MASTER DRILLING

2017

ABRIDGED ANNUAL FINANCIAL RESULTS

SALIENT FEATURES FOR THE PERIOD

- USD Revenue was up by 2.8%
- USD Earnings per share decreased by 19.6% to 11.5 cents
- ZAR Earnings per share decreased by 27,1% to 153,1 cents
- USD Headline earnings per share decreased by 18.9% to 11.6 cents
- ZAR Headline earnings per share decreased by 26,5% to 154,4 cents
- Stable order book of USD 124.7 million
- Solid pipeline of USD 228.1 million
- Focus on working capital management bearing fruit
- Added geographies - India and Australia

CONTENTS

COMMENTARY

ABOUT MASTER DRILLING

Master Drilling was established in 1986 and listed on the Johannesburg Stock Exchange in 2012. The company delivers innovative drilling technologies worldwide and has built trusted partner relationships with blue-chip major and mid-tier companies in the mining, civil engineering and construction sectors across various commodities for over 30 years. The Master Drilling business model of providing drilling solutions to clients through tailor-made designs, coupled with a flexible support and logistics chain, makes it the preferred drilling partner throughout the lifecycle of projects from exploration to production and capital stages.

Commenting on the 2017 results, Danie Pretorius, CEO of Master Drilling, said:

"Despite 2017 having been a challenging year with various political changes across the world and a tough local macroeconomic environment, we delivered stable operational results in 2017 with the continued focus on working capital bearing fruit in the form of satisfactory cash generation.

"The uptick in the global economy and commodity cycle is expected to have a positive impact on our business going forward. Our pipeline is strong and we are excited about our entry into India and Australia, further diversifying our geographical exposure. The recent acquisition of Bergteamet Raiseboring Europe provides a launchpad for further expansion in Europe. There are many synergies between the two companies and this business complements our focus on providing innovative tailored technology solutions to our clients.

"New management strategies and actions implemented in some challenging regions have turned most of our underperforming businesses around. As a result, we expect an improvement in most global regions where we do business during the next reporting period.

"We are particularly proud of the launch of our Mobile Tunnel Borer in February 2018. This disruptive technology allows continuous mining and requires no blasting, significantly enhancing mining efficiencies. Because it is as advantageous at the capital stage of mining projects, with quicker deployment and access to the ore body, as it is at the production stage through substantial productivity increase when opening reserves or increasing a mine's underground primary and secondary infrastructure, we believe this will open the doors to more opportunities in future"

"Master Drilling is pleased that satisfactory cash generation has enabled us to declare an annual dividend of ZAR26,0 cents per share.

FINANCIAL OVERVIEW

Revenue increased 2.8% to USD121.4 million and operating profit decreased marginally to USD24.8 million. This was a positive result given that one of the Group's machine categories, the XX-large machines category, were utilized only 40%. Cost of sales increased in line with the increase in revenue bringing about a flat gross profit percentage in USD terms.

Further investment in human capital to support future growth, lower utilisation rates due to adverse demand, increased finance charges on additional borrowings for further expansion and the exchange rate effect of emerging currencies had a negative impact on the profit after tax.

USD earnings per share (EPS) decreased 19.6% to 11.5 cents, and ZAR EPS decreased 27,1% to 153,1 cents. USD headline earnings per share (HEPS) decreased 18.9% to 11.6 cents, and ZAR HEPS decreased 26,5% to 154,4 cents.

Net cash generation saw an increase to USD32.8 million, and although still not achieving management's target, is moving in the right direction. Working capital remained fairly flat year-on-year, with minimal movement especially in inventory and receivables. Cash resources continue to be managed stringently as market conditions improve to cater for emerging opportunities that require specific design, planning and investment. This resulted in a healthy cash resource balance that positions the company well for future growth.

COMMENTARY continued

Master Drilling's capital spend was 81.0% on expansion and 19.0% on sustaining the existing fleet.

Debt increased from USD 31.0 million to USD 44.0 million and the gearing ratio, including cash, improved from 6.4% to 2.4% in the current year. This is due to an additional draw down of USD20 million from ABSA during the year.

OPERATIONAL OVERVIEW

Despite entering 2017 amid challenging commodities markets and softer economic growth domestically paired with escalating cost pressures in the mining sector, continuous technological innovation positioned Master Drilling well to expand our service and product offering strategically into other industries as well as additional geographies.

South America

We are seeing some green shoots at our South American operations. Although Peru experienced a slow start to the year, results are reported at breakeven point. In the last quarter of 2017, we confirmed targeted utilisation of our fleet, positively impacting the outlook of our operations for 2018.

Brazil reported good results for the first time in several years mainly because of the implementation of a successful turnaround strategy, coupled with a renewed contract with Anglo Gold Ashanti.

The competitive landscape in Chile changed with more international contractors testing the market adding pressure to margins forcing competitors to exit the market. This emphasises the importance of in-depth market knowledge whilst having experienced, on-the-ground teams. Having serviced the market for more than 20 years, our competitive advantage served us well. Despite the short-term negative impact, we expect a turnaround during the next financial year.

During 2017, Master Drilling was awarded a hydroelectric energy project to the value of USD1.9 million in Colombia. The project was completed at the end of January 2018 in line with the agreed contract terms.

Central and North America

Our business in Mexico experienced one of its best years to date. This was as a result of our marketing efforts on the back of improved silver prices. More equipment is being shipped for future projects.

Our project in USA, involving our new machine with dual capability of blind shaft boring and raise bore drilling shipped to the USA during 2017, is ongoing with completion anticipated during the first half of 2018. A new Business Development Manager has also been appointed and will focus on expanding our business in the region.

Africa

Statistics show a major decline in mining's contribution to South Africa’s GDP growth in recent years. A large contributor to this remains uncertainty regarding the proposed mining charter and challenging mining conditions associated with deep South African mines. With the election of Cyril Ramaphosa as president and the appointment of Gwede Mantashe as the new Minister of Mineral Resources, we remain cautiously optimistic regarding the local mining sector. We are encouraged by the continuous support from our loyal client base.

The exploration business in South Africa yielded positive results in 2017 with our biggest contract being extended for another year, resulting in a positive outlook for the next financial year.

The initial capital extension project in the DRC is slowly coming to an end. This is being replaced with a smaller contract due to commence in the latter part of 2018. The contract will comprise raise boring at a copper mine utilising the same equipment, albeit with a smaller scope.

Mali and Zambia are performing as expected with no major changes anticipated.

In South Africa, Master Drilling will continue to support its loyal clients although growth will remain subdued.

We remain committed to expansion into appropriate African countries.

Scandinavia

Given the current macroeconomic environment, Sweden was disappointing and reported results at breakeven. We recently announced our decision to exercise our call option to acquire the remaining 60% of the shares in Bergteamet Raiseboring Europe based in Scandinavia. This transaction provides a launchpad for the company to expand our operations in the European markets and further diversify our geographic exposure.

India

In India, we began to support Vedanta Limited, a London Stock Exchange listed, globally diversified natural resources major with interests in Zinc, Lead, Silver, Copper, Iron Ore, Aluminium, Energy and Oil & Gas. The company deployed one large raise bore machine to one of Hindustan Zinc's mines in India at an initial contract value of approximately US$6 million.

Australia

In Australia, a large raise bore machine has been contracted out to Byrnecut, an internationally renowned specialist underground mining contractor, on a polymetalic project. The rental contract, the first such agreement which sees Master Drilling supply the machine without manpower, will run for an initial period of one year

Technology

The continuous improvement in our technology and services remains the cornerstone in providing our clients with the one-stop solution that they require to stay ahead in their respective markets. Master Drilling is well positioned to respond to the growing mechanisation trend within the mining industry thanks to our technological skills and proven services offering. We believe we offer a one stop solution to clients and our agile approach to trends developing in the mining industry allows us to provide cutting edge technological solutions to current and potential clients.

Master Drilling strengthened its internally developed technology service offering during the year and met several development milestones on our world-first technologies that we bring to market. The company's new disruptive Mobile Tunnel Boring ("MTB") solution was unveiled at the Investing in African Mining Indaba 2018 in Cape Town during February 2018. The manufacturing order has been placed and the machine should be ready for commissioning during the third quarter of 2018. Master Drilling's internally conceptualised design and internationally patented MTB technology were developed in response to the growing demand from clients, and the mining industry at large, for a cost effective mechanised tunnelling contract service offering that addresses safety and efficiency challenges on new and existing operations. The new solution may also make it possible for marginal projects to pass feasibility hurdles due to cost and time savings.

Plant and equipment

Two raise bore machines were added, contributing 3.5% growth in revenue in 2017. The fleet now consists of 107 raise bore and 34 slim drilling rigs. The rate of new rigs coming on stream will settle with a focus on larger units which typically generate higher income. No new slim rigs are in the pipeline at this point.

Skills development

Retaining expertise and skills development is a key priority for Master Drilling. We continue to invest in skills development across our businesses to ensure a highly skilled and motivated work force to support our growth strategy. Targeted interventions for management and technical training in general will remain a core focus for the business during 2018.

As a solution driven company delivering a fully mechanised range of services to clients, we will also continue to invest in Research and Development as new services, of which the MTB is one, are adopted and mature.

COMMENTARY continued

Dividend

Since listing in 2012, the Company has achieved compound annual growth in profit after taxation of 7.5% in USD terms and delivered on the key strategic objectives set out in its listing prospectus. This, coupled with significant ongoing cash generation, 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, the Board has declared a gross dividend of ZAR26,0 cents per share on 19 March 2018 payable to all shareholders recorded in the company's share register on 18 May 2018.

The dividend is payable from distributable reserves and is subject to dividend withholding tax of 20% which results in a net dividend of ZAR20,8 cents per share to shareholders subject to such dividend withholding tax. This dividend represents a six times earnings cover. Even though the level of cover for the dividend decreased, the dividend is still somewhat more conservative than the earnings cover at which our dividend policy is likely to settle over time.

The number of shares in issue at date of declaration amount to 150 592 777 and the company's tax reference number is 9797/433/15/9.

In order to comply with the requirements of Strate, the following details are relevant:

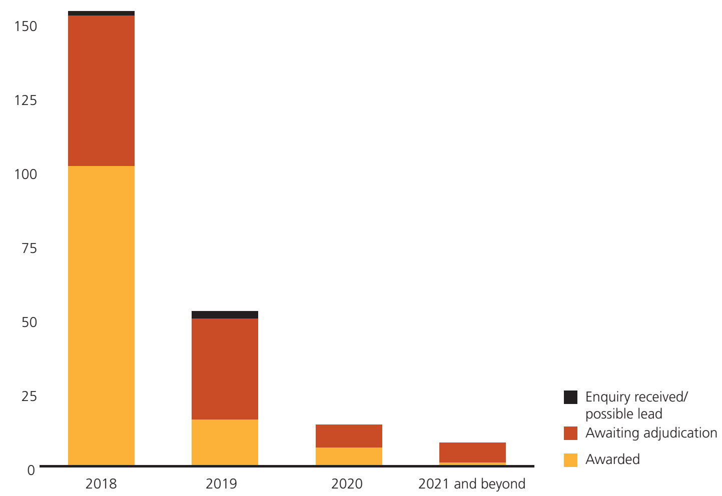
Last date to trade cum dividend:	Tuesday 15 May 2018
Trading *ex* dividend commences:	Wednesday 16 May 2018
Record date:	Friday 18 May 2018
Payment date:	Monday 21 May 2018

Shares may not be dematerialised or re-materialised between Wednesday 16 May and Friday 18 May 2018, both dates inclusive.

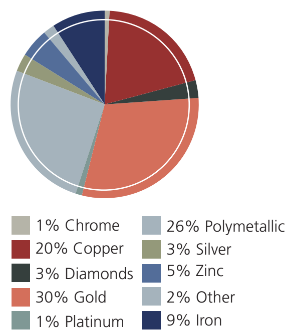
PIPELINE AND COMMITTED ORDERS

As at 31 December 2017 our pipeline totalled USD 228 102 620 while the committed order book totalled USD 124 717 119 for 2018 and beyond, spread as follows:

Pipeline (USD' million)



Committed orders

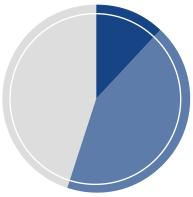


REVENUE

The following graphs reflect the Group's combined revenue for financial years ended 31 December:

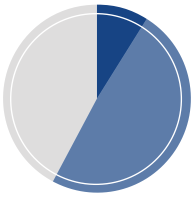
Revenue by geographical area

2017



12% Central and North America
43% South America
0% Other countries
45% Africa

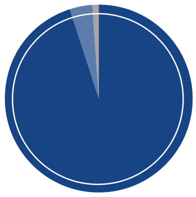
2016



9% Central and North America
49% South America
0% Other countries
42% Africa

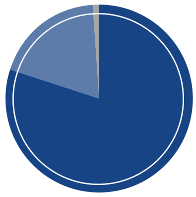
Revenue by mining activity

2017



95% Production
4% Capital
1% Exploration

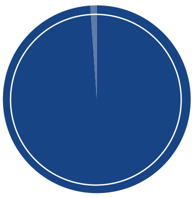
2016



80% Production
19% Capital
1% Exploration

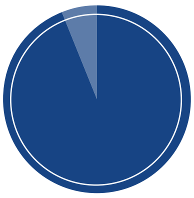
Revenue business sector

2017



99% Mining sector
1% Hydroelectricity
0% Civil and construction

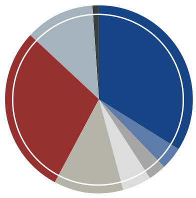
2016



94% Mining sector
6% Hydroelectricity
0% Civil and construction

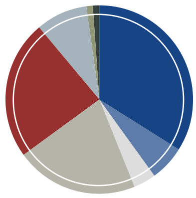
Revenue business sector

2017



34% Gold
4% Platinum
3% Coal
5% Diamonds
12% Silver lead zinc
29% Cooper
12% Iron ore
0% Manganese
1% Other commodities

2016



34% Gold
6% Platinum
0% Coal
4% Diamonds
21% Silver lead zinc
24% Cooper
9% Iron ore
1% Manganese
1% Other commodities

OUTLOOK AND PROSPECTS

Diversification across regions, commodities, currencies and industries remains a key part of our long-term strategy. We are experiencing strong demand with increased enquiries across the various regions and commodities and expect this to continue.

Engagement with the Industrial Development Corporation of South Africa Limited ("IDC") for the partial funding of the blind shaft boring system development and roll-out in 2019 has been successfully concluded. Further opportunities to develop home-grown technologies that support cheaper and simpler drilling systems are also being explored with the IDC.

Various opportunities in first world countries such as Australia, Canada and USA are coming to fruition. A Mexican based client recently visited our USA project, indicating an interest in implementing a similar service of reverse circulation in Mexico.

The upswing in the commodity cycle has had a positive impact on our order book with committed orders of USD124.7 million and a healthy pipeline of USD228.1 million. Although not immediately reflected in our numbers, we do expect a positive impact on our revenue during the next reporting period.

Our continued focus on working capital management has borne fruit. New geographies, clients and technologies require large initial outlays and Master Drilling's robust support approach enables optimal operations and maintenance support that is essential to building trust with clients.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note(s)	2017 USD	2016 USD
Assets			
Non-current assets			
Property, plant and equipment	3	**119 075 667**	105 316 594
Goodwill	4	**3 083 427**	3 043 042
Financial assets	5	**3 098 512**	10 068 354
Deferred tax asset		**2 010 263**	1 733 825
Investment in associate	6	**6 022 115**	6 023 825
		133 289 984	126 185 640
Current assets			
Inventories		**23 894 609**	24 437 264
Related-party loans		**102 641**	70 486
Trade and other receivables	7	**38 191 737**	39 014 664
Cash and cash equivalents		**40 211 629**	21 690 039
		102 400 616	85 212 453
Non-current assets held for sale	8	**1 255 128**	1 209 520
		103 655 744	86 421 973
Total assets		**236 945 728**	212 607 613
Equity and liabilities			
Equity			
Share capital		**148 703 721**	146 607 965
Reserves		**(83 855 527)**	(91 010 256)
Retained income		**88 221 320**	74 427 478
		153 069 514	130 025 187
Non-controlling interest		**8 255 315**	16 291 360
		161 324 829	146 316 547
Liabilities			
Non-current liabilities			
Interest bearing borrowings		**36 263 625**	17 806 057
Finance lease obligations		**1 682 765**	1 950 891
Deferred tax liability		**9 189 125**	9 266 022
		47 135 515	29 022 970
Current liabilities			
Interest bearing borrowings		**4 659 387**	8 650 837
Finance lease obligations		**1 444 820**	2 579 699
Related party loans		**195 483**	160 622
Current tax payable		**2 098 947**	1 561 045
Trade and other payables	9	**20 086 747**	22 998 427
Cash and cash equivalents		**–**	1 317 466
		28 485 384	37 268 096
Total liabilities		**75 620 899**	66 291 066
Total equity and liabilities		**236 945 728**	212 607 613

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	2017 USD	2016 USD
Revenue		**121 424 109**	118 102 983
Cost of sales		**(76 794 271)**	(75 159 529)
Gross profit		**44 629 838**	42 943 454
Other operating income		**3 674 987**	4 645 115
Other operating expenses		**(23 378 396)**	(21 743 714)
Operating profit		**24 926 429**	25 844 855
Investment revenue		**510 325**	808 845
Finance costs		**(2 850 878)**	(1 940 479)
Share of profit from equity accounted investment		**(1 710)**	556 085
Profit before taxation		**22 584 166**	25 269 306
Taxation	10	**(5 134 100)**	(2 949 412)
Profit for the year		**17 450 066**	22 319 894
Other comprehensive income that will subsequently be classifiable to profit and loss:			
Exchange differences on translating foreign operations		**7 403 109**	6 618 019
Other comprehensive income/(loss) for the year net of taxation		**7 403 109**	6 618 019
Total comprehensive income		**24 853 175**	28 937 913
Profit attributable to:		**17 450 066**	22 319 894
Owners of the parent		**17 202 923**	21 195 750
Non-controlling interest		**247 143**	1 124 144
Total comprehensive income attributable to:		**24 853 175**	28 937 913
Owners of the parent		**24 606 032**	27 813 769
Non-controlling interest		**247 143**	1 124 144
Earnings per share (USD)	11		
Basic earnings per share (cents)		**11.5**	14.3
Diluted earnings per share (USD)	11		
Diluted basic earnings per share (cents)		**11.4**	14.0
Earnings per share (ZAR)			
Basic earnings per share (cents)		**153,1**	210,0
Diluted earnings per share (ZAR)			
Diluted basic earnings per share (cents)		**151,7**	205,6

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note(s)	2017 USD	2016 USD
Cash flows from operating activities			
Cash generated from operations	12.1	**32 843 989**	26 551 147
Interest income		**510 325**	808 845
Finance costs		**(2 850 878)**	(1 940 479)
Tax paid		**(5 497 412)**	(5 840 274)
Net cash from operating activities		**25 006 024**	19 579 239
Cash flows from investing activities			
Purchase of property, plant and equipment		**(15 833 126)**	(16 364 467)
Sale of property, plant and equipment		**170 560**	1 060 693
Financial assets movement		**398 460**	303 556
Acquisition of subsidiary	12.2	**–**	(3 894 451)
Net cash from investing activities		**(15 264 106)**	(18 894 669)
Cash flows from financing activities			
Proceeds of financial liabilities		**20 000 000**	8 678 685
Repayment of financial liabilities		**(6 574 430)**	(9 736 013)
Proceeds from financial leases		**554 741**	1 524 268
Repayment of financial leases		**(2 382 326)**	(2 891 833)
Related party loan movement		**2 706**	84 574
Issue of share capital		**1 556 518**	–
Dividends paid to shareholders		**(3 409 081)**	–
Dividends paid to BEE partners		**(306 140)**	(1 141 851)
Net cash from financing activities		**9 441 988**	(3 482 170)
Total cash movement for the period		**19 183 906**	(2 797 600)
Cash at the beginning of the period		**20 372 573**	22 496 770
Effect of exchange rate movement on cash balances		**655 150**	673 403
Total cash at end of the period		**40 211 629**	20 372 573

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD	Share capital	Equity due to change in control of interests	Foreign currency translation reserve
Balance as at 31 December 2015	146 607 965	(58 264 013)	(39 992 078)
Share-based payments	–	–	–
Dividends declared by subsidiaries	–	–	–
Total comprehensive income for the year	–	–	6 618 019
Total changes	–	–	6 618 019
Balance as at 31 December 2016	146 607 965	(58 264 013)	(33 374 059)
Share-based payments	**–**	**–**	**–**
Issue of ordinary shares	**2 095 756**	**–**	**–**
Dividends declared by subsidiaries	**–**	**–**	**–**
Dividends to shareholders	**–**	**–**	**–**
Derecognition of non-controlling interest	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**7 403 109**
Total changes	**2 095 756**	**–**	**7 403 109**
Balance as at 31 December 2017	**148 703 721**	**(58 264 013)**	**(25 970 950)**

Share-based payments reserve	Total reserves	Retained income	Attributable to owners of the parent	Non-controlling interest	Total Shareholders' equity
372 467	(97 883 624)	53 231 728	101 956 069	16 309 067	118 265 136
255 349	255 349	–	255 349	–	255 349
–	–	–	–	(1 141 851)	(1 141 851)
–	6 618 019	21 195 750	27 813 769	1 124 144	28 937 913
255 349	6 873 368	21 195 750	28 069 118	(17 707)	28 051 411
627 816	(91 010 256)	74 427 478	130 025 187	16 291 360	146 316 547
290 858	**290 858**	**–**	**290 858**	**–**	**290 858**
(539 238)	**(539 238)**	**–**	**1 556 518**	**–**	**1 556 518**
–	**–**	**–**	**–**	**(306 140)**	**(306 140)**
–	**–**	**(3 409 081)**	**(3 409 081)**		**(3 409 081)**
–	**–**	**–**	**–**	**(7 977 048)**	**(7 977 048)**
–	**7 403 109**	**17 202 923**	**24 606 032**	**247 143**	**24 853 175**
(248 380)	**7 154 729**	**13 793 842**	**23 044 327**	**(8 036 045)**	**15 008 281**
379 436	**(83 855 527)**	**88 221 320**	**153 069 514**	**8 255 315**	**161 324 829**

ABRIDGED AUDITED FINANCIAL RESULTS

NATURE OF BUSINESS

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

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

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

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

The audited consolidated financial statements for Master Drilling Group Limited for the period ended 31 December 2017 have been audited by Grant Thornton, who expressed an unmodified audit opinion thereon. A copy of the auditor's report on the audited consolidated financial statements are available on www.masterdrilling.com. These abridged audited consolidated financial results were derived from the consolidated annual financial statements.

The consolidated annual financial statements for Master Drilling Group Limited (Registration number 2011/008265/06), for the period ended 31 December 2017, have been audited by Grant Thornton, the Company's independent external auditors, whose unqualified audit report can be found on pages 6 to 9 of the consolidated annual financial statements 2017, which are available on: www.masterdrilling.com.

The audited consolidated financial statements presented have been prepared by the corporate reporting staff of Master Drilling, headed by Willem Ligthelm CA(SA), the Group's management accountant. This process was supervised by André Jean van Deventer CA(SA), the Group's chief financial officer.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Group annual financial statements incorporate all entities which are controlled by the Group.

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

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

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

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

(a) The investor has power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities;

(b) The investor has exposure, or rights to variable returns from its involvement with the investee; and

(c) The investor has the ability to use its power over the investee to affect the amount of the investors returns.

The Group assesses its control of an investee at the time of its initial investment and again if changes in facts and circumstances affect one or more of the control factors listed above. In assessing whether the Group has control over an investee, consideration is given to many factors including shareholding, voting rights and their impact on the Group's ability to direct the management, operations and returns of the investee; contractual obligations; minority shareholder rights and whether these are protective or substantive in nature; and the financial position of the investee.

Property, plant and equipment

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

Patents are acquired by the Group and have an infinite useful live. Patents are carried at cost less accumulated impairment losses. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

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

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

Investment in associate

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.

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

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary environment in which the entity operates, i.e. "functional currency". The consolidated annual financial statements are presented in USD (the "presentation currency"). Management believes that USD is more useful to the users of the consolidated financial statements, as this currency most reliably reflects the global business performance of the Group as a whole.

Going concern

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

Issued capital

There was no movement in authorised ordinary shares while 2 327 286 ordinary shares were issued during the financial year.

Operating segments

Changes were made to the operating segments from those disclosed at 31 December 2016. The changes will enable the chief decision maker, under the direct supervision of the resident boards, to improve the assessment of the performances and make better informed decisions on the allocation of resources to the different operating segments. The comparative reporting periods were adjusted accordingly as the information was available. See note 12 for more details.

Changes to the board

There were no changes to the Board since 31 December 2016.

Annual general meeting

The annual general meeting of Master Drilling Group Limited will be held at Grant Thornton, Wanderers Office Park, 52 Corlett Drive, Johannesburg, on Thursday, 7 June 2018 at 09:00.

Subsequent Events

The Board approved a dividend on 19 March 2018 of ZAR26,0 cents per ordinary share payable to all shareholders recorded in the register on 18 May 2018. The dividend declared is not reflected in the financial statements for the year ended 31 December 2017.

After 31 December 2017 financial year, the Group excercised its option to acquire the remainder of the 60% shares in Bergteamet Raiseboring Europe AB to increase its current shareholding to 100%. The purchase of the remainder of the shares amounted to SEK69 825 000.

3. PROPERTY, PLANT AND EQUIPMENT

2017 USD	**Cost**	**Accumulated depreciation and impairment losses**	**Carrying value**
Land and buildings	**4 267 124**	**(124 152)**	**4 142 972**
Plant and machinery	**140 270 031**	**(39 146 361)**	**101 123 670**
Assets under construction	**392 338**	**(2 567)**	**389 771**
Furniture and fittings	**1 461 158**	**(382 136)**	**1 079 022**
Motor vehicles	**3 434 946**	**(1 699 685)**	**1 735 261**
IT equipment	**743 646**	**(444 396)**	**299 250**
Finance lease: Plant and equipment	**13 414 269**	**(4 560 949)**	**8 853 320**
Computer software	**2 591 229**	**(1 378 429)**	**1 212 800**
Patents	**239 501**	**–**	**239 601**
Total	**166 814 242**	**(47 738 575)**	**119 075 667**

2016 USD	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and buildings	4 003 516	(80 517)	3 922 999
Plant and machinery	108 189 065	(31 481 087)	76 707 978
Assets under construction	2 398 153	(2 566)	2 395 587
Furniture and fittings	1 403 341	(339 278)	1 064 063
Motor vehicles	3 158 777	(1 354 858)	1 803 919
IT equipment	887 221	(376 563)	510 658
Finance lease: Plant and equipment	22 349 043	(4 909 530)	17 439 513
Computer software	2 187 833	(945 456)	1 242 377
Patents	229 500	–	229 500
Total	144 806 449	(39 489 855)	105 316 594

Borrowing cost

Included in the cost of land and buildings are capitalised borrowing cost related to the acquisition of land to the amount of 2017: USD 64 625 (2016: USD 138 978) calculated at a capitalisation rate of 5,9%.

3. SIGNIFICANT ACCOUNTING POLICIES continued

3.1 Reconciliation of property, plant and equipment

2017 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Land and buildings	3 922 999	71 550	186 510
Plant and machinery	76 707 978	13 364 454	4 194 304
Assets under construction	2 395 587	1 719 392	5 548
Furniture and fittings	1 064 063	41 214	7 049
Motor vehicles	1 803 919	358 472	25 915
IT equipment	510 658	101 639	11 017
Finance lease: Plant and equipment	17 439 513	147 415	977 162
Computer software	1 242 377	18 889	48 265
Patents	229 500	10 101	–
	105 316 594	15 833 126	5 455 770

2016 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Land and buildings	3 572 664	297 042	90 182
Plant and machinery	58 950 433	12 271 956	2 743 043
Assets under construction	5 505 621	695 298	9 148
Furniture and fittings	797 036	291 614	106 480
Motor vehicles	1 683 547	509 263	(24 152)
IT equipment	249 540	187 740	10 805
Finance lease: Plant and equipment	17 481 071	1 524 268	856 607
Computer software	1 063 054	587 286	76 512
Patents	229 500	–	–
	89 532 466	16 364 467	3 868 625

Security

Moveable assets to the value of ZAR 1,2 billion (USD 96.9 million at closing spot rate) of the South African subsidiaries have been bonded to ABSA Capital as security for an interest bearing loan.

3.2 Change in Estimate

Drill rods were previously depreciated using an estimated useful life of 30 000 drilling meters, which was done based on management's best estimate of the expectancy of the drill rod's useful life. The Group conducted a drill rod evaluation review and it was established that some of the rods still had reasonable useful life left when the 30 000 drilling meters were reached. Therefore the current method doesn't reflect an reasonable useful life of the rods.

It was concluded that the useful life of the rods should rather be estimated using the actual measurement of rods rather than the straight line method.

Assets acquired through business combination	Reclassifications and transfers to/from inventory	Disposals	Depreciation	Impairment of fixed assets	Total
–	–	–	(38 087)	–	4 142 972
–	11 384 687	(150 381)	(4 191 694)	(185 678)	101 123 670
–	(3 730 756)	–	–	–	389 771
–	3 316	(2 089)	(34 531)	–	1 079 022
–	(14 971)	(75 197)	(362 877)	–	1 735 261
–	(175 477)	(9 895)	(138 692)	–	299 250
–	(8 692 643)	–	(1 018 127)	–	8 853 320
–	175 793	(180)	(272 344)	–	1 212 800
–	–	–	–	–	239 601
–	(1 050 051)	(237 742)	(6 056 352)	(185 678)	119 075 667

Assets acquired through business combination	Reclassifications and transfers	Disposals	Depreciation	Impairment of fixed assets	Total
–	–	–	(36 889)	–	3 922 999
4 840 001	3 417 381	(711 201)	(4 535 247)	(268 388)	76 707 978
–	(3 814 480)	–	–	–	2 395 587
8 046	–	(68 967)	(70 146)	–	1 064 063
72 350	152 798	(47 477)	(542 410)	–	1 803 919
2 694	172 983	(2 887)	(110 217)	–	510 658
42 925	(1 317 090)	–	(1 148 268)	–	17 439 513
–	–	–	(484 475)	–	1 242 377
–	–	–	–	–	229 500
4 966 016	(1 388 408)	(830 532)	(6 927 652)	(268 388)	105 316 594

Impairment

During 2017, the Exploration department in our African segment recognised an impairment loss of USD185 678. The main elements were a write-down of the idle slim drilling rigs to their value in use. The calculation of value in use is most sensitive to mining commodity cycles. The future cash flows of the particular drill rigs were negatively affected by the current declining commodity prices of our customers, which mainly comprise of mining operations. As a result our customers reduced and deferred exploration slim drilling activities.

4. INTANGIBLE ASSETS

	2017 USD	2016 USD
Goodwill recognised from value chain business combinations	**2 612 584**	2 612 584
Goodwill recognised from raisebore business combinations	**470 843**	430 458
Goodwill recognised from business combinations	**3 083 427**	3 043 042

5. FINANCIAL ASSETS

BEE Partner	Master Drilling Exploration (Pty) Ltd Epha Drilling (Pty) Ltd	Raisebore Rental (Pty) Ltd (*) Mosima Drilling (Pty) Ltd	Drilling Technical Services (Pty) Ltd Mosima Drilling (Pty) Ltd	Total
2017 USD				
Opening balance	**2 617 462**	**7 368 303**	**82 589**	**10 068 354**
Exchange rate differences on translation	**286 905**	**742 385**	**9 053**	**1 038 343**
Preference dividends receivable capitalised	**209 324**	**–**	**401**	**209 725**
Buy-back of financial assets	**–**	**(7 977 048)**	**–**	**(7 977 048)**
Preference dividend received	**(107 222)**	**(133 640)**	**–**	**(240 862)**
Closing balance	**3 006 469**	**–**	**92 043**	**3 098 512**

(*) Previously known as Master Drilling South Africa (Pty) Ltd

2016 USD				
Opening balance	2 576 714	6 514 829	67 741	9 159 284
Exchange rate differences on translation	337 896	865 848	8 883	1 212 627
Preference dividends receivable capitalised	212 257	525 130	5 965	743 352
Preference dividends received	(509 405)	(537 504)	–	(1 046 909)
Closing balance	2 617 462	7 368 303	82 589	10 068 354

Variable rate cumulative redeemable preference shares. The variable rate is 72% of the prevailing South African prime overdraft rate as published by First National Bank.

Preference shares are redeemable the earlier of 10 years from date of issue or at the election of the holder when the BEE company ceases to be wholly-owned by black persons.

The carrying amounts of the investments are considered a reasonable approximation for the fair value.

During 2017, the transaction between Raisebore Rental (Pty) Ltd (previously known as Master Drilling South Africa (Pty) Ltd) and Mosima Drilling (Pty) Ltd) was dissolved as the business requirements of Raisebore Rental (Pty) Ltd changed. This will result in Mosima (Pty) Ltd not receiving the economic benefits the transaction it was initially expected to achieve. The transaction was dissolved at fair value and all adjustments related to this transaction have been accounted for in the Group's financial statements.

6. INVESTMENT IN ASSOCIATE

On 1 December 2015, the Group purchased a 40% equity interest in Bergteamet Raiseboring Europe AB ("Bergteamet") for SEK 46 555 000 (USD 5 333 165). Bergteamet's operations located within Sweden, Norway, Finland and Ireland are very similar to that of the Group and will provide the Group with a strategic footprint into the European market.

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

The financial year end of Bergteamet is 31 August. This was the reporting date established when that company was incorporated, and a change of reporting date is not permitted. For the purpose of applying the equity method of accounting, the financial information of Bergteamet have been used. Appropriate adjustments were made for fair value adjustments at acquisition, 1 December 2015, differences in accounting policies and effects of significant transactions up to 31 December 2017.

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

	2017 USD	2016 USD
Revenue	**9 873 828**	16 011 794
Profit from continuing operations	**(4 275)**	1 390 213
Total comprehensive income	**(4 275)**	1 390 213
Group's share of total comprehensive income	**(1 710)**	556 085
Dividends received from associate	**104 207**	–

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

6. INVESTMENT IN ASSOCIATE continued

	2017 USD	2016 USD
Non-current assets	**9 962 208**	8 765 242
Current assets	**6 456 978**	7 986 687
Non-current liabilities	**4 581 086**	(5 134 029)
Current liabilities	**3 614 112**	(3 246 175)
Net assets	**8 223 988**	8 371 725
Group's share of net assets	**3 289 595**	3 348 690
Goodwill	**2 734 230**	2 119 050
Share of profit from equity accounted investment	**(1 710)**	556 085
Investment in Bergteamet	**6 022 115**	6 023 825

7. TRADE AND OTHER RECEIVABLES

	2017 USD	2016 USD
Trade receivables – Normal	**27 333 869**	26 789 516
Trade receivables – Retention	**5 021 356**	3 098 167
Loans to employees	**40 636**	81 097
Pre-payments	**1 054 572**	1 372 357
Deposits	**82 219**	46 890
Indirect taxes	**1 691 851**	1 426 352
Sundry	**2 967 234**	6 200 285
	38 191 737	39 014 664

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

Outstanding on normal cycle terms	**18 330 132**	10 981 269
1 month past due	**6 029 069**	6 702 871
2 months past due	**3 084 459**	5 591 572
3 months and over past due	**5 413 060**	6 748 090
Allowance for doubtful debts	**(501 495)**	(136 119)
Normal and retention trade receivables	**32 355 225**	29 887 683

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

The movement in allowance for doubtful debts is presented below

Balance 1 January	**136 119**	636 799
Exchange differences on translation of foreign operations	**6 698**	58 431
Amounts written off	**–**	–
Allowance for doubtful debts (reversed)/provided for	**358 678**	(559 111)
	501 495	136 119

The carrying amount in USD of trade and other receivables are denominated in the following currencies:

	2017 USD	2016 USD
United States Dollar (USD)	**18 223 187**	17 591 574
South African Rands (ZAR)	**6 162 910**	7 119 116
Brazilian Reals (BRL)	**2 943 824**	4 455 101
Mexican Peso (MXN)	**594 427**	373 151
Chilean Peso (CLP)	**7 558 388**	7 360 884
Peruvian Nuevo Sol (PEN)	**630 645**	1 289 943
CFA Franc BCEAO (XOF)	**712 913**	–
Chinese Yuan Renminbi (CNY)	**339 833**	440 543
Guatemalan Quetzal (GTQ)	**3 175**	–
Zambian Kwacha (ZMW)	**351 527**	–
Colombian Peso (COP)	**594 787**	217 247
Indian Rupee (INR)	**43 673**	–
Austalian Dollar (AUD)	**32 448**	–
Euro (EUR)	**–**	167 105
	38 191 737	39 014 664

8. NON-CURRENT ASSETS HELD FOR SALE

In September 2016, management committed to a plan to sell the land and building owned in Peru. Master Drilling Peru uses the land and building to house its administrative and workshop facilities. Management's plan is to develop another piece of land owned in Peru into offices and workshop facilities.

In the previous financial year's annual financial statements, it was indicated that management expected to finalise the sales transaction during May 2017. Since the release of the previous year's financial statements, the interested buyer at the time decided against finalising the transaction as a better opportunity presented itself that satisfied their requirements. Management still has the intention to sell and is actively marketing the land and buildings. Negotiations to sell the land and buildings are at an advanced stage with a new interested buyer. The sale is expected to be finalised towards the end of the second quarter in 2018.

8. NON-CURRENT ASSETS HELD OR SALE continued

The movement in the amount disclosed as non-current asset held for sale relates to foreign exchange differences as the property's value is denominated in PEN.

No impairment losses were recognised in profit and loss as the fair value less costs to sell exceeds the carrying amount.

As at 31 December, the assets held for sale were comprised of the following:

	2017 USD	2016 USD
Land and buildings	**1 255 128**	1 209 520
Assets held for sale	**1 255 128**	1 209 520

9. TRADE AND OTHER PAYABLES

	2017 USD	2016 USD
Trade payables	**7 956 216**	9 931 942
Income received in advance	**–**	391 683
Indirect taxes	**6 654 506**	5 914 578
Leave pay accruals	**2 070 242**	1 821 971
Other accruals	**3 405 783**	4 938 253
	20 086 747	22 998 427

10. TAXATION

	2017 USD	2016 USD
Current		
Normal taxation	**6 040 830**	2 293 305
Current taxation	**5 231 760**	3 936 680
Prior year tax over/(under) provided	**809 070**	(1 643 375)
Deferred taxation: Temporary differences	**(906 730)**	656 107
	5 134 100	2 949 412
Reconciliation of the tax expense		
Accounting profit	**22 584 166**	25 269 306
Tax at the applicable tax rate	**5 502 316**	4 592 417
Prior year tax over provided	**809 070**	(1 643 375)
Exempt income	**(4 371 627)**	(2 336 512)
Non-deductible expenses	**2 724 372**	571 321
Deferred taxation: Change in tax rate	**78 771**	187 408
Assessed loss not recognised	**741 163**	1 729 360
Assessed loss from prior year	**(349 965)**	(151 207)
Taxation per statement of comprehensive income	**5 134 100**	2 949 412

	2017 USD	2016 USD
The total unrecognised assessed loss at 31 December 2017 is USD2 544 768 (2016: USD 4 029 099).		
Normal taxation charge/(refund) per entity within the Group		
DCP Properties SAC	**15 129**	–
Master Drilling Exploration (Pty) Ltd	**409 833**	609 730
Master Drilling Chile SA	**275 577**	318 739
Master Drilling Peru SAC	**1 394 792**	–
Master Drilling do Brasil Ltda	**479 007**	–
Master Drilling Mexico SA	**–**	–
Master Drilling Malta Limited	**1 554 235**	1 894 395
Master Drilling Guatemala SA	**–**	195 253
Jiangsu Master Mining Engineering Technology Company Limited	**–**	30 126
Master Drilling RDC SPRL	**389 921**	(677 929)
Master Drilling Colombia SAS	**80 900**	503 304
Master Drilling Zambia Limited	**1 232 820**	(256 579)
Master Drilling International Ltd	**2 988**	(655 736)
Master Drilling Changzhou Co Ltd	**–**	213 921
Master Drilling Ecuador SA	**–**	103 670
Master Drilling USA LLC	**–**	14 411
Drilling Technical Services SAC	**2 567**	–
Martwick Ltd	**18**	–
Master Drilling Mali SARL	**163 884**	–
MD Drilling Services Tanzania SARL	**39 159**	–
	6 040 830	2 293 305

Conservative provisions for taxation in some jurisdictions in previous years as well as raising of deferred tax assets on historically loss making entities returning to profitability have led to a decrease in taxation expense in the previous year. The impact on taxation as a result potential future dividends is impractical to calculate as at 31 December.

The change in tax rate relates to Chile where the tax rate changed from 24,00% to 25,50%.

11. EARNINGS PER SHARE

	2017 USD	2016 USD
Reconciliation between earnings and headline earnings		
Basic earnings for the year	**17 450 066**	22 319 894
Deduct:		
Non-controlling interest	**(247 143)**	(1 124 144)
Attributable to owners of the parent	**17 202 923**	21 195 750
(Gain)\Loss on disposal of fixed assets	**67 183**	(230 161)
Impairment of plant and equipment	**185 678**	268 388
Tax effect on loss on disposal of fixed assets and impairments	**(70 801)**	(48 284)
Headline earnings for the year	**17 384 983**	21 185 693
Earnings per share (cents)	**11.5**	14.3
Diluted earnings per share (cents)	**11.4**	14.0
Headline earnings per share (cents)	**11.6**	14.3
Diluted headline earnings per share (cents)	**11.5**	14.0
Net asset value per share (cents)	**107.6**	98.7
Tangible net asset value per share (cents)	**105.6**	96.6
Dividends per share (cents)	**30.0**	–
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	**149 894 366**	148 265 491
Effect of dilutive potential ordinary shares – employee share options	**1 603 877**	3 003 793
Weighted average number of ordinary shares at the end of the year for the purpose of diluted basic earnings per share and diluted headline earnings per share	**151 498 243**	151 269 284

12 CASH GENERATED FROM OPERATIONS

12.1 Cash generated from operations

	2017 USD	2016 USD
Profit before taxation	22 584 166	25 269 306
Adjustments for:		
Depreciation and amortisation	6 056 352	6 927 652
Impairment	845 891	268 388
Share of profit from equity accounted investment	1 710	(556 085)
Translation effect of foreign operations	2 203 374	1 134 652
Share-based payment – equity settled	290 858	255 349
Share-based payment – liability	–	(706 681)
(Gain)/Loss on sale of assets	67 183	(230 161)
Interest received	(510 325)	(808 845)
Finance costs	2 850 878	1 940 479
Changes in working capital:		
Inventories	542 655	(3 529 733)
Trade and other receivables	822 927	(7 479 267)
Trade and other payables	(2 911 680)	4 066 093
	32 843 989	26 551 147

ABRIDGED AUDITED FINANCIAL RESULTS continued

12. CASH GENERATED FROM OPERATIONS continued

12.2 Net cash flow on business combinations

In January 2016, the Group acquired 100% of the equity instruments of Bergteamet Latin America SpA, a Chilean based business, thereby obtaining control. The acquisition was made to further expand the Group's presence within Chile.

The acquisition of Bergteamet Latin America SpA was settled in cash amounting to USD4 000 000. The purchase agreement included an amount of USD432 285 still payable. As part of the acquisition, the Group acquired the liability of employee termination costs. The employees were terminated as part of the previous shareholder requiring the re-assigning of these employees to other operations within its Group. Upon settling the termination costs, the remainder of the consideration payable will be settled.

The assets and liabilities of Bergteamet Latin America were considered to be stated at fair value after a proper analysis was performed. This acquisition transaction resulted in goodwill of USD430 548 which is primarily related to the expected future profitability.

	2017 USD	2016 USD
The fair value of assets and liabilities assumed at date of acquisition was:		
Assets		
Property, plant and equipment	–	**4 966 016**
Net Working capital	–	**(964 189)**
Trade and other receivables	–	**962 575**
Cash and cash equivalents	–	**105 549**
Inventory	–	**1 332 552**
Trade and other payables	–	**(3 364 865)**
Total assets and liabilities acquired	–	**4 001 827**
Group's share of total assets and liabilities acquired	–	**4 001 827**
Goodwill at acquisition	–	**430 458**
Total consideration	–	**4 432 285**
Cash and cash equivalents on hand at acquisition	–	**(105 549)**
Consideration still payable	–	**(432 285)**
Net cash outflow on acquisition of subsidiaries	–	**3 894 451**
Profit after tax since acquisition date included in the consolidated results for the year	–	**1 769 112**
Turnover since acquisition date included in the consolidated results for the year	–	**3 750 069**
Group profit after tax since acquisition date included in the results for the year	–	**22 319 894**
Group turnover since acquisition date included in the results for the year	–	**118 102 983**

13. CAPITAL COMMITMENTS

	2017 USD	2016 USD
Capital expenditure authorised by the directors and contracted for within 12 months. Capital expenditure will be funded through cash generated from operations.	**4 579 527**	4 276 175

14. SEGMENT REPORTING

14.1 Mining activity

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

	2017 USD	2016 USD
Sales revenue by stage of mining activity		
Exploration	**973 412**	695 690
Capital	**4 339 904**	22 792 887
Production	**116 110 793**	94 614 406
	121 424 109	118 102 983
Gross profit by stage of mining activity		
Exploration	**383 107**	297 369
Capital	**830 043**	9 350 969
Production	**43 416 688**	33 295 116
	44 629 838	42 943 454

The chief decision maker of the Group is the chief executive officer. The chief executive officer, under the direct supervision of the resident board, manages the activities of the Group concomitant to the inherent risks facing these activities. It is for this reason that the activities are separated between exploration, capital and production stage drilling. The equipment and related liabilities of the Group can be used at multiple stages and therefore cannot be presented per activity.

ABRIDGED AUDITED FINANCIAL RESULTS continued

14. SEGMENT REPORTING continued

14.2 Geographical segments

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

	2017 USD	2016 USD
Sales revenue by geographical market		
Africa	**54 737 735**	49 006 600
Central and North America	**14 619 849**	11 064 465
Other countries	**–**	–
South America	**52 066 525**	58 031 918
	121 424 109	118 102 983
Gross profit by geographical market		
Africa	**24 880 016**	21 467 899
Central and North America	**4 547 869**	2 011 437
Other countries	**–**	2 131 646
South America	**15 201 953**	17 332 472
	44 629 838	42 943 454

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

A customer in the African region, operating in the capital and production segments, accounts for 14% (2016: African region 9%) of the Group's revenue.

	2017 USD	2016 USD
Depreciation by geographical market		
Africa	**2 813 563**	3 594 065
Central and North America	**465 299**	374 197
Other countries	**42 009**	43 727
South America	**2 735 481**	2 915 663
	6 056 352	6 927 652

	2017 USD	2016 USD
Investment revenue by geographical market		
Africa	**261 559**	764 121
Central and North America	**749**	1 207
Other countries	**168 101**	3 169
South America	**79 916**	40 348
	510 325	808 845

	2017 USD	2016 USD
Finance cost by geographical market		
Africa	**1 834 711**	1 103 886
Central and North America	**209 404**	167 597
Other countries	**204 635**	233 814
South America	**602 128**	435 182
	2 850 878	1 940 479

	2017 USD	2016 USD
Taxation by geographical market		
Africa	**1 334 731**	762 444
Central and North America	**312 205**	(146 543)
Other countries	**2 203 622**	1 709 223
South America	**1 283 542**	624 288
	5 134 100	2 949 412

	2017 USD	2016 USD
Total assets by geographical market		
Africa	**95 020 536**	88 457 389
Central and North America	**24 975 860**	24 418 504
Other countries *	**25 208 838**	17 392 080
South America **	**91 740 494**	82 339 638
Total assets as per statement of financial position	**236 945 728**	212 607 611
Total liabilities by geographical market		
Africa	**34 438 606**	37 032 675
Central and North America	**8 457 641**	18 306 283
Other countries	**6 535 299**	1 082 223
South America	**26 189 353**	9 869 885
Total liabilities as per statement of financial position	**75 620 899**	66 291 066

* *Assets in Other Countries includes the investment in associate.*

** *Assets in South America includes the non-current asset held for sale. See Note 8*

15. BUSINESS COMBINATION

After 31 December 2017 financial year, the Group excercised its option to acquire the remainder of the 60% shares in Bergteamet Raiseboring Europe AB to increase its current shareholding to 100%. The purchase of the remainder of the shares amounted to SEK 69 825 000 (USD 8 532 621 – closing spot rate).

Due to the recent nature of the acquisition the initial accounting for the acquisition has not been finalised as it is impractical in the limited time frame to do so. Management is still in the process of determining all identifiable assets and liabilities, therefore, initial accounting for the business combination is incomplete and will be finalised during the next financial period.

Refer to note 6 for more information on the Group's Investment in Associate as at 31 December 2017.

CORPORATE INFORMATION

MASTER DRILLING GROUP LIMITED

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

REGISTERED AND CORPORATE OFFICE

4 Bosman Street
PO Box 902
Fochville, 2515
South Africa

DIRECTORS

Executive

Daniël (Danie) Coenraad Pretorius	Chief executive officer and founder
André Jean van Deventer	Financial director and chief financial officer
Barend Jacobus (Koos) Jordaan	Technical director
Gareth (Gary) Robert Sheppard #	Chief operating officer

Non-executive

Hendrik (Hennie) Roux van der Merwe	Chairman and independent non-executive
Akhter Alli Deshmukh	Independent non-executive
Jacques Pierre de Wet	Independent non-executive
Johan Louis Botha	Independent non-executive
Shane Trevor Ferguson	Non-executive
Fred (Eddie) George Dixon	Alternate director

 # Resident in Peru

COMPANY SECRETARY

Andrew Colin Beaven
6 Dwars Street
Krugersdorp
1739
South Africa
PO Box 158, Krugersdorp, 1740
South Africa

JSE SPONSOR

Investec Bank Limited
(Registration number: 1969/004763/06)
100 Grayston Drive, Sandown
Sandton, 2196
South Africa

CORPORATE INFORMATION continued

INDEPENDENT AUDITORS

Grant Thornton Johannesburg Partnership
South African member of Grant Thornton International Limited
52 Corlett Drive
Illovo
2196
South Africa

SHARE TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196
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Master Drilling posts information that is important to investors on the main page of its website at www.masterdrilling.com and under the "investors" tab on the main page. The information is updated regularly and investors should visit the website to obtain important information about Master Drilling.

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