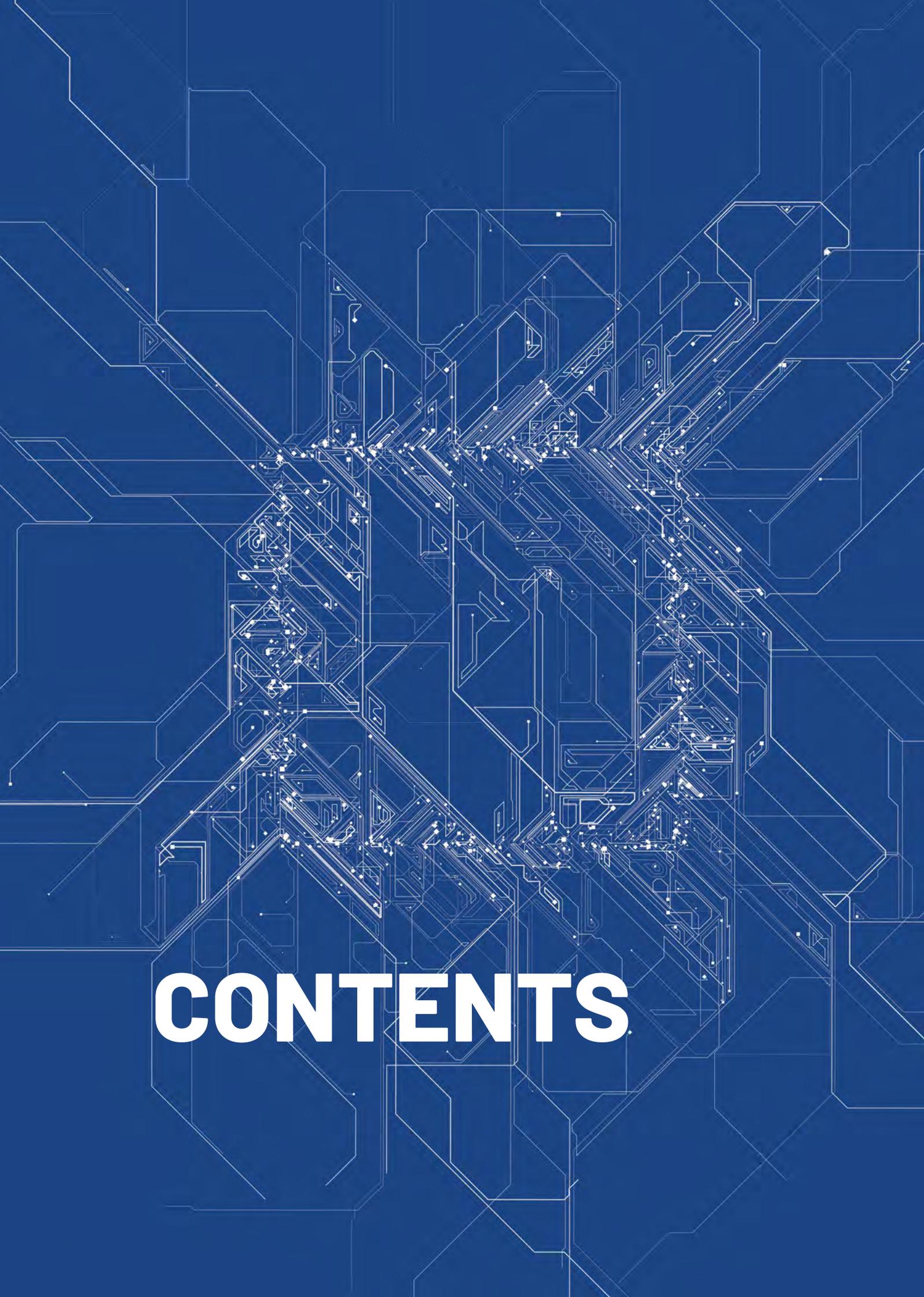




# GLOBAL LEADERS IN DRILLING SOLUTIONS

Integrated Report 2022



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# ABOUT THIS REPORT

This is the 11th 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 2022. The report is targeted at all stakeholders and outlines the activities, relationships, interactions and performance of the Group during the year ended 31 December 2022. The aim of the report is to provide all stakeholders with a holistic view of Master Drilling's use of the six capitals 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;
- The South African Companies Act (Act 71 of 2008) (Companies Act); and
- The Johannesburg Stock Exchange Limited (JSE) 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 18 and 19 for the Group structure.

## 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 statement of 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 38 to 41.

## 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	FFG
Quality control	International Organisation for Standardisation (ISO) compliance audits	BSI

## 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, at the date these forward-looking statements were made, and these may include factors that could adversely affect our business and financial performance.

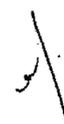
The Group disclaims any duty to update or revise these forward-looking statements to reflect events or circumstances that arise after the date of this document or to reflect the occurrence of anticipated events. The auditor has not examined or reported on the forward-looking statements, and no warranty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

## 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 considered 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. The Audit Committee reviews and recommends the report to the Board for approval. The Board accordingly approved this Integrated Report for publication on 26 April 2023.



**Hennie van der Merwe**  
Chairman



**Danie Pretorius**  
Chief Executive Officer



# GROUP PERFORMANCE IN 2022

## FINANCIAL

USD revenue increased by

**31.7%**

to a record high USD226.4 million

(2021: USD171.8 million)

USD earnings per share  
increased by 7.6% to

**14.2 cents**

(2021: 13.2 cents)

ZAR earnings per share  
increased by 19,0% to

**232,5 cents**

(2021: 195,3 cents)

USD headline earnings per share  
increased by 10.1% to

**14.2 cents**

(2021: 12.9 cents)

ZAR headline earnings per share  
increased by 21,9% to

**232,5 cents**

(2021: 190,8 cents)

Cash generated from operating activities  
amounted to

**USD25.0 million**

(2021: USD32.5 million)

## SUSTAINABLE GROWTH

Stable order book of

**USD265.4 million**

(2021: USD237.6 million)

Dividend of

**ZAR47,5 cents**

per share declared; increased from the

ZAR32,5 cents per share from 2021

## OPERATIONAL

Lost-time injury frequency rate (LTIFR) decreased to

**0.83**

(2021: 1.65)

Healthy pipeline of

**USD567.9 million**

(2021: USD507.1 million)

# A FEW WORDS FROM OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**HENNIE VAN DER MERWE**

*Chairman*



**DANIE PRETORIUS**

*Chief Executive Officer*



**Our business is focused on making a difference in the lives of businesses and people in the mining industry by using technology to improve efficiency, reduce costs and, most importantly, improve safety. We continued to advance this commitment during the year.**

## MARKET OVERVIEW

Looking at the market over the past three to four years, we have seen that most of the commodities have had a really nice run, normalising in the last year. Considering the commodities where we operate today, we are well positioned to take advantage of the opportunities that arise from this.

The Russia-Ukraine war has had a macro impact on commodities such as nickel and platinum group metals (PGM), with a potential benefit for South Africa.

We see potential growth for the Group in markets such as India and Australia. In South America, we need to take heed, from a social perspective, of the possibility of increased protests and social unrest. However, we do not see this having a significant impact on the business.

Load shedding significantly affects a number of industries locally, while the mining industry in particular has been badly impacted by the poor performance of Transnet. However, this has not directly impacted Master Drilling.

## OUR YEAR

We are grateful to report that we had a stellar year in 2022.

Revenue increased 32% to USD226.4 million and operating profit grew 26% to USD35.1 million. These figures represent record results, achieved despite uncertain market and operating conditions experienced globally.

USD earnings per share (EPS) increased 7.6% to 14.2 cents, and ZAR EPS increased 19,0% to 232,5 cents. USD headline earnings per share (HEPS) increased 10.1% to 14.2 cents, and ZAR HEPS increased 21,9% to 232,5 cents.

Cash generated by the business was USD25.0 million. This is on the back of higher utilisation and investment in new business ventures.

We have been able to leverage our relationships with clients and partners, as well as our international footprint, to grow the business. The importance of building sound relationships has provided us with the foundation to offer more turnkey solutions to our clients and has seen the business develop into a more holistic contractor. We saw a shift in our raise boring and exploration businesses through collaboration and consolidation with other companies in order to create value. We believe that the industry must consider potential consolidations as there are too many players for an overall benefit for all. This is demonstrated in our joint ventures such as with Hall Core Holdings Proprietary Limited (Hall Core), which is a five-year project at Mogalakwena. We also continued the diversification of the business in related services.

Currently, we have 27 operations globally. We have set up offices in Australia with a view of expanding operations to surrounding areas such as the Philippines, Indonesia and Papua New Guinea on the back of nickel mining. Funding for the activities is carefully considered and planned. We strive to ensure that external funding remains at low levels as we seek to create value and maximise shareholder returns. Our funding strategy provides a solid base and on the back of new developments, capital expenditure (capex) and projects, we have performed well utilising our own funds, underpinned by our strong cash-generative business.

We kept an eye on working capital including focused debtor collection. Return on capital employed (ROCE) improved pleasingly during the year with earnings before interest, tax, depreciation and amortisation (EBITDA) showing a 29% increase. For more detail on our financial performance, refer to pages 64 to 68.

The skills shortage, especially in the local market, remains a prime concern in South Africa with the level of education and safety lagging behind. Attracting and retaining skills remains a key priority, however, at Group level we are able to access skills across our global workforce and move resources where required.

Cybersecurity remains a key risk for us and we continue to enhance and enforce our systems, policies and training in this regard.

## OPERATIONAL OVERVIEW

During the year, there was a renewed focus on technology development, and we have seen some of our new technologies maturing and making an impact on the way mining is conducted. The value-add that we bring to our clients is to speed up the timing and reduce the costs of mining processes through mechanisation and the ever-increasing use of technology.

Currently, we are focusing on a number of areas which we believe can make a difference in the mining environment, particularly in improving net present value and return on investment for our mining clients. These are our Mobile Tunnel Borer (MTB) project, the blind shaft boring project (SBS) and the narrow reef cutting project in collaboration with a key client.

The MTB project aims to fast-track horizontal tunnel development in the industry. Currently, with conventional drill and blast, one of the negatives is that the re-entry period takes up to four to five hours after each blast. Typically, an advance on a conventionally developed system would be anything between 2m to 2,5m between blasts. In South Africa, the average accrued metres achieved is 50m advancement per month, compared to the MTB system which can run 24/7 with no stoppages, enabling up to 10m to 12m a day. The MTB system would have the potential to achieve 150m to 200m per month.

From a cost per unit point of view, the current numbers indicate that break-even and cost savings would start from 120m, making it extremely competitive. The benefits also extend to safety, and we believe that this project has great upside for the industry. There is a lot of interest globally in the project, which is currently in the research and development (R&D) phase, and we are actively working with our clients in this regard.

The SBS project is currently competing with conventional drill and blast for vertical shafts. With the top level of reserves largely being mined, miners want to drill and blast deeper and this project will greatly assist them in this regard. Currently, we are in discussions with one of our clients to drill an 850m shaft at one of the platinum mines which we hope to start in the second half of 2023. Thereafter, we will consider capex required to build a 2 000m machine.

Regarding the narrow reef project, we are currently commissioning some of the components and machinery required. We believe that in 12 months we should be in a position to cut on mine. This is a toolkit that will offer 24-hour operations with no interruptions nor drill and blast.

Our blade-cutting project is sponsored by two key clients and consists of two phases, the first being a large 1,5m PDC blade to which we add some PLD/IT. The second phase is to add in mining where we remove and cut the rock instead of drilling and blasting.

The above are active examples of the new technology which we believe can make a difference in the mechanisation space.

In line with our commitment to help our clients improve safety, we acquired control of A&R Engineering and Mining Services Proprietary Limited and related companies (A&R Group), a proximity detection company. A&R Group is one of the leading companies providing level 9 safety systems which can ameliorate safety incidents and interruptions in the case of a section 54 stoppage or when there is a fatal accident. This technology aligns with the industry shift to improved safety systems.

We have also acquired an interest during 2021 in a logistics tracking company, Applied Vehicle Analysis Proprietary Limited (AVA), which tracks all the manganese being mined in South Africa, from the moment it has been loaded at the job site until it arrives at the port, thereby assuring the veracity and quality of the end product.

Both companies are based in South Africa and we are looking to internationalise them.

### COMMITMENT TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Our focus is on improving the Group's and other stakeholders' pursuit of the ESG elements. Our machinery in itself assists our clients in measuring their ESG objectives and helping them achieve their targets.

From a Master Drilling perspective, we have a structure in place 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 42 and 43.

### DIVIDEND

We are pleased to report that, subsequent to year-end, the Board declared a gross dividend of 47,5 cents per share. This represents a 5 times earnings cover which is in line with the desired level indicated in our listing prospectus of a 4 to 5 times earnings cover.

### OUTLOOK AND GROWTH PROSPECTS

Despite the global uncertainty, we are confident that Master Drilling will perform well because of its long-term contracts, diversified footprint, proactive capital management and service orientation. The fleet utilisation is now moving towards the required benchmark of 75%. Capital management remains a top priority. The Group's diversification across regions, commodities, currencies and industries will remain a key part of Master Drilling's strategy.

In our commitment to safety, we will continue using innovative mechanised equipment in our 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. We are well positioned to expand and capitalise on our SBS and the MTB over the next two to three years.

Implementing our strategy is a journey, and we are making steady progress. While we remain focused on profitability, we seek to make a difference in the lives of people and the mining industry in which we operate.

We believe in our vision of "making a difference" and we are going to stay the course, to make the industry safer, more productive and cost-effective.

### APPRECIATION

We thank all our fellow Board members for their wise counsel and valuable guidance. We would like to express our sincere gratitude to management and all our employees for their hard work and resilience throughout the year. We thank all our stakeholders, including clients, partners, suppliers, shareholders and advisors, for their ongoing support.



**Hennie van der Merwe**  
Chairman

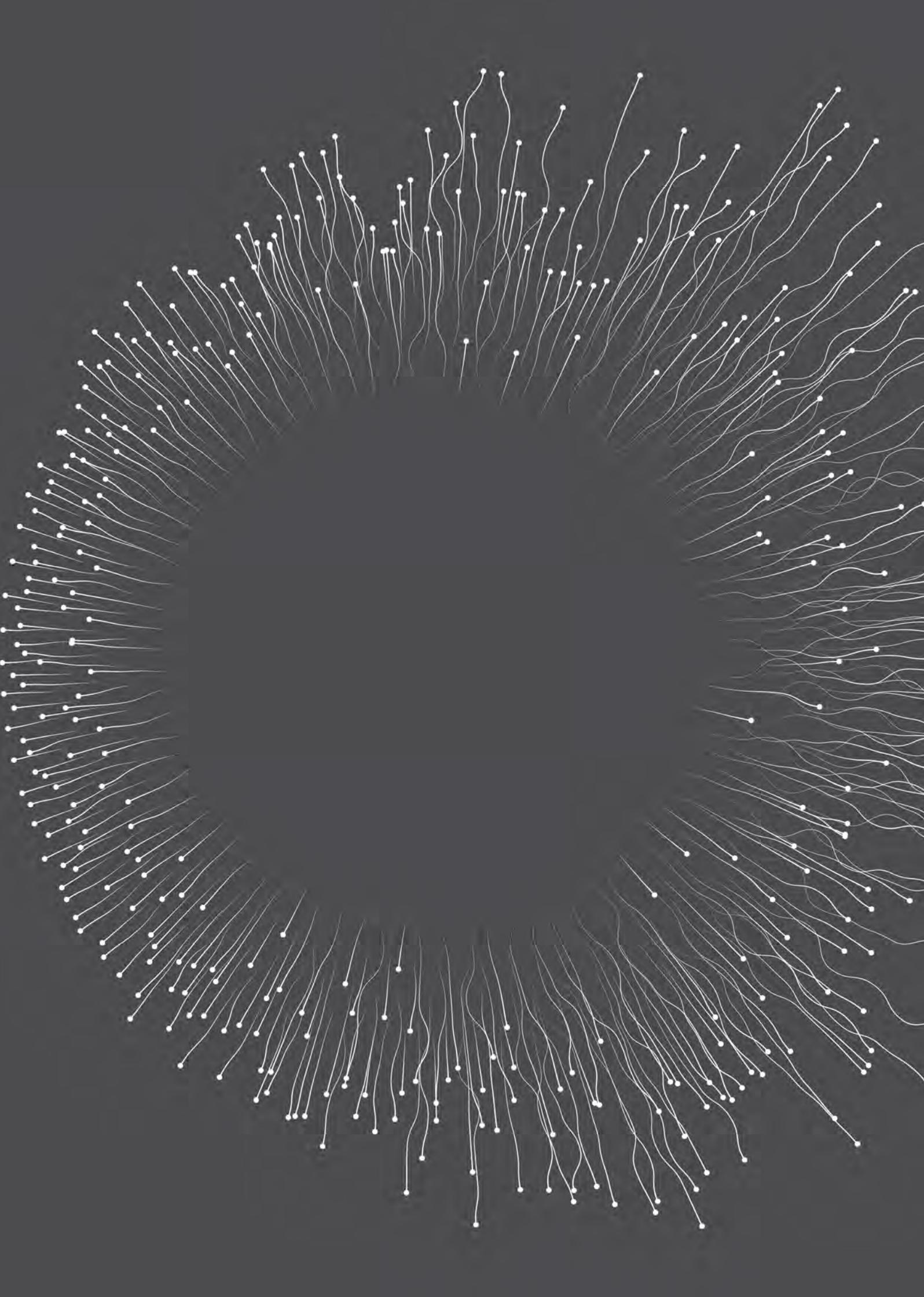


**Danie Pretorius**  
Chief Executive Officer

26 April 2023



We use develop and use niche technology and automation to ensure our commitment to making a difference in the mining industry – particularly in terms of making the industry safer.





# 1. MASTER DRILLING AT A GLANCE

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# WHO WE ARE

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

We aim to make a difference in the mining industry through the use of new technology, ensuring cost savings and enhancing safety. We operate in tunnelling, shaft sinking and mining and offer a range of innovative and cutting-edge drilling solutions as well as support services across the world.

Through our internal knowledge in drilling equipment design, manufacturing, operating, training and maintenance capabilities, we fulfil the specific demands of our clients, which include blue-chip major and mid-tier companies in the mining, civil engineering and hydroelectric energy sectors.



Our international operations stretch across the globe:

- 1. Africa:** South Africa, Botswana, the Democratic Republic of Congo (DRC), Ghana, Mali, Namibia, Sierra Leone, Tanzania, Zimbabwe and Zambia
- 2. South America:** Brazil, Chile, Colombia, Ecuador and Peru
- 3. Central and North America:** Canada, the United States of America (USA) and Mexico
- 4. North, Central and Eastern Europe and Asia**
- 5. India**
- 6. Australia**

Our specialised capital and consumable items and 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 Chinese facilities servicing several of our other international clients.

## HIGHLIGHTS

Operations in  
**27 countries**  
on five continents

**Largest**  
raise bore fleet in the world

Over  
**36 years'**  
experience

Approximately  
**30km**  
of vertical excavations drilled per year

Over  
**2 000**  
people employed

**Fully horizontal integrated business model**

including consulting, design, R&D, manufacturing and execution

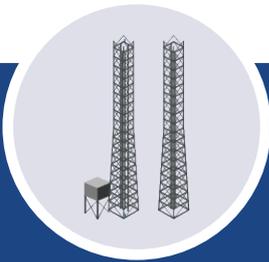
Most  
**diversified drilling service**  
provider in the world

Holds numerous  
**world records and awards**

Accredited  
**world-class training**

## WHAT WE DO

The Group conducts three principal drilling activities:



### EXPLORATION-STAGE DRILLING:

Exploration diamond core and percussion drilling focused on the discovery and quantification of new mineral deposits



### PRODUCTION-STAGE DRILLING:

Raise boring and blast hole drilling conducted within active mining areas and encompassing surface and underground services



### CAPITAL PROJECT-STAGE DRILLING:

Raise boring and blast hole drilling which takes place once a potentially viable ore deposit or extension to an ore deposit has been identified and its resource has been quantified

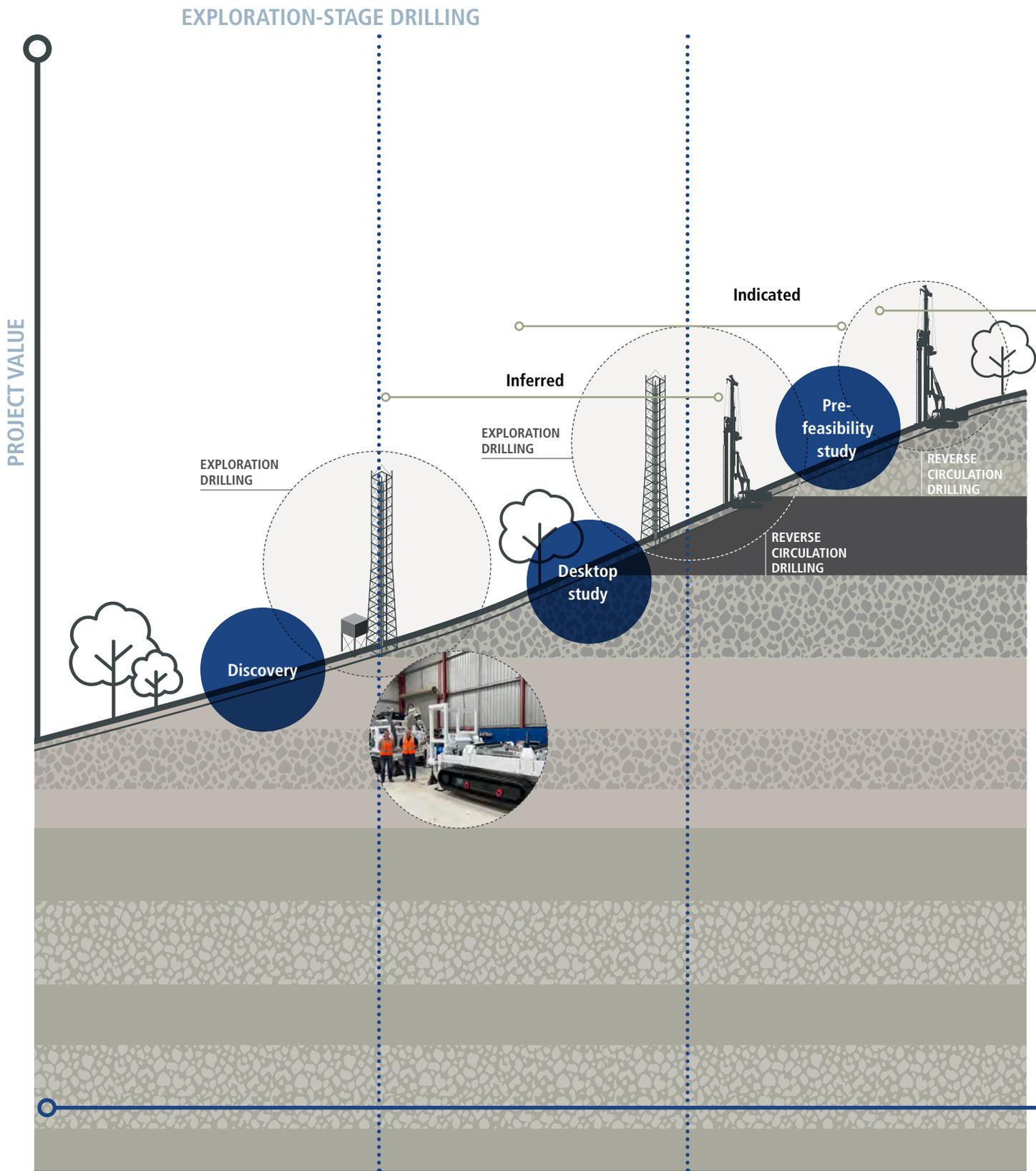


The Group's technical division, Drilling Technical Services Proprietary Limited, undertakes design, engineering, manufacturing, customisation and maintenance support for the Group's drilling activities.

Master Drilling provides complete project management expertise in projects ranging from exploration-stage drilling through to production-stage drilling. We have specialised in-house drilling equipment design, manufacturing, training and maintenance capabilities, which allow us to tailor solutions to meet the specific

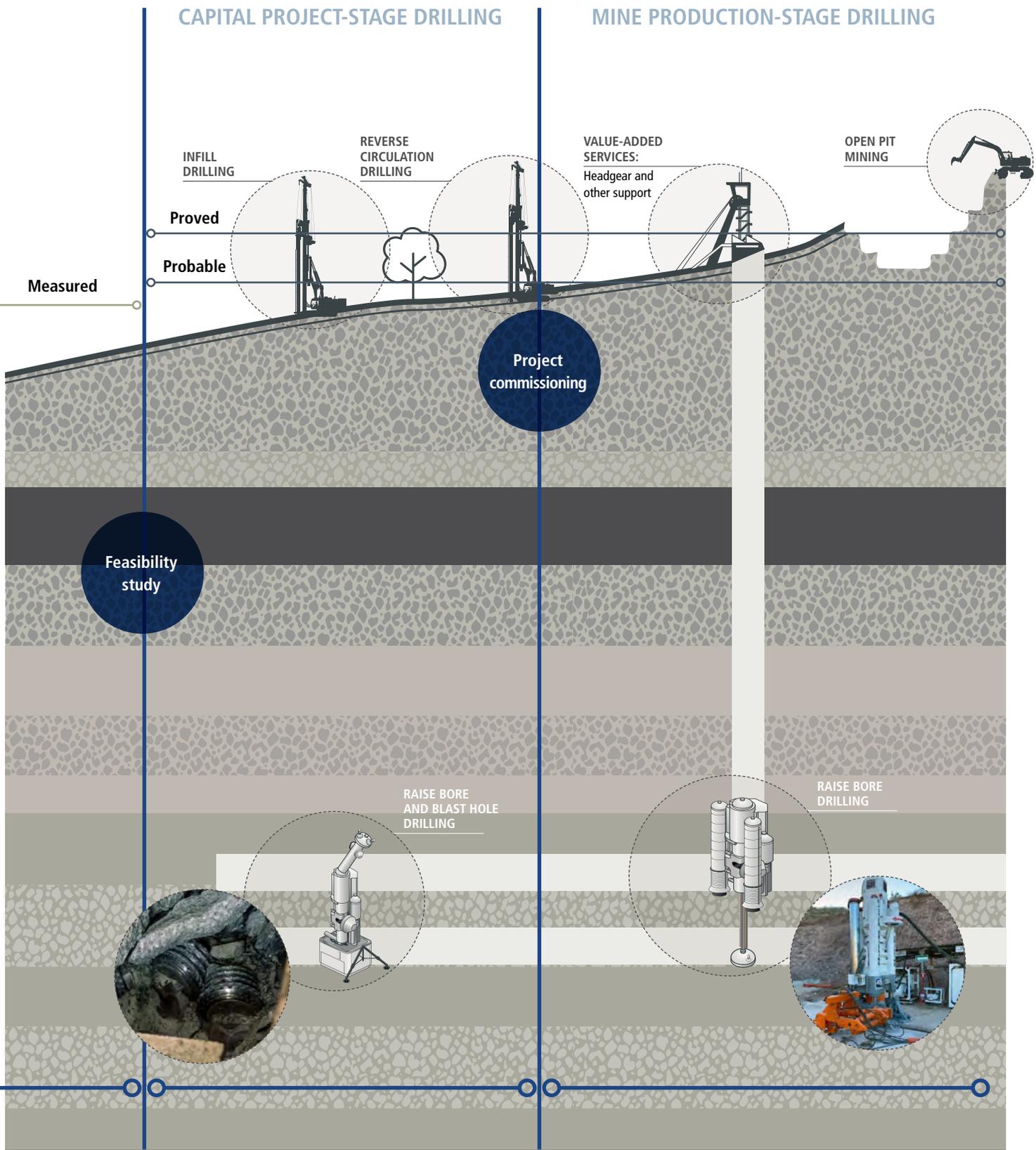
conditions and drilling requirements of our clients. We also provide drilling services for civil engineering applications in a variety of emerging markets.

The Group has the knowledge and experience to offer its clients a variety of drilling services, including surface and underground raise boring, blind hole drilling, underground and surface exploration core drilling, blast hole and percussion drilling. The Group's raise boring capability offers advantages over other conventional drilling methods including increased speed and safety.



### CAPITAL PROJECT-STAGE DRILLING

### MINE PRODUCTION-STAGE DRILLING



**Our vertical integration business model has enabled us to maintain efficient and effective control over our value chain.**

## 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



### Tunnelling

- Mobile Tunnel Borer



### Shaft sinking

- Shaft Boring System



### Mining services

- A&R Group
- Applied Vehicle Analysis
- Reef boring



### 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
- Analysing ore
- Core yard management

## HOW WE LEAD THE WORLD

Our vertical integration business model 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 simplicity of design and mobility, enables us to render our services cost-effectively.

We have managed to grow our business sustainably 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. This 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 36 to 41.

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.

## 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.

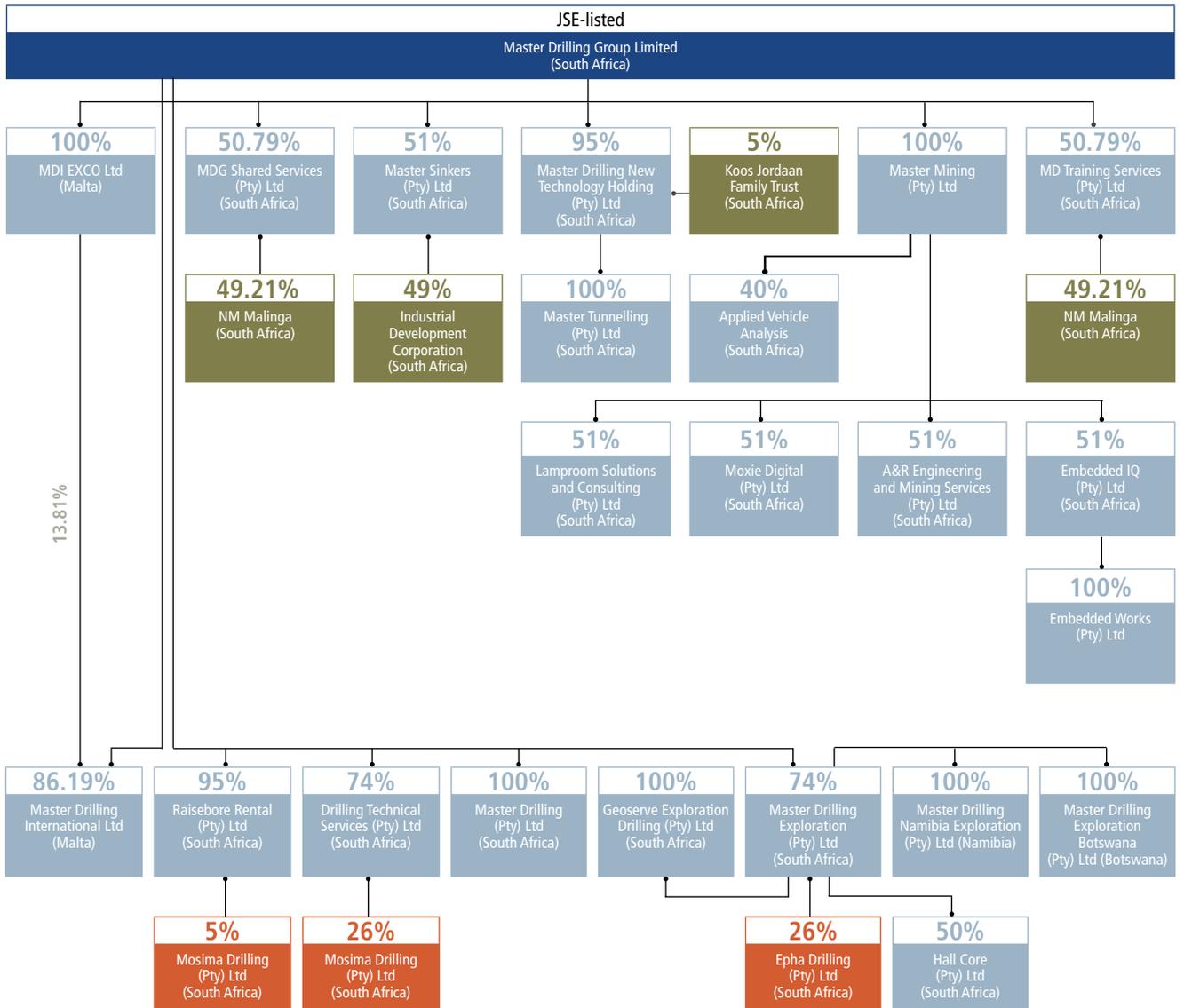


### Maintain

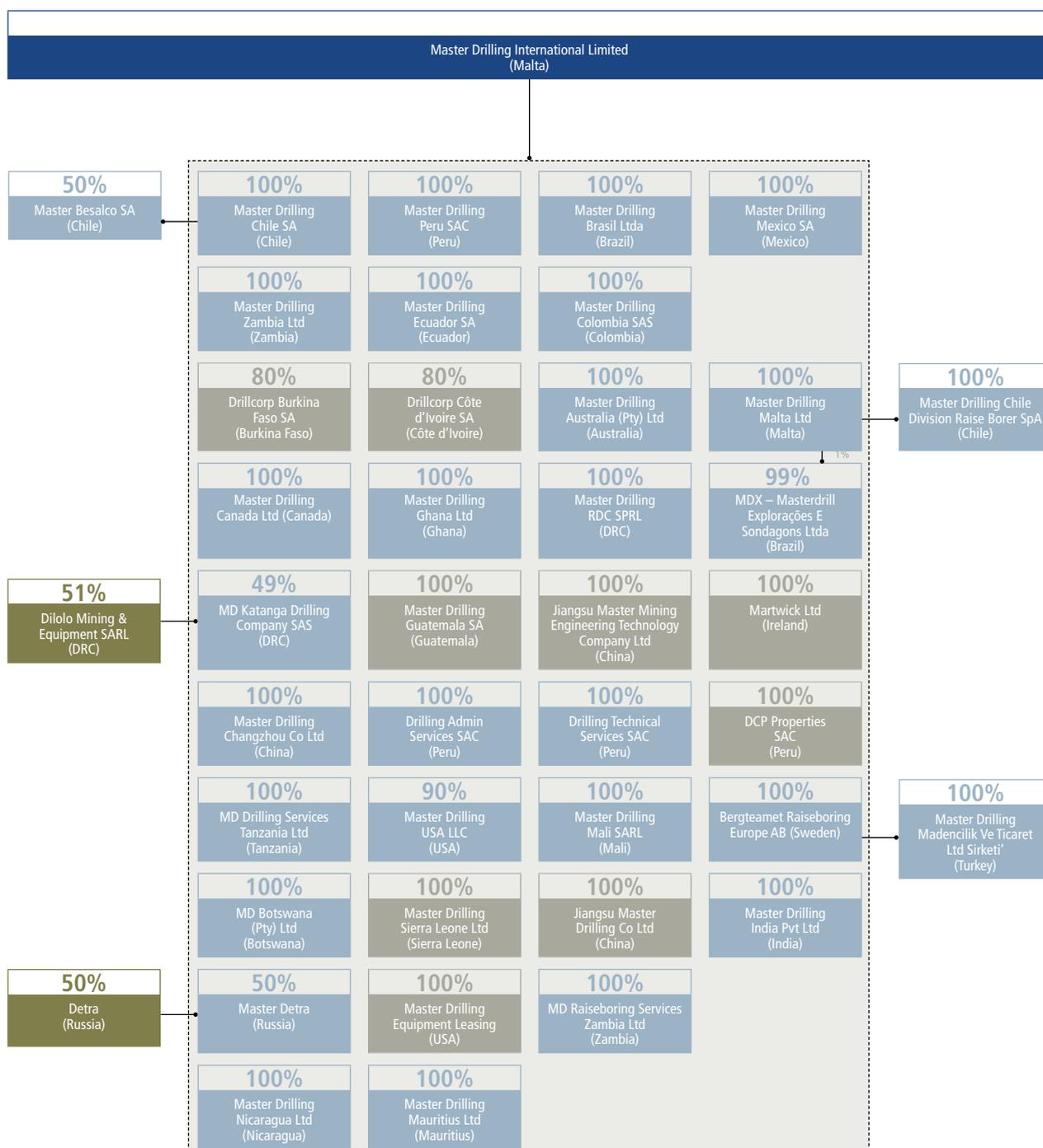
Provide engineering support for drill rigs, continuously upgrading our portfolio.



# OWNERSHIP STRUCTURE



- Operational
- Third party
- B-BBEE partner
- Dormant



# TIMELINE



**1986**

Master Drilling established



**1992**

Commenced drilling at the Shabanie mine, Zimbabwe



**1998**

Commenced drilling at Milpo's El Porvenir mine, Peru

**1993**

Commenced drilling at Barrick Group's El Indio mine, Chile

**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

**1988**

Designed and manufactured the RD1000 for Premier Diamond mine, South Africa





## 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



## 2001

Acquired first Wirth HG380 rig

## 2003

Entered the market in large-diameter holes



## 2006

Acquired Drillcorp Africa Proprietary Limited



## 2012

Listed on the JSE

Master Drilling Group Limited formed through reorganisation

Achieved world record in directional drilling at Lonmin mine with the most accurate pilot hole at a depth of 1,07km and a diameter vent shaft of 5,5m

Completed five shafts in Saudi Arabia





## 2013

Awarded exploration drilling contract at Kolomela

Expanded global footprint to Mali and Guatemala by offering raise boring services

First automated machine went live at Sasol, South Africa

Peru's first automated machine went live

Started raise boring services in Mali and the DRC for Randgold Resources



## 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



## 2017

Secured contracts in India and Australia

Placed order for MTB machine

Successful completion of the vertically integrated raise boring trial at Cullinan mine

## 2014

Awarded contract at Palabora 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 raise bore drill rig capable of drilling 8,5m in diameter over 1,5km deep

Completed Rowland shaft

## 2016

Acquired Bergteamet Latin America SpA

Secured a five-year extension of a key AngloGold Ashanti contract in South America

Contracts awarded in Sierra Leone and Tanzania

Awarded first blind shafting contract in the USA





## 2018

Finalised and launched the first MTB machine

Acquired Atlantis Group

Acquired remaining 60% shares in Bergteamet Raiseboring Europe

Invested in TunnelPro in Italy to assist with access to MTB market

## 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

## 2022

First time the Group breaks through USD200 million revenue

Completion of world record raise bore hole

Obtained control of A&R Group

## 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)

## 2021

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

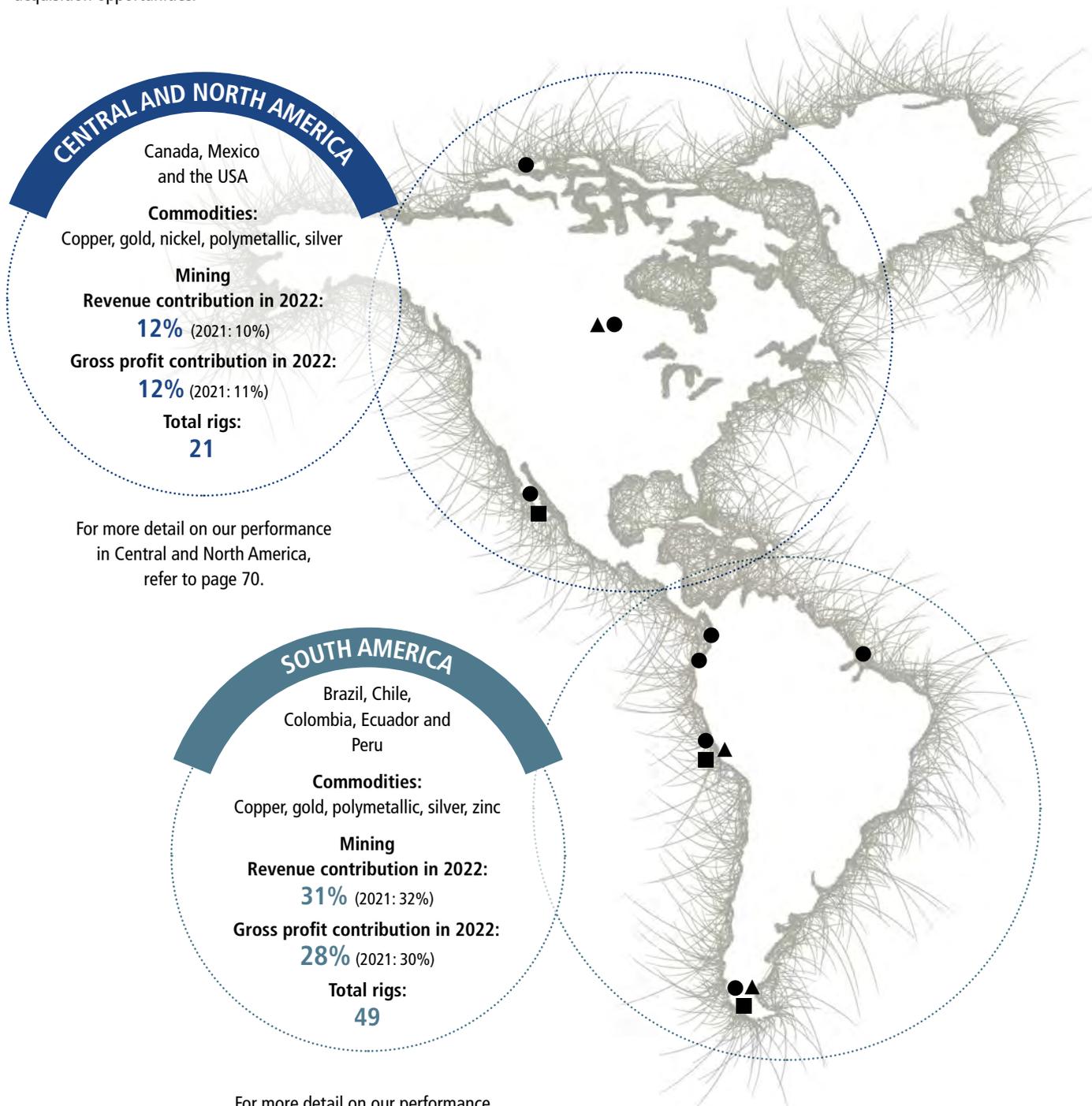
Acquired an approximate 25% shareholding in A&R Group

Acquired 40% shareholding in AVA



# OUR OPERATIONS

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 to grow our footprint and are exploring merger and acquisition opportunities.



LEGEND

OUR OPERATIONAL PRESENCE

- ◆ Design
- ★ Manufacture
- Training
- Operate
- ▲ Maintain

For more detail on our performance in other countries, refer to page 71.

REST OF THE WORLD

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

Commodities:

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

Hydroelectric energy | Civils and construction

Revenue contribution in 2022:

17% (2021: 19%)

Gross profit contribution in 2022:

12% (2021: 21%)

Total rigs:

14

AFRICA

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

Commodities:

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

Revenue contribution in 2022:

40% (2021: 38%)

Gross profit contribution in 2022:

48% (2021: 39%)

Total rigs: 56

Slim drill rigs: 61\*

For more detail on our performance in Africa, refer to page 70.

\* Includes 23 rigs not under direct control.

# OUR MARKETS

The COVID-19 pandemic has highlighted the synergistic and systemic risks present in economies and societies. High inflation and tightening monetary policy have affected economic growth in an environment where the performance of key commodities has visibly diverged.

## RATINGS OUTLOOK FOR THE MINING INDUSTRY

Fitch Ratings reported that the weakening outlook for global mining indicates that metals and mining price earnings and cash flow generation are expected to be moderate in 2023 due to the weaker macroeconomic environment. However, reasonable upside to demand growth linked to stimuli from major economies is expected, given the end of China's zero-COVID-19 policy. Copper and aluminium are responsive to market sentiment driven by the economic slowdown. Very low global inventories and increased supply disturbances supported the price of copper during the year. The aluminium market saw a much steeper price fall in 2022 due to ample supply.

Prices for bulk commodities will continue normalising in 2023 after market tightness pushed them to all-time highs due to supply constraints in 2021 and 2022. Met coal and thermal coal producers will continue to generate profits. Forecasts indicate that cash flow generation for large diversified miners will adjust in 2023 as prices for iron ore are moderating.

## THE MINING ENVIRONMENT

Many countries view mining as a critical component of their economies and allowed mines to return to production as soon as possible. Master Drilling's order book is 92% exposed to mining. Miners continue to emphasise the need to protect a critical supply chain ensuring that logistics and supply chain capacity is built up around operating mines.

The social licence to operate remains essential with ESG integration continuing to be at the forefront. The continued impact of the COVID-19 pandemic, a global economic slowdown and the Russia-Ukraine war are projected to keep mining production costs high going into 2023.

## GLOBAL CAPITAL EXPENDITURE

Total capital expenditure in the mining industry across different commodities is projected to fall by USD11 billion in the coming year due to declining development capex for iron ore and gold projects. Year-on-year reductions due to projects moving from construction phase to production will offset increases coming through from earlier stages of the project pipeline due to approval and financing of new projects.

A forecast 11% year-on-year decrease is driven by slower spending on gold and iron ore development. Spending on large mining projects for both metals is starting to wind down, with no new developments of similar sizes expected to take their place.

## COMMODITY PRICES

Analysts expect that commodity prices in general will trend higher in the coming year. This is driven by economies and policy implementation boosting demand for commodities. The demand for battery minerals like lithium, cobalt, nickel, copper and zinc is set to increase. Prices are also supported in the short term due to supply change constraints. Master Drilling has an orderbook exposure of 21% in gold, 28% in PGMs, 32% in copper and 8% in diamonds.

Iron ore prices reached a five-month high at the end of 2022. However, consensus on price increase forecasts for the next few years has been lowered to 2.8% and 1.2% due to mounting concerns regarding oversupply in China's steel market, with the demand side of China's property sector likely to take longer to respond despite recent government stimulus and financial support for domestic property developers.

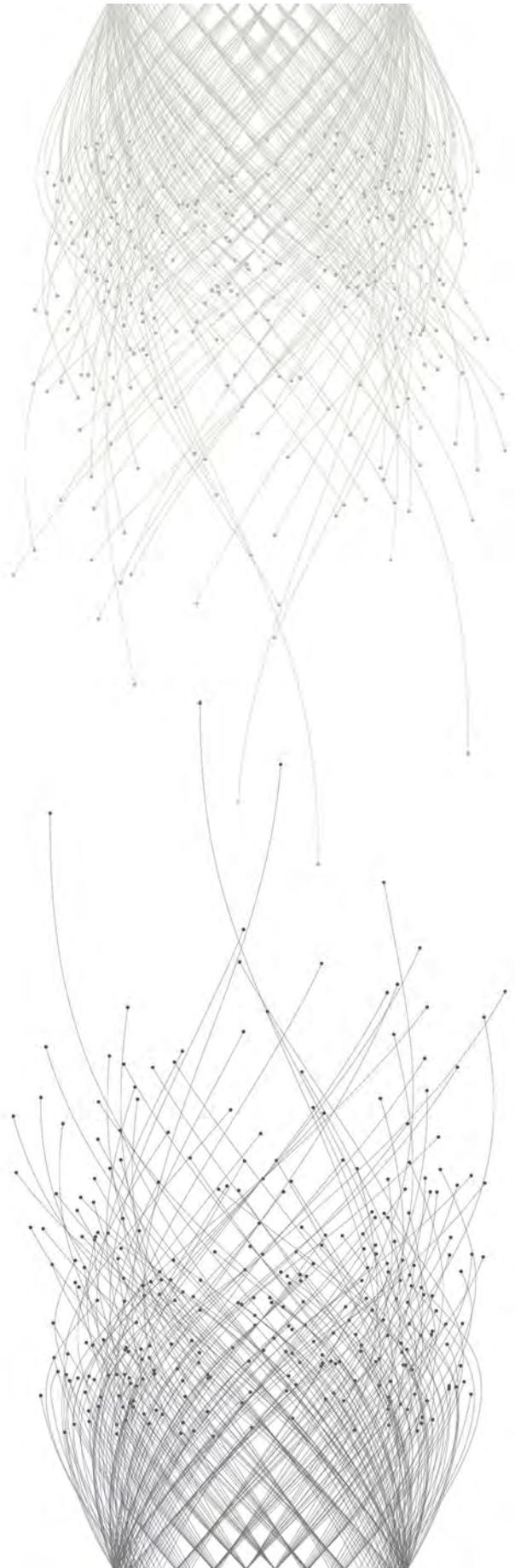
Gold prices rallied reaching a six-month high of USD1 837 per ounce at the beginning of 2023, buoyed by global economic uncertainty and a softening USD. This trend is expected to remain as economic uncertainty prevails amid ongoing geopolitical tensions and will then stabilise as the global economy recovers.

Slowing electric vehicle sales and weakening demand led to cobalt prices in China falling sharply at the end of 2022.

Surging cases of COVID-19 in China pulled zinc prices down to USD3 000 per tonne at year-end. With the first half of 2023 expected to challenge zinc demand, the annual consensus price estimate reduced by 0.4%. Master Drilling has an orderbook exposure of 11% to zinc through our Indian operations.

Coal will remain under pressure 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 orderbook exposure to coal has decreased year-on-year from 2% to 1%.

Sources: S&P Global Market Intelligence, Fitch Solutions



# 2. STRATEGY AND VALUE CREATION

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# BUSINESS MODEL



## Financial capital

- Revenue
- Capital raised
- Cash generated
- Borrowings
- New investors
- Increase in shareholder spread



## Manufactured capital

- Formidable fleet of 140 raise bore rigs, 38 slim drilling rigs and one mobile tunnel boring rig
- Deployed in mining, civils and construction and hydroelectric energy
- Partnerships with strategic clients to develop bespoke technology solutions (reef boring, polycrystalline diamond cutting)
- Obtained control in A&R Group

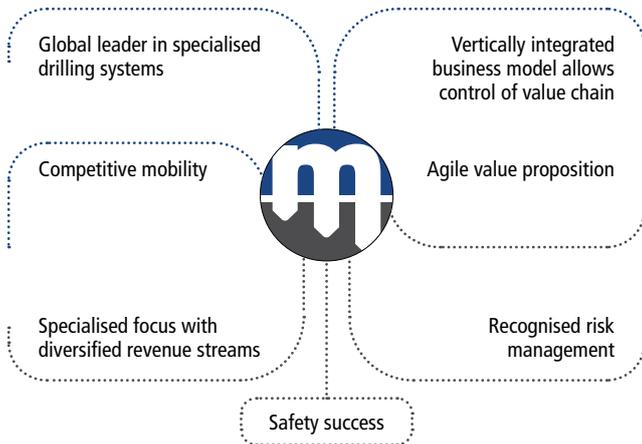


## Intellectual capital

- Niche market
- Entrenched business codes
- Leading technology
- Global engineering expertise
- Automation and remote drilling
- Invested in upskilling workers
- Strong governance systems and protocols
- Patented intellectual property for enhanced execution capability and cost efficiency
- Over 105 years' global management experience with approximately 58% ownership

### OUR INPUTS

### OUR BUSINESS



### BUSINESS ACTIVITIES



### 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

- > Low gearing of 7.8%
- > Strong innovative approach
- > Challenge the status quo



### Human capital

- 2 892 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 33 for more details.*



### Natural capital

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

## 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

- Mobile Tunnel Borer

### Shaft sinking

- Shaft Boring System

### Mining services

- A&R Group
- AVA
- Reef boring

### 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

## 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

## SUSTAINABLE GROWTH

1.

- Committed order book
- Revenue (hard currency)
- Market cap approximately ZAR2,20 billion
- Implementation of a fully functional SBS system
- Footprint expansion into Australia and Canada
- 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

2.

- 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

## TECHNOLOGY OPTIMISATION AND DEVELOPMENT

3.

- Further development and improvements on MTB technology
- The first SBS machine is well under construction for its pilot project
- 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

4.

- 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

## GROWTH MARKET

5.

- Recognition of the need to produce more metres 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

6.

- 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
- Social contribution in communities where we operate





## 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 relationship with 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 140 raise bore rigs, 38 slim drilling rigs, one MTB and the SBS project.



## 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, as efforts are diverted from the core business, specifically with respect to 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.

# STRATEGY

## OUR PURPOSE

### Making a difference by reimagining the future of mining

We seek to achieve this through the use of our tunnel boring machine, remote drilling capabilities and mechanical excavation. In addition, 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): A&R Group, shaft and reef boring; and
- **Horizon 3** (Future focus: three years+): New ventures, strategic partnerships and Master Drilling Mining Services.

## STRATEGIC OBJECTIVES

1. Be the market leader in automated and digital mining
2. Diversify the business to reduce risk and generate sustainable revenue streams
3. Create a safe and healthy working environment
4. Extend our existing value chain across markets
5. Optimise returns on current and new investment (operational excellence)
6. Drive long-term positive sustainable impacts (ESG)
7. Create a high-performance culture and fit-for-purpose teams across the business

## STRATEGY SCORECARD

During the year, we redefined our four strategic pillars as follows:

Strategic pillar
<b>Disruptive technology and innovation</b> <ul style="list-style-type: none"> <li>• Provide technology solutions from inception to execution</li> <li>• Provide value in terms of accelerated completion, capital project discounted cash flows and capital values, safety, industrialisation and project-specific requirements</li> <li>• Utilise MTB, SBS, non-explosive mining and robotic-assisted drilling product and service development</li> <li>• Foster continuous improvement, industry benchmarking, an innovative culture and local capacity building</li> <li>• Include continuous incremental improvements to ground engagement tools, life cycle improvements and technical procedures</li> </ul>
<b>Diversification and growth</b> <ul style="list-style-type: none"> <li>• Optimise geographical, mineral and sector diversification for sustained growth</li> <li>• Market leadership and retention through differentiated service delivery excellence</li> <li>• Vertical integration and margin growth from equipment design/ manufacturing through to value-add turnkey solutions</li> </ul>
<b>Operational excellence</b> <ul style="list-style-type: none"> <li>• Capital allocation and resource utilisation excellence</li> <li>• Talent development, deployment and retention</li> <li>• Optimal business and operating models</li> </ul>
<b>Positive sustainable impacts</b> <ul style="list-style-type: none"> <li>• Supporting social and environmental sectors in green/sustainable minerals, energy and water sectors</li> <li>• Managing own footprint to zero-harm and net-zero environmental impact</li> </ul>

Progress in FY22	Targets for FY23
<ul style="list-style-type: none"> <li>Experimental application and progress achieved utilising the MTB at the Mogalakwena mine underground early access project</li> </ul>	<ul style="list-style-type: none"> <li>Commission the robot underground core drilling rig</li> <li>Set an industry benchmark:                             <ul style="list-style-type: none"> <li>Remove the majority of manual processes in regard to material handling, relocation and site establishment</li> <li>Provide a platform for artificial intelligence, digital interaction, geological and technical intelligence, remote operation and semi-autonomous operation</li> </ul> </li> <li>Address ESG aspects through water recycling, a decarbonised energy source and skills development in rural doorstep communities</li> </ul>
<ul style="list-style-type: none"> <li>Turnkey solution, one-stop shop approach</li> <li>Continued focus on cost reduction by concentrating on the management of working capital</li> <li>Expansion of strategic partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Continued expansion of strategic partnerships with clients/partners</li> <li>Focus on partnerships in new geographical areas, minerals and related services</li> <li>Internationalisation of newly acquired technology services</li> <li>Roll-out of service offerings to our current global footprint where services are not yet performed</li> </ul>
<ul style="list-style-type: none"> <li>Capital Committee and policy discipline</li> <li>Defined career paths</li> <li>Overall employee wellness focus</li> <li>Specific community development initiatives</li> <li>Clear development plans and promotability</li> <li>Positive employee engagement</li> <li>High-performance culture and employees</li> </ul>	<ul style="list-style-type: none"> <li>Improve discipline on capital allocation</li> <li>Enhance productivity through the roll-out and implementation of the attraction and retention strategy</li> <li>Roll-out of employee engagement initiatives</li> <li>Investment in employee retention and succession</li> </ul>
<ul style="list-style-type: none"> <li>Focus on automated drilling techniques</li> <li>Increased attention on technology for horizontal drilling solutions</li> <li>Increased efficiencies in energy, water and oil</li> </ul>	<ul style="list-style-type: none"> <li>Specific energy, water and oil efficiencies</li> <li>Ensure that the Group complies with international sustainability targets</li> <li>Continued focus and drive of the zero-harm initiative</li> </ul>

## DIGITAL STRATEGY

As a Group, our strategy has always been to make a difference in the mining industry through the use of niche technology and automation. To achieve this, we diversify in different investments, such as commodities, currencies and various services focusing on South Africa, with the goal of making our technology available globally. This is driven by our streamlined efforts to ensure that safety continues to be at the forefront for Master Drilling.

Currently, we have invested in two safety management solutions-based companies as outlined below.

### A&R Engineering and Mining Services and related parties (A&R Group)

A&R Group is a group of companies that focuses on mining safety and provides a management solution for the mining industry. The business primarily installs smart devices on vehicles underground, tracker vehicles, railway-bound vehicles and people. This is done to avoid vehicle collisions and pedestrian safety through the use of a proximity detector.

Embedded IQ, a technology development company based in South Africa that is part of A&R Group, is the component manufacturer behind this equipment.

Our strategy is to take A&R Group, which has been operating locally for a number of years, abroad to assist international clients and companies.

A&R Group has a rich history in South Africa and has been operational and servicing local businesses for more than 40 years. In 2021, Master Drilling obtained a minority interest in the equity and intellectual property of these companies and acquired the controlling shareholding within these businesses in 2022.

### Applied Vehicle Analysis

AVA is a software company that believes in a data-driven approach to mine management by providing specialised solutions to operations, enabling companies to better control and manage their mines, material, mobile assets and people.

AVA makes it easy for mines to gain relevant, real-time insights into the performance of their operations and identify the ever-changing and unique constraints related to their processes and respond appropriately.

AVA operates in South Africa, Southern Africa, West Africa, Peru and Malaysia with over 28 sites, 2 000 assets monitored and across five commodities.

# RISK MANAGEMENT

Master Drilling’s risk management framework remained consistent during the year with the risk management process being enhanced in terms of its application. The importance of a solid risk management process became more evident than ever due to operating at the tail-end of a pandemic while facing headwinds of market volatility due to Russia’s invasion of Ukraine. Master Drilling’s application, Stragility, continues to assist with the implementation, updating of information on and reporting of changes in the risk environment in real time and is now fully implemented across the Group.

The Group follows the COSO II and ISO 31000 principles of risk management which require 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 the Group 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					
Corporate Governance Committee	Risk Committee	Remuneration Committee	Nominations Committee	Audit Committee	Social, Ethics and Sustainability Committee

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

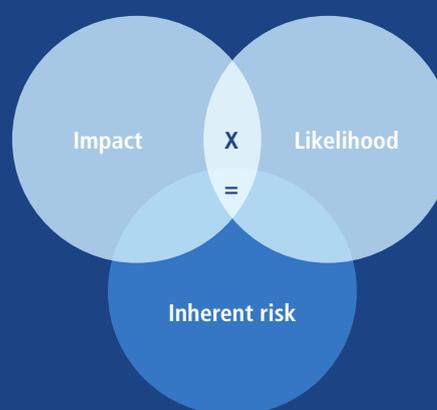
## RISK TOLERANCE AND APPETITE

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 appointed an Internal Audit Manager who will mainly build capacity around and focus on internal audits with the final aim being a fully functional independent in-house internal audit function. 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 the controls.

Master Drilling launched a special project that will drive the Group's ESG strategy. Refer to the ESG section on pages 42 and 43 for more information.

## REPUTATIONAL RISK

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

## 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 as follows. The “licence to operate ” risk was added to our risk register during 2022.

Risk	Mitigation	Status
<b>Safety, health, environmental and quality</b>		
<b>1. Unwanted SHEQ-related events</b>	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.	↓
<b>2. Geopolitical tensions</b>	The Group has a functioning Crisis Committee that oversees geopolitical tensions and the potential impacts these could have on the Group. Issues are continuously monitored and any changes are reported to the Crisis Committee.	↓
<b>Information and data</b>		
<b>3. Information-driven decision-making</b>	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.	↔
<b>4. Information technology (IT), data analytics and end-user knowledge</b>	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.	↓
<b>Sustainable growth</b>		
<b>5. Fleet optimisation and utilisation</b>	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.	↓
<b>6. Business model optimisation</b>	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.	↓
<b>7. Diversification, mergers and acquisitions and geographical expansion</b>	The Innovations Committee partners with business development agents to expand the geographical footprint and research into specific technologies that can be applied in the mining industry.	↔
<b>8. Availability and accessibility of funds and free cash</b>	A number of cash preservation measures are in place to preserve cash and increase access to funds. These include weekly capital allocation meetings and cash flow projections as well as various cost reduction initiatives across all operations.	↓
<b>9. Innovation and technology</b>	The Innovations Committee innovates technology-driven solutions that can be applied in the mining as well as non-mining environments.	↔

↑ Increased in relation to previous year ↓ Decreased in relation to previous year ↔ Unchanged

Risk	Mitigation	Status
<b>Sustainable growth</b> <i>(continued)</i>		
<b>10.</b> 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.	↑
<b>11.</b> Maintaining our licence to operate (ESG specifics)	A specific ESG policy focuses on the following: <ul style="list-style-type: none"> <li>• Green energy usage (head office);</li> <li>• Energy-efficient operations;</li> <li>• Fresh water usage reduction;</li> <li>• Oil consumption reduction;</li> <li>• Fossil fuel consumption reduction; and</li> <li>• Community development.</li> </ul>	↔
<b>Commercial</b>		
<b>12.</b> 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.	↓
<b>Competition</b>		
<b>13.</b> 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.	↔
<b>People capacity and development</b>		
<b>14.</b> 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.	↑
<b>Legal, regulatory and procedural compliance</b>		
<b>15.</b> 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.	↔
<b>Cybersecurity</b>		
<b>16.</b> 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.	↔
<b>Theft, fraud and corruption</b>		
<b>17.</b> 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.	↔

↑ Increased in relation to previous year   ↓ Decreased in relation to previous year   ↔ Unchanged

## RISKS AND OPPORTUNITIES

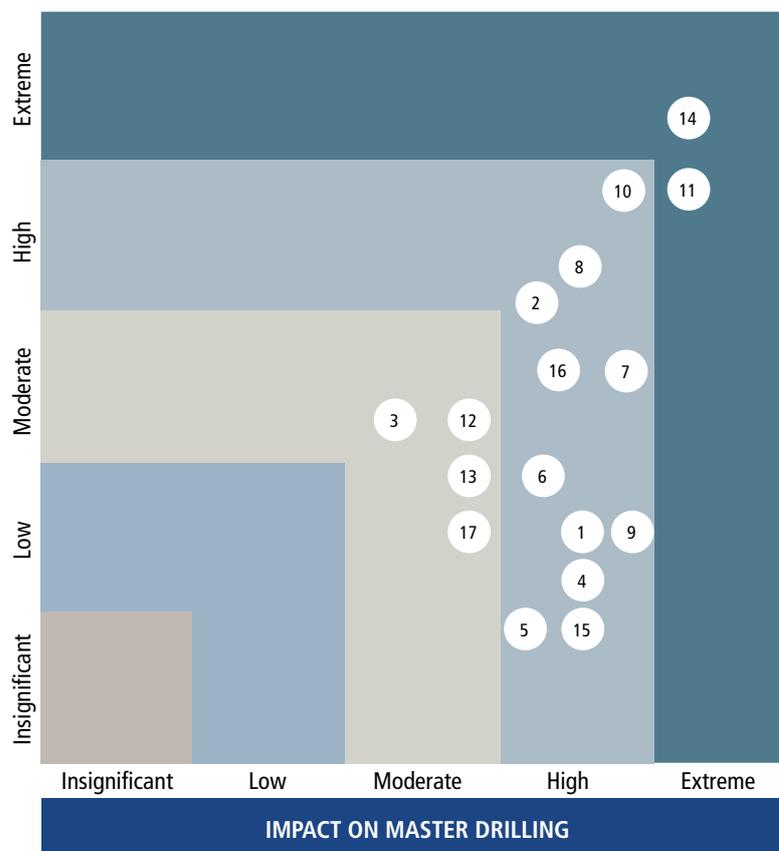
Risk	Opportunity
Unwanted SHEQ-related events	Increased client satisfaction and expansion of our client base.
Geopolitical tensions	Drives an increased focus on diversification strategies, specifically looking at growth opportunities in unaffected countries.
Information-driven decision-making	Ability to take more correct decisions in a shorter space of time.
IT, data analytics and end-user knowledge	Real-time reporting and decision-making.
Fleet optimisation and utilisation	Increase in production, safety statistics and profitability.
Business model optimisation	Increased and dedicated focus by individuals on the four core businesses.
Diversification, mergers and acquisitions and geographical expansion	Identify and pursue high-margin, low-capital businesses, creating additional income streams for the Group.
Availability and accessibility of funds and free cash	Ability to capitalise on business opportunities as and when they arise.
Innovation and technology	Creating a safer working environment for our staff and our clients' staff.
Look and feel of the future mining industry	Ability to design new technologies not yet in existence and capitalising on this position.
Maintaining our licence to operate (ESG specifics)	Making a real difference towards sustainability and contributing to a green economy.
Contract management, execution and profitability	Increased utilisation and profitability.
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.
Required skills mix, development and availability thereof for the new normal	Create an effective lean business with engaged high-performing individuals.
Compliance with key laws, regulations and critical procedures	Improved corporate image.
Safeguarding of information and protecting the organisation against cyberattacks	New software and programmes developed internally that can be commercialised.
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 in the previous pages 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).

PROBABILITY OF OCCURRENCE



Risk	Rating	Management mitigation strategy
<b>Extreme</b>	> 20	This risk must be shared, terminated or controlled
<b>High</b>	> 15 up to 19	This risk should be shared or controlled
<b>Moderate</b>	> 10 up to 14	This risk will typically be controlled (treated)
<b>Low</b>	> 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
<b>Insignificant</b>	Up to 5	Impact and probability is insignificant. This risk may be tolerated and cost of losses will be absorbed by the operating unit

# APPROACH TO ESG

## ESG POLICY STATEMENT

Master Drilling is dedicated to making a positive and constructive contribution to people and the environment in which it carries out its 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 ESG strategy framework will be 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.

We realise that water is a precious resource and is an important input for the mining and mineral industries' operations. Furthermore, it is primarily required for the health and well-being of our employees along with the communities in which mines operate. Therefore, 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 in which we operate;
- 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 carbon emissions;
- Using smart technologies to chart the extent of our carbon footprint and to identify methods to reduce carbon emissions;
- Utilising 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.**

## ENVIRONMENTAL



The energy the Company 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.

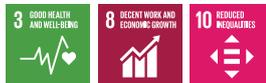
**Our sustainability goals are aligned to the United Nations Sustainable Development Goals (UN SDGs)**

- 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. Focus on behaviour-based systems and engineer out any risk
- Generate some of our global office energy requirements from renewable sources (solar)
- Reduce energy consumption at our operational sites
- Reduce water consumption at our operational sites and recycle water in cleaning processes
- Reduce oil consumption (filter and re-use) or recycle oil used in operations

## SOCIAL



The relationships the Company has and the reputation it fosters with people and institutions in the communities where we operate as well as 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
- 30% women in senior management and management positions
- Compliance with and support of the Social and Labour Plans (SLPs) of our clients
- Develop the communities in which we operate by making use of local labour and spending as far as possible – SLPs are in place for each community

## KEY ESG STRENGTHS

- Master Drilling has embarked on its ESG journey to actively manage ESG risks and stakeholders' expectations
- Master Drilling already considers some ESG components in Stragility, with 40% of the Stragility indicators being directly linked to ESG
- Some of the top 10 business risks can be linked to ESG-related risks
- Master Drilling has appropriate governance structures in relation to ESG matters
- The Board has established committees with clearly defined responsibilities
- Relevant policies have been developed to govern the way in which the business operates
- The business complies with King IV™ and the JSE Listings Requirements
- The General Manager/Chief Executive Officer of each individual operation has signed a performance agreement that is linked to the Stragility ambition
- The business publishes an Integrated Report which includes a section focusing on the ESG strategy
- Core material risks related to financial performance are monitored across the business (health and safety, employee retention)

## GOVERNANCE



The internal system of practices, controls and procedures adopted to govern the Company in order to 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 MANAGEMENT

Master Drilling's stakeholder management 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 are of the utmost importance to the sustainability of our business.

Our primary stakeholders are:

	Communities
	Clients
	Governments
	Employees
	The media
	Suppliers
	Investors

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.

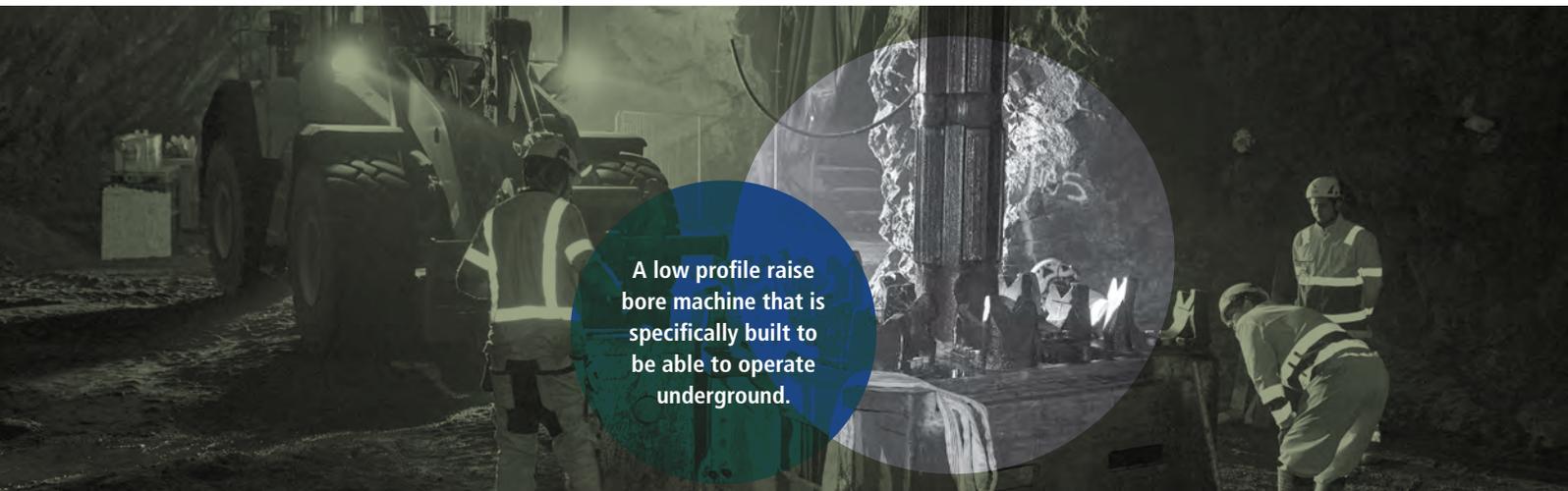
Our stakeholder management informs our key strategic decisions, business operations and objectives. We identify material matters through stakeholder management initiatives and continue to manage them throughout the process.

We take a holistic approach to stakeholder management and use various means such as:

- Annual General Meetings;
- Our website;
- Liaison with the media;
- One-on-one meetings;
- Forums;
- Employee and client surveys;
- Formal and informal discussions; and
- Various stakeholder presentations for communication.

We have a stakeholder management programme that ensures that all communication with stakeholders remains open and transparent.

Our key stakeholders and the management processes are outlined on pages 45 to 47. External consultants regularly provide formal investor and analyst feedback. Regular employee and client feedback is performed internally.



A low profile raise bore machine that is specifically built to be able to operate underground.



## COMMUNITIES

Locally affected communities and individuals and their formal and informal representatives as well as civic, non-governmental and religious organisations and other groups with special interests

Engagement	Impact on stakeholders and the Group	Matters raised
<p>We follow all guidelines provided by our clients to determine who the affected communities are and how we should engage.</p> <p>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.</p>	<p><b>Outward:</b> Through engagement, our operations could have an immediate and long-term positive impact on the socio-economic development and sustainability of communities and livelihoods.</p> <p><b>Inward:</b> Conflict with communities could delay or impede access to projects and operations, resulting in financial and other losses as well as reputational damage. Through engagement, the Company is seen as a responsible corporate citizen.</p>	<ul style="list-style-type: none"> <li>• Community investment through provision of jobs</li> <li>• Local procurement</li> <li>• Infrastructure development and benefit sharing</li> <li>• Socially responsible employer</li> <li>• Impact of restructuring and closures</li> <li>• Environmental and health impacts</li> </ul>



## CLIENTS

Engagement	Impact on stakeholders and the Group	Matters raised
<p>We ensure transparent interaction and clear communication. Senior management receives weekly feedback on the monitoring of all contracts.</p> <p>High levels of technology translate into a competitive advantage for our clients.</p> <p>We have a continuous client relationship management programme and key account management roles. Clients are given a 5-star ranking.</p> <p>Improved account management and active cost management for better contract management and contract execution is prioritised.</p>	<p><b>Outward:</b> We participate in client satisfaction surveys, facilitate communication with senior management and arrange formal site meetings. We attend the Mining Indaba and various trade shows, business development meetings and conferences.</p> <p><b>Inward:</b> We regularly have technical meetings and site visits to our facilities and operations.</p>	<ul style="list-style-type: none"> <li>• Safe operations</li> <li>• Compliance with clients' drilling plans and standards</li> <li>• Effective project management and reporting</li> <li>• Availability and reliability of rigs and equipment</li> <li>• Qualified and trained crew</li> <li>• Relationship building</li> </ul>



## GOVERNMENTS

Engagement	Impact on stakeholders and the Group	Matters raised
<p>We continually engage with governments in all the regions in which we operate. Substantial direct payments are made to governments including taxes and levies. We strive for transparency in all payments to governments.</p> <p>All payments are governed by Master Drilling's values and compliance policies, including its policy on anti-bribery and anti-corruption, and comply with any and all currently applicable laws. This is regulated by the whistle-blowing policy and the Audit and Risk Committees.</p>	<p><b>Outward:</b> The benefits for governments are job creation, taxes and investment. Master Drilling's benefits at a local level include opportunities for employment, skills development, local procurement and improved infrastructure.</p> <p><b>Inward:</b> Engagement is aimed at establishing regulatory certainty and compliance with the King IV™ principles to create an environment conducive to good business practice.</p>	<ul style="list-style-type: none"> <li>• Safety and environmental performance</li> <li>• Regulatory compliance</li> <li>• Taxes</li> <li>• Labour relations</li> <li>• Local development</li> <li>• Housing and living conditions</li> <li>• Wage negotiations and the industry's economic position</li> <li>• Safety, security and stability</li> <li>• Contributing to national priorities and related sector initiatives</li> </ul>

 <b>EMPLOYEES</b>		
<b>Their families and labour unions</b>		
Engagement	Impact on stakeholders and the Group	Matters raised
<p>Engagement with employees is a two-way form of communication and is critical to ensuring increased productivity, maintaining strategic focus and motivating them to give their best. Engagement is undertaken on a wide range of issues, many of which are specific to the local context.</p> <p>Areas highlighted include a firm belief in the Company's values while those requiring attention and possibly intervention were ethics, managerial effectiveness in developing trust, as well as senior leadership practices where employees would like to see greater consistency between what is said and what is done. Feedback on the survey results has been shared with employees and areas requiring improvement are being addressed.</p> <p>We comply with the local, legal and regulatory frameworks as well as with international codes, including those of the International Labour Organisation.</p>	<p><b>Outward:</b> 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. Unlawful industrial action may have negative consequences as the Company will not compromise on ensuring the safety of its employees and its assets.</p> <p><b>Inward:</b> Improved health and safety as well as increased employee engagement have 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.</p>	<ul style="list-style-type: none"> <li>• Employee safety and health</li> <li>• Accommodation and living conditions</li> <li>• Employee indebtedness</li> <li>• Job security</li> <li>• Attractive compensation and benefits packages</li> <li>• Career advancement</li> <li>• Training and development</li> <li>• Recognition and reward</li> <li>• Employee and family well-being</li> </ul>

 <b>THE MEDIA</b>		
Engagement	Impact on stakeholders and the Group	Matters raised
<p>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.</p>	<p><b>Outward:</b> Media engagements are crucial and can increase understanding of the Group and promote accurate reporting and constructive relationships.</p> <p><b>Inward:</b> Successful engagement will enhance the Group's reputation.</p>	<ul style="list-style-type: none"> <li>• Operational performance and business sustainability</li> <li>• Safety and health performance</li> <li>• Understanding Master Drilling's business</li> <li>• Active response to media queries</li> <li>• Integrity of all communications</li> <li>• Development of new technology</li> </ul>

 <b>SUPPLIERS</b>		
Business partners and business peers		
Engagement	Impact on stakeholders and the Group	Matters raised
<p>We seek collaborative and mutually beneficial relationships.</p>	<p><b>Outward and inward:</b> We strive to have stable, long-term and mutually beneficial relationships.</p> <p>We prioritise development and support local suppliers.</p> <p>We encourage improved sustainability and growth by partnering with key suppliers, business partners and business peers.</p>	<ul style="list-style-type: none"> <li>• Impact of restructuring and closures</li> <li>• Ongoing financial commitments</li> <li>• Modernisation and innovation</li> <li>• Local procurement</li> <li>• Timely co-ordination for purchase requests</li> <li>• On-time payment</li> <li>• Transparent and clear tendering practices</li> <li>• On-time deliveries</li> <li>• Relationship building</li> </ul>

 <b>INVESTORS</b>		
Financiers and potential investors (investment community)		
Engagement	Impact on stakeholders and the Group	Matters raised
<p>We communicate regularly with our shareholders, investors, potential investors and the providers of capital, in person and by email, at our half-yearly and annual results presentations/webcasts, conference calls, site visits, investor conferences and at one-on-one/virtual meetings. This also ensures compliance with the JSE requirements and King IV™.</p> <p>We engage through roadshows, results releases and Annual General Meetings.</p>	<p><b>Outward:</b> Engagement can have a positive effect on the valuation and credit rating of our Group and our access to cost-efficient capital.</p> <p><b>Inward:</b> 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.</p>	<ul style="list-style-type: none"> <li>• Operational performance and business sustainability</li> <li>• Financial performance</li> <li>• Safety performance</li> <li>• Regulatory issues</li> <li>• Shareholder returns</li> </ul>

## REPORTING AND MONITORING

### Audit

The Audit Committee, Risk Committee and Social, Ethics and Sustainability Committee will review the issues identified, as well as the final report, to determine appropriate actions to achieve objectives.

### Report

The material issues for reporting represented a balanced and comprehensive view of the critical areas of concern for the business and for stakeholders.

### Identify

This will ensure that we are aware of additional or emerging issues not identified which should be included.

# OUR PEOPLE

We believe that a motivated and engaged workforce creates a sustainable competitive advantage for our business and benefits society. We are committed to attracting, developing and retaining the best people, providing a safe working environment for them and creating a winning culture that embraces their diversity and celebrates their contribution.

We continuously drive and strive to embed our RAISE values to ultimately create and foster a culture where all employees can thrive and grow. It is imperative to improve our working environment to one where employees feel:

**1.**  
Respected

**2.**  
Accountable

**3.**  
Innovative

**4.**  
Safe

**5.**  
Efficient

## HUMAN CAPITAL STRATEGY

We have recently developed a human capital strategy, which is currently in the implementation phase. The focus areas are:

- To attract the best people; and
- To create a high-performance culture in which our employees are engaged, motivated and equipped to support the achievement of our Group strategy.

The core elements and objectives of our human capital strategy are:

- A positive and safe working environment that encourages a sense of well-being in our employees;
- Leadership development and creating strong teams;
- Growth opportunities that enable our employees to be leaders, and our leaders to grow and excel;
- Rewards for and recognition of outstanding performance and stewardship; and
- Succession planning by building a junior and middle management talent pipeline.

In addition, we continuously conduct employee engagement surveys across the Group to assess the levels of employee engagement. This enables us to develop a set of comprehensive actions and people practices, develop frameworks and ultimately deliver on our objectives.

## CREATING AN ETHICAL CULTURE

The Master Drilling Group's code of ethics is made available and explained to all employees as part of their induction. Our code of ethics provides employees with information about the

core principles of the Group, including legal compliance, ethical dealings, labour practices, human rights and gender and race diversity. We recognise the right of employees to freedom of association, organisation and collective bargaining. As part of the process of monitoring our ethics, we have an independent, anonymous whistle-blower hotline. This allows anyone to report illegal or unethical behaviour, including mismanagement, discrimination, harassment, vandalism, corruption, violence and theft. The whistle-blower hotline is available to both national and international callers. Hotline activities are reported to the Social, Ethics and Sustainability Committee, Audit Committee, Risk Committee and the Board.

As at 31 December 2022, Master Drilling Group, together with its joint ventures, employs a total of 2 892 employees. This headcount includes the incorporation of our joint venture, Hall Core (237) and A&R Group and related companies (436) personnel due to the acquisition of the businesses. There was a total increase in headcount movement of 668 (FY21: 2 224) from the corresponding previous period in 2021.

Key UN SDGs impacted by our people and activities:

	No poverty
	Zero hunger
	Good health and well-being
	Decent work and economic growth
	Reduced inequalities

## EMPLOYEES BY SKILL LEVEL

	Africa and India (including Hall Core and A&R Group)	Australia	Brazil	Chile	China	Europe	Central and North America	Peru	Mexico	Total
<b>Workforce as at 31 December 2022</b>										
Skilled	411	9	44	49	19	27	39	101	43	742
Semi-skilled	516	4	58	81	2	11	14	124	77	887
Unskilled	614	3	180	133	4	–	3	174	152	1 263
<b>Total</b>	<b>1 541</b>	<b>16</b>	<b>282</b>	<b>263</b>	<b>25</b>	<b>38</b>	<b>56</b>	<b>399</b>	<b>272</b>	<b>2 892</b>

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, Africa and India	7	6	6	6
Australia	N/A	3	N/A	11
Brazil	6.46	6.46	6.46	6.46
Chile	8.5	8.5	8.5	8.5
China	6	6	N/A	6
Europe	2.2	2.2	2.2	2.2
Central and North America	N/A	7	–	7
Peru	2	–	–	–
Mexico	9	–	–	–

The table above reflects inflationary increases for 2022. In instances of high-performing individuals, increases were given at inflation plus merit increases as per the Group's remuneration policy for recognition. Equity adjustments were also implemented to ensure employees are remunerated according to the "fair pay for fair work" principle. These equity adjustments were within the approved benchmark pay bands according to the Master Drilling Paterson grading. This will continue to be a focus area for 2023 and beyond which is key in attracting and retaining talent.

## UNIONISED EMPLOYEES

Entity	Number of unionised employees
South Africa, Africa and India	1 009
Australia	–
Brazil	–
Chile	143
China	13
Europe	30
Central and North America	–
Peru	109
Mexico	117

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

## DIVERSITY AND INCLUSION

We are committed to creating a diverse workforce. We are compliant with the provisions of the Employment Equity Act (Act 55 of 1998) in South Africa and implemented policies prohibit race, gender and all other forms of discrimination in the workplace.

We also comply with the provisions of the Broad-based Black Economic Empowerment Act as well as with the amended B-BBEE Codes of Good Practice. Our divisions operating in South Africa, namely Master Drilling Exploration Proprietary Limited and Master Drilling in South Africa, are being rated individually at Levels 1 and 3, respectively. Our permanent workforce comprises predominately previously disadvantaged employees, at 67% of total. At a middle and junior management level, previously disadvantaged employees comprised 29% and 43% of total positions, respectively. We have internal targets to increase diversity representation across all managerial levels.

Key managerial and specialist skills, such as engineering positions, are becoming increasingly difficult to fill, regardless of race, highlighting the increasing risk related to skills shortages in South Africa.

We are also committed to providing an accommodating work environment for people with disabilities. Eighty-seven of our employees are people with disabilities.

Gender diversity is also a key focus for us. Management has set internal targets to improve gender diversity in leadership positions over the next five years, and to improve female representation across all operations.

While women comprise only 16% of our total permanent staff complement, they hold 24% of managerial positions (junior management and higher).

## MINING QUALIFICATIONS AUTHORITY ACCREDITATION

The Master Drilling training centre received accreditation from the Mining Qualifications Authority in 2022.

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

## 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 continued its 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 (2023 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.



Employees from our Peruvian offices after relocation to their new offices.

# HEALTH AND SAFETY

**Master Drilling is committed to ensuring the health and safety of all employees. We seek to create a safe working environment which complies with all statutory requirements and 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. Our in-house-developed mobile incident and non-conformance management tool called the "SHEQ app" provides live data of the Group's leading and lagging indicators.

Our overall safety performance has improved compared to the previous year. We achieved an LTIFR of 0.83 for the year ended December 2022, compared to the LTIFR of 1.65 in December 2021. The improvements in health and safety were a result of key initiatives such as hands-free operations through automation and remote drilling, the implementation of designed special tools and focusing on risk identification and control.

We challenge the status quo of conventional mining techniques such as drill and blast by offering a one-stop mining solution to clients. Master Drilling decreases man-machine interaction thereby reducing the associated health and safety risks. During FY22, we further 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, and we have made a significant investment in A&R Group, a proximity detection company, which deals with safety.

The investment in A&R Group was centred on the direction the industry is taking, the emphasis on safety and the significant

impact and interruption when there is a section 54 stoppage or when a fatality occurs at a mine, resulting in the operation being shut down for a week and occasionally longer. A&R Group is one of the top providers of level 9 safety systems.

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

<b>1.</b>	<b>Hands-free</b> 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
<b>2.</b>	<b>Governance</b> Comprehensive compliance with the various standards relating to SHEQ
<b>3.</b>	<b>Risk assessment</b> Identifying and controlling all workplace hazards according to the hierarchy of controls
<b>4.</b>	<b>Incident investigation</b> Striving for 100% no repeats of any injury in the workplace through preventative and corrective actions

## INTEGRATED SHEQ MANAGEMENT SYSTEM

Master Drilling's integrated management system 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 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. As the data-driven decision-making initiative was expanded to address health, hygiene and quality, the overall data value

improved allowing for an improved approach to managing these SHEQ disciplines in 2023.

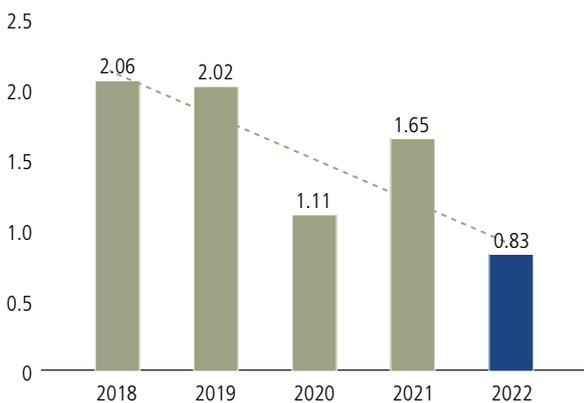
As Master Drilling is committed to continuous improvement of the organisation through a risk-based approach, key initiatives for 2023 include:

- Standardisation of SHEQ standards throughout the Group aligned with international best practice;
- Transitioning to an independent safety culture within the organisation;
- Combined assurance practices; and
- 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.

Lost-time injury frequency rate



## MASTER DRILLING'S SHEQ MANAGEMENT FRAMEWORK

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 system will be a key focus area for 2023.

### We strive for zero harm through:

- Leadership commitment;
- Effective SHEQ standards;
- Effective management systems;
- Systems risk management;
- Core competencies; and
- Consultation and participation.

Our objective for 2023 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 governments, regulators and policymakers, proven mechanisation processes should be adopted and promoted as an industry standard.

# OUR CONTRIBUTION TO SOCIETY

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.

Community engagement projects are implemented within remote, rural or agricultural-based communities where there are often challenging social conditions. We are cognisant of our responsibility 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 entails of employing disabled adults and allocating employees to the organisations

within the programme. During 2022, 26 disabled persons were employed by Master Drilling. The employees are provided with employment, the ability to generate 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 and 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 are 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

Master Drilling Social Services joins hands with local non-profit organisations (NPOs) 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, fundraising initiatives and ensuring basic needs.

considerations, such as B-BBEE initiatives, with a direct and hands-on physical and financial contribution.

Community empowerment and upliftment are influenced by social transformation and by empowering the disadvantaged to take the lead in their own development and actively participate in addressing their own challenges to bring sustainable positive change. Master Drilling Social Services strives to enhance the communities' capacity-building standing so that they become self-reliant and self-sufficient and develop ownership of their projects and programmes thereby sustaining their socio-economic and political growth.

### 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 provided 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 16 children in 2022 (2021: 12) with the average age being 12 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 children from newborn to 14 years in 2022. Master Drilling primarily assists in providing children with the necessary resources required to restore balance in their lives and empowering them with the necessary life skills that will enable them to improve their quality of life in the future.

Karabo Dineo Home for Children is sponsoring:

- A basic first aid kit;
- A medicine box;
- First aid training;
- Generic management training; and
- Empowerment with regard to fundraising.

### Additional Community Work Programmes

Master Drilling Social Services liaises with stakeholders in the community and participates in campaigns to create awareness and foster the development of our local communities. During 2022, Master Drilling Social Services celebrated Mandela Day by networking with the National Development Agency, the South African Police Service and the Department of Social Development to create a memorable day for approximately 60 elderly persons in Greenspark. Master Drilling Social Services also sponsored a project to paint classrooms for Retlile Primary School in Kokosi.

In May 2022, the Social Services Office linked with NG Welfare for a Child Protection Week Campaign at the Fochville Children's Court to spread awareness on child safety and children's rights. Nurses Day was also celebrated on 12 May 2022, reaching 65 nurses in our community.

### 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 in 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.

## 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. This programme ensures a workplace resource to access counselling, advice, personal empowerment opportunities, and support.

### Access to social services and social assistance

The Employee Assistance Programme holds various benefits including early recognition and prevention of problems. The programme fosters employee well-being bearing in mind that sustained optimal functioning of employees may lead to greater productivity and improved quality of life for employees and their families. The programme also encourages an organisational culture that is both task-oriented and caring. Clinical social work involves assessment, intervention by treating and preventing, and monitoring services. It also assists individuals to address psychological, emotional, behavioural, and social challenges that affect their quality of life. Clinical social work service delivery includes family preservation, social assistance, therapeutic services, mediation services, crisis intervention services and trauma de-briefing.

Activity	Total
Family preservation	35
Social assistance	24
Crisis intervention and trauma intervention	44
Mediation services	19
Socio-emotional support and therapeutic services	33
Financial and legal advice	16
Retrenchment support	6
HIV counselling and support programme	7
Soft skills coaching	13
<b>Total</b>	<b>197</b>

**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 target of 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 treatment, 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 number of people received clinical social work assistance during 2022. This includes all ages, races, genders and cultures in various communities across South Africa and Namibia.

#### HIV support programme

Master Drilling assists employees with HIV/Aids with financial aid in the form of a routine donation for doctor consultations and provisional medication. Master Drilling Social Services facilitates all processes such as the intake procedure, ensuring approval and linking employees with medical resources. The social workers also monitor employees and ensure support where needed.

## COMMUNITY DEVELOPMENT INITIATIVES

### Community development initiatives

Community development initiatives give us the opportunity to engage with stakeholders and community members and take collective action to generate solutions and transformative practices to address common problems.

**Our current initiatives include:**

#### Corporate sponsorship programme

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

Name of NPO	Description of contribution	Total spent 2022 ZAR
Huis Kompas	Monthly donation for salaries of personnel members	1 047 300
The Grace Foundation	Monthly donation for salaries of three personnel members	24 000
Wedela Primary School	Monthly donation for salaries of three student teachers	39 750
Losberg Primary School	Monthly donation for salaries of student teachers	44 000
Greenspark Primary School	Monthly donation for salaries of three student teachers	30 000
Karabo Dineo Home for Children	Monthly donation for salary of one personnel member	29 520
Greenspark Old Age Home	Monthly donation for salary of one personnel member	15 000
SAVF Reënboog Pre-primary School	Monthly donation for salary of one personnel member	25 000
Lethabo Centre for the Blind	Monthly donation to ensure rendering of services to the community	7 500
New Revelations Teen Club	Monthly donation to ensure rendering of services to the community	7 500

#### The differently-abled project

The "differently-abled" empowerment project aims to create empowerment opportunities for disabled persons in our communities and promote diversity in our workplaces. During the year, Master Drilling had 26 actively employed disabled adults and allocated the employees to the organisations within the programme. The employees are receiving the opportunity of employment and generating an income, and are exposed to a diverse workplace to gain practical work experience. All identified employees were enrolled in a Generic Management Course (NQF Level 4). The employees are monitored, supervised, and coached by the facility managers and social workers at Master Drilling Social Services.

#### Schools and educational empowerment

Master Drilling Social Services prioritises empowering professionals and community members employed at or volunteering within public benefit organisations with the necessary knowledge, skills and attitudes to ensure quality service delivery to communities and optimal personal and professional functioning of our local heroes. The following training programmes have been facilitated in the community:

Description of training	Number of beneficiaries
<b>Bounce back to balance: fostering resilience programme.</b> Focusing on information and skills to enhance self-regulation in classrooms and ensuring adequate self-care for teachers	30 teachers
<b>Count-down to connection training programme.</b> Focusing on practical measures to enhance connection in interpersonal relationships	42 teachers
<b>Visiting hours: effective facilitation and reporting on home visitations in communities.</b> Focusing on general safety, adequate reporting measures and monitoring activities to ensure effective home visits to clients	25 volunteer caregiver

Master Drilling Social Services also launches educational group work programmes with learners at school and reached 32 learners in the first semester.

## OUR CONTRIBUTION TO SOCIETY continued

### 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

#### Leave-A-Legacy Leadership Programme

Master Drilling Social Services strives to invest in the future leaders of our communities and annually presents a leadership programme to local schools, with a total of 63 beneficiaries. Leadership skills allow children to have control of their lives and provides them with the ability to make things happen. Leadership instils confidence, and helps children solve problems creatively, work in a team, and work collaboratively with others and gives children many opportunities to develop responsibility. With the opportunity to develop skills, our children's ability to turn into employable young adults is also strengthened.

### Educational and awareness programmes

Master Drilling Social Services aims to empower and educate our employees with the necessary skills and knowledge to ensure a positive work-life balance and ensure optimal personal and professional functioning. In December 2022, we celebrated World Aids Day and distributed information at Master Drilling sites on various men's health topics including HIV/Aids, STD's, TB, etc. Master Drilling Social Services uses registered healthcare workers to ensure that relevant and correct information is distributed, and to facilitate open discussions between male employees and male healthcare workers.

#### Apprentice programme

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

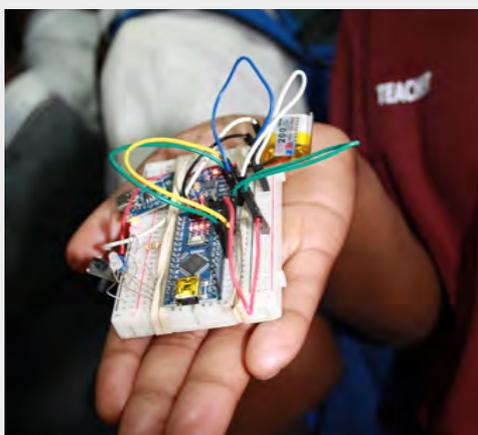
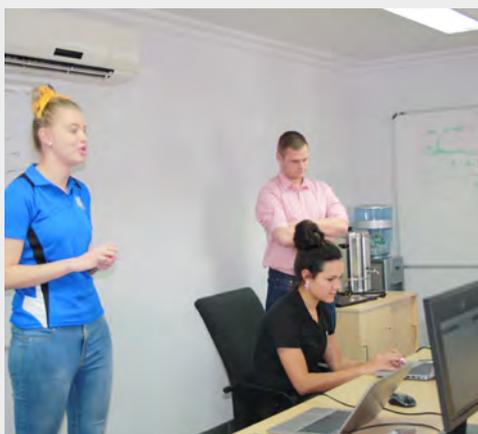
#### Local employability

The Group prioritises hiring workers from local communities in order to increase employability in the regions in which it operates. Focus is placed on new hires coming from local communities.

Social economic development projects	Description of contribution	Total spent 2022 ZAR
Wedela Primary Leadership Programme	Monthly donation with regards to customised shirts for prefects and implementation of a leadership programme	5 460
Retlile Primary Leadership Programme	Monthly donation with regards to customised shirts for prefects and implementation of a leadership programme	5 170
Mandela Day Project at Retlile Primary School	Once-off donation for repairs, maintenance, and improvements of classrooms	8 000
Sponsorship of robotics kits to Wedela Primary School	Donation of 10 Arduino UNO R3 basic starter kits for robotics and AI subjects	5 650
Rotara Casual Day 2022	Monthly donation to ensure rendering of services to the community	4 000
Sponsorship of uniforms to Greenspark United Reformed Church Youth Brigade	Monthly donation with regards to ensuring brigade uniforms for the annual Gauteng Regional Drill and Orchestra Competition	5 750
CANSA Shavathon	Monthly donation to ensure rendering of services to the community	10 000

## SCHOOL INNOVATION PROJECT: SPONSORSHIP OF ROBOTIC KITS TO WEDELA PRIMARY SCHOOL

Master Drilling strives for innovation and created an opportunity to ensure access to educational material (robotic kits) in classrooms to improve the quality of education. The top 10 learners of the school visited Master Drilling's headquarters and attended educational sessions presented by our employees.



## CSI ACTIVITIES OUTSIDE SOUTH AFRICA

### Employee and community engagement

#### Brazil

Master Drilling Brazil's social actions in 2022 were focused on reducing hardship caused by unemployment. 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)
Food basket donations for the disadvantaged	USD900	Jacobina – Bahia
Food basket donations for needy families during the Christmas period	USD4 000	Sabará – Minas Gerais
Christmas basket food donations for disadvantaged families	USD700	Jacobina – Bahia
Donation of Christmas toys for disadvantaged families	USD200	Jacobina – Bahia
Donation of Christmas toys for disadvantaged families	USD1 000	Sabará – Minas Gerais
Christmas donation for families living in unfavourable conditions	USD4 000	Sabará – Minas Gerais
Apprentices on the apprentice programme	USD4 300	Sabará – Minas Gerais

#### Mexico

Activity	Amount	Area (city)
Instituto para Capacidades Diferentes	USD500	Torreón – Coah

#### South Africa

##### Additional social spend for 2022

Activity	Amount	Area (city)
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 2022

Activity	Amount	Area (city)
Mandela Day		ZAR7 500 per year
Leadership Camps x 3	ZAR6 000	ZAR18 000 per year
School transitioning programme		ZAR5 000 per year
	<b>Total</b>	<b>ZAR172 500</b>

## 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 December)
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 December)

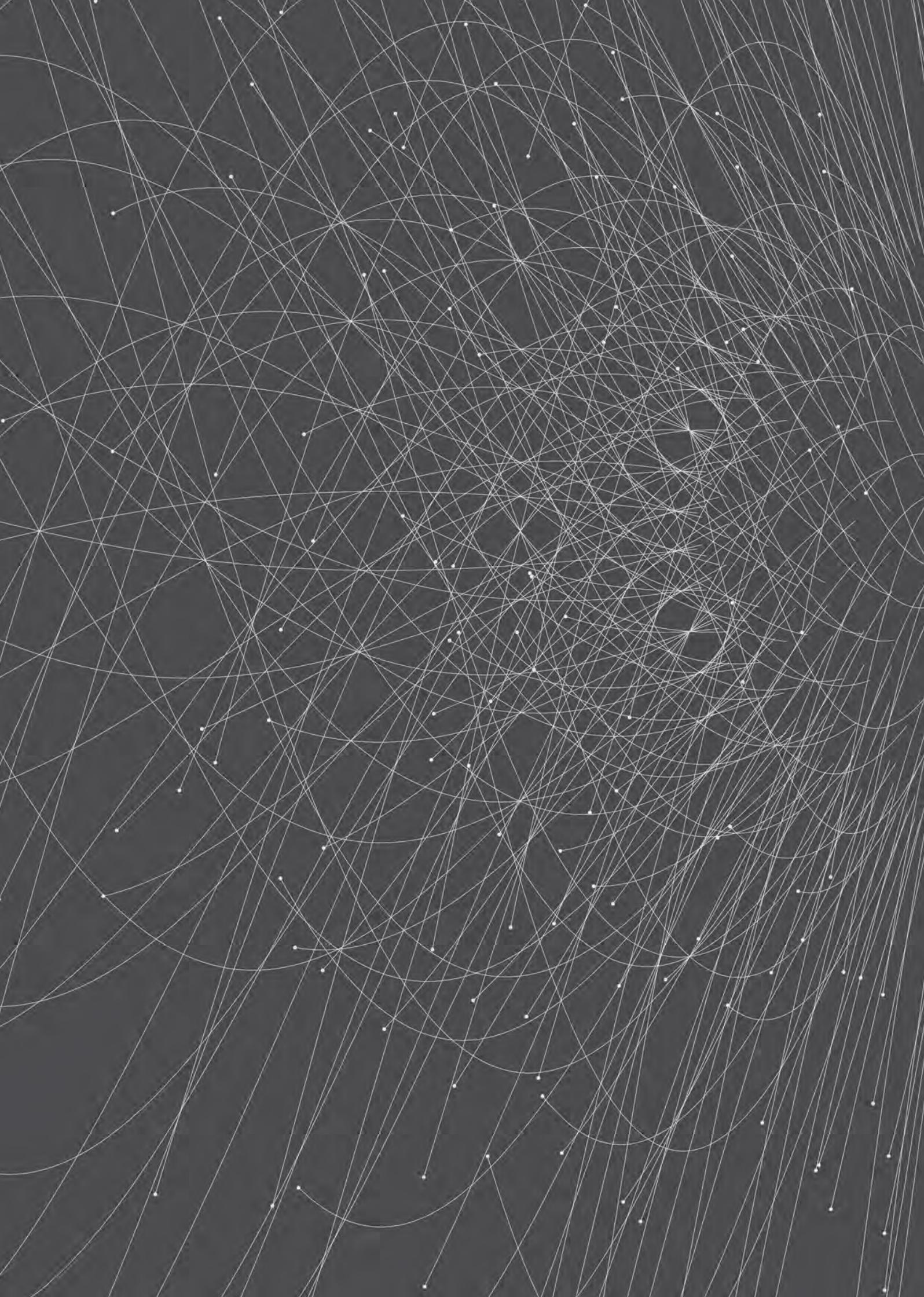
Master Drilling Social Services strives to ensure that our commitment to accept our social accountability in impacting our business and the communities we engage in, is sustainable and leads our society to greater heights. Our mission is ultimately to maximise positive impact and minimise negative impact by focusing on strengths and opportunities in our communities. Our holistic view on socio-economic betterment symbolises the recognition that prosperity is best achieved in an inclusive society, ensuring a ripple effect from the smallest rock as well as echoes from high mountains.

Master Drilling Social Services is committed to the well-being of Master Drilling employees, and impacting our local communities in an empowering manner, and will strive to respond effectively to our employees' needs and challenges, and social issues, to ultimately create opportunities for improved quality of life, positive change, and improved and sustainable outcomes. We believe in building people, because our people build our business and communities.



# 3. OUR PERFORMANCE

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# REVIEW OF FINANCIAL PERFORMANCE

This review should be read in conjunction with the condensed consolidated annual financial statements starting on page 104 Master Drilling's annual financial statements are available online at [www.masterdrilling.com](http://www.masterdrilling.com).



**ANDRÉ VAN DEVENTER**  
*Chief Financial Officer*

During the year, the Group has been able to leverage its relationships with clients and partners, as well as its international footprint, to grow the business. The importance of building sound relationships has provided us with the foundation to offer more turnkey solutions to our clients and has seen the business develop into a more holistic contractor.

## RESULTS OF OPERATIONS

Refer to the consolidated statement of profit or loss and other comprehensive income on page 106.

## REVENUE AND PROFITABILITY

Revenue increased 32% to USD226.4 million and operating profit grew 26% to USD35.1 million. These figures represent record results, achieved despite uncertain market and operating conditions experienced globally.

USD EPS increased 7.6% to 14.2 cents, and ZAR EPS increased 19,0% to 232,5 cents. USD HEPS increased 10.1% to 14.2 cents, and ZAR HEPS increased 21,9% to 232,5 cents.

## OPERATIONAL OVERVIEW

Globally, Master Drilling's operations experienced a profitable year, demonstrating the benefits of significant capex investment over the past 10 years.

### Response to risk

The Group has an extensive risk management programme, and this is made visible through a collaborative platform. Progress on the implementation of mitigation measures is tracked and significant business risk is escalated to the executive team and Board. A group of internal auditors provides assurance that actions are followed through and have the desired effect.

### South America

South America delivered a strong performance despite several political headwinds for miners in the region.

Brazil's performance for the year was satisfactory. We commenced a flagship shaft project that will keep one XXL machine busy for most of 2023.

Chile had its best performing year of the past several years. Contracts with Codelco performed well and we have seen high levels of utilisation during the year.

The Master Drilling Besalco Consortium is performing well with a record year of production. We expect to expand the consortium and obtain more contracts from Codelco and other miners in the region. We are developing a new-generation blind hole machine to be deployed in Chile during the next year. These machines are technologically superior to those available through other companies and we believe they will have a major impact on the market.

In Peru, we were awarded several new contracts in 2022. This is a result of very good operational performance over the past few years. We have seen strong growth from Peru together with better profitability.

### Central and North America

The market for raise boring and exploration drilling activities in North America was buoyant in 2022. Our management team there is already working on tenders for the current year as well as long-term drilling contracts.

Mexico had a fair performance in 2022. For the first time ever, we were able to enter into one of the biggest mining groups in Mexico.

### Africa

Africa remains the key area for the Group, and we are aggressively pursuing further opportunities in this market. Master Drilling will continue to support its loyal domestic clients although growth will likely remain subdued.

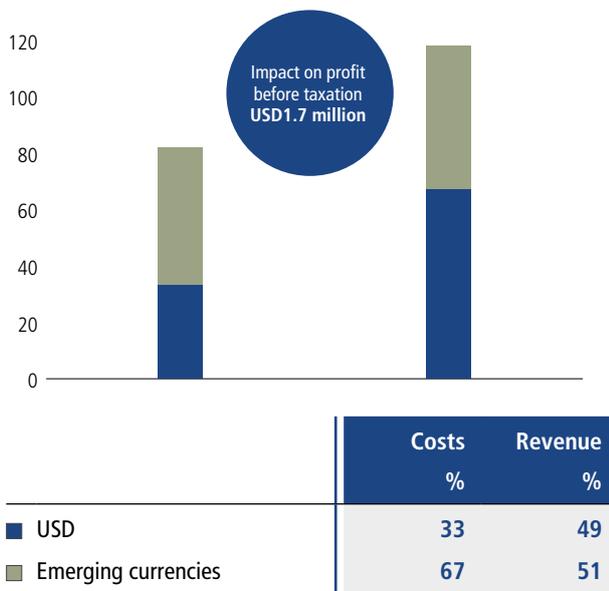
### India

The Indian operations are performing well, in line with expectations. We will continue to seek additional projects within India and the surrounding areas.

### Other regions

Master Drilling is growing its presence in Australia and Central Asia, with a focus on consolidation in the marketplace and organic growth.

#### 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. Given our mining clients' challenges, we have identified three technology focus areas in order to develop a growth strategy and diversify the business: shaft sinking, tunnelling and non-explosive mining.

In order to spread our risk and lighten funding requirements, we (Master Sinkers) partnered with the Industrial Development Corporation with a view to pursuing a promising business case. During 2022, Master Sinkers continued to design, manufacture and assemble the SBS. Master Sinkers is currently engaging with the market to seek the best possible project to implement the technology in a phased approach. It is envisaged that the shaft boring machine will be commissioned H2 2023 during the test sink of a 50m deep shaft in South African hard rock. We are positioning ourselves as a specialised mining contractor, as opposed to a mainstream one.

During 2022, the application of the MTB for the construction of the Sandsloot exploration decline at Mogalakwena mine for Anglo American progressed well and KPIs were met. It is planned to complete the turnkey scope during 2023. The technology looks very promising, while a steep learning curve is being experienced with associated mining-specific interactions. A second-generation MTB design is progressing well and will be completed and considered for further development during 2023.

From our experience gained, it has become evident that alternative non-explosive tunnelling technologies would be required for specific tunnelling application needs not addressed by the MTB, and that will be considered in future for further development.

#### Average revenue per operating rig (ARPOR) summary per annum

	2022 USD	2021 USD	2020 USD
<b>Total raise bore rigs</b>	<b>140</b>	150	145
Utilisation (%)	<b>77</b>	70	60
Fleet mix ARPOR (USD)	<b>133 193</b>	120 111	105 715
<b>&gt;Large raise bore rigs</b>	<b>87</b>	90	86
Utilisation (%)	<b>89</b>	82	69
ARPOR (USD)	<b>154 509</b>	136 586	119 191
<b>&lt;Large raise bore rigs</b>	<b>53</b>	60	59
Utilisation (%)	<b>55</b>	50	45
ARPOR (USD)	<b>84 674</b>	81 150	75 657
<b>Total slim rigs</b>	<b>61</b>	58	58
Utilisation (%)	<b>82</b>	55	48
ARPOR (USD)	<b>49 645</b>	31 493	30 237

### TAXATION

There were no changes in normal tax rates within the Group during 2022 except for the deferred taxation rate change effective from 31 March 2023 specifically related to the South African entities. Deferred taxation assets, where possible, 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

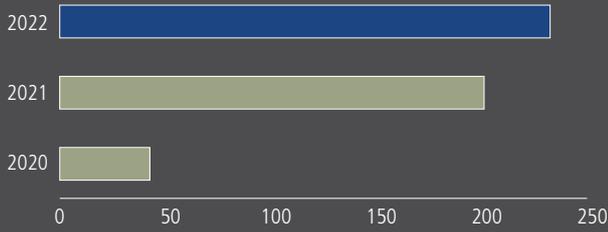
Refer to the consolidated statement of financial position on pages 104 and 105.

### CAPITAL SPEND

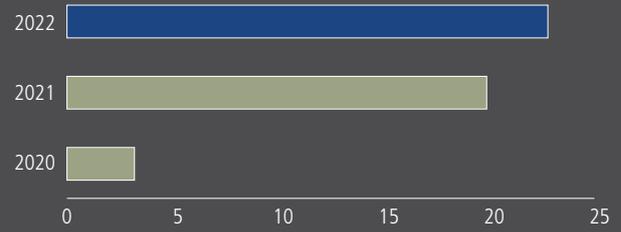
Master Drilling's total capital spend of USD24.4 million was applied as follows: 63% on expansion and 37% on sustaining the existing fleet.

Debt increased from USD32.1 million to USD46.1 million and the gearing ratio, including cash, increased from 5.8% to 7.8% in the 2022 fiscal year.

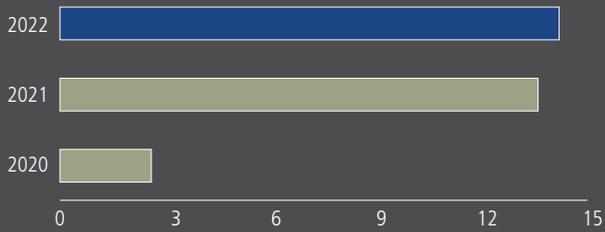
Headline earnings per share (ZAR cents)



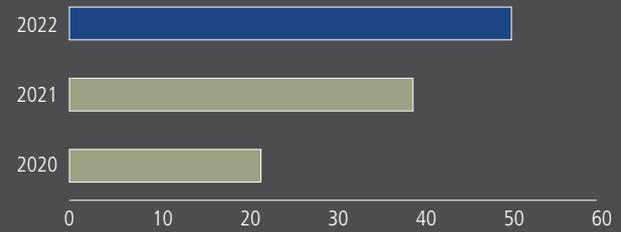
Profit after tax (USD million)



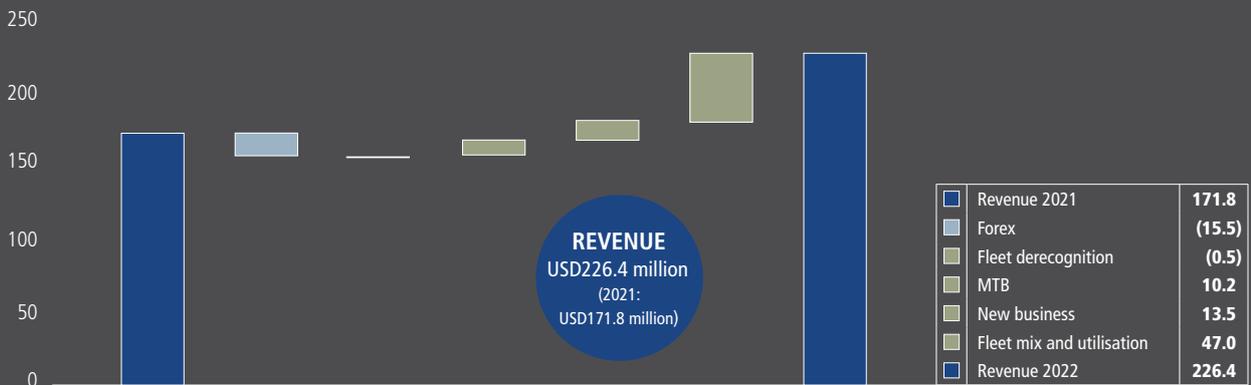
Headline earnings per share (USD cents)



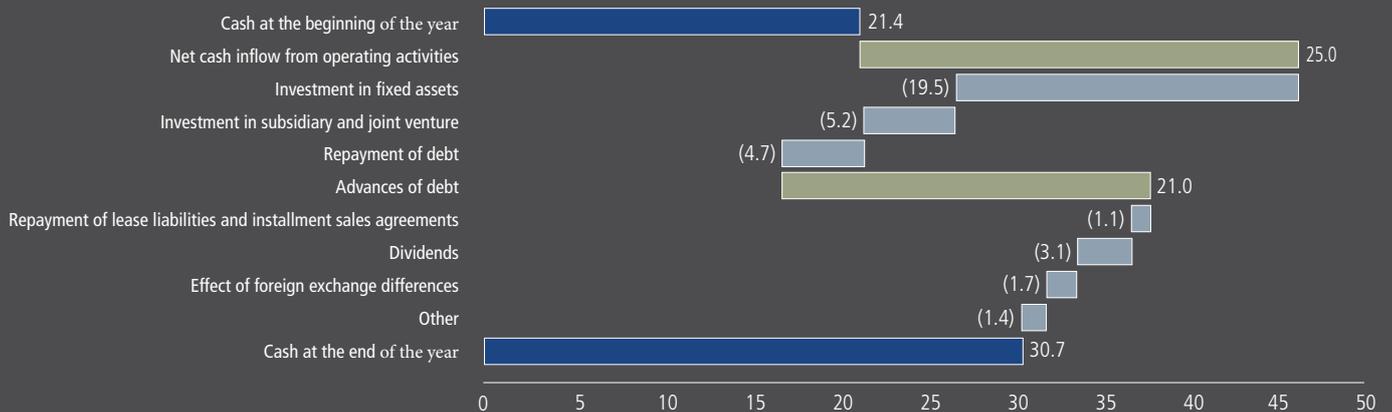
EBITDA (USD million)



Revenue waterfall (USD million)



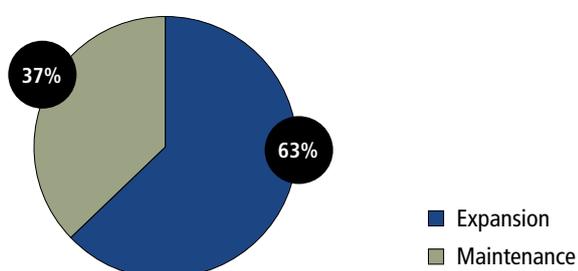
Cash flow waterfall (USD million)



### Capital spend breakdown

	2022 %
Plant and machinery	81
Software licence agreements	9
Land and buildings	5
Motor vehicles	4
IT equipment	1

### Capital spend for FY22



### CASH GENERATION

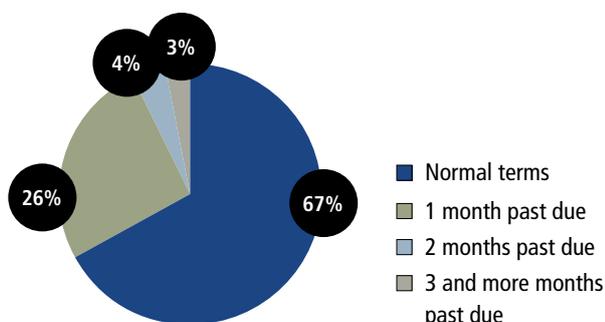
Refer to the consolidated statement of cash flows on page 107.

Net cash generated from operations amounted to USD25.0 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	2022	2021	Movement
Inventory	46.5	33.6	12.9
Trade and other receivables	79.4	54.5	24.9
Trade and other payables	57.3	35.5	21.8

### Trade receivable ageing



### DIVIDEND

Since listing in 2012, the Company has delivered on its key strategic objectives, as set out in its listing prospectus. This, coupled with significant ongoing cash generation, now enables the Company to strike a balance between continued investment in capital projects to support the Company's further growth and enhancing returns to shareholders through the payment of appropriate dividends. Thus, in respect of the financial year ended 31 December 2022, the Board, on 27 March 2023, declared a gross dividend of ZAR47,5 cents per share payable to shareholders recorded in the Company's share register on 19 May 2023. This dividend represents 5 times earnings cover which is in line with the desired level indicated in its listing prospectus of a 4 to 5 times earnings cover.

A dividend of 32,5 cents per share in ZAR terms relating to FY21 was declared and paid during June 2022. Any dividend unclaimed after a period of three years from the date on which the same has been declared to be payable shall be forfeited and revert to the Company.

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

### OUTLOOK AND PROSPECTS

Despite the global uncertainty, we are confident that Master Drilling will perform well because of its long-term contracts, diversified footprint, proactive capital management and service orientation. The fleet utilisation is now moving towards the required benchmark of 75%. Capital management remains a top priority. 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 pipeline as at 31 December 2022 totalled USD567.9 million, while the committed order book totalled USD265.4 million for 2023 and beyond. In the short to medium term, the sales pipeline is expected to stabilise and increase with further tactical acquisitions and joint ventures supporting performance.

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

26 April 2023

# OPERATIONAL PERFORMANCE



Performance within the region has improved, largely due to less COVID-19-related disruptions. This is reflective in all the respective regions, being Brazil, Chile, Mexico and Peru. We have seen mining companies rethink their capital spend, thus prioritising important projects that we have been fortunate enough to be involved with, particularly on the raise boring side.

We partnered with a new client, a newly established mining company in Brazil, for their shaft deepening project in 2022. In Chile, our Master Drilling Besalco Consortium services the Codelco's Chuquicamata mine in the north of Chile. Our contract has been extended by USD15 million and we have mobilised

additional equipment for the project. Our performance has been exceptional on the project and we have received positive feedback from the client.

Codelco has proven resilient during and post COVID-19 and has ensured we maintained consistent growth over the past three years.

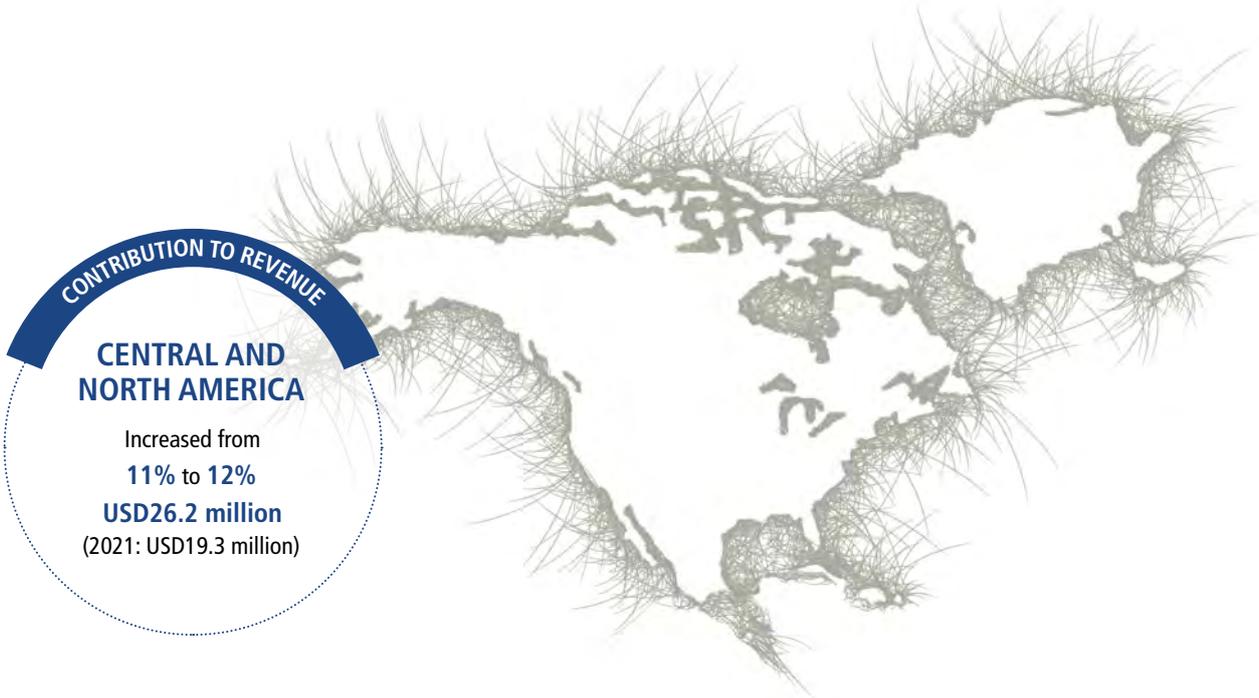
There is an emerging trend on the political side in South America with increased negative sentiment towards international companies operating in the region. However, we have been operating in the region for more than 25 years and have an established presence which we believe presents an opportunity for us as many international companies may avoid the region in the present climate.

The world is moving to a more nationalistic viewpoint and this will make it difficult for international companies to operate locally. This is part of the reason why, in all our operations, our employees and managers are locals from the region. We believe having such a strong base puts us in a good position to optimally continue with operations.

We are seeing a lot of social instability such as strikes and activism and this poses an ever-increasing risk. In the future, it could become more difficult for international miners to invest and obtain mining licences in these regions.

Operations in Peru performed strongly with the management team in place for the past two years. The Company is moving into a new chapter and will be looking at specific investment opportunities in the region for other types of drilling or mining-related services. We therefore expect to see a fair amount of growth in the region.

In the neighbouring countries such as Colombia and Ecuador, a number of mining companies have approached us to work on some capital projects, and in terms of the feasibility, we expect some work to come from these regions.

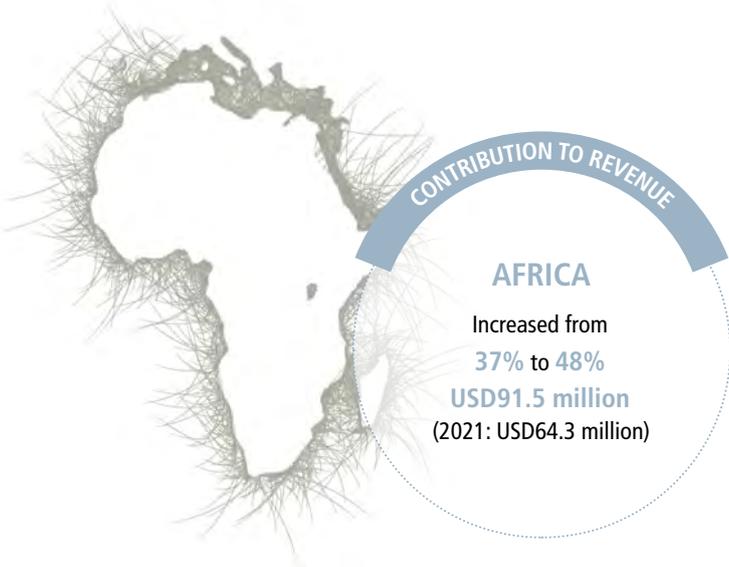


Although we did not have any operations in the USA during the year, there are a number of tenders in the works. The Saudi Arabia contract, however, was operated out of the USA region's operations. The project has gone well and we look set to obtain an additional contract to conduct more work in the area.

Master Drilling had a very good year in Canada. We opened a radium mine and were awarded an additional contract which has been extended. The main challenge within the region has been the retention of people and skills. Nonetheless, our retention rates

have improved in the last quarter. We received our first drilling contract and the project was completed in January 2023. We have quite a few tenders in the works, some including blind hole drilling and exploration. We are looking to double our revenue in 2023 and are considering a few mergers and acquisitions to facilitate expansion.

The Group is looking into various services and technologies around the world to expand our service offerings across the Group.



In West Africa, we performed well this year and are currently working on several contracts. We have started operating in one of the mines and aim to potentially run their drilling fleet.

In Mali, we have a project with three rigs running. There is also an opportunity for us to do slot drilling using our equipment.

We are also working on putting together service level agreements with the mining houses which will make it easier to negotiate with the respective mining house when tenders come out.

In all the areas, we have had stellar performances when it comes to safety and have injury frequency rates of zero.



### Scandinavia

Master Drilling Europe has stabilised well during 2022 and showed decent returns. The flagship TELT project in Europe has finally started and we are performing on schedule. This project is key to providing ventilation through four 500m shafts to the high-speed train between France and Italy. We are expanding our business in Iberia with additional equipment mobilised to the region. Our shaft construction projects in Stockholm are performing well and we will continue investing in similar projects. We see great opportunities in the region in the years to come.

### India

The Indian operations are performing well, in line with expectations. We will continue to seek additional projects within India and the surrounding areas.

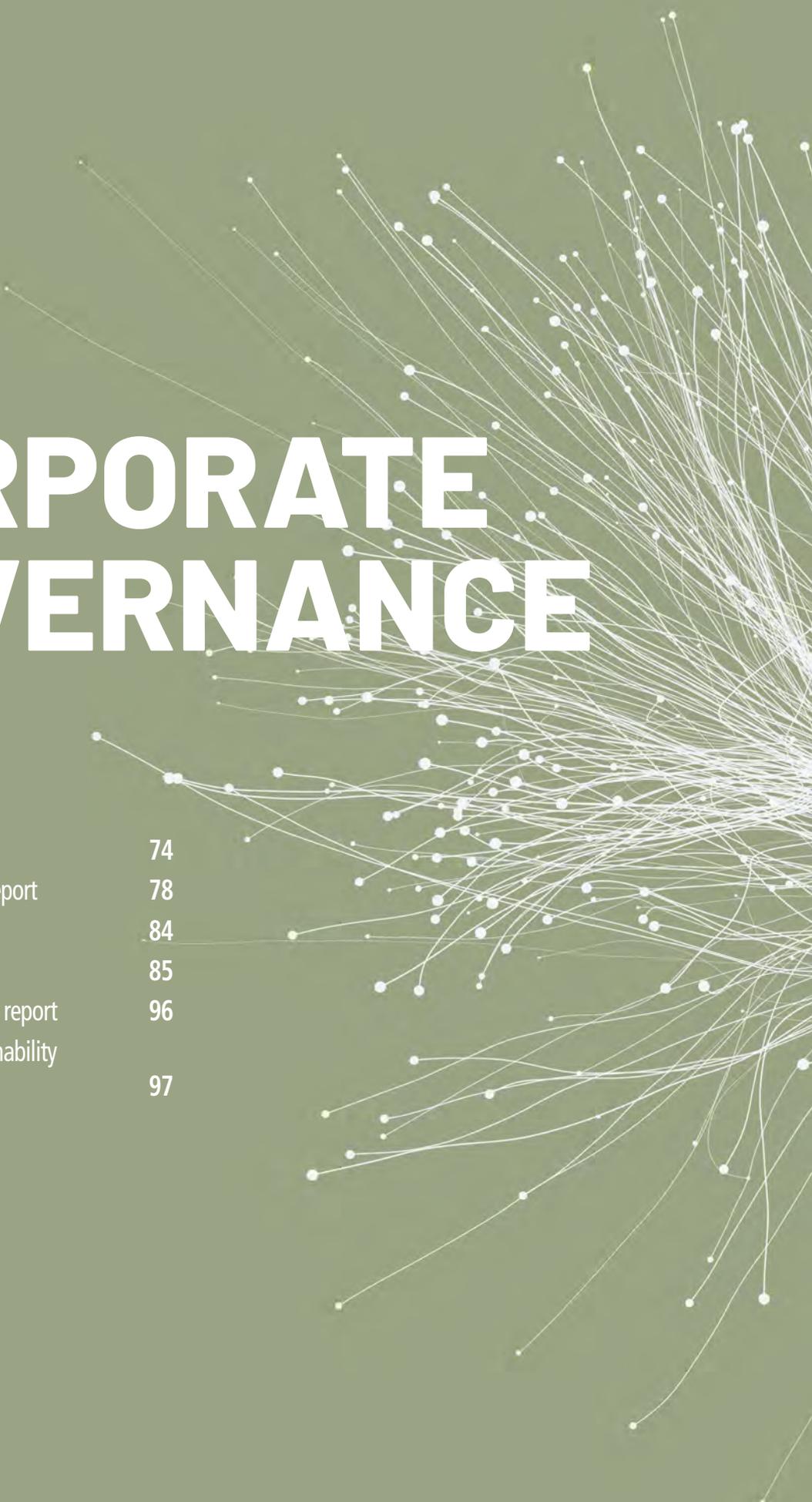
### Other regions

Master Drilling is growing its presence in Australia and Central Asia, with a focus on consolidation in the marketplace and organic growth.

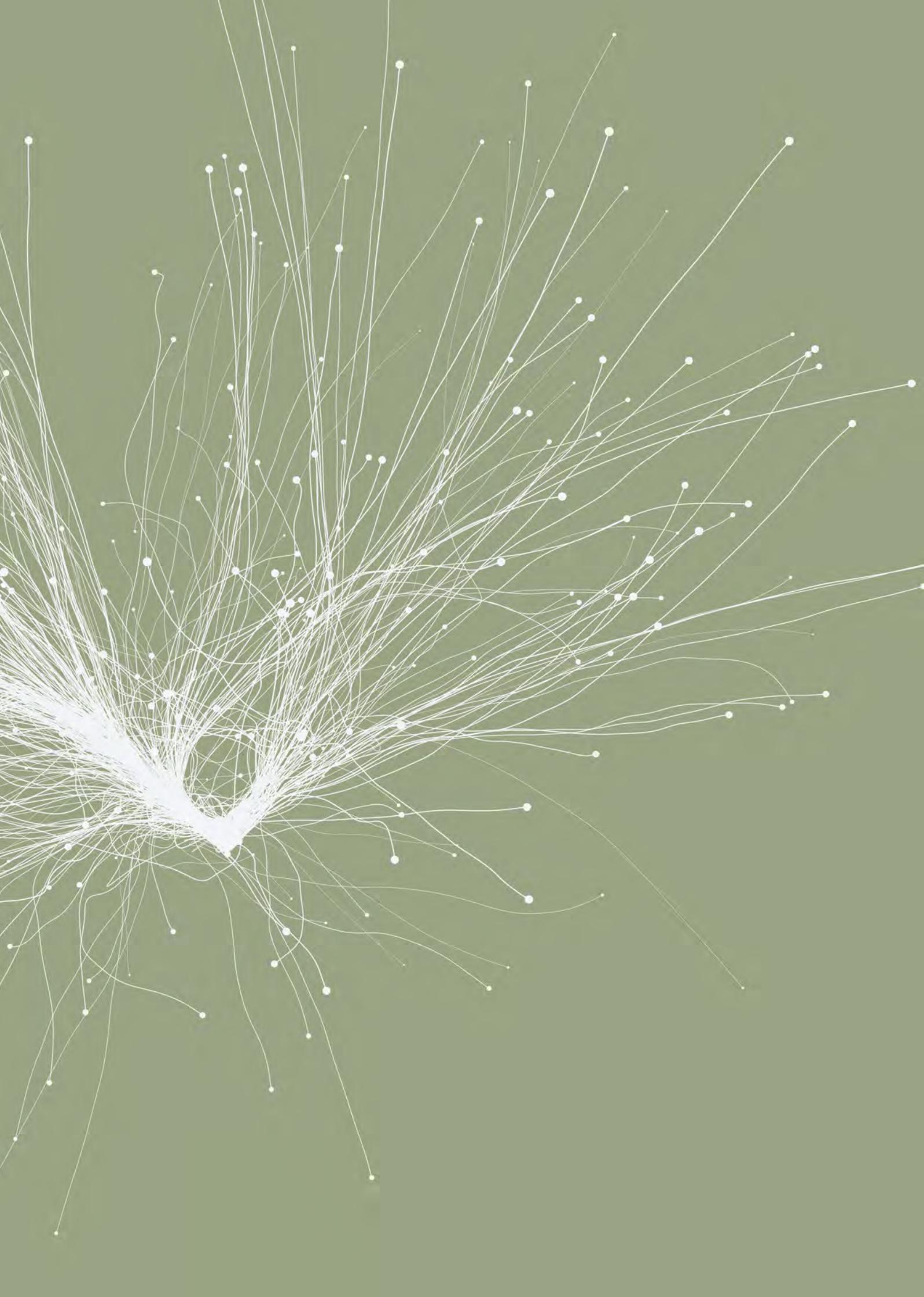
Growth in Australia was promising for the year. We were fortunate to work for some of the largest mining houses in the country. We continue to actively market our offering for additional projects in this region.

We are staying close to emerging mining countries and are confident of further geographical growth in 2023.

# 4. CORPORATE GOVERNANCE



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# OUR BOARD

## NON-EXECUTIVE DIRECTORS



### HENNIE VAN DER MERWE (75)

*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 and Abagold Limited

**Committees**



### ANDRIES BRINK (65)

*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**



### AKHTER DESHMUKH (61)

*Independent Non-executive*  
BCom, MBL

Appointed: November 2012

**Positions held elsewhere**

Director and Chief Financial Officer of Lephatsi Investments Proprietary Limited

**Committees**





**HENDRIK FAUL (60)**

*Independent Non-executive  
BEng (Mining), AMP*

Appointed: June 2020

**Positions held elsewhere**

Director of London Stock Exchange-listed: Centamin PLC, Amara Mining PLC, Palabora Mining Company, International Copper Association, Anglo American PLC (Santiago, Chile), AA Sur S.A Quellaveco S.A Peru and Compañía Minera Doña Inés de Collahuasi Chile

**Committees**



**SHANE FERGUSON (59)**

*Non-executive  
BCom, LLB*

Appointed: September 2012

**Position held elsewhere**

Director of ST Ferguson Proprietary Limited

**Committees**



**MAMOKETE RAMATHE (44)**

*Independent Non-executive  
BCom (Wits), MDevF (Stellenbosch Business School), Masters of Arts in Leading Innovation and Change (MA) (York St John University, UK)*

Appointed: July 2021

**Positions held elsewhere**

Founder and Chief Executive Officer of Mamor Capital. Director of Bell Equipment Limited (JSE-listed)

**Committees**



Full details on each director can be found on the website at [www.masterdrilling.com](http://www.masterdrilling.com)

EXECUTIVE DIRECTORS

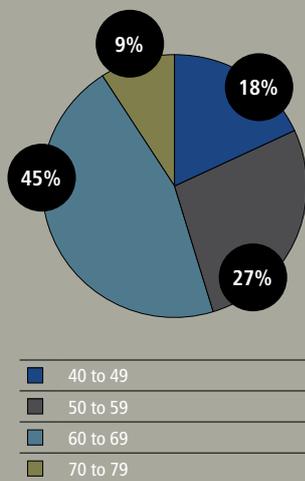


**DANIE PRETORIUS (65)**  
*Chief Executive Officer*  
*Government Engineers' Certificate of Competency*  
 Appointed: July 2012  
 Founded Master Drilling in 1986.

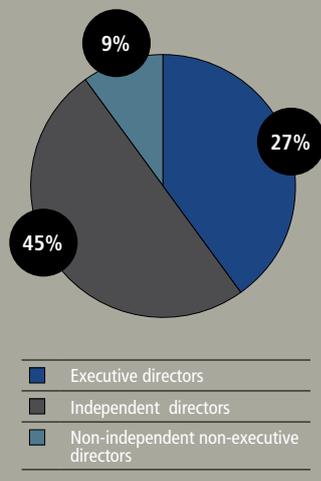
**ANDRÉ VAN DEVENTER (53)**  
*Chief Financial Officer*  
*CA(SA)*  
 Appointed: July 2012  
 Joined Master Drilling in 2001.

**KOOS JORDAAN (48)**  
*Executive Director*  
*BEng, MBA, BS in International Technology Management*  
 Appointed: July 2012  
 Joined Master Drilling in 2001.

AGE DIVERSITY



BOARD COMPOSITION



ALTERNATE DIRECTOR TO DANIE PRETORIUS

ALTERNATE DIRECTOR TO KOOS JORDAAN



**GARY SHEPPARD (53)**

*Chief Operating Officer – Americas*  
BSc Eng, MBA

Appointed: November 2012

Joined Master Drilling in 1999.

**EDDIE DIXON (60)**

*Chief Operating Officer – Master Drilling Exploration*

MDip (Civil Eng), MBA

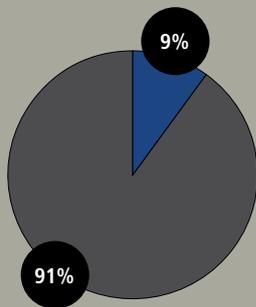
Appointed: June 2021

**Committees**



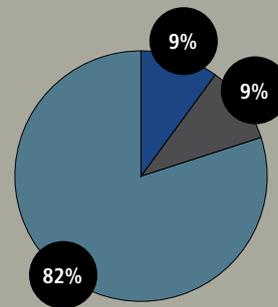
Full details on each director can be found on the website at [www.masterdrilling.com](http://www.masterdrilling.com)

GENDER DIVERSITY



- Female
- Male

RACE DIVERSITY



- African
- Indian
- White



# CORPORATE 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, intellectual, human, social and relationship and natural) 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.

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

**Board**

Hennie van der Merwe  
*Independent Chairman*

Danie Pretorius  
*Chief Executive Officer*

André van Deventer  
*Chief Financial Officer*

Andries Brink  
*Lead Independent*

Akhter Deshmukh  
*Independent non-executive*

Hendrik Faul  
*Independent non-executive*

Shane Ferguson  
*Non-independent non-executive*

Mamokete Ramathe  
*Independent non-executive*

Koos Jordaan  
*Executive Director*

Gary Sheppard  
*Alternate to Danie Pretorius*

Eddie Dixon  
*Alternate to Koos Jordaan*

**Corporate Governance Committee**

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

**Risk Committee**

Refer to page 84 for the full report.

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

**Remuneration Committee**

Refer to page 85 for the full report.

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

**Nominations Committee**

Refer to page 96 for the full report.

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

**Audit Committee**

Refer to page 101 for the full report.

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

**Social, Ethics and Sustainability Committee**

Refer to page 97 for the full report.

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

## THE BOARD

### Composition of the Board

The Master Drilling Board is a unitary board comprising nine directors – five independent non-executive directors, one non-executive director and three 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 assumes responsibility for the evaluation of its own performance and that of its committees, its Chairman and its individual members by determining how such evaluation should be approached and conducted.

The Board performs a formal internal self-evaluation process of its own effectiveness, that of the respective Board committees, the Board Chairman and its individual members each alternate year.

During November 2022 the Board considered the results from such recently conducted performance assessments. The results indicated that the Board, the Board committees and the Board Chairman satisfactorily execute their respective duties and discharge their responsibilities and functions well.

The Board is satisfied that this evaluation process enhances performance and effectiveness

### 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 Chief Executive Officer 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 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.

Gary Sheppard is alternate director to Danie Pretorius. Eddie Dixon (alternate director to Koos Jordaan), 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 independent external advisors 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](http://www.masterdrilling.com).

## Investment Committee

This is an informal committee comprising Board members, the Chief Executive Officer, Chief Financial Officer and Chief Strategic 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 and to ensure that no member of the Board has unfettered powers of decision-making. 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 2022	1	–	–	–	–	–	1	7	1	8
Board representation – December 2021	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](http://www.masterdrilling.com).

## 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	Yes	18 Mar 13 Jun 25 Aug 22 Nov	14 Mar 2 Jun 15 Aug 17 Nov	14 Mar 2 Jun 15 Aug 17 Nov	N/A	N/A	18 Mar 22 Nov	18 Mar 22 Nov
Danie Pretorius	Yes	18 Mar 13 Jun 25 Aug 22 Nov	N/A	14 Mar 2 Jun 15 Aug 17 Nov	N/A	3 Mar 26 May 22 Aug 10 Nov	18 Mar 22 Nov	18 Mar 22 Nov
André van Deventer	Yes	18 Mar 13 Jun 25 Aug 22 Nov	14 Mar 16 Mar (special) 2 Jun 15 Aug 17 Nov	14 Mar 2 Jun 15 Aug 17 Nov	3 Mar 6 Jun 11 Aug 10 Nov	3 Mar 26 May 22 Aug 10 Nov	18 Mar 22 Nov	18 Mar 22 Nov
Andries Brink	Yes	18 Mar 13 Jun 25 Aug 22 Nov	14 Mar 16 Mar (special) 2 Jun 15 Aug 17 Nov	14 Mar 2 Jun 15 Aug 17 Nov	N/A	3 Mar 26 May 22 Aug 10 Nov	18 Mar 22 Nov	N/A
Akhter Deshmukh	Yes	18 Mar 13 Jun 25 Aug 22 Nov	14 Mar 16 Mar (special) 2 Jun 15 Aug 17 Nov	N/A	3 Mar 6 Jun 11 Aug 10 Nov	3 Mar 26 May 22 Aug 10 Nov	N/A	18 Mar 22 Nov
Hendrik Faul	Yes	18 Mar 13 Jun 25 Aug 22 Nov	N/A	14 Mar 2 Jun 15 Aug 17 Nov	3 Mar 11 Aug 10 Nov	N/A	N/A	N/A
Shane Ferguson	No	18 Mar 13 Jun 25 Aug 22 Nov	14 Mar 16 Mar (special) 2 Jun 15 Aug 17 Nov	2 Jun 15 Aug 17 Nov	3 Mar 6 Jun	3 Mar 26 May 22 Aug 10 Nov	18 Mar 22 Nov	18 Mar 22 Nov
Mamokete Ramathe	Yes	18 Mar 13 Jun 25 Aug 22 Nov	14 Mar 16 Mar (special) 2 Jun 15 Aug 17 Nov	N/A	3 Mar 6 Jun 11 Aug 10 Nov	N/A	N/A	N/A
Koos Jordaan	Yes	18 Mar 13 Jun 25 Aug 22 Nov	N/A	14 Mar 2 Jun 15 Aug 17 Nov	N/A	N/A	N/A	N/A
Gary Sheppard	Yes	18 Mar 13 Jun 22 Nov	N/A	14 Mar 2 Jun 15 Aug 17 Nov	N/A	N/A	N/A	N/A
Eddie Dixon	Yes	18 Mar 13 Jun 25 Aug 22 Nov	N/A	14 Mar 15 Aug 17 Nov	3 Mar 6 Jun 11 Aug 10 Nov	N/A	N/A	N/A

## Technology and information governance

IT is a critical element for our business in ensuring sustainable growth and is encompassed by our strategic pillar, disruptive technology and innovation. 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 Chief Financial Officer. This committee, through the Chief Financial Officer and IT project manager, 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 chip (tracking devices).

We have multi-factor authentication in place for all our users, preventing any username and password from 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 various regulations, codes and statutes, as required. 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.

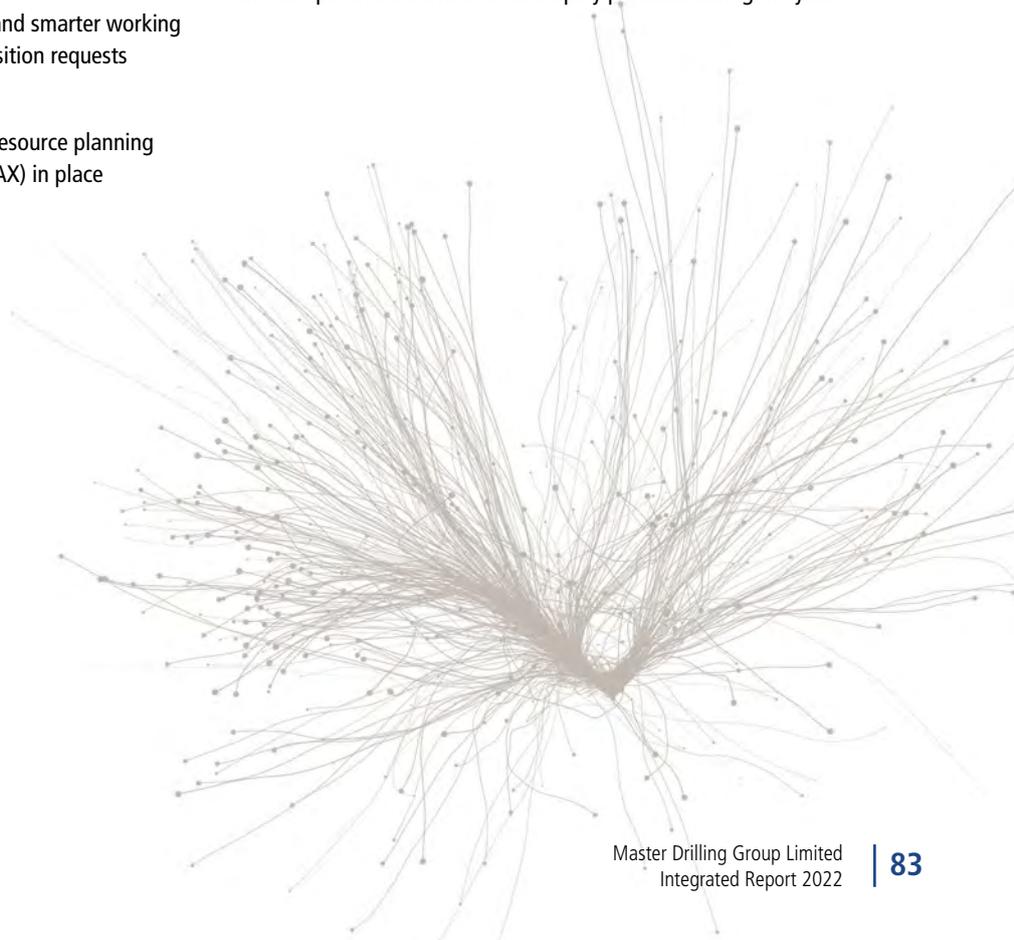
All Board committee charters have been approved and a Corporate Governance Committee has been established. We are currently compiling a regulations register which will assist in our compliance matrix.

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

Master Drilling Group 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 Group having been party to anti-competitive behaviour or monopoly practices during the year.



# RISK COMMITTEE REPORT

As its sole and exclusive function, the Risk Committee is responsible 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 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:

- Expanded on reviews and assurance based on the information received from Stragility; and
- Monitored the Group's risk appetite and tolerance levels.

In FY23, the committee intends to:

- Oversee the execution of the Group's enterprise risk management plan;
- Focus on the Group's opportunities that derive from managing risks well; and
- Build capacity around the in-house risk and assurance function.

Attendance at committee meetings is set out on page 82.

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

Refer to pages 36 to 41 which deal with risk management and material risks.



**Andries Brink**  
*Chairman of the Risk Committee*

26 April 2023

# REMUNERATION REPORT

Dear stakeholder,

On behalf of the Remuneration Committee (Remco), I present the FY22 remuneration report.

The Master Drilling Group Board is responsible for the Group's remuneration policy and is assisted by the Master Drilling Group Remco. The committee operates within the provisions of the Remco policies and with authority granted to it by the Board. The Board therefore oversees the implementation and execution of the remuneration policy through the committee, which comprises three members; two independent non-executive directors and one non-executive director. The Group Chief Executive Officer, Group Chief Financial Officer as well as the Group Human Capital Officer attend the committee meetings by invitation. In terms of the recommendations of King IV™, Board committees should have cross-membership to ensure a balanced distribution of power and to enhance effective collaboration. In line with these recommendations, Akhter Deshmukh, the Chairman of the committee, is also a member of the Audit, Risk and Social, Ethics and Sustainability Committees. The committee meets formally each quarter to fulfil its mandate. The committee Chairman provides feedback to the Board after each committee meeting regarding key decisions and relevant discussions and attends the Annual General Meeting to address questions by shareholders on the committee's areas of responsibility.

## REMUNERATION PHILOSOPHY

We prefer to be market leaders in the mining contractors' market in which we operate, which requires us to invest continuously in technology, innovation, processes and products. This implies that we need to attract and retain the best people in our market and improve their skills consistently as markets and technologies evolve. As Master Drilling Group has grown into market-leading positions globally, we have become increasingly exposed to and are benchmarked against global best practice. Although Master Drilling Group is a South African-based company, we trade with businesses in different countries, earning outside South Africa, and importing a significant proportion of our inputs. A further substantial proportion of our inputs is globally indexed in

foreign currencies. As a result, we expect our executives to have knowledge and experience across international borders and to be internationally mobile.

Master Drilling Group therefore competes for management and specialist skills and talent in a challenging global marketplace. Accordingly, our remuneration philosophy is to attract and retain the best people and to improve their skills consistently as markets and technologies evolve. The success of our business is dependent on our people to maintain high standards of client service in a competitive sector.

## STAKEHOLDER CONSIDERATIONS

Remuneration decisions are taken to ensure the Group's long-term sustainability. The following macro factors formed part of the committee's considerations in relation to FY22:

- The challenging macroeconomic and socio-political environment in South Africa, which is characterised by low economic growth, unreliable electricity supply, increasing levels of unemployment and the risk of civil unrest as well as the volatility in emerging currencies;
- The impact of the COVID-19 pandemic on communities in the areas in which we operate, small businesses that are part of our enterprise development initiatives, our clients and our suppliers, all of which had to endure an uncertain environment;
- The need to reward our employees appropriately for their contribution to the Group's performance, taking into consideration the complex, uncertain and competitive operating environment, to ensure a balanced outcome for all stakeholders over the long term;
- The need to attract and retain skilled leadership and technical skills to support our strategy implementation; and
- The escalating risk of loss of key personnel to competitors, other industries and immigration

## FAIR AND RESPONSIBLE REMUNERATION

Each year, the committee reviews remuneration differentials across job grades to ensure that there are no disproportionate

income differentials. Where disproportionate income differentials are detected, immediate corrective measures are implemented. Disproportionate income differentials refer to unfair and irrational differences in pay that cannot be justified based on the nature of the work performed, seniority, tenure, qualifications, ability, competence or any other relevant non-discriminatory factors. The committee is satisfied that no disproportionate pay differentials exist and that all pay differentials are justifiable and not attributable to gender or race bias. In addition, guaranteed executive package increases are set by reference to, among others, the remuneration of the broader workforce. Careful measures are taken to ensure that wage increase settlements are appropriate within the context of local market and economic conditions. The committee is satisfied that the remuneration of bargaining unit employees is appropriate relative to the sectors in which Master Drilling businesses operate, and that measures are in place to reduce and eliminate any unjustified pay differentials.

In addition, the committee is satisfied that the remuneration of executive management is fair and responsible within the context of overall employee remuneration. During the year under review, the committee met quarterly with all the members present. The committee is satisfied that it has fulfilled its responsibilities during the year.

Key focus areas included:

- A review of the Group's human capital strategy and the strategic drivers of human capital and the alignment thereof with the vision and strategy of the Company;
- A review of the workforce planning measures to ensure that the Group has sufficient leadership and technical skills to support strategy implementation;
- An evaluation of the suitability of the Group's job evaluation system and benchmarking methodology to ensure that the Group's remuneration levels are competitive and appropriate within the Group's specific markets and geographical areas of operation;
- A review of the risk associated with the loss of key personnel;
- A review and approval of the remuneration packages of executives, including annual and long-term incentive (LTI) schemes;
- A review of the Group's initiatives and progress in relation to gender, race, diversity, employment equity and income differentials;
- The fulfilment of delegated responsibilities in relation to the incentive schemes;
- A review of the human capital management practices in place across the Group to ensure fairness, responsibility, transparency, alignment with King IV™ and compliance with the specific requirements of the relevant labour legislation;
- As recommended by King IV™, ensure a balance between stakeholder expectations and approval of different remuneration guidelines; and
- As recommended by King IV™, a reflection by the committee on its prior year self-assessment outcomes to determine whether the identified shortcomings have been addressed appropriately.

### ACCESS TO INFORMATION AND ADVISORS

Members of the committee may access any information to inform their independent judgement on remuneration and related matters. During the year under review, the committee received reports from PricewaterhouseCoopers Inc. to ensure that the Group's remuneration levels are competitive and appropriate within the Group's specific markets and geographical areas of operation.

### AREAS OF FOCUS FOR THE NEXT YEAR

The committee regularly assesses the remuneration market and governance frameworks to ensure the relevance of Master Drilling's remuneration approach. The committee anticipates focusing on the following areas during FY23:

- The implementation of a human capital strategy, informed by Master Drilling's values, to ensure that Master Drilling is a top-quality employer with a culture, policies and procedures that set high expectations while simultaneously providing a stimulating and inclusive environment for our people;
- The implementation of workforce planning measures to build people leadership and technical capacity to support strategy implementation;
- The implementation of a mechanism to retain personnel who are key to the implementation of the Group's strategy;
- The implementation of measures to further promote gender and race diversity;
- Talent mapping of critical and scarce leadership and technical skills to ensure that the Group attracts and has access to sufficient external and internal skills to support strategy implementation;
- The monitoring of changes in executive remuneration in markets in which our businesses operate;
- Job evaluation system and implementation of the Paterson grading system across all relevant levels of the organisation, as described in more detail in the implementation and remuneration disclosure section of this review;
- Independent benchmarking and review of peer group comparatives applicable to non-executive directors' fees; and
- Fair and responsible pay.

The remuneration philosophy serves as an essential catalyst in enabling our employees to deliver on Master Drilling's strategic priorities while supporting sustainable value creation for all our stakeholders. In this regard, we believe that our remuneration decisions are fair and remain appropriately aligned with shareholder and stakeholder interests over the long term.

Remco's terms of reference are available online at [www.masterdrilling.com](http://www.masterdrilling.com).

The non-binding advisory vote on the remuneration policy and implementation report at the Annual General Meeting held on 13 June 2022 resulted in a vote in favour of 85.90% for the remuneration policy and 85.90% for the implementation report.

Our remuneration policy and implementation report are tabled annually for separate, non-binding advisory votes by shareholders at the Annual General Meeting. The policy is available online at [www.masterdrilling.com](http://www.masterdrilling.com).

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

## REMUNERATION POLICY

The Board carries ultimate responsibility for the remuneration policy. The committee operates in terms of a Board-approved mandate. The committee therefore functions as a sub-committee of the Board in terms of an agreed mandate and evaluates and monitors the Company's remuneration philosophy and practices to ensure consistency with governance principles and corporate strategy. The committee implements a remuneration policy, which is approved by the Board, to assist in the achievement of the Company's strategy. The remuneration policy is reviewed on an annual basis and is aligned with the recommendations of King IV™, based on the following principles:

- Remuneration practices throughout the Company are aligned with the applicable business vision and strategy;
- Remuneration is set at levels that are competitive and appropriate within the specific markets, geographical areas and industries in which the Company operates;
- Incentive-based remuneration, which is applicable to eligible employees involved in determining and implementing the strategy of the Company and/or divisions of the Company, is determined with reference to financial performance targets, return targets, B-BBEE targets, internal control and compliance measures and individual KPIs; and
- Executive remuneration is fair, responsible and transparent within the context of the overall remuneration of the Company.

## ALIGNMENT BETWEEN REMUNERATION POLICY AND REMUNERATION PHILOSOPHY

Master Drilling's remuneration philosophy is to attract and retain the best people in the industry, and to improve their skills consistently as markets and technologies evolve. The success of our business is dependent on our people's ability to deliver quality, hi-tech equipment and to maintain high standards of service in a competitive market. The Master Drilling remuneration policy should be fit for purpose to achieve the high-level objectives of attraction, retention and performance motivation of our executives, managers and employees across all levels of the Group.

A formal remuneration policy is in place and is available online at [www.masterdrilling.com](http://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 based on 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 human resources 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.

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 49 for increases approved during the year.

## ELEMENTS OF REMUNERATION

Benchmarking of the remuneration of executive managers and executive directors is undertaken annually, using the services of independent experts, in order to ensure that remuneration in all forms accruing to employees at all levels is market-related and equitably awarded under the remuneration systems and practices in place. The committee aims to ensure an appropriate balance between the guaranteed and performance-related elements of managerial remuneration, and also between short-term performance and long-term sustainable stakeholder value creation.

The committee considers each element of remuneration relative to the market and, in determining its quantum, considers the performance of the Company and/or division, the management team and the individual concerned. The remuneration policy covers two elements of remuneration: guaranteed salary (salary) The salary element of remuneration incorporates all guaranteed cash benefits on a total cost-to-company basis and is intended to provide employees with a competitive level of remuneration.

The salary is subject to annual review and is intended to be competitive in relation to market practice in companies comparable in size, market sector, business complexity and geographical location, as well as to equally graded positions. The Paterson grading system is applied across the Group in order to ensure uniform employee grading. Company performance, individual performance, general inflation and changes in responsibilities are also taken into consideration when determining annual base salaries. The amount of the salary package is determined based on parameters approved by the Board. Pay levels are based on individual and market factors, as follows:

- Job profiles are compiled for each approved position in the Company, and these are graded using the Paterson grading system;
- A competency profile is also determined for each approved position. Performance reviews of employees against these profiles may lead to an employee receiving merit increments, which may result in an individual earning remuneration above the market median, but within market norms;
- The remuneration levels of key management categories are benchmarked annually, using the market median of independent salary surveys as a reference; and
- Inflationary remuneration adjustments are considered annually, considering relevant consumer price inflation indices.

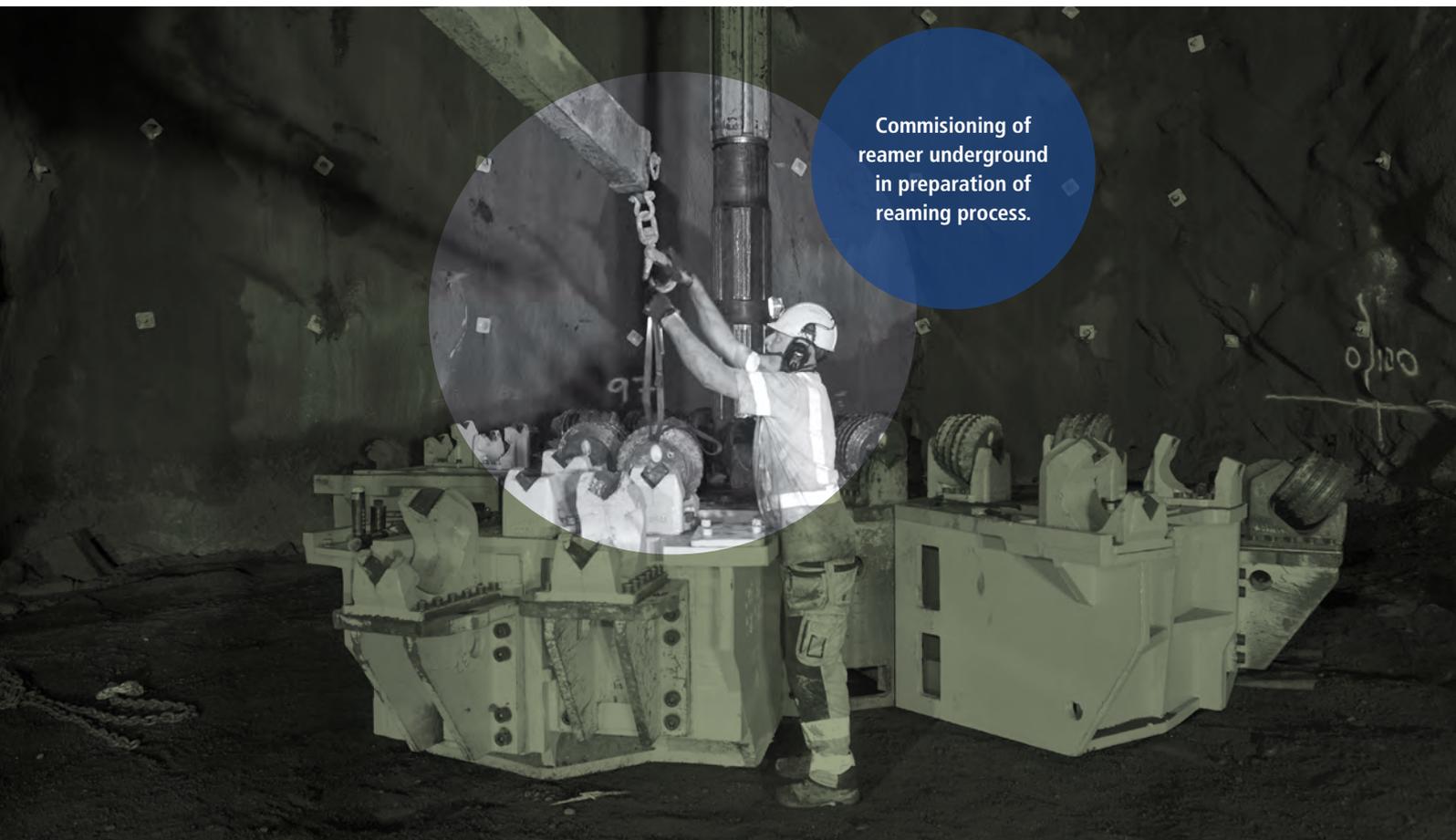
The remuneration of employees, other than those represented by unions and other bargaining structures, is contracted on a “total cost-to-company package” basis, which includes basic salary, allowances and contributions by the Company to retirement savings, risk insurance and medical schemes. In terms of this arrangement, a minimum level of healthcare cover is a condition of employment at certain levels. Employees throughout the Group can contribute to various independently administered defined contribution retirement schemes.

The Company encourages union membership and collective bargaining among its employees in order to provide for responsible and structured engagement. Blue-collar and substantive conditions of employment in relation to employees represented by trade unions or similar bargaining structures and similarly graded positions are negotiated from time to time with the applicable structures, preferably via collective bargaining processes. Changes to remuneration and benefits are negotiated in one-, two- or three-year arrangements. Multi-year arrangements are favoured in terms of promoting stability and consistency in industrial relations. Access by these employees to suitable medical, retirement and associated insured benefits is also facilitated by the Company, where possible.

The current mix of incentives differs between employees, with the entry point to incentives being 25% of total annual guaranteed package for a short-term incentive (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 for employees.

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



Commissioning of reamer underground in preparation of reaming process.

## STI 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 FY22 in terms of the policy.

	STI	SPR	
Underlying metric	<ul style="list-style-type: none"> <li>Actual headline earnings versus budgeted headline earnings</li> </ul>	Individual strategic objective/s  Determined annually per employee, by employee and direct supervisor	
Discretion	<ul style="list-style-type: none"> <li>Remco discretion and Chief Executive Officer entitled to motivate for any specific qualifying employee despite 75% of budgeted headline earnings not having been achieved</li> </ul>	<ul style="list-style-type: none"> <li>Remco discretion</li> </ul>	
Eligibility	<ul style="list-style-type: none"> <li>Executive directors</li> <li>Direct reports</li> </ul>	<ul style="list-style-type: none"> <li>Permanent employees in A to E role positions</li> <li>Paterson grade D3 and above</li> </ul>	
Calculation total gross package (TGP) x base STI %	Base STI guide: <ul style="list-style-type: none"> <li>Chief Executive Officer – 75%</li> <li>Chief Operating Officer – fixed amount</li> <li>Chief Financial Officer and Financial Director – 50%</li> <li>Other eligible employees – 25%*</li> </ul> * Remco discretion	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"> <li>Allocation is limited to the total STI pool</li> <li>Allocation per employee is limited to the maximum base STI</li> </ul>	<ul style="list-style-type: none"> <li>Performance rating in relation to individual SPR objective must equal or exceed 4</li> </ul>	
Individual allocation cap	Performance rating 1 – 5	Calculation input %	
	1 – Poor (0%)	Nil	
	2 – Below average (0 – 60%)	Nil	
	3 – Average (6 – 80%)	100	
	4 – Well above average (81 – 90%)	150	
5 – Excellent (91 – 100%)	175		

## LTI Scheme

LTI	Average EBITDA over three-year LTI cycle (FY21 to FY23)	
Underlying metric	Remco discretion	
Eligibility	Executive directors Direct reports	
Calculation	TGP x on-target LTI %  On-target LTI guide: <ul style="list-style-type: none"> <li>• Chief Executive Officer – 75%</li> <li>• Chief Financial Officer and Financial Director – 50%</li> <li>• Chief Operating Officer and other eligible employees – fixed amount*</li> </ul> * Remco discretion	
Allocation cap	Average EBITDA and ROCE for LTI cycle %	Portion of on-target LTI entitlement %
	13 – 14	50
	14 – 14.9	75
	15+	100
	EBITDA and ROCE targets based on current invested capital	
Payment	<ul style="list-style-type: none"> <li>• 2/3 cash on conclusion of audited LTI cycle</li> <li>• 1/3 share options (equivalent to cash amount) under Master Drilling SOS (see below)</li> </ul>	

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;
- A 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, at 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 2022, 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 FY21 to FY23). 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.

## REMUNERATION REPORT continued

Details	Options
Total number of share options attributable to the SOS	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
<b>Total share options unissued as at 31 December 2022</b>	<b>1 592 714</b>

\* 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	2022	Exercise price	2021
Outstanding – 1 January	5,21	410 000	5,21	410 000
Forfeited during the year		–		–
Exercised during the year	11,60	(100 000)		–
<b>Outstanding – 31 December</b>		<b>310 000</b>	<b>5,21</b>	<b>410 000</b>

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

## Directors' remuneration

	Basic salary USD	Bonus USD	Fringe benefits USD	Provident pension fund contributions USD	Directors' fees USD	Consulting and legal fees USD	Total USD
<b>2022</b>							
<b>Executive directors</b>							
Danie Pretorius <sup>&amp;</sup>	679 743	–	19 979	–	–	–	699 722
André van Deventer <sup>&amp;</sup>	407 467	274 463	15 361	–	–	–	697 291
Gary Sheppard <sup>#</sup>	348 349	22 784	12 732	–	–	–	383 865
Koos Jordaan <sup>+</sup>	276 288	456 544	18 735	–	–	–	751 567
<b>Sub-total</b>	<b>1 711 847</b>	<b>753 791</b>	<b>66 807</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2 532 445</b>
<b>Non-executive directors</b>							
Hennie van der Merwe <sup>^</sup>	–	–	–	–	60 266	–	60 266
Shane Ferguson <sup>^</sup>	–	–	–	–	33 904	79 392	113 296
Andries Brink <sup>^</sup>	–	–	–	–	34 708	–	34 708
Hendrik Faul <sup>^</sup>	–	–	–	–	23 585	–	23 585
Mamokete Ramathe <sup>^</sup>	–	–	–	–	25 729	–	25 729
Akhter Deshmukh <sup>^</sup>	–	–	–	–	40 896	–	40 896
<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>219 088</b>	<b>79 392</b>	<b>298 480</b>
<b>Alternate director</b>							
Eddie Dixon <sup>5</sup>	164 851	–	11 423	18 347	–	–	194 621
<b>Sub-total</b>	<b>164 851</b>	<b>–</b>	<b>11 423</b>	<b>18 347</b>	<b>–</b>	<b>–</b>	<b>194 621</b>
<b>Prescribed officer</b>							
Roelof Swanepoel <sup>*</sup>	154 848	174 177	6 244	12 678	–	–	347 947
<b>Sub-total</b>	<b>154 848</b>	<b>174 177</b>					
<b>Total</b>	<b>2 031 546</b>	<b>927 968</b>	<b>84 474</b>	<b>31 025</b>	<b>219 088</b>	<b>79 392</b>	<b>3 373 493</b>

\* 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.

REMUNERATION REPORT *continued*

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

<sup>\*</sup> Paid by Drilling Technical Services Proprietary Limited.

<sup>†</sup> Paid by Master Drilling New Technology Holdings Proprietary Limited.

<sup>&</sup> Paid by Drilling Technical Services Proprietary Limited and Master Drilling Malta Limited.

<sup>#</sup> Paid by Master Drilling USA LLC.

<sup>^</sup> Paid by Master Drilling Group Limited.

<sup>§</sup> Paid by Master Drilling Exploration Proprietary Limited.

## Directors' shareholding

	Total % holding of issued capital	Beneficial			
		2022		2021	
		Direct	Indirect	Direct	Indirect
<b>Directors</b>					
Danie Pretorius	52.3	500 900	78 641 565	500 900	78 641 565
André van Deventer	1.8	10 000	2 671 784	10 000	2 671 784
Gary Sheppard	2.0	–	2 955 884	–	2 955 884
Koos Jordaan	2.0	1 781 861	1 228 336	1 781 861	1 228 336
<b>Total directors</b>	<b>58.1</b>	<b>2 292 761</b>	<b>85 497 569</b>	<b>2 292 761</b>	<b>85 497 569</b>
Roelof Swanepoel	–	11 500	–	11 500	–
<b>Total</b>	<b>58.1</b>	<b>2 304 261</b>	<b>85 497 569</b>	<b>2 304 261</b>	<b>85 497 569</b>

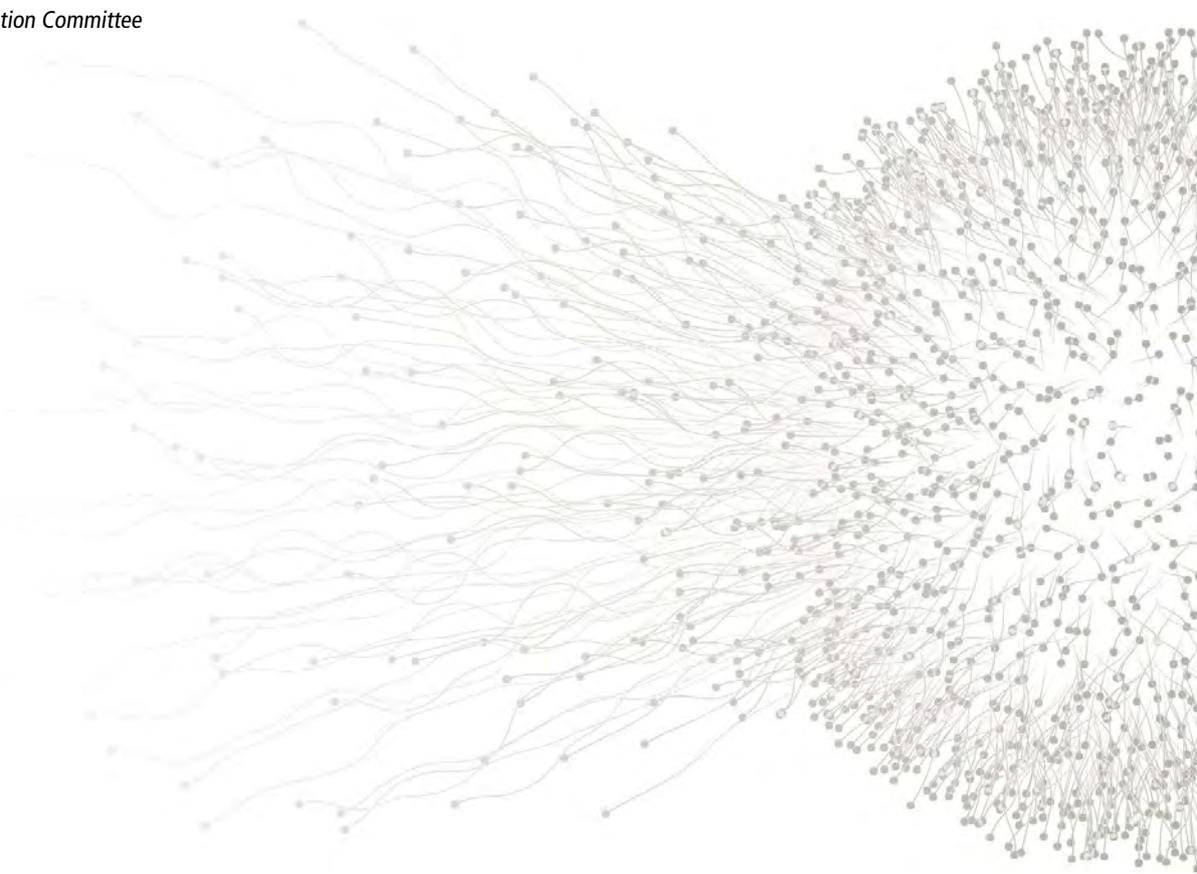
*Rounding of % may result in computational discrepancies.*

At 31 December 2022, the directors of the Company held direct and indirect interests of 58.1% (2021: 58.1%) of the Company's issued ordinary share capital. None of the non-executive directors hold any interest in shares of the Company. There were no changes between the end of the financial year and the date of approval of the consolidated annual financial statements.



**Akhter Deshmukh**  
Chairman of the Remuneration Committee

26 April 2023



# NOMINATIONS COMMITTEE REPORT

We are pleased to present our report for the year ended 31 December 2022.

The Nominations Committee is responsible for the process 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 is chaired by an independent non-executive director, Hennie van der Merwe, and further comprises independent non-executive director Andries Brink and non-executive director Shane Ferguson. The members are appointed by the Board. Attendance at committee meetings is set out on page 82

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 in order to ensure optimal functioning;
- Monitored the self-evaluation process, with the Chairman and Chief Executive Officer separately evaluated by other Board members;
- Ensured 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.

In FY23, the committee intends to:

- Motivate and oversee further achievement of the Company's stated gender and race diversity goals.

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



**Hennie van der Merwe**  
*Chairman of the Nominations Committee*

26 April 2023

# SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT

We are pleased to present our report for the year ended 31 December 2022.

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 further comprises two independent non-executive directors, Akhter Deshmukh and Hendrik Faul, one non-executive director, Shane Ferguson, and one alternate executive director, Eddie Dixon. The Group's Human Capital Officer, Group's New Business Development Manager, Group's Procurement Manager and the Group's Risk and Assurance Manager are standing invitees to the committee meetings. Members of the committee are appointed by the Board and attendance at committee meetings is set out on page 82.

During the year, the committee:

- Continued to drive and monitor transformation initiatives;
- Ensured the continued refinement of the health, safety and environmental programmes, including the ongoing focus and attention required to improve performance;
- Oversaw the implementation of the stakeholder engagement plan;
- Continued to ensure greater community engagement in the areas within which the Group operates;
- Strengthened its focus on implementation of ESG best practice;
- Continued to monitor reporting and implementation of the approved Board diversity policy;

- Monitored adherence to the Group's code of ethics and business conduct policies and guidelines;
- Provided the necessary input relating to sustainability risks as recorded in the Group's register and continued to monitor compliance with internal risk management policies and procedures and the advancement of ethical leadership; and
- Monitored social and economic development strategies and spending to ensure alignment with the Group's strategic priorities and commitment to sustainability practices.

In FY23, the committee intends to:

- Focus actively on the Group's ESG strategy and initiatives;
- Continue monitoring the implementation of ESG strategies to ensure consistent reporting and disclosure of our commitment to sustainability practices;
- Continue driving transformation plans in line with our commitment to contributing towards building inclusive economies and sustainable growth;
- Monitor progress in implementing diversity and inclusion strategies within the Group and achievement of set targets; and
- Continue monitoring stakeholder relations management to create shared value and drive commitment to serving the interests of all stakeholders.

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



**Mamokete Ramathe**  
*Chairman of the Social, Ethics and Sustainability Committee*

26 April 2023

# 5. CONSOLIDATED ANNUAL FINANCIAL STATEMENTS



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# 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 Limited (JSE) Listings Requirements. The external auditor is engaged to express an independent opinion on the Group's financial statements.

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

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

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

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

The directors of Master Drilling Group Limited have reviewed the Group's cash flow forecast for the year to 31 December 2023 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 financial statements of the Group, for the year ended 31 December 2022, have been audited by BDO South Africa Incorporated, the Group's independent external auditor, whose unqualified audit report can be found on [www.masterdrilling.com](http://www.masterdrilling.com).

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

- The annual financial statements as available on [www.masterdrilling.com](http://www.masterdrilling.com) fairly present, in all material respects, the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- 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;
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for the implementation and execution of controls;
- Where we are not satisfied, we have disclosed to the Audit Committee and the auditor any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- We are not aware of any fraud involving directors.

The Group's audited annual financial statements as approved on 28 March 2023, 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.



**Danie Pretorius**  
Chief Executive Officer



**André van Deventer**  
Chief Financial Officer

\* 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 2022

This report is provided by the Audit Committee in respect of the 2022 financial period of the Group. The Group's Audit Committee was established as a statutory committee in terms of section 94(2) of the Companies Act and oversees Audit Committee matters for all of the South African subsidiaries within the Group, as permitted by section 94(2)(a) of the Companies Act.

The Audit Committee's operation is guided by detailed terms of reference, a copy of which can be found on the Group's website [www.masterdrilling.com](http://www.masterdrilling.com). The Audit Committee terms of reference are informed by the Companies Act, the JSE Listings Requirements as well as the corporate governance principles under the King IV Report on Corporate Governance for South Africa, 2016™ 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 Andries Brink (Chairman), Akhter Deshmukh, Shane Ferguson and Mamokete Ramathe. In addition, the Chief Executive Officer, Chief Financial Officer, the Group's Risk and Assurance Manager as well as the internal and external auditors are permanent invitees to the Audit Committee meetings. The Audit Committee meets at least four times a year and details of attendance are disclosed later in this report.

## DUTIES AND RESPONSIBILITIES

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

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

In respect of the **external auditor and the external audit**, the Audit Committee, 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 2023;
- 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 2022;
- Obtained an annual written statement from the auditor that its independence was not impaired;
- Determined the nature and extent of all non-audit services provided by the external auditor and approved the applicable non-audit services undertaken;
- Considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, 2005, and determined that there were none; and
- Satisfied itself that the external auditor has been the auditor of the Group and its subsidiaries for eleven years. This includes a period of six years before a merger with its predecessor audit firm. The Audit Committee further satisfied itself that the current external audit partner are still within the prescribed period of seven years.

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

- Confirmed the going concern as the basis of preparation of the annual financial statements;
- Considered whether any complex taxation areas exist that could have a material impact on the financial statements and determined that matters identified are being addressed by management;
- Examined and reviewed the annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the directors;
- Ensured that the annual financial statements fairly present the financial position of the Group as at the end of the period and the results of operations and cash flows for the financial period;
- Considered the appropriateness of the accounting policies adopted and changes thereto;
- Reviewed the external auditor's audit report;
- Reviewed the representation letter relating to the annual financial statements which was signed by management;
- Considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the annual financial statements; and
- Considered the 2022 proactive monitoring report and other various JSE communications, where applicable.

## AUDIT COMMITTEE REPORT continued

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

- Established an independent in-house internal audit department along with existing external 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;
- 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 and 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 Company's Integrated Report, the Audit Committee collaborated with the Risk, Social, Ethics and Sustainability, Remuneration and Governance Committees to ensure the accuracy and completeness of the report.

In addition, the Audit Committee:

- Considered the expertise, resources and experience of the finance function and concluded that these were appropriate;
- Considered the experience and expertise of the Chief Financial Officer and concluded that these were appropriate;
- Considered the key audit matters as determined by BDO South Africa Incorporated and as described in the independent 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	14 March 2022	16 March 2022 Special	2 June 2022	15 August 2022	17 November 2022
Andries Willem Brink	√	√	√	√	√
Akhter Ali Deshmukh	√	√	√	√	√
Shane Trevor Ferguson	√	√	√	√	√
Mamokete Ramathe	√	√	√	√	√

√ *Attended*

## 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 benefits 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 2022, the Audit Committee is of the view that, in all material aspects, they comply with the relevant provisions of the Companies Act, IFRS and the JSE Listings Requirements and fairly present the consolidated position at that date and the results of operations and cash flows for the period then ended.

Having satisfied itself in all respects, the Audit Committee has recommended the financial statements, for the period ended 31 December 2022, 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*

26 April 2023



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2022

	Notes	Audited 2022 USD	Audited 2021 USD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	152 274 557	151 329 760
Intangibles and goodwill	4	15 921 053	5 242 991
Financial assets		5 084 173	5 112 298
Deferred tax asset		2 860 120	1 308 218
Related party loans		1 577 056	101 900
Investment in joint venture	13	4 382 221	4 027 024
Investment in associates	11	790 777	5 693 903
		<b>182 889 957</b>	<b>172 816 094</b>
<b>Current assets</b>			
Inventories		46 529 294	33 553 420
Related party loans		729 641	–
Trade and other receivables	5	79 359 647	54 469 805
Current tax receivable		4 034 447	4 125 018
Call option asset	12	–	2 322 360
Derivative financial instruments		248 648	54 604
Cash and cash equivalents		30 669 450	22 789 752
		<b>161 571 127</b>	<b>117 314 959</b>
<b>Total assets</b>		<b>344 461 084</b>	<b>290 131 053</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		149 365 330	149 259 486
Reserves		(124 051 438)	(110 319 177)
Retained income		145 107 125	137 593 905
		<b>170 421 017</b>	<b>176 534 214</b>
Non-controlling interest		18 710 890	9 834 821
		<b>189 131 907</b>	<b>186 369 035</b>

	Notes	Audited 2022 USD	Audited 2021 USD
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing borrowings		41 411 477	143 909
Lease liabilities		5 773 563	4 507 689
Instalment sales liabilities		514 055	477 810
Contract liability	14	3 270 349	3 932 115
Provisions		500 182	–
Consideration payable		1 568 072	–
Contingent consideration	15	–	1 195 290
Put option liability for non-controlling interest	10.3	9 622 678	–
Deferred tax liability		9 956 970	8 636 487
		<b>72 617 346</b>	<b>18 893 300</b>
<b>Current liabilities</b>			
Interest-bearing borrowings		4 702 628	32 024 901
Lease liabilities		610 876	292 543
Instalment sales liabilities		1 158 671	563 173
Related party loans		2 030 367	357 292
Current tax payable		7 344 355	5 435 563
Put option liability	12	–	314 675
Trade and other payables	6	57 335 004	35 516 720
Derivative financial instruments		424 288	195 422
Provisions		1 073 806	2 314 809
Contract liability	14	5 626 167	4 726 181
Contingent consideration	15	–	1 725 210
Put option liability for non-controlling interest	10.3	2 405 669	–
Cash and cash equivalents		–	1 402 229
		<b>82 711 831</b>	<b>84 868 718</b>
<b>Total liabilities</b>		<b>155 329 177</b>	<b>103 762 018</b>
<b>Total equity and liabilities</b>		<b>344 461 084</b>	<b>290 131 053</b>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Notes	2022 USD	2021 USD
Revenue	7	226 393 741	171 836 530
Cost of sales		(161 478 511)	(123 198 088)
<b>Gross profit</b>		<b>64 915 230</b>	<b>48 638 442</b>
Other operating income		2 138 087	4 160 714
Other operating expenses		(31 933 529)	(23 994 766)
Movement of expected credit loss allowances		(22 614)	(1 032 149)
<b>Operating profit</b>		<b>35 097 174</b>	<b>27 772 241</b>
Investment income		893 544	518 961
Finance costs		(4 470 312)	(2 558 208)
Fair value adjustment		(167 929)	1 885 826
Share of profit from equity-accounted investments		1 376 748	521 402
<b>Profit before taxation</b>		<b>32 729 225</b>	<b>28 140 222</b>
Taxation	8	(10 412 013)	(8 225 912)
<b>Profit for the year</b>		<b>22 317 212</b>	<b>19 914 310</b>
<b>Other comprehensive income that will subsequently be classified to profit or loss:</b>			
Exchange differences on translating foreign operations		(13 686 597)	(9 678 052)
<b>Other comprehensive loss for the year net of taxation</b>		<b>(13 686 597)</b>	<b>(9 678 052)</b>
<b>Total comprehensive income</b>		<b>8 630 615</b>	<b>10 236 258</b>
<b>Profit/(loss) attributable to:</b>		<b>22 317 212</b>	<b>19 914 310</b>
Owners of the Parent		21 532 239	20 026 271
Non-controlling interest		784 973	(111 961)
<b>Total comprehensive income/(loss) attributable to:</b>		<b>8 630 615</b>	<b>10 236 258</b>
Owners of the Parent		7 845 642	10 348 219
Non-controlling interest		784 973	(111 961)
<b>Earnings per share (USD)</b>	9		
Basic earnings per share (cents)		14.2	13.2
<b>Diluted earnings per share (USD)</b>	9		
Diluted basic earnings per share (cents)		14.2	13.2
<b>Earnings per share (ZAR)</b>			
Basic earnings per share (cents)		232,5	195,3
<b>Diluted earnings per share (ZAR)</b>			
Diluted basic earnings per share (cents)		232,5	195,3

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Notes	2022 USD	2021 USD
<b>Cash flows from operating activities</b>			
Cash generated from operations	10.1	35 282 480	42 952 024
Interest received		577 554	246 494
Dividends received		1 763	–
Finance costs paid		(3 326 260)	(1 674 018)
Tax paid	10.2	(7 577 569)	(9 008 759)
<b>Net cash inflow from operating activities</b>		<b>24 957 968</b>	<b>32 515 741</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(21 369 195)	(17 533 557)
Purchase of intangibles		–	(1 292 702)
Sale of property, plant and equipment		1 919 155	927 792
Advances to related parties		(164 006)	(4 530)
Proceeds from related parties		234 221	–
Payment of consideration for joint venture		(1 196 968)	–
Loss of control in subsidiary		(349 350)	–
Additional investment in associate		–	(5 053 615)
Acquisition of joint venture		–	(1 225 411)
Acquisition of business	10.3	(4 025 435)	–
<b>Net cash outflow from investing activities</b>		<b>(24 951 578)</b>	<b>(24 182 023)</b>
<b>Cash flows from financing activities</b>			
Advance from financial liabilities		20 953 706	138 848
Repayment of financial liabilities		(4 726 500)	(9 780 589)
Repayment of capital portion of lease liabilities		(355 167)	(502 810)
Repayment of capital portion of instalment sale agreements		(734 616)	(565 495)
Repayment from related parties		(365 543)	–
Advances received from related parties		178 213	188 194
Dividends paid to shareholders		(3 051 413)	–
Dividends paid to non-controlling interest		(973 062)	(1 661)
<b>Net cash from financing activities</b>		<b>10 925 618</b>	<b>(10 523 513)</b>
<b>Total cash for the period</b>		<b>10 932 008</b>	<b>(2 189 795)</b>
Cash at the beginning of the period		21 387 523	24 790 077
Effect of exchange rate movement on cash balances		(1 650 081)	(1 212 759)
<b>Total cash at the end of the period</b>		<b>30 669 450</b>	<b>21 387 523</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share capital USD	Equity arising on formation of the Group <sup>1</sup> USD	Foreign currency translation reserve <sup>2</sup> USD	Transactions between equity holders <sup>3</sup> USD
<b>Balance as at 31 December 2020</b>	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)	–
<b>Total changes</b>	–	–	(9 678 052)	–
<b>Balance as at 31 December 2021</b>	<b>149 259 486</b>	<b>(58 264 013)</b>	<b>(53 801 180)</b>	<b>1 611 385</b>
Dividends declared by subsidiaries	–	–	–	–
Non-controlling equity contribution	–	–	–	–
Change in control of subsidiary	–	–	–	–
Put option liability for non-controlling interest	–	–	–	–
Issue of share capital for options exercised	105 844	–	–	–
Dividends to shareholders	–	–	–	–
Total comprehensive income for the year	–	–	(13 686 597)	–
<b>Total changes</b>	<b>105 844</b>	<b>–</b>	<b>(13 686 597)</b>	<b>–</b>
<b>Balance as at 31 December 2022</b>	<b>149 365 330</b>	<b>(58 264 013)</b>	<b>(67 487 777)</b>	<b>1 611 385</b>

<sup>1</sup> Equity arising on formation of the Group – Equity that arose with the formation of the Group on the initial JSE listing.

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

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

Share-based payments reserve USD	Total reserves USD	Retained income USD	Attributable to owners of the Parent USD	Non- controlling interest USD	Total shareholders' equity USD
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
<b>134 631</b>	<b>(110 319 177)</b>	<b>137 593 905</b>	<b>176 534 214</b>	<b>9 834 821</b>	<b>186 369 035</b>
–	–	–	–	(973 062)	(973 062)
–	–	559 560	559 560	537 616	1 097 176
–	–	–	–	8 526 542	8 526 542
–	–	(11 527 166)	(11 527 166)	–	(11 527 166)
(45 664)	(45 664)	–	60 180	–	60 180
–	–	(3 051 413)	(3 051 413)	–	(3 051 413)
–	(13 686 597)	21 532 239	7 845 642	784 973	8 630 615
(45 664)	(13 732 261)	7 513 220	(6 113 197)	8 876 069	2 762 872
<b>88 967</b>	<b>(124 051 438)</b>	<b>145 107 125</b>	<b>170 421 017</b>	<b>18 710 890</b>	<b>189 131 907</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

## 1. ACCOUNTING POLICIES

### Basis of presentation

The abridged audited financial results have been prepared in accordance with IAS 34: *Interim Financial Reporting*, IFRS, the requirements of the Companies Act, as amended, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the JSE Listings Requirements. The audited consolidated annual financial statements have been prepared on the historical cost basis, except for certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in United States Dollar (USD).

The 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 2022, have been audited by BDO South Africa Incorporated, the Company's independent external auditor, whose unmodified audit report, including the key audit matters, can be found on pages 6 to 10 of the consolidated annual financial statements 2022, which are available at [www.masterdrilling.com](http://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's 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 use its power over the investee to affect the amount of the investor'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 the subsidiary with a 50% non-controlling interest.

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

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

### 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

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

Changes were made to the operating segments from those disclosed at 31 December 2021. These changes are aligned with the Group's strategic pillars and will enable the chief decision-maker, under direct supervision of the resident boards, to improve the management of performances and decisions on allocation of resources to the different segments. The comparative reporting periods were adjusted accordingly as the information was available.

### Changes to the Board

There were no changes to the Board since the previous reporting period except for Gary Sheppard who has, with effect from 24 March 2023, resigned as an executive director of the Company. He has been appointed as an alternate director to Danie Pretorius on the Board.

### Annual General Meeting

The Annual General Meeting of Master Drilling Group Limited will be held at the BDO South Africa Incorporated offices, Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg, on Tuesday, 13 June 2023 at 09h00. More details on arrangements around the Annual General Meeting will be disclosed in the notice and proxy that will be available no later than 30 April 2023.

### Subsequent events

The Board approved a dividend on 27 March 2023 of ZAR47,5 cents per share payable to shareholders recorded in the Company's share register on 19 May 2023. The dividend declared is not reflected in the financial statements for the year ended 31 December 2022.

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

Despite the global uncertainty, we are confident that Master Drilling will perform well because of its long-term contracts, diversified footprint, proactive capital management and service orientation. The fleet utilisation is now moving towards the required benchmark of 75%. Capital management remains a top priority. 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 2022 totalled USD567.9 million, while the committed order book totalled USD265.4 million for 2023 and beyond. In the short to medium term, the sales pipeline is expected to stabilise and increase with further tactical acquisitions and joint ventures supporting performance.

We will continue to invest in our people, and we have started to employ best practice in a number of areas within human capital that will ensure that we are an employer of choice and attract the best of the best in the industry.

There is an evolving commitment and enhanced contribution to all matters relating to environmental, social and governance. This is not just the right thing to do, it will also support industry objectives and ensure that Master Drilling remains sustainable into the future.

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.

Ultimately, our strategic focus remains the same. We want to make a difference in the lives of our employees and our clients. We challenge the status quo and want to ensure we address the challenges of safety, cost and productivity in the way we work. Our 2023 focus will be on building a sustainable, diversified and scalable business through organic and acquisitive growth as well as formal partnerships and alliances.

### 3. PROPERTY, PLANT AND EQUIPMENT

	Cost USD	Accumulated depreciation and impairment losses USD	Carrying value USD
<b>2022</b>			
Land and buildings	3 436 696	(323 563)	3 113 133
Right-of-use assets: Land and buildings	6 868 057	(1 400 888)	5 467 169
Instalment sale: Plant and machinery	5 686 422	(3 290 312)	2 396 110
Plant and machinery	194 311 636	(60 232 647)	134 078 989
Assets under construction	4 655 583	(2 567)	4 653 016
Furniture and fittings	1 567 821	(1 250 980)	316 841
Motor vehicles	6 868 527	(5 101 995)	1 766 532
Right-of-use assets: Motor vehicles	103 519	(18 440)	85 079
Information technology (IT) equipment	1 125 641	(727 953)	397 688
<b>Total</b>	<b>224 623 902</b>	<b>(72 349 345)</b>	<b>152 274 557</b>
<b>2021</b>			
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
Right-of-use assets: Motor vehicles	–	–	–
IT equipment	686 305	(414 449)	271 856
<b>Total</b>	<b>213 512 005</b>	<b>(62 182 245)</b>	<b>151 329 760</b>

#### Borrowing costs

No borrowing costs were capitalised to the cost of property, plant and equipment during 2022 (2021: USDnil).

**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	Assets acquired through business combination USD
<b>2022</b>				
Land and buildings	2 102 511	848 782	243 348	36 905
Right-of-use assets: Land and buildings	3 982 394	1 619 746	(34 010)	526 626
Instalment sale: Plant and machinery	3 017 654	264 125	(130 314)	–
Plant and machinery	137 549 684	16 293 266	(5 696 847)	807 022
Assets under construction	753 355	3 934 548	(30 779)	–
Furniture and fittings	1 168 641	20 122	(280 863)	85 231
Motor vehicles	2 483 665	1 070 744	(517 463)	253 690
Right-of-use assets: Motor vehicles	–	107 708	(3 443)	–
IT equipment	271 856	242 098	47 441	13 401
	<b>151 329 760</b>	<b>24 401 139</b>	<b>(6 402 930)</b>	<b>1 722 875</b>
<b>2021</b>				
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)	–
Right-of-use assets: Motor vehicles	–	–	–	–
IT equipment	360 729	29 347	(17 176)	–
	<b>156 281 876</b>	<b>18 135 357</b>	<b>(14 340 706)</b>	<b>–</b>

**Security**

Moveable assets to the value of ZAR1,8 billion (USD105.4 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 SEK40.8 million (USD4.0 million at the closing rate) of the European entity have been pledged to Swedbank as security for an interest-bearing loan.

**Impairment**

During the year, the businesses within the African region recognised impairment/scraping of USD658 265. The future cash flows of these particular rigs were negatively affected by the type of drilling they were initially designed and built for, resulting in these becoming obsolete in the industry. There were no impairments of property, plant and equipment during the previous year.

Reclassifications and transfers (to)/from intangibles USD	Disposals USD	Depreciation USD	Impairment/ scrapping USD	Derecognition on loss of control USD	Re- measurement of right-of-use asset USD	Total USD
–	(4 766)	(113 647)	–	–	–	3 113 133
–	–	(627 587)	–	–	–	5 467 169
–	(449 756)	(305 599)	–	–	–	2 396 110
–	(567 183)	(11 885 613)	(658 265)	(1 763 075)	–	134 078 989
–	(4 108)	–	–	–	–	4 653 016
–	(43 241)	(633 049)	–	–	–	316 841
–	(72 112)	(1 451 992)	–	–	–	1 766 532
–	–	(19 186)	–	–	–	85 079
–	(27 322)	(149 786)	–	–	–	397 688
–	(1 168 488)	(15 186 459)	(658 265)	(1 763 075)	–	152 274 557
–	–	(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

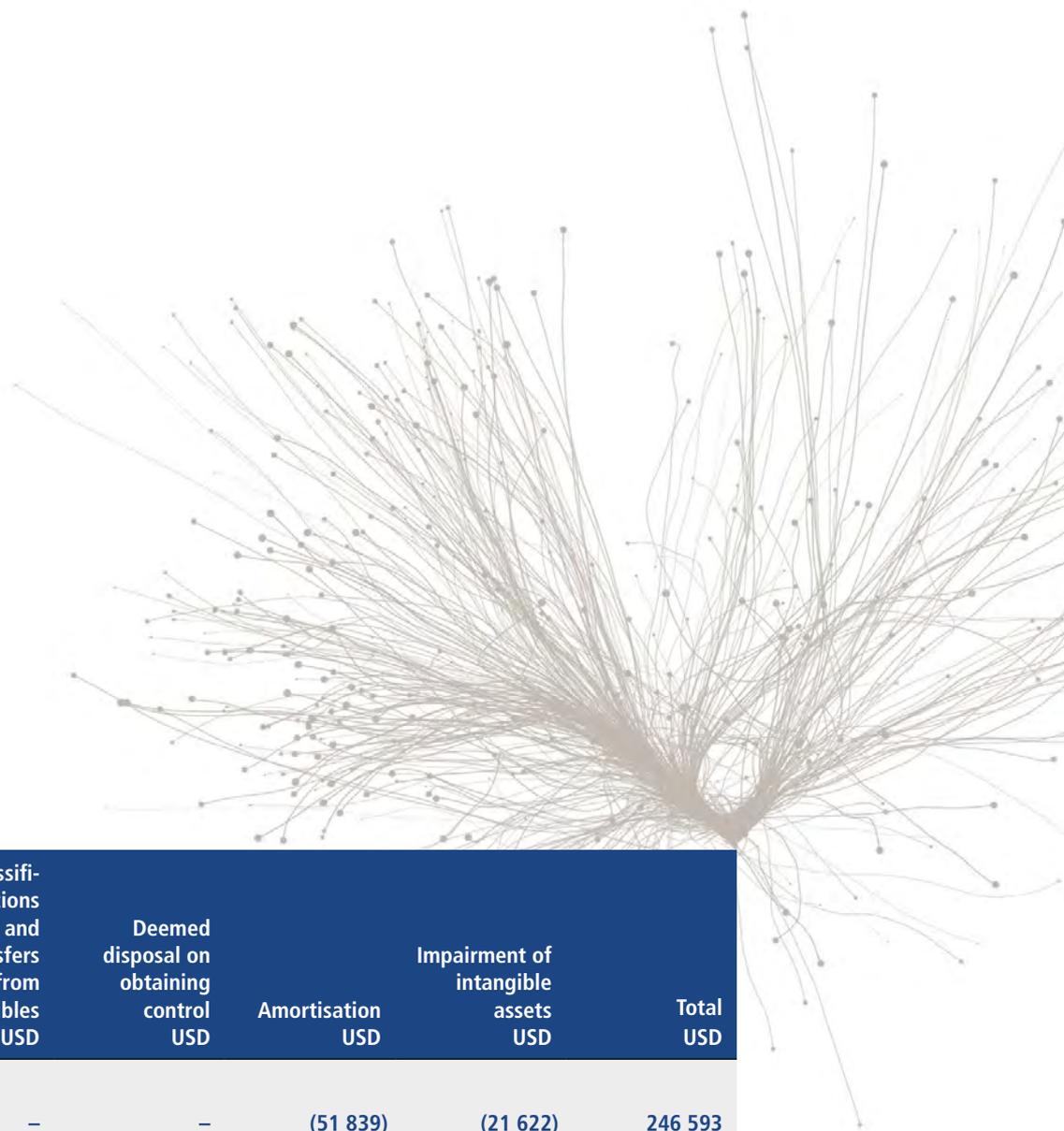
#### 4. INTANGIBLE ASSETS AND GOODWILL

	Notes	2022 USD	2021 USD
Intangible assets	4.1	8 152 825	2 446 297
Goodwill	4.2	7 768 228	2 796 694
<b>Total</b>		<b>15 921 053</b>	<b>5 242 991</b>

##### 4.1 Intangible assets

	Cost USD	Accumulated amortisation and impairment losses USD	Carrying value USD
<b>2022</b>			
Computer software	1 661 465	(1 414 872)	246 593
Software licence agreements	6 942 368	–	6 942 368
Patents	963 864	–	963 864
<b>Total</b>	<b>9 567 697</b>	<b>(1 414 872)</b>	<b>8 152 825</b>
<b>2021</b>			
Computer software	1 619 577	(1 337 855)	281 722
Software licence agreements	1 196 447	–	1 196 447
Patents	968 128	–	968 128
<b>Total</b>	<b>3 784 152</b>	<b>(1 337 855)</b>	<b>2 446 297</b>

	Opening balance USD	Additions USD	Exchange difference on consolidation of foreign subsidiaries USD
<b>2022</b>			
Computer software	281 722	–	37 212
Software licence agreements	1 196 447	–	(51 062)
Patents	968 128	–	(4 264)
	<b>2 446 297</b>	<b>–</b>	<b>(18 114)</b>
<b>2021</b>			
Computer software	384 878	3 697	1 403
Software licence agreements	–	1 289 005	(92 558)
Patents	202 482	–	(16 218)
	<b>587 360</b>	<b>1 292 702</b>	<b>(107 373)</b>



Assets acquired through business combination USD	Reclassifi- cations and transfers (to)/from intangibles USD	Deemed disposal on obtaining control USD	Amortisation USD	Impairment of intangible assets USD	Total USD
1 120	–	–	(51 839)	(21 622)	246 593
6 911 133	–	(1 114 150)	–	–	6 942 368
–	–	–	–	–	963 864
<b>6 912 253</b>	<b>–</b>	<b>(1 114 150)</b>	<b>(51 839)</b>	<b>(21 622)</b>	<b>8 152 825</b>
–	–	–	(108 256)	–	281 722
–	–	–	–	–	1 196 447
–	781 864	–	–	–	968 128
–	781 864	–	(108 256)	–	2 446 297

## 4. INTANGIBLE ASSETS AND GOODWILL *continued*

### 4.1 Intangible assets *continued*

#### Software licence agreement

The Group is a co-licensor of software licence agreements and acquired an additional stake during the current year. This software licence agreement provides a fully integrated solution to clients for monitoring and tracking of plant and human resources on mines to ensure compliance with policies, practices and procedures in force in the mines. It also promotes and enhances safety and productivity on the mines and provides intelligence to management of mines for the development of future resource strategies.

In July 2021, the Group acquired an approximate 25% in software licence agreements as part of the transaction related to the investment in associate of A&R Engineering and Mining Services Proprietary Limited and related companies (A&R Group) and Lamproom Solutions and Consulting. As part of the option exercised during the year (refer to note 12), the Group acquired an approximate 26% additional stake holding in software licence agreements. The software licence agreements have been identified as a separate identifiable intangible asset related to the A&R Group business combination. Refer to note 10.3 for more information.

#### Patents

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

#### Impairment testing

For the purpose of annual impairment testing, patents are allocated to plant and machinery within the Group which are expected to benefit from the use of the patent while software licence agreements are assessed for the royalties they could potentially earn over a forecast period of seven years discounted by a suitable rate. The period of seven years deviates from the suggested five years due to the fact that the project for which the patent will be used will have a slow start-up, as the concept, even though tested before being put into working condition, might still have some aspects that need to be modified to be fully operational as intended.

The recoverable amount of the software licence agreements and patents 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 cash-generating unit is determined by applying a suitable discount rate. Discount and growth rates used are based on industry-linked market conditions and are not reasonably expected to change significantly that it could result in impairment.

The recoverable amount for the individual cash-generating units utilising the software licence agreements and patents exceeds the carrying value by USD2 709 170 (2021: USDnil) and USD539 830 (2021: USD2 475 460), respectively.

	Growth rate 2022 %	Discount rate 2022 %	Growth rate 2021 %	Discount rate 2021 %
Software licence agreements	4.50	32.59	0.00	16.00
Patents	4.50	24.73	3.40	16.00

#### 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 that the intangible assets will operate in.

#### 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 flows expected to be generated by utilisation of the intangible assets, discounted at the applicable market indicative rates. Five-year cash flow projections reflect these benefits to be realised.

## 4.2 Goodwill

	2022 USD	2021 USD
Goodwill recognised from value chain business combinations	2 162 370	2 341 256
Goodwill recognised from raise bore business combinations	445 038	455 439
Goodwill recognised from software support services	5 160 820	–
<b>Goodwill recognised from business combinations</b>	<b>7 768 228</b>	<b>2 796 694</b>

	Opening balance USD	Additions USD	Exchange difference on consolidation of foreign subsidiaries USD	Total USD
<b>2022</b>				
Goodwill recognised from value chain business combinations	2 341 256	–	(178 886)	2 162 370
Goodwill recognised from raise bore business combinations	455 439	–	(10 401)	445 038
Goodwill recognised from software support services	–	5 107 039	53 781	5 160 820
<b>Goodwill recognised from business combinations</b>	<b>2 796 695</b>	<b>5 107 039</b>	<b>(135 506)</b>	<b>7 768 228</b>
<b>2021</b>				
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 software support services	–	–	–	–
<b>Goodwill recognised from business combinations</b>	<b>2 861 562</b>	<b>–</b>	<b>(64 867)</b>	<b>2 796 695</b>

### 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 and growth rates used are based on industry-linked market conditions and are not reasonably expected to change significantly that it could result in impairment.

The recoverable amount for the raise bore cash-generating unit exceeds the carrying value by USD1 989 211 (2021: USD1 138 638). The recoverable amount of the value chain cash-generating unit exceeds the carrying value by USD7 577 550 (2021: USD4 391 414), while the recoverable amount of the software support services exceeds the carrying amount by USD1 026 301 (2021: USDnil).

#### 4. INTANGIBLE ASSETS AND GOODWILL continued

##### 4.2 Goodwill continued

	Growth rate 2022 %	Discount rate 2022 %	Growth rate 2021 %	Discount rate 2021 %
Value chain business combination	3.00	12.51	4.00	11.55
Software support services	4.50	25.65	N/A	N/A
Raise bore business combination	2.45	23.88	2.45	13.38

##### Growth rates

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

##### 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 present value of the cash flows expected to be generated by utilisation of the intangible assets discounted at the applicable market indicative rates. Five-year cash flow projections reflect these benefits to be realised.

#### 5. TRADE AND OTHER RECEIVABLES

	2022 USD	2021 USD
Trade receivables	59 973 365	42 254 945
Trade receivables – Normal (gross)	63 566 215	46 584 592
Trade receivables – Retention (gross)	1 213 210	471 184
Expected credit loss allowance of trade receivables	(4 806 060)	(4 800 831)
Contract asset	5 794 169	–
Loans to employees	270 735	117 181
Prepaid expenses	7 808 828	4 637 430
Deposits	291 886	941 917
Indirect taxes	4 083 177	5 106 153
Other receivables	1 137 487	1 412 179
<b>Total</b>	<b>79 359 647</b>	<b>54 469 805</b>

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.

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

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

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

Retention trade receivables are considered for expected credit losses based on the same assumptions as for normal trade receivables. The expected credit losses remained fairly consistent year-on-year. This is due to the mix of the specific risk factors across the various jurisdictions the Group operates within.

The Group assesses the recoverability of its other receivables based on the underlying economic factors of each of the countries that the subsidiaries operate within.

	2022 USD	2021 USD
<b>The movement in expected credit losses is presented below:</b>		
Balance 1 January	4 800 831	3 731 677
Exchange differences on translation of foreign operations	(106 682)	37 005
Expected credit loss adjustment on business combination	89 297	–
Amounts written off	–	–
Allowance for credit losses recognised	22 614	1 032 149
	<b>4 806 060</b>	<b>4 800 831</b>
<b>Gross trade receivables per region</b>		
Africa	25 899 131	17 038 685
Central and North America	9 671 893	6 526 545
Rest of the world	7 817 418	7 430 734
South America	21 390 983	16 059 811
<b>Expected credit losses matrix</b>	<b>64 779 425</b>	<b>47 055 776</b>
<b>Africa</b>		
Current	4.05% to 4.55%	3.15% to 3.96%
30 days	4.15% to 4.65%	3.25% to 4.06%
31 to 60 days	4.40% to 4.90%	3.50% to 4.31%
61 to 90 days	4.90% to 5.40%	4.00% to 4.81%
90+ days	5.90% to 6.40%	4.50% to 5.21%
<b>Rest of the world</b>		
Current	0.10% to 4.05%	0.15% to 3.15%
30 days	0.15% to 4.15%	0.10% to 3.25%
31 to 60 days	0.35% to 4.40%	3.00% to 3.50%
61 to 90 days	0.55% to 4.90%	3.55% to 4.00%
90+ days	0.70% to 5.15%	4.10% to 4.50%
<b>Central and North America</b>		
Current	2.17% to 2.47%	2.21% to 2.52%
30 days	2.57% to 2.67%	2.55% to 2.69%
31 to 60 days	2.82% to 2.99%	2.88% to 3.03%
61 to 90 days	3.32% to 3.46%	3.43% to 3.66%
90+ days	3.69% to 3.94%	3.77% to 3.99%
<b>South America</b>		
Current	3.31% to 3.51%	3.41% to 3.71%
30 days	3.41% to 3.65%	3.51% to 3.75%
31 to 60 days	3.66% to 3.99%	3.76% to 4.09%
61 to 90 days	4.16% to 4.31%	4.06% to 4.44%
90+ days	4.33% to 4.58%	4.19% to 4.85%

**5. TRADE AND OTHER RECEIVABLES** *continued*

	2022 USD	2021 USD
<b>The carrying amount in USD of trade and other receivables is denominated in the following currencies:</b>		
United States Dollar (USD)	25 870 621	15 932 427
South African Rand (ZAR)	19 901 000	11 978 717
Brazilian Real (BRL)	6 120 217	5 043 442
Chilean Peso (CLP)	13 481 684	7 559 807
Peruvian Nuevo Sol (PEN)	1 421 086	1 357 156
Chinese Yuan Renminbi (CNY)	280 618	449 573
Guatemalan Quetzal (GTQ)	91 004	8 677
Zambian Kwacha (ZMW)	8 010	577 135
Colombian Peso (COP)	1 242	3 867
Swedish Krona (SEK)	3 532 451	1 971 939
Australian Dollar (AUD)	140 962	1 585 708
Canadian Dollar (CAD)	3 180 354	3 291 519
Indian Rupee (INR)	5 330 398	4 709 838
	<b>79 359 647</b>	<b>54 469 805</b>

**6. TRADE AND OTHER PAYABLES**

	2022 USD	2021 USD
Trade payables	24 254 945	21 466 659
Accruals	13 993 467	–
Indirect taxes	5 872 703	3 591 463
Leave pay accruals	3 465 954	2 579 363
Consideration payable*	2 665 460	1 077 444
Employee-related	5 550 939	5 299 258
Other payables	1 531 536	1 502 533
	<b>57 335 004</b>	<b>35 516 720</b>

\* Included in consideration payable is an amount of USD1 568 072, the short-term portion, payable to Newham Proprietary Limited which is also disclosed as a joint venture partner.

## 7. REVENUE

	2022 USD	2021 USD
<b>Revenue from contracts with clients</b>		
Rendering of services	212 948 610	171 836 530
Sale of goods	13 445 131	–
	<b>226 393 741</b>	<b>171 836 530</b>
<b>Disaggregation of revenue from contracts with clients</b>		
The Group disaggregates revenue from clients as follows:		
Rendering of services	212 948 610	171 836 530
Sale of goods	13 445 131	–
	<b>226 393 741</b>	<b>171 836 530</b>
<b>Timing of revenue recognition</b>		
<b>Over time</b>		
Rendering of services	212 948 610	171 836 530
<b>At a point in time</b>		
Sale of goods	13 445 131	–

## 8. TAXATION

### 8.1 Taxation

	2022 USD	2021 USD
<b>Current</b>		
Normal taxation	9 610 429	8 110 512
Current taxation	11 039 947	7 329 220
(Over)/under provision	(1 429 518)	781 292
Deferred taxation	707 972	115 400
Deferred taxation: Temporary differences	743 198	115 400
Deferred taxation: Change in taxation rate	(35 226)	–
Dividend withholding taxation	93 612	–
	<b>10 412 013</b>	<b>8 225 912</b>
<b>Reconciliation of the tax expense</b>		
Accounting profit	32 729 225	28 140 222
Tax at the applicable tax rate – Average rate 34% (2021: 29%)	10 974 214	8 186 804
Over provision	(1 429 518)	(781 292)
Change in taxation rate	(35 226)	–
Interest accrued in respect of taxes	–	72 924
Imputed tax on controlled foreign companies	–	1 773 591
Exempt income – Dividends and royalties received	(375 709)	(7 197)
Non-deductible expenses – Fines and penalties	374 178	201 759
Estimated loss not recognised	1 092 122	183 057
Utilisation of estimated loss previously not recognised	(188 048)	(1 403 734)
<b>Taxation per statement of profit or loss and other comprehensive income</b>	<b>10 412 013</b>	<b>8 225 912</b>

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

**8. TAXATION** continued

**8.1 Taxation** continued

The applicable tax rate has increased compared to the prior year. This is due to no deferred taxation raised on certain estimated tax losses due to the different profit mixes between the different tax jurisdictions with different tax rates.

The total unrecognised assessed loss at 31 December 2022 is USD5 107 581 (2021: USD3 589 869).

	2022 USD	2021 USD
<b>Normal taxation charge/(benefit) per entity within the Group</b>		
MD Drilling Services Tanzania Limited	42 595	–
Master Drilling Europe AB	682 070	302 349
Drilling Technical Services Proprietary Limited	(226 675)	622 665
Drilling Technical Services SAC	324 181	21
Master Drilling Proprietary Limited	152 846	380 124
Master Drilling Changzhou Co Limited	750 989	116 219
Master Drilling do Brasil Limiteda	331 003	513 597
MDG Shared Services Proprietary Limited	73 186	–
Master Drilling Ghana Limited	–	473 236
Master Drilling Mining Services Proprietary Limited	92 615	107 858
Master Drilling Mali SRL	101 659	64 725
MDX Masterdrill Exploracoes E Sondagens Limiteda	222 190	70 711
Master Drilling Group Limited	(484 661)	1 820 515
Master Drilling India Limited	1 809 494	998 445
Master Drilling International Limited	295 358	604 306
Master Drilling Madencilik Ve Ticaret Limited Sirketi	(5 364)	–
Master Drilling Malta Limited	915 382	652 150
Consorsio Master Drilling Besalco SA	396 499	349 307
Master Drilling Peru SAC	6 482	–
Master Drilling RDC sprl	–	766 378
Master Mining Proprietary Limited	101 485	–
Master Drilling USA LLC	155 410	–
Master Drilling Zambia Limited	–	(649 892)
MD Botswana Proprietary Limited	45 710	112 975
Master Drilling Services Ecuador SA	–	262 855
MD Katanga Drilling Company SAS	938 588	539 436
A&R Engineering and Mining Services Proprietary Limited and related companies	357 407	–
Embedded IQ Proprietary Limited	283 075	–
Embedded Works Proprietary Limited	54 444	–
Lamproom Solutions and Consulting Proprietary Limited	87 132	–
Moxie Digital Proprietary Limited	58	–
Master Drilling Mexico SA	1 195 581	–
Master Drilling Chile SA	863 818	–
Drilling Admin Services SAC	43 126	–
MD Training Services Proprietary Limited	4 746	2 532
	<b>9 610 429</b>	<b>8 110 512</b>

There were no changes in normal income tax rates within the Group during 2022. The Group, however, accrued deferred taxation on the South African subsidiaries with the change in tax rate from 28% to 27% effective 31 March 2023.

## 9. EARNINGS PER SHARE

	2022 USD	2021 USD
<b>Reconciliation between earnings and headline earnings</b>		
Basic earnings for the year	22 317 212	19 914 310
<i>Deduct:</i>		
Non-controlling interest	(784 973)	111 961
<b>Attributable to owners of the Parent</b>	<b>21 532 239</b>	<b>20 026 271</b>
Gain on disposal of property, plant and equipment	(750 665)	(698 533)
Loss/(gain) on disposal of property, plant and equipment from equity-accounted investments	5 715	(7 105)
Impairment of property, plant and equipment	658 265	–
Impairment of intangibles	21 622	–
Impairment of property, plant and equipment from non-controlling interest	(171 149)	–
Fair value adjustment on step-up acquisition	213 367	–
Gain on loss of control of subsidiary	(109 599)	–
Loss on disposal of property, plant and equipment from non-controlling interest	64 321	8 068
Tax effect on gain on disposal of property, plant and equipment and impairments	35 553	197 848
Tax effect on gain on disposal of property, plant and equipment and impairments from equity-accounted investments	(1 600)	1 989
Tax effect on gain on disposal of property, plant and equipment and impairments from non-controlling interest	29 912	–
<b>Headline earnings for the year</b>	<b>21 527 981</b>	<b>19 528 538</b>
Earnings per share (cents)	14.2	13.2
Diluted earnings per share (cents)	14.2	13.2
Headline earnings per share (cents)	14.2	12.9
Diluted headline earnings per share (cents)	14.2	12.9
Dividends per share (cents)	32.5	–
<b>Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share and headline earnings per share</b>	<b>151 319 215</b>	<b>151 262 777</b>
Effect of dilutive potential ordinary shares – employee share options*	50 198	–
<b>Weighted average number of ordinary shares at the end of the year for the purpose of diluted basic earnings per share and diluted headline earnings per share</b>	<b>151 369 413</b>	<b>151 262 777</b>

\* None of the share options were considered dilutive in the current year. The total number of share options in issue is disclosed in note 34 to the full consolidated annual financial statements.

## 10. CASH GENERATED FROM OPERATIONS

### 10.1 Cash generated from operations

	2022 USD	2021 USD
Profit before taxation	32 729 225	28 140 222
Adjustments for:		
Depreciation and amortisation	15 238 298	11 313 750
Fair value adjustment on derivatives	34 822	140 818
Fair value adjustment for options	(45 438)	(2 007 685)
Impairment of property, plant and equipment	679 887	–
Profit from equity-accounted investments	(1 376 748)	(521 402)
Unrealised foreign exchange movements	1 880 083	1 159 237
Fair value adjustment for previously held interest in associate	213 367	–
Put option for non-controlling interest expense	501 181	–
Gain on loss of control of subsidiary	(219 200)	–
Gain on disposal of fixed assets	(750 667)	(698 532)
Movement in expected credit loss allowance	22 614	1 032 149
Movement in allowance for obsolete inventory	366 416	170 052
Dividends received	(315 990)	(272 467)
Interest received	(577 554)	(246 494)
Movement in provisions	(440 530)	2 314 810
Derivative financial instrument settled in cash	–	18 959
Finance costs	4 470 312	2 558 208
<b>Changes in working capital</b>		
Inventories	(6 880 592)	(12 167 408)
Trade and other receivables	(25 418 721)	(13 402 969)
Trade and other payables	14 810 593	16 762 480
Contract liability	361 122	8 658 296
	<b>35 282 480</b>	<b>42 952 024</b>

### 10.2 Tax paid

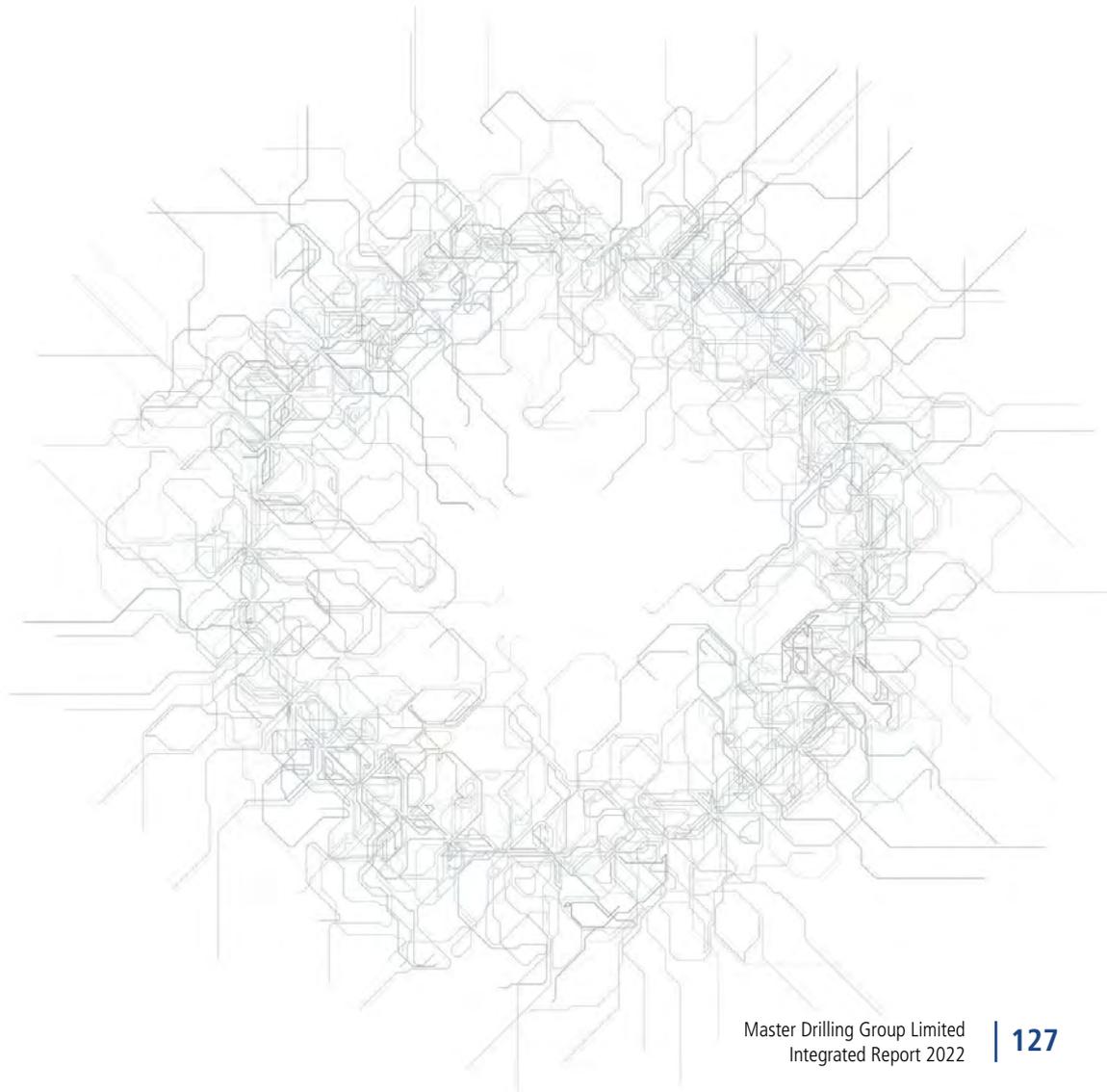
	2022 USD	2021 USD
Reported as at 1 January	1 310 545	2 927 676
Acquired through business combination	196 833	–
Current tax for the period recognised in profit or loss	9 610 429	8 110 512
Interest accrued in respect of taxation	–	260 194
Exchange effect on consolidation of foreign subsidiaries	(230 330)	(979 079)
Balance at the end of the period	<b>(3 309 908)</b>	<b>(1 310 544)</b>
	<b>7 577 569</b>	<b>9 008 759</b>

### 10.3 Net cash flow on business combination

During August 2021, the Group purchased an approximate 25% equity interest in A&R Group, incorporated in South Africa, for ZAR67,0 million (USD4.3 million). These companies specialise in data-driven mine fleet management solutions and are currently primarily operating within the African segment of the Group. These companies are currently the leading operators in the underground rail bound and trackless equipment hardware environment in terms of management systems and intelligent devices installed across various mining operations. The investment 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 2021, the Group had a contingent consideration payable that amounted to ZAR8,4 million (USD0.5 million). The contingent consideration was finalised during the year, adjusted upwards by ZAR17,8 million (USD1.0 million) and settled when control was obtained. Refer to note 11.2.

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

The accounting for the business combination has been accounted for provisionally. Amounts recognised are subject to change in accordance with the requirements of IFRS 3, which permits the acquirer to use provisional amounts for the items for which the accounting is incomplete. A detailed purchase price allocation is being performed and the directors currently anticipate that there will be a possible fair value revaluation of underlying assets, including intangible assets and liabilities. The purchase price allocation will be finalised by 28 August 2023.



**10. CASH GENERATED FROM OPERATIONS** continued
**10.3 Net cash flow on business combination** continued

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

	Note	2022 USD	2021 USD
<b>Assets</b>			
Property, plant and equipment*		1 722 875	–
Intangibles*		6 912 253	–
Deferred taxation asset*		71 911	–
<b>Liabilities</b>			
Lease liabilities*		(526 626)	–
Related party balances acquired		(3 201 631)	–
Current tax payable		(196 833)	–
<b>Working capital</b>			
Trade receivables		4 230 084	–
Trade receivables – normal (gross)		4 405 233	–
Expected credit loss allowance of trade receivables		(175 149)	–
Inventory		9 532 509	–
Cash and cash equivalents on hand		4 636 654	–
Trade and other payables		(5 699 729)	–
Total assets and liabilities acquired		17 481 467	–
Less: Non-controlling interests' portion of assets and liabilities acquired		(8 526 542)	–
Group's share of total assets and liabilities acquired		8 954 925	–
Goodwill at acquisition		5 107 039	–
<b>Total consideration</b>			
Cash and cash equivalents on hand at acquisition		(4 636 654)	–
Consideration still payable		(89 119)	–
Sales claims acquired		999 418	–
Provisional fair value of intangibles previously held*		(1 114 150)	–
Split out historical sales claims		980 223	–
Settlement of prior year consideration		1 533 555	–
Fair value of options exercised	12	(1 913 555)	–
Fair value of previously held equity interest		(5 796 246)	–
<b>Net cash on acquisition of subsidiaries</b>		<b>4 025 435</b>	<b>–</b>

\* Provisional accounting.

	2022 USD	2021 USD
Profit after tax since acquisition date included in the consolidated results for the year	1 985 707	–
Turnover since acquisition date included in the consolidated results for the year	11 532 989	–
Group's hypothetical profit after tax assuming acquiree had been included in the consolidated results for the full year	24 616 127	–
Group's hypothetical revenue assuming acquiree had been included in the consolidated results for the full year	245 629 209	–
<b>Put option liability for non-controlling interest</b>		
The put option liability represents the approximate 49% remaining to be purchased from the minority interest of A&R Group.		
The amount was determined using a contractual agreement indicating 5.00 to 6.50 times cover of the average profit after taxation and royalties, respectively, for the three years ended 31 December 2022. The contractual agreement indicates that the shareholders need to be employed for a period of 36 months from the original contract date, 31 July 2021, and that if these employees are no longer employed, the Group is obligated to take up the equity and software licence agreements. The amounts owed can be repaid over 60 equal instalments.		
<b>Put option liability for non-controlling interest</b>	12 028 347	–
Non-current liabilities	9 622 678	–
Current liabilities	2 405 669	–

## 11. INVESTMENT IN ASSOCIATES

	Notes	2022 USD	2021 USD
Investment in associate – Applied Vehicle Analysis Proprietary Limited	11.1	790 777	957 710
Investment in associate – A&R Engineering and Mining Services Proprietary Limited and related companies	11.2	–	4 736 193
		790 777	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 and Applied Vehicle Analysis IOT Limited, incorporated in Ireland, for ZAR19,1 million (USD1.3 million). 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 that company was incorporated, and a change of reporting date is not possible at this stage. For the purpose of applying the equity method of accounting, the financial information of AVA up to 31 December 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.

**11. INVESTMENT IN ASSOCIATES** continued

**11.1 Investment in associate – Applied Vehicle Analysis Proprietary Limited** continued

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

	2022 USD	2021 USD
<b>Cumulative reconciliation</b>		
Investment at cost	1 293 975	1 293 975
Foreign exchange differences	(57 592)	–
Share of loss from associate	(445 606)	(336 265)
<b>Total investment</b>	<b>790 777</b>	<b>957 710</b>
<b>Carrying amount of the investment is as follows:</b>		
Carrying amount as at 1 January	957 710	–
Additions	–	1 293 975
Foreign exchange differences	(57 592)	–
Share of loss from associate	(109 341)	(336 265)
<b>Carrying amount as at 31 December</b>	<b>790 777</b>	<b>957 710</b>
Loan to associate	164 006	–
Revenue	2 008 635	2 259 052
Loss from continuing operations	(273 353)	(840 664)
Total comprehensive loss	(273 353)	(840 664)
<b>Group's share of total comprehensive loss</b>	<b>(109 341)</b>	<b>(336 265)</b>
Dividends received from associate	–	–
Non-current assets	97 507	43 596
Current assets	448 522	455 238
Non-current liabilities	(844 739)	(160 467)
Current liabilities	(593 829)	(965 425)
<b>Net assets</b>	<b>(892 539)</b>	<b>(627 058)</b>
<b>Group's share of net assets</b>	<b>(357 015)</b>	<b>(250 823)</b>
<b>Goodwill</b>	<b>1 257 133</b>	<b>1 544 798</b>
<b>Share of loss from associate</b>	<b>(109 341)</b>	<b>(336 265)</b>
<b>Investment in associate</b>	<b>790 777</b>	<b>957 710</b>

**11.2 Investment in associate – A&R Engineering and Mining Services Proprietary Limited and related companies**

During August 2021, the Group purchased an approximate 25% equity interest in A&R Group, incorporated in South Africa, for ZAR67,0 million (USD4.3 million). These companies specialise in data-driven mine fleet management solutions and are currently primarily operating within the African segment of the Group. These companies are currently the leading operators in the underground rail bound and trackless equipment hardware environment in terms of management systems and intelligent devices installed across various mining operations. The investment 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 2021, the Group still had a contingent consideration payable that amounted to ZAR8,4 million (USD0.5 million) – refer to note 15 for more information. The contingent consideration was finalised during the year, adjusted upwards by ZAR17,8 million (USD1.0 million) and settled when control was obtained.

As at 31 December 2021, the Group did not have control of A&R Group via the call option it had for the remainder of the shares. The call option did not give rise to the substantive control until such time as the Group exercised the call option which expire due to within three years or the put option due to expire towards the end of 2022. The put option provided 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 option. At 31 December 2021, the mark-to-market valuation indicated a value of ZAR37,0 million (USD2.3 million) and ZAR5,0 million (USD0.3 million) for the call and put options, respectively – refer to note 12 for more information on the options.

During August 2022, the Group exercised its option to acquire an approximate additional 26% shareholding in A&R Group. As a result, the Group obtained control of these companies and consolidated accordingly. Refer to note 10.3 for more information on the purchase price allocation.

The financial year-end of A&R Group is 28 February. This was the reporting date established when that company was incorporated, and a change of reporting date is not possible at this stage. For the purpose of applying the equity method of accounting, the financial information of A&R Group up to the date of control 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 the date of obtaining control.

	Note	2022 USD	2021 USD
<b>Cumulative reconciliation</b>			
Investment at cost		5 329 517	3 759 639
Contingent consideration	15	–	529 920
Fair value adjustment		(213 367)	–
Foreign exchange difference		(341 267)	–
Share of profit from associate		1 021 363	446 634
<b>Total investment</b>		<b>5 796 246</b>	<b>4 736 193</b>
Derecognition on obtaining control		(5 796 246)	–
<b>Total investment</b>		<b>–</b>	<b>4 736 193</b>
<b>The carrying amount of the investment is as follows:</b>			
Carrying amount as at 1 January		4 736 193	–
Additions		–	3 759 639
Share of profit from associate		574 729	446 634
Fair value adjustment		(213 367)	–
Contingent consideration adjustment		1 039 958	529 920
Foreign exchange difference		(341 267)	–
Derecognition on obtaining control		(5 796 246)	–
<b>Carrying amount as at 31 December</b>		<b>–</b>	<b>4 736 193</b>
Revenue		19 235 468	12 068 035
Profit from continuing operations		2 298 915	1 786 535
Total comprehensive profit		2 298 915	1 786 535
Group's share of total comprehensive profit		574 729	446 634
Royalties received from associate		419 950	388 256

**11. INVESTMENT IN ASSOCIATES** continued
**11.2 Investment in associate – A&R Engineering and Mining Services Proprietary Limited and related companies** continued

	2022 USD	2021 USD
Non-current assets	–	1 470 330
Current assets	–	13 339 543
Non-current liabilities	–	(1 332 799)
Current liabilities	–	(2 521 981)
<b>Net assets</b>	<b>–</b>	<b>10 955 093</b>
<b>Group's share of net assets</b>	<b>–</b>	<b>2 765 071</b>
<b>Goodwill</b>	<b>–</b>	<b>1 524 488</b>
<b>Share of loss from associate</b>	<b>–</b>	<b>446 634</b>
<b>Investment in associate</b>	<b>–</b>	<b>4 736 193</b>

**12. OPTION INSTRUMENT**

	2022 USD	2021 USD
Call option asset*	–	2 322 360
Put option liability*	–	(314 675)
<b>Fair value option instrument recognised through profit or loss</b>	<b>–</b>	<b>2 007 685</b>

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

During 2021, a ZAR32,0 million (USD2.0 million) fair value adjustment was recognised on the Group's option to acquire an additional interest in A&R Group. 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.

During August 2022, the Group exercised its option to acquire an approximate additional 26% shareholding in A&R Group. The Group revalued the option on the date of valuation and accounted for a fair value adjustment of ZAR7,7 million (USD0.5 million) through profit or loss.

Refer to note 10.3 for more information on the business combination.

	Call option asset USD	Put option liability USD	Net USD
<b>Opening balance</b>	<b>2 322 360</b>	<b>(314 675)</b>	<b>2 007 685</b>
<b>Fair value option instrument recognised through profit or loss</b>	<b>668 030</b>	<b>(622 592)</b>	<b>45 438</b>
<b>Foreign exchange differences</b>	<b>(187 894)</b>	<b>48 326</b>	<b>(139 568)</b>
<b>Derecognition on exercising options</b>	<b>(2 802 496)</b>	<b>888 941</b>	<b>(1 913 555)</b>
<b>Closing balance</b>	<b>–</b>	<b>–</b>	<b>–</b>

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:

	2022	2021
Valuation method	Black-Scholes method	Black-Scholes method
Implied volatility	39.52%	39.00%
Risk-free rates	6.76%	4.84%
Dividend yield	Ranges between 0% and 23.82%	Ranges between 0% and 1.87%
Strike price	Ranges between ZAR47 161 and ZAR1 619 271	Ranges between ZAR47 161 and ZAR1 619 271

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

#### 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 it is a joint venture formed within the exploration drilling industry. Hall Core's principal place of business is in the African segment. Under IFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements by recognising its share of profit in the joint venture. As at 31 December, in terms of the contractual agreement between the parties, the Group still had consideration payable that amounted to ZAR53,4 million (USD3.1 million), payable in two equal instalments during 2023 and 2024 (2021: USDnil) – after making a payment of USD1.2 million during the year. The amount outstanding bears interest at the South African prime lending rate.

The financial year-end of Hall Core is 28 February. This was the reporting date established when that company was incorporated, and a change of reporting date is not possible at this stage. For the purpose of applying the equity method of accounting, the financial information of Hall Core 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.

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

	Notes	2022 USD	2021 USD
<b>Cumulative reconciliation</b>			
Investment at cost		3 344 775	1 225 411
Contingent consideration	15	–	2 390 580
Foreign exchange differences		(284 947)	–
Share of profit from joint venture		1 322 393	411 033
<b>Total investment</b>		<b>4 382 221</b>	<b>4 027 024</b>
<b>The carrying amount of the investment is as follows:</b>			
Carrying amount as at 1 January		4 027 024	–
Additions		–	3 615 991
Contingent consideration fair value adjustment		2 008 459	–
Sales claims acquired		(2 279 675)	–
Foreign exchange differences		(284 947)	–
Share of profit from joint venture		911 360	411 033
<b>Carrying amount as at 31 December</b>		<b>4 382 221</b>	<b>4 027 024</b>
Loan to joint venture		1 779 434	–
<b>Consideration payable to joint venture partner:</b>			
Non-current liabilities		–	–
Current liabilities	6	1 568 072	–
		<b>1 568 072</b>	<b>–</b>

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

	2022 USD	2021 USD
Revenue	19 068 318	6 666 209
Depreciation and amortisation	(585 812)	(648 066)
Interest income and expenses	(262 395)	–
Profit from continuing operations	1 822 720	822 067
<b>Total comprehensive profit</b>	<b>1 822 720</b>	<b>822 067</b>
<b>Group's share of total comprehensive profit</b>	<b>911 360</b>	<b>411 033</b>
Non-current assets	4 739 864	2 392 436
Current assets*	8 160 636	2 244 395
Non-current liabilities	(2 627 362)	(1 666)
Current liabilities	(5 497 433)	(3 569 425)
<b>Net assets</b>	<b>4 775 705</b>	<b>1 065 740</b>
<b>Group's share of net assets</b>	<b>2 387 853</b>	<b>532 870</b>
<b>Goodwill</b>	<b>1 083 008</b>	<b>3 083 121</b>
<b>Share of profit from associate</b>	<b>911 360</b>	<b>411 033</b>
<b>Investment in associate</b>	<b>4 382 221</b>	<b>4 027 024</b>

\* Includes an amount of USD194 150 for cash and cash equivalents.

**14. CONTRACT LIABILITY**

During the previous year, a company within the African segment entered into agreements where it received amounts upfront as part of a contract with clients that is expected to be realised, aligned with the performance obligations in terms of the contract with the clients. During the current year, the company also entered into an additional agreement where it received an amount upfront as part of a contract with a client that is expected to be realised, aligned with the performance obligations in terms of the contract with the client. Unwinding of revenue and interest is realised in profit or loss, respectively.

	2022 USD	2021 USD
Balance on 1 January	8 658 296	–
Contract with client	4 515 571	8 658 296
Interest on unwinding of contract liability	429 306	–
Recognised as revenue	(4 154 449)	–
Foreign exchange differences	(552 208)	–
<b>Closing balance on 31 December</b>	<b>8 896 516</b>	<b>8 658 296</b>
<b>Non-current liabilities</b>	<b>3 270 349</b>	<b>3 932 115</b>
<b>Current liabilities</b>	<b>5 626 167</b>	<b>4 726 181</b>

## 15. CONTINGENT CONSIDERATION

	2022 USD	2021 USD
<b>Contingent consideration – A&amp;R Engineering and Mining Services Proprietary Limited and related companies</b>	–	529 920
As at 31 December 2021, the Group had contingent consideration payable to the shareholders of A&R Group as part of the approximate 25% investment in associate. The consideration payable was calculated based on a multiple between 4.50 and 5.85 of the company's audited profit after taxation for FY22 that ends 28 February and is payable upon the completion of each year's audited financial information. The consideration payable amount was based and calculated on the best information available as at 31 December 2021.		
All contingent consideration related to A&R Group was settled during the year as part of the Group exercising its option to gain control by gaining another approximate 26% shareholding. Refer to note 10.3 for more information.		
<b>Contingent consideration – Hall Core Holdings Proprietary Limited</b>		2 390 580
As at 31 December 2021, the Group had contingent consideration payable to the shareholders of Hall Core Holdings Proprietary Limited as part of the 50% investment in joint venture. The consideration payable was calculated based on a 3.80 multiple of the company's EBITDA for the FY22 that ends 28 February and is payable in two equal instalments. The consideration payable amount was based and calculated on the best information available as at 31 December 2021.		
The business combination consideration payable was finalised during the year.		
	–	2 920 500
Non-current liabilities	–	1 195 290
Current liabilities	–	1 725 210

## 16. DERECOGNITION ON LOSS OF CONTROL

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

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

	2022 USD	2021 USD
Revenue	648 979	–
Profit/(loss)	(11 758)	–
Total comprehensive income/(loss)	(11 758)	–
The Group lost control of the following assets and liabilities:		
<b>Non-current assets</b>	<b>1 860 603</b>	–
Property, plant and equipment	1 763 075	–
Deferred tax	97 528	–
<b>Current assets</b>	<b>3 124 470</b>	–
Trade and other receivables	1 205 359	–
Cash and cash equivalents	349 350	–
Inventory	1 569 761	–
<b>Current liabilities</b>	<b>(5 204 273)</b>	–
Trade and other payables	(5 204 273)	–
<b>Net equity</b>	<b>(219 200)</b>	–
<b>Non-controlling interest</b>	<b>(109 600)</b>	–

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

## 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:

	2022 USD	2021 USD
<b>Sales revenue by activity</b>		
Sale of industrial products	13 445 131	–
Raise boring	180 261 596	148 380 152
Support services	9 249 892	6 114 991
Slim drilling	11 197 473	12 124 795
New rock boring technology	12 239 649	5 216 592
	<b>226 393 741</b>	<b>171 836 530</b>
<b>Gross profit by activity</b>		
Sale of industrial products	4 072 065	–
Raise boring	57 366 860	47 286 002
Support services	3 715 530	(2 258 728)
Slim drilling	(4 524 158)	1 948 737
New rock boring technology	4 284 933	1 662 431
	<b>64 915 230</b>	<b>48 638 442</b>

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

Changes were made to the operating segments from those disclosed at 31 December 2021. These changes are aligned with the Group's strategic pillars and will enable the Chief Operating Decision-maker, under direct supervision of the resident boards, to improve the management of performance and decisions on allocation of resources to the different segments. The comparative reporting periods were adjusted accordingly as the information was available.

### 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.

	2022 USD	2021 USD
<b>Sales revenue by geographical market</b>		
Africa	91 501 620	64 348 625
Central and North America	26 201 504	19 308 704
Rest of the world	37 820 595	33 234 859
South America	70 870 022	54 944 342
	<b>226 393 741</b>	<b>171 836 530</b>
<b>Gross profit by geographical market</b>		
Africa	31 520 829	19 166 684
Central and North America	7 756 373	4 905 188
Rest of the world	7 524 282	10 128 755
South America	18 113 746	14 437 815
	<b>64 915 230</b>	<b>48 638 442</b>

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 among operating segments based on the project requirements of these different segments. Transactions within the operating segments occur at arm's length.

	2022 USD	2021 USD
<b>Depreciation and amortisation by geographical market</b>		
Africa	7 868 304	4 807 315
Central and North America	1 914 503	1 811 332
Rest of the world	3 179 389	2 485 304
South America	2 276 102	2 209 799
	<b>15 238 298</b>	<b>11 313 750</b>
<b>Investment income by geographical market</b>		
Africa	709 956	272 467
Central and North America	–	–
Rest of the world	29 274	75 856
South America	154 314	170 638
	<b>893 544</b>	<b>518 961</b>
<b>Finance cost by geographical market</b>		
Africa	3 118 136	1 440 475
Central and North America	459 152	338 033
Rest of the world	67 049	174 384
South America	825 975	605 316
	<b>4 470 312</b>	<b>2 558 208</b>
<b>Taxation by geographical market</b>		
Africa	5 531 351	3 643 773
Central and North America	1 611 555	61 537
Rest of the world	2 235 134	3 136 341
South America	1 033 973	1 384 261
	<b>10 412 013</b>	<b>8 225 912</b>

## 18. SUBSEQUENT EVENTS

The Board approved a dividend on 27 March 2023 of ZAR47,5 cents per share payable to shareholders recorded in the Company's share register on 19 May 2023. The dividend declared is not reflected in the financial statements for the year ended 31 December 2022.

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.

## 20. CAPITAL COMMITMENTS

	2022 USD	2021 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.	4 843 883	1 764 300

**21. DIRECTORS' REMUNERATION**

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

<sup>\*</sup> Paid by Drilling Technical Services Proprietary Limited.

<sup>+</sup> Paid by Master Drilling New Technology Holdings Proprietary Limited.

<sup>"</sup> Paid by Drilling Technical Services Proprietary Limited and Master Drilling Malta Limited.

<sup>#</sup> Paid by Master Drilling USA LLC.

<sup>^</sup> Paid by Master Drilling Group Limited.

<sup>§</sup> 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. Director emoluments are paid for by subsidiaries within the Group. The amounts in this table represent the actual amounts paid to directors during the current year.

Fringe benefits USD	Provident/ pension fund contributions USD	Directors' fees USD	Consulting and legal fees USD	Total USD
19 979	–	–	–	699 722
15 361	–	–	–	697 291
12 732	–	–	–	383 865
18 735	–	–	–	751 567
66 807	–	–	–	2 532 445
–	–	60 266	–	60 266
–	–	33 904	79 392	113 296
–	–	34 708	–	34 708
–	–	23 585	–	23 585
–	–	25 729	–	25 729
–	–	40 896	–	40 896
–	–	219 088	79 392	298 480
11 423	18 347	–	–	194 621
11 423	18 347	–	–	194 621
6 244	12 678	–	–	347 947
6 244	12 678	–	–	347 947
84 474	31 025	219 088	79 392	3 373 493

**21. DIRECTORS' REMUNERATION** *continued*

	Basic salary USD	Bonus USD
<b>2021</b>		
<b>Executive directors</b>		
Danie Pretorius <sup>"</sup>	344 880	–
André van Deventer <sup>"</sup>	340 294	–
Gary Sheppard <sup>#</sup>	354 657	–
Koos Jordaan <sup>+</sup>	251 018	–
<b>Sub-total</b>	<b>1 290 849</b>	<b>–</b>
<b>Non-executive directors</b>		
Hennie van der Merwe <sup>^</sup>	–	–
Shane Ferguson <sup>^</sup>	–	–
Octavia Matloa <sup>^</sup>	–	–
Andries Brink <sup>^</sup>	–	–
Hendrik Faul <sup>^</sup>	–	–
Mamokete Ramathe <sup>^</sup>	–	–
Akhter Deshmukh <sup>^</sup>	–	–
<b>Sub-total</b>	<b>–</b>	<b>–</b>
<b>Alternate director</b>		
Eddie Dixon <sup>§</sup>	154 465	–
<b>Sub-total</b>	<b>154 465</b>	<b>–</b>
<b>Prescribed officer</b>		
Roelof Swanepoel <sup>*</sup>	131 479	–
<b>Sub-total</b>	<b>285 944</b>	<b>–</b>
<b>Total</b>	<b>1 576 793</b>	<b>–</b>

<sup>\*</sup> Paid by Drilling Technical Services Proprietary Limited.

<sup>+</sup> Paid by Master Drilling New Technology Holdings Proprietary Limited.

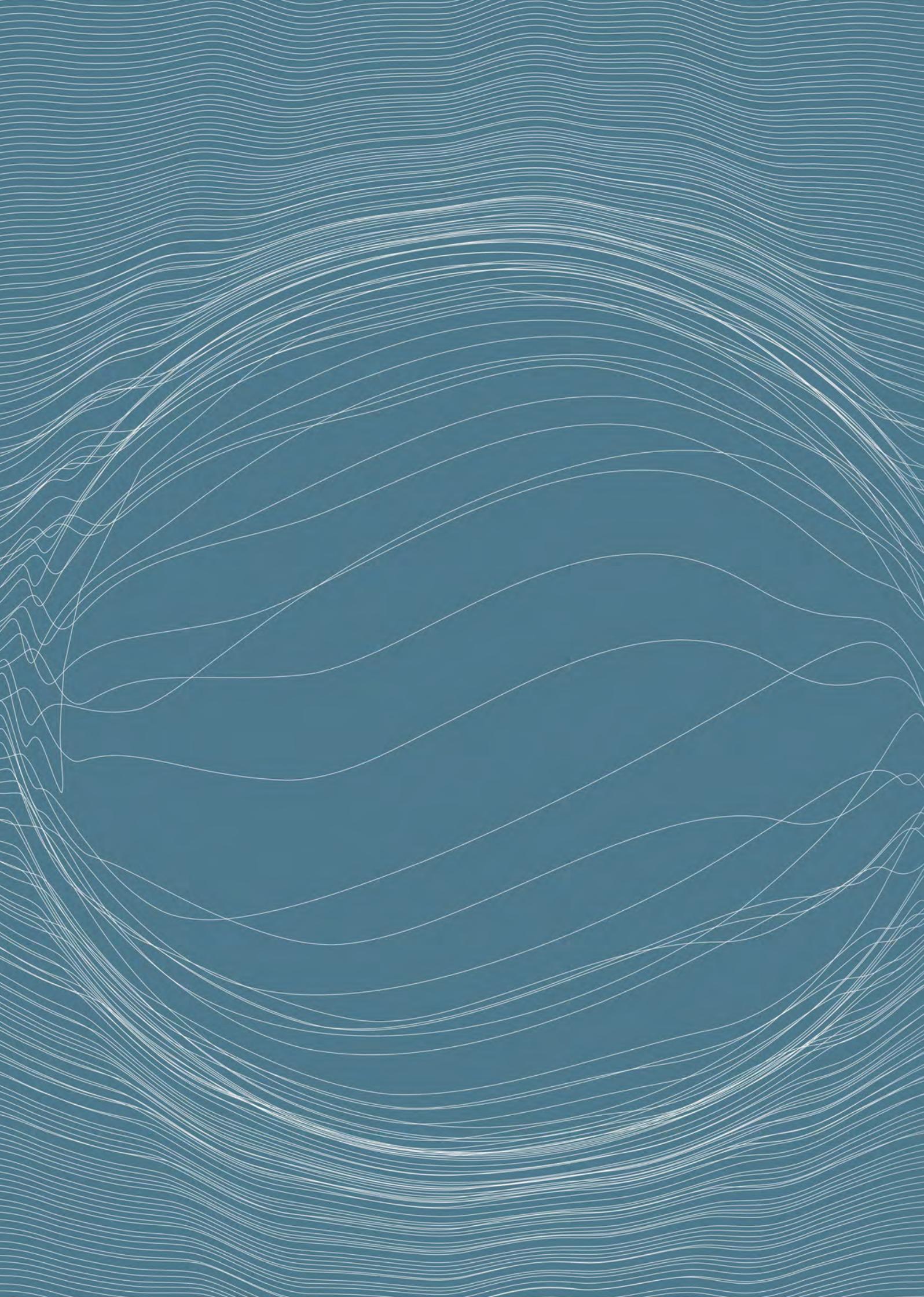
<sup>"</sup> Paid by Drilling Technical Services Proprietary Limited and Master Drilling Malta Limited.

<sup>#</sup> Paid by Master Drilling USA LLC.

<sup>^</sup> Paid by Master Drilling Group Limited.

<sup>§</sup> Paid by Master Drilling Exploration Proprietary Limited.

Fringe benefits USD	Provident/ Pension fund contributions USD	Directors' fees USD	Consulting and legal fees USD	Total USD
45 042	–	–	–	389 922
30 351	–	–	–	370 645
–	–	–	–	354 657
30 966	–	–	–	281 984
106 359	–	–	–	1 397 208
–	–	66 277	–	66 277
–	–	30 131	117 454	147 585
–	–	13 490	–	13 490
–	–	36 676	–	36 676
–	–	24 509	–	24 509
–	–	13 266	–	13 266
–	–	43 108	–	43 108
–	–	227 457	117 454	344 911
28 213	18 752	–	–	201 430
28 213	18 752	–	–	201 430
20 641	12 469	–	–	164 589
48 854	31 221	–	–	366 019
155 213	31 221	227 457	117 454	2 108 138



# 6. SHAREHOLDER INFORMATION

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# ANALYSIS OF SHAREHOLDING

	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
<b>Size of holdings</b>				
1 – 1 000	3 492	74.9	472 508	0.3
1 001 – 10 000	859	18.4	3 199 972	2.1
10 001 – 100 000	228	4.9	7 473 562	4.9
100 001 – 1 000 000	65	1.4	25 619 654	16.9
1 000 000+	17	0.4	114 597 081	75.7
<b>Total</b>	<b>4 661</b>	<b>100.0</b>	<b>151 362 777</b>	<b>100.0</b>
<b>Shareholder type</b>				
Public shareholders	4 647	99.7	63 560 947	42.0
<b>Non-public shareholders</b>				
Directors' indirect holdings	10	0.2	85 497 569	56.5
Directors' direct holdings	4	0.1	2 304 261	5.9
<b>Total</b>	<b>4 661</b>	<b>100.0</b>	<b>151 362 777</b>	<b>100.0</b>

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

	Number of shares	% of shares in issue
Camissa Asset Management (previously Kagiso Asset Management)	19 168 223	12.7
Abax Investments	9 541 458	6.3
Ninety One	8 950 043	5.9
<b>Total</b>	<b>37 659 724</b>	<b>24.9</b>

	Number of shares	% of shares in issue
Barrange Proprietary Limited	43 696 650	28.9
MDG Equity Holdings Proprietary Limited	38 954 436	25.7
Ninety One Limited	8 950 043	
<b>Total</b>	<b>91 601 129</b>	<b>60.5</b>

## Stock exchange information as at 31 December

	2022	2021
<b>JSE share code: MDI</b> – high	1 550	1 360
– low	1 148	652
– closing	1 448	1 148
– average	1 349	853
<b>Shares traded</b>	<b>13 131 721</b>	<b>24 066 539</b>

# 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 eleventh 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 Tuesday, 13 June 2023 at 09h00 to consider and, if deemed fit, pass, with or without modification, the resolutions as set out in this notice.

### FORM OF NOTICE AND PROXY

This form of notice and proxy have been approved by the Board of Directors of Master Drilling (the Board or the directors) and were signed on its behalf by Mr HR van der Merwe, Chairman, on 26 April 2023.

### 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 2022;
- The appointment of the external auditor;
- The election of certain alternate directors and re-election of certain other directors retiring by rotation;
- The reappointment of the 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.

### 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 Central Securities Depository Participation (CSDP)) and who wish to participate in and vote at the Annual General Meeting to be held on Tuesday, 13 June 2023 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) (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 Computershare Investor Services (Proprietary) Limited (Computershare), 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 Computershare and/or CSDPs have on file are correct.

#### Annual reports

Should you wish to receive printed copies of the Master Drilling 2022 Integrated Report, please complete a request by means of the form on the Company website at [www.masterdrilling.com](http://www.masterdrilling.com) or by email from [companysecretary@masterdrilling.com](mailto:companysecretary@masterdrilling.com).

## Identification

In terms of section 63(1) of the Companies Act, before any person may attend or participate in the Annual General Meeting, that person must present reasonably satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of the person to participate in 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 purposes of receiving notice of the Annual General Meeting (being the date on which a shareholder must be registered in the Company's register of shareholders in order to receive notice of the Annual General Meeting), shall be the close of business on Friday, 21 April 2023 (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, 2 June 2023 (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, 30 May 2023; and
- The date by which forms of proxy for the Annual General Meeting are requested to be lodged is, for administrative purposes, 09h00 on Friday, 9 June 2023. 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 Computershare to be received within the allowable time periods prescribed by law.

### C. Electronic participation

As allowed by the Companies Act and the Company's Memorandum of Incorporation, Master Drilling intends to offer shareholders reasonable access, through electronic facilities, to participate in the Annual General Meeting by means of a conference call facility. Shareholders will be able to listen to the proceedings and raise questions should they wish to do so and are invited to indicate their intention to make use of this facility by making application, in writing (including details as to how the shareholder or representative can be contacted) to Computershare at the address set out in this notice of Annual General Meeting. The application is to be received by Computershare at least 10 business days prior to the date of the Annual General Meeting, i.e. by Tuesday, 30 May 2023. Computershare will, by way of email, provide information enabling participation to those shareholders who have made application. Voting will however 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 this 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. 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 2022 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](http://www.masterdrilling.com). Shareholders are reminded to obtain their own copies at [www.masterdrilling.com](http://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 AA Deshmukh, 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 recommend Mr Deshmukh's re-election based on their assessment of his eligibility, taking into account his past performance and contribution.

Mr Deshmukh's curriculum vitae appears on page 74 of the 2022 Integrated Report, available on [www.masterdrilling.com](http://www.masterdrilling.com).

#### 3. ORDINARY RESOLUTION NUMBER 3: RE-ELECTION OF NON-EXECUTIVE DIRECTOR RETIRING BY ROTATION

"Resolved that Mr HJ Faul, 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 recommend Mr Faul's re-election based on their assessment of his eligibility, taking into account his past performance and contribution.

Mr Faul's curriculum vitae appears on page 75 of the 2022 Integrated Report, available on [www.masterdrilling.com](http://www.masterdrilling.com).

#### 4. ORDINARY RESOLUTION NUMBER 4: ELECTION OF ALTERNATE DIRECTOR TO DANIËL COENRAAD PRETORIUS

"Resolved that Mr Gareth Robert Sheppard is elected as an alternate director to Daniël Coenraad Pretorius."

##### Explanatory note

The Board recommends that shareholders elect Mr Sheppard as an alternate director. The Board and its Nominations Committee recommend Mr Sheppard's election as an alternate director, based on their assessment of his eligibility, taking into account his past performance and contribution as an executive of the Company.

Mr Sheppard's curriculum vitae appears on page 77 of the 2022 Integrated Report, available on [www.masterdrilling.com](http://www.masterdrilling.com).

#### 5. ORDINARY RESOLUTION NUMBER 5: ELECTION OF ALTERNATE DIRECTOR TO BAREND JACOBUS JORDAAN

"Resolved that Mr Fred George Dixon is elected as an alternate director to Barend Jacobus Jordaan."

##### Explanatory note

The Board recommends that shareholders elect Mr Dixon as an alternate director. The Board and its Nominations Committee recommend Mr Dixon's election as an alternate director, based on their assessment of his eligibility, taking into account his past performance and contribution as an executive of the Company.

Mr Dixon's curriculum vitae appears on page 77 of the 2022 Integrated Report, available on [www.masterdrilling.com](http://www.masterdrilling.com).

#### 6. ORDINARY RESOLUTIONS NUMBERS 6.1 TO 6.4: ELECTION OF MEMBERS OF THE AUDIT COMMITTEE

**6.1** Election of Mr Andries Willem 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 74 of the 2022 Integrated Report, available on [www.masterdrilling.com](http://www.masterdrilling.com).

**6.2** Election of Mr Shane Trevor Ferguson as a member of the Audit Committee

“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 75 of the 2022 Integrated Report, available on [www.masterdrilling.com](http://www.masterdrilling.com).

**6.3** Election of Mr Akhter Alli Deshmukh as a member of the Audit Committee

“Subject to the passing of ordinary resolution number 2, 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 74 of the 2022 Integrated Report, available on [www.masterdrilling.com](http://www.masterdrilling.com).

**6.4** Election of Ms Mamokete Ramathe as a member of the Audit Committee

“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 75 of the 2022 Integrated Report, available on [www.masterdrilling.com](http://www.masterdrilling.com).

**7. ORDINARY RESOLUTION NUMBER 7: GENERAL AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE ORDINARY SHARES**

“Resolved that, subject to the provisions of the Companies Act and the Johannesburg Stock Exchange Limited (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 7 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.

**8. ORDINARY RESOLUTION NUMBER 8: 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 7**

“Resolved that, subject to ordinary resolution number 7 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 7, subject to the following conditions:

**8.1** This authority shall be limited to a maximum number of 7 568 139 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 8 is to be proposed, being Tuesday, 13 June 2023);

**8.2** The equity securities which are the subject of the issue for cash must be of a class already in issue;

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

**8.4** 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 8.3 above, 5% (7 568 139) of the number of ordinary shares in issue prior to the issue concerned excluding treasury shares;

**8.5** In the event of a sub-division or consolidation of issued shares during the period contemplated in paragraph 8.2 above, this authority must be adjusted accordingly to represent the same allocation ratio;

**8.6** 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 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 adjusted accordingly to represent the same allocation ratio;

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

**8.8** Related parties may participate in a general issue for cash through a bookbuild process provided:

- Related parties may only participate with a maximum bid price at which they are prepared to take up shares or at book close price. In the event of a maximum bid price and the book closes at a higher price, the relevant related party will be “out of the book” and not be allocated shares; and
- Equity securities must be allocated equitably “in the book” through the bookbuild process and the measures to be applied must be disclosed in the Stock Exchange News Service announcement launching the bookbuild.

Any equity securities already issued under the authority during the period contemplated in paragraph 8.3, must be deducted from such number in paragraph 8.1.

The purpose of ordinary resolution number 8 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 7 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 8.

In terms of the JSE Listings Requirements, a 75% majority of the votes cast by shareholders present in person or represented by proxy at the Annual General Meeting is required for the approval of ordinary resolution number 8.

## 9. ORDINARY RESOLUTION NUMBER 9: 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 85 to 95 of the 2022 Integrated Report, available on [www.masterdrilling.com](http://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 therefor.

## 10. ORDINARY RESOLUTION NUMBER 10: 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 85 to 95 of the 2022 Integrated Report, available on [www.masterdrilling.com](http://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 therefor.

## SPECIAL BUSINESS

For special resolutions 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.

## 11. 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;
- Authorisation thereto being given by the Memorandum of Incorporation;
- 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 consolidated 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 2022 Integrated Report, available on [www.masterdrilling.com](http://www.masterdrilling.com):

- Directors and management – pages 74 to 77;
- Major shareholders – page 144;
- Material change statement – page 152;
- Directors' interest in securities – page 95; and
- Share capital of the Company – page 144 .

## 12. 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 following table below, to be paid to non-executive directors for their services as directors of the Company (with effect from 1 July 2023), 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."

### Note:

The Board has recommended a 6% increase in the fees paid to non-executive directors.

The recommended fees to take effect from 1 July 2023 are set out more fully as follows. The annual basic remuneration is an annual fee payable in four equal quarterly amounts. The remuneration reflected as follows for meeting attendance is payable quarterly per meeting/s attended.

	ZAR
<b>Annual basic remuneration, to be paid quarterly</b>	
Non-executive Chairman of the Board	480 901
Non-executive member of the Board, including Lead Independent Director	120 225
<b>Fees per meeting attended by the members of the Board and of the Board committees, to be paid quarterly</b>	
Chairman of the Board	104 601
Non-executive member of the Board	36 072
Chairman of the Audit Committee	36 072
Chairman of the Risk Committee	36 072
Chairman of the Social, Ethics and Sustainability Committee	24 051
Chairman of the Corporate Governance Committee	24 051
Chairman of the Remuneration Committee	30 062
Chairman of the Nominations Committee	25 249
Member of the Audit Committee	25 249
Member of the Risk Committee	25 249
Member of the Social, Ethics and Sustainability Committee	14 427
Member of the Corporate Governance Committee	7 219
Member of the Remuneration Committee	12 031
Member of the Nominations Committee	10 823

\* The table above reflects a 6% increase for 2023. The directors' fees comprise a fixed annual portion as annual basic remuneration and a portion based on attendances 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.

### 13. 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 finance assistance is provided, are determined by the Board from time to time.

The Board may not authorise Master Drilling to provide any financial assistance pursuant to this special resolution unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet, 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.

## NOTICE OF ANNUAL GENERAL MEETING continued

### RESPONSIBILITY

The directors whose names appear on pages 74 to 77 of the 2022 Integrated Report, available on [www.masterdrilling.com](http://www.masterdrilling.com), collectively and individually accept full responsibility for the accuracy of the information given in this notice and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the JSE Listings Requirements.

### NO MATERIAL CHANGES

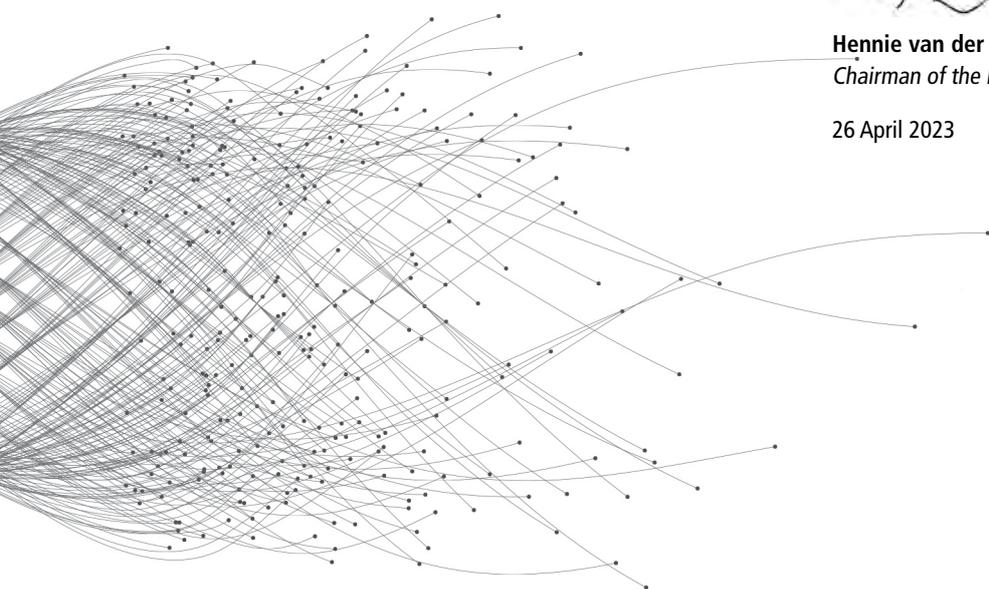
Other than the facts and developments reported on in the 2022 Integrated Report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice.

By order of the Board



**Hennie van der Merwe**  
*Chairman of the Board*

26 April 2023



## SHAREHOLDERS' DIARY

Financial year-end	31 December 2022
Annual results 2022	Published on 28 March 2023
2022 Integrated Report	Published on 26 April 2023
Annual General Meeting 2023	13 June 2023
Interim results 2023	Published on or about 30 September 2023

# 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 Tuesday, 13 June 2023 at 09h00 and at any adjournment of that 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 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 AA Deshmukh as a non-executive director			
Ordinary resolution number 3: Re-election of Mr HJ Faul as a non-executive director			
Ordinary resolution number 4: Election of Mr GR Sheppard as an alternate director to Mr DC Pretorius			
Ordinary resolution number 5: Election of Mr FG Dixon as an alternate director to Mr BJ Jordaan			
Ordinary resolution number 6.1: Election of Mr AW Brink as a member of the Audit Committee of the Company			
Ordinary resolution number 6.2: Election of Mr ST Ferguson as a member of the Audit Committee of the Company			
Ordinary resolution number 6.3: Election of Mr AA Deshmukh as a member of the Audit Committee of the Company			
Ordinary resolution number 6.4: Election of Ms M Ramathe as a member of the Audit Committee of the Company			
Ordinary resolution number 7: General authority to directors to allot and issue ordinary shares			
Ordinary resolution number 8: General authority to directors to issue for cash, those ordinary shares placed under the control of the directors in terms of ordinary resolution number 7			
Ordinary resolution number 9: Approval of the Master Drilling remuneration policy			
Ordinary resolution number 10: 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 \_\_\_\_\_ 2023

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 154).

# 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 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 Computershare 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 Computershare 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 Computershare 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 Computershare, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (Private Bag X9000, Saxonwold, 2132) or emailed to: proxy@computershare.co.za and are requested to be lodged timeously so as to be received, for administrative purposes, by 09h00 on Friday, 9 June 2023. 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. 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.

# DEFINITIONS AND GLOSSARY

## GLOSSARY

A&R Group	A&R Engineering and Mining Services Proprietary Limited and related companies
AVA	Applied Vehicle Analysis Proprietary Limited
B-BBEE	Broad-based black economic empowerment
Board	The Board of Directors of Master Drilling Group Limited
Capex	Capital expenditure
Companies Act	The South African Companies Act (Act 71 of 2008)
COSO	Committee of Sponsoring Organisations of the Treadway Commission
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
Group	Master Drilling Group Limited and its subsidiaries and associates
Hall Core	Hall Core Holdings Proprietary Limited
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
<IR Framework>	The 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™
km	Kilometre
KPI	Key performance indicator
LTI	Long-term Incentive Scheme
LTIFR	Lost-time injury frequency rate
m	Metre
Master Drilling or the Company	Master Drilling Group Limited
MD	Master Drilling
MDI	Master Drilling, JSE share code

## DEFINITIONS AND GLOSSARY continued

MTB	Mobile Tunnel Borer
NPO	Non-profit organisation
NQF	National Qualifications Framework
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
SLPs	Social and Labour Plans
SOS	Share option scheme
SPR	Special performance reward
STI	Short-term Incentive Scheme
TB	Tuberculosis
TGP	Total gross package
UN SDGs	United Nations Sustainable Development Goals
USA	United States of America

## OPERATIONAL DEFINITIONS

<b>Air rotary drilling</b>	Air rotary drilling is most commonly used for the application of large-diameter blast holes in the surface or 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.
<b>Blind hole boring</b>	Blind hole boring or enlargement is used for the construction of access or ventilation shafts for the mining industry in various forms. In the urban infrastructure industry, this form of boring is used for access and ventilation shafts ranging from metro tunnels to underground storage areas such as parking garages. In the energy sector it is used for surge, ventilation, access and pressure shafts.
<b>Box hole drilling</b>	<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>

<b>Core drilling</b>	<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>
<b>Mud rotary drilling</b>	<p>Mud rotary drilling is used in the mining industry for the drilling of utility, paste, de-watering and other infrastructure holes. In urban infrastructure, it is used predominantly for water wells and horizontal directional drilling, while the most common use in the energy sector is the drilling of coalbed methane, shale gas, gas, oil and geothermal holes. Mud rotary drilling is also commonly used for the directional drilling of horizontal wells.</p>
<b>Percussion drilling</b>	<p>Percussion drilling is a mobile type of drilling with fast production rates. The drilling assembly down the hole comprises a button bit fitted to a precipitating hammer with drill rods to the drill rig.</p> <p>Percussion drilling is commonly used to establish a 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>
<b>Piling</b>	<p>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.</p>
<b>Piloting</b>	<p>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.</p>
<b>Reaming</b>	<p>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.</p>
<b>Reef boring</b>	<p>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.</p>

## DEFINITIONS AND GLOSSARY continued

<b>Reverse circulation drilling</b>	Reverse circulation drilling is a cost-effective way for resource definition and very effective for grade control drilling to determine the accurate composition of the orebody that will be mined just before blasting.
<b>Semi-skilled</b>	C-lower and B-upper level employees e.g. artisan aids and operators.
<b>Skilled</b>	Using the Paterson grading model, skilled employees are classified as upper level employees from C4 level e.g. managers, skilled artisans, foremen and administrators.
<b>Slot hole boring</b>	<p>Slot hole boring is similar to traditional raise and box hole boring. The raise boring configuration can be adapted so that a pilot hole is drilled downward and then reamed from the top down, instead of from the bottom up, depending on the mining method required.</p> <p>Slot hole boring systems are faster-moving than the other conventional boring methods as the length of boring is shorter and normally a number of holes are required. There is no sequence to the holes and a suite of equipment can easily move between levels, lodes or east/west sections of a mine, between holes.</p>
<b>Trackless mining</b>	Mobile equipment not using mining tracks i.e. the mobile unit uses its own wheels or method of movement.
<b>Tunnel boring</b>	<p>Tunnel boring is used to excavate tunnels with a circular cross-section through a variety of soil and rock strata, varying from hard rock to sand.</p> <p>This method is used for the construction of metro, utility (waste water pipes, communication, etc.), fresh/waste water collection/removal, railway tunnels in the transport and urban infrastructure industries.</p> <p>In the mining industry, it is used for the construction of access tunnels to orebodies in either a decline-type ramp or horizontal haulage format. There are various other applications where it is effective for the opening up of blocks of ground and increasing the mine's footprint such as finger raises.</p> <p>For energy-type projects, tunnel boring is predominantly used in hydro-energy or pumped storage projects for the use of tailrace tunnels. It is also used for nuclear waste storage facility construction.</p>
<b>Unskilled</b>	Wage workers e.g. raise bore assistants, general workers and cleaners.

## FINANCIAL DEFINITIONS

<b>ARPOR</b>	Average revenue per operating rig
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EPS</b>	Earnings per share
<b>HEPS</b>	Headline earnings per share
<b>ROCE</b>	Return on capital employed = earnings before interest and tax (total assets – current liabilities)
<b>The previous year</b>	The year ended 31 December 2021
<b>The year</b>	The year ended 31 December 2022
<b>USD</b>	United States Dollar
<b>ZAR</b>	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, Fochville, 2515, South Africa  
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 (Kos) Jordaan  
– *Technical director*  
Gareth (Gary) Robert Sheppard\*  
– *Alternate director*  
Fred (Eddie) George Dixon  
– *Alternate director*

\* Resident in the United States of America

### Non-executive

Hendrik (Hennie) Roux van der Merwe  
– *Chairman and independent non-executive*  
Andries Willem Brink – *Lead independent non-executive*  
Akhter Alli Deshmukh – *Independent non-executive*  
Hendrik Johannes Faul – *Independent non-executive*  
Shane Trevor Ferguson – *Non-executive*  
Mamokete Ramathe – *Independent non-executive*

## COMPANY SECRETARY

Andrew Colin Beaven  
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PO Box 158, Krugersdorp, 1740, South Africa

## INDEPENDENT AUDITOR

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## JSE SPONSOR

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Master Drilling posts information that is important to investors on the main page of its website at [www.masterdrilling.com](http://www.masterdrilling.com) and under the "investors" tab on the main page. The information is updated regularly, and investors should visit the website to obtain important information about Master Drilling.



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