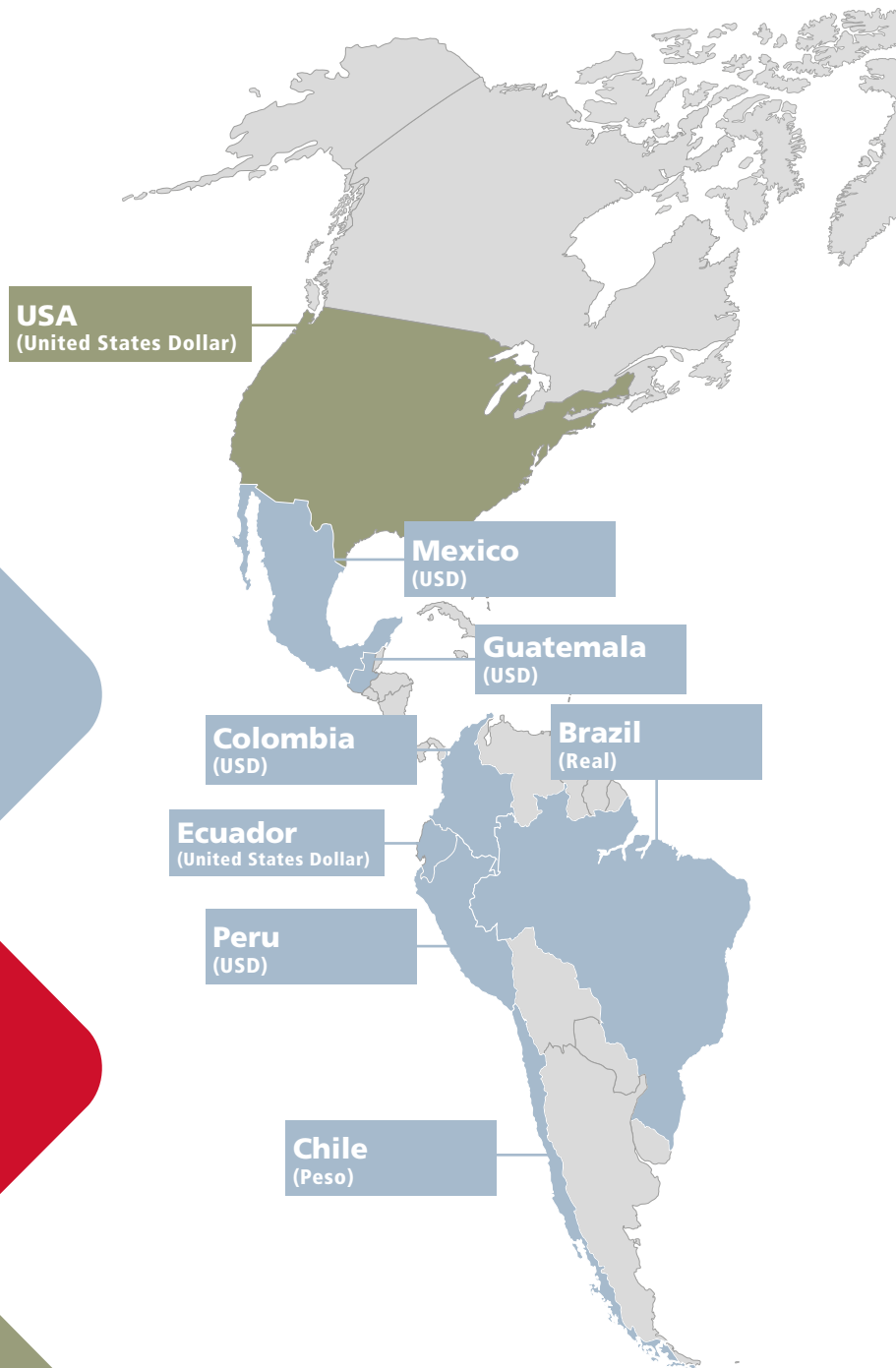
## Innovative achievements



# Our growth path



## Our global footprint



### Latin America\*

Commodity:  
**Polymetallic, gold, hydroelectric, copper, civil and construction, silver**

Total machines:

**64**

### Africa

Commodity:  
**Gold, platinum, copper, diamonds, iron ore, coal**

Total machines:

**82**

### Other countries

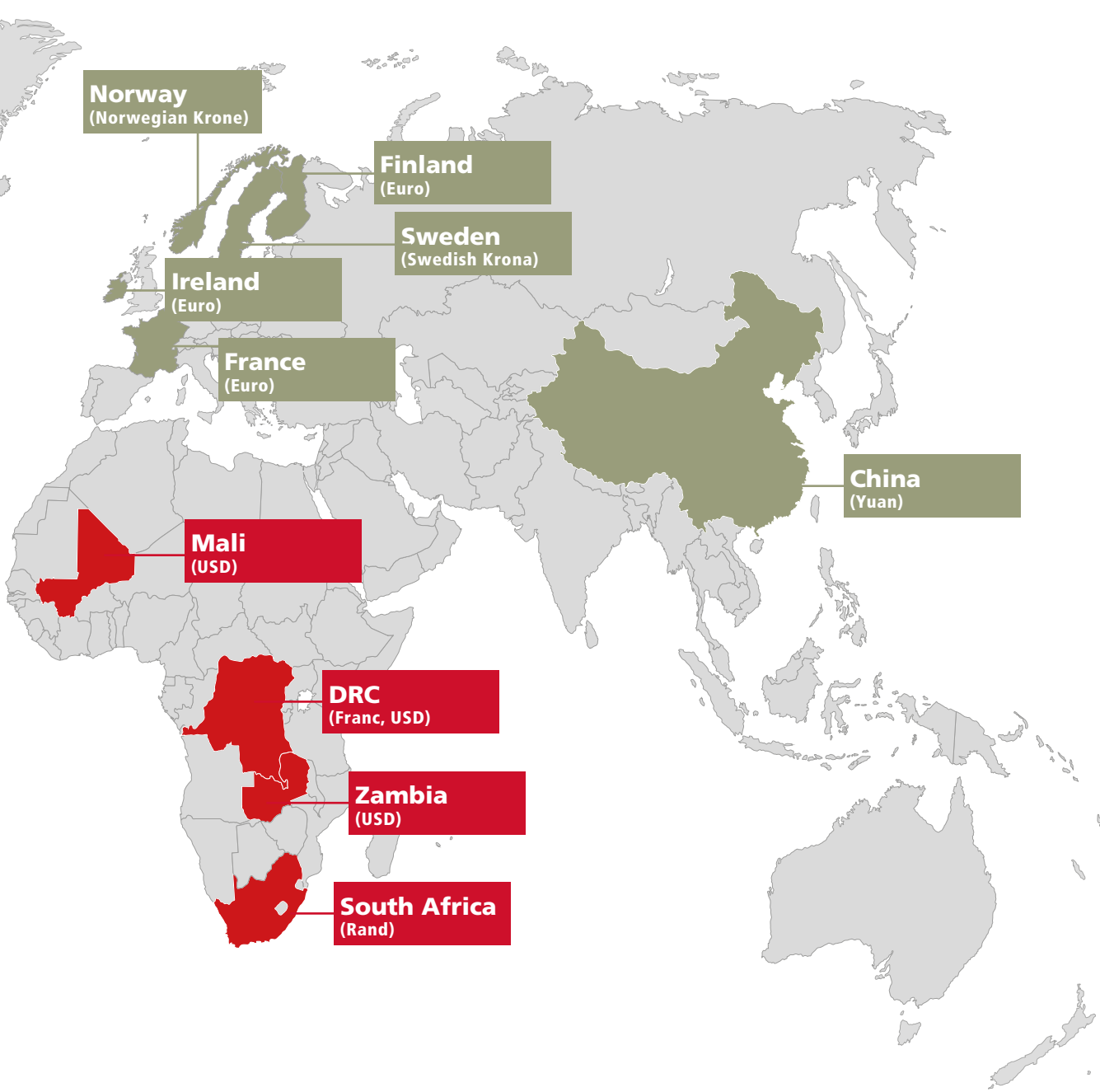
Commodity:  
**Lead, chrome, zinc, polymetallic, gold, iron ore, civil and construction, hydroelectric**

Total machines:

**18**

\* Includes Bergteamet geographies and machines. Included in total machines are two rental machines.







HG 380 raise bore machine



## Business overview continued

### Value-added services

We operate in a highly specialised area of the market. A key differentiator for Master Drilling is our 'one-stop-service' offering. We provide complete project management expertise in all aspects of drilling, delivering quality service to clients. We are also able to provide additional value-added services that are non-core to our business, such as civil concrete work, shaft lining and piling, to better serve our clients and certain contracts.

Industry in general is currently contending with a number of challenges. These include rising costs, energy supply constraints, safety, labour unrest and, in the case of the mining sector, low commodity prices and dwindling reserves. We are meeting these challenges in the following ways:

### Speed

In terms of our vertically integrated business model, we build and maintain our own machinery, thereby reducing turnaround time and honing our competitive advantage. This is enhanced by the fact that our raise bore drilling technology drills holes faster and more safely and uses manpower more effectively.

### Labour and safety

Our mechanisation and automation technologies allow our clients to move from labour-intensive mining operations to mechanised operations. This not only saves time, but also reduces labour costs and results in increased safety, efficiency and production levels. By way of example, 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. The mechanisation drive from mining companies puts us in a good position moving forward.

### Efficiency

Twenty four percent of Master Drilling's Raise Boring fleet either newly manufactured or upgraded are configured with an automated control system. This automated control system allows upgrading and reconfiguration of the software and additions of hardware as development advances. It provides in its most basic form an increase in production of at least 30% over conventional rigs, apart from beneficial functions that drastically reduce the risk of potential operator induced failures or deviation from standard. In a more sophisticated form, some machines can operate autonomously for a short period during operator shift changes. These shift changes are required to allow clearance and re-entry of personnel during and after explosive charge cycles which create noxious gases and the need of these gases to be diluted with fresh ventilation before it is safe to work again. The raise boring cycle is continuous, but shift changes need to be in sequence of other operations in the mine that are not continuous and interrupted by explosive blast cycles. It is Master Drilling's aim to extend these short periods of autonomous operation to longer cycles through continuous research and development, where as much as possible time on a 24 hour cycle can be utilised to further increase production through efficiency and reduce reliance on personnel for functions possible to automate.

### Accuracy

With the introduction of analysis while drilling, we are changing perceptions about the importance of drill and blast operations. We are able to pinpoint the location and quality of ore and waste in real time while drilling. Identifying the exact position of the ore allows more accurate targeting of the ore body, thereby increasing saleable material and reducing the handling of waste.

We can now absolute-steer the directionality of a raise-bored shaft to within a 150 millimetre radius from the theoretical vertical centre of the shaft, irrespective of the depth.

### High service levels

We provide customised design for specific requirements with engineering facilities in South Africa and China that service all our international operations.

### Ongoing technology development

In the last 18 months, we have commissioned new technology, comprising reef boring and the RD8, the largest raise bore rig in the world. We moved our reef boring technology underground. This technology involves drilling on the reef and putting mines in a position to start stoping within six months, as opposed to the conventional system which takes between 18 months and two years to reach the same level.

### Costs

Our fleet of drilling rigs is the biggest in the world; the fleet size of our closest competitor is approximately a third of ours and this gives us a significant cost advantage in terms of economies of scale.

### Business model

The Master Drilling business model explains how we create value for our stakeholders through our core business activities. It depicts the range of capital inputs required to design, manufacture, maintain and operate our specialised drilling rigs, in the context of our external environment and in response to our stakeholders' needs.

These elements inform our material matters and are taken into account when developing an effective strategy to drive value creation and achieve our long-term target of 20% compound annual growth in profit after tax.

# Business overview continued

## Input

Our capabilities and resources as set out in the vertical value chain are underpinned by a low gearing ratio, a strong South African mining pedigree, a workforce of approximately 2 000 employees, an unparalleled fleet of rigs and sound client relationships, supported by worldwide management and engineering expertise – all of which promote a healthy, cash-generative business that is able to challenge the status quo.

Vertical integration

Supports one-stop solutions

Master Drilling is a **global business**, with the majority of our revenue derived from South Africa and Latin America. We tailor solutions to meet the specific conditions and drilling requirements of our clients.



## Design

- Specialised in-house drilling equipment design customised for specific requirements
- Flexibility on capital investment
- Technology development



## Manufacture

- Assemble drill rigs to client specifications
- Diverse rig portfolio

## Strategic statement

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

## Strategic pillars



Sustainable growth



Optimisation and increased profitability



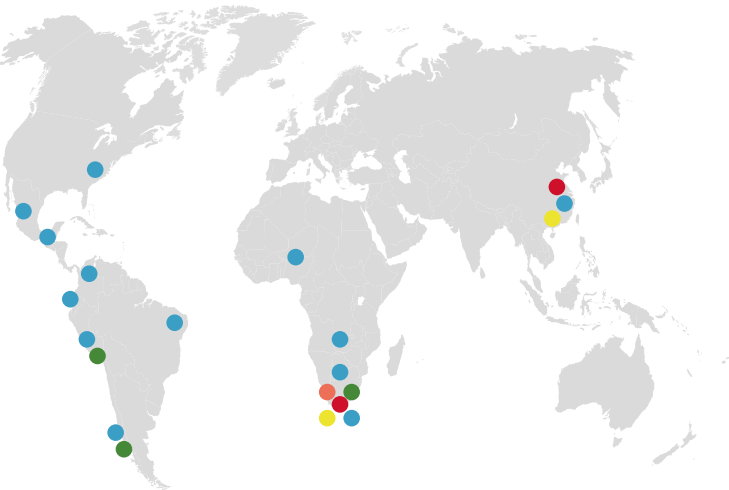
Technology optimisation and development



People capacity and development

What we achieve links directly to our strategic objectives of doubling market capitalisation, realising 20% in CAGR, expansion to two geographies or sectors per year and people development to support the 20% growth.

Outcomes



## External environment

External matters influencing our operations include:

- Fluctuations in mining commodities
- Mining outlook, locally and abroad
- Talent war
- Industrial action
- Exchange rate fluctuations

Refer to page 24 of this report

## Material matters Refer to page 34 of this report

Influencing how we do business:

- Global mining and commodity cycles
- Unwanted health and safety-related events
- Funding risk
- Contract execution
- Client dependency
- Contract quality management
- Fleet return optimisation
- Cost escalation beyond budget

# Business model



## Maintain ●

- Provide engineering support to our drill rigs
- Continuous upgrade portfolio



## Train ●

- Enhance skills to leverage our machinery
- Training centres in South Africa, Peru and Chile focused on technical skills
- Grooming management and staff to support our growth strategy



## Operate ●

- Provide operating support to our drill rigs
- Complete project management from exploration to production drilling

## Mining



In underground mining, raise boring is used for ventilation, transferring ore from one level to another, creating silos for storing rock, accessing personnel or material underground and hoisting rock and ore to the surface.

## Civil and construction



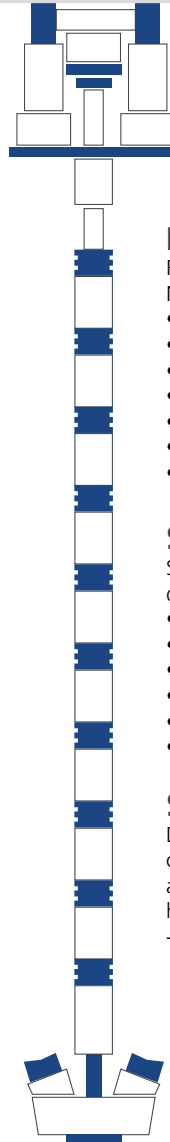
In urban infrastructure, raise boring is used to collect waste or floodwater from streets, disposing of it via an underground tunnel and access shafts and ventilation shafts required in underground metro and rail systems.

## Hydroelectric



The energy sector uses raise boring holes and shafts in hydroelectric or pumped storage plants as pressure shafts and to gain access to underground nuclear storage facilities. Tunnel boring is predominantly used in hydroelectric or pumped storage projects for the use of tailrace tunnels.

Sector served



## Output

Our products and services to the various sectors we serve

### Rock boring

Rock boring applications offered by Master Drilling include:

- Horizontal raise boring
- Box hole boring
- Slot hole drilling
- Tunnel boring
- Blind hole boring
- Reef boring
- Raise boring (our primary service offering)

### Slim drilling

Slim drilling includes a number of different drilling applications, such as:

- Blast hole drilling
- Dewatering
- Core drilling
- Percussion drilling
- Reverse circulation drilling
- Mud and air rotary drilling

### Support services

Directional drilling, stage shaft support, remote operated shaft support, piling scan mobile, analysing of ore and core yard management <http://masterdrilling.com/our-business-and-global-footprint.html>



- Reliance on strategic equipment component suppliers
- Fleet design and assembly process
- Delivering on technology expectations

- Availability of management and technical skills
- Information technology, data analytics and end-user knowledge

Web brochure on our outputs





# Business overview continued

## Our investment case

In challenging the status quo, Master Drilling offers a compelling investment value proposition.

<p><b>Financial value indicators</b></p>	<ul style="list-style-type: none"> <li>• Net cash generated \$27,6 million.</li> <li>• Increase in shareholder spread from 300 to over 900.</li> <li>• Low current gearing ratio of 25,5%.</li> <li>• 16% compound annual growth in PAT from 2011 to 2015.</li> <li>• \$30 million banking facility in place to fund further growth.</li> <li>• Net asset value of 79 US cents per share.</li> <li>• HEPS increased by 14% to 13,8 US cents.</li> <li>• Management continuously drives efficiency and cost control to protect the cash of the business.</li> </ul>
<ul style="list-style-type: none"> <li>• High barriers to entry.</li> <li>• Drilling rig fleet size is the largest in the world.</li> <li>• One-stop-service offering.</li> <li>• Customised design for specific requirements.</li> <li>• Value-added support services.</li> <li>• Low capital cost base means Master Drilling can build machines at much lower costs.</li> <li>• Patented intellectual property has led to an efficiency edge over the opposition.</li> </ul>	<p><b>Specialised market</b></p>
<p><b>Diversification</b></p>	<ul style="list-style-type: none"> <li>• Drilling services diversified across a range of aspects, including countries, business sectors, activities, commodities and clients.</li> <li>• Proven ability to move fleet between geographies to maximise revenue.</li> <li>• Vertically integrated business model facilitates revenue diversification.</li> <li>• Costs in local currencies, revenue in hard currencies.</li> <li>• Rand hedge.</li> <li>• Diversification strategy given further impetus by the acquisition of Bergteamet.</li> </ul>
<ul style="list-style-type: none"> <li>• Diversified client base mainly comprised blue-chip major and mid-tier mining houses.</li> <li>• Preferred supplier to most of the world's biggest mining houses, thereby reducing the risk of failure to secure or renew contracts.</li> </ul>	<p><b>Well-established client base</b></p>
<p><b>Technology</b></p>	<ul style="list-style-type: none"> <li>• Work on patented technology over the last 18 months now coming to fruition, described on pages 8 and 19 of this report.</li> <li>• Our technologies could change the way underground companies operate.</li> <li>• With the mining industry under pressure from low commodity prices and rising costs, innovations which will boost productivity and lower costs will be in demand.</li> <li>• Sophisticated information technology underpins all strategic initiatives.</li> </ul>
<ul style="list-style-type: none"> <li>• Strong recognition by mining companies that they need to produce more tonnes with fewer people and greater efficiencies.</li> <li>• In Latin America, where we have a strong and growing presence, a large proportion of underground mines already use trackless mining methods to extract minerals, indicating that mechanisation is already well entrenched within the industry – a fact that presents us with opportunities as the market understands the benefits of mechanisation.</li> <li>• Declining mineral content and the need to preserve the environment are causing big mining companies to turn back to underground mining. Large deposits that have been mined through open-cast mining have better reserves at greater depths. Block cave mining is a mass mining method that allows for the bulk mining of large, relatively lower grade orebodies and is increasingly being used for a number of deposits worldwide. Our work with Petra Diamonds (described on page 7 of this report) to use raise bore technology in a horizontal application in block cave mining could potentially lead to significant opportunities in this field.</li> </ul>	<p><b>Strong market opportunities</b></p>
<p><b>Experienced management team</b></p>	<ul style="list-style-type: none"> <li>• Diverse management team with a combined total of 92 years' experience.</li> <li>• Management invested in the business, with approximately 60% shareholding.</li> </ul>



RD5-550-D raise bore machine in Mexico

# Material matters

Master Drilling considers material matters to be those matters that could substantively affect our ability to create stakeholder value over the short, medium and long term in line with our strategy. 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. The Board has delegated its responsibility of risk management oversight to the Risk Committee as reflected in the Risk Committee charter. The risk department and management are responsible for the implementation of the risk management policy and processes throughout the group.

## Risk management process

Our risk management process is aligned with the ISO 31000 risk management standard, a global standard governing the principles and generic guidelines of risk management. 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 Risk Committee reviews identified risks and management's responses thereto at quarterly meetings, these risks are then used as input when determining our material matters.

## Material matters determination process

Our material matters were determined in 2014 through a process that was guided by the principles of the International Integrated Reporting <IR> Framework. Matters were reviewed and updated in 2015, where necessary, in response to our changing external environment, stakeholder needs and expectations and our risks and opportunities. This involved:

- Identifying the matters to be considered:
  - » Understanding the external environment in which Master Drilling operates.
  - » Reviewing engagement with stakeholders to determine their expectations.
  - » Considering our risks and opportunities as managed within the business operations.
- Determining the materiality of the matters:
  - » Assessing the severity of the impact a material matter has on Master Drilling and the probability of its occurrence.
  - » Examining the timing of the material matter, i.e. short, medium, and long term.
- Determining appropriate strategic responses that would adequately address the material matter.

## External environment

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

## Fluctuations in mining commodities

The pressure on the profitability of mining commodities in 2015 intensified with the depreciation of the Chinese Yuan. China is the world's biggest consumer of commodities and the weaker currency has meant imports for Chinese businesses have become more expensive, leading to reduced demand for raw materials. Iron ore prices have tumbled more than 60% over the past

12 months, far outpacing declines in other minerals. This resulted in mining companies focusing on short-term margins, cash flow and capital returns and in exploration work coming to a halt.

Our broad exposure across a wide range of commodities has helped to cushion us from the impacts of the downturn. So, too, has the fact that within our commodities revenue base, our exposure to gold and copper currently stands at between 60% and 70%. The medium-to-longer-term outlook for these commodities is generally more positive than for others in the sector.

Our geographic diversification also presents us with an opportunity to take advantage of the fast-developing gold and copper sectors in Ecuador and Colombia, where we have operations. We mitigate risk by targeting exposure to any single commodity to 30% of our revenue base. In addition, we are increasingly focusing on efficiencies, cost control and major clients.

## Mining outlook locally and abroad

The mining outlook is directly linked to commodities. Mining companies continue to contend with price volatility, geopolitical turmoil, rising costs, declining grades and a general lack of access to financing. In South Africa, labour costs make up more than half of underground mining costs, and after years of above-inflation wage increases, coupled with soaring input costs for electricity and other materials, the industry is under pressure. Companies are taking a short-term strategic outlook and focusing on margins, costs, cash flow and capital returns. This has resulted in restructuring, closing of non-profitable operations and cost-cutting exercises to survive the downturn.

Cost control, technology, innovation and efficiencies improvement are vital to ensure sustainable growth. A survey by Ernst & Young<sup>1</sup> indicates that capital projects in the mining industry have an average cost overrun of 62%. In this



<sup>1</sup> [http://www.ey.com/Publication/vwLUAssets/EY-business-risks-in-mining-and-metals-2015-2016/\\$FILE/EY-business-risks-in-mining-and-metals-2015-2016.pdf](http://www.ey.com/Publication/vwLUAssets/EY-business-risks-in-mining-and-metals-2015-2016/$FILE/EY-business-risks-in-mining-and-metals-2015-2016.pdf)





environment, our suite of drilling solutions offers mining companies a way forward. Automation helps to reduce labour costs, enhance operating efficiency and accuracy and increase safety levels. Currently, many mines are sinking large shaft complexes about five to eight kilometres apart to gain access to their deposits. Our technology facilitates underground access, which in turn enables smaller, more frequent and cheaper shafts. By working closely with our clients, we can analyse their position on the production cost curve of the various commodities to help them plan ahead.

### 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 our business.

Due to the slowdown in the mining sector, the availability of human resources has improved. However, this has not reduced the risk of competitors and other mining-related companies targeting our key personnel as the global technical skills shortage continues to place pressure on highly skilled talent. This situation was exacerbated by the resurgence of developed economies such as the USA, Germany and the United Kingdom. The technical skills shortage is particularly acute in South Africa. According to World Economic Forum (WEF) Global Competitiveness Report 2014 – 2015, South Africa currently ranks last out of 144 countries across the world for the quality of science and mathematics education. This has created a problem for the country, as South Africa now lacks scientists and engineers. The WEF Report includes a metric for the availability of scientists and engineers which ranks South Africa at 102 out of 144 countries worldwide.

Recognising that the lack of skills in our South African home base could inhibit growth, our training programmes focus

primarily on the technical expertise required for drilling operations. We also provide learnerships and internships in the engineering and operational divisions. To maintain the strength of our leadership bench, succession plans are developed per country.

We have successfully identified future potential at entry-level skilled employees and with training and development programmes, they have progressed to operator and foreman levels. In addition, there are a number of employees participating in managers in training programmes in engineering, operations, as foremen and as operators.

Our focus is on recruiting top talent during the downturn while retaining key skills.

### Industrial action

Globally and in South Africa, particularly in recent years, the mining industry has experienced ongoing labour unrest. Although industrial action in the platinum sector in South Africa idled several operations, it did not, to any large extent, affect the underground services that we delivered to platinum mines. Given the volatile nature of labour relations in this sector, we anticipate industrial action as part of our risk management strategy and at times when we might be affected, we are able to redeploy our labour force to other commodities and areas.

Going forward, we aim to maintain our presence in the platinum sector, but on a smaller scale, owing to the high levels of volatility and will operate between five and eight drill rigs in the sector over the next year.

Well-established participative forums enable us to identify risk at an early stage and elevate it for action.

In country terms, the formation of the local union in Peru has impacted on our day-to-day operations by demanding

a lot of management's attention. Going forward, we will focus on improving mutual communication and trust to achieve a positive outcome for both parties.

### Exchange rate fluctuations

In 2015, the Rand experienced its worst year against the US Dollar since the global economic crises of 2008 and 2009. The South African currency continued to slide, breaking through several resistance levels. This performance was mirrored in several emerging market currencies. On the other hand, according to the International Monetary Fund, the US Dollar has appreciated by more than 10% in real effective terms since mid-2014<sup>2</sup>.

As an example of our widespread geographic footprint working in our favour, on 21 September 2015, we entered the US market for the first time, using our platform in neighbouring Mexico to launch our offering to US clients. By generating revenues in US Dollars but paying costs in Pesos, we will achieve an advantage over US drilling companies.

### Other significant external factors

With many operations in emerging countries, including the DRC and Sierra Leone, geopolitical risks and safety and security are an ongoing concern, especially as those affected by our clients' operations see us as an extension of our clients' companies. Through many years of operating, we have experienced very few isolated incidents, none of which had a material impact. We fall under the umbrella of our clients' safety and security measures and our ability to disassemble our drilling rigs quickly and deploy them in another country mitigates against geopolitical risk.

# Material matters continued

## Stakeholder engagement

Stakeholders are the individuals and groups who have an interest in, or who are affected by, our business operations and the manner in which we achieve our business objectives. Our key stakeholders are those who can influence our ability to create value.

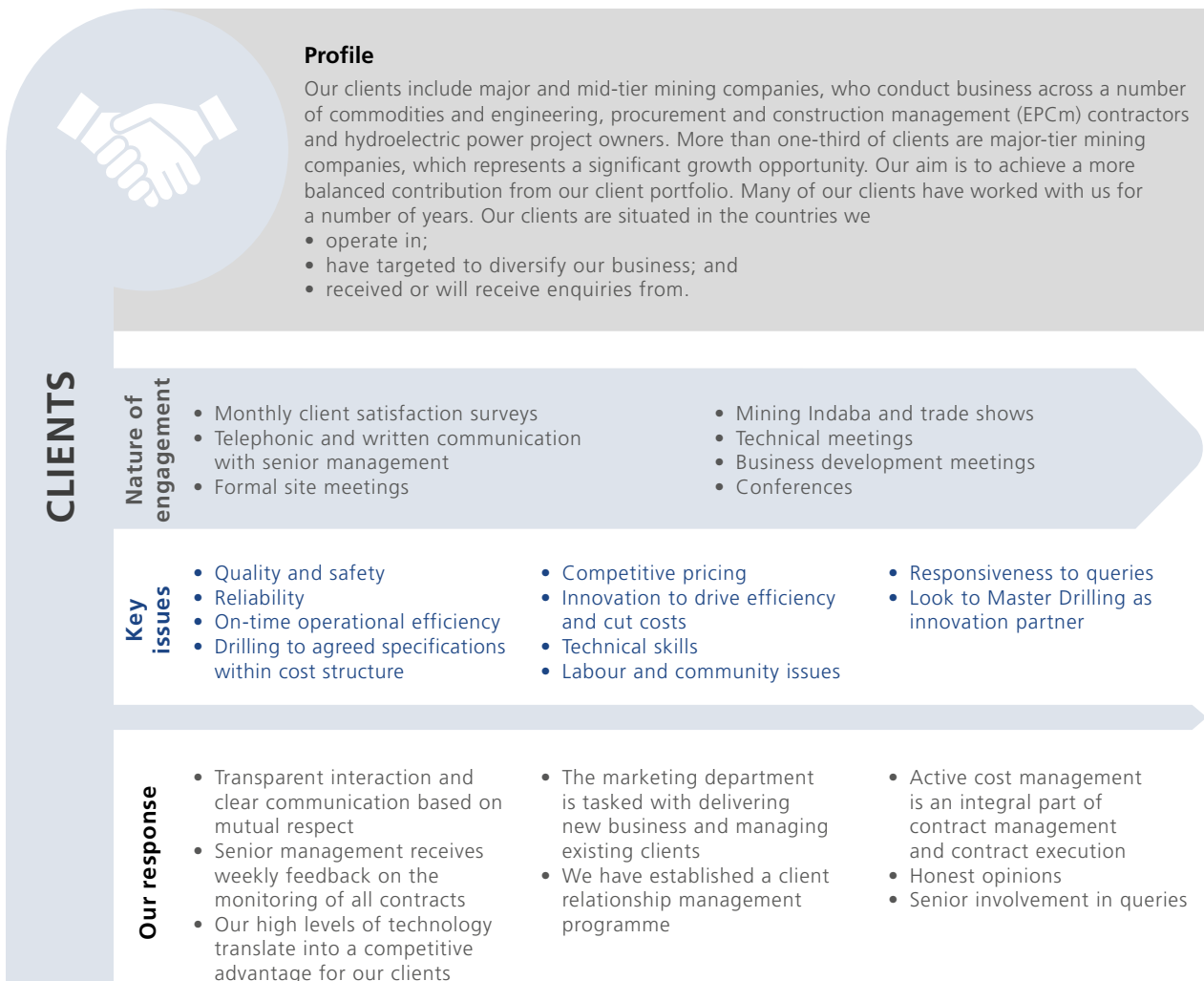
We view stakeholder engagement as an important source of business intelligence. Accordingly, members of our senior management team engage with specific stakeholders on a regular and ongoing basis.

Due to their influence and the impact that they have on the group, our key stakeholders are clients, employees, shareholders and investors. Our broader stakeholder group includes our lenders and financiers, trade unions, the media, our suppliers and government and regulatory bodies. The communities in which our clients' operations are situated are indirect stakeholders, as we engage with them under the auspices of our clients.

The issues and 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 information that follows identifies our stakeholders, the current engagement process, their key issues and the manner in which we respond to them.







## Case study

### About the RD8

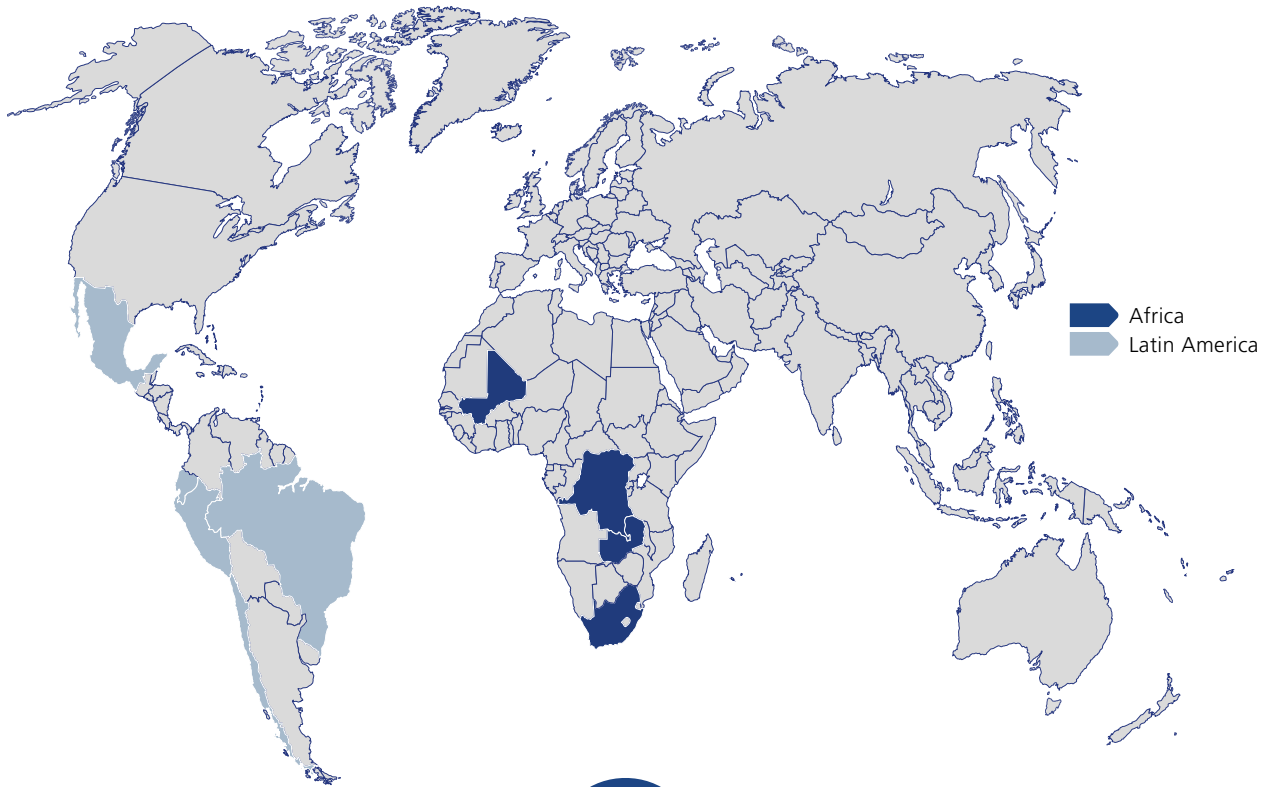
The RD8 is one of the largest raise boring rigs in the world and is designed and manufactured specifically for large diameter raise boring applications, for shafts up to 8 metres in diameter and 1,5 kilometres deep in hard rock.

The first contract where the RD8 is being utilised is in the surface raise boring of the vent shafts for the Palabora Mining Company's lift II project. This involves the construction of two ventilation shafts, each 6,1 metres in diameter and 1,2 kilometres deep. Raise boring is a lower-cost, faster and more efficient alternative to conventional methods. The RD8 is the only raise boring machine of its kind to use 3-metre drill pipes. This reduces the amount of connections between the drill pipes in the length of the shaft, reducing the risks involved. A further differentiator offered by the rig is the potential to further expand its capacity from its current design. The machine uses the latest operational technology also fitted to some of Master Drilling's other large machinery, which enables full diagnostics, automation and remote operation. Clients using the RD8 benefit from our in-house design and manufacturing capabilities.

RD8 raiseboring rig

# Material matters continued

## Stakeholder engagement continued Our diversified client base



- Atacocha
- Boliden
- Buenaventura
- Camargo Correa
- Codelco
- First Majestic Silver
- Fortuna Silver
- Hodschild
- Jaguar Inc.
- Lundin Mining
- MARSA
- Milpo
- Minsur
- Pan American Silver
- Peñoles
- El Brocal
- Southern Peaks Mining
- Volcan
- Votorantim
- Yamana Gold
- Zublin

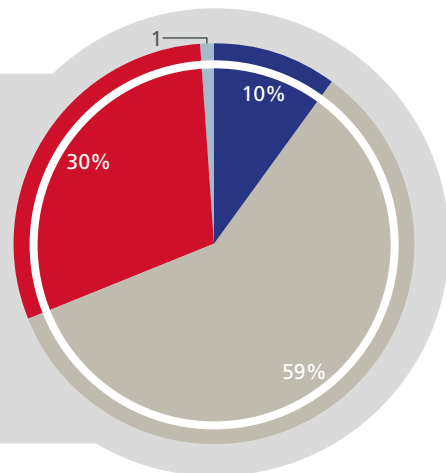
- Andina
- AngloGold Ashanti
- Assmang
- Aquarius Platinum
- DRA Mining
- GoldFields
- Gold One
- Harmony
- Impala Platinum
- Kumba Iron Ore
- Lonmin Platinum
- Mopani Copper Mines
- Palabora Mining Company
- Pan African Resources
- Petra Diamonds
- Platinum group Metals
- Randgold Resources
- Royal Bafokeng Platinum
- Samancor
- Sibanye Gold
- South32
- Total Coal
- Tumela Coal





**Profile**

As a global business, Master Drilling employs almost 2 000 people across 13 countries. Our diverse workforce reflects the demographics of those countries in terms of culture, language and technical competence. The workforce comprises 30% skilled employees; 25% semi-skilled; operational, mechanical and field personnel; and 45% unskilled employees. The pie chart shows the geographical spread as at the end of December 2015. We are investing in skills development to support our growth strategy.



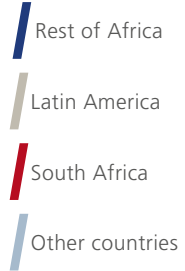
**EMPLOYEES**

**Nature of engagement**

- Induction programme
- Ongoing training
- Quarterly newsletters
- Meetings with executives, heads of departments and management committees
- Senior management site visits
- Performance reviews
- Employee surveys conducted in South Africa
- Social and sporting events

**Key issues**

- Training, personal and career development opportunities
- Equal opportunities
- Clarity on roles and responsibilities
- Understanding of and alignment with Master Drilling's strategic direction
- Working conditions
- Remuneration and benefits
- Safety
- BBBEE in South Africa



**Our response**

- We ascribe to the codes of the International Labour Organisation in terms of labour practice
- In terms of remuneration, we comply with local legislation, generally paying above minimum wage
- Clear performance management and career development
- Conduct regular performance reviews and appraisals
- Development of fast-track project management teams
- Succession planning
- Annual salary reviews
- Implementation of Managers In Training programmes
- We rolled out short and long-term incentive schemes to senior operational levels
- Enhanced training levels at our specialised training centres
- We provide technical and 'soft skills' training programmes
- We established a health and safety programme
- Focused communication
- The highest possible safety standards, underpinned by OHSAS certification
- A BBBEE ownership scheme benefits our South African black employees
- Regular employee surveys
- Individual development plans (IDP)
- Whistle-blowing hotlines
- A culture of honesty and transparency entrenched in our Code of Ethics. To provide employees with further direction and guidance, various policies have been developed for conflicts of interest, gifts and hospitality, anti-bribery and anti-corruption. The employee ethics and code of conduct policy and the conflict of interest policy are communicated to all employees
- We promote a culture of ingenuity and innovation (See case study on page 30)



# Material matters continued

## Stakeholder engagement continued




Case study

### Driving innovation

We drive a culture of ingenuity and innovation, rewarding excellence through the use of rewards. For example:

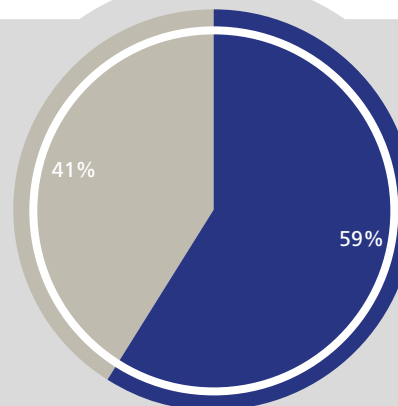
- We established the first fully dedicated rehabilitation team for Master Drilling Exploration (Pty) Ltd (MDX) in 2014. Two members of the team took on the task of rehabilitating boreholes at an exploration drilling programme in South Africa's Northern Cape province. The team used water bailers to bail the bulk of drilling fluids from drilled boreholes before an absorbent sock was installed. This procedure not only enhanced environmental performance, but also highlighted the importance of protecting groundwater.
- Two members of group finance designed a new requisition format that will eliminate the receipt of incorrect supplier invoices. This led to increased savings in the form of value-added tax and helped to reduce supplier query follow-ups. The new format will also instil transaction discipline within the group.



### Profile

Master Drilling currently has a small shareholder base of 931, with management holding 59,07% 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% of the company. We are aware of and comply with the requirement for an independent board and transparent communication with all shareholders as guided by the JSE Listings Requirements.



41%

59%

## SHAREHOLDERS AND INVESTMENT COMMUNITY

<b>Nature of engagement</b>	<ul style="list-style-type: none"> <li>• Management daily, by executive meetings and day-to-day involvement in business</li> <li>• One-on-one CEO and CFO meetings</li> <li>• Reporting into governance structure</li> <li>• JSE and retail investors: integrated report</li> <li>• Interim and year-end investor presentations</li> </ul>	<ul style="list-style-type: none"> <li>• Investor forums</li> <li>• Roadshows</li> <li>• Analyst meetings</li> <li>• Stock Exchange News Service (SENS) announcements</li> </ul>	<div style="display: flex; align-items: center;"> <div style="width: 10px; height: 10px; background-color: #003366; margin-right: 5px;"></div> Management                 <div style="width: 10px; height: 10px; background-color: #999; margin-left: 10px; margin-right: 5px;"></div> Public             </div>
<b>Key issues</b>	<ul style="list-style-type: none"> <li>• Sustainable growth</li> <li>• Good reputation and sound corporate governance</li> <li>• Transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Dividend policy</li> <li>• Share liquidity</li> <li>• Return on investment</li> <li>• Private investors</li> </ul>	
<b>Our response</b>	<ul style="list-style-type: none"> <li>• To achieve our compound annual growth rate (CAGR) target, we are continually reinvesting in the business and using our cash resources for investment in asset development.</li> </ul>	<ul style="list-style-type: none"> <li>• Our strong Board has industry-wide experience</li> <li>• We adhere to the principles of King III</li> <li>• We are transparent about the fact that shareholders should not expect dividends while we are investing in our business capacity during the group's initial growth phase.</li> </ul>	





## Case study

### Listening to our stakeholders

After publication of the annual integrated report 2014, we engaged with Investec and Coronation to obtain feedback on what information they found useful in the report. Here is some of their feedback:

Investec: "It is good to have such details on your business model; since investors still need to be educated about what you do and can make an informed decision as to how well differentiated you are from other drilling companies; so the report is comprehensive."

Some of the constructive criticism by our investors included: "Performance commentary by reporting segment (financial performance, operational performance – including contract performance and future outlook) would be better presented under separate headings as a report by COO or heads of divisions. At the moment it is all captured under the CEO report making this section very long."



This year our performance commentary is set out in two sections – the combined report by the Chairman and Chief Executive Officer's (CEO) and the Chief Financial Officer's (CFO) review. Our Chairman and CEO share their unitary report on progress against strategy and our CFO explains the financial impact of our strategy. Our aim is to give readers an integrated view of the strategic pillars on which our business is built, with a view to keeping the message clear and concise.

Again we welcome feedback on this year's report, not only from our investors but also from any other reader of the report. Please forward your comments to [info@masterdrilling.com](mailto:info@masterdrilling.com) with the subject line "MD IR".



# Material matters continued

## Stakeholder engagement continued

Profile	Nature of engagement	Key issues	Our response
<b>Lenders and financiers</b>			
<p>Our lenders and financiers include global and regional banks situated in South Africa and across the world where we have operations. Prepayments by clients also play an important role in financing.</p>	<ul style="list-style-type: none"> <li>• CFO meetings</li> <li>• Regular reviews with management</li> <li>• Banks contacted monthly via management statements</li> <li>• Covenant reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance of covenants</li> <li>• Financial position</li> <li>• Outlook/forecast for future funding</li> </ul>	<p>We provide detailed financial reports and operate to a strong cash flow and debt coverage ratio. We also hold significant assets</p>
<b>Trade unions</b>			
<p>We promote freedom of association and engage with trade union members and union representatives. Approximate unionisation:</p> <ul style="list-style-type: none"> <li>• South Africa: 100% (UASA majority of 67,9%)</li> <li>• Brazil: 100%</li> <li>• Chile: 35%</li> <li>• Mexico: 100%</li> <li>• Peru: 38%</li> <li>• Zambia: 75%</li> </ul>	<ul style="list-style-type: none"> <li>• Official letters</li> <li>• Annual wage negotiations</li> <li>• Quarterly meetings</li> <li>• In South Africa, we have a recognition agreement with the United Association of South Africa (UASA) and hold frequent meetings with the Association of Mineworkers and Contractors Union's (AMCU) officials</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration and benefits</li> <li>• Fair labour practice</li> <li>• Adherence to country-specific labour regulations</li> <li>• Health and safety</li> <li>• Training and development</li> </ul>	<ul style="list-style-type: none"> <li>• Fair remuneration, benchmarked to industry standards, was incorporated into the annual wage agreements</li> <li>• Agreements and interactions are reviewed by an independent labour lawyer</li> </ul>
<b>Media</b>			
<p>We engage with journalists from all forms of media, including print, the internet, radio and television. In terms of print media, we gain exposure in industry-related trade publications, mining magazines and newspapers.</p>	<ul style="list-style-type: none"> <li>• Quarterly publications</li> <li>• Financial results</li> <li>• Mining-related gatherings</li> <li>• Meetings at our offices</li> <li>• Press releases</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency</li> <li>• Insight into business</li> <li>• Topical coverage</li> </ul>	<p>We engage proactively, informally and transparently with all forms of media to satisfy most requests.</p> <p><a href="http://masterdrilling.com/category/media-coverage/">http://masterdrilling.com/category/media-coverage/</a></p>  



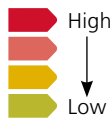
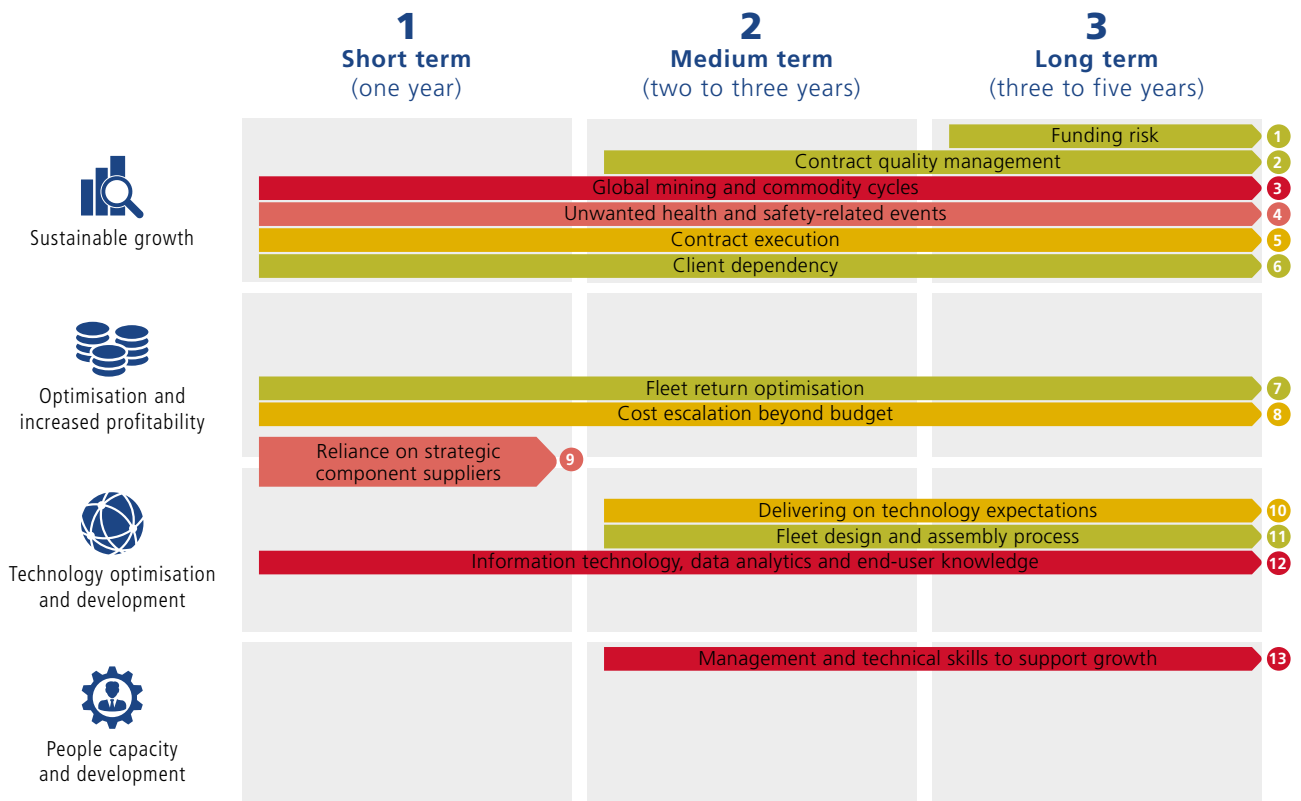
Master Drilling Mexico at the 2015 International Mining Convention in Acapulco



Profile	Nature of engagement	Key issues	Our response
<b>Suppliers</b>			
<p>Our suppliers are local, regional and international and include:</p> <ul style="list-style-type: none"> <li>• equipment component manufacturers;</li> <li>• spares and consumables suppliers; and</li> <li>• business partners for specific drilling operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Regional procurement office for specific equipment</li> <li>• Regular interactions with suppliers via meetings, visits and email</li> <li>• Engineering trainees work with suppliers to understand the value chain</li> <li>• Audits</li> <li>• Monthly discussions on supplier variations</li> </ul>	<ul style="list-style-type: none"> <li>• Open communication</li> <li>• Protection of intellectual property</li> <li>• On-site quality and on-spec products</li> <li>• Mutually beneficial terms</li> <li>• Safety</li> </ul>	<ul style="list-style-type: none"> <li>• We have a team dedicated to dealing with supplier accounts</li> <li>• We continue developing new suppliers to reduce our reliance on any particular supplier</li> <li>• A dedicated office in China monitors all aspects of the equipment component supply chain management process</li> <li>• We use a Data Vault programme to manage change control</li> <li>• We are implementing more modules of Dynamix AX</li> </ul>
<b>Government and regulatory bodies</b>			
<p>We engage with tax, labour, environmental and mining authorities. We also engage with the JSE and regional and central banks. Engagement takes place at our regional head offices and operation sites.</p>	<ul style="list-style-type: none"> <li>• Regulatory returns</li> <li>• Indirect communication through our clients</li> <li>• Direct communication from permanent offices</li> <li>• Visits by the authorities</li> <li>• Quality of education</li> <li>• Labour laws</li> <li>• BBBEE expectations</li> <li>• Tax paid</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Responsible business activities</li> <li>• Regulatory returns</li> <li>• Local employment and investment</li> <li>• Inability to support growing business with funding</li> </ul>	<ul style="list-style-type: none"> <li>• We ensure we meet all compliance requirements through timeous filings and the hand-over of complete, transparent supporting documentation.</li> <li>• We engage on an ongoing basis in order to maintain and establish mutually respectful relationships</li> </ul>
<b>Communities</b>			
<p>We mostly engage with those communities situated within our clients' areas of operation. Engagement takes place at their sites, under their operating authority.</p>	<ul style="list-style-type: none"> <li>• Aligned with our clients</li> <li>• Ad hoc as circumstances dictate</li> </ul>	<ul style="list-style-type: none"> <li>• Jobs</li> <li>• Community investment</li> <li>• Sponsorship of community events/projects</li> </ul>	<ul style="list-style-type: none"> <li>• Our engagement with communities is aligned with the companies who employ our services in our operational areas</li> <li>• Corporate social investment is run by local operations, rather than at a group level</li> </ul>

# Material matters continued





## Material matters heat map



The heatmap indicates high to low prioritisation of material matters based on an assessment of the probability of a risk occurring or an opportunity realising and the impact it would have on the business










Material matters	Context for risk and opportunities with impact	Strategic pillar
<p><b>1 Funding risk</b></p>	<p>As part of our growth plan, we are constantly reviewing funding strategies and financial plans. The ability to fund future growth is a key component of these plans.</p> <p>Our growing maturity as a company since our listing in 2012 has enhanced our reputation, given us a stronger presence in the market and made funders more favourably disposed toward us.</p>	<p>Sustainable growth</p> 
<p><b>2 Contract execution</b></p>	<p>We could be at risk of reputational damage if contracts are not executed to agreed quality standards, because of equipment failure 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 is embedded throughout the group. Senior management receives weekly feedback on the operational monitoring of all contracts.</p> <p>We have identified contract execution as a strategic initiative and have appointed a group quantity surveyor. In addition, our IT structure has been set up to communicate lessons learnt and establish group best practices.</p>	<p>Sustainable growth</p> 
<p><b>3 Global mining and commodity cycles</b></p>	<p>The mining sector, which accounts for 94% of our revenue, is exposed to commodity cycles that can negatively impact our business. We deliberately increased our exposure to more stable, longer-term capital projects and production-stage drilling opportunities from which we derive most of our income.</p> <p>We also aim to diversify our commodity portfolio and have a well-diversified revenue stream in different commodities. There are global opportunities in specific commodities, which the management team investigates on a regular basis.</p> <p>Our high level of geographic diversification assists in absorbing commodity swings.</p> <p>The fact that our drilling rigs are highly mobile allows Master Drilling to move where the demand is, profiting out of the commodity market without any real commodity spot price risk.</p> <p>While Bergteamet currently operates mainly in the mining sector, the company's geographic position will facilitate entry into the hydroelectric and civil and construction sectors of Europe and Scandinavia, further driving overall diversification.</p>	<p>Sustainable growth</p> 
<p><b>4 Unwanted health and safety-related events</b></p>	<p>Mining is a labour-intensive activity which exposes our employees to a range of potential health and safety hazards. However, our non-blast drill environments mitigate against this risk and we have a health and safety programme in place to minimise incidents and ensure the safety of employees.</p>	<p>Sustainable growth</p> 

# Material matters continued

Material matters	Context for risk and opportunities with impact	Strategic pillar
<p><b>5 Contract quality management</b></p>	<p>Contracts jointly negotiated with our clients help us to manage operational deliverables 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. We must ensure that certain critical clauses, such as force majeure, are included in the contracts to manage the commercial risks. We are confident that the quality of contracts is of a high standard and review them regularly to ensure their relevance for current market conditions.</p> <p>As with contract execution, we have identified contract management as a strategic initiative and are working to ensure transfer of knowledge management in this area, underpinned by information technology.</p>	<p>Sustainable growth</p> 
<p><b>6 Client dependency</b></p>	<p>Recognising that depending too heavily on one client is a risk to our revenue stream, we aim to balance our client spread more effectively. We target clients on the bottom end of the cost curve, believing that their businesses are more sustainable than those at the higher end.</p>	<p>Sustainable growth</p> 
<p><b>7 Fleet return optimisation</b></p>	<p>Our fleet of drill rigs is our manufactured capital. It is critical that we use the fleet optimally to maximise value creation for stakeholders. By owning the majority of our drill rigs (145 rigs of a total of 146), we can 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>	<p>Optimisation and increased profitability</p> 
<p><b>8 Cost escalation beyond budget</b></p>	<p>Our focus on automation and remote drilling will have a positive impact on operational efficiency going forward. This, in turn, will assist in managing the escalation of costs. Escalation clauses are included in contracts.</p> <p>In the case of cost and revenue currency mismatches at a country-specific level, there is a natural hedge at group level.</p>	<p>Optimisation and increased profitability</p> 
<p><b>9 Reliance on strategic equipment component suppliers</b></p>	<p>Our assembly process relies on strategic suppliers situated in China for the delivery of cost-effective, high-quality equipment components delivered to our specifications. We can source other suppliers worldwide, but we would be compromising on cost and time frame.</p> <p>We continue developing new suppliers to reduce this reliance and a dedicated office in China monitors all aspects of the equipment component supply chain management process.</p> <p>In line with our concerted focus on cost containment, we are assessing all elements of our supply chain to see where we can reduce costs without compromising on quality.</p>	<p>Technology optimisation and development</p>  <p>Optimisation and increased profitability</p> 





Material matters	Context for risk and opportunities with impact	Strategic pillar
<p><b>10</b> Delivering on technology expectations</p>	<p>We are recognised as a market leader in the raise bore drilling industry and client expectations are to deliver technology innovations to reduce costs, increase efficiency and enhance employee safety. Our in-house research division ensures we deliver differentiated services within the mining industry. Supporting our people in exploring various aspects of innovation not only helps to drive a culture of innovation, but is also an important retention strategy.</p>	<p>Technology optimisation and development</p> 
<p><b>11</b> Fleet design and assembly process</p>	<p>We are reliant on our in-house design and assembly process to deliver additional rigs to address changing demands and ultimately support growth. There is a risk that fleet planning and forecasting might not be fully integrated within the business strategy and would not be able to react timeously to a changing market.</p> <p>To mitigate this risk, the forward assembly process plans take account of day-to-day maintenance volumes and future demand to support client requirements. Our ability to design our own drills and rigs in-house, source and manufacture components (mostly through our Chinese subsidiary) and assemble the finished rigs, allows us to constantly grow and improve our fleet without competitors having access to our engineering intellectual property – a key competitive advantage.</p>	<p>Technology optimisation and development</p> 
<p><b>12</b> Information technology, data analytics and end-user knowledge</p>	<p>The inability of a business to fully utilise its information system and the data it yields could lead to missed opportunities for driving production efficiencies and capitalising on cost savings.</p> <p>We have established an IT Committee to ensure that systems are in place for optimal extraction, analysis and interpretation of data.</p>	<p>Technology optimisation and development</p>  <p>People capacity and development</p> 
<p><b>13</b> Availability of management and technical skills</p>	<p>The lack of management and business skills, project management expertise and skilled labour in the drilling industry could restrict the ability for future growth. Shortage of skilled labour could possibly inhibit our rate of expansion.</p> <p>To support and drive future growth, we have increased training and development to maintain and deliver specialised skills required. We operate training centres in South Africa, Peru, Mexico and Chile and provide learnerships and internships in the engineering and operational divisions and have, for example, established a Managers in Training programme.</p>	<p>People capacity and development</p> 

# Strategy

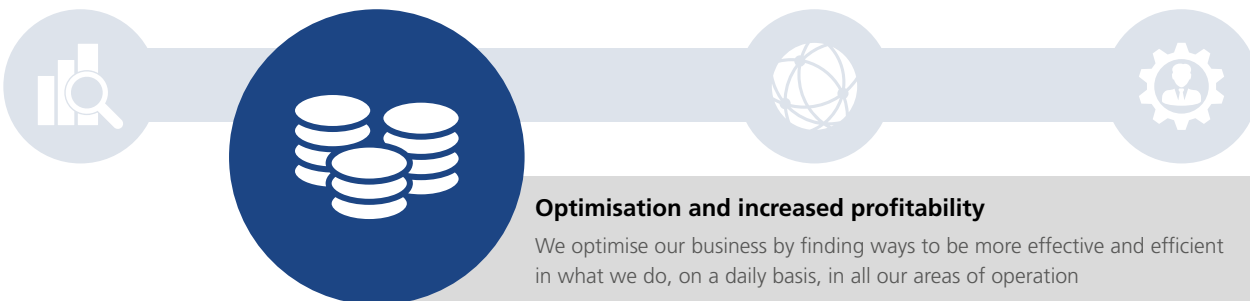
Master Drilling held a series of internal strategy meetings to clarify our strategic statement and understand the risks and opportunities inherent in our strategy within the context of our clients' needs and market expectations. This process was facilitated by an external consultant. We used our risks and opportunities as the basis for adapting the strategic initiatives adopted in 2014.

To ensure successful execution of this strategy, we formalised a process to operationalise the strategic initiatives identified, which included introducing the key performance indicators (KPIs) against which progress will be monitored. The KPIs have been modified since 2014 to provide more focused operational dashboards to facilitate internal reporting and enhance operational efficiency. We have set timelines for the divisional implementation of the strategy to ensure its effective adoption at a functional and country level.

## STRATEGIC PILLARS



Current strategic initiatives	Our actions	KPIs
<ul style="list-style-type: none"> <li>Develop a marketing and business plan for the group</li> </ul>	<ul style="list-style-type: none"> <li>Marketing template for each region</li> <li>Monitoring system and targets for client interaction</li> <li>Dynamics AX sales and marketing module to facilitate data analysis</li> <li>Leverage data analytics</li> <li>Determine regional growth points</li> </ul>	<ul style="list-style-type: none"> <li>Revenue per commodity and industry split</li> <li>Order book</li> <li>Revenue per stage (exploration, capital project or production stage)</li> <li>Revenue – actual against budget</li> </ul>
<ul style="list-style-type: none"> <li>Mergers and acquisitions research and target analysis</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of Bergteamet</li> <li>Entry into the USA</li> </ul>	
<ul style="list-style-type: none"> <li>New drilling services</li> </ul>	<ul style="list-style-type: none"> <li>Cross-sell our range of services</li> <li>Make greater use of marketing material</li> </ul>	
<ul style="list-style-type: none"> <li>Shaft drilling</li> </ul>	<ul style="list-style-type: none"> <li>Country research</li> <li>New product development</li> </ul>	
<ul style="list-style-type: none"> <li>Excellence in capital allocation management</li> </ul>	<ul style="list-style-type: none"> <li>Centralised capital management and more formalised capital budget process</li> <li>Monitor non-performing contracts</li> <li>Implementation of Dynamics AX asset and projects module</li> </ul>	<ul style="list-style-type: none"> <li>Return on equity (ROE)</li> <li>Return on capital employed (ROCE)</li> <li>Return on assets (ROA)</li> <li>Asset turnover ratio</li> <li>Working capital ratios</li> <li>Debt-equity ratio</li> </ul>



### Optimisation and increased profitability

We optimise our business by finding ways to be more effective and efficient in what we do, on a daily basis, in all our areas of operation

Current strategic initiatives	Our actions	KPIs
<ul style="list-style-type: none"> <li>Develop a cost optimisation review</li> </ul>	<ul style="list-style-type: none"> <li>Ascertain the three biggest costs for the group and formulate a plan for each</li> <li>Focus on procurement costs</li> <li>Expand our supplier base</li> <li>Establish a common matrix for determining costs per equivalent metre</li> <li>Configured IT system to allow for reporting of dashboards created</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of operating expenses</li> <li>Costs per equivalent metre</li> <li>Gross profit percentage               <ul style="list-style-type: none"> <li>» Total</li> <li>» Per machine</li> </ul> </li> <li>Percentage of profit after tax</li> <li>Average cost per operating rig (ACPOR)</li> </ul>
<ul style="list-style-type: none"> <li>Technology-enabled productivity monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Determine inventory levels</li> <li>Data analytics</li> <li>Deploy remote control systems</li> <li>Accelerate automation</li> </ul>	<ul style="list-style-type: none"> <li>Operational utilisation percentage</li> <li>Percentage of availability</li> <li>ARPOR (average revenue per operating rig)</li> </ul>
<ul style="list-style-type: none"> <li>Implement contract performance reviews</li> </ul>	<ul style="list-style-type: none"> <li>Communicate lessons learnt</li> <li>Group quantity surveyor appointed</li> </ul>	<ul style="list-style-type: none"> <li>Lessons learnt review</li> <li>Contract compliance status</li> <li>Poor performing contracts review</li> </ul>
<ul style="list-style-type: none"> <li>Commercial management improvement</li> </ul>	<ul style="list-style-type: none"> <li>Roll out costing template and standardised pricing model</li> <li>Define terms and conditions more closely</li> </ul>	<ul style="list-style-type: none"> <li>Number of significant non-conformance ratings (NCR) raised on projects</li> </ul>



Pilot bit

## STRATEGIC PILLARS continued



Current strategic initiatives	Our actions	KPIs
<ul style="list-style-type: none"> <li>Fast-track machine automation programme</li> </ul>	<ul style="list-style-type: none"> <li>Types of automation upgrades include control systems, various types of motors, hydraulic pack upgrades, pendant station upgrades, camera systems, pipe loaders and top and bottom auto spanners</li> <li>Following challenges in-field on the top and bottom spanner design, we redesigned and rebuilt these</li> <li>Nearly all blind hole borers are automated</li> <li>Mini borers and medium borers are on track for automation upgrades in 2016</li> <li>Going forward, we will focus on rod feeder systems and offset gearbox upgrades</li> </ul>	<ul style="list-style-type: none"> <li>Research and development spend</li> <li>Percentage of scoped machines automated</li> <li>Percentage of staff trained on use of automated machines</li> </ul>
<ul style="list-style-type: none"> <li>Information systems to support all initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Increase usage of new accounting systems across the group</li> <li>Assess whether the IT infrastructure can support growth aspirations</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of IT systems implemented</li> </ul>








Mali operations



**People capacity and development**  
The foundation of our strategy is the people who make it happen; our success depends on how our skills and expertise support our goals


Current strategic initiatives	Our actions	KPIs
<ul style="list-style-type: none"> <li>Develop our employees' skills manpower plan</li> </ul>	<ul style="list-style-type: none"> <li>Benchmark against best practice worldwide</li> <li>Become SETA-accredited (Sector Education and Training Authority)</li> <li>Assess training resources</li> <li>We configured a Dynamics AX HR model; group HR successfully migrated onto the system</li> </ul>	<ul style="list-style-type: none"> <li>Staff complement adequacy</li> <li>Labour cost as a percentage of revenue</li> <li>Revenue per head</li> <li>Performance rating statistics</li> <li>Staff engagement</li> <li>Employee-related claims against company</li> <li>Percentage of staff turnover               <ul style="list-style-type: none"> <li>» Skilled</li> <li>» Semi-skilled</li> <li>» Unskilled</li> </ul> </li> <li>Training spend</li> <li>LTIFR and incident rating</li> </ul>

# Goals

- 
**Double the size of Master Drilling**
- 
**Do business in two new geographies per annum**
- 
**Do business in two new sectors:**
  - Hydroelectric
  - Civil and construction
- 
**Compound profit growth of 20% per annum**
- 
**Skill people to support 20% growth**

The fact that we hold 43% of the world's raise bore fleet positions us well for commodity, sector, geographic and currency diversification as we progress towards achieving all our goals. We will be conducting a skills gap analysis to ensure we have the correct employees in place to help achieve our goal of a compound annual growth rate of 20%. Using IT more effectively throughout the group is an integral part of our growth journey. The implementation of Dynamics AX and IsoMetrix software and the use of dashboards, will add considerable value going forward. Research indicates companies that successfully use data outperform their peers by 20% and continue to generate additional value through analytic insights that enable informed data-driven decision-making at an executive level.



A portrait of André van Deventer, Chief Financial Officer, smiling. He is wearing a dark suit jacket, a light blue shirt, and a blue and white striped tie. The background is white.

**//Our net asset  
value increased  
by 18% from  
68 US cents to  
79 US cents //**

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**André van Deventer**  
Chief Financial Officer



# Chief Financial Officer's review

## Performance

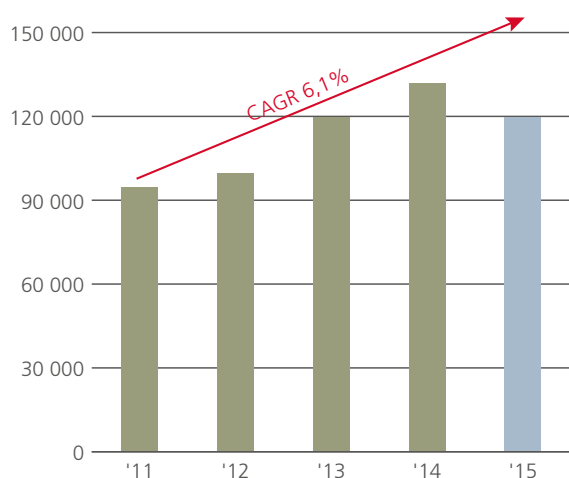
Master Drilling achieved strong results despite the challenges in the South African economy and the variability of commodity performance.

Revenue decreased by 9% to \$120 million (2014: \$132 million) but we achieved attributable profit of \$21,1 million (2014: \$18,4 million). We did not sustain our intended 20% CAGR over a five-year period in revenue or profit after tax due to the investments in geographical expansion and people development. Our net asset value increased by 18% from 68 US cents to 79 US cents.

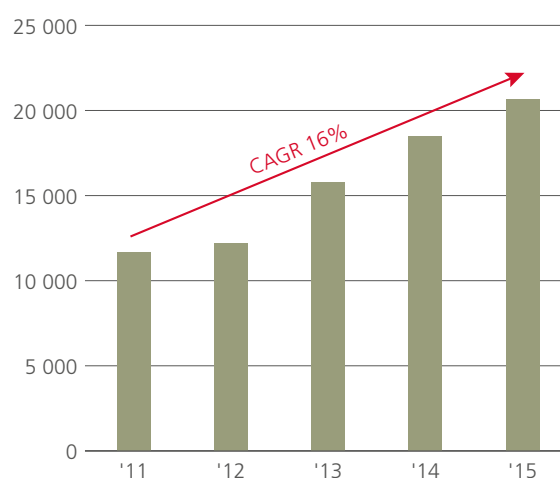
This review should be read in conjunction with the summarised consolidated annual financial statements starting on page 49.

Master Drilling's annual financial statements are available online at [www.masterdrilling.com/financial-results-2015.html](http://www.masterdrilling.com/financial-results-2015.html)

Revenue (\$'000)



Profit after tax (\$'000)



Master Drilling remains highly cash-generative with net cash generated from operating activities up by 16% to \$27,6 million (2014: \$23,8 million).

## Sustainable growth

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

The table on page 44 shows the revenue split per geography and includes the results for the 40% interest we acquired during the year in the Scandinavian group for \$5 million. (Further details are provided in the Chairman and CEO's report on page 4).



On 22 January 2016, shortly after year-end, we acquired 100% of the Chilean subsidiary of Bergteamet (Bergteamet Latin America SA) assets for €4 million.

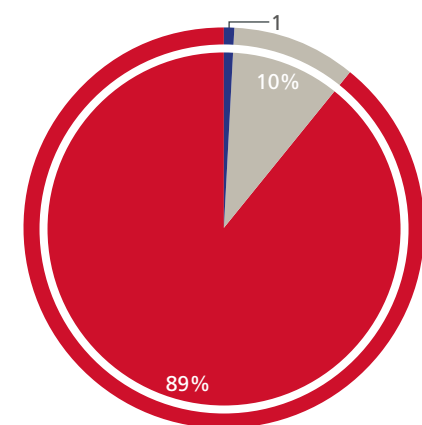
In terms of revenue, Latin America showed a slight increase of 2% year-on-year. However, revenues for our South African operations declined by 8%. This was largely due to the translation of results to US Dollars against the weaker Rand and operational delays experienced by our clients in tough economic conditions and the decline in slim drilling activities.

# Chief Financial Officer's review continued

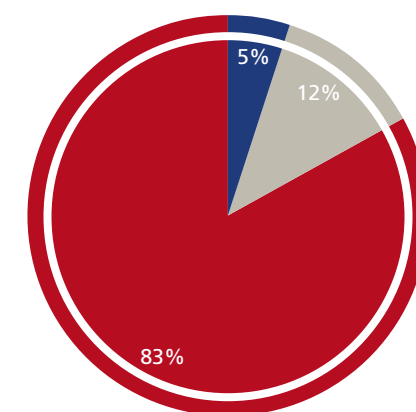
Revenue	2015	2014
Latin America	51,6%	47,9%
South Africa	25,6%	33,7%
Africa	22,6%	14,6%
Other	0,2%	2,1%

As shown in the pie charts below, we continued focusing on production-stage projects, with the result that the contribution from production to our portfolio increased to 89% in 2015 (2014: 82%).

Stage 2015



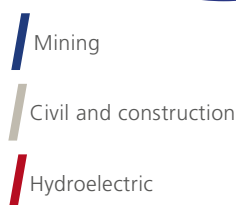
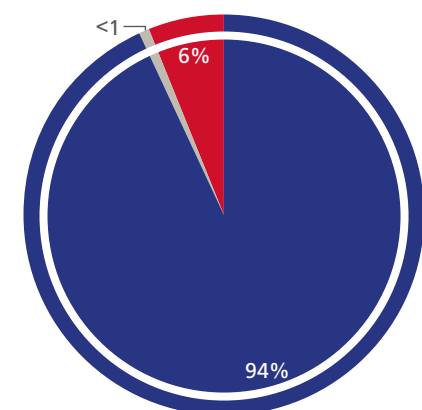
Stage 2014



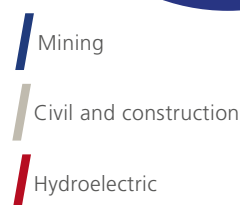
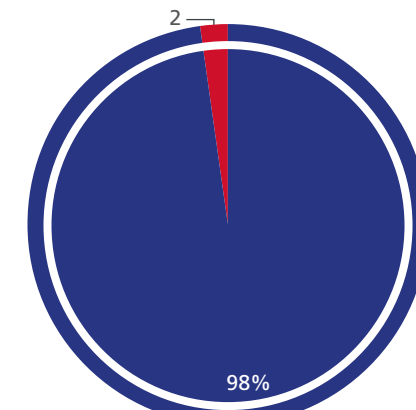


Commodity diversification over the past two years is shown in the charts below. The increase from 0% to 4% in hydroelectric and civil and construction revenue is the result of our diversification strategy into markets other than commodity markets. Although the contribution is less than we were aiming for, we are extremely pleased with the performance of our hydroelectric project in Ecuador which will serve as a reference site for further work in this area.

### Industry 2015



### Industry 2014



### Optimisation and increased profitability

Profit attributable to equity shareholders increased by 18% to profit of \$19,9 million (2014: \$16,9 million).

Gross profit margins increased from 32,6% in 2014 to just under 40% in 2015. 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 operating profit percentages increasing from 19,6% (2014) to 25,1% (2015). During the year we focused on initiatives to assist in reporting on costs on a daily basis. This raised awareness about the need for centralised procurement and the setting of cost standards against which group companies have to report.

### Technology optimisation and development

We invested \$18,4 million (2014: \$19,7 million) in capital expenditure during the financial year.

The approximate capital investment included investment in the South African operations (\$8 million) where we manufactured the RD8 machine and developed the ROSS and ROSI systems. These systems have been deployed at Palabora Mining Company and we are confident that many of our clients will benefit from both systems.

In Mexico, we invested \$5 million in equipment to service our growing market and allocated \$2 million to equipment in Ecuador in order to service our contract in this country. Spend of \$3,4 million in Malta included intellectual capital spend for the fully patented and registered blind shaft boring system.

### People capacity and development

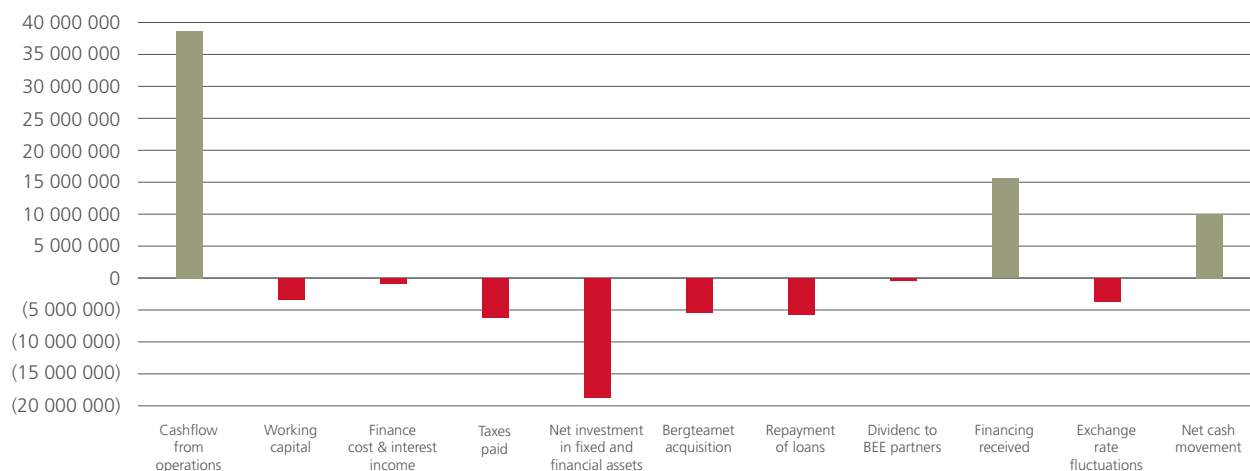
To build our employees' skills and experience, we invested in a simulator training programme whereby drill rig operators learn how automated machines function. We also invested in training programmes to transfer knowledge about drilling operations and project management. We spent \$1,7 million and \$0,6 million on external and internal training, respectively and our investment in people grew by a further 2%, with labour cost increasing to 45% of total cost.

# Chief Financial Officer's review continued

## Cash use

The use of the cash generated at our operations is shown in the graph below. Taxation paid amounted to \$6,1 million. The net cash investment in property, plant and equipment was \$18,4 million, as explained earlier. Exchange rate volatilities resulted in a \$3,7 million loss in terms of net cash.

## Cash flow movement 2015



## Funding

Gearing levels remained at a relatively low level of 25,5% in 2015 (2014: 19,5%), less than the target of 30%. As mentioned in last year's report, we have secured a \$30,0 million Absa Capital facility to support our growth strategy. The facility is not fully drawn as the business is currently sufficiently cash-generative.

We have a number of existing facility agreements in place in our operating countries. Interest-bearing debt stands at \$33,4 million, an increase from \$5,7 million at December 2014. These facilities, mainly secured with plant and machinery as collateral, have varying interest rates and repayment terms.

## Outlook

In 2016, we expect to see added benefits from our geographical expansion, with the results from the Scandinavian operations being included for a full year and from our potential geographical expansion into Sierra Leone and Tanzania. Our Chinese and USA operations are expected to contribute more to group profitability, and Latin America is expected to continue on a steady course. Operations in South Africa will be monitored closely as the country's mining industry is currently under pressure and we are testing many new technologies at various sites, including the ROSS and ROSI systems and the gripper machines at Sibanye and Cullinan.

## Summarised consolidated financial statements

The summarised consolidated annual financial statements comprise an extracted summary of the audited consolidated annual financial statements of Master Drilling for the year ended 31 December 2015, approved by the Board on 29 March 2016.







Raise bore machine with crawler brackets



# Nature of business

## Nature of business

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

# Accounting policies

## 1. Basis of preparation

The summarised audited 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 audited 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 audited consolidated financial statements for Master Drilling Group Limited for the period ended 31 December 2015 have been audited by Grant Thornton, who expressed an unmodified audit opinion thereon. A copy of the auditor's report on the summarised audited consolidated financial statements are available on [www.masterdrilling.com](http://www.masterdrilling.com). These summarised audited 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 2015, 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 2015, which are available on: [www.masterdrilling.com](http://www.masterdrilling.com).



The summarised audited 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 audited 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.



# Accounting policies continued

## 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 consolidated annual financial statements are presented in USD (the "presentation currency"). Management believes that USD is more useful to the users of the consolidated financial statements, as this currency most reliably reflects the global business performance of the group as a whole.

### 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 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.

Property, plant and equipment are initially measured at cost and subsequently at cost less any accumulated depreciation and accumulated impairment losses. Patents are acquired by the group and have an infinite useful life. Patents are carried at cost less accumulated impairment losses. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Costs include costs incurred initially to acquire 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.



### **Investment in associate**

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities are incorporated in these consolidated annual financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in associate is initially recognised in the consolidated statement of financial position at cost and adjusted for thereafter to recognise the group's share of the profit or loss in associate and other comprehensive income of the associate. When the group's share of losses of an associate exceeds the group's interest in the associate, the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in the investment is acquired.

When a group entity transacts with an associate of the group, profits and losses resulting from the transactions with the associate are recognised in the group's consolidated annual financial statements only to the extent of interest in the associate that are not related to the group.



# Summarised consolidated statement of financial position

for the Master Drilling Group as at 31 December

	Notes	2015 USD	2014 USD
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	89 532 466	94 381 855
Intangible assets		2 612 584	2 612 584
Financial assets		9 159 284	11 758 481
Deferred tax asset		1 124 233	1 318 741
Investment in associate	9	5 467 740	–
		<b>107 896 307</b>	110 071 661
<b>Current assets</b>			
Inventories		19 574 979	19 237 967
Related-party loans		35 755	35 965
Trade and other receivables	4	30 572 822	28 830 915
Cash and cash equivalents		22 496 770	12 477 082
		<b>72 680 326</b>	60 581 929
<b>Total assets</b>		<b>180 576 633</b>	170 653 590
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		146 607 965	146 607 965
Reserves		(97 883 624)	(79 669 980)
Retained income		53 231 728	33 265 577
		<b>101 956 069</b>	100 203 562
<b>Non-controlling interest</b>		<b>16 309 067</b>	15 474 542
		<b>118 265 136</b>	115 678 104
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing borrowings		19 096 633	7 939 220
Finance lease obligations		2 957 153	6 156 254
Share-based payment liability		706 681	754 603
Deferred tax liability		7 387 853	6 246 740
		<b>30 148 320</b>	21 096 817
<b>Current liabilities</b>			
Interest-bearing borrowings		8 417 589	4 032 252
Finance lease obligations		2 941 002	4 478 720
Related-party loans		41 317	1 048 659
Current tax payable		5 195 800	4 909 891
Trade and other payables		15 567 469	19 409 147
		<b>32 163 177</b>	33 878 669
<b>Total liabilities</b>		<b>62 311 497</b>	54 975 486
<b>Total equity and liabilities</b>		<b>180 576 633</b>	170 653 590



# Summarised consolidated statement of comprehensive income

for the Master Drilling Group for the year ended 31 December

	Notes	2015 USD	2014 USD
Revenue		119 867 646	132 034 310
Cost of sales		(71 989 042)	(88 269 543)
<b>Gross profit</b>		<b>47 878 604</b>	43 764 767
Other operating income		1 037 888	1 782 703
Other operating expenses		(19 336 260)	(18 923 519)
<b>Operating profit</b>		<b>29 580 232</b>	26 623 951
Investment revenue		806 556	1 296 732
Finance costs		(1 710 539)	(1 506 118)
Share of profit from equity accounted investment		134 575	–
<b>Profit before taxation</b>		<b>28 810 824</b>	26 414 565
Taxation		(7 695 925)	(7 961 104)
<b>Profit for the year</b>		<b>21 114 899</b>	18 453 461
<b>Other comprehensive income that will subsequently be classifiable to profit and loss:</b>			
Exchange differences on translating foreign operations		(18 378 247)	(8 764 054)
<b>Other comprehensive loss for the year net of taxation</b>		<b>(18 378 247)</b>	(8 764 054)
<b>Total comprehensive income</b>		<b>2 736 652</b>	9 689 407
<b>Profit attributable to:</b>		<b>21 114 899</b>	18 453 461
Owners of the parent		19 966 151	16 908 412
Non-controlling interest		1 148 748	1 545 049
<b>Total comprehensive income attributable to:</b>		<b>2 736 652</b>	9 689 407
Owners of the parent		1 587 904	8 144 358
Non-controlling interest		1 148 748	1 545 049
<b>Earnings per share (USD)</b>	5		
Basic earnings per share (cents)		13,5	11,4
Headline earnings per share (cents)		13,8	12,1
<b>Diluted earnings per share (USD)</b>	5		
Diluted basic earnings per share (cents)		13,3	11,2
Diluted headline earnings per share (cents)		13,6	11,9
<b>Earnings per share (ZAR)</b>			
Basic earnings per share (cents)		172,0	123,7
Headline earnings per share (cents)		175,9	131,5
<b>Diluted earnings per share (ZAR)</b>			
Diluted basic earnings per share (cents)		169,3	121,9
Diluted headline earnings per share (cents)		173,2	129,6

# Summarised consolidated statement of changes in equity

for the Master Drilling Group for the year ended 31 December

USD	Share capital	Equity due to change in control of interests	Foreign currency translation reserve
<b>Balance as at 31 December 2013</b>	146 607 965	(58 264 013)	(12 849 777)
Share-based payments	–	–	–
Dividends declared by subsidiaries	–	–	–
Total comprehensive income for the year	–	–	(8 764 054)
Total changes	–	–	(8 764 054)
<b>Balance as at 31 December 2014</b>	146 607 965	(58 264 013)	(21 613 831)
Share-based payments	–	–	–
Dividends declared by subsidiaries	–	–	–
Total comprehensive income for the year	–	–	<b>(18 378 247)</b>
Total changes	–	–	<b>(18 378 247)</b>
<b>Balance as at 31 December 2015</b>	<b>146 607 965</b>	<b>(58 264 013)</b>	<b>(39 992 078)</b>



Share-based payments reserve	Total reserves	Retained income	Attributable to owners of the parent	Non-controlling interest	Total shareholders' equity
16 211	(71 097 579)	16 357 165	91 867 551	14 250 534	106 118 085
191 653	191 653	–	191 653	–	191 653
–	–	–	–	(321 041)	(321 041)
–	(8 764 054)	16 908 412	8 144 358	1 545 049	9 689 407
191 653	(8 572 401)	16 908 412	8 336 011	1 224 008	9 560 019
207 864	(79 669 980)	33 265 577	100 203 562	15 474 542	115 678 104
<b>164 603</b>	<b>164 603</b>	–	<b>164 603</b>	–	<b>164 603</b>
–	–	–	–	<b>(314 223)</b>	<b>(314 223)</b>
–	<b>(18 378 247)</b>	<b>19 966 151</b>	<b>1 587 904</b>	<b>1 148 748</b>	<b>2 736 652</b>
<b>164 603</b>	<b>(18 213 644)</b>	<b>19 966 151</b>	<b>1 752 507</b>	<b>834 525</b>	<b>2 587 032</b>
<b>372 467</b>	<b>(97 883 624)</b>	<b>53 231 728</b>	<b>101 956 069</b>	<b>16 309 067</b>	<b>118 265 136</b>

# Summarised consolidated statement of cash flows

for the Master Drilling Group for the year ended 31 December

	Notes	2015 USD	2014 USD
<b>Cash flows from operating activities</b>			
Cash generated from operations	6	<b>35 327 891</b>	31 444 452
Interest income		<b>806 556</b>	1 296 732
Finance costs		<b>(1 710 539)</b>	(1 506 118)
Tax paid		<b>(6 128 552)</b>	(7 389 874)
<b>Net cash from operating activities</b>		<b>28 295 356</b>	23 845 192
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(18 396 693)</b>	(19 731 477)
Sale of property, plant and equipment		<b>228 070</b>	14 250
Financial assets movement		<b>(511 762)</b>	(763 642)
Dividend on preference shares		–	265 316
Acquisition of associate		<b>(5 333 165)</b>	–
<b>Net cash from investing activities</b>		<b>(24 013 550)</b>	(20 215 553)
<b>Cash flows from financing activities</b>			
Proceeds /(Repayment) of financial liabilities		<b>15 542 750</b>	(1 374 496)
Repayment of financial leases		<b>(4 736 819)</b>	(4 283 157)
Related-party loan movement		<b>(1 007 132)</b>	(519 645)
Dividend paid to BEE partners		<b>(314 223)</b>	(321 041)
<b>Net cash from financing activities</b>		<b>9 484 577</b>	(6 498 339)
<b>Total cash movement for the period</b>			
Cash at the beginning of the period		<b>12 477 082</b>	16 565 233
Effect of exchange rate movement on cash balances		<b>(3 746 695)</b>	(1 219 451)
<b>Total cash at end of the period</b>		<b>22 496 770</b>	12 477 082





# Notes to summarised audited consolidated financial statements

for the Master Drilling Group for the year ended 31 December

## 3. Property, plant and equipment

2015 USD	Accumulated depreciation and impairment		Carrying value
	Cost	losses	
Land and buildings	3 611 305	(38 641)	3 572 664
Plant and machinery	84 071 033	(25 120 600)	58 950 433
Assets under construction	5 505 621	–	5 505 621
Furniture and fittings	1 148 103	(360 892)	787 211
Motor vehicles	2 669 126	(985 579)	1 683 547
Office equipment	53 264	(43 439)	9 825
IT equipment	564 286	(314 746)	249 540
Finance lease: Plant and equipment	21 737 224	(4 256 153)	17 481 071
Computer software	1 877 368	(814 314)	1 063 054
Patents	229 500	–	229 500
Total	121 466 830	(31 934 364)	89 532 466

2014 USD	Accumulated depreciation and impairment		Carrying value
	Cost	losses	
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

### Borrowing cost

Included in the cost of land and buildings are capitalised borrowing cost related to the acquisition of land to the amount of USD172 888 calculated at a capitalisation rate of 5,9%.

# Notes to the consolidated financial statements continued

## 3. Property, plant and equipment (continued)

### 3.1 Reconciliation of property, plant and equipment

2015 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Land and buildings	3 894 241	261 581	(536 993)
Plant and machinery	55 996 007	15 893 937	(7 364 009)
Assets under construction	7 943 681	609 798	(27 296)
Furniture and fittings	815 069	72 054	(48 375)
Motor vehicles	1 993 290	471 266	(270 120)
Office equipment	27 757	1 794	(13 022)
IT equipment	277 218	102 035	(32 662)
Finance lease: Plant and equipment	21 996 857	429 247	(3 567 469)
Computer software	1 437 735	325 481	(211 809)
Patents	–	229 500	–
	<b>94 381 855</b>	<b>18 396 693</b>	<b>(12 071 755)</b>

2014 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Land and buildings	181 897	3 920 988	(21 350)
Plant and machinery	58 720 420	8 418 482	(4 872 936)
Assets under construction	11 835 838	5 570 469	(4 806)
Furniture and fittings	871 208	104 741	(25 711)
Motor vehicles	2 195 353	429 374	(132 186)
Office equipment	67 914	287	(6 736)
IT equipment	217 309	170 802	(13 032)
Finance lease: Plant and equipment	11 622 183	4 542 165	(308 074)
Computer software	681 527	1 116 334	(52 794)
	<b>86 393 649</b>	<b>24 273 642</b>	<b>(5 437 625)</b>

#### Security

Moveable assets to the value of ZAR 500 million of the South African subsidiaries have been ceded to ABSA Capital as security for an interest-bearing loan.

#### Impairment

During 2014, the Exploration segment in our South Africa segment recognised an impairment loss of USD1 198 741 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 clients, which is mostly mines. As a result of the declining prices our clients, reduced and deferred exploration slim drilling activities.



Reclassifications and transfer to inventory	Disposals	Depreciation	Impairment of fixed assets	Total
–	(26 545)	(19 620)	–	3 572 664
435 994	(529 625)	(5 481 871)	–	58 950 433
(3 020 562)	–	–	–	5 505 621
–	(8 999)	(42 538)	–	787 211
116 537	(323 726)	(303 700)	–	1 683 547
–	–	(6 704)	–	9 825
(138)	(5 024)	(91 889)	–	249 540
(116 537)	(12 049)	(1 248 978)	–	17 481 071
–	–	(488 353)	–	1 063 054
–	–	–	–	229 500
(2 584 706)	(905 968)	(7 683 653)	–	89 532 466

Reclassifications and transfer to inventory	Disposals	Depreciation	Impairment of fixed assets	Total
(124 449)	(40 563)	(22 282)	–	3 894 241
1 480 819	–	(6 552 037)	(1 198 741)	55 996 007
(9 457 820)	–	–	–	7 943 681
(31 064)	(50 013)	(54 092)	–	815 069
(26 301)	(150 889)	(322 061)	–	1 993 290
(17 898)	(4 944)	(10 866)	–	27 757
27 449	(34 323)	(90 987)	–	277 218
7 667 398	–	(1 526 815)	–	21 996 857
–	(18 045)	(289 287)	–	1 437 735
(481 866)	(298 777)	(8 868 427)	(1 198 741)	94 381 855

# Notes to the consolidated financial statements continued

## 4. Trade and other receivables

	2015 USD	2014 USD
Trade receivables	24 157 869	24 879 385
Loans to employees	89 298	71 204
Pre-payments	2 534 712	1 824 666
Deposits	106 733	167 787
Indirect taxes	521 086	336 595
Sundry	3 163 124	1 551 278
	<b>30 572 822</b>	28 830 915
<b>Trade and other receivables past due but not impaired</b>		
The ageing of amounts past due but not impaired is as follows:		
Outstanding on normal cycle terms	16 947 349	21 366 777
1 month past due	3 109 214	1 480 503
2 month past due	1 719 700	478 928
3 month past due	3 018 405	3 143 368
Allowance for doubtful debts	(636 799)	(1 590 191)
	<b>24 157 869</b>	24 879 385
<b>The movement in allowance for doubtful debts is presented below</b>		
Balance 1 January	1 590 191	1 672 368
Exchange differences on translation of foreign operations	(440 887)	(199 345)
Amounts written off	(578 880)	(399 990)
Allowance for doubtful debts	66 375	517 158
	<b>636 799</b>	1 590 191
<b>The carrying amount in USD of trade and other receivables are denominated in the following currencies:</b>		
United States Dollar (USD)	16 520 399	15 649 442
South African Rands (ZAR)	3 563 917	3 063 751
Brazilian Reals (BRL)	3 794 977	2 699 429
Mexican Peso (MXN)	37 902	278 527
Chilean Peso (CLP)	3 643 250	3 096 705
Peruvian Nuevo Sol (PEN)	1 271 413	1 140 656
CFA Franc BCEAO (XOF)	-	54 752
Chinese Yuan Renminbi (CNY)	148 753	91 004
Guatemalan Quetzal (GTQ)	476 351	263 019
Zambian Kwacha (ZMW)*	-	2 119 279
Colombian Peso (CLP)	946 076	-
Euro (EUR)	169 784	374 351
	<b>30 572 822</b>	28 830 915

\* The pricing of the ZMW denominated contracts have been re-negotiated during the current year and are now denominated in USD.

Trade receivables of South African subsidiaries have been ceded to ABSA Capital as security for interest bearing loan.



## 5. Earnings per share

	2015 USD	2014 USD
<b>Reconciliation between earnings and headline earnings</b>		
Basic earnings for the year	21 114 899	18 453 461
<i>Deduct:</i>		
Non-controlling interest	(1 148 748)	(1 545 049)
<b>Attributable to owners of the parent</b>	19 966 151	16 908 412
Loss on disposal of fixed assets	677 898	284 529
Impairment of plant and equipment	–	1 198 741
Tax effect on loss on disposal of fixed assets and impairments	(217 524)	(413 630)
<b>Headline earnings for the year</b>	20 591 717	17 978 052
Earnings per share (cents)	13,5	11,4
Diluted earnings per share (cents)	13,3	11,2
Headline earnings per share (cents)	13,9	12,1
Diluted headline earnings per share (cents)	13,6	11,9
Net asset value per share (cents)	79,8	78,0
Tangible net asset value per share (cents)	78,0	76,3
Dividends per share (cents)	–	–
<b>Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share and headline earnings per share</b>	148 265 491	148 265 491
Effect of dilutive potential ordinary shares – employee share options	2 379 656	2 203 545
<b>Weighted average number of ordinary shares at the end of the year for the purpose of diluted basic earnings per share and diluted headline earnings per share</b>	150 645 147	150 469 036

## 6. Cash generated from operations

	2015 USD	2014 USD
<b>Cash generated from operations</b>	28 810 824	26 414 565
Profit before taxation		
<b>Adjustments for:</b>		
Depreciation and amortisation	7 683 653	8 868 427
Impairment	–	1 198 741
Share of profit from equity accounted investments	(134 575)	–
Translation effect of foreign operations	(605 318)	(763 067)
Share-based payment – equity settled	164 603	191 653
Share-based payment – liability	(47 922)	395 803
Loss on sale of assets	677 898	284 529
Interest received	(806 556)	(1 296 732)
Finance costs	1 710 539	1 506 118
<b>Changes in working capital:</b>		
Inventories	2 247 694	(2 360 156)
Trade and other receivables	(1 741 907)	(1 400 952)
Trade and other payables	(3 841 678)	(1 594 477)
	35 327 891	31 444 452



# Notes to the consolidated financial statements continued

## 7. Capital Comments

	2015 USD	2014 USD
Capital expenditure authorised by the directors and contracted for within 12 months. Capital expenditure will be funded through cash generated from operations.	<b>6 974 023</b>	10 269 888

## 8. Segment reporting

### 8.1 Mining activity

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

	2015 USD	2014 USD
<b>Sales revenue by stage of mining activity</b>		
Exploration	<b>1 664 074</b>	6 728 725
Capital	<b>11 804 595</b>	16 394 012
Production	<b>106 398 977</b>	108 911 573
	<b>119 867 646</b>	132 034 310
<b>Gross profit by stage of mining activity</b>		
Exploration	<b>779 248</b>	2 840 393
Capital	<b>4 984 392</b>	5 105 520
Production	<b>42 114 964</b>	35 818 854
	<b>47 878 604</b>	43 764 767

*The chief decision-maker of the group is the Chief Executive Officer. The Chief Executive Officer 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.*



## 8. Segment reporting (continued)

### 8.2 Geographical segments

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

	2015 USD	2014 USD
<b>Sales revenue by geographical market</b>		
Africa	27 087 779	19 257 234
Latin America	61 844 572	65 578 798
Other countries	207 734	2 737 817
South Africa	30 727 561	44 460 461
	<b>119 867 646</b>	132 034 310
<b>Gross profit by geographical market</b>		
Africa	14 232 105	11 581 420
Latin America	16 594 674	20 002 522
Other countries	1 010 347	(352 598)
South Africa	16 041 478	12 533 423
	<b>47 878 604</b>	43 764 767

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 client in the African region, operating in the capital and production segment accounts for 17% (2014: South African region 20%) of the group's revenue.

	2015 USD	2014 USD
<b>Total assets by geographical market</b>		
Africa	17 637 933	15 173 200
Latin America	85 986 072	82 057 976
Other countries*	9 173 293	3 904 899
South Africa	67 779 335	69 517 515
Total assets as per statement of financial position	<b>180 576 633</b>	170 653 590
<b>Total liabilities by geographical market</b>		
Africa	16 447 717	14 227 570
Latin America	26 672 085	20 499 820
Other countries	3 628 067	1 469 643
South Africa	15 563 628	18 778 454
Total liabilities as per statement of financial position	<b>62 311 497</b>	54 975 487

\*Assets in other countries include the investment in associate.

## 9. Investment in associate

On 1 December 2015, the Group purchased a 40% equity interest in Bergteamet Raiseboring Europe AB ("Bergteamet") for USD5 333 165 (SEK46 555 000). Bergteamet's operations located within Sweden, Norway, Finland and Ireland are very similar to that of the Group and will provide the Group with a strategic footprint into the European market.

The Group does not have control of Bergteamet via the call option it has for the remainder of the shares in Bergteamet. The call option does not give rise to the substantive control of Bergteamet until such time as the Group exercises the call option which expires 31 March 2019 or the put option which expires on 31 May 2017. The put option gives the option to put the current 40% owned by the Group back to the sellers at the original purchase price thus effectively cancelling the transaction. Management considered the valuation of the call and put option. At year end the mark to market valuation did not present a material impact on the initial value of the call and put option.

Associates are accounted for using the equity method in the Group's consolidated financial statements.

The financial year end of Bergteamet is 31 August. This was the reporting date established when that company was incorporated, and a change of reporting date is not permitted. For the purpose of applying the equity method of accounting, the financial information of Bergteamet have been used. Appropriate adjustments were made for fair value adjustments at acquisition, 1 December 2015, differences in accounting policies and effects of significant transactions up to 31 December 2015.

The table below summarises and also reconciles the statement of comprehensive income's financial information from the acquisition date, 1 December 2015 to 31 December 2015.

	USD 2015	USD 2014
Revenue	1 878 984	–
Profit from continuing operations	336 438	–
<b>Total comprehensive income</b>	<b>336 438</b>	<b>–</b>
<b>Group's share of total comprehensive income</b>	<b>134 575</b>	<b>–</b>
<b>Dividends received from associate</b>	<b>–</b>	<b>–</b>

The table summarises and also reconciles the statement of financial position's financial information as at 31 December 2015 to the carrying amount of the Group's interest in Bergteamet.

	USD 2015	USD 2014
Non-current assets	5 207 473	–
Current assets	5 421 292	–
Non-current liabilities	5 768 094	–
Current liabilities	3 387 054	–
<b>Net assets</b>	<b>1 473 617</b>	<b>–</b>
<b>Group's share of net assets</b>	<b>589 447</b>	<b>–</b>
<b>Goodwill</b>	<b>4 743 718</b>	<b>–</b>
<b>Share of profit from equity accounted investment</b>	<b>134 575</b>	<b>–</b>
<b>Investment in Bergteamet</b>	<b>5 467 740</b>	<b>–</b>



# Subsequent to the reporting period

## Going concern basis of accounting

The annual financial statements have been prepared on the basis of accounting policies, applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## Share capital

There was no movement in the issued and unissued share capital for the financial year.

## Dividends

### Dividend declared

No dividends were declared or paid by Master Drilling Group Limited since the Company's incorporation.

### Dividend policy

It remains the Board's intent that, during the group's initial steep growth phase, in which the Company still finds itself, its cash resources will be used primarily for investment in the development of the group's assets. Following this phase, it is the current intention of the Company to declare and to pay dividends after each six-month reporting period, maintaining a dividend cover ratio of between four to five times annual headline earnings.

However, there can be no assurance that a dividend will be paid in respect of any specific financial period and the declaration and payment by the Company of any dividends will depend on the results of the group's operations, its financial position, anticipated cash requirements, prospects, profits available for distribution and other factors deemed to be relevant at the time.

Any dividend unclaimed after a period of three years from the date on which the same has been declared to be payable shall be forfeited and revert to the Company.

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

## Changes to the Board

The following changes to the Board and the dates there of are detailed in the table below:

Name	Position	Change	Date
Christopher Gerald O'Neill	Non-Executive director	Resignation	22 July 2015
Christopher Gerald O'Neill	Alternate Director	Appointment	23 September 2015
Fred George Dixon	Alternate Director	Appointment	23 September 2015
Johan Louis Botha	Non-Executive Director	Appointment	12 November 2015

## Events subsequent to year-end

After the financial year, the Company entered into an agreement with Bergteamet AB to acquire the Chilean assets of Bergteamet AB, comprising a 91R raiseboring machine with 400 lengths of 13 1/8 inch drill rods and the shares in and claims against Bergteamet Latin America SpA. The purchase price for the transaction was Euro 4 million and is supported by fixed assets of an equivalent value.

## Annual general meeting

The annual general meeting of Master Drilling Group Limited will be held at Grant Thornton offices, Wanderers Office Park, 52 Corlett Drive, Ilovo, Johannesburg, on Thursday, 21 July 2016 at 09:00

# Governance

## Board of directors Non-executive directors



**Hennie van der Merwe**

**Independent Chairman**

**Appointed July 2014**

*BA Law, LLB, LLM Tax*

Committees: Corporate Governance, Nominations and Risk

Positions held elsewhere:  
Director Trenchor Limited,  
Bell Equipment Limited



**Akhter Deshmukh**

**Independent**

**Appointed November 2012**

*BCom, MBL*

Committees: Audit, Remuneration, Corporate Governance and Social, Ethics and Sustainability

Positions held elsewhere: Director and CFO Lephatsi Investments (Pty) Ltd



**Jacques de Wet**

**Independent**

**Appointed November 2012**

*CA(SA)*

Committees: Audit, Remuneration, Risk and Social, Ethics and Sustainability, Nominations

Positions held elsewhere: Head of Business Development, Corporate Finance and Strategy at Thebe Investment Corporation



**Shane Ferguson**

**Non-independent**

**Appointed September 2012**

*BCom, LLB*

Committees: Audit, Nominations, Remuneration and Corporate Governance, Risk and Social, Ethics and Sustainability

Positions held elsewhere: Director ST Ferguson (Pty) Ltd (Tax Consultant and Legal Advisor to Master Drilling)



**Johan Botha**

**Independent**

**Appointed November 2015**

*NDip Metalliferous Mining*

Committees: Audit, Risk and Social, Ethics and Sustainability

Positions held elsewhere:  
Non-Executive Director  
Mwana Africa Limited



## Executive directors



**Danie Pretorius**  
Chief Executive Officer  
Appointed July 2012

Government Engineers Certificate  
of Competency

Master Drilling Founder 1986



**André van Deventer**  
Financial Director  
Appointed April 2011

CA(SA)

Joined Master Drilling 2001



**Chris O'Neill**  
Chief Operating Officer – Africa  
Appointed September 2015

National Diploma, BCom, MBL

Joined Master Drilling 2015



**Koos Jordaan**  
Technical Director  
Appointed July 2012

BMEng, MBA, BS in International  
Technology Management

Joined Master Drilling 2001



**Gary Sheppard**  
Chief Operating Officer –  
Americas  
Appointed November 2012

BSc Eng, MBA

Joined Master Drilling 2001



**Eddie Dixon**  
Chief Operating Officer –  
Exploration  
Appointed September 2015

MDip (Civil Eng), MBA

Joined Master Drilling 2007



## Integrated reporting

As recommended by King III, the Master Drilling Board has prepared an integrated report which is focused on all our stakeholders, but targeted primarily at informing providers of financial capital about all key aspects of our business. This integrated report has been prepared according to the IIRC's <IR> Framework. We aim to continuously improve the quality and reliability of the data presented. Accordingly, we revisited our strategy and material matters and are developing a combined assurance model.

## Reporting boundary

This report covers the financial year 1 January 2015 to 31 December 2015 and includes the performance of our operations across all the areas in which we operate. It focuses on the material matters that were identified in line with best practice, as outlined on pages 24. We define material matters for reporting purposes as those issues that substantially affect our ability to create and sustain value over the short<sup>1</sup>, medium<sup>2</sup> and long term<sup>3</sup>.



For more information on the materiality determination process, please refer to pages 24.



All monetary amounts reflected in the report are expressed in US Dollars (USD or \$) or South African Rand (ZAR) unless otherwise stated. The results and financial position of our operations in foreign countries are translated into the presentation currency US Dollar (\$) using the average exchange rate for income statement purposes and at the closing rate at year-end for financial position items.

## Reporting comparability

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



As described on page 38, the KPIs have been modified since 2014 to provide more focused operational dashboards to facilitate internal reporting and enhance operational efficiency. We have set timelines for the divisional implementation of the strategy to ensure its effective adoption at a functional and country level.

There were no restatements to comparatives unless otherwise stated.

In this report, we have provided a more complete picture of strategy, governance and performance – and how they link together. This will help shareholders to make better informed decisions about where to allocate their capital and, in turn, help to attract value investors.

<sup>1</sup> One year.

<sup>2</sup> Two to three years.

<sup>3</sup> Three to five years.

## Assurance

As part of the risk management process, we have adopted a combined assurance model approach to manage the level and extent of assurance obtained. We strive for assurance on all key aspects of our business on an integrated basis. We focus on materiality of risks and opportunities and on processes in terms of governance, structures and systems.

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 is managed by adhering to ISO 9001:2008 that sets out the criteria for a quality management system. We obtained this assurance through an independent audit carried out by DQS GmbH.

Our reporting systems and procedures have identified all key risk and performance areas and require that these be reported to management and the Board on a regular basis.

Assurance certification is available online at [www.masterdrilling.com](http://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](http://www.masterdrilling.com) for the unqualified audit opinions.



## Governance approach

We are committed to the principles of openness, integrity and accountability in our dealings with stakeholders. The company endorses the value of good corporate governance and standards as recommended by King III and applies King III to support and strengthen its governance processes and to provide stakeholders with the necessary assurances in this regard.

Our application of King III is detailed in the King III assessment, which is available online at [www.masterdrilling.com](http://www.masterdrilling.com)



## Board of directors

The Board comprises nine directors – four independent non-executive directors, one non-independent non-executive director and four executive directors. The roles of Chairman and Chief Executive Officer are separate and clearly defined. The executive and alternate executive directors attend all Board meetings.

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.

The Board appointed Mr Andrew Colin Beaven as Company Secretary to Master Drilling, with effect from 1 December 2015. Having considered the skills, experience and expertise of Mr Beaven, as well as his independence and his arm's length relationship with the Board and the group, the Board is satisfied that Mr Beaven is suitably qualified to act in this role.

## Executive summary Key governance initiatives and outcomes

A number of initiatives to enhance Master Drilling's governance were implemented during 2015.

All committees act under formal Board-approved terms of reference, which ensure their attention to the correct areas and matters.

The application of the King III principles guides our effective governance. We do not apply the following principle:


- The assurance of sustainability reporting.

Please refer to the website to view King III checklist.

Our environmental, health and safety reporting is not externally or independently assured. This information is audited internally and is subject to our management controls before being reported.

The internal audit conducted by KPMG Services (Pty) Ltd during the financial year confirmed no material breakdown in governance, management control, systems of internal control or the risk management processes. The internal auditors confirmed executive management's concerns with regards to certain systems and processes needing further improvement as they have not kept pace with the rapid expansion of the business. The implementation of all improvement opportunities identified during the internal audit process will be overseen by management and the Audit Committee.

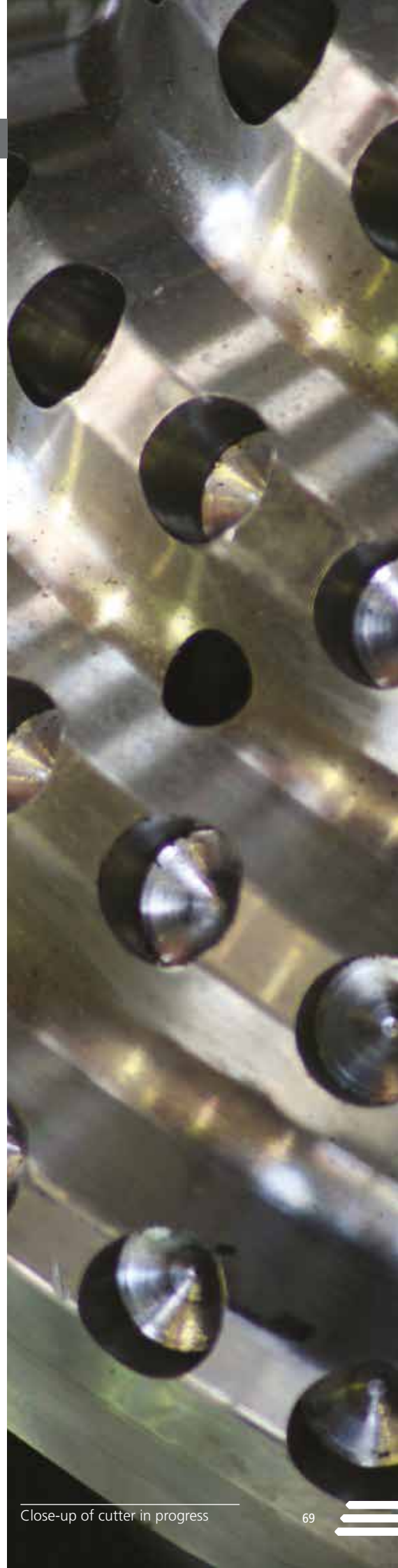
## Governance framework

 The diagram that follows on page 70 depicts the governance framework adopted by the Board. The framework is an integral component of the combined assurance approach we are adopting. Six Board committees – the Audit, Remuneration, Risk, Nominations, Corporate Governance and Social, Ethics and Sustainability committees – assist the Board in managing specific responsibilities delegated to them. The Audit and Social, Ethics and Sustainability committees have additional statutory responsibilities derived from the Companies Act.

Executive directors are under the leadership of the Chief Executive Officer and derive their authority from the Board. The executive directors, who are responsible for the day-to-day operations of the company, 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 distribution of authority among directors.

New directors, who are appointed formally with assistance from the Nominations Committee, participate in a formal induction programme.



# Governance continued

## Board of directors

### Independent non-executive directors

HR van der Merwe (Chairman)  
 AA Deshmukh  
 ST Ferguson (non-independent)  
 JP de Wet  
 JL Botha

### 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

*Jacques de Wet (chairman), Akhter Deshmukh, Johan Botha and Shane Ferguson*

#### Risk Committee

Responsible for risk and compliance management

*Shane Ferguson (chairman), Jacques de Wet, Chris O'Neill, Eddie Dixon, Hennie van der Merwe and Johan Botha*

#### Nominations Committee

Responsible for appointment of directors, succession planning for Board and senior management and Board effectiveness

*Hennie van der Merwe (chairman), Jacques de Wet and Shane Ferguson*

#### Remuneration Committee

Responsible for remuneration strategy, policies and practices to attract and retain executives, directors and employees

*Akhter Deshmukh (chairman), Jacques de Wet and Shane Ferguson*

#### Social, Ethics and Sustainability Committee

Responsible for transformation, stakeholder engagement, health, safety and environmental programmes and other statutory duties as prescribed in Regulation 43 of the Companies Act

*Johan Botha (chairman), Akhter Deshmukh, Chris O'Neill, Jacques de Wet and Shane Ferguson*

#### Corporate Governance Committee

Responsible for evaluating, managing and monitoring the company's compliance with corporate governance requirements

*Hennie van der Merwe (chairman), Akhter Deshmukh and Shane Ferguson*

### Executive directors

Responsible for day-to-day management of the group, including policies and procedures approved by the Board

#### Assurance

Internal audit  
 Risk management  
 External audit  
 ISO certifications

#### Laws/regulations/codes

JSE Listings Requirements  
 Companies Act  
 King III  
 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  
 Supply chain code of conduct  
 Risk and opportunity policy  
 Annual salary increments policy  
 Conflict of interest policy  
 Nepotism policy



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



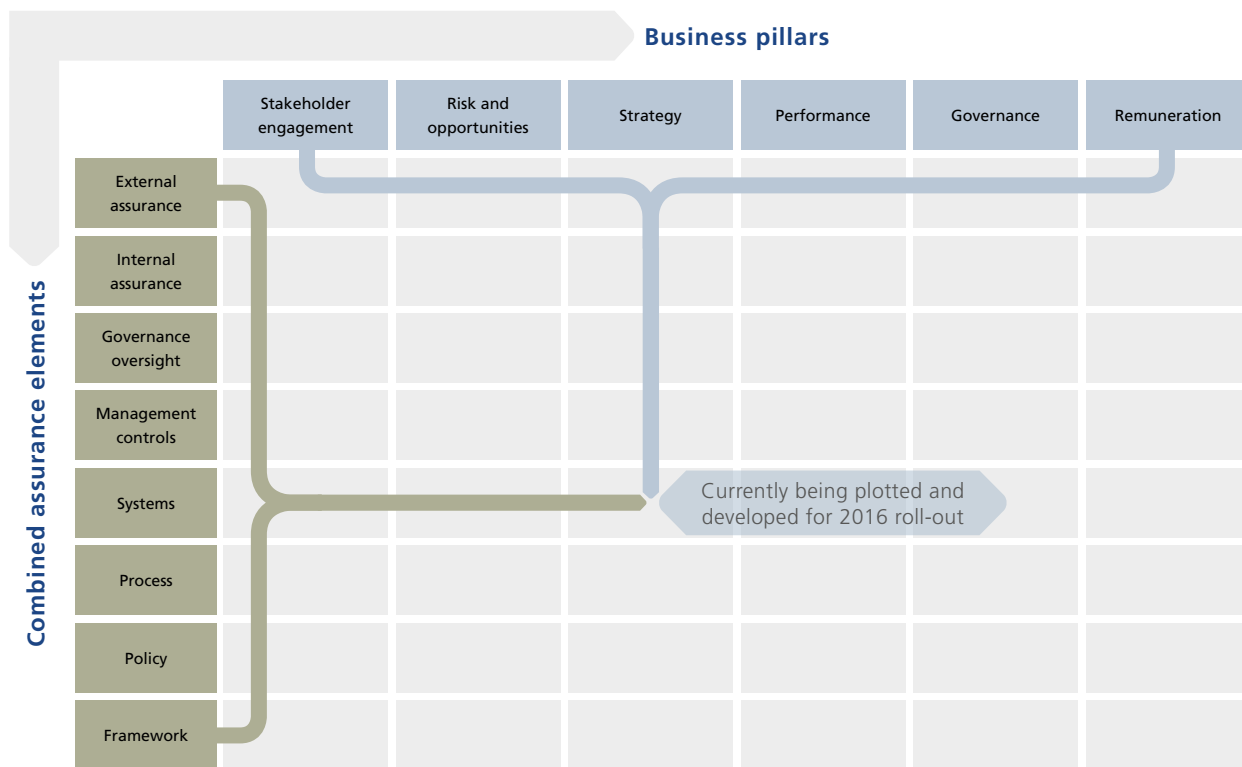
The detailed terms of reference for each committee are available online at [www.masterdrilling.com](http://www.masterdrilling.com)

### Combined assurance

Master Drilling is in the process of developing and implementing a combined assurance model as part of our governance framework. The Executive Committee and underlying management, process and system controls, are seen as the first line of defence within the combined assurance model. Corporate office and risk management perform key functions to provide a second line of assurance providers for the Board. External audit, internal audit and the external

evaluation of ISO certifications fulfil the third line of defence.

We have plotted our combined assurance elements against our business pillars as indicated in the organogram below. While our model is still evolving, we can identify gaps and institute greater levels of internal and external control where needed. However, we already have a robust assurance model in place for inventory and procurement, sales and debtors, fixed assets, payroll and remuneration.



### Compliance

We comply with a number of regulations, codes and statutes. 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 practicable, is implemented as appropriate. Reports on compliance with these regulations are tabled at the Risk Committee meetings.

All Board committee charters were approved and a Corporate Governance Committee was established.

### Ethics

The company's 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 have been developed for conflicts of interest, gifts and hospitality, anti-bribery and anti-corruption.

The employee ethics and code of conduct policy and the conflict of interest policy are communicated to all employees.

# Governance continued

## Activities

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, these are also provided.

Governing body	Value added	2016 focus
<b>Board</b>	<ul style="list-style-type: none"> <li>• Approved the longer-term strategy and one-year operating plan</li> <li>• Approved the interim and year-end financial results</li> <li>• Monitored our financial and operational performance and found it satisfactory</li> <li>• Approved the integrated report</li> <li>• Agreed no interim or final dividend payout in favour of investing funds into this stage of growth</li> <li>• Ensured a Board committee structure to oversee all aspects of our activities</li> <li>• Monitored the activities of all Board committees and received their report-backs</li> <li>• Was satisfied with the competence, qualifications and experience of the independent group Company Secretary</li> <li>• Approved executive directors' remuneration and recommended non-executive directors' remuneration for shareholder approval</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor that the long-term strategy remains appropriate</li> <li>• Test assumptions underlying the view that satisfactory growth in earnings will be achieved and monitor these</li> <li>• Ensure all manpower, funding and operational resources are in place to enable expected performance and growth</li> <li>• Monitor, through report-backs from the Board committees and management, actual performance against operational, financial and corporate governance targets</li> <li>• Ensure informative and timeous reporting to shareholders and the investing public</li> <li>• Ensure an appropriate realistic long-term strategy, a key driver in business decisions, is in place and compliance with the strategy is monitored on a regular basis</li> <li>• Ensure report-backs are submitted to the Board regularly to enable it to carry out its monitoring function</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Reviewed and recommended interim and year-end financial results to the Board</li> <li>• Appointed external auditors, agreed scope of work and fees for year-end audit</li> <li>• Was satisfied with the competence, qualifications and experience of the Financial Director and finance team</li> <li>• Reviewed and approved our combined assurance framework</li> <li>• Appointed KPMG to perform an internal audit function and agreed on an internal audit plan</li> <li>• Reviewed and recommended the integrated report to the Board</li> <li>• Was satisfied with the performance of the internal audit function and external audit</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to monitor the implementation of the integrated enterprise resource planning system to all geographies. This includes the financial and management accounting modules</li> <li>• Continue to monitor the independence of the external auditors and the cooperation between the internal and external auditors</li> <li>• Continuous review of the finance department and training of the support function to ensure effective delivery</li> <li>• Oversee the implementation of a comprehensive integrated assurance strategy and framework</li> <li>• Further integration of the internal audit plan with the combined assurance process</li> <li>• Further streamline the integrated reporting process to ensure effective reporting on all aspects of the company affecting future strategy</li> </ul>
<b>Corporate Governance Committee</b>	<ul style="list-style-type: none"> <li>• The Committee was appointed per the Board-approved resolution on 15 April 2015</li> </ul>	<ul style="list-style-type: none"> <li>• An assessment of our compliance with the King III principles was completed and is available on our website at <a href="http://www.masterdrilling.com">www.masterdrilling.com</a>.</li> <li>• Work to ensure ongoing compliance continues</li> <li>• The Corporate Governance Committee reports to the Board regarding compliance on a regular basis</li> <li>• See the corporate governance statement on page 91 of the integrated report</li> </ul>



Governing body	Value added	2016 focus
<b>Nominations Committee</b>	<ul style="list-style-type: none"> <li>• Considered the composition of the Board and recommended changes</li> <li>• Considered the performance evaluation of directors and the Committee's effectiveness</li> <li>• Was satisfied with the independence classification of non-executive directors</li> </ul>	<ul style="list-style-type: none"> <li>• Review the structure and composition of Board committees to ensure optimal functioning</li> <li>• Monitor self-evaluation of the Board and committee members</li> <li>• The make-up of the Board and its committees is reviewed on a regular basis to ensure correct competency mix and adequate independence and appropriate changes made. The Board and committees were reconstituted</li> <li>• The Board undertakes an annual self-evaluation process, with the Chairman and CEO separately evaluated by other Board members</li> </ul>
<b>Remuneration Committee</b>	<ul style="list-style-type: none"> <li>• Determine criteria to measure performance of executive directors in discharging their responsibilities</li> <li>• Focused and liaised with Nominations Committee on succession plans for the executive directors</li> <li>• Revisited and focused on principles of governance and codes of best practice throughout the group in terms of remuneration policies and practices</li> <li>• Developing, for implementation in 2016, an effective remuneration policy aligned with strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Review the make-up of the Board to ensure correct competency mix and adequate independence</li> <li>• Review the structure and composition of Board committees to ensure optimal functioning</li> <li>• Monitor self-evaluation of the Board and Committee members</li> </ul>
<b>Risk Committee</b>	<ul style="list-style-type: none"> <li>• Approved a risk management plan</li> <li>• Reviewed group risks and mitigation plans</li> <li>• Monitored controls and residual risk profile of significant group risks against agreed tolerance levels</li> <li>• Reviewed compliance with the significant areas of legislation that affect Master Drilling</li> </ul>	<ul style="list-style-type: none"> <li>• The risk registers were further refined to include more regular risk scanning of the business environment and, in particular, the mining sector</li> <li>• The appointment of key personnel and defining of regional responsibilities</li> <li>• The geographic expansion of the business to spread the risk of dependence on a particular region</li> </ul>
<b>Social, Ethics and Sustainability Committee</b>	<ul style="list-style-type: none"> <li>• Considered the employment equity plan</li> <li>• Reviewed our BBBEE rating for 2015</li> <li>• Performed functions of the Committee for all South African subsidiaries of Master Drilling</li> </ul>	<ul style="list-style-type: none"> <li>• Formulate a transformation programme</li> <li>• The health, safety and environmental programmes continue to be refined, including ongoing focus and attention to improve performance, with good progress made</li> <li>• The stakeholder engagement plan has been formulated and is currently being implemented</li> <li>• Greater community engagement</li> </ul>



# Governance continued

## Meeting attendance

The attendance at meetings is shown in the table below.

The Chief Executive Officer and executive directors are not members of any Board committees. The Chief Executive Officer may attend committee meetings by invitation and when required by committee members. The Financial Director attends Audit 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. The group Risk Manager, Financial Director and Company Secretary attend Risk Committee meetings.

The reconstitution of the various committees resulted in some directors only attending one of the usually scheduled four meetings per committee. Please note that the Nominations and Corporate Governance committees only have two scheduled meetings per annum.

Director	Committees						
	Board meetings	Audit	Corporate Governance <sup>1</sup>	Risk	Nominations	Remuneration <sup>2</sup>	Social and Ethics
<b>Number of meetings held</b>	<b>4</b>	<b>6</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>3</b>
JL Botha <sup>3</sup>	1	N/A	N/A	N/A	N/A	N/A	N/A
AA Deshmukh	4	6	1	N/A	N/A	3	3
JP de Wet	4	6	N/A	4	2	3	3
ST Ferguson	3	3	2	2	2	3	1
BJ Jordaan	4	N/A	N/A	N/A	N/A	N/A	N/A
CG O'Neill <sup>4</sup>	2	3	1	2	N/A	N/A	1
DC Pretorius	4	N/A	N/A	N/A	N/A	N/A	N/A
GR Sheppard	2	N/A	N/A	N/A	N/A	N/A	N/A
HR van der Merwe	4	N/A	2	4	2	N/A	N/A
AJ van Deventer	4	N/A	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> Corporate Governance Committee formed on 15 April 2015.

<sup>2</sup> Remuneration Committee meeting of 17 November 2015 postponed.

<sup>3</sup> Appointed on 12 November 2015 as independent non-executive director.

<sup>4</sup> Resigned as a non-executive director on 23 July 2015.



# Remuneration

## Remuneration philosophy

*We pay our employees fairly for the work they perform in accordance with agreed conditions and principles of service that are free from discrimination. We believe that all our employees contribute to our success and we reward their contribution by providing performance-based bonuses or incentives.*

## Remuneration committee

Name of Director	Position
AA Deshmukh (chairman)	Independent non-executive director
ST Ferguson	Non-executive director
JP de Wet	Independent non-executive director

Within its agreed terms of reference, the Remuneration Committee (Remco) is responsible for determining Master Drilling's policy regarding the individual remuneration packages for each Executive Director in consensus with the Board. When appropriate, Remco also makes recommendations in relation to the remuneration of senior management. In addition, Remco 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.



Remco's terms of reference are available online at [www.masterdrilling.com](http://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 holistic approach to reward is 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

During 2015, Master Drilling undertook several remuneration reviews, assisted by external consultants, to identify the areas of improvement in developing remuneration structures that drive our strategic objectives. A review of production bonuses, the STI and LTI was done and the recommendations are currently being included in revised policies. We aim to have updated remuneration policies in place by the end of 2016, which will focus on including both financial and non-financial key performance indicators into the calculations to reflect strategic output.

# Remuneration continued

## Fixed

Remuneration component	Executives	Senior management	Middle and junior management	Bargaining wage employees	Non-Executives
<b>Basic salary</b>	Increase based on: <ul style="list-style-type: none"> <li>• Inflation</li> <li>• Individual performance, qualifications and experience</li> <li>• Continuously benchmarked (PwC remuneration survey used as guideline document for directors)</li> <li>• Aligned with the objectives and strategy of the company and in shareholders' best interests</li> <li>• Salary increases were 7% for executives and between 6% and 7% for senior management</li> <li>• Basic salary is on a cost-to-company basis and may include some or all of the benefits below</li> </ul>			Increase based on: <ul style="list-style-type: none"> <li>• Wage negotiations</li> <li>• Last wage increase as negotiated was 10% for SA companies</li> </ul>	<ul style="list-style-type: none"> <li>• Subjected to annual benchmarking</li> <li>• Based on the principle of attracting, retaining and motivating the right calibre of person</li> <li>• Chairpersons receive higher rates</li> <li>• Fees are made up of a base fee (50%) and an attendance fee (50%)</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Retirement fund contribution</li> <li>• Medical aid</li> <li>• Reimbursive travel claims – we reimburse company-related travel at 100% of cost or agreed company policy rates</li> <li>• Fixed allowances for uniforms</li> <li>• Protective clothing is provided free of charge</li> </ul>				<ul style="list-style-type: none"> <li>• Reimbursive travel claims</li> </ul>
<b>Insurance</b>	<ul style="list-style-type: none"> <li>• Liability insurance</li> <li>• Possible risks and liabilities attached to the position are taken into account</li> </ul>	N/A	N/A	N/A	<ul style="list-style-type: none"> <li>• Liability insurance</li> <li>• Amount determined by management in consultation with the Audit and Risk Committees</li> <li>• Possible risks and liabilities attached to the position are taken into account</li> </ul>
<b>Circumstantial pay</b>	<ul style="list-style-type: none"> <li>• Retention of specific skill sets</li> <li>• Unique to specific position</li> </ul>				<ul style="list-style-type: none"> <li>• N/A</li> </ul>

N/A – Not applicable to this employee category



## Variable

Remuneration component	Executives	Senior management	Middle and Junior management	Bargaining wage employees
<b>Short-term incentive scheme</b>	<ul style="list-style-type: none"> <li>Discretionary</li> <li>Calculated at varying percentages of net profit, or profit in excess of targets</li> <li>Capped at a percentage of annual salary</li> <li>Continuously benchmarked against the market</li> <li>Linked to achieving financial and strategic objectives</li> <li>STI payments will only be made when the minimum profit target has been achieved.</li> <li>An attributable profit of \$19,9 million was achieved for the 2015 financial therefore, 100% STI payments were made</li> </ul>	<ul style="list-style-type: none"> <li>Incentive bonuses based on the achievement of production targets.</li> </ul> <p><i>/Q</i> Refer to page 78 for the description of these incentive schemes.</p> <ul style="list-style-type: none"> <li>Companies operating in South American countries are required to make a payment of 5% – 10% of profit after tax to the employees.</li> </ul>		N/A
<b>Long-Term Incentive Scheme</b>	<ul style="list-style-type: none"> <li>In the form of share or phantom ownership</li> <li>Takes account of the objective to align long-term interests of executives with those of shareholders</li> <li>Aimed at attracting and retaining high-calibre employees</li> <li>Based on the company attaining its stated objectives in share price and CAGR of profit after tax (PAT) and on the individual's performance</li> </ul>		BBBEE share option plan open to BBBEE candidates in this employee band, within South Africa	N/A
<b>Overtime pay</b>	<ul style="list-style-type: none"> <li>Overtime is paid in line with company policy derived from the local labour law</li> </ul>			

### Short-term incentive scheme

Role	On-target % of annual salary	% capping of annual salary
Chief Executive Officer	75%	75%
Executive directors	50%	50%
Senior management	25%	25%

As mentioned we sought external input to revise our short-term incentives within the group. Just after year-end the following three short-term incentive schemes were distributed for comment and approval as the new STI structure. The policies are discretionary and dependent on the relative country legislation. They relate to:

1. STI for Shared Services staff and other staff not covered by present STI
2. Special performance incentive
3. Linking performance to remuneration

# Remuneration continued

## **STI for Shared Services**

The STI is based on business performance and is focused on the strategic objectives Master Drilling needs to achieve and achievement or improvements on stretched targets and therefore drives behaviour. The 2016 business budget as presented to the Master Drilling Board will be the basis to determine achievement of Tier 1 and Tier 2 targets for the period 1 January 2016 – 31 December 2016. Participation in Tier 2 is subject to achieving 100% of Tier 1 targets unless stated otherwise in the rules. The potential value to employees, provided all targets have been achieved for the year, will be 8,33% of annual gross remuneration for Tier 1 and 10% of annual gross remuneration (as defined) for Tier 2. All permanent employees of Shared Services and employees not linked to STI in a particular business will participate.

## **Special performance reward (SPR)**

The purpose of the SPR scheme is to ensure that the total remuneration package of qualifying employees is market-related by introducing an additional variable component that is solely dependent on individual performance. It is envisaged that this will contribute to the retention of employees who qualify for participation in this scheme. The SPR is an annual payment that is paid in addition to other variable incentives and is applicable to permanent employees in A to E role positions, Paterson grades D3 and above.

Qualifying employees are required, together with their direct supervisors, to devise one or more strategic SPR objectives to be achieved in each financial year. All SPR objectives will be recorded in a separate contract that must comply with the following requirements:

- Must be approved by a manager at least two levels higher than the employee.
- Must be evaluated and rated during the performance management process.
- Must be measurable.
- May take less than 12 months to achieve, but must be realistically achievable during the year or part thereof if they have been contracted for less than a full year, e.g. in the case of appointments, promotions or transfers during the year.

## **Linking performance to remuneration**

An employee may receive an increase over and above the inflationary increase up to the level of the relevant position. This increase is based on the average performance rating score of the last two quarters' performance rating, preceding the month in which the increase will be effective.

<b>Performance rating</b>	<b>% of the increase over and above inflation</b>
1 – poor	0%
2 – below average	0%
3 – average	0%
4 – well above average	50% of the inflationary percentage
5 – excellent	75% of the inflationary percentage

## **Long-term incentive scheme**

Any eligible employee<sup>1</sup> selected at Remco's discretion shall be eligible to receive grants under the LTI. In making this selection, Remco shall take into account the contribution of the eligible employee's division to Master Drilling and their individual performance. The latter shall be measured in the context of the applicable internal performance appraisal process, among other factors.

<sup>1</sup> An eligible employee is any employee (including any Executive Director) of any member of the group or subsidiary, but shall not include any Non-Executive Director of the company, any member of Remco or any trustee of an employee benefit trust.



The maximum number of shares in respect of which options can be granted to any one option holder is 500 000 shares in a three-year cycle. Subject to this, the maximum value of shares subject to an option to be awarded to an option holder will not usually exceed 200% of their 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.

Details	Options
Total number of options attributable to the share option scheme	5 000 000
Less:	
Total number of options granted on 29 November 2013	(2 000 000)
Total number of options granted on 19 May 2014	(327 286)
Total number of share options granted on 21 August 2015	(80 000)
Total number of share options granted on 19 October 2015	(80 000)
Total number of share options granted on 20 October 2015	(35 000)
Total number of options exercised during 2015	–
<b>Total options unissued at 31 December 2015</b>	<b>2 477 714</b>

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

### BBBEE share scheme

As part of a reorganisation process, BBBEE participation has been incorporated into the group's three principal operating subsidiaries in South Africa.

A 26% shareholding in each of Master Drilling South Africa (MDSA) and Drilling Technical Services (DTS) was issued to Mosima Drilling (Pty) Limited (Mosima), a BBBEE owned and controlled company, for consideration of R89.6 million and R859 000 respectively. The main shareholder of Mosima is the MDSA Historically Disadvantaged South Africans (HDSA) Trust, which was formed for the benefit of employees of MDSA and holds 80% of the BBBEE stake. The balance of the shares in Mosima are held by the DCP BBBEE Foundation, a trust established to provide welfare, humanitarian, educational and development assistance to disadvantaged communities or individuals.

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

A 26% shareholding in MDX was issued to Epha Drilling (Pty) Ltd (Epha), a BBBEE-owned and controlled company, for a consideration of R61.7 million. The main shareholder of Epha is the Drillcorp BBBEE Trust, a trust formed for the benefit of employees, which holds 60% of the BBBEE stake. The DCP BBBEE Foundation, a trust formed to provide welfare, humanitarian, educational and development assistance to disadvantaged communities, holds 20% of the shares in Epha.

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

- Shadreck Moralikobo Motloung, a senior MDX employee
- Petrus Ngwenya, a senior MDX employee
- Akhter Alli Deshmukh, CFO of Lephatsi Investments (Pty) Ltd
- Ronnie Mamoepa, Head of Communications: Office of the Deputy President

Epha is entitled to nominate one Director to the MDX Board (currently Akhter Alli Deshmukh).



# Remuneration continued

## Proposed BBBEE vendor finance

Each of the foregoing BBBEE 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 the prime interest rate 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 2015 are as follows:

### Directors' remuneration 2015 (USD)

	Basic salary	Travel allowance	Bonus	Fringe benefits	Provident/pension fund contributions	Directors' fees	Consulting and legal fees	Gains on exercise of options	Total
<b>Executive director</b>									
DC Pretorius	310 197	28 191	214 212	5 634	13 052	–	–	–	571 286
AJ van Deventer	209 342	18 794	84 812	3 105	9 070	–	–	–	325 123
GR Sheppard	173 953	–	319 001	–	16 543	–	–	–	509 497
BJ Jordaan	234 639	18 794	84 812	3 209	9 049	–	–	–	350 503
<b>Subtotal</b>	<b>928 131</b>	<b>65 779</b>	<b>702 837</b>	<b>11 947</b>	<b>47 715</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 756 409</b>
<b>Non-executive director</b>									
HR van der Merwe	–	–	–	–	–	41 313	–	–	41 313
JL Botha	–	–	–	–	–	3 306	–	–	3 306
ST Ferguson	–	–	–	–	–	26 294	83 337	–	109 631
JP de Wet	–	–	–	–	–	26 294	–	–	26 294
AA Deshmukh	–	–	–	–	–	32 884	–	–	32 884
<b>Subtotal</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>213 429</b>	<b>–</b>	<b>–</b>	<b>213 429</b>
<b>Alternate director</b>									
CG O'Neill	66 953	9 459	–	792	–	11 197	–	–	88 400
E Dixon	113 630	16 096	35 278	1 764	20 844	–	–	–	187 612
<b>Subtotal</b>	<b>180 584</b>	<b>25 555</b>	<b>35 278</b>	<b>2 555</b>	<b>20 844</b>	<b>11 197</b>	<b>–</b>	<b>–</b>	<b>276 012</b>
<b>Prescribed Officer</b>									
R Swanepoel	66 733	122	4 361	754	7 741	–	–	–	79 710
<b>Subtotal</b>	<b>66 733</b>	<b>122</b>	<b>4 361</b>	<b>754</b>	<b>7 741</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>79 710</b>
<b>Total</b>	<b>1 175 448</b>	<b>91 455</b>	<b>742 475</b>	<b>15 256</b>	<b>76 300</b>	<b>224 626</b>	<b>–</b>	<b>–</b>	<b>2 325 559</b>



#### Directors' remuneration 2014 (USD)

	Basic salary	Travel allowance	Bonus	Fringe benefits	Provident/pension fund contributions	Directors' fees	Consulting and legal fees	Gains on exercise of options	Total
<b>Executive director</b>									
DC Pretorius	341 166	33 199	312 585	18 448	–	–	–	–	705 398
AJ van Deventer	226 537	22 133	115 967	12 471	–	–	–	–	377 108
GR Sheppard	391 521	–	136 311	–	29 196	–	–	–	557 028
BJ Jordaan	224 870	22 133	115 967	12 516	–	–	–	–	375 486
<b>Subtotal</b>	<b>1 184 094</b>	<b>77 465</b>	<b>680 830</b>	<b>43 435</b>	<b>29 196</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2 015 020</b>
<b>Non-executive director</b>									
HR van der Merwe	–	–	–	–	–	20 335	–	–	20 335
CG O'Neill	–	–	–	–	–	13 153	–	–	13 153
ST Ferguson	–	–	–	–	–	23 192	112 719	–	135 911
RO Davey	–	–	–	–	–	6 285	–	–	6 285
JP de Wet	–	–	–	–	–	26 985	–	–	26 985
PJ Ledger	–	–	–	–	–	27 543	–	–	27 543
AA Deshmukh	–	–	–	–	–	26 187	–	–	26 187
<b>Subtotal</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>143 680</b>	<b>112 719</b>	<b>–</b>	<b>256 399</b>
<b>Alternate director</b>									
I Bredenkamp	77 807	–	–	5 953	1 962	–	–	–	85 722
<b>Subtotal</b>	<b>77 807</b>	<b>–</b>	<b>–</b>	<b>5 953</b>	<b>1 962</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>85 722</b>
<b>Total</b>	<b>1 261 901</b>	<b>77 465</b>	<b>680 830</b>	<b>49 388</b>	<b>31 158</b>	<b>143 680</b>	<b>112 719</b>	<b>–</b>	<b>2 357 141</b>

# Remuneration continued

## Directors' interest

### Directors' interest 2015

	Number of shares: direct beneficial	Number of shares: indirect beneficial	Total	Percentage of issued ordinary share capital
<b>Executive director</b>				
DC Pretorius	900	78 630 565	78 631 465	53,03%
AJ van Deventer	727 648	2 252 316	2 979 964	2,01%
GR Sheppard	–	2 955 884	2 955 884	1,99%
BJ Jordaan	1 781 861	1 228 336	3 010 197	2,03%
<b>Total</b>	<b>2 510 409</b>	<b>85 067 101</b>	<b>87 577 510</b>	<b>59,07%</b>

*Non-executive directors had no interests*

### Directors' interest 2014

	Number of shares: direct beneficial	Number of shares: indirect beneficial	Total	Percentage of issued ordinary share capital
<b>Executive director</b>				
DC Pretorius	900	78 630 565	78 631 465	53,03%
AJ van Deventer	1 727 648	2 245 016	3 972 664	2,68%
GR Sheppard	–	3 955 884	3 955 884	2,67%
BJ Jordaan	1 781 861	1 228 336	3 010 197	2,03%
<b>Total</b>	<b>3 510 409</b>	<b>86 059 801</b>	<b>89 570 210</b>	<b>60,41%</b>

*Non-executive directors 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 is in place, which prohibits the following executives from engaging in any raise bore-related activities for one year:

- Danie Pretorius
- André van Deventer
- Koos Jordaan
- Gary Sheppard
- Shane Ferguson



# Appendices

## Letter from the Chairman

(forming part of notice of annual general meeting)

### Dear Shareholder

It gives me great pleasure to invite you to attend the fourth annual general meeting of shareholders of Master Drilling Group Limited ("Master Drilling" or the "company") since its listing, to be held on Thursday, 21 July 2016 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 2015, which has been produced in line with the recommendations of the King Report on Governance for South Africa 2009 ("King III"), the Companies Act, 71 of 2008, as amended ("Companies Act") and the Listings Requirements of the JSE Limited.

The financial statements included in the Integrated Report 2015 present a comprehensive 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 2015 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 100 of this document for administrative purposes by no later than 09:30 on 19 July 2016. If you are a dematerialised shareholder other than "own name" registered, please refer to the procedure to follow on page 85 of the Integrated Report 2015, available on [www.masterdrilling.com](http://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](mailto: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](http://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

29 March 2016

# 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 fourth 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, 21 July 2016 at 09:00 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 have been approved by the Board of Directors of Master Drilling and signed on their behalf by Mr HR van der Merwe, Chairman, on 29 March 2016.

### 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 2015 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 approval 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.

## Administration: shareholders' diary

Financial year end		31 December
Annual Results 2015	Published on or about	31 March 2016
Integrated Report 2015	Published on or about	31 March 2016
Annual general meeting 2016	09:00	21 July 2016
Interim report 2016	Published on or about	30 September 2016

## 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, 21 July 2016 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, 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 Report 2015, please request same by completing the form on the company website at [www.masterdrilling.com](http://www.masterdrilling.com) or from [companysecretary@masterdrilling.com](mailto: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 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, 15 July 2016 (Voting Record Date);
- 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, 8 July 2016 and;
- The date by which forms of proxy for the annual general meeting should be lodged shall be 09:30 on Tuesday, 19 July 2016\*.

\* *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.*

### 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 09:30 on Tuesday, 19 July 2016.



## 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 92 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, 7 July 2016. The share registrars will, by way of email, 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 2015, 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 2015.

### 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 re-appoint 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 Johan Louis Botha as a Non-Executive Director

“Resolved as an ordinary resolution that Mr JL Botha, having been appointed by the Board of Directors since the last annual general meeting of the company and being obliged to retire at this annual general meeting but being eligible and available for election, offer 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 JL Botha’s brief curriculum vitae is disclosed on page 66 of the Integrated Report 2015, available on [www.masterdrilling.com](http://www.masterdrilling.com)

### 4. ORDINARY RESOLUTION NUMBER 4

#### Re-election of Mr Shane Trevor Ferguson as a Non-Executive Director

“Resolved as an ordinary resolution that Mr ST Ferguson, who retires by rotation at this annual general meeting and who is eligible and available for re-election, be and is hereby re-elected as a Non-Executive Director of the company”.

  Mr ST Ferguson’s brief curriculum vitae is disclosed on page 66 of the Integrated Report 2015, available on [www.masterdrilling.com](http://www.masterdrilling.com)



## 5. ORDINARY RESOLUTION NUMBER 5

### 5.1 Re-appointment of Mr Jacques Pierre de Wet as a member of the Audit Committee of the company

“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 5.1 is to appoint a member of the Audit Committee in accordance with the guidelines of King III and the requirements of the Companies Act.

  A brief curriculum vitae of Mr JP de Wet is disclosed on page 66 of Integrated Report 2015, available on [www.masterdrilling.com](http://www.masterdrilling.com)

### 5.2 Re-appointment of Mr Johan Louis Botha as a member of the Audit Committee of the company

“Subject to the passing of ordinary resolution number 3, resolved as an ordinary resolution that Mr JL Botha, 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 5.2 is to appoint a member of the Audit Committee in accordance with the guidelines of King III and the requirements of the Companies Act.

  A brief curriculum vitae of Mr JL Botha is disclosed on page 66 of Integrated Report 2015, available on [www.masterdrilling.com](http://www.masterdrilling.com)

### 5.3 Re-appointment of Mr Shane Trevor Ferguson 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 ST Ferguson, 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 5.3 is to appoint a member of the Audit Committee in accordance with the guidelines of King III and the requirements of the Companies Act.

  A brief curriculum vitae of Mr ST Ferguson is disclosed on page 66 of Integrated Report 2015, available on [www.masterdrilling.com](http://www.masterdrilling.com)

### 5.4 Re-appointment of Mr Akhter Alli Deshmukh as a member of the Audit Committee of the company

“Resolved as an ordinary resolution number 5.4 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 5.4 is to appoint a member of the Audit Committee in accordance with the guidelines of King III and the requirements of the Companies Act.

  A brief curriculum vitae of Mr AA Deshmukh is disclosed on page 66 of Integrated Report 2015, available on [www.masterdrilling.com](http://www.masterdrilling.com)

## 6. ORDINARY RESOLUTION NUMBER 6

### **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 6 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.

## 7. ORDINARY RESOLUTION NUMBER 7

### **General authority to Directors to issue for cash, in respect of those ordinary shares which the Directors are authorised to allot and issue in terms of ordinary resolution number 6**

"Resolved as an ordinary resolution that, subject to ordinary resolution number 6 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 6, subject to the following conditions:

- 7.1 this authority shall be limited to a maximum number of 7 413 275 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 7 is to be proposed, being 21 July 2016);
- 7.2 this authority shall only be valid until the next annual general meeting of the company but shall not extend beyond 15 months;
- 7.3 an announcement, in compliance with section 11.22 of the Listings Requirements of the JSE Limited, shall be published after any issue representing, on a cumulative basis within the year contemplated in paragraph 7.2 above, 5% (7 413 275) of the number of ordinary shares in issue prior to the issue concerned excluding treasury shares;
- 7.4 in the event of a sub-division or consolidation of issue shares during the year contemplated in paragraph 7.2 above, this authority must be adjusted accordingly to represent the same allocation ratio;
- 7.5 in determining the price at which an issue of ordinary shares for cash shall be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE Limited over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities; and
- 7.6 any issue of ordinary shares under this authority shall be made only to a public shareholder as defined in the Listings Requirements of the JSE Limited."

Any equity securities issued under the authority during the year contemplated in paragraph 7.2 above, must be deducted from such number in paragraph 7.1 above.

The purpose of ordinary resolution number 7 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 6 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 6.


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 7.



## 8. ORDINARY RESOLUTION NUMBER 8

### 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 75 of the Integrated Report 2015, available on [www.masterdrilling.com](http://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."

  The group remuneration policy is set out on page 75 of the Integrated Report 2015, available on [www.masterdrilling.com](http://www.masterdrilling.com), of which this notice forms part.

## Special business

### 9. 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 submitted in writing to the JSE 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.



# Appendices continued

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 year 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 year 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; and
- the ordinary capital and reserves of the company and the group would be adequate for ordinary business purposes for a year 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 year of 12 months after the date of the repurchase.

Prior to executing an acquisition of the company's own shares under this authority granted in terms of special resolution 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 2015, available on [www.masterdrilling.com](http://www.masterdrilling.com):

Directors and management – pages 66 to 67;

Major shareholders – page 30;

 Material change statement – page 65;

Directors' interest in securities – page 82;

Share capital of the company – page 54.

## 10. 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 1 August 2016), as recommended by the Remuneration Committee and the Board, subject to approval by the shareholders at the annual general meeting, be and is hereby approved."

	2016 ZAR	2015 ZAR	2014 ZAR
Board Chairman	*575 834	534 240	<b>504 000</b>
Board Member	*366 294	345 560	<b>159 040</b>
Audit Committee and Risk Committee Chairman	0.00	0.00	<b>63 840</b>
Audit Committee and Risk Committee Member	0.00	0.00	<b>24 640</b>
Remuneration and Nominations Committee Chairman	0.00	0.00	<b>47 040</b>
Remuneration and Nominations Committee Member	0.00	0.00	<b>35 840</b>
Social, Ethics and Sustainability Committee Chairman	0.00	0.00	<b>22 400</b>
Social, Ethics and Sustainability Committee Member	0.00	0.00	<b>11 200</b>

*\*The Directors' fees comprise a fixed annual portion and a portion based on attendances of Board and committee meetings. The estimate for the 2016 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.



## 11. 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 such section 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 number 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 of 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 66 to 67 of the Integrated Report 2015, available on [www.masterdrilling.com](http://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

**Andrew Colin Beaven**  
Company Secretary

6 Dwars Street  
Krugersdorp, 1739  
South Africa  
(PO Box 158, Krugersdorp, 1740, South Africa)

29 March 2016



# 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, 21 July 2016.

### Venue

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


### Timing

The annual general meeting will start promptly at 09:00 (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 85 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 related 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 100.

## Transfer Secretaries

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

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



## Form of proxy

Master Drilling Group Limited  
(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, 21 July 2016 at 09:00 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
<b>Ordinary resolution number 1</b> Presentation of annual financial statements			
<b>Ordinary resolution number 2</b> Re-appointment of Grant Thornton as auditors and noting J Barradas as audit partner			
<b>Ordinary resolution number 3</b> Re-election of Mr JL Botha as a Non-Executive Director			
<b>Ordinary resolution number 4</b> Re-election of Mr ST Ferguson as a Non-Executive Director			
<b>Ordinary resolution number 5.1</b> Re-appointment of Mr JP de Wet as a member of the Audit Committee of the company			
<b>Ordinary resolution number 5.2</b> Re-appointment of Mr JL Botha as a member of the Audit Committee of the company			
<b>Ordinary resolution number 5.3</b> Re-appointment of Mr ST Ferguson as a member of the Audit Committee of the company			
<b>Ordinary resolution number 5.4</b> Re-appointment of Mr AA Deshmukh as a member of the Audit Committee of the company			
<b>Ordinary resolution number 6</b> General authority to Directors to allot and issue ordinary shares			
<b>Ordinary resolution number 7</b> General authority to Directors to issue for cash, those ordinary shares placed under the control of the Directors in terms of ordinary resolution number 6			
<b>Ordinary resolution number 8</b> Advisory endorsement of the Master Drilling remuneration policy			
<b>Special resolution number 1</b> Acquisition of company's own shares			
<b>Special resolution number 2</b> Directors' fees			
<b>Special resolution number 3</b> Approval to grant financial assistance in terms of sections 44 and 45 of the Companies Act			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2016

Name of shareholder/joint holders

Signature/s

Assisted by me (if applicable)

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

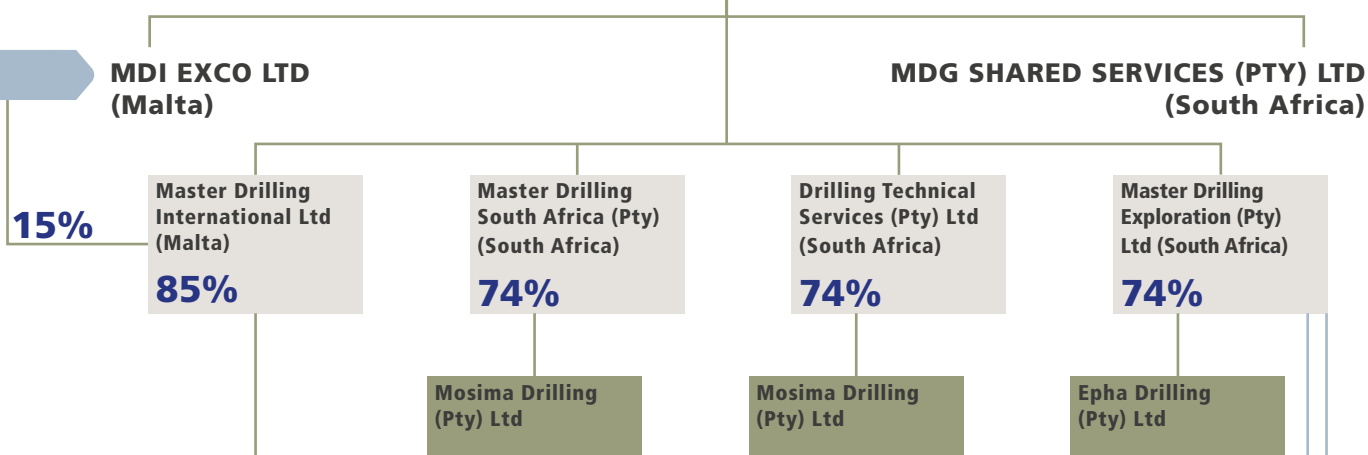
# Appendices continued

## Notes to form of proxy

1. 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.
2. 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.
3. 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.
4. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
5. 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 as to 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.
6. Any alteration or correction made to this form of proxy must be signed in full and not initialled by the signatory.
7. 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.
8. 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.
9. When there are joint holders of shares, any one holder may sign the form of proxy.
10. 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.
11. 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.
12. The appointment of a proxy or proxies:
  - 12.1 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;
  - 12.2 is revocable in which case a shareholder may revoke the proxy appointment by:
    - 12.2.1 cancelling it in writing or making a later inconsistent appointment of a proxy; and
    - 12.2.2 delivering a copy of the revocation instrument to the proxy and to the company.
13. 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 by no later than 09:30 on 19 July 2016.

## Organisational structure

### MASTER DRILLING GROUP LTD (South Africa)



Kala SA (Chile) <b>100%</b>	Master Drilling Peru SAC (Peru) <b>100%</b>	Master Drilling do Brasil Ltda (Brazil) <b>100%</b>	Master Drilling Mexico SA (Mexico) <b>100%</b>
Master Drilling Zambia plc (Zambia) <b>100%</b>	Master Drilling Ecuador Ltd (Ecuador) <b>100%</b>	Master Drilling Colombia SAS (Colombia) <b>100%</b>	Orbit Insurance Ltd (Anguilla) <b>100%</b>
Drillcorp Burkina Faso SA (Burkina Faso) <b>80%</b>	Drillcorp Cote d'Ivoire SA (Cote d'Ivoire) <b>80%</b>	Master Drilling Australia (Pty) Ltd (Australia) <b>100%</b>	Master Drilling Malta Ltd (Malta) <b>100%</b>
Master Drilling Guatemala SA (Guatemala) <b>100%</b>	Master Drilling RDC SPRL (DRC) <b>100%</b>	Jiangsu Master Mining Engineering Technology Company Ltd (China) <b>100%</b>	Martwick Ltd (Ireland) <b>100%</b>
Master Drilling Changzhou Co. Ltd (China) <b>100%</b>	Master Drilling Ghana Ltd (Ghana) <b>100%</b>	Drilling Technical Services SAC (Peru) <b>100%</b>	DCP Properties SAC (Peru) <b>100%</b>
Master Drilling USA LLC (USA) <b>100%</b>	Master Drilling Honduras SADCV (Honduras) <b>100%</b>	Master Drilling Mali SARL (Mali) <b>100%</b>	

Drillcorp Botswana (Pty) Ltd (Botswana)  
**100%**

Drillcorp Namibia (Pty) Ltd (Namibia)  
**100%**

- Operational
- Dormant
- Registration in progress
- BEE partner: Mosima & Epha

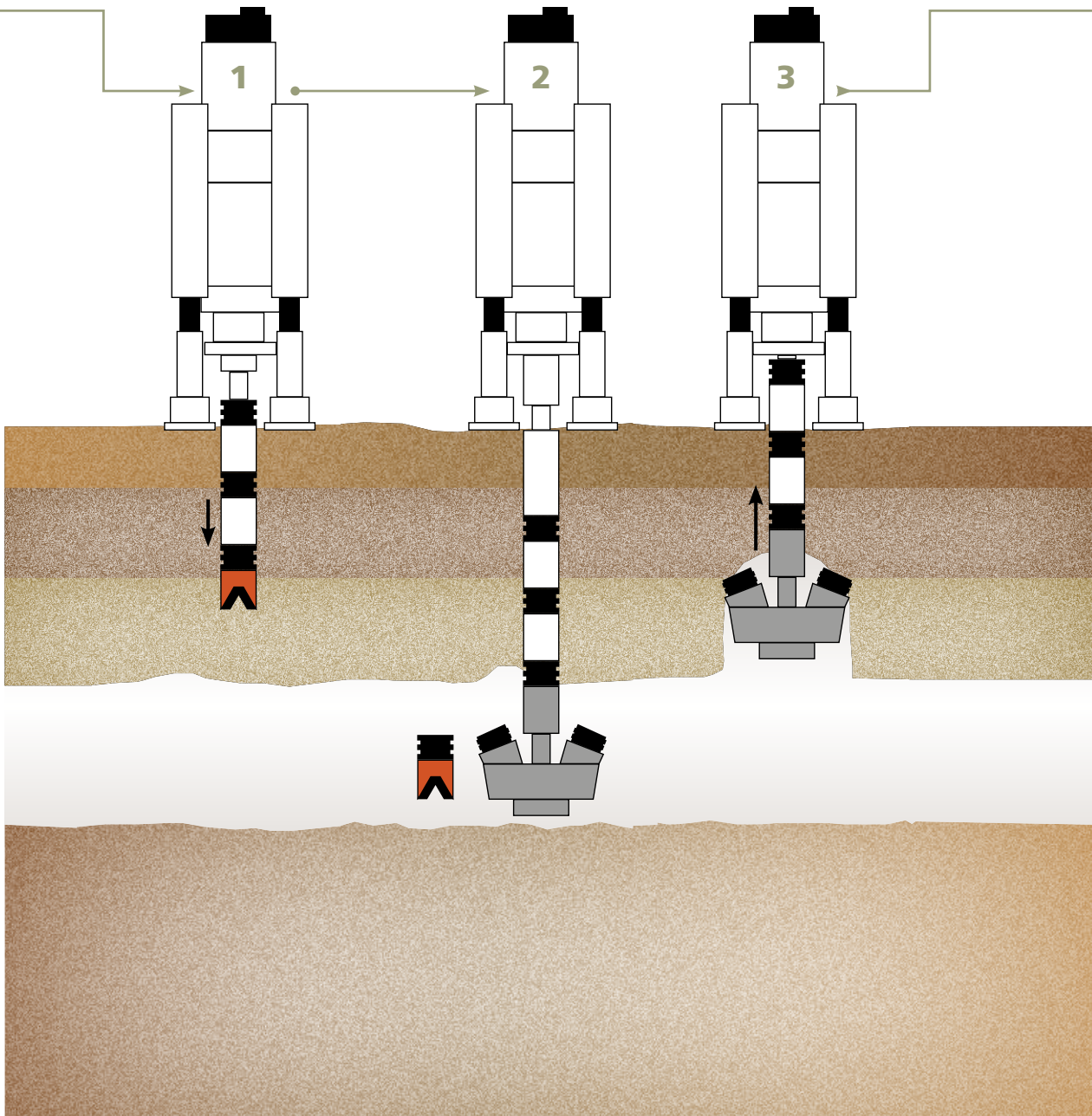
## Raise bore operating cycle

### Piloting

Some drilling methods require pre-drilling operations to ensure hole accuracy, stability or to enable the subsequent process. The pilot process is usually done using percussion or mud rotary methods.

### Reaming

Reaming is the process of enlarging an existing hole. This can be done by either re-drilling a pilot hole using a larger cutter, hammer, bit or reaming shell. In the raise boring application, one can enlarge the pilot hole by drawing a large diameter reamer head from the bottom of the hole upwards.





## Useful terms

### Operational definitions

<b>Air rotary drilling</b>	Air rotary drilling is most commonly used for the application of large diameter blast holes in the surface or open-cast 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 raise-bored shaft.
<b>Box hole drilling</b>	<p>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 intersect with the ore body. When mining activity reaches this hole, it may 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.</p> <p>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.</p>
<b>Blind hole boring</b>	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, this form of boring is used for access and ventilation shafts ranging from metro tunnels to underground storage areas such as parking garages. In the energy sector it is used for surge, ventilation, access and pressure shafts.
<b>Core drilling</b>	<p>Core drilling is used in surface and underground mining for delineation of an ore body and resource definition and valuation. Cover drilling is used in tunnel infrastructure to ensure that no methane pockets of air are mined into and for water-bearing areas that could potentially flood the underground infrastructure. In addition, core drilling is used for the geotechnical 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.</p> <p>In the energy industry, core drilling is used for the collecting of core in gas, oil, coal or uranium carrying geology. 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>
<b>Mud rotary drilling</b>	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 coalbed methane, shale gas, gas, oil and geothermal holes. Mud rotary drilling is also commonly used for the directional drilling of horizontal wells.
<b>Percussion drilling</b>	<p>Percussion drilling is a 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 types 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>



# Appendices continued

## Operational definitions continued

<b>Piling</b>	We predominantly use piling for the construction of circular secant pile walls to establish a barrel from surface through unconsolidated ground socketed into fresh rock.
<b>Piloting</b>	Some drilling methods require pre-drilling operations to ensure hole accuracy and stability, or to enable the subsequent process. The pilot process is usually executed using percussion or mud rotary drilling methods.
<b>Reaming</b>	Reaming is the process of enlarging an existing hole. This can be done either by re-drilling a pilot hole using a large cutter, hammer, bit or reaming shell. In the raise boring application, the pilot hole can be enlarged by drawing a large diameter reamer head from the bottom of the hole upwards.
<b>Reef boring</b>	Reef boring is used where vein orebodies are narrow. 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.
<b>Reverse circulation drilling</b>	Reverse circulation drilling is a cost effective way for resource definition and very effective for grade control drilling to determine the accurate composition of the orebody that will be mined just before blasting.
<b>Semi-skilled</b>	C-lower and B-upper level employees, e.g. artisan aids, operators and assistants.
<b>Skilled</b>	Using the Paterson grading model, skilled employees are classified as upper level employees from C4 level, e.g. managers, skilled artisans, foremen, administrators and qualified artisans.
<b>Slot hole boring</b>	<p>Slot hole 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.</p> <p>Slot hole 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 east/west sections of a mine, between holes.</p>
<b>Trackless mining</b>	Mobile equipment not using mining tracks, i.e. the mobile unit uses its own wheels or method of movement.
<b>Tunnel boring</b>	<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>This method is 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 orebodies in either a decline-type ramp or horizontal haulage format. There are various other applications where it is effective for the 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 hydroelectric or pumped storage projects for the use of tailrace tunnels. It is also used for nuclear waste storage facility construction.</p>
<b>Unskilled</b>	Wage workers, e.g. raise bore assistants, general workers and cleaners.

## Financial terms and definitions

<b>ACPOR</b>	Average cost per operating rig
<b>ARPOR</b>	Average revenue per operating rig
<b>Asset turn</b>	Annual sales divided by the average historical cost of property, plant and equipment
<b>Asset turnover ratio</b>	$\frac{\text{Revenue}}{\text{(average cost of property, plant and equipment)}}$
<b>CAGR</b>	Compound annual growth rate
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>HEPS</b>	Headline earnings per share



<b>GP</b>	Gross profit
<b>PAT</b>	Profit after tax
<b>ROA company level</b>	Return on assets per company level = $\frac{\text{Profit after tax}}{\text{Total assets}}$
<b>ROA per project level</b>	Return on assets per project level = $\frac{\text{Profit after tax}}{\text{Net book value of specific drill rig}} + \text{inventory value per project}$
<b>ROE</b>	Return on equity = $\frac{\text{Profit after tax}}{\text{Total equity}}$
<b>ROCE</b>	Return on capital employed = $\frac{\text{Earnings before interest and tax}}{(\text{Total assets} - \text{current liabilities})}$

## Glossary

<b>BBBEE</b>	Broad-based black economic empowerment
<b>BBBEE level</b>	BBBEE certification level of Master Drilling Exploration (Pty) Ltd
<b>DRC</b>	Democratic Republic of Congo
<b>IAS</b>	International Auditing Standards
<b>IDC</b>	Industrial Development Corporation
<b>IFRS</b>	International Financial Reporting Standards
<b>IIRC</b>	International Integrated Reporting Council
<b>ISO</b>	International Organisation for Standardisation
<b>ISO 14001</b>	ISO Environmental Management
<b>ISO 9001</b>	ISO Quality Management System
<b>JSE</b>	Johannesburg Stock Exchange
<b>Latin America</b>	Includes Mexico, Guatemala, Chile, Peru, Argentina and Brazil
<b>LTI</b>	Long-term incentive scheme
<b>LTIFR</b>	Lost-time injury frequency rate
<b>LTSOP</b>	Long-term share option plan
<b>MDX</b>	Master Drilling Exploration (Pty) Ltd
<b>OHSAS</b>	Occupational Health and Safety Advisory Services
<b>OHSAS 18001</b>	Occupational Health and Safety Management Systems, South Africa
<b>Other countries</b>	Includes Ireland, Malta, China and Saudi Arabia
<b>PwC</b>	PricewaterhouseCoopers Inc.
<b>Rest of Africa</b>	Includes Mali, Burkina Faso, the Democratic Republic of Congo, Zambia, Botswana and Zimbabwe
<b>ROSS</b>	Remote operational shaft support
<b>ROSI</b>	Remote operated shaft inspection
<b>STI</b>	Short-term incentive scheme

# Administration

## Registered office and business address

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.com](mailto:info@masterdrilling.com)

Master Drilling website: [www.masterdrilling.com](http://www.masterdrilling.com)

## Directors

### Executive

Daniel (Danie) Coenraad Pretorius	Chief Executive Officer and founder
André Jean van Deventer	Financial Director and Chief Financial Officer
Barend Jacobus (Koos) Jordaan	Technical Director
Gareth (Gary) Robert Sheppard*	Chief Operating Officer

\*Resident in Peru

### Non-Executive

Hendrik (Hennie) Roux van der Merwe	Chairman and Independent Non-Executive
Johan Louis Botha	Independent Non-Executive
Akhter Alli Deshmukh	Independent Non-Executive
Jacques Pierre de Wet	Independent Non-Executive
Shane Trevor Ferguson	Non-Executive

## Company secretary

Andrew Colin Beaven

6 Dwars Street, Krugersdorp, 1739, South Africa

PO Box 158, Krugersdorp, 1740, South Africa

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

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Grant Thornton

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## JSE sponsor

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## Transfer secretaries

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