

The background features a stylized globe made of blue circuit lines and nodes. At the bottom, a blue hand with a circuit-like texture is shown holding the globe. The overall theme is technology and global connectivity.

GLOBAL LEADERS IN DRILLING SOLUTIONS

INTEGRATED
REPORT
2021

ABOUT THIS REPORT

This is the tenth Integrated Report of Master Drilling Group Limited and its subsidiaries (Master Drilling or the Company or the Group) and follows the previous report published in April 2021. The report is targeted at all stakeholders and outlines the activities, relationships, interactions and performance of the Group during the year ended 31 December 2021. The aim of the report is to provide all stakeholders with a holistic view into the ability of Master Drilling to use the six capitals at its disposal to create value in the short, medium and long term.

REPORTING FRAMEWORK

This Integrated Report is prepared in accordance with the International Integrated Reporting Council Framework (<IR> Framework), the King IV Report on Corporate Governance for South Africa, 2016™ (King IV™), International Financial Reporting Standards (IFRS), the South African Companies Act (Act 71 of 2008) (Companies Act) and the Johannesburg Stock Exchange (JSE) Limited Listings Requirements.

In this report, we provide a comprehensive review of our operational and financial performance in relation to our previously stated plans, the needs of our stakeholders, our governance, material matters, risks and opportunities and how these factors influence our strategic objectives and future plans.

Refer to pages 16 and 17 for the Group structure.

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REPORTING BOUNDARY AND SCOPE

This Integrated Report presents significant information that enables stakeholders to evaluate the operational, social, environmental and economic performance of our operations across all the areas in which we operate. We also focus on our material risks, operating context, business model, prospects and governance.

Unless otherwise mentioned, all monetary amounts in the report are expressed in United States Dollar (USD) or South African Rand (ZAR). Our results and the financial positions from operations within the Group are translated into USD as our presentation currency, utilising the average exchange rate for the reporting period for income statement purposes and the closing exchange rate at year-end for financial position items.

The scope, boundary and measurement methodologies used in this report and the rest of our reporting suite have had no significant changes since our first Integrated Report. There have been no instances of information being unavailable or explicit legal constraints on disclosure that the directors are aware of. Comparatives have not been restated.

MATERIAL MATTERS

For reporting purposes, we define material matters as those that may have a significant impact on our capacity to build and sustain value over the short, medium and long term i.e. one year, two to three years, and three to five years and beyond, respectively. Material risks identified during the year are outlined on pages 29 to 33.

FORWARD-LOOKING STATEMENTS

This Integrated Report contains certain forward-looking statements, mainly on the impact of global commodities markets, global and domestic economic conditions, Group strategy, performance and operations. These forward-looking statements represent the Group's reasonable expectations, unless otherwise indicated, as at 31 December 2021, and these may include factors that could adversely affect our business and financial performance.

The Group disclaims any duty to update or revise these forward-looking statements to reflect events or circumstances that arise after the date of this document or to reflect the occurrence of anticipated events. The auditor has not examined or reported on the forward-looking statements, and no warranty is provided as to their correctness, fairness or completeness. As a result, the statements should not be used as investment advice.

ASSURANCE

To assure the accuracy of the reporting, we take the following steps:

Business process	Nature of assurance	Assurance provider
Annual financial statements	External audit	BDO South Africa Incorporated
Broad-based black economic empowerment (B-BBEE)	B-BBEE scorecard review	Moore B-BBEE
Internal audit	Internal audit	PricewaterhouseCoopers Inc.
Internal controls	Interdependent internal reviews and internal audit	PricewaterhouseCoopers Inc. and Risk and Assurance department
Safety, health, environmental and quality (SHEQ) audits	Compliance reviews	Department of Mineral Resources and Energy
JSE Listings Requirements	JSE Sponsor review	Investec
Insurance due diligence	Independent risk reviews	Internal
Quality control	International Organisation for Standardisation (ISO) compliance audits	BSI

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DIRECTORS' STATEMENT OF RESPONSIBILITY

Master Drilling's Board of Directors (the Board) confirms its responsibility for the integrity of the Integrated Report, the content of which has been collectively assessed by the directors who believe that all material issues as identified and discussed at Board meetings have been addressed and are fairly presented and that it offers a balanced view of Master Drilling's strategy and the Group's ability to create value over the short, medium and long term. The Board has applied its collective mind to the preparation and presentation of this report and concluded that it was prepared in terms of the <IR> Framework. The Integrated Report, which remains the ultimate responsibility of the Board, is prepared under the supervision of senior management and the executives and is subject to both internal and external assurance. The Audit Committee reviews and recommends the report to the Board for approval. The Board accordingly approved this Integrated Report for publication on 20 April 2022.



Hennie van der Merwe
Chairman



Danie Pretorius
Chief Executive Officer

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FY21 HIGHLIGHTS

FINANCIAL

USD revenue increased by
40%
to USD171.8 million
(2020: USD123.1 million)

USD headline earnings per share
increased by 396.2% to
12.9 CENTS
(2020: 2.6 cents)

ZAR headline earnings per share
increased by 347.9% to
190,8 CENTS
(2020: 42,6 cents)

Stable order book of
**USD237.6
MILLION**
(2020: USD212.8 million)

USD earnings per share
increased by 500% to
13.2 CENTS
(2020: 2.2 cents)

ZAR earnings per share
increased by 438% to
195,3 CENTS
(2020: 36,3 cents)

USD cash generated from
operating activities amounted to
**USD32.5
MILLION**
(2020: USD25.5 million)

SUSTAINABLE GROWTH

Lost-time injury frequency
rate (LTIFR) increased to
1.65
(2020: 1.11)

Steady pipeline of
**USD507.1
MILLION**
(2020: USD539.9 million)

EXPANSION INTO AUSTRALIA

Continued focus on
**WORKING
CAPITAL**
management

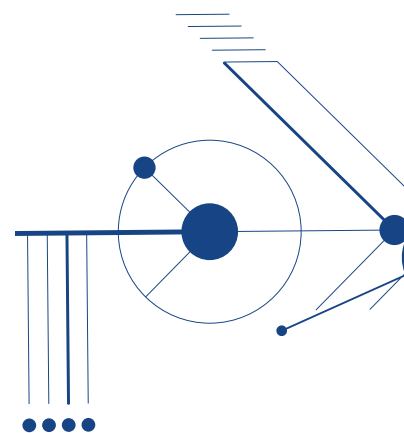
OPERATIONAL

Mobile Tunnel Borer (MTB)
**PILOT
PROJECT
INITIATED**
in South Africa

Shaft Boring System (SBS)
phase 1
LAUNCHED
and phase 2 currently underway

Raise bore fleet utilisation
improved from 60% to
70%

Slim drilling fleet utilisation
steady at
48%



INVESTMENT CASE

Master Drilling offers a range of solutions with distinct capabilities. Our strategy aims to fully optimise these in order to keep our clients satisfied while delivering acceptable returns to our stakeholders.

The following is what sets us apart in the market:

COMPETITIVE ADVANTAGE

- Bespoke solutions and in-house research and development (R&D)
- Largest and most diverse raise bore fleet in the world
- Vertically integrated business model
- Patented intellectual property
- Innovative technical development team
- Diversity of product and geography
- Business supported by well-developed information technology (IT)
- Strong market position and competitive advantage; unparalleled fleet of rigs
- One-stop service offering and value-added support services

FINANCIAL STABILITY

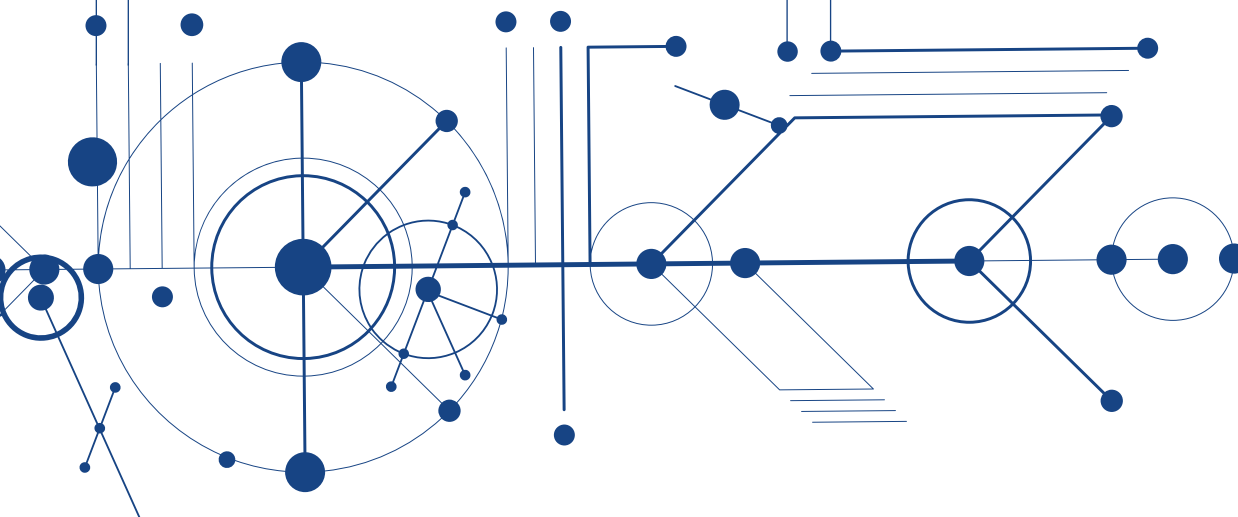
- Strong balance sheet
- Contracts extended for cash-generating operations
- Disciplined capital allocation aimed at value creation
- Local currency costs, hard currency revenue
- Business strategy positioned to ensure sustainability through commodity cycles

GROWTH PROSPECTS

- Clear development plans
- Ability to overcome high barriers to entry
- Long-term strategy that involves skills development and product expansion
- Diversified client base with each offering different growth opportunities

LEADERSHIP AND GOVERNANCE

- Ethical leadership
- Organisational structure optimisation
- Well-established governance structures
- Goal-oriented team with a high-performance culture





HENNIE VAN DER MERWE
Chairman



DANIE PRETORIUS
Chief Executive Officer

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

USD revenue increased by 40% from
USD123.1 million to

**USD171.8
MILLION**

Order book followed key commodities with
gold at

27%

on awarded work

silver/lead/zinc at

26%

copper at

18%

platinum group metals (PGMs) at

13%

Master Drilling continued to show resilience in its growth path, notwithstanding a challenging year due to the pandemic's lasting effect on the global economy. We posted record revenue in USD, up 40% from USD123.1 million to USD171.8 million, while cash from operating activities increased by 27.5% to USD32.5 million. Free cash was invested sensibly with the long-term growth plan in mind. We are pleased with the Group's financial position, as this will help us confidently face the uncertainty of future trading conditions.

OUR YEAR

The African region, including South Africa, performed well in 2021. The South African operations have maintained steady growth with the addition of a few smaller projects adding to the order book for 2021. Our exposure to coal remains negligible given developments around environmental, social and governance (ESG) matters and uncertainty around the commodity's future.

Operations in South America bounced back to pre-COVID-19 levels owing to an increase in mining activities that were driven by higher commodity prices.

South Africa is well endowed with palladium and gold, and both commodities are in demand due to the move to a greener economy as well as the continued economic uncertainty. The changing of the tide eased concerns investors might have had regarding an over-investment in the region.

Chile and Mexico put in strong performances, and Brazil had an exceptional year with record levels of growth due to an expansion in our drilling scope at existing long-term clients. We have seen our order book continue to grow compared to revenue targets in our 2021 budget.

Investments made in Canada have yielded good results. It is important to have a presence in the Canadian market as the country is one of the top investors in mining exploration and has an abundance of minerals. Additionally, Master Drilling was added to numerous tender listings, which will provide more opportunities to bid.

Operations in Scandinavia did not yield the desired results in 2021. Contrary to other areas, the mining industry was reasonably flat in 2021. We have made some changes in this business at executive level and have increased our marketing efforts. The business has been rebranded from Bergteamet to Master Drilling Europe and we are seeing results from these efforts. In addition, we are seeing growth in infrastructure projects in Europe.

The situation in Russia and Ukraine is complex and constantly evolving. The directors are actively monitoring events to comply with all relevant local and international laws and guidelines. The Group's exposure to revenue in Russia during the 2021 year amounted to USD0.5 million.

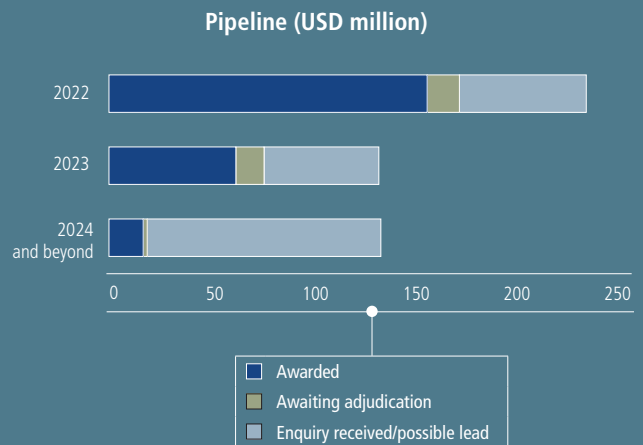
Australia is a strategic country for the Group, and we will continue to pursue new opportunities by targeting the hard rock mining companies in the west and copper mines in the east.

The operations in India have performed as expected and we have solidified our presence in this market.

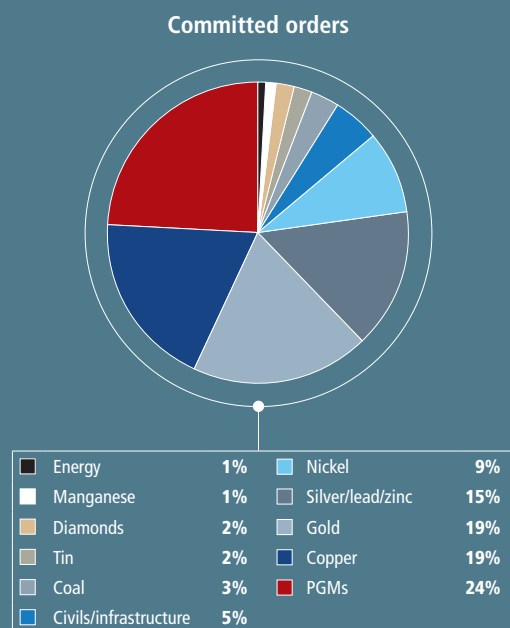
A full operational overview is outlined on pages 52 to 56.

Master Drilling's total capital spend of USD19.4 million was applied as 43% on expansion and 57% on sustaining the existing fleet. Cash conservation remains key with a huge focus on the management of working capital.

Total pipeline amounts to **USD507 MILLION**



DEMAND FOR PRECIOUS METALS SUCH AS GOLD AND SILVER ENJOYED HIGH PRICE BENEFITS AS THEY ARE CONSIDERED "SAFE HAVENS" BY THE MARKET AMID THE UNCERTAINTY.



CHAIRMAN’S AND CHIEF EXECUTIVE OFFICER’S REPORT continued

WHERE WE ARE TODAY

For the past 10 years, the mining industry has experienced a down cycle in investments for new projects and has only recently seen an upturn. Coincidentally, we have also been listed on the JSE for 10 years in 2022, a decade of difficult trading periods from an investor perspective. We are optimistic that the tide has turned, and that improved returns will start to flow through to investors. Also noteworthy is that global exploration spend declined over the last decade from approximately USD18 billion in 2012 to USD6 billion in 2021, resulting in a lag in short- to medium-term projects. The five- to 10-year lag could potentially affect new mines and the team continues to keep an eye on developments in this regard. We have now seen a real positive change in the second half of 2021, driven by a rise in commodity prices as well as the demand for commodities.

Despite the challenges brought by a lacklustre operating environment over the last decade, we continued to invest in operating machinery, which expanded the total number of rigs to 150 by the end of 2021. The investments were largely driven by a belief in the market recovery, as we have positioned the Group to take advantage of the recovery and growth in the mining industry. In the past 10 years, 80 rigs were added to the fleet. Despite the down cycle, we invested in the future, positioning Master Drilling to gain an upside during the commodity upturn.

The Group directed investments to the well utilised large and extra-large machines given the growth in demand for deeper and larger diameter holes. Furthermore, we want to position ourselves to capitalise on long-term projects during this up cycle.

Master Drilling looks to continue making positive changes within the mining industry by expanding its drive for innovative technological solutions and the automation of the horizontal drilling process. One of our executives is spearheading a field project that will develop the shaft boring process and horizontal drilling. This project will

contribute to aligning the business with ESG factors, essentially increasing safety and efficiency in the mining environment. These efforts will further our commitment to enable changing of conventional mining methods. We are committed to the transition in the mining environment away from drill and blast, which underpins our drive for new technologies such as the MTB. For further details around our strategy, refer to pages 26 and 27.

The diversification of the different services we provide and geographies in which we operate enables us to remain sustainable due to dealing in a number of currencies, countries and commodities. This is critical in light of the direction the industry is taking. Refer to our business model on pages 22 to 25.

OUR COMMITMENT TO CHANGE

A skills shortage remains a challenge in the mining industry and we are addressing this through the Group’s accredited training centre. This initiative will not only be beneficial for the Group, but will also help uplift the communities in which we operate.

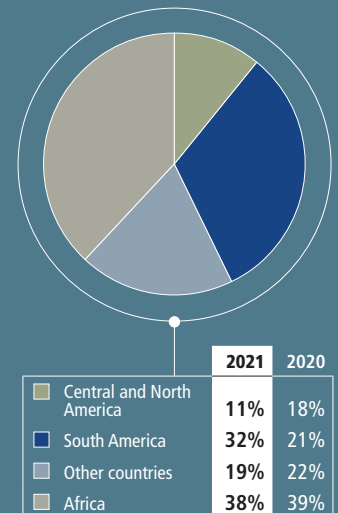
The spotlight on ESG matters has increased in the mining industry and has prompted us to step up our approach in this regard. In terms of governance, we have reviewed our compliance with King IV™ principles and we are well placed with our policies and practices. Our focus will be on improving the Group’s pursuit of environmental and social elements of the ESG strategy through a structure that will allow us to refine and track progress made in relation to the targets we have set. For more detail on our approach to ESG, refer to pages 34 and 35.

THE BOARD

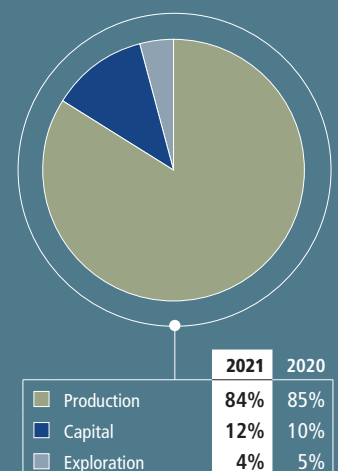
The Board welcomed the appointment of Mamokete Ramathe, as non-executive director. She is the founder and current Chief Executive Officer of investment company Mamor Capital and is a seasoned investment executive with more than 18 years’ experience in

The following charts reflect Master Drilling’s combined revenue for 2021:

Revenue by geographical area

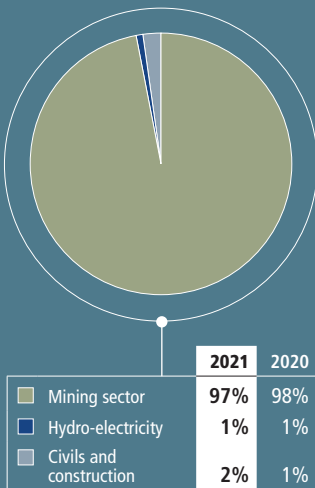


Revenue by mining activity

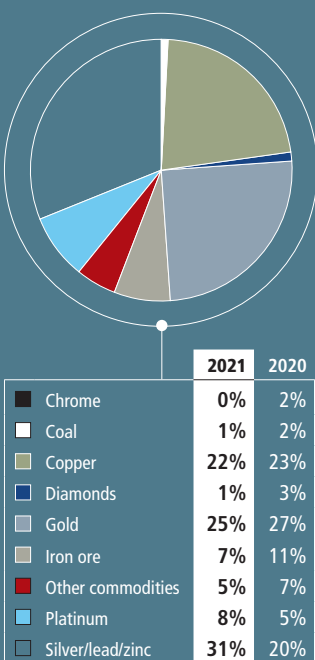


ENSURING WE HAVE THE RIGHT SKILLS IN PLACE DOES NOT ONLY MEAN INTERNAL TRAINING AND EXTERNAL RESOURCING, BUT ALSO ACTIVELY CREATING THE SKILLS REQUIRED.

Revenue by business sector



Revenue by commodity



financial services, spanning corporate finance advisory, private equity, mergers and acquisitions and infrastructure finance. Mamokete currently serves as a non-executive director at OUTsurance Holdings, as well as at JSE-listed Bell Equipment Limited where she serves as Chairperson of the Social, Ethics and Transformation Committee and a member of the Audit Committee.

GOVERNANCE

Operating as a good corporate citizen and ensuring good corporate governance remain critical factors for a sustainable business. We have a disciplined approach and methodologies to ensure all our processes, procedures and policies align with good corporate governance requirements, including King IV™. Our social licence to operate is underpinned by our responsibility and accountability for the impacts of our business operations on surrounding communities (read our full governance report on pages 64 to 68).

SAFETY

Safety remains a priority with our zero-harm approach. Our policies, approach and performance in this regard are outlined on pages 43 to 45.

Refer to page 20 for our continued response to COVID-19.

OUR PEOPLE AND NEW ENGAGEMENTS

The foundation of our strategy is the people who make it happen; our success depends on the skills and expertise that support our goals. Our people have specialised knowledge aligned with global best practice, which is then applied to ensure that sound, sustainable use is made of our assets, enhancing growth, productivity, and profitability.

During 2021, the Group continued with the human capital project that focused on reviewing the current skills requirements and ensuring that these align with its future growth and expansion vision. Several new roles have subsequently been identified and approved, and individual development plans are being aligned to ensure continuous best practice in the development of our people in key areas.

DIVIDEND

In line with the Board’s commitment to continue the Group’s dividend history in future once circumstances permit, the Board gave careful consideration to declaring a dividend at this stage. Shareholders are advised that the Board concluded that, while the requirements for being able to pay a dividend in respect of our 2021 financial year are met, the massive global uncertainty caused by the continuing hostilities between Russia and Ukraine, and by the current and potential further responses of various countries to this situation, makes it advisable to defer a dividend decision until more certainty

CHAIRMAN’S AND CHIEF EXECUTIVE OFFICER’S REPORT *continued*

exists regarding how this situation and its possible consequences may unfold. The Board will consider declaring a dividend as soon as it becomes possible, which may be by way of a special dividend rather than a normally scheduled dividend.

GROWTH PROSPECTS

Our organic growth plans will amplify the shaft boring automation process while decreasing investments in raise boring equipment. Shaft boring and tunnel boring are technological developments the Group will focus on for the next five years. On an ad hoc basis, we will only seek to acquire businesses that are strategically aligned with Master Drilling’s planned growth path.

The Group has four investment pillars. These are:

- Rock drilling services for eg raise boring and shaft boring;
- Horizontal mechanical excavation for eg Mobile tunnel boring;
- Digital innovation and related technology such as proximity detection through investment in high tech companies like A&R; and
- Exploration drilling services to capitalise on this growing demand for geotechnical services.

Looking forward, the Group will look to leverage its global footprint as part of its drive for value creation. We are closely monitoring the civil and construction industry and the rapid growth of urbanisation worldwide, which present opportunities, and we can benefit from our footprint exposure. Global infrastructure needs upgrading and we are well placed to capitalise on any rise in spend and investment in areas such as drilling and tunnelling. We are also keeping a close eye on

regions that mine battery minerals that includes minerals such as nickel, copper, cobalt and lithium. The ramp-up in electric vehicle production will increase the demand for these battery minerals. We are already exposed to a number of these minerals and we continue to amplify our exposure to copper and nickel.

The lion share of the business remains the mechanical excavation of rock by sweating the existing assets. However, there is a realisation that technology is developing rapidly and hence the shift to invest into high technology service offering that complements the existing business and addresses the needs of the future . We are confident that these ventures will keep the Group relevant and will sustain healthy profits into the future.

APPRECIATION

We would like to extend our most sincere gratitude to all our fellow Board members for their wise counsel and valuable guidance. We also thank management and all our employees for their hard work and resilience throughout the year. Additionally, we thank all our stakeholders including clients, partners, suppliers, shareholders and advisers for their ongoing support in the backdrop of a pandemic.

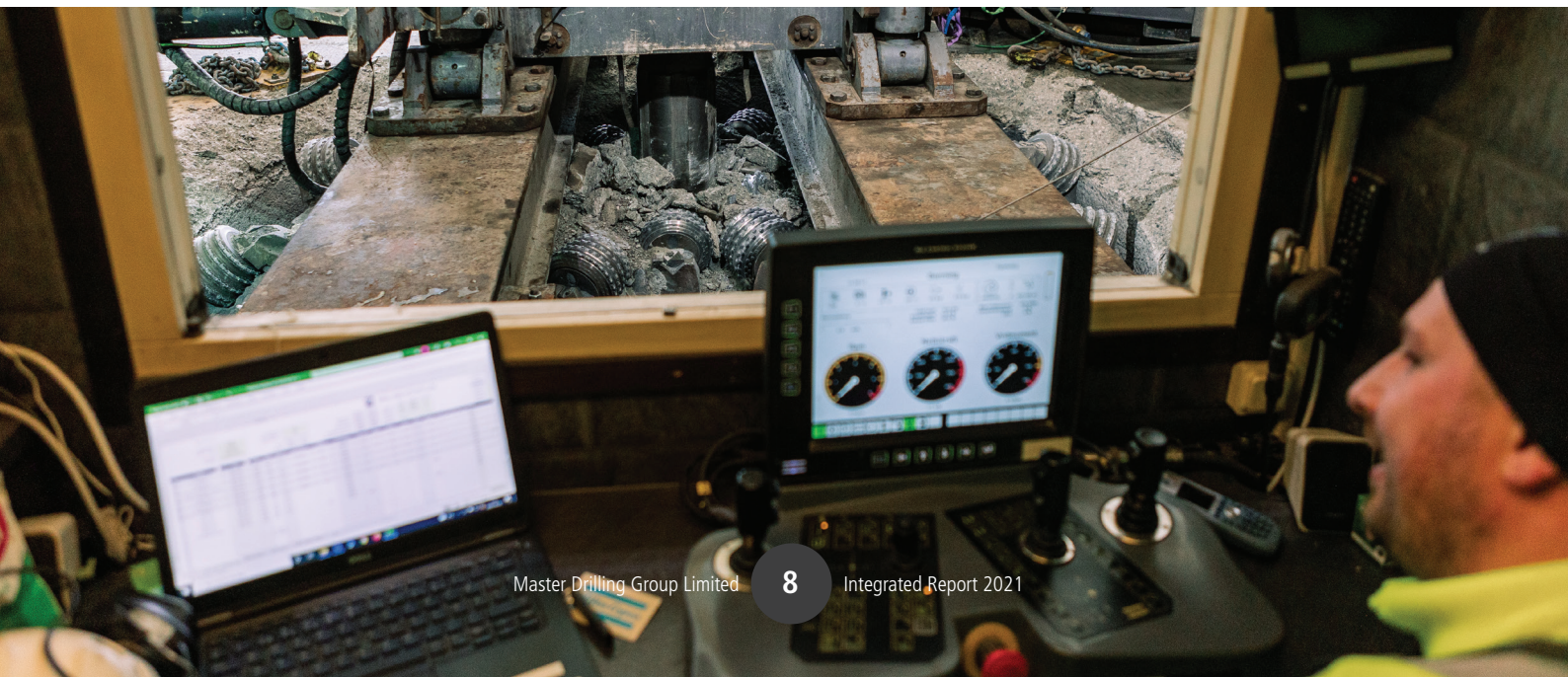


Hennie van der Merwe
Chairman



Danie Pretorius
Chief Executive Officer

20 April 2022





BUSINESS OVERVIEW

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WHO WE ARE

Established in South Africa in 1986, Master Drilling is the world's largest raise boring business.

Master Drilling aims to make a difference in the mining industry through the use of new technology, which consists of business related to tunnelling, shaft sinking and mining and by offering a range of innovative and cutting-edge drilling solutions globally as well as support services.

We support our clients' unique needs, through our in-house expertise in drilling equipment design, manufacturing, operating, training and maintenance capabilities. Our clients mainly comprise blue-chip major and mid-tier entities within the mining, civils and construction and hydro-energy sectors.

The Group currently has international operations that stretch across the globe. In Africa, we maintain operations in South Africa, Botswana, the Democratic Republic of Congo (DRC), Ghana, Mali, Namibia, Sierra Leone, Zimbabwe and Zambia. In South America, we operate in Brazil, Chile, Colombia, Ecuador and Peru, while in Central and North America, we operate in Canada, USA and Mexico. Our acquisition of Sweden-based Bergteamet Raiseboring Europe AB has enabled us to extend our operations into North, Central and Eastern Europe and Asia. We also have operations in countries such as India and Australia.

Our specialised capital and consumable items equipment are produced and procured in China through our Chinese business. The Group's engineering, manufacturing and support services are provided from South Africa, with our China facilities servicing several of our other international clients.

HIGHLIGHTS

- Operations in 23 countries on five continents
- Largest raise bore fleet in the world
- Over 35 years' experience
- Approximately 30km of vertical excavations drilled per year
- Employs over 2 000 people
- Fully horizontal integrated business model including consulting, design, R&D, manufacturing and execution
- Most diversified drilling service provider in the world
- Holds numerous world records and awards
- Accredited world-class training

OUR PRODUCTS AND SERVICES

ROCK BORING

- Raise boring (our primary service offering)
- Horizontal raise boring
- Box hole boring
- Slot hole drilling
- Reverse circulation drain and shaft boring

SLIM DRILLING

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

TUNNELLING

- MTB

SUPPORT SERVICES

- Directional drilling
- Stage shaft support
- Remote-operated shaft support
- Piling
- Scan mobile
- Analysing ore
- Core yard management

SHAFT SINKING

- SBS

MINING SERVICES

- A&R Group
- Applied Vehicle Analysis (AVA)
- Reef boring

HOW WE DO WHAT WE DO



DESIGN

Conceptualise, develop and deliver a complete fleet solution for our clients.



MANUFACTURE

Assemble, establish and maintain a diverse portfolio of custom-made drill rigs.



TRAINING

Develop and enhance skills to capitalise on our machinery and specialised manpower.



OPERATE

Provide operational support and complete project management for all our drill rigs.



MAINTAIN

Provide engineering support for drill rigs, continuously upgrading our portfolio.

HOW WE LEAD THE WORLD

The vertical integration business model that we have been utilising since the inception of our business has enabled us to maintain efficient and effective control over our value chain.

The principle of renting out or operating and not selling our rigs, which we design and build mainly in-house, is something we place high value on as it helps us remain agile. This principle, along with that of simplicity of design and mobility, enables us to render our services cost-effectively.

We have managed to grow our business in a sustainable way by sweating our assets and diversifying into new geographies, sectors and clients.

Our thorough focus on risk management and pursuing concomitant opportunities are of the many elements of compliance that bring value to what we do. It helps us address the ever-growing consciousness and need to ensure safety in the workplace, along with the volatility of the commodities markets and labour issues to which our mining clients are exposed.

For more on risk, refer to risk management and material risks on pages 28 to 33.

In addition to our meticulous pursuit of maximising safety, we look to add value to our services through the following:



SPEED

Our automated drilling operations allow us to complete jobs in less than half the time required by conventional methods of excavation.



EFFICIENCY

Our proprietary technology facilitates remote operation and monitoring, reduced manning costs, safer holes and tunnels and real-time sample grading.



VALUE

We provide clients with solution-based services that, in many cases, offer safer operational design, increased mining production, reduced costs, better quality and reduced project risk.



QUALITY

Accurate directional drilling on mining access shafts that need to be straight for the movement of conveyances at high speeds is one example of the quality we provide to our clients.

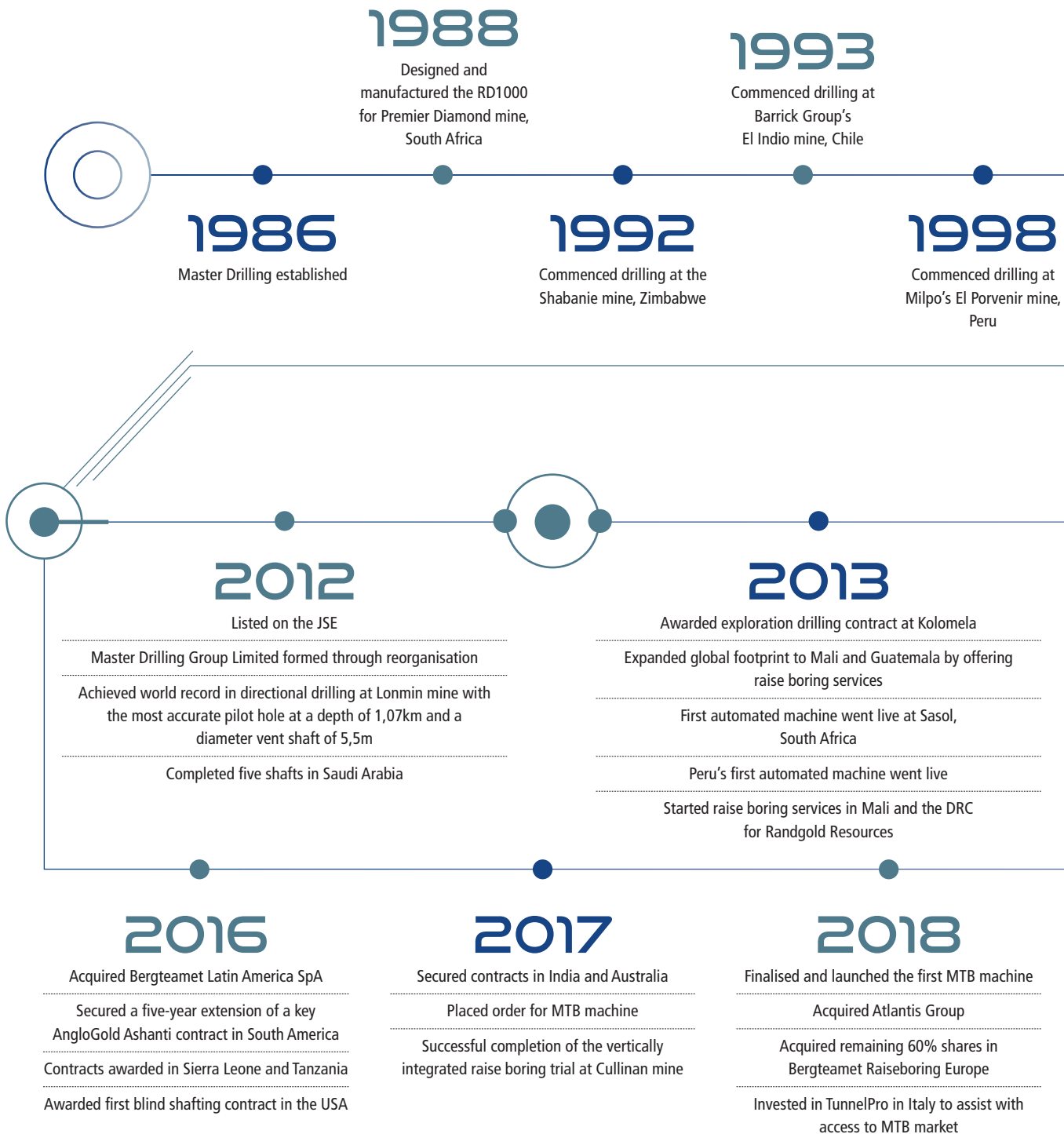


HIGH SERVICE LEVELS

We offer customised designs that match the individual needs of our clients.



TIMELINE



2000

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

BHB 200, the first self-designed low-profile raise bore and blind hole machine put into service at East Driefontein mine, South Africa

2003

Entered the market in large-diameter holes

2006

Acquired Drillcorp Africa Proprietary Limited

2001

Acquired first Wirth HG380 rig

2005

Commenced drilling at Peñoles Group's Tizapa mine, Mexico

Obtained ISO 9001:2000 accreditation in South Africa

2011

Opened site office at Glencore's Kamoto mine, DRC

Designed and manufactured first dedicated low-profile blind hole drill rig

2014

Awarded contract at Palaborwa Mining for two ventilation shafts, each 6,1m in diameter and over 1,2km deep

Increased upgrading to automation control raise bore rigs

Designed and manufactured the RD8-1500, a new raise bore drill rig capable of drilling 8,5m in diameter over 1,5km deep

Completed Rowland shaft

2015

Expanded fleet size to 145 rigs (97 raise bore rigs and 48 slim drilling rigs)

Acquired 40% stake in Bergteamet Raiseboring Europe AB

Expanded geographical footprint into Ecuador and Colombia

Introduced new service offerings in the energy sector on hydro projects

Commissioned the RD8-1500, one of the largest raise bore rigs in the world

2019

MTB pilot project initiated in South Africa

SBS phase 1 successfully launched

Started drilling of the world's deepest raise bore (1,45km single lift at Zondereinde, South Africa)

2020

Expansion into Australia

Successfully completed pilot drilling of the world's deepest raise bore (1,45km single lift at Zondereinde, South Africa)

Acquisition of Geoserve Exploration Drilling

Retained sustainability during the COVID-19 pandemic

New RD6 large raise bore machine manufactured

Remote drilling of raise bore rigs implemented

2021

Record Group revenue of USD171.8 million – the highest in the history of the Group

Acquired approximately 25% shareholding in A&R Group

Acquired 40% shareholding in AVA

OUR GLOBAL FOOTPRINT

Geographical diversification forms an important part of our strategy as it broadens our growth potential while reducing overall risk. Operating on a global scale has enabled us to diversify our income, with the major part of our revenue currently derived from Latin America and Africa.

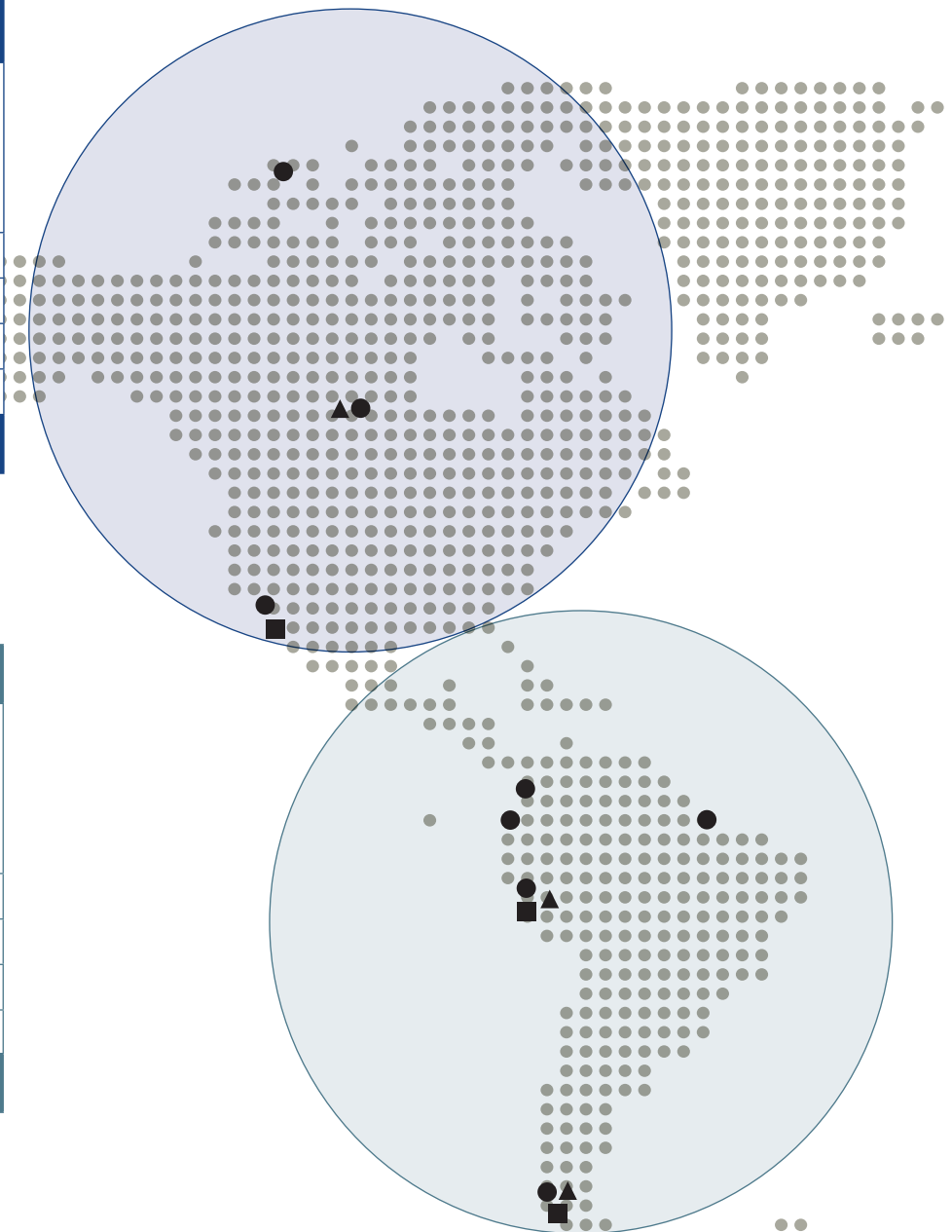
We are increasing our marketing efforts in Africa to grow our footprint. There are merger and acquisition opportunities currently being explored that have moved through various stages of investigation.

CENTRAL AND NORTH AMERICA	
Canada, Mexico and the USA	
Commodities: Copper, gold, nickel, poly metallic, silver	
Mining	
Revenue contribution	2021: 11%
	2020: 18%
Gross profit contribution	2021: 11%
	2020: 17%
Total rigs: 21	

For more detail on our performance in Central and North America, refer to page 53.

SOUTH AMERICA	
Brazil, Chile, Colombia, Ecuador and Peru	
Commodities: Copper, gold, polymetallic, silver, zinc	
Mining	
Revenue contribution	2021: 32%
	2020: 21%
Gross profit contribution	2021: 30%
	2020: 10%
Total rigs: 50	

For more detail on our performance in South America, refer to page 52.



LEGEND

Our operational presence	
⬠	Design
★	Manufacture
■	Training
●	Operate
▲	Maintain

OTHER COUNTRIES

Australia, China, Finland, France, India, Ireland, Norway, Sweden and Turkey

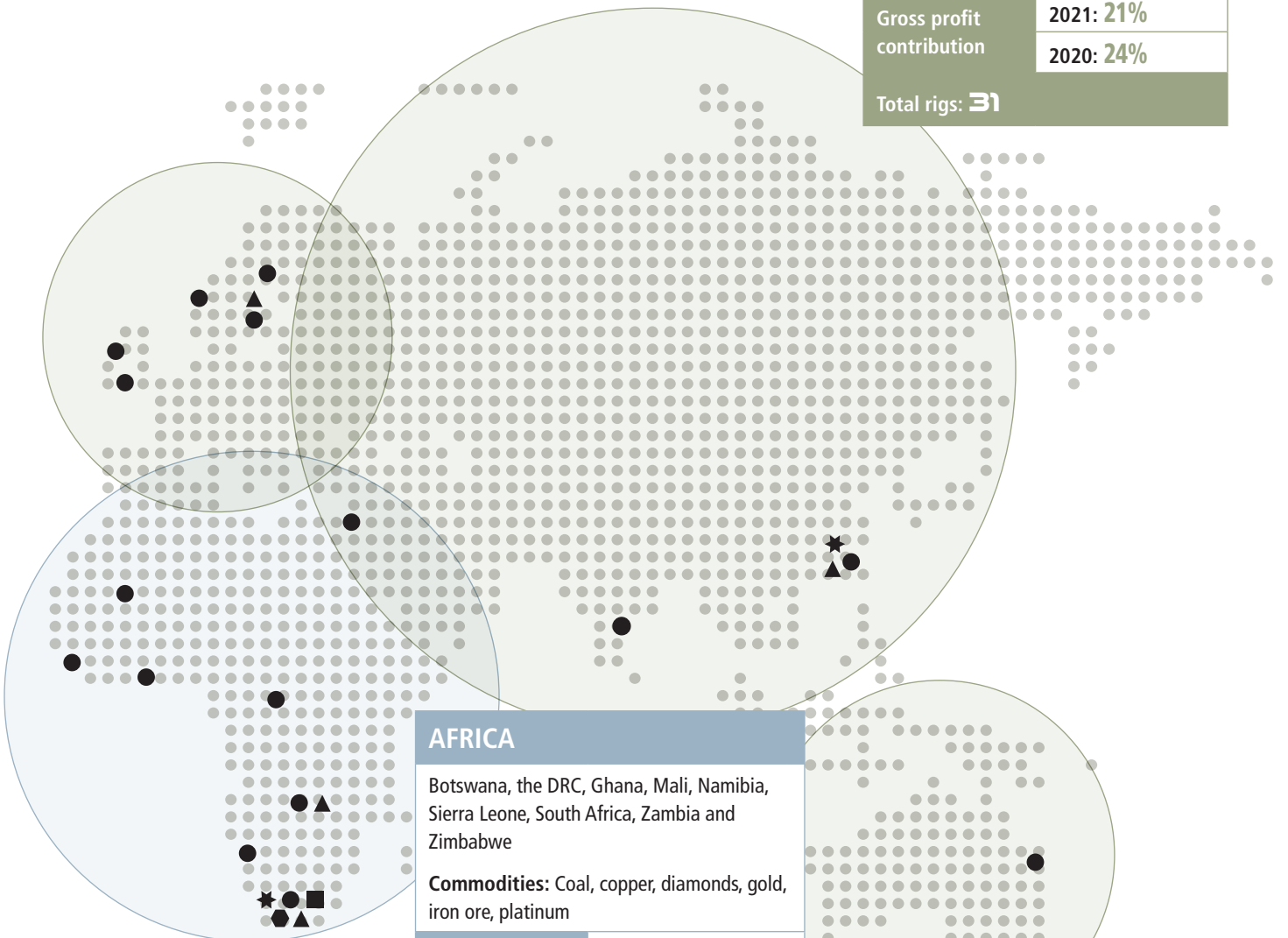
Commodities: Chrome, gold, iron ore, lead, polymetallic, zinc

Hydro-energy
Civils and construction

Revenue contribution	2021: 19%
	2020: 22%
Gross profit contribution	2021: 21%
	2020: 24%

Total rigs: **31**

For more detail on our performance in other countries, refer to page 55.



For more detail on our performance in Africa, refer to page 54.

AFRICA

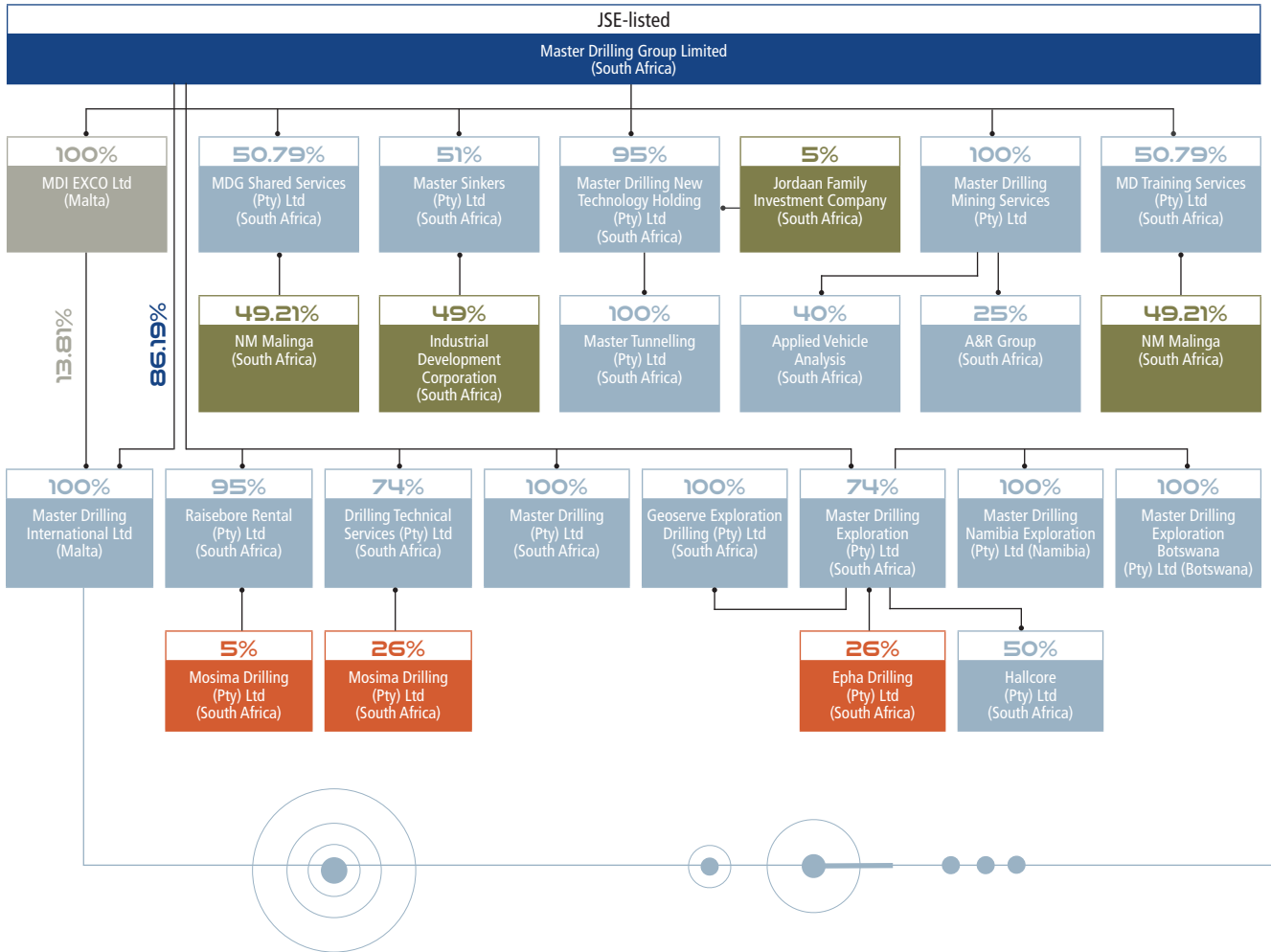
Botswana, the DRC, Ghana, Mali, Namibia, Sierra Leone, South Africa, Zambia and Zimbabwe

Commodities: Coal, copper, diamonds, gold, iron ore, platinum

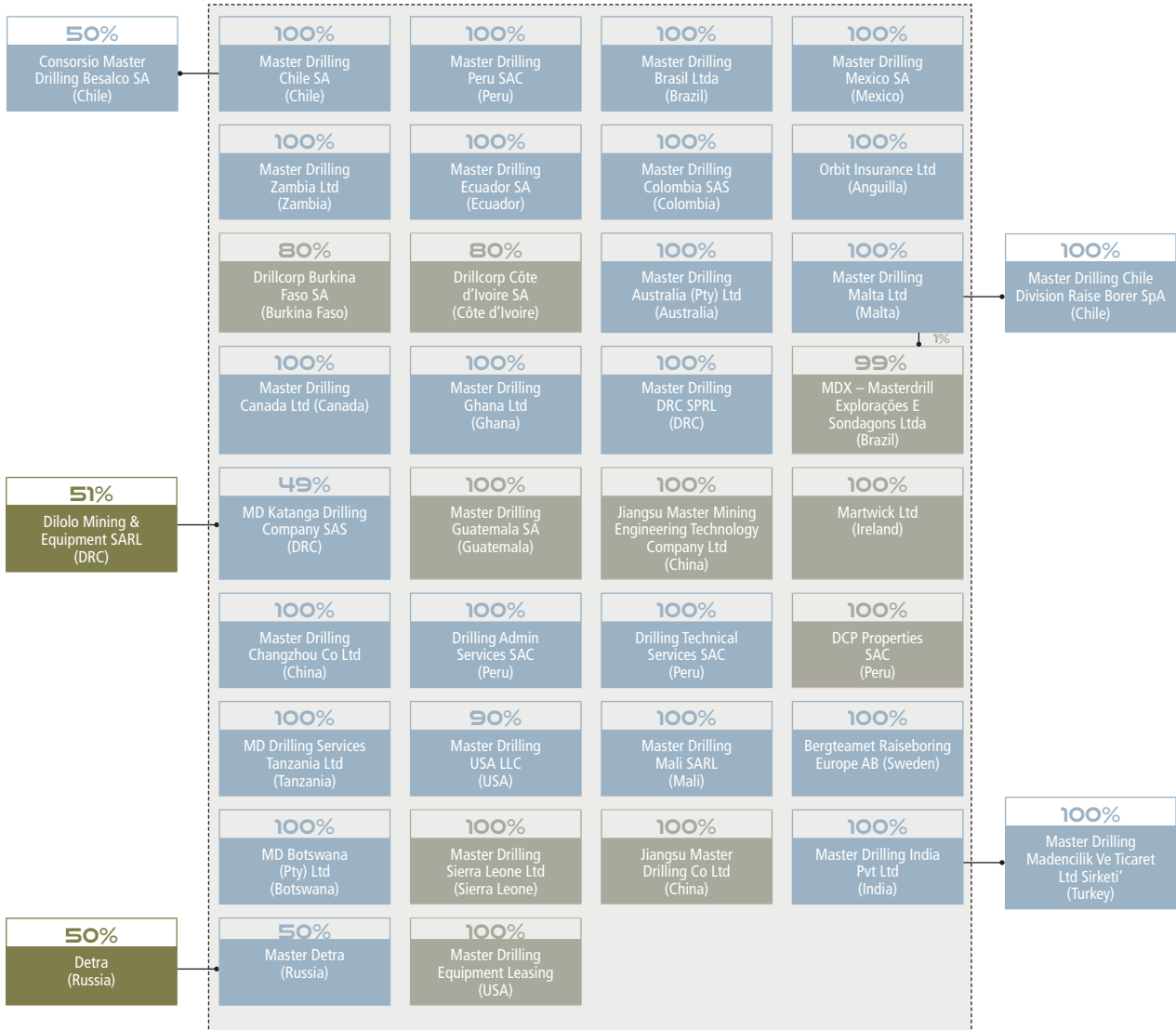
Revenue contribution	2021: 38%
	2020: 39%
Gross profit contribution	2021: 39%
	2020: 49%

Total rigs: **48** Slim drill rigs: **58**

GROUP STRUCTURE



- Operational
- Registration in progress
- Third party
- B-BBEE partner



OUR MARKET IN CONTEXT

The COVID-19 outbreak wreaked havoc on the world economy, and it has yet to abate, with several governments returning to lockdown or imposing partial restrictions with the emergence of the Omicron variant.

International travel remains difficult and expensive, and getting people into and out of crucial destinations is demanding. In 2020, businesses in some European countries, as well as the USA, received massive stimulus packages to defend their operations. Africa as a continent has been struck hard, largely without similar assistance, with rising unemployment and many businesses fighting to stay afloat.

RATINGS OUTLOOK FOR THE MINING INDUSTRY

The ratings outlook for the global mining sector in 2021 remained stable, as slower demand for certain commodities was offset by supply restrictions for others.

A weakened macroeconomic environment has caused demand and prices for some commodities to fall, which the rating agencies expect will continue over the medium term, particularly for aluminium and copper, as well as for thermal coal.

Most mining companies' ratings have "stable outlooks" and are comfortably positioned within their rating sensitivities. This follows efforts to move to more conservative balance sheets in the aftermath of the downturn of 2015 and 2016. Fitch Ratings upgraded many companies based on a prudent step change in their financial policies.

THE MINING ENVIRONMENT

Many countries view mining as a critical component of their economy and allowed mines to return to production as soon as possible. Master Drilling's order book is 97% exposed to mining. Miners have seen the need to protect a critical supply chain ensuring that logistics and supply chain capacity are built up around operating mines.

The social licence to operate is now more important than ever. As a result, there has been a big focus on ESG. Some miners are starting to look at creating their own clean energy, for example, the Caledonia mine is erecting a solar farm to generate energy for their mine. In addition, miners are also cutting back on capital spend. The London stock market has had the biggest raise of capital in recent times for mergers in target countries like Canada and Australia, with 3,9% of these deals in the gold sector.

The global budget for exploration in 2021 was 35% higher year-on-year and is now sitting at USD11.2 billion. This was driven by the strong demand for commodities and the major share of the budget is spent on gold exploration. The majority of this spend is in Canada and Australia. South Africa is attracting about 1% of this budget.

GLOBAL CAPITAL EXPENDITURE

Despite the fallout of the COVID-19 outbreak that forced global miners to cut their 2021 capital expenditure as well as reduce the copper production outlook by 8%, or just under 400 000 tonnes for the year, global capital expenditure in the mining industry across 15 commodities increased 13% year-on-year in 2021.

Despite a lack of finance for start-up projects in the mining industry globally, year-on-year increase on projects moving from the construction to production phase will outweigh reduction coming through from early stages of the project pipeline. Within the copper and gold sectors, almost all regions will see increases in capital investment, while new iron ore projects in Australia will drive development capital expenditure higher in the Asia-Pacific region.

COMMODITY PRICES

Analysts expect that commodity prices in general will trend higher than historical prices. This is driven by green policy implementation to combat global warming. The demand for battery minerals like lithium, cobalt, nickel, copper and zinc will increase. Prices are also supported in the short term due to supply chain constraints. Master Drilling has an exposure on awarded work of 27% in gold, 26% in silver/lead/zinc, 18% in copper and 13% in PGMs.

The iron ore price is currently very volatile and is affected by the War in Ukraine and the disruption of supply as well as China shutting down smelters and power supply constraints; Iron ore has now risen significantly.

Gold prices remain high but are expected to start cooling down in the medium term/end of 2022 as the world recovers from COVID-19. However, "safe haven" demand following the Russian/Ukrainian conflict may have the opposite effect.

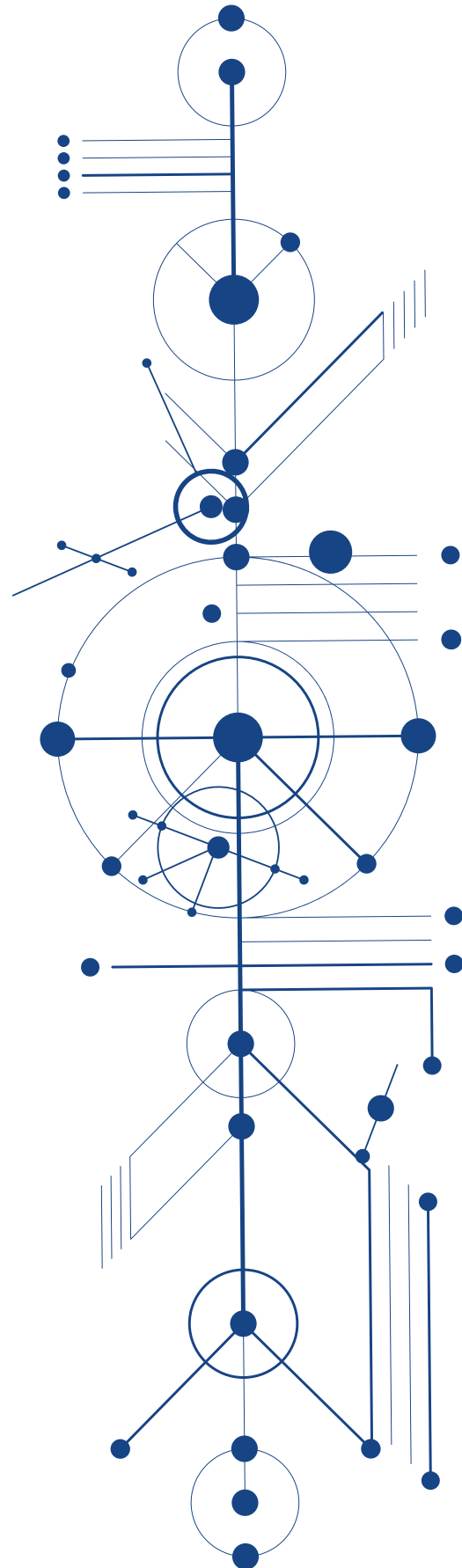
Palladium and rhodium prices are predicted to do well in the next two years especially with an ever-increasing focus on carbon dioxide emissions and carbon tax. This will stand the mines in good stead where their PGMs basket is rich in palladium and rhodium such as the northern limb of South Africa.

The sale of electric vehicles is also expected to increase by around 9% year-on-year and the demand for nickel, lithium and cobalt should rise as a result, together with their related prices. It is therefore our strategy to increase our exposure in these key commodities. The biggest winner on the base metals front is zinc due to the acceleration of Chinese steel manufacturing. Master Drilling has 16% exposure to zinc through our Indian operations.

Coal will remain under pressure in the long run due to the global warming issue and a drive to cleaner energy. Cleaner energy is not a mainstream energy source yet and therefore coal will remain a high-volume commodity. Our exposure to coal has decreased year-on-year.

A supply shortage in copper is predicted in the next two years and major miners like RIO are investing heavily in copper mine development. The copper price is expected to tick up due to Chinese demand for copper. Industrial metals have seen a good price increase as well. Chinese steel production is at a record high, driven by government stimulus in infrastructure, housing and automotive production.

Sources: Mining Journal, Trading Economics, Investopedia, Market Intelligence, S&P Global, <https://tradingeconomics.com/south-africa/indicators>.



OUR CONTINUED RESPONSE TO COVID-19

As shareholders are aware, the COVID-19 pandemic had a negative effect on the Group's operations in over 23 countries in 2020. Although this continued into 2021, operating conditions have improved significantly contributing to improved results.

This report outlines our response to the pandemic as it evolves. Given the uncertainty in the operational context, we have emphasised potential uncertainties where applicable. Vaccines have been developed to assist in combating the pandemic; this will have a great impact on business as vaccines will help reduce the spread of COVID-19 and thus facilitate the lifting of restrictions.

HOW WE RESPONDED

Master Drilling's thorough reaction to the COVID-19 pandemic aided in the containment of the pandemic's impact across all of its activities, including those in the worst-affected countries. We have been collaborating with health officials to ensure that all sites follow national and local guidelines. It will be vital to continue to communicate lessons learnt as well as knowledge gained of specific health practices in order to assist in flattening the curve and keeping employees and communities as safe as possible.

We drew on our experience in addressing prior health crises such as Ebola, tuberculosis and malaria. Master Drilling has the

expertise to apply critical protocols and safeguards in a timely and effective manner, ensuring that operations remain safe. Temperature screening on-site, COVID-19 testing and greater hygiene measures such as social distancing and smaller shift sizes are among these strategies. We have limited work-related travel and established a 24-hour hotline that provides medical and well-being assistance, as well as mental health services for employees and the general public.

With 619 positive cases confirmed across the Group for the year, representing 26% of our total employees, our infection control methods ensured infections were kept to a minimum.

LOOKING AHEAD

We encourage embracing the new ways of working and will do all we can to remain productive while continuing to support local community groups. We strive to ensure the safety of all staff, their families and the communities in which we operate to the greatest practical extent.

The Group continues to support and comply with all government and client requirements to manage the pandemic, and strict workplace procedures have been adopted to guarantee that the Group continues to provide services responsibly.

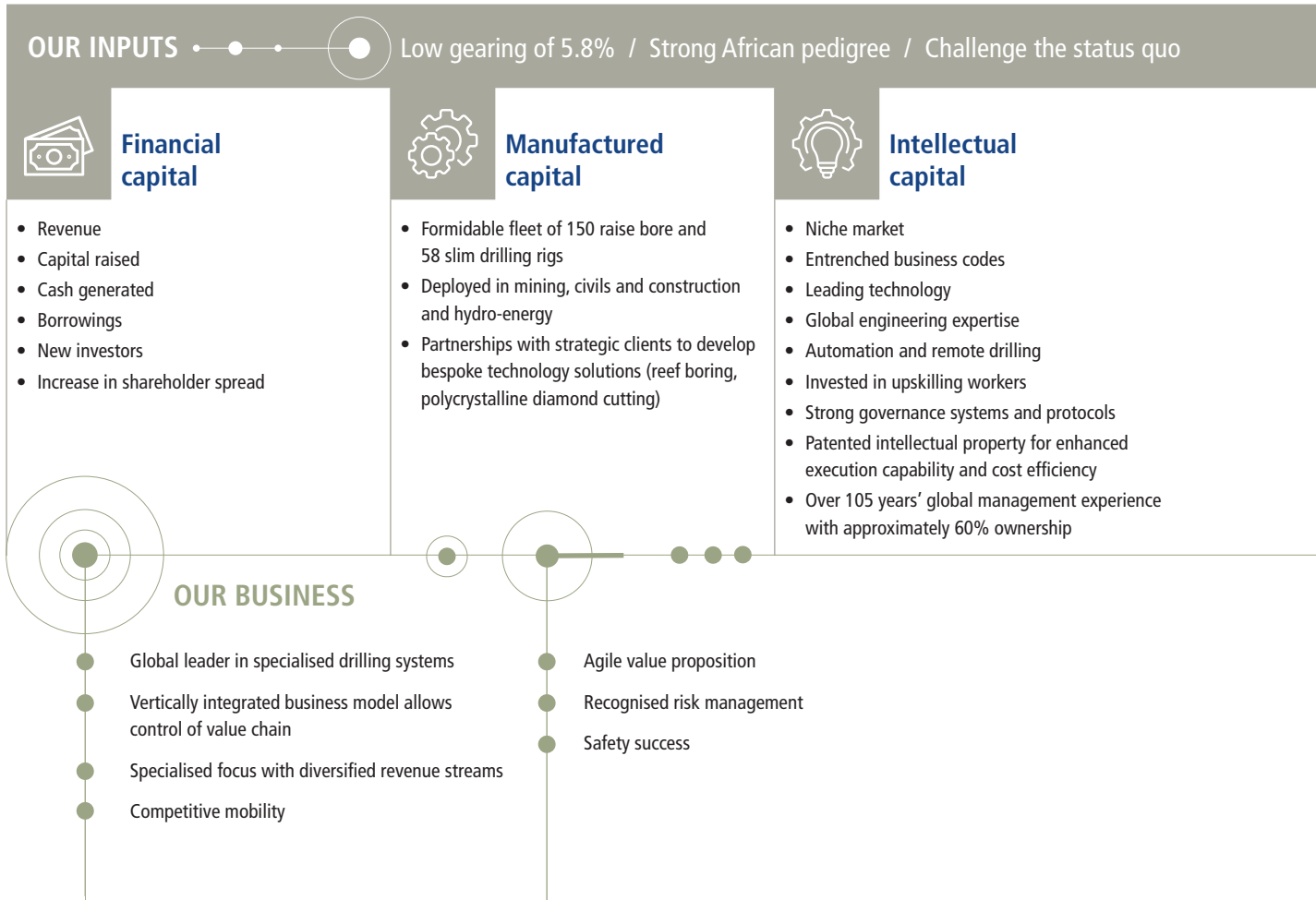




CREATING VALUE

Our business model	22	Stakeholder engagement	36
Our strategy	26	Our people	40
Business risk and opportunity management	28	Health and safety	43
Our ESG strategy	34	Our communities	46

OUR BUSINESS MODEL



OUR SEVEN KEY DIFFERENTIATORS

- 1 Niche market**
High barrier to entry with our relatively low base cost for rig manufacturing when compared to the market
- 2 Secure financial platform**
ZAR hedge as costs are mainly in local currencies and revenue is in hard currencies
- 3 Diversification**
Revenue streams, footprint, sectors/commodities, client base, activities
- 4 Agility**
Rent/operate versus selling equipment
- 5 Mobility**
Proven ability to move a global-leading fleet between geographies, sectors and clients
- 6 Technology**
Patented technology for efficient and cost-effective change in the way companies operate underground e.g. proprietary technology for horizontal boring (block caving)
- 7 Secure client base**
Mainly blue-chip major and mid-tier mining companies; Master Drilling is a preferred supplier to most of the world's largest mining houses



Human capital

- 2 224 employees
- Culture of excellence
- Safe working environment
- Positive employee engagement
- Organisational structure optimisation



Social and relationship capital

- Loyal client base
- Community development initiatives
- Refer to page 25 for more details



Natural capital

- Our policies and procedures are aligned with clients' project plans
- Increased efficiencies in energy, water and oil

BUSINESS ACTIVITIES



DESIGN

Conceptualise, develop and deliver a complete fleet solution for our clients.



MANUFACTURE

Assemble, establish and maintain a diverse portfolio of custom-made drill rigs.



TRAINING

Develop and enhance skills to capitalise on our machinery and specialised manpower.



OPERATE

Provide operational support and complete project management for all our drill rigs.



MAINTAIN

Provide engineering support for drill rigs, continuously upgrading our portfolio.

SPECIALISED, ADAPTIVE AND INTEGRATED DRILLING SOLUTIONS

Rock boring

- Raise boring
- Horizontal raise boring
- Box hole boring
- Slot hole drilling
- Reverse circulation drain and shaft boring

Tunnelling

- MTB

Shaft sinking

- SBS

Slim drilling

- Blast hole drilling
- De-watering
- 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
- Ore analysis
- Core yard management

Mining services

- A&R Group
- AVA
- Reef boring

OUR BUSINESS MODEL continued

HOW WE CREATE VALUE

SUSTAINABLE GROWTH

- Committed order book
- Revenue (hard currency)
- Market cap of ZAR1,5 billion
- MTB operations commenced end of February 2022
- Implementation of a fully functional SBS
- Footprint expansion into Australia, Canada and Russia
- Aggressive West Africa expansion drive
- Strong pipeline in Australia building steadily
- Revising and extending service offering for a turnkey mine solution
- Mergers and acquisitions focus on technology value-add targets (mining sector)

OPTIMISATION AND INCREASED PROFITABILITY

- Increased utilisation of the drill fleet
- Remote drilling
- Focused programme yielding results:
 - Underground teams have smart devices recording real-time information for remote monitoring
- Dedicated digital innovation team progressing systems for data-driven decision-making, global overview (e.g. stockholding) and effective strategic planning for the future

OUR TRADE-OFFS



Financial capital

The most common trade-offs occur at the level of this capital, where capital-intensive initiatives are required in order to realise gains in the other five capitals, for instance:

- Optimisation enhances our manufacturing capital with capacity and efficiency improvements
- Up- and multi-skilling our people and improving systems ensures the long-term stability and durability of our teams and therefore the Group's sustainability

- Expansion boosts our financial capital as well as intellectual capital, with widening experience offering learning and growth
- Regulatory compliance enhances our relationships with the various stakeholders in the regions in which we operate
- Dedicated resources for community engagement improve our social and relationship capital
- Spend on mitigating our impact on the environment enhances our natural capital



Manufactured capital

Master Drilling's significant expertise is backed up by a formidable fleet of 150 raise bore rigs, 58 slim drilling rigs, one MTB and the SBS project

GROWTH MARKET

- Recognition of the need to produce more meters drilled at quicker production rates, with fewer people and greater efficiencies
- Entrenched mechanisation gaining traction in underground mining globally
- Depletion of mineral content and environmental concerns forcing migration from opencast to underground mining
- Underground mining yields better reserves at greater depths thus further promoting underground mining

SUSTAINABILITY

- Invest in mitigating environmental impact
- Safer, faster and lower-cost drilling solutions for multiple industries
- Safer solutions for explosives/blasting
- Greater automation equals enhanced safety
- Zero harm
- Salaries bill
- Tax paid
- Dividend paid when appropriate
- Increased spend on B-BBEE procurement in South Africa
- Compliance with mines' environmental requirements

TECHNOLOGY OPTIMISATION AND DEVELOPMENT

- Further development and improvements on MTB technology
- The first SBS components are on order
- Further development in raise boring technology
- Increased roll-out of remote drilling capabilities
- Expansion of digitised platform reporting, analysis and management
- R&D in non-explosive mining solutions in partnership with clients
- Building capability and knowledge for green energy integration

PEOPLE CAPACITY AND DEVELOPMENT

- Multi-skilled teams
- Overhaul of performance management system for incentivisation and sustainability at a local level
- Active people development
- Hours training per head
- Zero harm
- Focus on local job creation
- Sector Education and Training Authority (SETA) accreditation of our training centre
- Multi-skills and talent feed projects
- Thomas International Assessments
- Launch intern programme to attract top talent and develop pipeline



Intellectual capital

The focus on optimisation requires significant investment. Apart from future financial capital growth, the growing experience of our staff enhances intellectual capital



Human capital

Time and capital invested in improving performance management systems have a positive impact on staff turnover and morale, and entrenches our culture of excellence with measurable outcomes to improve our social and relationship capital with our clients



Social and relationship capital

There is a trade-off in time and focus invested in this capital, diverting efforts from core business, specifically in respect of stakeholder engagement. Social and relationship capital is, however, the Group's "licence to operate" and therefore the bedrock of sustainability, with consequent gains in all other capitals



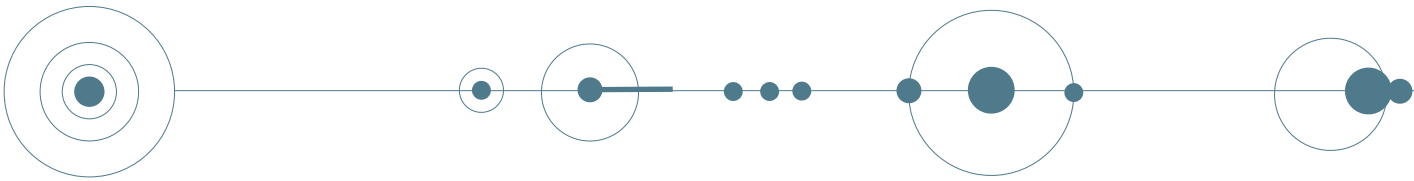
Natural capital

We are conscious of limiting any detrimental effect our operations may have on the environment, whether as a result of diesel burning, electricity generation, waste or land disturbances

OUR STRATEGY

Our purpose:

We want to make a difference in the mining industry through the use of technology and automation.



Master Drilling wants to make a difference in the mining industry through the use of technology and automation. With our tunnel boring machine, remote drilling capabilities and mechanical excavation, we strive to make a difference in the lives of the people who work for us. To achieve this, we need to drive responsible leadership, create a high-performance culture, have fit-for-purpose teams and diversify the business. This, in turn, will assist us in creating a safe working environment setting the stage for optimised returns on current and any new investments. Achieving this will continue to create true shareholder value.

Our strategy is underpinned by our values: **respect, accountability, innovation, safety and efficiency.**

Our strategic focus is divided into three horizons:

- **Horizon 1** (Immediate focus: one year): Rock boring, slim drilling and tunnel boring;
- **Horizon 2** (Intermediate focus: two years): Shaft and reef boring; and

- **Horizon 3** (Future focus: three years+): New ventures and Master Drilling Mining Services.





We have identified five strategic objectives which are aligned to our four strategic pillars: **People, optimisation and profitability, technology and sustainable growth.**

Strategic objectives

- Create true shareholder value;
- Optimise returns on current and new investments;
- Create a safe working environment, with responsible leadership;
- Diversify the business to reduce risk and create additional revenue; and
- Create a high-performance culture and fit-for-purpose teams across the business.



STRATEGY SCORECARD

Strategic pillar	Progress in FY21	Targets for FY22
 <p>People</p> <ul style="list-style-type: none"> • Organisational structure optimisation • Employee profile and role alignment • Clear development plans and promotability • Positive employee engagement • High-performance culture and employees • Community development initiatives 	<ul style="list-style-type: none"> • Human capital, scarce skills strategy and succession plan in place 	<ul style="list-style-type: none"> • Defined career paths • Overall employee wellness focus • Specific community development initiatives
 <p>Optimisation and profitability</p> <ul style="list-style-type: none"> • Operational excellence • Increased fleet utilisation • Turnkey solution, one-stop shop approach • Safe working environment • Increased efficiencies in: <ul style="list-style-type: none"> – Energy – Water – Oil 	<ul style="list-style-type: none"> • Decrease in fixed costs and focus on working capital management 	<ul style="list-style-type: none"> • Continued focus on cost reduction by concentrating on the management of working capital • Specific energy, water and oil efficiencies • Expansion of strategic partnerships
 <p>Technology</p> <ul style="list-style-type: none"> • Leading technology (SBS, MTB) • Automation and remote drilling • Data integration and sharing (big data) • Partnerships with strategic clients to develop bespoke technology solutions (reef boring, crystalline cut and break technology) • Master Drilling Mining Services' investment in Applied Vehicle Analysis (AVA) and A&R Group that focuses on proximity detection as well as mine equipment tracking 	<ul style="list-style-type: none"> • Commenced procurement and design for Master Sinkers • Increased engineering capacity in non-explosives 	<ul style="list-style-type: none"> • Feasibility studies to continue • Expansion of strategic partnerships
 <p>Sustainable growth</p> <ul style="list-style-type: none"> • True shareholder value • Organic growth through geographical expansion • New services and bespoke solutions • Diversification aligned with core services and industry • Inorganic growth through appropriate mergers and acquisitions and joint ventures • Continuous innovation, challenging the status quo 	<ul style="list-style-type: none"> • Further geographical diversity • Advanced new technologies 	<ul style="list-style-type: none"> • Focus on automated drilling techniques • Increase attention on technology for horizontal drilling solutions • Further expand our service offering in countries outside South Africa

BUSINESS RISK AND OPPORTUNITY MANAGEMENT

RISK MANAGEMENT

Master Drilling’s risk management framework remained consistent during the year, but the risk management process was enhanced in terms of its application. The importance of a solid risk management process being in place became more evident than ever during the COVID-19 pandemic. Master Drilling automated the process by developing an application called Stragility to assist with the implementation, updating of information on and reporting of changes in the risk environment in real time. The application was rolled out in 2020. The framework and process were updated to align with the workings of the application during the first half of 2021 and are now fully implemented across the Group.

The Group follows the COSO II and ISO 31000 principles of risk management. Our approach requires risks to be linked to objectives that drive our strategy. These identified risks are then

linked to root causes and possible consequences. Controls are identified to deal with the root causes and possible consequences. The prioritisation of our risks helps us to focus our efforts and resources on areas with the biggest exposure and possible opportunities.

The Chief Executive Officer is ultimately accountable for risk management at Group level. The Chief Executive Officer delegates responsibility to the various executives, heads of department and other staff to ensure risks are managed and mitigated throughout the organisation.

Key risks are linked to the strategic pillars and objectives of the organisation. This enables us to track and monitor issues that may prevent us from achieving our objectives and respond by implementing mitigating controls.

COMBINED ASSURANCE – THREE LINES OF DEFENCE

- 3rd LINE** Independent external assurance: External third parties provide assurance to corporate functions and line management.
- 2nd LINE** Independent internal assurance: Corporate functions provide assurance to line management in executing their duties.
- 1st LINE** Management: Provides day-to-day assurance over various activities of the organisation.

Board					
Audit Committee	Corporate Governance Committee	Remuneration Committee	Risk Committee	Social, Ethics and Sustainability Committee	Nominations Committee

Combined assurance forum			
Regional Risk Committee (South America, USA, Canada)	Regional Risk Committee (Africa, Europe, Asia)	Regional Risk Committee (South Africa, India, Australia)	Special Projects Risk Committee
Regional General Managers	Regional General Managers	Regional General Managers	Regional General Managers/project managers/special matter experts

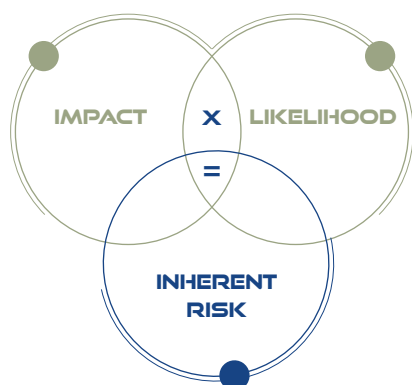
RISK TOLERANCE AND APPETITE

The Group has set levels that define the level of risk the Group can take on at any given time. The levels are reviewed quarterly in the form of actuals versus appetite and special initiatives have been formulated to address any risk determined to be above the Group's appetite.

Business units conduct facilitated risk assessments once a year based on the strategy and objectives for that year. Risk registers are updated by business unit management on a quarterly basis.

The Group Risk and Assurance Manager aggregates the registers into a Group risk register and presents it to the Risk Committee and ultimately the Board on a quarterly basis.

RISKS ARE RATED BY USING THE FOLLOWING METHODOLOGY:



A level of control factor is applied to the inherent risk to arrive at the residual risk exposure. The following four indicators are used to prioritise various actions relating to risk:

- Inherent risk;
- Residual risk;
- Desired residual risk; and
- Gap (difference between residual and desired residual risk).

INTERNAL AUDIT AND ASSURANCE

External risk management assurance is provided by PricewaterhouseCoopers Inc.

Master Drilling follows a risk-based approach when it comes to assurance (internal audit). Assurance activities include various types of reviews including internal audit, as well as external audit, internal cross-audits, performance audits and site audits. Master Drilling's assurance plan is risk-based and reviews are scheduled according to this plan.

The Group's risk metric is used to identify the different areas subject to internal audit review.

Areas with strong controls are tested rigorously, while areas with weaker controls are addressed to improve these controls.

Due to an increased focus on ESG globally, a "licence to operate" risk was added to the Group's strategic risk register in 2021. Master Drilling launched a special project looking into and driving the Group's ESG strategy. Refer to ESG section on pages 34 and 35 for more information.

REPUTATIONAL RISK

Reputational risk is not specified as a separate risk as the Group deem it to be a consequence of some other risk mitigation failing. Reputational risk is therefore addressed by managing each material risk accordingly.
















MATERIAL RISKS

The risks identified at management level, and assessed by the Board's Risk Committee, expose those material matters that could substantively affect our ability to create value for our stakeholders over the short, medium and long term.


During the year, we reviewed our previously identified material matters taking into consideration our operating context, stakeholder engagement as well as risks and opportunities. In doing so, we assess the severity of the impact of any given material matter as well as the probability of its occurrence.












There have been no significant changes in the material matters previously identified and a summary of these is set out on pages 30 to 33. The "licence to operate" risk was added to our risk register during 2021.

BUSINESS RISK AND OPPORTUNITY MANAGEMENT continued


Risk	Mitigation	Status	
SAFETY, HEALTH, ENVIRONMENTAL AND QUALITY			
 01	Unwanted SHEQ-related events	Control, through an integrated management system, based on leadership commitment, effective SHEQ standards, core competencies and consultation and participation. This, combined with the live data provision of applicable leading and lagging indicators, ensures the risk is actively controlled.	
 02	Epidemics and pandemics	The Group has a functioning Crisis Committee that oversees at COVID-19 and the potential impacts it could have on the Group. The work of the committee is strengthened through specific COVID-19 policies and procedures. All cases are continuously monitored and any changes are reported to the Crisis Committee. Regular assurance is done down to site level to ensure compliance with the policy and related procedures.	
INFORMATION AND DATA			
 03	Information-driven decision-making	The Group drives continuous digital innovation projects through a dedicated digital innovations department. The data that these projects generate is stored in data warehouses and interpreted by making use of data analytics and Power BI dashboards. This information is then used to make real-time business decisions.	Unchanged
 04	IT, data analytics and end user knowledge	The same controls are applied as under the information-driven decision-making risk, however, with a focus on upskilling the end user to use the various dashboards. Continuous training and development initiatives are driven by the digital innovations department as and when new systems and platforms are launched.	
SUSTAINABLE GROWTH			
 05	Fleet optimisation and utilisation	Various scheduled machine upgrades are underway with a specific focus on low-profile machines. There is also an increased focus on the MTB and SBS.	
 06	Business model optimisation	A Group strategy alignment project was implemented with monthly progress reviews towards strategic initiatives. The aim of this project is to align entities and teams with the overall direction of the business. This is achieved by making use of technology where all employees in the Group have access to the objectives and key results as well as the ability to view progress towards achieving them.	
 07	Diversification, mergers and acquisitions and geographical expansion	Master Drilling established an Innovations Committee and partnered with business development agents to expand the geographical footprint, and commenced research into specific technologies that can be applied in the mining industry.	Unchanged
 08	Availability and accessibility of funds and free cash	A number of cash preservation measures were implemented to counter the effect of COVID-19 on the business, including weekly cash flow projections, reduced capital spend and cost reduction initiatives across the Group.	
 09	Innovation and technology	Master Drilling established an Innovations Committee with the primary objective to innovate technology-driven solutions that can be applied in the mining as well as non-mining environments.	Unchanged

 Increased in relation to previous year.

 Decreased in relation to previous year.

Risk	Mitigation	Status
 10 Look and feel of the future mining industry	Master Drilling participated in various forums and several global conferences which provided insight in terms of what the future of the industry might look like.	
 11 Maintaining our licence to operate (ESG specifics)	A specific ESG policy was developed focusing on the following: <ul style="list-style-type: none"> • Green energy usage (head office); • Energy-efficient operations; • Fresh water usage reduction; • Oil consumption reduction; • Fossil fuel consumption reduction; and • Community development. 	New risk
COMMERCIAL		
 12 Contract management, execution and profitability	We have dedicated contract managers with a key focus on training and development around contract execution and cost management. These contract managers are supported by qualified quantity surveyors and project management technologies.	
COMPETITION		
 13 Strategy and technical development at competitors, potential future competitors and original equipment manufacturers	We continuously monitor the industry for new technologies and make adjustments to our long-term strategy accordingly. The Innovations Committee also plays a key part here.	Unchanged
PEOPLE CAPACITY AND DEVELOPMENT		
 14 Required skills mix, development and availability thereof for the new normal	We have a defined business strategy with a specific future-fit objective. Key performance indicators (KPIs) and performance agreements for executives are in place together with succession plans for key individuals.	
LEGAL, REGULATORY AND PROCEDURAL COMPLIANCE		
 15 Compliance with key laws, regulations and critical procedures	Each business unit in the Group developed a compliance universe based on the Group's identification and prioritisation methodology.	Unchanged
CYBERSECURITY		
 16 Safeguarding of information and protecting the organisation against cyberattacks	Various IT policies and procedures are in place together with firewalls and continuous data monitoring. Deviations from procedures are investigated with remedial actions identified and implemented. Notifications around cyberattacks are monitored and adjustments made as and when required.	Unchanged
THEFT, FRAUD AND CORRUPTION		
 17 Timely detection and reaction to theft, fraud and corruption	Policies and procedures are in place to deal with any such incidents. The Group also has a whistle-blower hotline that is administered by Deloitte. Scheduled internal and external reviews are also conducted throughout the year.	Unchanged

 Increased in relation to previous year.

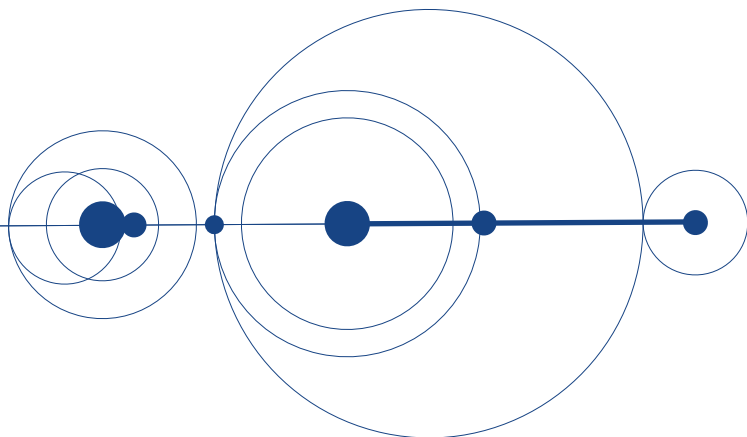
 Decreased in relation to previous year.

BUSINESS RISK AND OPPORTUNITY MANAGEMENT continued

Risks and opportunities

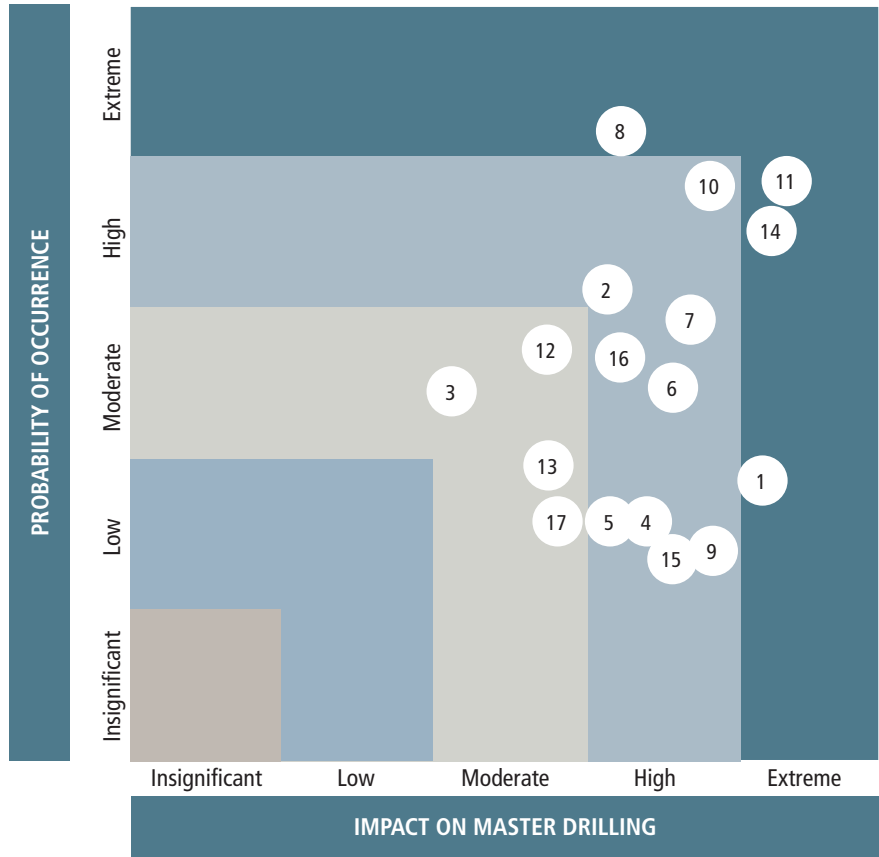
No	Risk	Opportunity
1.	Unwanted SHEQ-related events	Increased client satisfaction and expansion of our client base.
2.	Epidemics and pandemics	Increased productivity and better communication.
3.	Information-driven decision-making	Ability to take more correct decisions in a shorter space of time.
4.	IT, data analytics and end user knowledge	Real-time reporting and decision-making.
5.	Fleet optimisation and utilisation	Increase in production, safety statistics and profitability.
6.	Business model optimisation	Increased and dedicated focus by individuals on the four core businesses.
7.	Diversification, mergers and acquisitions and geographical expansion	Identify and pursue high-margin low-capital businesses, creating additional income streams for the Group.
8.	Availability and accessibility of funds and free cash	Ability to capitalise on business opportunities as and when they arise.
9.	Innovation and technology	Creating a safer working environment for our staff and our clients' staff.
10.	Look and feel of the future mining industry	Ability to design new technologies not yet in existence and capitalising on this position.
11.	Maintaining our licence to operate (ESG specifics)	Making a real difference towards sustainability and contributing to a green economy.
12.	Contract management, execution and profitability	Increased utilisation and profitability.
13.	Strategy and technical development at competitors, potential future competitors and original equipment manufacturers	Ability to be one step ahead of our competitors in what we offer to the market. This, in turn, will result in additional work and revenue.
14.	Required skills mix, development and availability thereof for the new normal	Create an effective lean business with engaged high-performing individuals.
15.	Compliance with key laws, regulations and critical procedures	Improved corporate image.
16.	Safeguarding of information and protecting the organisation against cyberattacks	New software and programmes developed internally that can be commercialised.
17.	Timely detection and reaction to theft, fraud and corruption	Apply lessons learnt and strengthen the internal and external control environment.

The above risks are linked to our strategic objectives and pillars. Efficiently managing these risks can help safeguard the Group against any possible financial and reputational damage.



Risk heat map

The heat map indicates the position of the material risks detailed above on an assessment of the impact if the risk occurs, and the probability of the risk occurring, without taking the mitigation effect of controls into consideration (inherent risk position).



Risk	Rating	Management mitigation strategy
Extreme	>20	This risk must be shared, terminated or controlled
High	>15 up to 19	This risk should be shared or controlled
Moderate	>10 up to 14	This risk will typically be controlled (treated)
Low	>6 up to 9	Management will make an informed decision as to whether this risk must be controlled or absorbed by the business unit. The decision will be based on a "cost versus benefit" approach
Insignificant	Up to 5	Impact and probability is insignificant. This risk may be tolerated and losses will be absorbed by the operating unit

OUR ESG STRATEGY

ESG has an impact on every aspect of our business, with everyone in the organisation playing a key role.

We live our principles and duties at Master Drilling, we engage with all stakeholders, and we are dedicated to making a positive and constructive contribution to our people and the environment in our daily operations. We recognise that our specific actions and business decisions have ramifications for our clients, shareholders, employees and their families, local communities and the environment. Our comprehensive ESG strategy framework is now being implemented with the goal of creating long-term value for all of our major stakeholders. This drives us to examine our responsibilities to our stakeholders in the locations where we operate in every choice we make.

ENVIRONMENTAL POLICY STATEMENT

Master Drilling recognises that water is a precious resource that is shared among communities, and it holds a considerable amount of social, cultural, environmental and economic value.

Water is an important input for the mining and mineral industries' operations. Nonetheless, it is primarily required for the health and well-being of our employees along with the communities in which mines operate. This makes water the single most important resource to be protected for all our stakeholders.

It is important to cultivate a zero-harm environment in terms of safety and health throughout our operations and, through the implementation of and investment in risk mitigation initiatives, we reduce our own carbon footprint.

Master Drilling has therefore committed to the following:

- Ensuring that we use water in a responsible manner to safeguard our employees and the communities we operate in;
- Applying innovative technologies to enhance operational security and water stewardship;
- Conserving water by adopting management practices to reduce water usage, pollution and wastage;
- Collaborating with our stakeholders to achieve responsible and sustainable water usage;
- Implementing clean, renewable energy sources that will ensure reduced air pollution and reduced carbon emissions;
- Using smart technologies to chart the extent of our carbon footprint and to identify methods to reduce carbon emissions;



ENVIRONMENTAL



HOW WE DEFINE ESG

The **energy** the Group takes in, the **waste** it discharges, the **resources** it needs and the consequences for living beings as a result. This encompasses **carbon emissions** and **climate change**.

Our sustainability goals are aligned to the United Nations Sustainable Development Goals (UN SDGs)

- Protect and preserve the environment and planet from harm through water management, waste reduction and recycling
- Measure and manage energy

OUR TARGETS

- Decrease our LTIFR rate year-on-year
- Generate some of our global office energy requirements from renewable sources
- Reduce energy consumption at our operational sites
- Reduce water consumption at our operational sites
- Reduce oil consumption (filter and re-use) or recycle oil used in operations
- Develop the communities in which we operate by making use of local labour and spending as far as possible

- Utilising of a data-driven approach to determine the most efficient use of our assets in order to reduce our carbon footprint; and
- Striving to contribute to environments that prioritise diverse sources of clean and renewable energy to power communities within which we operate.

As a Group, we aim to conduct business through our core values which are respect, accountability, innovation, safety and efficiency.

SOCIAL



HOW WE DEFINE ESG

The **relationships** the Group has and the **reputation** it fosters with people and institutions in the communities where we operate; **labour relations, diversity and inclusivity** in relation to the broader, diverse society in which we operate

Our sustainability goals are aligned to the UN SDGs

- Care for and respect all stakeholders
- Ensure safe and responsible operations

OUR TARGETS

Safety and health

- Zero harm
- Reduction in recordable health and safety incidents
- Safety programme with targets from recruitment to retirement
- Health programme for all employees

Social

- Channel procurement spend through local businesses where we operate
- Employ local people where we operate with a knowledge transfer programme
- Retain key skills and attract required skills to grow the business
- Women in senior management (five-year target)
- Compliance with and support of the Social and Labour Plans of our clients

GOVERNANCE



HOW WE DEFINE ESG

The internal system of **practices, controls and procedures** adopted in order to **govern** the Group; make **effective decisions**, comply with the law and meet the needs of external stakeholders

Our sustainability goals are aligned to the UN SDGs

- Ensure compliance with laws and regulations
- Comply with best practice
- Act in a transparent manner

OUR TARGETS

- Compliance with King IV™ principles
- Roll-out of Group values and measure compliance
- Remuneration practices
- Board diversity and management diversity
- Tax strategy
- Risk programme and insurance cover
- Audit practices

STAKEHOLDER ENGAGEMENT

Master Drilling's stakeholder engagement process is reviewed regularly to evaluate the constant changes regarding the influences and impacts of different stakeholders on our broader environment throughout our business' life cycle.

We define our stakeholders as persons or groups who are directly or indirectly affected by our operations or projects, or whose interests in our operations or projects can influence their outcome. Our stakeholders' direct and indirect interests have the ability to influence how we create value and inform our strategy. Therefore, communication and relationship management with our stakeholders is of the utmost importance to the sustainability of our business.

Our primary stakeholders are locally affected communities and individuals; government, politicians and regulatory authorities; employees, their families and labour unions; the media; suppliers, joint venture partners and business peers; and the investment community.

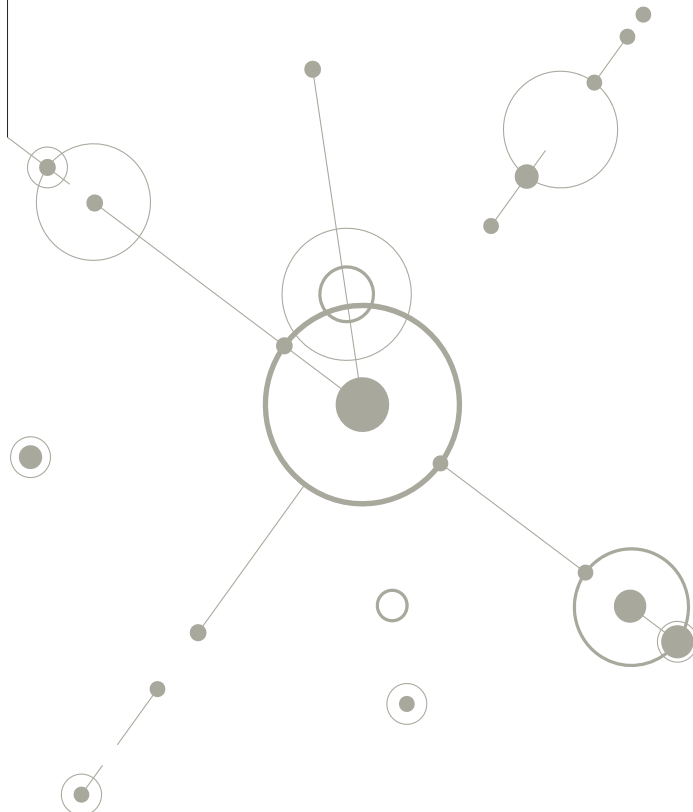
Our open and transparent approach ensures that we determine the best way in which to engage with all identified stakeholders. We keep a close eye on key issues that affect not only our stakeholders, but also ourselves, as well as the manner in which we respond and develop solutions for these issues.

Our stakeholder engagement informs our key strategic decisions, business operations and objectives. We identify material matters through stakeholder engagement initiatives and continue to manage them through the process.

We take a holistic approach to stakeholder engagement and use various means such as Annual General Meetings, our website, liaison with the media, one-on-one meetings, forums, formal and informal discussions, as well as various stakeholder presentations for communication.

Our stakeholder engagement programme ensures that all communication with stakeholders remains open and transparent.

Our key stakeholders and the engagement processes are outlined on pages 37 to 39. External consultants regularly provide formal investor and analyst feedback. Regular employee and client feedback is performed internally.



LOCALLY AFFECTED COMMUNITIES AND INDIVIDUALS

Engagement

We follow all guidelines provided by our clients to determine who the affected communities are and how we should engage.

We allocate financial and human resources to these communities and work with them to ensure that they are sufficiently provided with information, and are engaged on operational issues that may affect them.

Impact on stakeholders and the Group

Outward: Adequate engagement ensures that our operations have an immediate and long-term positive impact on the socio-economic development and sustainability of communities and livelihoods.

Inward: The Group aims to be a responsible corporate citizen through constructive engagement, as we understand that conflict with communities could delay or impede access to projects and operations, resulting in financial and other losses and reputational damage.

Matters raised

- Community investment
- Local procurement
- Infrastructure development and benefit sharing
- Impact of restructuring and closures
- Environmental and health impacts

GOVERNMENT AND REGULATORY BODIES

Engagement

Governments and regulatory bodies are a critical stakeholder group, which we continuously engage.

We ensure that statutory payments including levies and taxes are made timeously to governments. It is our aim to remain transparent in all our dealings with governments.

All donations are governed by our values and compliance policies, including the anti-bribery and anti-corruption policy, and we comply with all applicable laws.

Impact on stakeholders and the Group

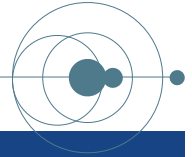
Outward: The benefits for governments are jobs, taxes and investment. The benefits to Master Drilling, at a local level, include employment, skills development, local procurement and infrastructure and service development.

Inward: Engagement is aimed at establishing regulatory certainty and compliance with the King IV™ principles. This creates an environment conducive to good business practice.

Matters raised

- Safety and environmental performance
- Regulatory compliance
- Taxes
- Labour relations
- Local development
- Housing and living conditions
- Wage negotiations and the industry's economic position
- Safety, security and stability

STAKEHOLDER ENGAGEMENT continued



EMPLOYEES, THEIR FAMILIES AND LABOUR UNIONS

Engagement

We use a two-way platform of communication when engaging with our employees, and this is critical in ensuring increased productivity, maintaining a strategic focus and motivating employees to perform at their best. Engagement is undertaken on a wide range of issues, many of which are specific to the local context.

Answers to a survey conducted highlighted a firm belief in the Group's values and areas requiring attention. Possible intervention included ethics, managerial effectiveness in developing trust, as well as senior leadership practices, where employees would like to see ongoing consistency between what is said and what is done. Feedback on the survey results has been shared with employees.

We comply with local legal and regulatory frameworks as well as with international codes, including those of the International Labour Organisation.

Impact on stakeholders and the Group

Outward: Improved safety, health and well-being have marked impacts on employees and their families. By understanding and aligning with the corporate strategy, employees have access to development and career fulfilment, as well as job security. Unprotected industrial action may have negative consequences as the Group will not compromise on ensuring the safety of its employees and its assets.

Inward: Improved safety and health performance benefits the Group. Employee engagement has a positive impact on productivity. Good labour relations reduce the potential for industrial action and promote a collaborative approach to problem-solving in the workplace.

Matters raised

- Employee safety and health
- Wages and benefits
- Accommodation and living conditions
- Employee indebtedness
- Job security

MEDIA

Engagement

We seek to engage regularly and transparently with local and international media and also post details of our Group projects and events on our social media platforms.

Impact on stakeholders and the Group

Outward: Media engagements are crucial and can increase understanding of the Group and promote accurate reporting and constructive relationships.

Inward: Successful engagement will enhance the Group's reputation.

Matters raised

- Operational performance and business sustainability
- Safety and health performance

SUPPLIERS, BUSINESS PARTNERS AND BUSINESS PEERS

Engagement

We seek collaborative and mutually beneficial relationships.

Impact on stakeholders and the Group

Outward and inward: Stable, long-term and mutually beneficial relationships; development and support of local suppliers; improved sustainability and growth.

Matters raised

- Impact of restructuring and closures
- Ongoing financial commitments
- Modernisation and innovation
- Local procurement

FINANCIERS, INVESTORS AND POTENTIAL INVESTORS (INVESTMENT COMMUNITY)

Engagement

We regularly communicate with our shareholders, investors, potential investors and providers of capital, in person and by email, at our half-yearly and annual results presentations, conference calls, site visits, investor conferences and one-on-one meetings.

This also ensures compliance with the JSE Listings Requirements and King IV™.

Impact on stakeholders and the Group

Outward: Engagement can have a positive effect on the valuation and credit rating of our Group and our access to cost-efficient capital.

Inward: We have been able to successfully arrange new facilities for capital sustaining growth and obtain assistance with technology development from financial partners. A strategy review is undertaken after feedback from shareholders.

Matters raised

- Operational performance and business sustainability
- Financial performance
- Safety performance
- Regulatory issues
- Shareholder returns

REPORTING AND MONITORING

The Audit Committee, Risk Committee and the Social, Ethics and Sustainability Committee have reviewed the stakeholder issues identified, as well as the Integrated Report, and have determined that the material matters for reporting represent a balanced and comprehensive view of the critical areas of concern for the business and its stakeholders.

OUR PEOPLE

Our resources are one of our material matters and a critical factor in achieving our strategic goals. People capacity and development is one of our strategic pillars. At year-end, we employed 2 224 people (2020: 1 771) across the globe. As part of our drive to automation, a radical shift in skills is required and we are committed to retraining and reassigning employees. The scarcity of engineering skills in particular regions remains a challenge, however, one of the advantages of our geographical diversity is the ability to redeploy our global workforce.

EMPLOYEES BY SKILL LEVEL

	Africa and India	Australia	Brazil	Chile	China	Europe	Central and North America	Peru	Total
Workforce as at 31 December 2021									
Skilled	556	–	28	86	22	26	72	69	859
Semi-skilled	237	16	55	67	2	31	91	78	557
Unskilled	296	–	147	83	–	14	77	171	788
Total	1 089	16	230	236	24	71	240	318	2 224

We remain committed to providing an enabling working environment to ensure we attract and retain talent in a skills-scarce market.

SALARY INCREASES

Entity	Last wage increase %	Salary increase senior managers %	Salary increase executives %	Salary increase employees %
South Africa	7.20	7.20	7.20	7.20
Australia	–	–	–	–
Brazil	8.00	8.00	–	8.00
Chile	5.00	10.00	–	10.00
China	8.00	8.00	–	8.00
Europe	–	–	–	–
Central and North America	–	–	–	3.15
Peru	–	–	–	–
Zambia	19.60	19.60	–	19.60

The table above reflects increases for 2021.

UNIONISED EMPLOYEES

Entity	Number of unionised employees
Africa and India	865
Australia	–
Brazil	–
Chile	118
China	20
Europe	–
Central and North America	107
Peru	98

We support every employee's right to belong to a union and we maintain open and transparent communication with all unions and their representatives.

MINING QUALIFICATIONS AUTHORITY ACCREDITATION

The Master Drilling training centre received accreditation from the Mining Qualifications Authority in 2021.

The second accredited management training programmes have been conducted. The raise bore qualification training material was developed and submitted for accreditation to the Mining Qualifications Authority.

The training material has been translated into Portuguese and Spanish to ensure uniform standards of training across Master Drilling. Training videos have been developed to supplement the training material and illustrate case studies. The material as well as accompanying tests can also be presented remotely via the learner management system.

- **Dedicated**
Focused training programmes and support systems
- **Return**
Investments focusing on people development and talent acquisitions
- **Invest**
Invest in our own people capacity and development of skills
- **Long term**
Strategy for training that aligns with industry and global trends

IN-HOUSE TRAINING PROGRAMMES

On-boarding programme

This programme is supported by a development programme that has to be signed by the relevant heads of department, and it is applicable to new employees to assist them in gaining a better understanding of the business and getting to know the people in the Group.

The on-boarding and induction programme was reviewed to ensure a standardised quality of on-boarding across the Group and a culture fit for new employees. The induction programme has also been migrated to a digitised platform which can be presented remotely.

SAFETY INDUCTION/REFRESHER PROGRAMME

Employees attend the programme annually in order to maintain a high level of safety knowledge. This initiative will ensure that Master Drilling satisfies legislative and client requirements.

OPERATIONAL TRAINING/REFRESHER PROGRAMME

New employees are trained in operational practices to familiarise them with the Master Drilling way. Operational staff are tested annually to measure their knowledge retention. Employees are assessed for competency at various stages once they have achieved the requirements e.g. operator, foreman, etc.

Long-term objectives	Key performance indicators
Profitability	<ul style="list-style-type: none"> • Increase revenue • Keep expenditure below budget • Remain competitive • Increase market share
Market penetration	<ul style="list-style-type: none"> • Adopt aggressive marketing strategy • Diversify product range
Quality management	<ul style="list-style-type: none"> • Obtain Mining Qualifications Authority full accreditation • Obtain Quality Council for Trades and Occupations accreditation • Obtain scope extension applied for • Maintain ISO 9001:2015 standards • Obtain scope extension with other SETAs • Register with the Department of Higher Education
Client value proposition	<ul style="list-style-type: none"> • Review client value proposition continually to ensure that client requirements are met
Product mix	<ul style="list-style-type: none"> • Diversify product range • Keep abreast of latest changes to training material
Recruitment and development	<ul style="list-style-type: none"> • Recruit employees as required • Determine employee requirements • Develop employees as needed • Meet employment equity requirements

OUR PEOPLE continued

COMMERCIAL TRAINING

A programme was compiled to assist contract managers to understand and manage contracts more effectively and efficiently.

SKILLS GAP ANALYSIS

A skills gap analysis was conducted and linked to development plans to ensure that Master Drilling has a talent pipeline for critical positions. Psychometric assessments for all operational and management level positions were finalised which feed into the Master Drilling succession plan.

MULTI-SKILLING PROJECT

Master Drilling has embarked on a process to multi-skill first-tier operational positions to be able to execute both raise bore as well as maintenance functions for enhanced productivity, smaller crews and improved safety.

To this end, we have enrolled operators in artisan programmes, recruited engineering students to be trained as operators and developed training plans in support of the multi-skill philosophy.

ACCREDITED TRAINING (2022 AND BEYOND)

Provided that infrastructure and competent training personnel are available, Master Drilling Training Services' scope will be extended to include the following training products in the near future:

- Engineering learnerships;
- Working at heights;
- Overhead crane;
- Self-propelled vehicles (forklift, mobilift, etc.); and
- Occupationally directed education, training and development practitioner certificate (levels 3 and 4), assessor programme and moderator programme.



HEALTH AND SAFETY

Master Drilling is committed to ensuring the health and safety of all employees. Our philosophy around health and safety is to create a safe work environment which complies with all statutory requirements, regulations as well as the different codes of practice.

We believe that practising predictive SHEQ management is essential and this platform enables management to implement the required control measures in real time. We implemented an in-house-developed mobile incident and non-conformance management tool called the "SHEQ app". This platform aims to ensure live data provision of the Group's leading and lagging indicators.

Our overall safety performance improved from December 2020 to December 2021, achieving a LTIFR of 1.65 for the year. This is considerably lower than the milestone. The improvements in health and safety were a result of some key initiatives such as hands-free operations through automation and remote drilling, the implementation of designed special tools and focusing on risk identification.

We challenge the status quo of conventional mining techniques such as drill and blast by offering a one-stop mining solution to clients. Applied technology, such as tunnel boring, is a typical example of how we achieve this. Master Drilling decreases man-machine interaction which decreases the associated health and safety risks. During FY21, we upgraded existing raise boring and other drilling equipment to decrease the inherent risk of the machines.

We remain committed to zero harm to people, property and the environment. Master Drilling views any incident as an organisational risk which should be controlled. Through operational governance controls, a continuous assessment of standards is conducted based on local legislative obligations, client requirements and international best practices.

To continually improve our health and safety culture we conduct frequent monitoring of behavioural aspects.

Our zero-harm approach is enshrined in our health and safety policy and is focused on four key principles:

HANDS-FREE

Eliminating manual activities and ensuring that the risk is contained by means of engineering and administrative controls in order to reduce the primary cause of injuries

GOVERNANCE

Comprehensive compliance with the various standards relating to SHEQ

RISK ASSESSMENT

Identifying and controlling all workplace hazards according to the hierarchy of controls

INCIDENT INVESTIGATION

Striving for 100% no repeats of any injury in the workplace through preventative and corrective actions



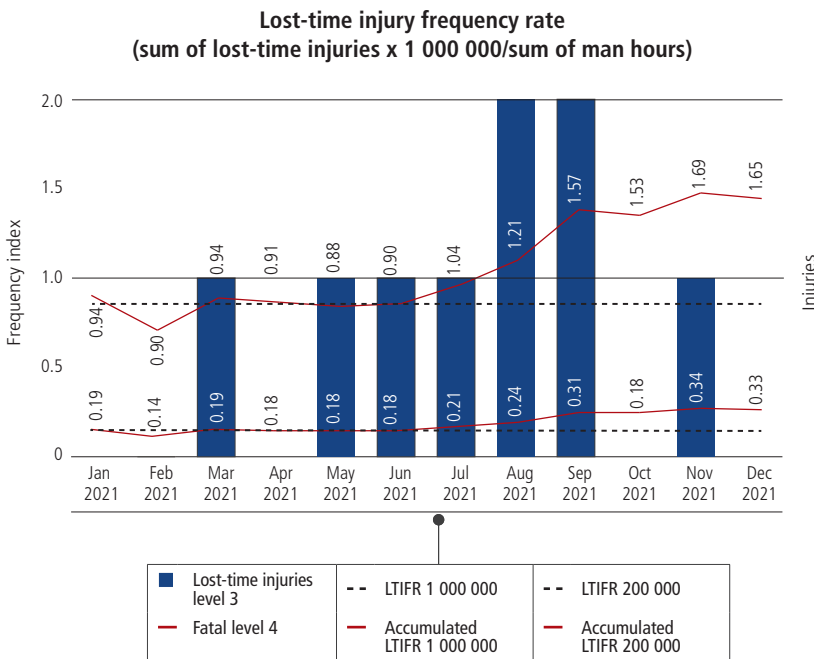
HEALTH AND SAFETY *continued*

INTEGRATED SHEQ MANAGEMENT SYSTEM

Master Drilling Group implemented an integrated management system which strives for zero harm to people, property, process and the environment. Our philosophy is to achieve compliance with required statutory requirements, regulations and international best practices to achieve our overall objective of zero harm.

Our integrated management systems are based on the ISO standard and best practices which enable a predictive SHEQ management. As a strategic initiative, we believe in having live data provision of safety conditions to enable quick decision-making, in real time instead of the traditional lagging response. This data-driven decision-making system was expanded in 2021 to also include specific key indicators on health and hygiene aspects and quality management data.

Our overall safety performance improved when compared to pre-COVID-19 levels by 17%. We achieved a LTIFR of 1.65 for the year ended December 2021, compared to the LTIFR of 2.00 in December 2020.



As Master Drilling is committed to continuous improvement of the organisation through a risk-based approach, key initiatives for 2022 include:

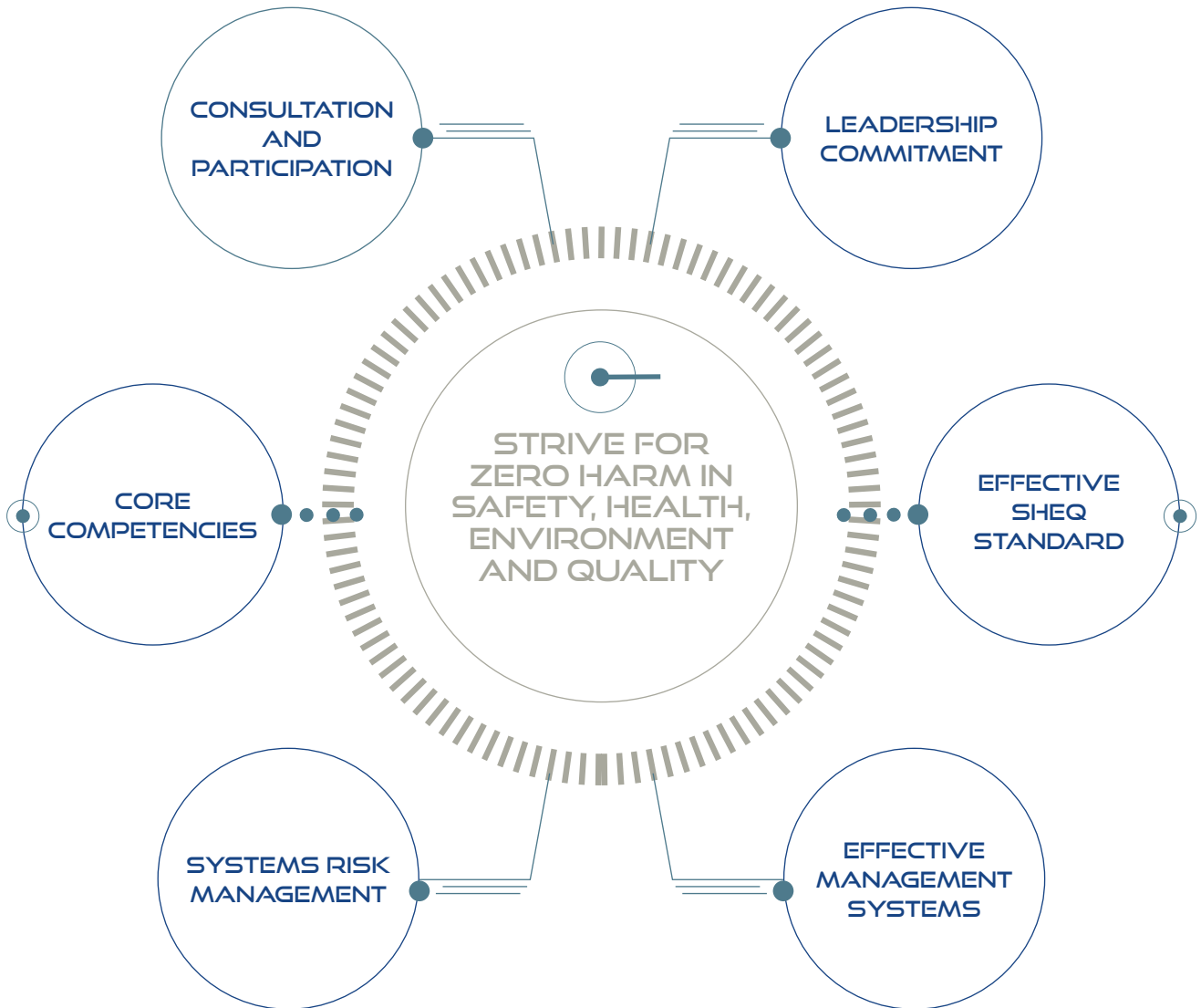
- Standardisation of SHEQ standards throughout the Group aligned with international best practices;
- Transitioning to an independent safety culture within the organisation;
- Combined assurance practices;
- Improved visible felt leadership initiatives.

As our health and safety management system matures, a unique approach to quality incident and non-conformance management is starting to take form. Building on the success of predictive health and safety management, the implementation of quality leading and lagging indicators is currently developing as data is collected.

In terms of quality incident and non-conformance management, specific key initiatives have been identified to determine and decrease the severity and frequency of quality-related business interruptions to improve the client experience and maximise fleet utilisation.

Building on our current initiatives to ensure overall success of our management systems is paramount to our business, therefore the following pillars of the SHEQ management systems will be a key focus area for 2022.

MASTER DRILLING'S SHEQ MANAGEMENT FRAMEWORK



Our objective for 2022 is to remain the industry leader in raise boring and safety by pioneering and leveraging technology to solve conceptual problems and ensure the safety of our employees and clients. This includes hazard identification, risk assessment, control of risks and keeping each person responsible for their own health and safety. With the support of government, regulators and policymakers, proven mechanisation processes should be adopted and promoted as an industry standard.

OUR COMMUNITIES

The Group's corporate social investment (CSI) policies aim to ensure that we properly maintain our social licence to operate by considering human rights as well as the social, economic and environmental impacts of what we do as a business.

Master Drilling's intention is to ensure good corporate citizenship and to contribute to societal goals in a philanthropic manner by positively influencing environmental effects and by engaging in and supporting meaningful efforts and ethical practices.

Corporate social responsibility is the continuing commitment by Master Drilling to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families, the local community and society at large. Community engagement projects are implemented within remote, rural, or agricultural based communities where there are often challenging social conditions. We are cognisant of our responsibilities to act as a good corporate citizen and our responsibilities towards the people with whom we work as well as the communities we impact.

MASTER DRILLING PROGRAMMES

Sisonke – Better Together Community Upliftment Programme

The Sisonke programme's goal is to transfer skills, knowledge and attitudes to community members in order to promote economic betterment, enhancement of leadership skills and the capacity to sustain in the long term. The "Differently-abled" Empowerment Project within the Sisonke programme aims to create empowerment opportunities for disabled persons in our communities and promote diversity in our workplaces. This project consists of employing disabled adults and allocating the employees to the organisations within the programme. During 2021, seven disabled persons were employed by Master Drilling. The employees are receiving the opportunity of employment, are generating an income and are exposed to a diverse workplace to gain practical work experience.

The employment opportunity consists of a fixed-term contract of 12 months, and all identified employees are enrolled in a generic management course (NQF Level 4). The employees are expected to attend weekly classes for a month throughout the fixed-term employment period. The employees are monitored, supervised and coached by the facility managers and social workers at Master Drilling Social Services. Individual and peer supervision groups are facilitated and ratings conducted by the head of department.

The Sisonke programme also focuses on members' active participation where they benefit from the transfer of skills, knowledge and attitudes from authorities and external experts. This includes activities related to economic betterment programmes and the enhancement of local leadership skills and capacities to support minimum reliance on outsiders.

Master Drilling views the Sisonke programme as an opportunity to engage with civil society to extract true potential and fulfil policy considerations such as B-BBEE initiatives, with a direct and hands-on physical and financial contribution.

Master Drilling Social Services joins hands with local non-profit organisations (NPDs) to ultimately empower their facilities to be self-sustaining and self-sufficient to ensure a good standard of service delivery to the community, and create opportunities to accommodate or assist vulnerable groups in the communities. The following objectives are set when identified facilities enter the programme:



1 Good governance

Compilation of a service management agreement, COVID-19-compliance, networking and compliance with registrations and health criteria.



2 Ensuring an empowered workforce

Training for personnel and volunteers to improve knowledge, skills and attitudes.



3 Securing sponsorship and support networks

Corporate sponsorships, linkage with community resources, fund-raising initiatives and ensuring basic needs.

Huis Kompas – Place of Safety, Fochville

Huis Kompas-Place of Safety is a registered NPO funded primarily by Master Drilling to protect and safeguard children that are neglected by their parents due to substance abuse and violence in the household. Children are linked up with the necessary resources such as general practitioners, occupational therapists and psychiatrists in order to restore balance to their lives and are empowered with life skills that enable them to improve their quality of life post placement.

Huis Kompas accommodated a total of 12 children in 2021 (2020: 11) with the average age being 13 years.

Greenspark Old Age Centre, Greenspark

The Greenspark Old Age Centre is a registered NPO funded primarily by Master Drilling. The centre seeks to meet the basic needs of vulnerable and poverty-stricken elderly people in the community of Greenspark while facilitating recreational and stimulating activities, and ensuring access to needed resources in order to ensure improved quality of life. The facility renders services to approximately 60 elderly people daily, as well as immobile individuals in their homes.

Karabo Dineo Home for Children, Kokosi

Karabo Dineo Home for Children is a registered NPO accommodating children who are placed in temporary alternative care after being removed from their primary caregivers/households. It functions as a cluster foster care scheme, rather than a children's home, but ultimately is a facility for the safeguarding of children in need of care and protection. The facility accommodated 22 children between the ages of 0 – 14 years in 2021. Master Drilling primarily assist with linking up the children with the necessary resources required to restore balance in their lives and that they are empowered with the necessary life skills that will enable them to improve their quality of life in the future.

EMPLOYEE ASSISTANCE PROGRAMME

The employee assistance programme is a cost-free, worksite-based programme that provides professional assistance to Master Drilling's employees and their dependants. The programme includes early recognition and prevention of worry and fosters employee well-being, as sustained optimal functioning of employees leads to greater productivity and improved quality of life for employees and their families and the provision of an employee assistance programme encourages an organisational culture that is both task-oriented and caring.

The objectives of employee assistance programmes include enhancing the psycho-social well-being of all individual employees; and enhancing the well-being of the employer as a corporate client towards improved productivity of the workforce at large.

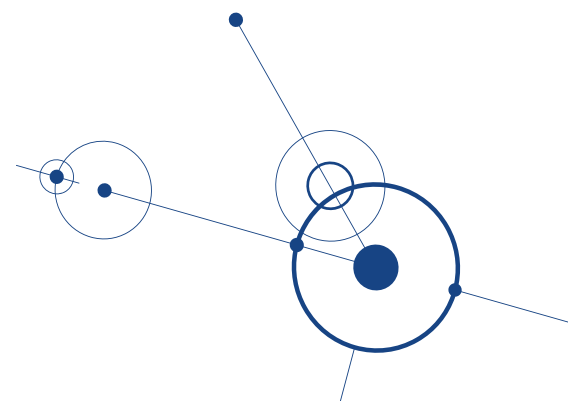
The programme's objectives are achieved through the following:

- Socio-emotional well-being assessments**
 The 70Q socio-emotional well-being assessment strives to determine overall functioning and identify challenges employees face to respond effectively and strategically to ensure a supportive and empowered workplace.
- The social and emotional dimension**
 Social wellness contributes to a state of well-being and can have a large impact on an employee's overall functioning. Social wellness refers to having a work-life balance and positive interactions with others, both inside and outside of the work environment. Emotional wellness plays a role in influencing an employee's sense of well-being. It also refers to emotional intelligence and how employees experience, respond to and manage emotions, thoughts, stressors and challenges.
- Implementation of well-being assessments**
 Master Drilling Social Services launched assessment-oriented site visits to ensure access to relevant information for all employees and to ultimately assess general well-being. Feedback reports were compiled and forwarded to the contract managers to guide a trauma-informed approach in the workplace, and individual development plans to improve socio-emotional functioning were done with employees who indicated severe risk. Site visits were conducted on Finsch mine in Danielskuil, Rosh Pinah mine in Namibia, Zondereinder mine in Thabazimbi and Kopanang mine in Rustenburg. A total of 47 employees were reached and a target of another 100 in-person tests was set. The assessment was also transformed into a virtual test that can be completed on a device which is still in the process of being effectively implemented.
- Clinical social work**
 Clinical social work involves assessment and intervention by treating, prevention and monitoring services. It also assists individuals to address psychological, emotional, behavioural and social challenges that affect the employee's quality of life. Clinical social work service delivery includes family preservation, social assistance, therapeutic services, mediation services, crisis intervention services and trauma debriefing.

A total of 352 people received clinical social work service during 2021. This figure services of all ages, races, genders and cultures in various communities across South Africa and Namibia.

Apprentice programme

Master Drilling created an apprentice programme with the aim of creating employment opportunities in local communities and helping young apprentices acquire professional experience.



OUR COMMUNITIES continued

Local employability

The Group prioritises hiring its workers from local communities in order to increase employability in the regions in which it operates. 52% of the new hires were directly from local communities and 10% were indirect.

Activity	Total
Family preservation	51
Social assistance	55
Therapeutic services	65
Mediation services	21
Crisis intervention and trauma debriefing	95
COVID-19-related service delivery	65
Total	352

Master Drilling creates opportunities for local NPOs, facilities and schools by providing sponsorships to ensure continuous active operations and ultimately enable these community groups to make a direct impact in the lives of the less fortunate.

SCHOOLS AND EDUCATIONAL EMPOWERMENT

- Grace Foundation
 - Sponsorship of assistant teacher salaries
- SAVF Reënboog Pre-primary School
 - Sponsorship of teacher salary
- Losberg Primary School
 - Sponsorship of assistant teacher salaries
- Greenspark Primary School
 - Sponsorship of assistant teacher salaries
- Wedela Primary School
 - Sponsorship of assistant teacher salaries.

SOCIAL INVESTMENT FOR VULNERABLE POPULATION GROUPS

- NG Welfare Fochville
 - General donation to create the opportunity for optimal social work service delivery in the community.
- Medical care for vulnerable population groups
 - Ensuring access to medical assistance and consultations with medical professionals.

FUNDING OF COMMUNITY WORK PROJECTS

- NG Welfare Fochville – Master Drilling made a donation to create the opportunity for optimal social work service delivery in the community.
- Medical Care donation for vulnerable population groups – Ensuring access to medical assistance and consultations with medical professionals.
- Kenneth Kaunda District – Netball sponsorship of ZAR9 000.
- Junior birds' soccer team sponsorship of ZAR12 150.
- Donation of ZAR25 000 to the Royal Bafokeng Institute – A benefit for learners in a school based in a previously disadvantaged community.
- Leadership Camps at local schools – ZAR9 486 sponsorship of uniforms for the elected prefects of 2021.
- Mandela Day Blanket Run – Donation of blankets to the elderly in the Greenspark community to the amount of ZAR7 496.
- Karabo Dineo Home for Children – ZAR6 000 donation to ensure the general functioning of the facility.
- Lethabo Centre of the Blind – ZAR1 000 donation for a Christmas event for the residents of the facility.
- Huis Kompas – Place of Safety – ZAR788 281 donation to ensure general functioning of the facility.
- Dr de Wet – A donation of ZAR13 802 for sponsorship of HIV medicine.

CSI ACTIVITIES OUTSIDE SOUTH AFRICA

Employee and community engagement

Brazil

Master Drilling Brazil's social actions in 2021 were focused on reducing hardship caused by unemployment in the face of the pandemic. The Group prioritised skills development for the youth in order to prepare young people for the job market. The Group also partnered with local churches and NPOs with the objective of identifying families within parish communities, such as Belo Horizonte, that have been severely affected by the pandemic. The identified families were then assisted with food baskets as part of an effort to alleviate poverty.

Activity	Amount	Area (city)
10 basket food donations for the disadvantaged	USD891	Jacobina – Bahia
50 basket food donations for needy families during the Christmas period	USD3 600	Sabará – Minas Gerais
12 Christmas basket food donations for disadvantaged families	USD635	Jacobina – Bahia
Donation of Christmas toys for disadvantaged families	USD180	Jacobina – Bahia
Donation of Christmas toys for disadvantaged families	USD990	Sabará – Minas Gerais
Christmas donation for families living in unfavourable conditions	USD3 200	Sabará – Minas Gerais
10 apprentices on the apprentice programme	USD4 300	

Mexico

Activity	Amount	Area (city)
Instituto para Capacidades Diferentes	USD400	Torreón – Coah

South Africa

Additional social spend for 2021

Sponsorships	Annually	ZAR10 000 per year
Food parcels	ZAR5 000	ZAR60 000 per year
Group work projects	ZAR1 000	ZAR12 000 per year
Community work projects	ZAR5 000	ZAR60 000 per year

Special projects for 2021

Mandela Day		ZAR7 500 per year
Leadership Camps x 3	ZAR6 000	ZAR18 000 per year
School transitioning programme		ZAR5 000 per year
	Total	ZAR172 500

OUR COMMUNITIES continued

Master Drilling's development spend

Master Drilling Proprietary Limited

Isherwood Mining new supplier consumables and fasteners	ZAR72 500
DX Demolitions – Consignment	ZAR145 000

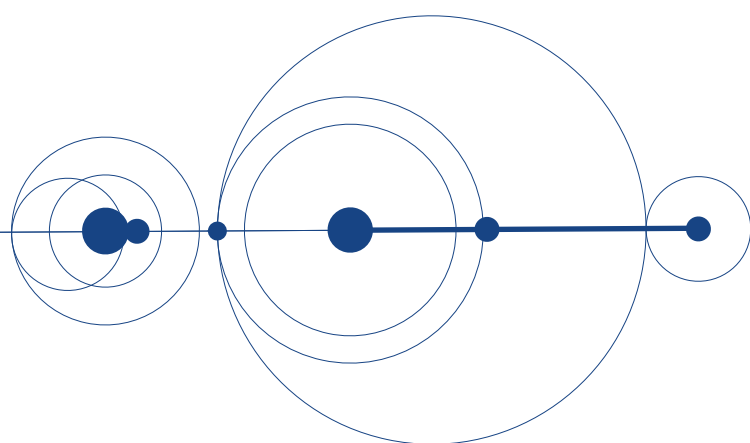
Master Drilling Exploration Proprietary Limited

Supplier development	ZAR146 228
JSK security and cleaning services	ZAR47 857
Enterprise development	ZAR73 114
Inyosi enterprise developmental loan investment fund	ZAR929 032
Socio-economic development	ZAR73 114
Skills development	ZAR2 283 080 (based on projected levied amount in Dec 2021)

Geoserve Proprietary Limited

Supplier development	ZAR332 000
Enterprise development	ZAR166 000
Inyosi enterprise developmental loan investment fund	ZAR44 769
Socio-economic development	ZAR166 000
Skills development	ZAR1 479 159 (based on projected levied amount in Dec 2021)

Social programmes in Chile will commence in 2022.





OUR PERFORMANCE

Operational overview

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Financial review

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OPERATIONAL OVERVIEW

Master Drilling's operations experienced a profitable year, with capital expenditure spend improving significantly over the past 10 years. The Group recorded a lower LTIFR and much-improved safety records at all operations. Despite another volatile year due to COVID-19 disruptions, we appreciate the resilience shown by our staff which contributed to our successful year.

SOUTH AMERICA



CONTRIBUTION TO REVENUE
 Increase from
21% to 32%
USD54.9 MILLION
 (2020: USD25.7 million)

Following a weak performance from South America in 2020 due to the negative impact of COVID-19, in 2021 we saw a very strong rebound with a recovery to 2019 levels. Clients who held back on capital spend during 2020 are spending again. Each business is up more than 20% to 30%, and this is a positive sign as we expect utilisation of machines to be higher than 80% in the region for the remainder of the year.

Brazil had one of the best years in the history of the Group with new clients coming on board, efficient utilisation of equipment, more deployments of larger equipment and shafts increasing in size. We also maintained and renewed our long-term contract with one of our standing flagship clients and successfully submitted our technical and commercial proposal for a long-term project.

The region has shown record levels of profit. This is mainly driven by expansion in our drilling scope with key mining clients in the region. We successfully completed challenging projects that assisted us in achieving our operational goals. Our client also increased the scope of a project for 2022, and we are currently negotiating a 1 400m shaft project.

Chile's profitability has improved since September 2021 to normal levels. Consorsio Master Drilling Besalco SA is performing well and the Consortium experienced a profitable year with capital expenditure improving significantly. We are very satisfied with the

partnership with Chile's largest construction company. Technology development for our blind hole and raise bore fleet remains a priority for the Chile business.

Profitability is currently below the estimated margin as we are in the initial phase of this project. We expect to exceed estimated profitability at the completion of the project. The future strategy of Master Drilling Besalco Consortium has been considered to determine what type of mining projects to bid for in the future. Master Drilling Chile presented a significant tender for a major project and the adjudication process is currently underway.

We appointed a new Financial Manager in Chile in August 2021. We expect a significant increase in utilisation of the blind hole machines if we are successful with the extension of the current contract.

Although **Peru** was hit hard by COVID-19 in 2020, we saw a strong bounce back in 2021 with the Peruvian utilisation rate increasing. We also regained two new clients that had previously been lost to competitors. There was a strong recovery in the country with a huge increase in demand for shotcreting robots. Improved profitability and a recovery in our performance was attributable to the rebase and restructure of the operations during 2020.

The adjacent countries also saw a positive recovery and we successfully completed the Ecuador project.



In the **USA**, most of the opportunities have been in the exploration drilling space. We are actively engaging clients and possible joint venture/merger and acquisition targets to improve access to this market.

North America has the potential to be a productive market for raise boring and exploration drilling activities in 2022. Our management team is working on tenders for the current year, as well as three-year drilling contracts.

The main opportunities are in exploration and we are well positioned to offer solutions and have seen a significant increase in enquiries since the end of 2021. We continue our efforts to secure contractors' licences across each state of the USA. Doing this will assist in driving our new business pipelines, focusing primarily on mining-rich Nevada but also Arizona.

Our North American entity will be employed in the execution of a project in Saudi Arabia.

The **Canadian** operation fell short of its 2021 budget due to a potential contract being awarded to one of our competitors. Nevertheless, a contract is advancing well and will generate higher than expected revenue. During the course of the year, we were awarded a new contract with a mining client and started mobilising equipment towards the end of last year. The remote locations present logistical challenges, however, we are well positioned to meet these.

There are a number of opportunities and there has been a major mining drive in Canada, however, it is a huge country with limited skilled individuals and contractors fighting for the same skilled people. There is more underground mining in Canada than in the USA in the hard rock and metal mining areas.

We have established a solid base in Canada with a sound structure and are well positioned to capitalise on increasing opportunities. We choose our contracts and timing carefully following a steep learning curve. We appointed a Chief Financial Officer for North America who has helped implement systems and processes.

Mexico bounced back during 2021 and we have seen machines deployed to projects in adjacent countries such as Nicaragua, Colombia and Ecuador. We were recently awarded several projects in Koura, Tizapa and Nicaragua. We will also participate in a construction project that will be our flagship project for 2022. A major client has again shown interest in Master Drilling's services and we are currently actively bidding for projects with them. We see a strong order book for the 2022 calendar year in the region. Cost drivers remain a focus point, with specific plans to reach targets for 2021. Significant improvements have already been made with a positive effect on gross profit.

In December 2021, we were awarded our first project in Spain to shotcrete a 560m ventilation shaft and we expect further raise boring opportunities once we execute this project successfully.

In general, we have seen much more movement in the market than just six months ago. Several enquiries are coming from infrastructure as well as hydro-electric power sectors. We do not see much raise boring in the mines in Sweden in the short term, however, in the long term, we expect an increase in work once a mining client reaches new main tunnel levels.

OPERATIONAL OVERVIEW continued



**CONTRIBUTION
TO REVENUE**
Decreased from
39% to 38%
USD64.4 MILLION
(2020: USD48.1 million)

COVID-19 had a limited effect on operations in **Africa** with no shutdowns due to lockdowns. The pandemic did, however, adversely affect the logistical side of the business with various delays in mobilising equipment to site and clearances by the necessary authorities. It also affected the rotation of the expatriate crews, which has since normalised. Africa remains a key area for the Group and we are aggressively pursuing further opportunities in the market.

We currently have two machines working on a key client project. The RBM7 rig for a de-watering hole project will finalise operations at the site in 2022. A contract for a client is about to commence reaming of the final hole. We are currently awaiting confirmation from the client regarding additional work and the adjudication of the shaft project.

Operations in **Mali** for Barrick will see a marginal uptick in revenue due to a bigger machine, 91R from Sweden, being mobilised to the site. Work on the ventilation shafts moved to August 2021, with drilling commencing in October 2021. Stable revenue is expected in Mali.

Kamoa, in the **DRC**, continued its satisfactory performance with our RD7 on a long-term project together with the 71R on paste holes. We have additional opportunities for work on the copper and cobalt mines.

We are awaiting government approval to move the RD5 from Kibali to Tanzania on a long-term contract. Quite a few long-term contracts are out on tender at the moment, and we are currently bidding for this work.

Zimbabwe has started up with three projects and is expected to be awarded another project by the same client for a period of two years. This is return to a key client in the PGM commodity that is key for the future.

Although **Zambia's** operations were put into care and maintenance, we are mobilising equipment to the country to start a new project during 2022.

In **Ghana**, there were three operational projects for a key client and another project which was a directional deep watering hole. We successfully completed and mobilised our shaft contract and have subsequently been invited to tender on another shaft. We have also been sub-contracted for an underground raise drilling project on a mine. The ventilation system of the underground passes was completed successfully and we are busy with the finalisation of the de-watering hole and an inclined directional drilled hole (57 degrees), which is a first in Africa.

Other countries to note in Africa are Sierra Leone. Given the current gold price, more work is imminent in these countries.

South Africa

The South African operations have maintained steady growth with the addition of a few smaller holes, such as drain holes at Hlanganani and an emulsion hole at Styldrift, adding to the order book for 2021.

The RD8 at the Zondereinde 3 project has safely reached 1 080m with only 301,1m remaining. The HG380 has started collaring on the vent shaft and it is planned to complete the hole at the same depth of 1 377m.

Also important to note is our current level 1 B-BBEE rating for Master Drilling Exploration Proprietary Limited and level 4 rating for Master Drilling Proprietary Limited.



In **India**, the COVID-19 situation is currently stable. All crew members have been fully vaccinated and there have been no recent safety-related incidents; the last incident occurred in March 2021. We are targeting a LTIFR of zero by March 2022. The original contract expired during the year but after successful negotiations, was extended with a bigger scope of work for a further three years. Further discussions regarding expansion are continuing. We currently have seven rigs in operation, all at our client's mines across Rajasthan. We completed phase 4 of the contract at the end of September 2021, and have achieved a record number of metres since the start of the contract four years ago.

The situation in Russia and Ukraine is complex and constantly evolving. The directors are actively monitoring events to comply with all relevant local and international laws and guidelines. The Group has limited direct exposure to Russia through its controlled operations.

The ramp-up in **Australia** required more investment than expected and, with new projects starting up, could place additional pressure on available cash. However, this is a strategic country for the Group and we will continue to pursue new opportunities. COVID-19 had a huge impact on operations as we had to execute remotely. We were not in a position to source experienced staff and the high cost of logistics and operational deficiencies resulted in an additional AUD1 million investment.

We completed the second pilot hole at a final depth of 740m and an accuracy of 400mm. Reaming started and will be completed in Q1 2022. The focus is to get the two large machines into long-term contracts that will come out on tender towards the end of the year. This will ensure sustainability of the Australian entity and our strategy going forward is to target the hard rock mining companies in the west and the coal and copper mines in the east.

Europe did not have a great year with performance down on 2020 due to the impact of COVID-19 and project delays. The pipeline is, however, filling up quickly. Significantly, we changed the name of the European operations from Bergteamet to Master Drilling Europe. In addition, we made changes to management with the appointment of a local Swedish General Manager.

OPERATIONAL OVERVIEW continued

LEADING TECHNOLOGIES

Given the aim to diversify from raise boring, we have identified three technology areas of focus to develop and help meaningfully diversify the business:

- Shaft sinking;
- Tunnelling; and
- Non-explosive mining services.

SHAFT SINKING

To spread our risk and lighten funding requirements, we entered into a joint venture with the Industrial Development Corporation (IDC) in South Africa which presented the opportunity for a rewarding business case. This step was strategic to enabling more effective access to deep mines in South Africa, developing local content and creating technical expertise in South Africa while having a risk mitigation approach. We commenced with testing in 2019, however, COVID-19 impacted the project negatively. As a result, in 2021, we scaled down the project from an initial large excavation of a 9m diameter shaft and looked at different commercial options. We now have a signed letter of intent with Styldrift mine to pursue a ventilation shaft, have subsequently secured funding from the IDC and are looking to finalise a contract with Styldrift. We are conducting investigative work on scoping and, in 2021, started on the detailed design and procurement of resources for the shafts. The project is progressing well and by H2 2022 we hope to commission the service and start contractual obligations.

This project has been structured on a shared risk approach, something we will seek to expand further. We are building our own capacity and leveraging existing internal resources to position the Group to take advantage of future opportunities. We are looking at creating value by providing a full turnkey solution and a fully integrated system. We are positioning ourselves as a specialised mining contractor, as opposed to a more traditional mainstream one.

TUNNELLING

We secured a contract with a key client for an underground exploration decline tunnel at Mogalakwena. The focus for 2021 was on improvements on tunnel boring machines using a MTB, maintenance and securing contracts. We commenced the on-boarding process, some initial site works as well as tunnelling projects. The MTB started tunnelling in February 2022 as this was delayed to ensure all elements were in place.

In parallel, we have initiated study work on additional applications and projects. The study was associated with technologies and various value propositions which are substantially diversified including underground mining access, non-explosive methods and other needs of clients.

NON-EXPLOSIVES AND NON-DRILLING TECHNOLOGIES

Non-explosives is still an uncharted area and we are looking to provide solutions that are not bound by countries and explosives approvals, while at the same time removing personnel from hazards by offering the flexibility to operate remotely.

We have engaged with four different clients where we are able to develop these technologies and provide bespoke solutions that cater to their specific needs. By doing so, we hope to build relationships with these clients in a phased approach thereby ensuring gradual progress and minimising large exposure or risk. All of these projects are progressing well.

We have increased our engineering capacity to provide further structure and better create value for our clients. Our current process starts with a feasibility study, followed by an experimental phase and testing the configuration off-site before developing an integrated system to deploy on the mine.

These technologies all relate to providing a safer, higher-productivity, cost-competitive and efficient solution.

Non-drilling technologies

Our non-drilling technologies are IT businesses that provide services to the mining industry, including smart devices fitted on equipment and people providing data information to management. These technologies further promote safety and reduce the hazards of the interaction between people and equipment. We have invested in these businesses and are looking to leverage our geographical footprint to expand internationally.



ANDRÉ VAN DEVENTER
Chief Financial Officer

FINANCIAL REVIEW

This review should be read in conjunction with the condensed consolidated annual financial statements starting on page 86. Master Drilling's annual financial statements are available online at www.masterdrilling.com.

It has been an uplifting year with the overall operations returning to pre-COVID-19 levels. An increase in revenue to an all-time record high and overall cash generation enabled the Group to maintain adequate liquidity on the back of a tough economic environment during FY20. Initiatives such as proactive measures around costs, working capital, capital expenditure and strategic investments in associates and joint arrangements provided us with a solid platform for the future as we executed on existing contracts and opportunities.

CAPITAL SPENT FOR FY21

Expansion

28%

Maintenance

38%

Investment in joint venture

20%

Investment in associates

14%

RESULTS OF OPERATIONS

Refer to the consolidated statement of profit or loss and other comprehensive income on page 88.

REVENUE AND PROFITABILITY

Revenue increased 40% to USD171.8 million while operating profit grew 126% to USD27.8 million. These represent record results, achieved despite difficult global market and operating conditions. The cost-saving initiatives we implemented to limit the impact of the COVID-19 pandemic assisted in this.

USD earnings per share increased 500.0% to 13.2 cents, and ZAR earnings per share increased 438,0% to 195,3 cents. USD headline earnings per share increased 396.2% to 12.9 cents, and ZAR headline earnings per share increased 347,9% to 190,8 cents.

COVID-19 ASSISTANCE

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

As a Group, we will continue our best endeavours to support all our key stakeholders and the countries in which we operate.

FINANCIAL REVIEW continued

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

Europe

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

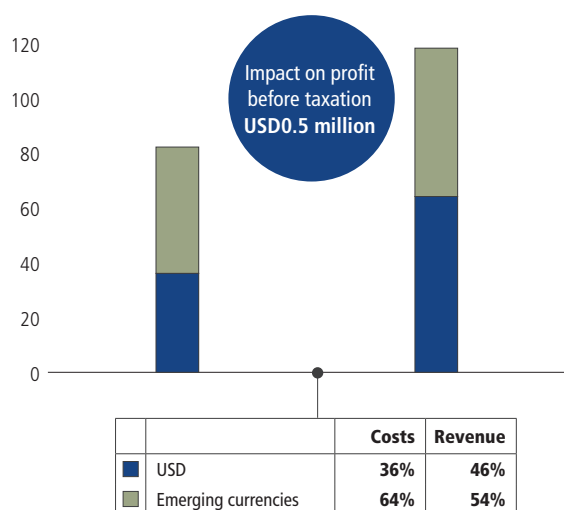
United States of America

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

Canada

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

Impact of currency on profit before taxation (USD million)



UTILISATION

Technological innovation is a key priority for Master Drilling to support clients to move down the cost curve, optimise their operations and increase safety. We have committed significant investment towards this technology drive over the years, ensuring a feasible capital mix relative to machine utilisation.

The fleet consists of 150 raise bore and 58 slim drilling rigs. The total raise boring fleet's utilisation rate was around 70% (2020: 60%). The rate of new rigs coming on board will settle with a focus on larger units, which typically are more fully utilised and generate higher income.

Average revenue per operating rig (ARPOR) summary per annum

	2021 USD	2020 USD	2019 USD
Total raise bore rigs	150	145	143
Utilisation (%)	70	60	64
ARPOR (USD)	120 111	105 715	111 135
Total slim rigs	58	58	30
Utilisation (%)	55	48	70
ARPOR (USD)	31 493	30 237	69 292

TAXATION

There were no changes in tax rates within the Group during 2021. Deferred taxation assets have been recognised in respect of tax losses and temporary differences where, having reviewed the financial projections of the Group, the directors are of the opinion that it is probable that these assets will be recoverable.

FINANCIAL POSITION

Refer to the consolidated statement of financial position on pages 86 and 87.

CAPITAL SPEND

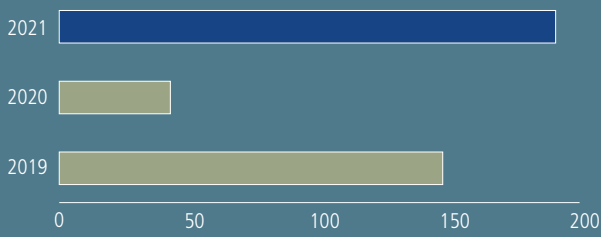
Master Drilling's total capital spend of USD19.4 million was applied as 43% on expansion and 57% on sustaining the existing fleet.

Debt decreased from USD42.1 million to USD32.2 million and the gearing ratio, including cash, improved from 10.3% to 5.8% in the 2021 fiscal year.

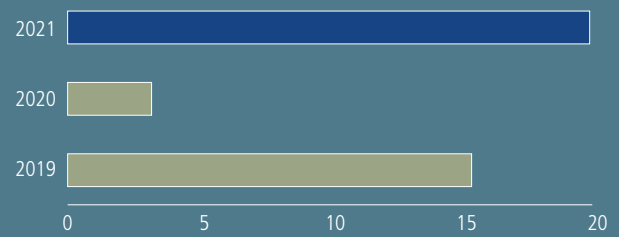
Capital spend breakdown

	%
Land and buildings	1
Plant and machinery	60
Motor vehicles	4
Software licence agreements	1
Investment in associates	14
Investment in joint venture	20

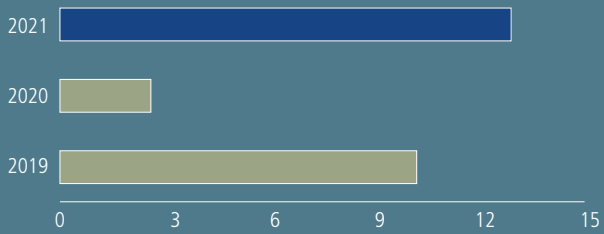
Headline earnings per share (ZAR cents)



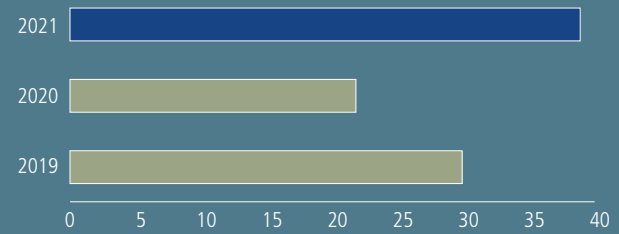
Profit after tax (USD million)



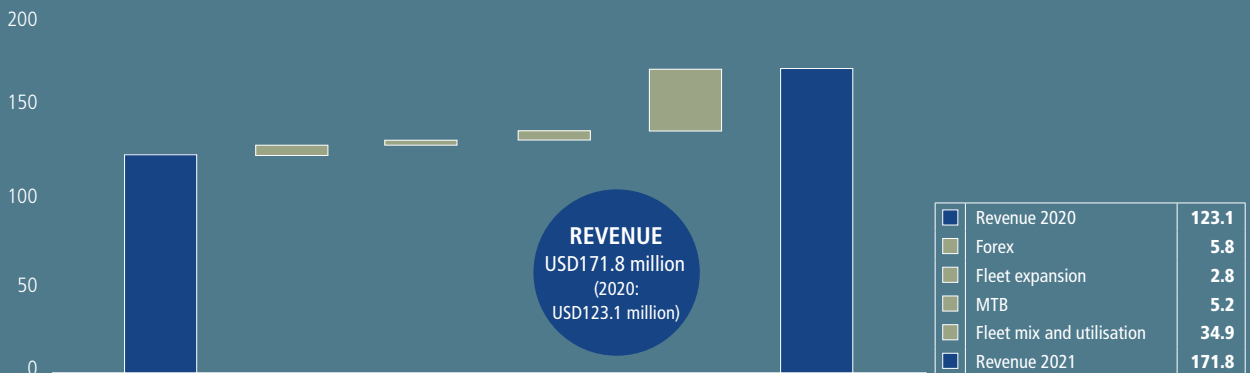
Headline earnings per share (USD cents)



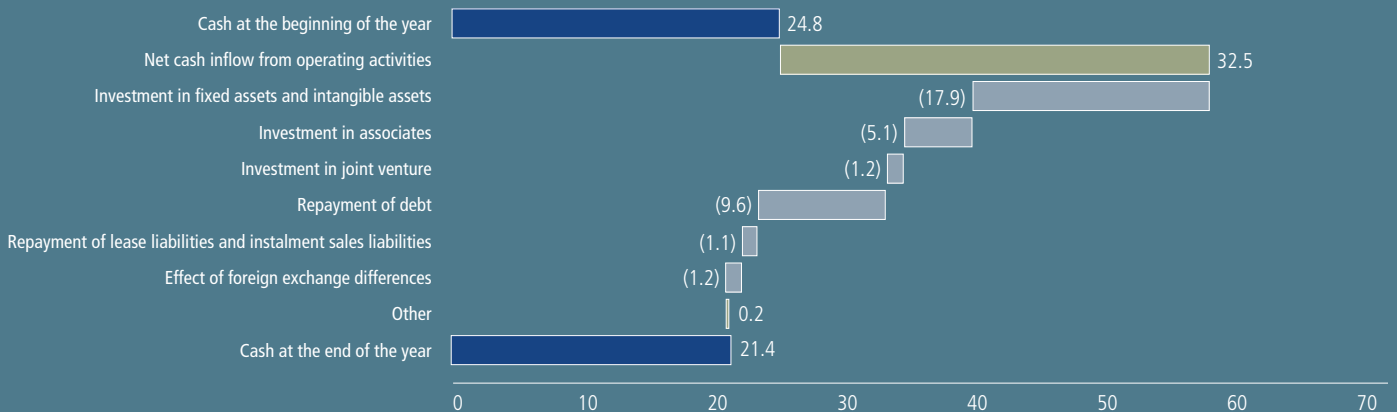
EBITDA (USD million)



Revenue waterfall (USD million)



Cash flow waterfall (USD million)



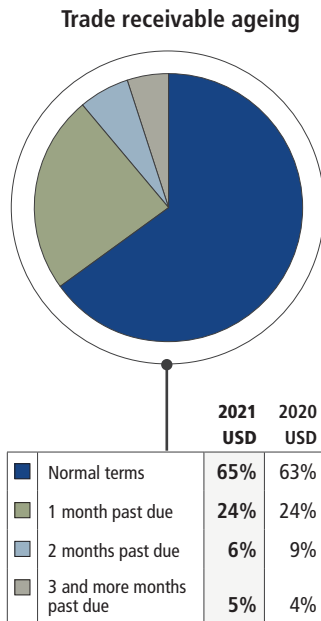
FINANCIAL REVIEW continued

CASH GENERATION

Refer to the consolidated statement of cash flows on page 89.

Net cash generated from operations amounted to USD32.5 million. Cash resources continue to be managed carefully to cater for emerging opportunities that require specific design, planning and investment.

Working capital breakdown (USD million)



USD million	2021	2020	Movement
Inventory	33.6	24.6	9.0
Trade and other receivables	54.5	43.8	10.7
Trade and other payables	35.5	26.9	8.6

DIVIDEND

In line with the Board’s commitment to continue the Group’s dividend history in future once circumstances permit, the Board gave careful consideration to declaring a dividend at this stage. Shareholders are advised that the Board concluded that, while the requirements for being able to pay a dividend in respect of our 2021 financial year are met, the massive global uncertainty caused by the continuing hostilities between Russia and Ukraine, and by the current and potential further responses of various countries to this situation, makes it advisable to defer a dividend decision until more certainty exists regarding how this situation and its possible consequences may unfold. The Board will consider declaring a dividend as soon as it becomes possible, which may be by way of a special dividend rather than a normally scheduled dividend.

Revenue increased
40.0%
to USD171.8 million

Operating profit increased
**USD27.8
MILLION**

Our results returned to pre-COVID-19 pandemic levels.

OUTLOOK AND PROSPECTS

Master Drilling’s diversified footprint, proactive capital management, service orientation and quick response to ensure the safety of employees and clients have ensured a commendable performance. The fleet utilisation is now moving towards the required benchmark of 75%. The Group’s diversification across regions, commodities, currencies and industries proved to be a key factor in this and will remain a key part of Master Drilling’s strategy.

The Group remains committed to ensuring the safety of its people and will continue using innovative mechanised equipment in its operations. This is also the future of the industry, with an increased focus on mechanisation and remote operations, which is the space in which Master Drilling likes to operate and is well placed to compete. Opportunities to diversify outside of the traditional drilling business into areas such as artificial intelligence will also continue to be pursued.

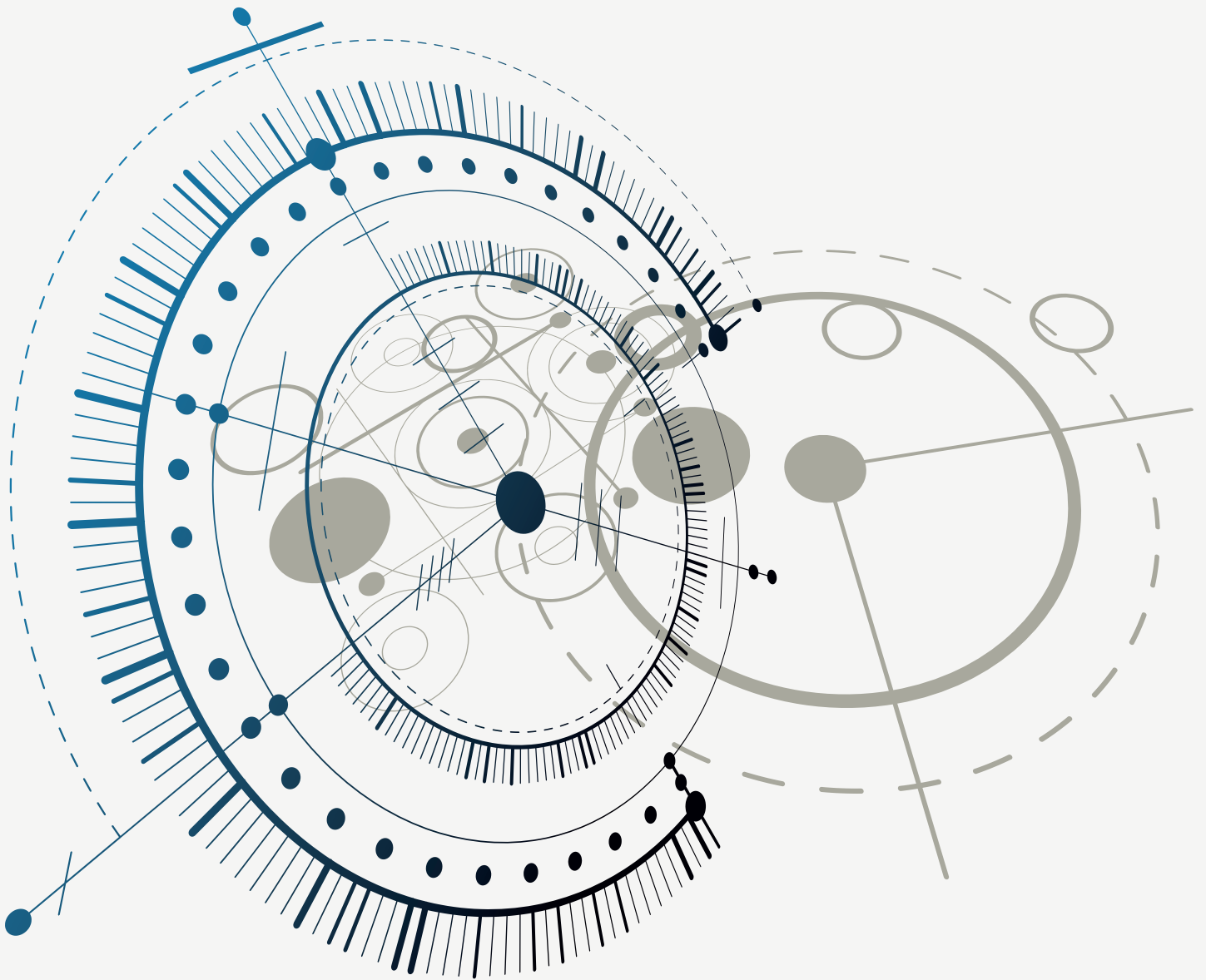
The pipeline as at 31 December 2021 totalled USD507.1 million while the committed order book totalled USD237.6 million for 2022 and beyond. In the short to medium term, the sales pipeline is expected to normalise and increase with further tactical acquisitions and joint ventures supporting performance.

Having made significant investments in its fleet, technology and geographical diversification over the past couple of years, the Group is now positioned to capitalise on the predicted bull run without requiring additional capital investment.

Master Drilling’s technology and experience put the Group in a strong position to continue to support its clients’ drive to improve productivity and efficiencies while reducing operational risk.

André van Deventer
Chief Financial Officer

20 April 2022



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BOARD OF DIRECTORS

COMMITTEES	
■ Corporate Governance	□ Nominations
■ Risk	■ Audit
■ Remuneration	■ Social, Ethics and Sustainability
● Chair of committee	

NON-EXECUTIVE DIRECTORS



HENNIE VAN DER MERWE (74)
Independent Chairman
 BA Law, LLB, LLM Tax
 Appointed: July 2014
Positions held elsewhere
 Director of Bell Equipment Limited (JSE-listed)
 Klein Karoo Group of Companies
 Abagold Limited

Committees
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 ● ●



ANDRIES BRINK (64)
Lead Independent
 CA(SA)
 Appointed: June 2018
Positions held elsewhere
 Director of York Timbers Limited (JSE-listed),
 BPW Proprietary Limited and Dutoit Beherend
 Eiendoms Beperk

Committees
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AKHTER DESHMUKH (60)
Independent Non-executive
 BCom, MBL
 Appointed: November 2012
Positions held elsewhere
 Director and Chief Financial Officer of Lephatsi
 Investments Proprietary Limited

Committees
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HENDRIK FAUL (59)
Independent Non-executive
 BEng (Mining), AMP
 Appointed: June 2020
Positions held elsewhere
 Director of LSE listed: Centamin PLC and
 Amara Mining PLC, Palabora Mining Company,
 International Copper Association, Anglo
 American PLC (Santiago, Chile), AA Sur S.A
 Quellaveco S.A Peru, Compañía Minera
 Doña Inés de Collahuasi Chile

Committees
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SHANE FERGUSON (58)
Non-independent Non-executive
 BCom, LLB
 Appointed: September 2012
Position held elsewhere
 Director of ST Ferguson Proprietary Limited

Committees
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MAMOKETE RAMATHE (43)
Independent Non-executive
 BCom (Wits), MDevF (Stellenbosch Business
 School), BMA (York St John University, UK)
 Appointed: July 2021
Positions held elsewhere
 Founder and Chief Executive Officer of Mamor
 Capital. Non-executive director at OUTsurance
 Holdings and Bell Equipment Limited (JSE-listed)

Committees
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 ●

EXECUTIVE DIRECTORS



DANIE PRETORIUS (64)
 Chief Executive Officer
 Government Engineers' Certificate of Competency
 Appointed: July 2012
 Founded Master Drilling in 1986



ANDRÉ VAN DEVENTER (52)
 Chief Financial Officer
 CA(SA)
 Appointed: July 2012
 Joined Master Drilling in 2001



KOOS JORDAAN (47)
 Executive Director
 BEng, MBA, BS in International Technology Management
 Appointed: July 2012
 Joined Master Drilling in 2001



GARY SHEPPARD (52)
 Chief Operating Officer – Americas
 BSc Eng, MBA
 Appointed: November 2012
 Joined Master Drilling in 1999

Alternate director to Gary Sheppard

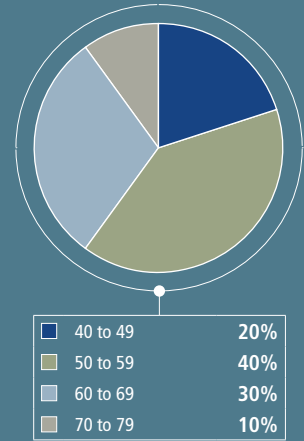


EDDIE DIXON (59)
 Chief Operating Officer – Master Drilling Exploration
 MDip (Civil Eng), MBA
 Appointed: June 2021

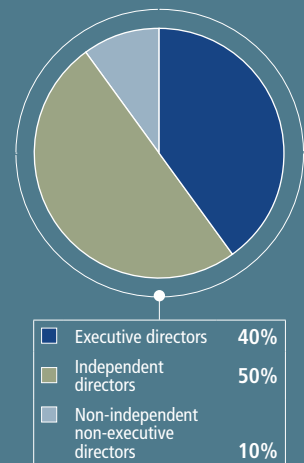


Full details on each director can be found on the website at www.masterdrilling.com

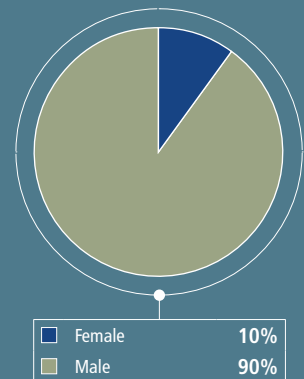
Age diversity



Board composition



Gender diversity



GOVERNANCE REPORT

ETHICAL LEADERSHIP

We are committed to upholding the highest standards of ethics and good governance. The Board is ultimately responsible for the Group's governance, ethics and values and is supported in this regard by the Corporate Governance and Social, Ethics and Sustainability Committees.

Our Board charter and 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.

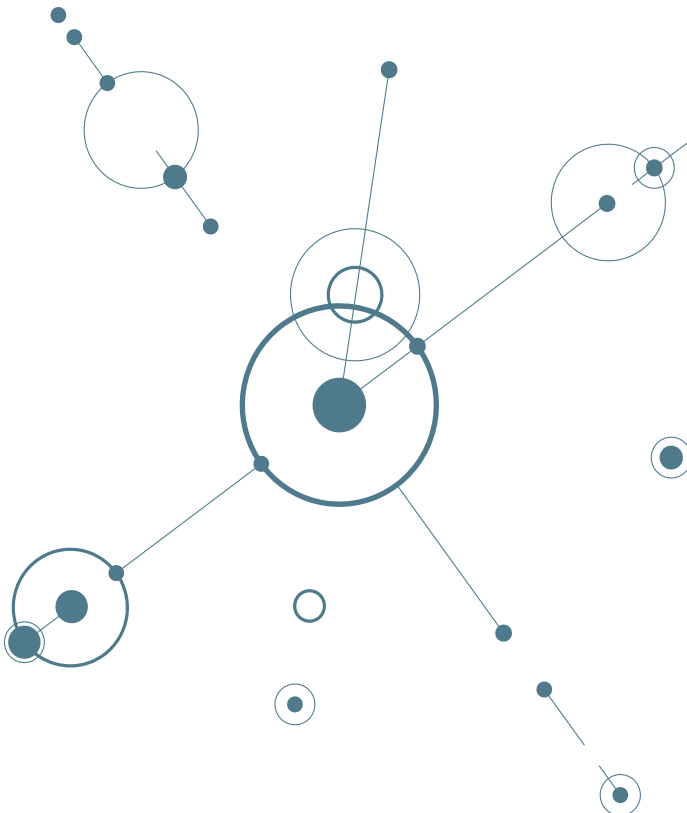
King IV™

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

The Board is committed to ensuring that the Group applies good corporate governance throughout its operations, taking into account the six capitals (financial, manufactured, human, intellectual, natural and social and relationship) within the triple context (economy, society and the environment).

The Board has reviewed the Integrated Report in terms of the governance principles outlined in King IV™. Our aim is to continuously improve the quality and reliability of the data presented. We are currently revisiting our strategy and material matters and further developing a combined assurance model.

Our application of King IV™ is detailed in the King IV™ checklist, which is available online at www.masterdrilling.com.



BOARD
Hennie van der Merwe <i>Independent Chairman</i>
Danie Pretorius <i>Chief Executive Officer</i>
André van Deventer <i>Chief Financial Officer</i>
Andries Brink <i>Lead Independent</i>
Akhter Deshmukh <i>Independent non-executive</i>
Hendrik Faul <i>Independent non-executive</i>
Shane Ferguson <i>Non-independent non-executive</i>
Mamokete Ramathe <i>Independent non-executive</i>
Koos Jordaan <i>Executive Director</i>
Gary Sheppard <i>Chief Operating Officer – Americas</i>
Eddie Dixon <i>Alternate to Gary Sheppard</i>

AUDIT COMMITTEE

Refer to page 83 for the full report

Chairman: **Andries Brink**
 Members: Akhter Deshmukh, Shane Ferguson and Mamokete Ramathe
 Independent members: 3/4

CORPORATE GOVERNANCE COMMITTEE

Chairman: **Hennie van der Merwe**
 Members: Akhter Deshmukh and Shane Ferguson
 Independent members: 2/3

REMUNERATION COMMITTEE

Refer to page 70 for the full report

Chairman: **Akhter Deshmukh**
 Members: Andries Brink and Shane Ferguson
 Independent members: 2/3

RISK COMMITTEE

Refer to page 69 for the full report

Chairman: **Andries Brink**
 Members: Shane Ferguson, Hennie van der Merwe, Hendrik Faul and Eddie Dixon
 Independent members: 3/5

NOMINATIONS COMMITTEE

Refer to page 79 for the full report

Chairman: **Hennie van der Merwe**
 Members: Andries Brink and Shane Ferguson
 Independent members: 2/3

SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE

Refer to page 80 for the full report

Chairperson: **Mamokete Ramathe**
 Members: Akhter Deshmukh, Shane Ferguson, Hendrik Faul and Eddie Dixon
 Independent members: 3/5

GOVERNANCE REPORT continued

THE BOARD

Composition of the Board

The Master Drilling Board is a unitary board comprising 10 directors – five independent non-executive directors, one non-executive director and four executive directors. The roles of Chairman and Chief Executive Officer are separate and clearly defined and the Chairman of the Board is an independent non-executive director.

A Lead Independent Director has been appointed in line with King IV™. The executive and alternate executive directors are invited to all Board meetings.

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 management of the Group's operations, are representative of all the geographical areas in which we operate and they meet regularly.

The Chief Executive Officer currently has a succession plan in place that is tracked by the Nominations Committee. The Chief Executive Officer has no membership of governing bodies outside the organisation.

Non-executive directors have diverse backgrounds and their collective experience enables them to provide sound, objective judgement in decision-making.

Director development

A formal process for the selection and appointment of directors is in place, including:

- Identification of suitable members of the Board;
- Reference and background checks of candidates prior to nomination;
- Formalising the appointment of directors through an agreement between the Group and the director, ultimately subject to election or re-election by shareholders; and
- Overseeing the development of a formal induction programme for new directors.

A continuous professional development programme is in place to ensure that Board members receive regular briefings on changes to risks, laws and the business environment.

Individual Board/committee members take personal responsibility for continuously updating/supplementing their individual skill set and requisite knowledge to aptly enable them to perform their fiduciary responsibilities.

Rotation of directors

Directors are ultimately elected by the Group's shareholders at the Annual General Meeting as set out in the Group's Memorandum of Incorporation. The matter of rotation of the directors is dealt with in line with the provisions of the Group's Memorandum of Incorporation.

Dealings in securities

Directors may not deal in the securities of the Group during closed periods which are from the end of the financial year to the publication of its financial results, and from the end of the half-year to the publication of the half-year results, and whenever

the Group is subject to a cautionary announcement and/or a director is in possession of price-sensitive information not in the public domain. The directors are specifically advised of any period considered sensitive.

Board self-evaluation

The Board, through its Nominations Committee, ensures that every alternate year there is a review on the effectiveness of itself and its committees and that each committee is appropriately constituted with due regard to the skills required by each committee. The last board and board committee assessments were conducted during November 2020. The next assessments will be conducted in November 2022.

Board appointment process

The Nominations Committee is responsible for the selection of Board candidates, succession planning for the Board and senior management. Newly appointed directors undergo a formal induction programme.

The Chief Executive Officer has a 12-week notice period and the CEO appointment process is the responsibility of the Nominations Committee, subject to Board approval.

Company Secretary

The Board appointed Andrew Colin Beaven as Company Secretary to Master Drilling, with effect from 1 December 2015. Having considered his skills, experience and expertise, as well as his independence and his arm's-length relationship with the Board and the Group, the Board is satisfied that he has the necessary competence and objectivity to provide independent guidance and support at the highest level of decision-making and is thus suitably qualified to act in this role.

Board committees

There are six Board committees – the Audit, Remuneration, Risk, Nominations, Corporate Governance and Social, Ethics and Sustainability Committees – which assist the Board in managing specific responsibilities delegated to them. The Audit and the Social, Ethics and Sustainability Committees have additional statutory responsibilities in terms of the Companies Act.

The Chief Executive Officer and executive directors are not members of any Board committees. The Chief Executive Officer and members of management may attend committee meetings by invitation and when required by committee members. Eddie Dixon, the alternate director to Gary Sheppard, is a member of the Risk and Social, Ethics and Sustainability Committees. As Eddie is an alternate director, the Board Committees still consist primarily of independent non-executive directors.

The terms of reference for all Board committees and the Board's terms of reference are approved by the Board and reviewed on a regular basis. The Board is satisfied that all the committees have fulfilled their responsibilities for the year in accordance with their terms of reference.

The Board and its committees, after careful consideration of suitability and assessment of required skills, make use of the of independent external advisers as and when required. There are

arrangements in place for assessing professional corporate governance services and the governing body believes those arrangements are effective. The governing body is also satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

The detailed terms of reference for each committee are available on our website at www.masterdrilling.com.

Investment Committee

This is an informal committee comprising Board members, the Chief Executive Officer, Chief Financial Officer and Chief Sustainability Officer. The committee meets on an ad hoc basis to discuss investment opportunities which are then presented to the Board for consideration. It is not a formal Board committee, but Board members are invited to participate in the deliberations of the committee.

Diversity at Board level

The Group's Board Diversity Policy, which details the approach to diversity on the Board of Directors, recognises the benefits of a diverse Board and sees diversity at Board level as an important element in ensuring a wide range of perspectives at board level. The Board's view is that a diverse Board should include and make good use of variations in the skills, regional and industry experience, fields of knowledge, background, race, gender, culture, age and other attributes of directors. These variances should be considered in determining the composition of the Board, and should be balanced to the extent possible, practical and appropriate.

All Board appointments are made on merit, in the context of the skills, experience, independence and fields of knowledge which the Board as a whole requires to be effective. The Social, Ethics and Sustainability Committee deals with overseeing the Board-approved diversity policy and reporting against it. The Nominations Committee handles any nominations for proposed appointments aligned with the diversity policy.

	Female				Male				Total	
	A	C	I	W	A	C	I	W	F	M
Board representation – December 2021	1	–	–	–	–	–	1	8	1	9
Board representation – December 2020	1	–	–	–	–	–	1	8	1	9

Diversity at Board level receives regular consideration and the policies on gender and race diversity are available on our website at www.masterdrilling.com.

Board activities

The activities of the Board are listed below. The activities carried out by each committee in supporting and enhancing the governance framework are explained in their respective reports.

Board and committee meetings

The Board meets at least four times a year, with additional ad hoc meetings as required. Notices of meetings and documentation are provided to directors timeously, allowing them to prepare for meetings which ensures informed decision-making.

Attendance at Board and committee meetings is indicated in the table below.

Members	Annual General Meeting	Board	Audit Committee	Risk Committee	Social, Ethics and Sustainability Committee	Remuneration Committee	Nominations Committee	Corporate Governance Committee
Hennie van der Merwe	1/1	4/4		4/4			2/2	2/2
Danie Pretorius	1/1	4/4						
André van Deventer	1/1	4/4						
Andries Brink	1/1	4/4	6/6	4/4		4/4	2/2	
Akhter Deshmukh	1/1	4/4	6/6		4/4	4/4		
Hendrik Faul	1/1	4/4		4/4	4/4			2/2
Octavia Matloa**	1/1	2/4	4/6	2/4	2/4			
Shane Ferguson	1/1	4/4	5/6	3/4	2/4	3/4	2/2	2/2
Mamokete Ramathe*	N/A	2/4	2/6		2/4			
Koos Jordaan	1/1	4/4						
Gary Sheppard	1/1	4/4						
Eddie Dixon	1/1	4/4						

* Appointed on 26 July 2021, after the AGM in June 2021

** Octavia Matloa retired by rotation pursuant to the Group's Memorandum of Incorporation at the 2021 Annual General Meeting.

GOVERNANCE REPORT continued

Board focus for FY22

- To ensure that the strategic initiatives remain appropriate and to monitor performance against them;
- To monitor management's actions in order to ensure that all manpower, funding and operational resources are in place to enable expected performance and growth;
- To monitor, through report-backs from the Board committees and management, actual performance against operational, financial and corporate governance targets;
- To ensure informative and timeous reporting to shareholders and the investing public;
- To ensure that an appropriate realistic long-term strategy – a key driver in business decisions – is in place and to ensure that compliance with the strategy is monitored on a regular basis;
- To ensure that the industry and business risks faced are monitored and addressed by management;
- To ensure that report-backs are submitted to the Board regularly to enable it to carry out its oversight function; and
- To approve the development, structuring and changing of individual committee charters and work plans for adherence to King IV™.

Refer to page 20 for our continued response to COVID-19.

Technology and information governance

IT is a critical element for our business in ensuring sustainable growth and is encompassed by our strategic pillar, technology optimisation and development. It is applied throughout our business from R&D, administration to tendering and logistics.

An IT project manager is in place who is responsible for driving projects. The IT project manager reports to the IT steering committee which is headed by the CFO. This committee, through the CFO and IT project managers reports back to the Audit Committee.

The IT department and information management systems are fully integrated. During the year, we undertook a number of IT projects including:

- The SHEQ incident management app;
- Procurement and logistics standardisation and optimisation; and
- Asset management and tracking using a proprietary chips (tracking devices).

We have multi-factor authentication in place for all our users, which prevents any username and password being used by people outside of the system, which can now detect an unknown device and request verification via SMS or a dedicated app.

All employees have access to a learner management system via Sharepoint which enables users to participate in online courses, specifically on IT systems. On completion, users are awarded certificates and granted permission to access a system as required.

We are striving towards our goal of paperless and smarter working and have systems in place to ensure that requisition requests across Africa can be submitted electronically.

We have Dynamics AX, a Microsoft enterprise resource planning system, and an incident management system (AX) in place across Africa.

We also use Power BI throughout the Group specifically as a business intelligence programme for executives. Our balanced scorecards and dashboards are available on this system to enable executives to access them for quick viewing.

Compliance with laws, rules, codes and standards

We comply with a number of regulations, codes and statutes. A compliance function has been 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 practical, implemented as appropriate. Reports on compliance with these regulations are tabled at the Risk Committee meetings.

All Board committee charters have been approved and a Corporate Governance Committee has been established. We are currently compiling a regulations register which will assist in our compliance matrix.

There were no material non-compliance issues identified/reported during the year.

Master Drilling has complied with the provisions of the Companies Act, particularly with reference to the incorporation provisions set out therein, and has operated in conformity with Master Drilling's Memorandum of Incorporation.

Anti-competitive behaviour

We are not aware of Master Drilling having been party to anti-competitive behaviour or monopoly practices during the year.

RISK COMMITTEE REPORT

The Risk Committee has, as its sole and exclusive function, responsibility for the oversight of the risk management policies and practices of the Group's global operations and oversight of the operation of the Group's global risk. The committee's authority is derived from the Board's delegated authority with its main objective being the provision of oversight.

Various risk assessments are conducted throughout the year at various levels in the organisation. Group risks are reviewed and rated on a quarterly basis.

The Risk Committee is responsible for:

- Establishing and maintaining a common understanding of the risk universe, as it applies to the Group, which needs to be addressed in order to meet strategic objectives;
- Together with the Board, reviewing the risk profile of the Group including the 10 most important risks affecting the Group, the risk appetite of the Group and the risk tolerance of the Group;
- Satisfying the corporate governance reporting requirements regarding risk management;
- Monitoring the Group's risk management and assurance efforts; and
- Exercising ongoing oversight of risk management within the Group.

The committee assists the Board in discharging its duties related to:

- Providing oversight and input into the strategic process of risk identification and mitigation;
- Ensuring that the risk management process aligns to and follows the established enterprise risk management and combined assurance framework; and
- Ensuring that the committee acts under a delegated mandate from the Board.

During the reporting period, the committee:

- Had oversight of the audit observations and actions plans on a digitised platform;
- Witnessed the full implementation of the ERM software across the Group; and
- Had oversight over the Group risk appetite and tolerance levels.


In the 2022 financial year, the committee intends to:

- Expand on reviews and assurance based on the information received from Stragility;
- Monitor the Group's risk appetite and tolerance levels; and
- Focus actively on the Group's ESG strategy and initiatives.

Attendance at committee meetings is set out on page 67.

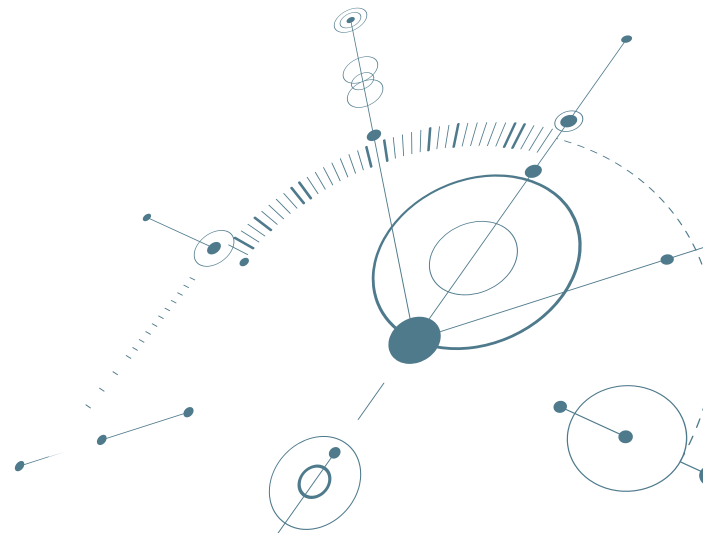
The committee is satisfied that it has fulfilled its responsibilities stipulated in its terms of reference.

Refer to page 20 for our response to COVID-19 and pages 28 to 33 which deal with risk management and material risks.



Andries Brink
Chairman of the Risk Committee

20 April 2022



REMUNERATION REPORT

Dear stakeholder,

On behalf of the Remuneration Committee, I present the FY21 remuneration report.

The Remuneration Committee (Remco) is charged with determining the Group's policy for the individual remuneration of executive directors, prescribed officers, senior, middle and junior management.

Given their diverse track records, the three non-executive committee members provide the necessary expertise and industry experience in regard to remuneration matters. Please see page 67 for attendance at committee meetings.

During the year, 21 Century, external consultant was appointed by the Committee for salary benchmarking and the Long-term Incentive (LTI) review.

In the year, a major institutional investor was polled for feedback on our remuneration policy and implementation. Key themes raised, and our responses, are tabled below.

KEY THEMES

- Major institutional investor feedback in respect of the policy;
- Key issues in respect of the remuneration policy:
 - A guaranteed package;
 - Variable pay in STIs and LTIs;
 - Performance management;
 - Individual growth and development; and
 - A stimulating work environment.

KEY THEMES	MASTER DRILLING RESPONSE
Projects in development, albeit recognised as critical to long-term sustainability, not yet generating a return, with consequent poor cash conversion i.e. quantum of investment accumulating materially while operating performance from existing assets deteriorating (increasing debt)	Capital investments are done for strategic reasons. Some of these have lower returns, but no investments are done targeting below our current weighted average cost of capital (WACC). Some do take longer to achieve, but are combined with investments that yield over shorter periods
Return on asset (ROA) in the three-year LTI cycle to account for the cash conversion concern	The LTI of an eligible employee depends on: <ul style="list-style-type: none"> • The average ROA of Master Drilling Group over an LTI cycle • His/her on-target LTI
More highly incentivised payouts in terms of the LTI Scheme i.e. stretch management to over-deliver	There is a correlation between delivery and incentive payouts
Scaled/tiered/stepped payouts in terms of the LTI Scheme – signify/make material the performance hurdles i.e. overcome arbitrary application	The Master Drilling LTI Scheme makes provision for tiered payouts which is described in the policy to prevent arbitrary payouts
Eliminate payouts for performance below WACC to align with shareholder interests e.g. the 50% payout for 15% to 17% ROA through the LTI cycle	WACC is one of the achievement thresholds to be achieved before a LTI payout
Explicit inclusion in the Short-term Incentive (STI) Scheme to address the cash conversion concern	Debtor days are a KPI on all performance agreements and the cash conversion cycle for the finance and logistics heads of department
Budgeted headline earnings susceptible to padding – universal concern i.e. intense Board engagement required to determine the accuracy of budgeting/benchmarks	Budgets are prepared and presented by the executive directors and the non-executive directors for review, and the assumptions and targets used are interrogated. We believe the targets are mostly stretch targets and not easily achievable
As per the LTI Scheme, possible stepping/tiering of headline earnings per share performance hurdles to incentivise material management outperformance in the STI Scheme	During the year, Remco agreed to reconsider the capping of incentives from 2022 onwards

Remco's terms of reference are available online at www.masterdrilling.com.

The non-binding advisory vote on the remuneration policy and implementation report as at the AGM held on 14 June 2021, resulted in a vote in favour of 92.39% for the remuneration policy and 97.59% for the implementation report.

Our remuneration policy and implementation report are tabled annually for a separate, non-binding advisory vote by shareholders at the Annual General Meeting. The policy is available online at www.masterdrilling.com.

The policy records the measures which the Board is obligated to take in the event that either the remuneration policy or the implementation report, respectively or both, are voted against by 25% or more of the voting rights exercised. Inter alia, the measures provide for:

- An engagement process to ascertain the reasons for any dissenting votes; and
- Appropriately addressing legitimate and reasonable objections and concerns raised, including, if necessary, amending the remuneration policy or clarifying or adjusting our remuneration governance and/or processes.

Remco is satisfied that the remuneration policy and implementation report have been complied with and that there have been no deviations.

HOW PERFORMANCE IMPACTS ON REMUNERATION

Both the STI and LTI Schemes are designed as incentivisation mechanisms, with reward thereunder linked to specific Group KPIs; for instance, the STI is predicated on actual headline earnings versus budgeted headline earnings for any one year, while the LTI is predicated on average earnings before interest, tax, depreciation and amortisation (EBITDA) return on capital employed (ROCE) over a three-year cycle with a target of 15%.

During FY17, the STI structure was refined and improved with the introduction of a stronger correlation between individual performance and reward. The Board then approved a special performance reward (SPR) – a new variable component to be paid annually to qualifying employees based solely on individual performance. The achievement of the individual SPR objective in question determines the percentage increase, over and above inflation, to which the employee is entitled for the year. (The specific SPR objective that entitles reward is determined per employee, by the employee in question together with his/her direct supervisor, recorded in a separate contract with checks and

balances, and updated annually.) A SPR was paid to Mrs R Geel in July 2021 for the achievement of the MDX B-BBEE rating. No other SPRs were paid.

REMUNERATION TRENDS AND FOCUS AREAS FOR FY22

- An external and internal salary benchmark exercise was conducted to ensure salaries remain market-related and support employee retention;
- STI for Shared Services to be approved;
- Restraint of trade as well as clawback clauses were added to appointment contracts in 2020 for executives;
- Annual quality assurance on the 1-5 performance ratings to ensure consistency; and
- An analysis of employees under or over the approved salary bands is conducted annually on approval of the new salary bands which are signed off by the Chief Financial Officer.

REMUNERATION POLICY

A formal remuneration policy is in place and is available online at www.masterdrilling.com. The policy sets out the Group's commitment to paying employees fairly for the work performed in line with principles free of discrimination on the basis of race, gender, sex, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, political opinion, culture, language, marital status or family responsibility.

As our people are one of our competitive advantages, we acknowledge that in order to meet corporate goals and objectives, our reward policies must be an integral part of overall HR strategy; be designed to motivate and reinforce superior performance and encourage individual development; be designed to attract and retain high-quality people; and be aligned to anti-discriminatory practices.

Each job is internally and externally benchmarked, to determine its relative contribution in terms of complexity and expected outputs and results, which establishes the remuneration ranges. Role levels, Paterson grading level and market medians form the basis of remuneration range structures and these are reviewed at least annually to ensure ongoing market competitiveness.

A benchmarking analysis compares the internal salary levels to the market, per grade, to assess how Master Drilling's internal pay compares relative to the market. This determines how competitive our remuneration is and how wide the pay spread is between the lowest paid and highest paid employee within the same grade, which, in turn, guides how wide the pay range will be for the respective pay scales.

• REMUNERATION REPORT continued

The policy also outlines policies for salary increases. In addition to any inflationary increases that may be determined, an employee may receive an additional increase over and above the inflationary increase, which is measured by a set merit scale. Refer to our people on page 40 for increases approved during the year.

The current mix of incentives differs between employees with the entry point to incentives being 25% of total annual guaranteed package for STI and 25% of total annual guaranteed package for LTI added for defined employees. A major hurdle for performance

incentivisation is the requirement to create a pool to fund bonuses, which pool is created from over-target performance. Therefore, if the Group does not perform to or better than target, no funds are available for performance bonuses. STI performance targets are scaled at 80% and 100% of performance. Salary increases are also scaled in that full performance, a (3) rating, realises an inflation-related adjustment, and exceptional performance, a (4) rating, realises an inflation plus 50% of inflation adjustment. Performance awards are limited at 25% or 50% of basic salary for STI and LTI.

REMUNERATION OVERVIEW

NON-EXECUTIVE DIRECTORS	EXECUTIVE DIRECTORS	PRESCRIBED OFFICERS/EXCO	SENIOR MANAGEMENT	MIDDLE AND JUNIOR MANAGEMENT
<p>Fee = base fee + attendance fee – benchmarked annually</p> <p>Higher fees for Chairpersons</p> <p>Reimbursable travel claims – 100% of cost if Company-related/agreed policy</p> <p>Liability insurance (liabilities per position delineated and approved)</p>	<ul style="list-style-type: none"> • Basic salary <ul style="list-style-type: none"> – Inflationary and SPR increase – Circumstantial pay: qualifications and experience, retention-critical, specific position – Benchmarking (PricewaterhouseCoopers Inc. remuneration survey = benchmark for executive directors) – Alignment with Group strategic objectives and shareholders' interests • Retirement fund contribution • Medical aid • Reimbursable travel claims – 100% of cost if Company-related/agreed policy • Fixed allowance for uniforms • Protective personal equipment and clothing, where applicable 			
	<ul style="list-style-type: none"> • STI (STI + SPR) • LTI (including share option scheme (SOS)) • Liability insurance (liabilities per position delineated and approved) 		<ul style="list-style-type: none"> • STI: Incentive bonus based on achievement of production targets OR • In South America: 5% to 10% of profit after tax paid to employees, subject to regulations of such country • LTI: B-BBEE share option plan open to B-BBEE candidates in South Africa 	

SHORT-TERM INCENTIVE SCHEME

In recent years, the Group's STI structure was refined and improved with a stronger correlation between individual performance and reward than when the SPR was introduced, in addition to the existing STI. Remco approved STIs for executives for FY21 in terms of the policy.

	STI	SPR												
Underlying metric	<ul style="list-style-type: none"> Actual headline earnings versus budgeted headline earnings 	<ul style="list-style-type: none"> Individual strategic objective/s Determined annually per employee, by employee and direct supervisor 												
Discretion	<ul style="list-style-type: none"> Remco discretion and Chief Executive Officer entitled to motivate for any specific qualifying employee despite 75% of budgeted headline earnings not having been achieved 	<ul style="list-style-type: none"> Remco discretion 												
Eligibility	<ul style="list-style-type: none"> Executive directors Direct reports 	<ul style="list-style-type: none"> Permanent employees in A to E role positions Paterson grade D3 and above 												
Calculation total gross package (TGP) x base STI %	Base STI guide: <ul style="list-style-type: none"> Chief Executive Officer – 75% Chief Operating Officer – fixed amount Chief Financial Officer and Financial Director – 50% Other eligible employees – 25%* * <i>Remco discretion</i>	<table border="1"> <thead> <tr> <th>Performance rating of strategic objective 1 – 5</th> <th>Increase over and above inflation %</th> </tr> </thead> <tbody> <tr> <td>1 – Poor</td> <td>No salary increase and performance management process for bottom 10% of performers</td> </tr> <tr> <td>2 – Below average</td> <td>No salary increase and performance management process for bottom 10% of performers</td> </tr> <tr> <td>3 – Average</td> <td></td> </tr> <tr> <td>4 – Well above average</td> <td>50% of inflationary</td> </tr> <tr> <td>5 – Excellent</td> <td>75% of inflationary</td> </tr> </tbody> </table>	Performance rating of strategic objective 1 – 5	Increase over and above inflation %	1 – Poor	No salary increase and performance management process for bottom 10% of performers	2 – Below average	No salary increase and performance management process for bottom 10% of performers	3 – Average		4 – Well above average	50% of inflationary	5 – Excellent	75% of inflationary
Performance rating of strategic objective 1 – 5	Increase over and above inflation %													
1 – Poor	No salary increase and performance management process for bottom 10% of performers													
2 – Below average	No salary increase and performance management process for bottom 10% of performers													
3 – Average														
4 – Well above average	50% of inflationary													
5 – Excellent	75% of inflationary													
Allocation cap	<ul style="list-style-type: none"> Allocation is limited to the total STI pool Allocation per employee is limited to the maximum base STI 	<ul style="list-style-type: none"> Performance rating in relation to individual SPR objective must equal or exceed 4 												
Individual allocation cap	<table border="1"> <thead> <tr> <th>Performance rating 1 – 5</th> <th>Calculation input %</th> </tr> </thead> <tbody> <tr> <td>1 – Poor (0%)</td> <td>Nil</td> </tr> <tr> <td>2 – Below average (0 – 60%)</td> <td>Nil</td> </tr> <tr> <td>3 – Average (61 – 80%)</td> <td>100</td> </tr> <tr> <td>4 – Well above average (81 – 90%)</td> <td>120</td> </tr> <tr> <td>5 – Excellent (91 – 100%)</td> <td>150</td> </tr> </tbody> </table>	Performance rating 1 – 5	Calculation input %	1 – Poor (0%)	Nil	2 – Below average (0 – 60%)	Nil	3 – Average (61 – 80%)	100	4 – Well above average (81 – 90%)	120	5 – Excellent (91 – 100%)	150	
Performance rating 1 – 5	Calculation input %													
1 – Poor (0%)	Nil													
2 – Below average (0 – 60%)	Nil													
3 – Average (61 – 80%)	100													
4 – Well above average (81 – 90%)	120													
5 – Excellent (91 – 100%)	150													

REMUNERATION REPORT continued

LONG-TERM INCENTIVE SCHEME

The LTI is currently under review with the Phantom Share Scheme being the preferred option to support employee retention.

LTI	AVERAGE EBITDA OVER THREE-YEAR LTI CYCLE (FY21 TO FY23)									
Underlying metric	<ul style="list-style-type: none"> Remco discretion 									
Eligibility	<ul style="list-style-type: none"> Executive directors Direct reports 									
Calculation	<ul style="list-style-type: none"> TGP x on-target LTI % On-target LTI guide: <ul style="list-style-type: none"> Chief Executive Officer – 75% Chief Financial Officer and Financial Director – 50% Chief Operating Officer and other eligible employees – fixed amount* <p>* Remco discretion</p>									
Allocation cap	<table border="1"> <thead> <tr> <th>Average EBITDA ROCE for LTI cycle %</th> <th>Portion of on-target LTI entitlement %</th> </tr> </thead> <tbody> <tr> <td>13 – 14</td> <td>50</td> </tr> <tr> <td>14 – 14.9</td> <td>75</td> </tr> <tr> <td>15+</td> <td>100</td> </tr> </tbody> </table>		Average EBITDA ROCE for LTI cycle %	Portion of on-target LTI entitlement %	13 – 14	50	14 – 14.9	75	15+	100
	Average EBITDA ROCE for LTI cycle %	Portion of on-target LTI entitlement %								
	13 – 14	50								
	14 – 14.9	75								
15+	100									
EBITDA ROCE targets based on current invested capital										
Payment	<ul style="list-style-type: none"> 2/3 cash on conclusion of audited LTI cycle 1/3 share options (equivalent to cash amount) under MDG SOS (see below) 									

Variable performance-related remuneration is subject to clawback.

This is determined if the committee considers that there is:

- A significant downward restatement of the financial results;
- Reasonable evidence of gross misconduct or gross negligence by the individual;
- Reasonable evidence of a material breach by the individual of the code of conduct and ethics;
- Breach of restrictive covenants by which the individual has agreed to be bound; and/or
- Reasonable evidence of conduct by the individual that results in significant losses or reputational damage.

If any of the above are deemed to have occurred, the committee may, in its discretion, decide that some or all of the performance-related remuneration (which is subject to this malus and clawback provision) will be reduced, lapse, will not vest or will only vest in part. During 2021, no circumstances were identified resulting in any adjustments or clawback.

MASTER DRILLING GROUP SHARE OPTION SCHEME

In addition to executive directors and their direct reports under the LTI, any employee shall be eligible to receive grants under the SOS who, at Remco's discretion, has contributed materially to the relevant Group division and delivered an exceptional individual performance (other than a non-executive director and trustee of an employee benefit trust). The latter shall be measured in the context of the applicable internal performance appraisal process, among other factors.

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 (coinciding with the LTI cycle currently FY20 to FY22). Subject to this, further, the maximum value of shares subject to an option to be awarded to an option-holder will not usually exceed 200% of his/her base salary per financial year.

Options will vest and become exercisable 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 share options attributable to the share option scheme	5 000 000
Less: Total number of share options granted on 29 November 2014	(2 000 000)
Total number of share 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 share options exercised during 2015	–
Total number of share options granted on 4 January 2016	(250 000)
Total number of share options granted on 27 January 2016	(250 000)
Total share options unissued as at 31 December 2016	1 977 714
Total number of share options granted on 1 October 2017	(835 000)
Total share options unissued as at 31 December 2017	1 142 714
Total share options unissued as at 31 December 2018	1 142 714
Cancelled during 2019	450 000
Total share options unissued as at 31 December 2019	1 592 714
Total share options unissued as at 31 December 2020	1 592 714
Total share options unissued as at 31 December 2021*	1 592 714

* No new share options were issued during the year.

MOVEMENTS DURING THE YEAR

The following table illustrates the number and exercise prices in ZAR of and movements in share options:

	Exercise price	2021	Exercise price	2020
Outstanding – 1 January	11.61	410 000	5.21	1 080 000
Exercised during the year		–	1.30	(670 000)
Outstanding – 31 December	11.61	410 000	11.61	410 000

More detail on how our SOS is structured is set out in the annual financial statements contained in this Integrated Report and available online at www.masterdrilling.com.

REMUNERATION REPORT continued

DIRECTORS' REMUNERATION

	Basic salary USD	Bonus USD	Fringe benefits USD	Provident pension fund contri- butions USD	Directors' fees USD	Consulting and legal fees USD	Total USD
2021							
Executive directors							
Danie Pretorius ["]	344 880	–	45 042	–	–	–	389 922
André van Deventer ["]	340 294	–	30 351	–	–	–	370 645
Gary Sheppard [#]	354 657	–	–	–	–	–	354 657
Koos Jordaan ⁺	251 018	–	30 966	–	–	–	281 984
Sub-total	1 290 849	–	106 359	–	–	–	1 397 208
Non-executive directors							
Hennie van der Merwe [^]	–	–	–	–	66 277	–	66 277
Shane Ferguson [^]	–	–	–	–	30 131	117 454	147 585
Octavia Matloa ^{^**}	–	–	–	–	13 490	–	13 490
Andries Brink [^]	–	–	–	–	36 676	–	36 676
Hendrik Faul [^]	–	–	–	–	24 509	–	24 509
Mamokete Ramathe ^{^*}	–	–	–	–	13 266	–	13 266
Akhter Deshmukh [^]	–	–	–	–	43 108	–	43 108
Sub-total	–	–	–	–	227 457	117 454	344 911
Alternate director							
Eddie Dixon ⁵	154 465	–	28 213	18 752	–	–	201 430
Prescribed officer							
Roelof Swanepoel ^o	131 479	–	20 641	12 469	–	–	164 589
Sub-total	285 944	–	48 854	31 221	–	–	366 019
Total	1 576 793	–	155 213	31 221	227 457	117 454	2 108 138

* Appointed 26 July 2021.

** Retired at 2021 AGM.

^o Paid by Drilling Technical Services Proprietary Limited.

⁺ Paid by Master Drilling New Technology Holdings Proprietary Limited.

["] Paid by Drilling Technical Services Proprietary Limited and Master Drilling Malta Limited.

[#] Paid by Master Drilling USA LLC.

[^] Paid by Master Drilling Group Limited.

⁵ Paid by Master Drilling Exploration Proprietary Limited.

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

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

	Basic salary USD	Bonus USD	Fringe benefits USD	Provident/ pension fund contri- butions USD	Directors' fees USD	Consulting and legal fees USD	Total USD
2020							
Executive directors							
Danie Pretorius"	302 558	–	17 751	–	–	–	320 309
André van Deventer"	224 554	–	12 315	–	–	–	236 869
Gary Sheppard#	368 167	–	20 537	–	–	–	388 704
Koos Jordaan+	233 527	–	12 316	–	–	–	245 843
Sub-total	1 128 806	–	62 919	–	–	–	1 191 725
Non-executive directors							
Hennie van der Merwe^	–	–	–	–	52 041	–	52 041
Shane Ferguson^	–	–	–	–	27 037	29 246	56 283
Octavia Matloa^	–	–	–	–	25 879	–	25 879
Andries Brink^	–	–	–	–	27 402	–	27 402
Hendrik Faul^	–	–	–	–	10 721	–	10 721
Akhter Deshmukh^	–	–	–	–	34 409	–	34 409
Sub-total	–	–	–	–	177 489	29 246	206 735
Prescribed officers							
Eddie Dixon ⁵	143 940	–	15 478	10 389	–	–	169 807
Roelof Swanepoel*	108 583	–	4 605	7 769	–	–	120 957
Sub-total	252 523	–	20 083	18 158	–	–	290 764
Total	1 381 329	–	83 002	18 158	177 489	29 246	1 689 224

* Paid by Drilling Technical Services Proprietary Limited.

+ Paid by Master Drilling New Technology Holdings Proprietary Limited.

Paid by Drilling Technical Services Proprietary Limited and Master Drilling Malta Limited.

^ Paid by Master Drilling USA LLC.

^ Paid by Master Drilling Group Limited.

⁵ Paid by Master Drilling Exploration Proprietary Limited.

REMUNERATION REPORT continued

DIRECTORS' SHAREHOLDING

	Number of shares			Percentage of issued ordinary share capital
	Direct beneficial	Indirect beneficial	Total	
2021				
Executive directors				
Danie Pretorius	500 900	78 641 565	79 142 465	52.3
André van Deventer	10 000	2 671 784	2 681 784	1.8
Gary Sheppard	–	2 955 884	2 955 884	2.0
Koos Jordaan	1 781 861	1 228 336	3 010 197	2.0
Total directors	2 292 761	85 497 569	87 790 330	58.1
Prescribed officers				
Eddie Dixon	–	–	–	0.0
Roelof Swanepoel	11 500	–	11 500	0.0
Total	2 304 261	85 497 569	87 801 830	58.1
2020				
Executive directors				
Danie Pretorius	500 900	78 641 565	79 142 465	52.3
André van Deventer	10 000	2 671 784	2 681 784	1.8
Gary Sheppard	–	2 955 884	2 955 884	2.0
Koos Jordaan	1 781 861	1 228 336	3 010 197	2.0
Total directors	2 292 761	85 497 569	87 906 830	58.1
Prescribed officers				
Eddie Dixon	105 000	–	105 000	0.0
Roelof Swanepoel	11 500	–	11 500	0.0
Total	2 409 261	85 497 569	87 906 830	58.1

At 31 December 2021, the directors of the Group held direct and indirect interests of 58.1% (2020: 58.1%) of the Group's issued ordinary share capital. The only change to the directors' shareholding since the previous financial year-end is that Eddie Dixon sold his shares during the current year. None of the non-executive directors hold any interest in shares of the Group.



Akhter Deshmukh
Chairman of the Remuneration Committee

20 April 2022

NOMINATIONS COMMITTEE REPORT

We are pleased to present our report for the year ended 31 December 2021.

The Nominations Committee is in charge of director appointments, succession planning for the Board, senior management roles and the functioning of the Board. The committee's authority is derived from the Board's delegated authority, as defined in the terms of reference (charter) and section 72(1)(b) of the Companies Act. Its main objective is to help the Board in carrying out its tasks successfully and to ensure that the correct composition, skill set and expertise are in place.

The committee comprises three members, of whom two are independent non-executive directors and one is a non-executive director. The committee is chaired by an independent non-executive director, Hennie van der Merwe, and further comprises Shane Ferguson and Andries Brink. The members are appointed by the Board. Attendance of the committee meetings is set out on page 67.

The committee believes it has completed all of the tasks outlined in its terms of reference.

During the year, the committee:

- Reviewed the structure and composition of the Board committees to ensure optimal functioning;
- Monitored the self-evaluation process, with the Chairman and Chief Executive Officer separately evaluated by other Board members;
- Pursued practical progress with the diversity policy; and
- Reviewed the make-up of the Board in order to ensure a correct competency mix and adequate independence.

FOCUS AREAS FOR FY22

- To review the structure and composition of Board committees in order to ensure optimal functioning;
- To monitor the self-evaluation process, with the Chairman and Chief Executive Officer separately evaluated by other Board members;
- To ensure practical progress with the diversity policy; and
- To review the make-up of the Board in order to ensure a correct competency mix and adequate independence.



Hennie van der Merwe
Chairman of the Nominations Committee

20 April 2022

SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT

We are pleased to present our report for the year ended 31 December 2021.

The Social, Ethics, and Sustainability Committee is responsible for monitoring the Group's activities relating to social and economic development, ethics, diversity and stakeholder relations as prescribed in Regulation 43 of the Companies Act (taking into account relevant legislation, legal requirements and prevailing codes of best practice). The committee is in charge of overseeing the Group's actions, ensuring that all existing codes of best practice are followed.

Mamokete Ramathe, an independent non-executive director, chairs the committee, which also includes two other independent non-executive directors, Akhter Deshmukh and Hendrik Faul, one non-executive director, Shane Ferguson, and one alternate executive director, Eddie Dixon. Members of the committee are appointed by the Board and attendance at committee meetings is set out on page 67.

The committee believes it has completed all of the tasks outlined in its terms of reference.

During the year, the committee:

- Formulated a transformation programme;
- Ensured the continuation and refinement of health, safety and environmental programmes, including the ongoing focus and attention required to improve performance, with good progress made;
- Oversaw the implementation of the stakeholder engagement plan;
- Ensured greater community engagement in the areas within which the Group operates;

- Had oversight on the Board approved diversity policy and continue to monitor progress;
- Reviewed and monitored continued learning and skills development initiatives for the group; and
- Engaged in regular review of the Group's ethics compliance practices and employee awareness programs.

FOCUS AREAS FOR FY22

- To continue to drive and monitor transformation initiatives;
- To ensure the continued refinement of the health, safety and environmental programmes, including the ongoing focus and attention required to improve performance;
- To oversee the implementation of the stakeholder engagement plan;
- To continue to ensure greater community engagement in the areas within which the Group operates;
- Strengthen our focus on implementation of ESG best practice; and
- Continue to monitor reporting and implementation of the approved Board diversity policy.



Mamokete Ramathe

Chairperson of the Social, Ethics and Sustainability Committee

20 April 2022



CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Directors' responsibilities and approval	82	Consolidated statement of cash flows	89
Audit Committee report	83	Consolidated statement of changes in equity	90
Consolidated statement of financial position	86	Notes to the condensed consolidated annual financial statements	92
Consolidated statement of profit or loss and other comprehensive income	88		

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors of Master Drilling Group Limited and its subsidiaries (the Group) are required in terms of the South African Companies Act (Act 71 of 2008) (Companies Act), to maintain adequate accounting records and are responsible for the preparation, the content and integrity of the Group's annual financial statements and related financial information included in this report. It is their responsibility to ensure that the Group's annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS), the Companies Act and the Johannesburg Stock Exchange (JSE) Limited Listings Requirements. The external auditor is engaged to express an independent opinion on the Group's financial statements.

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

The audited financial statements have been prepared by the corporate reporting staff, headed by Willem Ligthelm CA(SA), the Group's Financial Manager. This process was supervised by André van Deventer CA(SA), the Group's Chief Financial Officer.

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

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

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

The directors are responsible for the financial affairs of the Group.

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

The Chief Executive Officer and Chief Financial Officer of Master Drilling Group Limited confirm the following after due, careful and proper consideration:

- The annual financial statements, set out on pages 3 to 88 of the audited annual financial statements available on www.masterdrilling.com, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the issuer; and
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Report on Corporate Governance for South Africa 2016™ (King IV™). Where we are not satisfied, we have disclosed to the Audit Committee and the auditor the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.*

The Group's audited annual financial statements as approved on 21 March 2022, which have been prepared on the going concern basis, were signed by the Chief Executive Officer and Chief Financial Officer on behalf of the Board of Directors. The Group's audited annual financial statements can be located on www.masterdrilling.com.



Danie Pretorius
Chief Executive Officer



André van Deventer
Chief Financial Officer

Johannesburg
20 April 2022

* While the directors are aware of their responsibility to communicate fraud incidents to the Audit Committee and auditor, no incidents of such fraud were identified for communication during the period under review

AUDIT COMMITTEE REPORT

for the year ended 31 December 2021

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

The Audit Committee's operation is guided by detailed terms of reference, a copy of which can be found on the Group's website at www.masterdrilling.com. The Audit Committee terms of reference are informed by the Companies Act, the JSE Listings Requirements as well as the corporate governance principles under King IV™ and approved by the directors. The Audit Committee terms of reference are reviewed on an annual basis.

MEMBERSHIP

The Audit Committee consisted of four non-executive directors of whom three were independent at all times during the year. The members at the date of this report comprise of Andries Brink (Chairman), Akhter Deshmukh, Shane Ferguson and Mamokete Ramathe. In addition, the Chief Executive Officer, Chief Financial Officer, Risk and Assurance Manager, as well as the internal and external auditors are permanent invitees to the Audit Committee meetings. The Audit Committee meets at least four times a year and details of attendance are disclosed on page 67.

DUTIES AND RESPONSIBILITIES

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

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

In respect of the **external auditor and the external audit**, the Audit Committee, among other matters:

- Nominated BDO South Africa Incorporated as the external auditor for both the holding and subsidiary companies for the financial period ended 31 December 2022;
- Ensured that the appointment of the external auditor complied with all applicable legal and regulatory requirements for the

appointment of an auditor. The Audit Committee confirms that the auditor is accredited by the JSE;

- Approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditor for 2021;
- Obtained an annual written statement from the auditor that its independence was not impaired;
- Determined the nature and extent of all non-audit services provided by the external auditor and approved the applicable non-audit services undertaken; and
- Considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, 2005, and determined that there were none.

In respect of the **annual financial statements**, the Audit Committee, among other matters:

- Confirmed the going concern status as the basis of preparation of the annual financial statements;
- Considered whether any complex taxation areas exist that could have a material impact on the financial statements and determined the matters identified are being addressed by management;
- Examined and reviewed the annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the directors;
- Ensured that the annual financial statements fairly present the financial position of the Group as at the end of the period and the results of operations and cash flows for the financial period;
- Considered the appropriateness of the accounting policies adopted and changes thereto;
- Reviewed the external auditor's audit report;
- Reviewed the representation letter relating to the annual financial statements which was signed by management;
- Considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the annual financial statements; and
- Considered the 2021 proactive monitoring report and the various JSE communications with the regard to the impact of COVID-19; and appropriate action was taken, where applicable.

In respect of **internal financial control and the internal audit**, the Audit Committee, among other matters:

- Appointed an internal auditor with the necessary international presence and experience and was satisfied that it effectively provided objective and relevant assurance on the areas covered during the year;

AUDIT COMMITTEE REPORT continued

for the year ended 31 December 2021

- Reviewed internal audit reports and deliberated on the audit findings of the internal auditor as part of the internal audit work programme;
- Considered the Group's system of internal financial control, during the year under review, with input and reports from the independent internal auditor; and
- Considered the extended scope of the internal audit activities and actions taken by management to address identified control deficiencies.

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

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

In respect of **risk management and governance** the Audit Committee, among other matters:

- Reviewed the Group's enterprise risk management implementation and improvement initiatives as well as the combined assurance framework;
- Reviewed the Group's combined assurance policy and framework; and
- Formed an integral part of the risk management process and oversaw the Risk Committee functions.

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

In respect of the Group's Integrated Report, the Audit Committee collaborated with the Risk, Social, Ethics and Sustainability, Remuneration and Governance Committees to ensure the accuracy and completeness of the report.

In addition, the Audit Committee:

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

MEMBERSHIP AND ATTENDANCE AT MEETINGS

The Audit Committee's members attended the following meetings:

Members	11 March 2021	Special 17 March 2021	Second special 18 March 2021	3 June 2021	18 August 2021	18 November 2021
Andries Willem Brink	√	√	√	√	√	√
Akhter Deshmukh	√	√	√	√	√	√
Shane Ferguson	√	√	√	X	√	√
Octavia Matloa*	√	√	√	√	N/A	N/A
Mamokete Ramathe*	N/A	N/A	N/A	N/A	√	√

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

√ Attended X Absent

INDEPENDENCE AND SUITABILITY OF THE EXTERNAL AUDITOR

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

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

ANNUAL FINANCIAL STATEMENTS

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

Having satisfied itself, in all respects, the Audit Committee has recommended the financial statements, for the period ended 31 December 2021, for approval to the directors. The directors have subsequently approved the financial statements, which will be open for consideration at the forthcoming Annual General Meeting.

On behalf of the Audit Committee



Andries Brink
Chairman of the Audit Committee

Johannesburg
20 April 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Notes	Audited 2021 USD	Audited 2020 USD
ASSETS			
Non-current assets			
Property, plant and equipment	3	151 329 760	156 281 876
Intangibles and goodwill	4	5 242 991	3 448 922
Financial assets		5 112 298	5 303 058
Deferred tax asset		1 308 218	1 651 701
Related party loans		101 900	–
Investment in joint venture	13	4 027 024	–
Investment in associates	11	5 693 903	–
		172 816 094	166 685 557
Current assets			
Inventories		33 553 420	24 627 227
Related party loans		–	105 377
Trade and other receivables	5	54 469 805	43 842 104
Current tax receivable		4 125 018	2 687 120
Call option asset	12	2 322 360	–
Derivative financial instruments		54 604	18 959
Cash and cash equivalents		22 789 752	24 790 077
		117 314 959	96 070 864
Non-current assets held for sale		–	2 381 810
		117 314 959	98 452 674
Total assets		290 131 053	265 138 231
EQUITY AND LIABILITIES			
Equity			
Share capital		149 259 486	149 259 486
Reserves		(110 319 177)	(100 641 125)
Retained income		137 593 905	117 773 867
		176 534 214	166 392 228
Non-controlling interest		9 834 821	9 757 161
		186 369 035	176 149 389

	Notes	Audited 2021 USD	Audited 2020 USD
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings		143 909	27 083 992
Lease liabilities		4 507 689	3 589 672
Instalment sales liabilities		477 810	282 920
Contract liability	14	3 932 115	–
Contingent consideration	15	1 195 290	–
Deferred tax liability		8 636 487	9 405 537
		18 893 300	40 362 121
Current liabilities			
Interest-bearing borrowings		32 024 901	15 021 835
Lease liabilities		292 543	357 885
Instalment sales liabilities		563 173	533 576
Related party loans		357 292	183 950
Current tax payable		5 435 563	5 614 795
Put option liability	12	314 675	–
Trade and other payables	6	35 516 720	26 914 680
Derivative financial instruments		195 422	–
Provisions	7	2 314 809	–
Contract liability	14	4 726 181	–
Contingent consideration	15	1 725 210	–
Cash and cash equivalents		1 402 229	–
		84 868 718	48 626 721
Total liabilities		103 762 018	88 988 842
Total equity and liabilities		290 131 053	265 138 231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 USD	2020 USD
Revenue		171 836 530	123 141 882
Cost of sales		(123 198 088)	(95 175 065)
Gross profit		48 638 442	27 966 817
Other operating income		4 160 714	2 348 058
Other operating expenses		(23 994 766)	(18 004 684)
Movement of expected credit loss allowances		(1 032 149)	(1 194 200)
Operating profit		27 772 241	12 310 191
Investment income		518 961	272 565
Finance costs		(2 558 208)	(2 964 742)
Gain on bargain purchase		–	592 916
Loss on disposal of investment in associate		–	(1 378 542)
Fair value adjustment		1 885 826	–
Share of profit/(loss) from equity-accounted investments		521 402	(151 276)
Profit before taxation		28 140 222	7 486 912
Taxation	8	(8 225 912)	(4 279 745)
Profit for the year		19 914 310	3 207 167
Other comprehensive income that will subsequently be classified to profit or loss:			
Exchange differences on translating foreign operations		(9 678 052)	(2 225 307)
Other comprehensive loss for the year net of taxation		(9 678 052)	(2 225 307)
Total comprehensive income		10 236 258	981 860
Profit/(loss) attributable to:		19 914 310	3 207 167
Owners of the Parent		20 026 271	3 336 421
Non-controlling interest		(111 961)	(129 254)
Total comprehensive income/(loss) attributable to:		10 236 258	981 860
Owners of the Parent		10 348 219	1 111 114
Non-controlling interest		(111 961)	(129 254)
Earnings per share (USD)	9		
Basic earnings per share (cents)		13.2	2.2
Diluted earnings per share (USD)	9		
Diluted basic earnings per share (cents)		13.2	2.2
Earnings per share (ZAR)			
Basic earnings per share (cents)		195,3	36,3
Diluted earnings per share (ZAR)			
Diluted basic earnings per share (cents)		195,3	36,3

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Notes	2021 USD	2020 USD
Cash flows from operating activities			
Cash generated from operations	10.1	42 952 024	29 614 914
Interest received		246 494	220 478
Finance costs		(1 674 018)	(2 142 606)
Tax paid	10.2	(9 008 759)	(2 180 925)
Net cash inflow from operating activities		32 515 741	25 511 861
Cash flows from investing activities			
Purchase of property, plant and equipment		(17 533 557)	(9 221 450)
Purchase of intangibles		(1 292 702)	(52 670)
Sale of property, plant and equipment		927 792	1 421 106
Advances to related parties		(4 530)	(15 350)
Non-current asset held for sale proceeds		–	–
Proceeds on disposal of associate		–	56 000
Additional investment in associate		(5 053 615)	(285 824)
Acquisition of joint arrangement		(1 225 411)	–
Acquisition of business	10.3	–	(941 601)
Net cash outflow from investing activities		(24 182 023)	(9 039 789)
Cash flows from financing activities			
Advance from financial liabilities		138 848	–
Repayment of financial liabilities		(9 780 589)	(9 393 708)
Repayment of capital portion of lease liabilities		(502 810)	(783 520)
Repayment of capital portion of instalment sale agreements		(565 495)	(230 986)
Advances from related parties		188 194	(292 512)
Issue of share capital		–	52 199
Dividends paid to non-controlling interest		(1 661)	(15 354)
Net cash outflow from financing activities		(10 523 513)	(10 663 881)
Total cash (outflow)/inflow for the period		(2 189 795)	5 808 191
Cash at the beginning of the period		24 790 077	19 507 205
Effect of exchange rate movement on cash balances		(1 212 759)	(525 319)
Total cash at the end of the period		21 387 523	24 790 077

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

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

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

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

1. ACCOUNTING POLICIES

Basis of presentation

The abridged audited financial results have been prepared in accordance with IAS 34: *Interim Financial Reporting*, IFRS and the requirements of the Companies Act and the JSE Listings Requirements. The 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 United States Dollar (USD).

The significant accounting policies are consistent, in all material respects, with those applied in the previous year.

The consolidated annual financial statements for Master Drilling Group Limited (Registration number: 2011/008265/06), for the period ended 31 December 2021, have been audited by BDO South Africa Incorporated, the Group's independent external auditor, whose unmodified audit report can be found on pages 6 to 10 of the consolidated annual financial statements 2021, which are available at www.masterdrilling.com.

These abridged financial results were extracted from the audited consolidated financial statements that have been prepared by the corporate reporting staff of Master Drilling, headed by Willem Ligthelm CA(SA), the Group's Financial Manager. This process was supervised by André 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 these abridged audited consolidated financial results. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

- 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 influence the investee's 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.

De facto control

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

Property, plant and equipment and intangible assets

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 indefinite useful life as the Group's plan and ability is to renew and maintain the patent indefinitely. It is expected that the patent will generate revenue for the Group for an unlimited period of time. Patents are carried at cost less accumulated impairment losses. Patents are assessed annually for possible impairment.

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

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

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

Investment in associate

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

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

Investment in joint arrangements

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

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

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

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

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

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.

Going concern

Based on the information available to it, the Board of Directors believes that the Group remains a going concern.

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

Operating segments

There were no changes made to the reporting segments during the current financial year.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December

2. SIGNIFICANT ACCOUNTING POLICIES

continued

Changes to the Board

The changes to the Board of Directors since the previous financial year was Octavia Matloa who retired by rotation at the Master Drilling Group Limited Annual General Meeting held 14 June 2021. Mamokete Ramathe was appointed to the Board of Directors with effect 26 July 2021.

Annual General Meeting

The tenth Annual General Meeting of Master Drilling will be held at the BDO South Africa Incorporated offices, Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg on Monday, 13 June 2022 at 09:00.

Subsequent events

The situation in Russia and Ukraine is complex and constantly evolving. The directors are actively monitoring events to comply with all relevant local and international laws and guidelines. The Group has limited direct exposure to Russia through its controlled operations. The directors are, however, giving due consideration to the potential secondary impacts across our countries of operation, for example, financial markets, trade, transport logistics, commodity and food prices. The Group's exposure to revenue in Russia during the 2021 year amounted to USD0.5 million.

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

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

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

Outlook and prospects

Master Drilling's diversified footprint, proactive capital management, service orientation and quick response to ensure the safety of employees and clients have ensured a commendable performance. The fleet utilisation is now moving towards the required benchmark of 75%. The Group's diversification across regions, commodities, currencies and industries proved to be a key factor in this and will remain a key part of Master Drilling's strategy.

The Group remains committed to ensuring the safety of its people and will continue using innovative mechanised equipment in its operations. This is also the future of the industry with an increased focus on mechanisation and remote operations, which is the space in which Master Drilling likes to operate and is well placed to compete. Opportunities to diversify outside of the traditional drilling business into areas such as artificial intelligence will also continue to be pursued.

The pipeline as at 31 December 2021 totalled USD507.1 million while the committed order book totalled USD237.6 million for 2022 and beyond. In the short to medium term, the sales pipeline is expected to normalise and increase with further tactical acquisitions and joint ventures supporting performance.

Having made significant investments in its fleet, technology and geographical diversification over the past couple of years, the Group is now positioned to capitalise on the predicted bull run without requiring additional capital investment.

Master Drilling's technology and experience put the Group in a strong position to continue to support its client's drive to improve productivity and efficiencies while reducing operational risk.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost USD	Accumulated depreciation and impairment losses USD	Carrying value USD
2021			
Land and buildings	2 911 343	(808 832)	2 102 511
Right-of-use assets: Land and buildings	5 996 500	(2 014 106)	3 982 394
Instalment sale: Plant and machinery	5 696 718	(2 679 064)	3 017 654
Plant and machinery	190 255 715	(52 706 031)	137 549 684
Assets under construction	755 922	(2 567)	753 355
Furniture and fittings	1 439 757	(271 116)	1 168 641
Motor vehicles	5 769 745	(3 286 080)	2 483 665
IT equipment	686 305	(414 449)	271 856
Total	213 512 005	(62 182 245)	151 329 760
2020			
Land and buildings	2 929 739	(843 878)	2 085 861
Right-of-use assets: Land and buildings	4 965 931	(1 262 869)	3 703 062
Instalment sale: Plant and machinery	7 409 668	(1 709 522)	5 700 146
Plant and machinery	196 212 205	(55 932 206)	140 279 999
Assets under construction	945 307	(2 566)	942 741
Furniture and fittings	1 401 232	(147 103)	1 254 129
Motor vehicles	5 026 064	(3 070 855)	1 955 209
IT equipment	691 655	(330 926)	360 729
Total	219 581 801	(63 299 925)	156 281 876

Borrowing costs

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

• NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued
for the year ended 31 December

3. PROPERTY, PLANT AND EQUIPMENT continued

3.1 Reconciliation of property, plant and equipment

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

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

Security

Moveable assets to the value of ZAR1,2 billion (USD75.3 million at the closing spot rate) of the South African subsidiaries have been bonded to ABSA Capital as security for an interest-bearing loan. Property, plant and equipment to the value of SEK11.0 million (USD1.3 million at the closing rate) of the European entity have been pledged to Swedbank as security for an interest-bearing loan.

Impairments

There were no impairments of intangible assets during the current year (2020: USDnil).

	Assets acquired through business combination USD	Reclassifications and transfers (to)/from inventory and intangibles USD	Disposals USD	Depreciation USD	Re- measurement of right-of-use asset USD	Total USD
	–	–	–	(33 014)	–	2 102 511
	–	–	–	(478 678)	1 170 032	3 982 394
	–	(2 158 071)	(3 941)	(726 299)	–	3 017 654
	–	3 811 563	(188 169)	(9 158 523)	–	137 549 684
	–	(135 538)	–	–	–	753 355
	–	–	–	(151 312)	–	1 168 641
	–	–	(32 881)	(560 892)	–	2 483 665
	–	–	(4 268)	(96 776)	–	271 856
	–	1 517 954	(229 259)	(11 205 494)	1 170 032	151 329 760
	Assets acquired through business combination USD	Reclassifications and transfers (to)/from inventory/ assets held for sale/ derecognition of assets USD	Disposals USD	Depreciation USD	Re- measurement of right-of-use asset USD	Total USD
	–	(2 381 810)	(94 801)	(2 834)	–	2 085 861
	–	(1 484 275)	–	(599 960)	–	3 703 062
	–	–	(26 681)	(624 296)	–	5 700 146
	1 414 730	7 970 401	(662 945)	(7 488 559)	–	140 279 999
	–	(4 370 906)	(49 464)	–	–	942 741
	–	–	(47 875)	(28 596)	–	1 254 129
	–	–	(103 745)	(491 885)	–	1 955 209
	–	–	(28 323)	(69 870)	–	360 729
	1 414 730	(266 590)	(1 013 834)	(9 306 000)	–	156 281 876

• NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued
for the year ended 31 December

4. INTANGIBLE ASSETS AND GOODWILL

4.1 Intangible assets

	Cost USD	Accumulated amortisation and impairment losses USD	Carrying value USD
2021			
Computer software	1 619 577	(1 337 855)	281 722
Software licence agreements	1 196 447	–	1 196 447
Patents	968 128	–	968 128
Total	3 784 152	(1 337 855)	2 446 297
2020			
Computer software	2 187 543	(1 802 665)	384 878
Patents	202 482	–	202 482
Total	2 390 025	(1 802 665)	587 360

	Opening balance USD	Additions USD	Exchange difference on consolidation of foreign subsidiaries USD
2021			
Computer software	384 878	3 697	1 403
Software licence agreements	–	1 289 005	(92 558)
Patents	202 482	–	(16 218)
	587 360	1 292 702	(107 373)
2020			
Computer software	550 856	52 670	(64 284)
Patents	212 182	–	(9 700)
	763 038	52 670	(73 984)

	Assets acquired through business combination USD	Reclassifi- cations and transfers (to)/from property, plant and equipment USD	Disposals USD	Amortisation USD	Impairment of intangible assets USD	Total USD
	–	–	–	(108 256)	–	281 722
	–	–	–	–	–	1 196 447
	–	781 864	–	–	–	968 128
	–	781 864	–	(108 256)	–	2 446 297
	Assets acquired through business combination USD	Reclassifications and transfers (to)/from inventory/ assets held for sale USD	Disposals USD	Amortisation USD	Impairment of intangible assets USD	Total USD
	–	–	–	(154 364)	–	384 878
	–	–	–	–	–	202 482
	–	–	–	(154 364)	–	587 360

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December

4. INTANGIBLE ASSETS AND GOODWILL continued

4.1 Intangible assets continued

Software licence agreements

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

Impairment testing

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

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

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

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

Growth rates

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

Discount rates

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

Cash flow assumptions

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

4.2 Goodwill

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

	Opening balance USD	Exchange difference on consolidation of foreign subsidiaries USD	Total USD
2021			
Goodwill recognised from value chain business combinations	2 324 063	17 193	2 341 256
Goodwill recognised from raise bore business combinations	537 499	(82 060)	455 439
Goodwill recognised from business combinations	2 861 562	(64 867)	2 796 695
2020			
Goodwill recognised from value chain business combinations	2 221 699	102 364	2 324 063
Goodwill recognised from raise bore business combinations	502 478	35 021	537 499
Goodwill recognised from business combinations	2 724 177	137 385	2 861 562

Impairment testing

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

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

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

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

Growth rates

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

Discount rates

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

Cash flow assumptions

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

• NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued
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5. TRADE AND OTHER RECEIVABLES

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

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

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

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

Retention trade receivables are considered for expected credit losses based on the same assumptions as for normal trade receivables. The increase in the expected credit losses is due to specific provisions that were made for trade receivables with a higher risk of non-payment.

	2021 USD	2020 USD
The movement in expected credit losses is presented below:		
Balance 1 January	3 731 677	2 795 329
Exchange differences on translation of foreign operations	37 005	(257 852)
Amounts written off	–	–
Allowance for credit losses provided for	1 032 149	1 194 200
	4 800 831	3 731 677
Expected credit losses matrix:		
Current	0.15% to 3.15%	0.10% to 3.25%
30 days	0.10% to 3.25%	0.20% to 3.50%
31 to 60 days	3.00% to 3.50%	3.21% to 3.95%
61 to 90 days	3.55% to 4.00%	3.57% to 4.45%
90+ days	4.10% to 4.50%	4.12% to 4.85%
The carrying amounts in USD of trade and other receivables are denominated in the following currencies:		
United States Dollar (USD)	15 932 427	14 892 558
South African Rand (ZAR)	11 978 717	6 489 979
Brazilian Real (BRL)	5 043 442	3 279 495
Mexican Peso (MXN)	–	–
Chilean Peso (CLP)	7 559 807	5 297 898
Peruvian Nuevo Sol (PEN)	1 357 156	1 058 815
CFA Franc BCEAO (XOF)	–	708 394
Chinese Yuan Renminbi (CNY)	449 573	46 331
Guatemalan Quetzal (GTQ)	8 677	8 030
Zambian Kwacha (ZMW)	577 135	–
Turkish Lira (TRY)	–	9 758
Colombian Peso (COP)	3 867	33 781
Botswana Pula (BWP)	–	808 659
Swedish Krona (SEK)	1 971 939	1 307 457
Australian Dollar (AUD)	1 585 708	2 151 360
Canadian Dollar (CAD)	3 291 519	3 911 745
Indian Rupee (INR)	4 709 838	3 837 844
	54 469 805	43 842 104

• NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued
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6. TRADE AND OTHER PAYABLES

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

7. PROVISIONS

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

	Long-term incentive 2021	Short-term incentive 2020
Balance as at 1 January	–	–
Increase in provision	1 143 941	1 170 868
Balance as at 31 December	1 143 941	1 170 868

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

8. TAXATION

8.1 Taxation

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

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

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

• NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued
for the year ended 31 December

8. TAXATION continued

8.1 Taxation continued

	2021 USD	2020 USD
Normal taxation charge/(benefit) per entity within the Group		
Bergteamet Latin America SpA	–	(254 834)
Bergteamet Raiseboring Europe AB	302 349	540 593
Drilling Technical Services Proprietary Limited	622 665	285 472
Drilling Technical Services SAC	21	–
Master Drilling Proprietary Limited	380 124	(408 333)
Master Drilling Changzhou Co Limited	116 219	126 121
Master Drilling do Brasil Limiteda	513 597	321 544
Master Drilling Exploration Proprietary Limited	–	157 586
Master Drilling Ghana Limited	473 236	340 184
Master Drilling Mining Services Proprietary Limited	107 858	–
Master Drilling Mali SRL	64 725	–
MDX Masterdrill Exploracoes E Sondagens Limiteda	70 711	–
Master Drilling Group Limited	1 820 515	–
Master Drilling India Limited	998 445	1 235 337
Master Drilling International Limited	604 306	(1 565 768)
Master Drilling Madencilik Ve Ticaret Limited Sirketi	–	1 427
Master Drilling Malta Limited	652 150	(410 110)
Consorsio Master Drilling Besalco SA	349 307	–
Master Drilling Peru SAC	–	115 098
Master Drilling RDC SPRL	766 378	452 173
Master Tunnelling Proprietary Limited	–	–
Master Drilling USA LLC	–	502 822
Master Drilling Zambia Limited	(649 892)	–
MD Botswana Proprietary Limited	112 975	116 902
Master Drilling Services Ecuador SA	262 855	–
MD Katanga Drilling Company SAS	539 436	294 230
MD Training Services Proprietary Limited	2 532	8 539
	8 110 512	1 858 983

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

9. EARNINGS PER SHARE

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

* None of the share options were considered dilutive in the current year. The total number of share options in issue is disclosed in note 33 to the full consolidated annual financial statements.

• NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued
for the year ended 31 December

10. CASH GENERATED FROM OPERATIONS

10.1 Cash generated from operations

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

10.2 Tax paid

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

10.3 Net cash flow on business combination

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

The gain on bargain purchase amount represents a value on acquisition after a detailed fair value purchase price allocation was performed on the drilling equipment. In terms of the contractual agreement with the previous shareholders, contingent consideration would have been payable if specific predefined conditions were met as at 31 December 2020. Based on the assessment of these predefined conditions, not all the conditions were satisfied and it was concluded that no contingent consideration was due.

The carrying amounts of assets and liabilities assumed at the date of acquisition were:

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

• NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued
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11. INVESTMENT IN ASSOCIATES

	Notes	2021 USD	2020 USD
Investment in associate – Applied Vehicle Analysis Proprietary Limited	11.1	957 710	–
Investment in associate – A&R Group Proprietary Limited	11.2	4 736 193	–
		5 693 903	–

11.1 Investment in associate – Applied Vehicle Analysis Proprietary Limited

During January 2021, the Group purchased a 40% equity interest in Applied Vehicle Analysis Proprietary Limited (AVA), incorporated in South Africa, for ZAR19 141 513 (USD1 293 975). AVA is a specialist in data-driven mine fleet management solutions and is currently primarily operating within the African segment of the Group. Currently, AVA's unique digital platform analyses and tracks vehicles across 28 different sites in five countries for a range of blue-chip companies. This investment is aligned with the Group's strategy to diversify its services and invest in businesses that help meet clients' demand for increased mechanisation and digitisation.

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

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

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

	2021 USD	2020 USD
Investment at cost	1 293 975	–
Share of loss from associate	(336 265)	–
Total investment	957 710	–
Carrying amount of the investment is as follow:		
Carrying amount as at 1 January	–	–
Additions	1 293 975	–
Share of loss from associate	(336 265)	–
Carrying amount as at 31 December	957 710	–
Revenue	2 259 052	–
Loss from continuing operations	(840 664)	–
Total comprehensive loss	(840 664)	–
Group's share of total comprehensive loss	(336 265)	–
Dividends received from associate	–	–
Non-current assets	43 596	–
Current assets	455 238	–
Non-current liabilities	160 467	–
Current liabilities	965 425	–
Net assets	(627 058)	–

11.2 Investment in associate – A&R Group Proprietary Limited

During August 2021, the Group purchased approximately 25% equity interest in A&R Group (A&R), incorporated in South Africa, for ZAR67 036 222 (USD4 289 560). A&R is a specialist in data-driven mine fleet management solutions and is currently primarily operating within the African segment of the Group. Currently, A&R is a leading operator in the underground rail bound and trackless equipment hardware environment in terms of management systems and intelligent devices installed across various mining operations. The investment is aligned with the strategic intent of Master Drilling to diversify its range of services to include services that are not necessarily drilling-related but focused on technology that can improve the safety and operational performance of miners globally. This transaction will better diversify overall market exposure and add additional revenue streams to the Group. As at 31 December, the Group still had contingent consideration payable that amounted to ZAR8,4 million (USD0.5 million) – refer to note 15 for more information.

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

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

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

	Note	2021 USD	2020 USD
Investment at cost		3 759 639	–
Contingent consideration	15	529 920	–
Share of profit from associate		446 634	–
Total investment		4 736 193	–
Carrying amount of the investment is as follow:			
Carrying amount as at 1 January		–	–
Additions		3 759 639	–
Share of profit from associate		446 634	–
Carrying amount as at 31 December		4 736 193	–
Revenue		12 068 035	–
Profit from continuing operations		1 786 535	–
Total comprehensive profit		1 786 535	–
Group's share of total comprehensive profit		446 634	–
Royalties received from associate		388 256	–
Non-current assets		1 470 330	–
Current assets		13 339 543	–
Non-current liabilities		1 332 799	–
Current liabilities		2 521 981	–
Net assets		10 955 093	–

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12. OPTION INSTRUMENT

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

* Refer to note 11.2 for more information on option instruments.

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

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

The following assumptions were applied in valuing the options:

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

13. INVESTMENT IN JOINT VENTURE – HALL CORE HOLDINGS PROPRIETARY LIMITED

Master Drilling Exploration Proprietary Limited, a subsidiary within the Group, is a 50% partner in Hall Core Holdings Proprietary Limited (Hall Core), incorporated in South Africa, a joint venture formed within the exploration drilling industry. Hall Core's principal place of business is within the African segment. Under IFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements by recognising its share of profit in joint venture. As at 31 December, the Group still had contingent consideration payable that amounted to ZAR38,1 million (USD2.4 million) – refer to note 15 for more information.

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

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

	Note	2021 USD	2020 USD
Investment at cost		1 225 411	–
Contingent consideration	15	2 390 580	–
Share of profit from joint venture		411 033	–
Total investment		4 027 024	–
Carrying amount of the investment is as follow:			
Carrying amount as at 1 January		–	–
Additions		3 615 991	–
Share of profit from joint venture		411 033	–
Carrying amount as at 31 December		4 027 024	–
Revenue		6 666 209	–
Depreciation and amortisation		(648 066)	–
Interest income and expenses		–	–
Profit from continuing operations		822 067	–
Total comprehensive profit		822 067	–
Group's share of total comprehensive profit		411 033	–
Non-current assets		2 392 436	–
Current assets*		2 244 395	–
Non-current liabilities		1 666	–
Current liabilities		3 569 425	–
Net assets		1 065 740	–

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

14. CONTRACT LIABILITY

During the current year, a company within the African segment entered into two different agreements where it received ZAR85 million, ZAR43,7 million and ZAR16,4 million as part of a contract with clients that is expected to be realised aligned with the performance obligations in terms of the contract with the clients. At the end of the financial reporting period, no amount of the contract liability has been released.

	2021 USD	2020 USD
Balance as at 1 January	–	–
Contract with clients	8 658 296	–
Balance as at 31 December	8 658 296	–
Non-current liabilities	3 932 115	–
Current liabilities	4 726 181	–

• NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued
for the year ended 31 December

15. CONTINGENT CONSIDERATION

	Notes	2021 USD	2020 USD
Contingent consideration – A&R Group Proprietary Limited	11.2	529 920	–
As at 31 December, the Group has contingent consideration payable to the shareholders of A&R Proprietary Limited as part of the approximate 25% investment in associate. The consideration payable is calculated based on a multiple between 4.50 and 5.85 of the company's audited profit after taxation for FY22 that ends on 28 February and is payable upon the completion of each year's audited financial information. The consideration payable amount is based and calculated on the best information available as at 31 December.			
Contingent consideration – Hall Core Holdings Proprietary Limited	13	2 390 580	–
As at 31 December, the Group has contingent consideration payable to the shareholders of Hall Core Holdings Proprietary Limited as part of the 50% investment in joint venture. The consideration payable is calculated based on a 3.80 multiple of the company's EBITDA for FY22 that ends on 28 February and is payable in two equal instalments. The consideration payable amount is based and calculated on the best information available as at 31 December.			
		2 920 500	–
Non-current liabilities		1 195 290	–
Current liabilities		1 725 210	–

16. CAPITAL COMMITMENTS

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

17. SEGMENT REPORTING

17.1 Mining activity

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

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

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

17.2 Geographical segments

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

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

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

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

• **NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** continued
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17. SEGMENT REPORTING continued

17.2 Geographical segments continued

	2021 USD	2020 USD
Depreciation and amortisation by geographical market		
Africa	4 807 315	3 165 507
Central and North America	1 811 332	2 189 081
Other countries	2 485 304	1 519 382
South America	2 209 799	2 586 394
	11 313 750	9 460 364
Investment revenue by geographical market		
Africa	272 467	262 944
Central and North America	–	–
Other countries	75 856	9 621
South America	170 638	–
	518 961	272 565
Finance cost by geographical market		
Africa	1 440 475	1 228 859
Central and North America	338 033	684 751
Other countries	174 384	218 411
South America	605 316	832 721
	2 558 208	2 964 742
Taxation by geographical market		
Africa	3 643 773	(1 017 013)
Central and North America	61 537	1 460 907
Other countries	3 136 341	2 338 323
South America	1 384 261	1 697 528
	8 225 912	4 479 745
Total assets by geographical market		
Africa*	104 744 612	89 204 947
Central and North America	42 848 751	46 031 792
Other countries	76 947 105	62 990 707
South America**	65 590 585	66 910 785
Total assets as per the statement of financial position	290 131 053	265 138 231
Total liabilities by geographical market		
Africa	33 217 777	31 412 364
Central and North America	16 722 257	21 511 840
Other countries	26 899 489	12 093 814
South America	26 922 495	23 970 824
Total liabilities as per the statement of financial position	103 762 018	88 988 842

* Assets in Africa includes the investment in associate.

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

18. SUBSEQUENT EVENTS

The situation in Russia and Ukraine is complex and constantly evolving. The directors are actively monitoring events to comply with all relevant local and international laws and guidelines. The Group has limited direct exposure to Russia through its controlled operations. The directors are, however, giving due consideration to the potential secondary impacts across our countries of operation, for example, financial markets, trade, transport logistics, commodity and food prices. The Group's exposure to revenue in Russia during the 2021 year amounted to USD0.5 million.

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

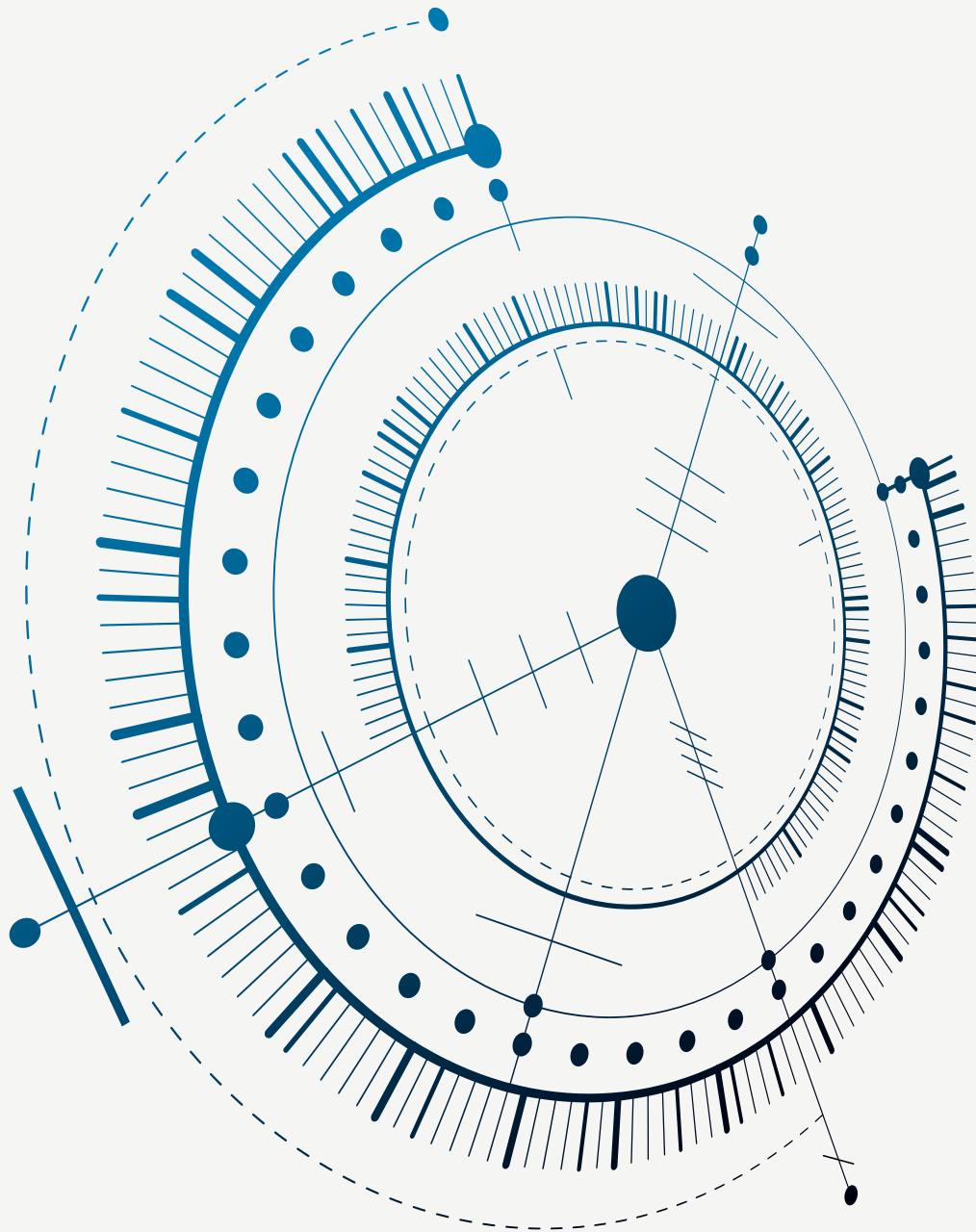
The Company's tax rate in South Africa was reduced from 28% to 27% during the budget speech by South Africa's Minister of Finance in February 2022 and will only be effective for the year ended 31 December 2023.

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

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

19. GOING CONCERN

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



SHAREHOLDER INFORMATION

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ANALYSIS OF SHAREHOLDING

	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
SIZE OF HOLDINGS				
1 – 1 000	2 847	72.0	450 859	0.3
1 001 – 10 000	811	20.5	2 810 341	1.9
10 001 – 100 000	214	5.4	6 737 031	4.5
100 001 – 1 000 000	63	1.6	24 255 176	16.0
1 000 000+	19	0.5	117 009 370	77.3
Total	3 954	100.0	151 262 777	100.0
SHAREHOLDER TYPE				
Public shareholders	3 943	99.7	63 460 947	42.0
Non-public shareholders				
Directors' indirect holdings	7	0.2	85 497 569	56.5
Directors' direct holdings	4	0.1	2 304 261	1.5
Total	3 954	100.0	151 262 777	100.0

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

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

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

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

Stock exchange information as at 31 December

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

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

LEI: 37890095B2AFC611E529

(Master Drilling or the Company)

Notice is hereby given that the tenth Annual General Meeting of Master Drilling (the Annual General Meeting) will be held (subject to any adjournment, postponement or cancellation thereof) at the BDO South Africa Incorporated offices, Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg on Monday, 13 June 2022 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 form of notice and proxy have been approved by the Board of Directors of Master Drilling (the Board or the directors) and signed on its behalf by Mr HR van der Merwe, Chairman, on 20 April 2022.

AGENDA AND INDEX OF PROPOSED RESOLUTIONS FOR SHAREHOLDER APPROVAL AT THE MEETING

- The consideration of the annual financial statements for the period ended 31 December 2021;
- The appointment of the external auditor;
- The election of an independent director and re-election of certain other directors retiring by rotation;
- The reappointment of certain 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 non-executive directors' fees;

- Non-binding vote on the approval of the Company's remuneration policy;
- Non-binding vote on the approval of the report on the implementation of the Company's remuneration policy;
- The granting of authority to the directors to commit the Company to providing financial assistance; and
- To transact such other business as may be transacted at an Annual General Meeting of shareholders.

ADMINISTRATION: SHAREHOLDERS' DIARY

Financial year-end		31 December 2021
Annual results 2021	Published on or about	22 March 2022
Integrated Report	Published on or about	20 April 2022
Annual General Meeting 2022	09:00	13 June 2022
Interim results 2022	Published on or about	30 August 2022

IMPORTANT INFORMATION REGARDING ATTENDING 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 participate in and vote at the Annual General Meeting to be held on Monday, 13 June 2022 in person, will need to request their CSDP or broker to provide them with the necessary authority in terms of the custody agreement entered into between them and the CSDP or broker.

Voting rights

The South African Companies Act (Act 71 of 2008) (the Companies Act), provides that any shareholder present at the meeting, whether in person or by duly appointed proxy, and entitled to exercise voting rights has (a) if voting is by a show of hands, one vote, irrespective of the number of voting rights that shareholder would otherwise be entitled to; and (b) should voting be taken by way of a poll, 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 2021 Integrated Report, please complete a request by means of the form on the Company website at www.masterdrilling.com or by email from companysecretary@masterdrilling.com.

Identification

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

Record dates, voting and proxies

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

- The record date for the purpose of receiving notice of the Annual General Meeting (being the date on which a shareholder must be registered in the Company's register of shareholders in order to receive notice of the Annual General Meeting), shall be the close of business on Friday, 8 April 2022 (notice record date);
- The record date for the purpose 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, 3 June 2022 (voting record date);
- The last day to trade for the purpose of participating in and voting at the Annual General Meeting shall be the close of business on Tuesday, 31 May 2022; and
- The date by which forms of proxy for the Annual General Meeting are requested to be lodged is, for administrative purposes, 09:00 on Friday, 10 June 2022. Any forms of proxy not lodged by this date must be submitted to the Chairman of the Annual General Meeting immediately prior to the commencement of the meeting. The Chairman may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with the proxy notes, provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.

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. Forms of proxy must be lodged with or posted to the share registrars to be received within the allowable time periods prescribed by law.

C. Electronic participation

In compliance with the provisions of the Companies Act, Master Drilling will 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 in this Notice of Annual General Meeting. The application is to be received by the share

● NOTICE OF ANNUAL GENERAL MEETING continued

registrars at least 10 business days prior to the date of the Annual General Meeting i.e. by Monday, 30 May 2022. 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 Annual General Meeting.

Shareholders will be liable for their own network charges in relation to electronic participation at the Annual General Meeting. Any such charges will not be for the account of Master Drilling and/or Computershare Investor Services Proprietary Limited ("Computershare"). Neither Master Drilling nor Computershare can be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such Shareholder from participating at the Annual General Meeting.

ORDINARY BUSINESS

Consideration of the annual financial statements and reports

The consolidated audited annual financial statements of the Company, together with the auditor's, Audit and Social, Ethics and Sustainability Committees' and Directors' reports for the year ended 31 December 2021 will be presented to shareholders for consideration as required in terms of section 30(3)(d) of the Companies Act and are available on the Company's website at www.masterdrilling.com. Shareholders are reminded to obtain their own copies at www.masterdrilling.com so as to be able to follow any discussion.

1. ORDINARY RESOLUTION NUMBER 1: APPOINTMENT OF THE AUDITOR

"Resolved that BDO South Africa Incorporated is appointed as the auditor 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."

2. ORDINARY RESOLUTION NUMBER 2: RE-ELECTION OF NON-EXECUTIVE DIRECTOR RETIRING BY ROTATION

"Resolved that Mr ST Ferguson, who retires by rotation at this Annual General Meeting pursuant to the Company's Memorandum of Incorporation, and who is eligible and available for re-election, is hereby re-elected as a non-executive director of the Company."

As required by Clause 25.8 of the Company's Memorandum of Incorporation, the non-conflicted members of the Board and of its Nominations Committee recommended Mr Ferguson's re-election based on their assessment of his eligibility, taking into account his past performance and contribution.

Mr Ferguson's curriculum vitae appears on page 62 of the 2021 Integrated Report, available on www.masterdrilling.com.

3. ORDINARY RESOLUTION NUMBER 3: ELECTION OF NON-EXECUTIVE DIRECTOR

"Resolved that Ms M Ramathe, being eligible and available for election, is hereby elected as a non-executive director of the Company."

As required by Clause 25.8 of the Company's Memorandum of Incorporation, the non-conflicted members of the Board and of its Nominations Committee recommended Ms Ramathe's election based on their assessment of her eligibility, taking into account her past performance and contribution.

Ms Ramathe's curriculum vitae appears on page 62 of the 2021 Integrated Report, available on www.masterdrilling.com.

4. ORDINARY RESOLUTIONS NUMBERS 4.1 TO 4.4: ELECTION OF MEMBERS OF THE AUDIT COMMITTEE

4.1 Election of Mr AW Brink as a member of the Audit Committee

"Resolved that Mr AW Brink is elected 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."

Mr Brink's curriculum vitae appears on page 62 of the 2021 Integrated Report, available on www.masterdrilling.com.

4.2 Election of Mr ST Ferguson as a member of the Audit Committee

"Subject to the passing of ordinary resolution 2, resolved that Mr ST Ferguson is elected 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."

Mr Ferguson's curriculum vitae appears on page 62 of the 2021 Integrated Report, available on www.masterdrilling.com.

4.3 Election of Mr AA Deshmukh as a member of the Audit Committee

"Resolved that Mr AA Deshmukh is elected 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."

Mr Deshmukh's curriculum vitae appears on page 62 of the 2021 Integrated Report, available on www.masterdrilling.com.

4.4 Election of Ms M Ramathe as a member of the Audit Committee

"Subject to the passing of ordinary resolution 3, resolved that Ms M Ramathe is elected 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."

Ms Ramathe's curriculum vitae appears on page 62 of the 2021 Integrated Report, available on www.masterdrilling.com.

5. ORDINARY RESOLUTION NUMBER 5: GENERAL AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE ORDINARY SHARES

"Resolved that, subject to the provisions of the Companies Act and the JSE Listings Requirements from time to time, the directors of the Company are, 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 5 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.

6. ORDINARY RESOLUTION NUMBER 6: 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 5

"Resolved that, subject to ordinary resolution number 5 being passed, the directors are authorised, in accordance with the JSE Listings Requirements, 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 5, subject to the following conditions:

6.1 This authority shall be limited to a maximum number of 7 563 138 shares (being 5% of the issued ordinary shares in the share capital of the Company, excluding treasury shares, as at the date of the notice convening the Annual General Meeting at which this ordinary resolution number 6 is to be proposed, being Monday, 13 June 2022);

6.2 This authority shall only be valid until the next Annual General Meeting of the Company but shall not extend beyond 15 months;

6.3 An announcement, in compliance with section 11.22 of the JSE Listings Requirements, shall be published after any issue representing, on a cumulative basis within the year contemplated in paragraph 6.2 above, 5% (7 563 138) of the number of ordinary shares in issue prior to the issue concerned excluding treasury shares;

6.4 In the event of a sub-division or consolidation of issued shares during the period contemplated in paragraph 6.2 above, this authority must be adjusted accordingly to represent the same allocation ratio;

6.5 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

6.6 Any issue of ordinary shares under this authority shall be made only to public shareholders as defined in the JSE Listings Requirements."

● NOTICE OF ANNUAL GENERAL MEETING continued

Any equity securities already issued under the authority during the period contemplated in paragraph 6.2 above must be deducted from such number in paragraph 6.1 above.

The purpose of ordinary resolution number 6 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 issue in terms of ordinary resolution number 5 and is not intended to (nor does it) grant the directors authority to issue ordinary shares over and above the ordinary shares which the directors are authorised to 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 5.

7. ORDINARY RESOLUTION NUMBER 7: APPROVAL OF THE MASTER DRILLING REMUNERATION POLICY

"To consider and approve the remuneration policy as contained in the remuneration report of the Company on pages 70 to 78 of the 2021 Integrated Report, available on www.masterdrilling.com (excluding the remuneration of directors for their services as directors and members of the Board and Board committees) in terms of the King IV Report on Corporate Governance for South Africa, 2016™ (King IV™)."

Shareholders are reminded that in terms of King IV™, the passing of this ordinary resolution is by way of a non-binding advisory vote. Should 25% or more of the votes cast vote against this ordinary resolution, Master Drilling undertakes to engage with shareholders as to their reasons therefore.

8. ORDINARY RESOLUTION NUMBER 8: REPORT ON THE IMPLEMENTATION OF THE MASTER DRILLING REMUNERATION POLICY

"To consider and approve the implementation of the Master Drilling remuneration policy, details of which are set out in the remuneration report of the Company on pages 70 to 78 of the 2021 Integrated Report, available on www.masterdrilling.com in terms of King IV™."

Shareholders are reminded that in terms of King IV™, the passing of this ordinary resolution is by way of a non-binding advisory vote. Should 25% or more of the votes cast vote against this ordinary resolution, Master Drilling undertakes to engage with shareholders as to the reasons therefore.

SPECIAL BUSINESS

For special resolution numbers 1 to 3 (inclusive) to be adopted, at least 75% of the voting rights exercised on the applicable special resolution must be exercised in favour thereof.

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 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 and of the relevant other stock exchange, as applicable, 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 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 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 period 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."

The purpose and effect of 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 should the directors deem that to be in the best interest of the Company and its shareholders.

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

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

- The Company and the Group would be able in the ordinary course of business to pay its debts for a period of 12 months after the repurchase;
- The assets of the Company and the Group would be in excess of the liabilities of the Company and the Group for a period of 12 months after the repurchase. For this purpose, the assets and liabilities would be recognised and measured in accordance with the accounting policies used in the latest audited Group annual financial statements; and

- The ordinary capital and reserves of the Company and the Group would be adequate for ordinary business purposes for a period of 12 months after the date of the notice issued in respect of the Annual General Meeting and the working capital of the Company and the Group would be adequate in the ordinary course of business for a period of 12 months after the date of the repurchase.

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

In terms of section 11.26 of the JSE Listings Requirements, the following information is disclosed in the 2021 Integrated Report, available on www.masterdrilling.com:

- Directors and management – pages 62 and 63;
- Major shareholders – page 119;
- Material change statement – page 127;
- Directors' interest in securities – page 78; and
- Share capital of the Company – page 119.

10. SPECIAL RESOLUTION NUMBER 2: NON-EXECUTIVE 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 non-executive directors for their service as directors of the Company (with effect from 1 July 2022), as recommended by the Remuneration Committee and the Board to the shareholders at the Annual General Meeting, is hereby approved, as well as payment of such value added tax as may be attributable to non-executive directors' fees payable by the Company."

● NOTICE OF ANNUAL GENERAL MEETING continued

The recommended fees to take effect from 1 July 2022 are set out more fully below. The annual basic remuneration is an annual fee payable in four equal quarterly amounts. The remuneration reflected below for meeting attendance is payable quarterly per meeting/s attended:

	ZAR
Annual basic remuneration, to be paid quarterly	
Non-executive Chairman of the Board	453 680
Non-executive member of the Board, including Lead Independent Director	113 420
Fees per meeting attended by the members of the Board and of the Board committees, to be paid quarterly	
Chairman of the Board	98 680
Non-executive member of the Board	34 030
Chairman of the Audit Committee	34 030
Chairman of the Risk Committee	34 030
Chairperson of the Social, Ethics and Sustainability Committee	22 690
Chairman of the Corporate Governance Committee	22 690
Chairman of the Remuneration Committee	28 360
Chairman of the Nominations Committee	23 820
Member of the Audit Committee	23 820
Member of the Risk Committee	23 820
Member of the Social, Ethics and Sustainability Committee	13 610
Member of the Corporate Governance Committee	6 810
Member of the Remuneration Committee	11 350
Member of the Nominations Committee	10 210

* The table above reflects a 7% increase from 1 July 2022. The directors' fees comprise a fixed annual portion as annual basic remuneration and a portion based on attendance at Board and committee meetings.

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.

The purpose and effect of special resolution number 2 is to reward non-executive directors for their services as directors, in line with best practice.

11. SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE IN TERMS OF SECTIONS 44 AND 45 OF THE COMPANIES ACT

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

- The recipient or recipients of such financial assistance;
- The form, nature and extent of such financial assistance; and

- 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 sections 44 and 45 of the Companies Act which it is required to meet; and such financial assistance to a recipient thereof is, in the opinion of the Board, required for the purpose of:

- Meeting all or any of such recipient's operating expenses (including capital expenditure);
- Funding the growth, expansion, reorganisation or restructuring of the businesses or operations of such recipient; and/or
- 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 purpose and effect of special resolution number 3, if passed and becoming effective, is to allow Master Drilling to grant direct or indirect financial assistance to any company or corporation forming part of the Group, including in the form of loans or the guaranteeing of their debts and/or obligations.

RESPONSIBILITY

The directors whose names appear on pages 62 and 63 of the 2021 Integrated Report, available on www.masterdrilling.com, collectively and individually accept full responsibility for the accuracy of the information given in this notice and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the JSE Listings Requirements.

NO MATERIAL CHANGES

Other than the facts and developments reported on in the 2021 Integrated Report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice.

By order of the Board



Hennie van der Merwe
Chairman of the Board

SHAREHOLDERS' DIARY

Financial year-end	31 December 2021
Annual results 2021	Published on 22 March 2022
2021 Integrated Report	Published on 20 April 2022
Annual General Meeting 2022	13 June 2022
Interim results 2022	Published on or about 30 August 2022

FORM OF PROXY



MASTER DRILLING GROUP LIMITED

(Incorporated in the Republic of South Africa)
 Registration number: 2011/008265/06
 JSE share code: MDI ISIN: ZAE000171948
 LEI: 37890095B2AFC611E529
 (Master Drilling or the Company)

FORM OF PROXY FOR MASTER DRILLING SHAREHOLDERS

Only for use by certificated shareholders or those dematerialised shareholders of the Company who have selected "own name" registration.

For use by Master Drilling shareholders at the Annual General Meeting of shareholders to be held at the BDO South Africa Incorporated offices, Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg, on Monday, 13 June 2022 at 09:00 and at any adjournment of the Annual General Meeting.

If you have dematerialised your shares with a Central Securities Depository Participant (CSDP) or broker and have not selected "own name" registration, you must arrange with your CSDP or broker to provide you with the necessary letter of representation to attend the Annual 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 CSDP or broker.

I/We (Names in full in BLOCK LETTERS)

of (address)

being the holder/s of _____ shares in the 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/ies to attend, speak and on a poll to vote or abstain from voting on my/our behalf at the Annual General Meeting or at any adjournment thereof for the purpose of considering and, if deemed fit, passing with or without modification, the following resolutions to be considered at the Annual General Meeting in accordance with the following instructions:

Please indicate with an "X" in the appropriate spaces how votes are to be cast

	For	Against	Abstain
Ordinary resolution number 1: Appointment of BDO South Africa Incorporated as the external auditor			
Ordinary resolution number 2: Re-election of Mr ST Ferguson as a non-executive director			
Ordinary resolution number 3: Election of Ms M Ramathe as a non-executive director			
Ordinary resolution number 4.1: Election of Mr AW Brink as a member of the Audit Committee of the Company			
Ordinary resolution number 4.2: Election of Mr ST Ferguson as a member of the Audit Committee of the Company			
Ordinary resolution number 4.3: Election of Mr AA Deshmukh as a member of the Audit Committee of the Company			
Ordinary resolution number 4.4: Election of Ms M Ramathe as a member of the Audit Committee of the Company			
Ordinary resolution number 5: General authority to directors to allot and issue ordinary shares			
Ordinary resolution number 6: General authority to directors to issue for cash, those ordinary shares placed under the control of the directors in terms of ordinary resolution number 5			
Ordinary resolution number 7: Approval of the Master Drilling remuneration policy			
Ordinary resolution number 8: Approval of the implementation report on the Master Drilling remuneration policy			
Special resolution number 1: Acquisition of the Company's own shares			
Special resolution number 2: Directors' fees			
Special resolution number 3: Approval to grant financial assistance in terms of sections 44 and 45 of the Companies Act			

Signed at _____ on _____ 2022

Name of shareholder/joint holders _____

Assisted by me (if applicable) _____

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

(In block letters and authority to be attached – refer to note 7 on page 130).

NOTES TO THE 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/or abstained on 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 and the proxy.
2. A signatory to this form of proxy may insert the name of a proxy and/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 written notice as to any of the aforementioned matters shall have been received by the share registrars prior to 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 merely 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;
 - 12.1 is revocable in which case a shareholder may revoke the proxy appointment by:
 - cancelling it in writing or making a later inconsistent appointment of a proxy; and
 - delivering a copy of the revocation instrument to the proxy and to the Company.
13. Forms of proxy must be lodged with or posted to the share registrars, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107) and are requested to be lodged timeously so as to be received, for administrative purposes, by 09:00 on Friday, 10 June 2022. Any forms of proxy not lodged by this date must be handed to the Chairman of the Annual General Meeting immediately prior to the commencement of the meeting.

DEFINITIONS AND GLOSSARY

GLOSSARY

A&R	A&R Group Proprietary Limited
AVA	Applied Vehicle Analysis Proprietary Limited
B-BBEE	Broad-based black economic empowerment
Board	The Board of Directors of Master Drilling Group Limited
Companies Act	South African Companies Act (Act 71 of 2008)
COVID-19	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CSDP	Central Securities Depository Participant
CSI	Corporate social investment
DRC	Democratic Republic of Congo
ESG	Environmental, social and governance
Hall Core	Hall Core Holdings Proprietary Limited
Group	Master Drilling Group Limited, its subsidiaries, associates and joint ventures
HR	Human resources
IAS	International Accounting Standards
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
<IR Framework>	International Integrated Reporting Council Framework
ISO	International Organisation for Standardisation
ISO 9001	ISO Quality Management System
ISO 31000	Risk management framework
IT	Information technology
JSE	Johannesburg Stock Exchange Limited
King IV™	King IV Report on Corporate Governance for South Africa, 2016™
KPI	Key performance indicator
LTI	Long-term Incentive
LTIFR	Lost-time injury frequency rate
Master Drilling or the Company	Master Drilling Group Limited
MD	Master Drilling
MDI	Master Drilling, JSE share code
MDX	Master Drilling Exploration Proprietary Limited
MTB	Mobile Tunnel Borer
PGMs	Platinum group metals
R&D	Research and development
Remco	Remuneration Committee
SBS	Shaft Boring System
SETA	Sector Education and Training Authority
SHEQ	Safety, health, environmental and quality
SOS	Share option scheme
SPR	Special performance reward
STI	Short-term Incentive
TGP	Total gross package
UN SDGs	United Nations Sustainable Development Goals
USD	United States Dollar

DEFINITIONS AND GLOSSARY continued

OPERATIONAL DEFINITIONS

Air rotary drilling	Air rotary drilling is most commonly used for the application of large-diameter blast holes in the surface or opencast mining industry and is similar to the blast hole application of percussion drilling. This type of drilling is often used in weak ground, when a raise boring rig is used to establish a pilot hole for paste, utility holes or a raise bored shaft.
Blind hole boring	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.
Box hole drilling	<p>Most box holes are drilled in underground mining applications, where bottom access is available in a production section.</p> <p>The holes are drilled from the bottom up to intersect with the orebody. 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>
Core drilling	<p>Core drilling is used in surface and underground mining for delineation of an orebody 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 stopping 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 collecting 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>
Mud rotary drilling	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.

Percussion drilling	<p>Percussion drilling is a mobile type of drilling with fast production rates. The drilling assembly down the hole consists of 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 hole in the ground quickly. 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 opencast 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 tail the hole with core drilling.</p>
Piling	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.
Piloting	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.
Reaming	Reaming is the process of enlarging an existing hole. This can be done 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.
Reef boring	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.
Reverse circulation drilling	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.
Semi-skilled	C-lower and B-upper level employees e.g. artisan aids and operators.
Skilled	Using the Paterson grading model, skilled employees are classified as upper level employees from C4 level e.g. managers, skilled artisans, foremen and administrators.
Slot hole boring	<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>
Trackless mining	Mobile equipment not using mining tracks i.e. the mobile unit uses its own wheels or method of movement.

DEFINITIONS AND GLOSSARY *continued*

Tunnel boring	<p>Tunnel boring is used to excavate tunnels with a circular cross-section through a variety of soil and rock strata, varying from hard rock to sand.</p> <p>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 hydro-energy or pumped storage projects for the use of tailrace tunnels. It is also used for nuclear waste storage facility construction.</p>
Unskilled	Wage workers e.g. raise bore assistants, general workers and cleaners.

FINANCIAL DEFINITIONS

ARPOR	Average revenue per operating rig
EBITDA	Earnings before interest, tax, depreciation and amortisation
ROA	Return on asset
ROCE	Return on capital employed = Earnings before interest and tax (Total assets – current liabilities)
The previous year	The year ended 31 December 2020
The year	The year ended 31 December 2021
WACC	Weighted average cost of capital
ZAR	South African Rand

CORPORATE INFORMATION

MASTER DRILLING GROUP LIMITED

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

REGISTERED AND CORPORATE OFFICE

4 Bosman Street, PO Box 902, Fochville, 2515, South Africa

DIRECTORS

Executive

Daniël (Danie) Coenraad Pretorius
– *Chief Executive Officer and founder*
André Jean van Deventer
– *Financial Director and Chief Financial Officer*
Barend Jacobus (Koos) Jordaan – *Technical Director*
Gareth (Gary) Robert Sheppard* – *Chief Operating Officer*
Fred (Eddie) George Dixon – *Alternate Director*

Non-executive

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

* Resident in the USA.

COMPANY SECRETARY

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

JSE SPONSOR

Investec Bank Limited

Registration number: 1969/004763/06
100 Grayston Drive, Sandown, Sandton, 2196, South Africa

INDEPENDENT AUDITOR

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

SHARE TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196, South Africa
(Private Bag X9000, Saxonwold, 2132), South Africa
Email: proxy@computershare.co.za

INVESTOR RELATIONS CONTACT

Izak Bredenkamp

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MASTER DRILLING WEBSITE

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COMPANY SECRETARY EMAIL

Companysecretary@masterdrilling.com

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



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