



2016

ABRIDGED ANNUAL FINANCIAL RESULTS

HIGHLIGHTS FOR THE PERIOD

- USD Revenue was down by 1.5%
- USD Earnings per share increased by 5.9% to 14.3 cents
- ZAR Earnings per share increased by 22,1% to 210,0 cents
- USD Headline earnings per share increased by 3.6% to 14.3 cents
- ZAR Headline earnings per share increased by 19,4% to 210,0 cents
- Stable order book of USD 196.6 million
- Solid pipeline of USD 320.8 million
- Maiden dividend of ZAR 30 cents per share declared

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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 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 worldwide. 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 2016 results, Danie Pretorius, CEO of Master Drilling, said:

“We delivered a satisfactory performance in 2016 following a difficult first half marked by severe operational and economic issues. As indicated at half year, the improvement in our operating environment, including in the commodities sector, supported an uplift in overall performance for the year.

“A more stable environment is setting in and we are encouraged by the intensified market activity. This is highlighted by a committed order book of USD196.6 million and our strong pipeline of USD320.8 million.

“The corrective measures implemented in key markets to support market position and performance are bearing fruit and we will continue to balance investments in technology and people that support growth with the need to drive efficiencies and productivity ratios across the Group.

“This approach coupled with our diversification strategy across regions, commodities, currencies and industries will see our revenue and margins stabilise further.”

FINANCIAL OVERVIEW

Revenue decreased 1.5% to USD118.1 million and operating profit decreased 12.8% to USD25.8 million. The decline in revenue is due to the impact of unfavourable foreign exchange movements, market conditions, pricing pressures and clients opting for shorter term projects that also impact cost efficiencies.

Costs related to the launch of new projects in a number of countries including the DRC, Sierra Leone and Tanzania coupled with the decision to invest in people and capabilities to drive future growth resulted in profit before tax decreasing 12.1% to USD25.3 million. Conservative provisions for taxation in some jurisdictions in previous years as well as raising of deferred tax assets on historically loss-making entities that returned to profitability have led to a decrease in taxation supporting a 5.7% increase in profit after taxation to USD22.3 million.

USD Earnings per share (EPS) increased 5.9% to 14.3 cents, and ZAR EPS increased 22,1% to 210,0 cents. USD Headline earnings per share (HEPS) increased 3.6% to 14.3 cents, and ZAR HEPS increased 19,4% to 210,0 cents.

Net cash generation was lower at USD26.5 million due to significant investments in working capital. Debtor days increased as a result of longer payment cycles. Master Drilling will continue to manage debtors actively as market conditions improve. Working capital was also impacted by the Bergteamet Latin America SpA acquisition and investment in property, plant and equipment. The manufacturing of cutters was also brought “in-house” during the year via our plant in China. Inventory increased 24.5% to USD24.4 million as a result and in anticipation of higher volumes of work coming on stream and capital outlays involved in new projects across the Group. Cash resources continue to be managed stringently to cater for emerging opportunities that require specific design, planning and investment.

88.9% of the Master Drilling capital spend was on expansion with 11.1% on maintenance.

Debt decreased from USD 33.4 million to USD 31.0 million and the gearing ratio decreased to 21.2% from 28.3% in the prior year.

COMMENTARY **continued**

OPERATIONAL OVERVIEW

The second half of the year saw a marked increase in activities, higher utilisation rates and the initiation of new projects that supported Group financial performance. The current operating environment has stabilised with a healthy level of enquiries and improved operational base throughout.

Latin America

Decisive actions were taken installing new management and operational leadership to improve performance in Chile, which represents over 15% of Group revenue. New management has also been put in place in Peru following operational issues. Our restructuring in Brazil has been completed and is on track to make budget and return to profitability during the current year. Master Drilling was awarded additional hydro-electric power related work in Colombia with equipment being mobilised following the successful completion of an initial contract. In Mexico, silver mining projects are performing well with utilisation rates showing marked improvements and further contracts in the pipeline.

North America

The blind shaft boring system contract in the USA is progressing well, following initial delays in commissioning. Enquiries from other North American operators are encouraging. Our European operations provide a platform to increase our presence and capabilities in North America across new industries with specialised skills and equipment.

Africa

The profitability of African operations was impacted negatively by continuous pricing pressures. The new projects in both Sierra Leone and Tanzania as well as an additional project in the DRC had a negative impact on performance due to the high levels of upfront costs, including logistics required to support the clients in the initial phase. The stronger ZAR had a significant forex impact as most costs were ZAR based whilst income was USD based.

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

Our investment in Bergteamet Raiseboring Europe AB realised a return of 12.95% on the initial investment made in 2015. Bergteamet Raiseboring Europe AB had a satisfactory performance given the economic and market conditions it operates within. We look forward to improved performances in the latter part of 2017.

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 markets. Master Drilling is well positioned to respond to the growing mechanisation trend within the mining industry thanks to our technological leadership and proven services offering.

Master Drilling strengthened its internally developed technology service offering during the year and met several development milestones on its world-first technologies that we expect to bring to market within the medium term, e.g. our horizontal raise boring (HRB) technology completed a pilot milestone at Petra Diamonds Cullinan mine and is driving strong levels of enquiries.

Plant and equipment

Seven raise bore machines were added, contributing 4.5% growth in revenue in 2016. The fleet now consists of 105 raise bore and 33 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 are investing in skills development based on a skills gap analysis concluded at the end of 2016. This investment will extend our capacity to support our growth strategy. 2017 will focus on targeted interventions for management and technical training in general.

Maiden Dividend

Since listing in 2012, the Company has achieved compound annual growth in profit after taxation of 16.1% In USD terms and delivered on the key strategic objectives 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, the Board has declared a maiden dividend of ZAR 30 cents per share on 20 March 2017 payable to all shareholders recorded in the Company's share register on 19 May 2017.

The dividend is payable from distributable reserves and is subject to dividend withholding tax of 20% which results in a net dividend of 24 cents per share to shareholders subject to such dividend withholding tax. This dividend represents a seven times earnings cover. As a maiden dividend this is somewhat more conservative than the level of cover at which our dividend policy is likely to settle over time.

The number of shares in issue at date of declaration amount to 148 265 491 (Treasury shares - 2 000 000) 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:

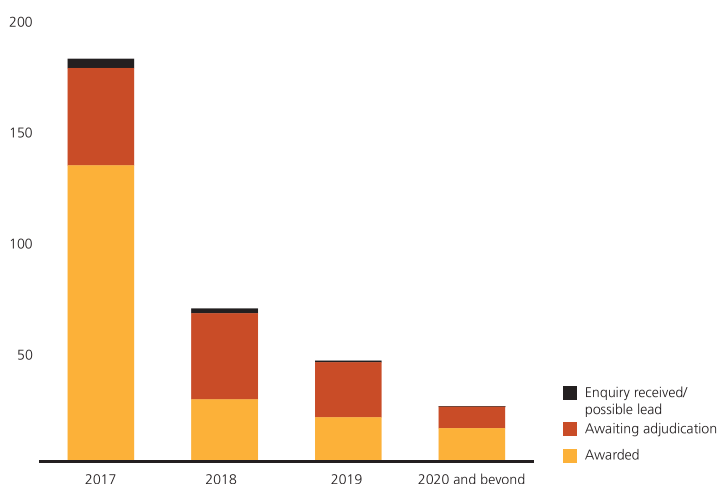
Last date to trade cum dividend:	Tuesday 16 May 2017
Trading ex dividend commences:	Wednesday 17 May 2017
Record date:	Friday 19 May 2017
Payment date:	Monday 22 May 2017

Shares may not be dematerialised or re-materialised between Wednesday 17 May and Friday 19 May 2017, both dates inclusive.

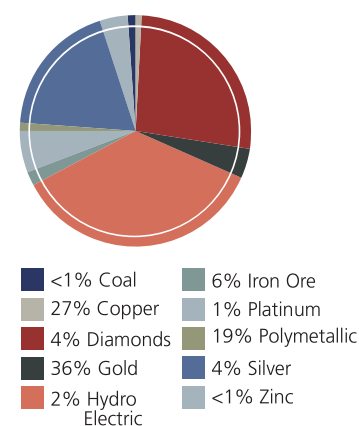
PIPELINE AND COMMITTED ORDERS

As at 31 December 2016 our pipeline totalled USD 320 810 968 while the committed order book totalled USD 196 649 271 for 2017 and beyond, spread as follows:

Pipeline (USD' million)



Committed orders

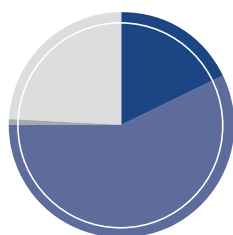


COMMENTARY continued

REVENUE

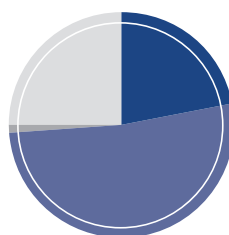
The following graphs reflect the Group's combined revenue for financial years ended 31 December:

**Revenue by geographical area
December 2016**



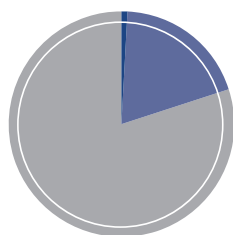
- 18% Africa
- 58% Latin America
- 1% Other countries
- 23% South Africa

**Revenue by geographical area
December 2015**



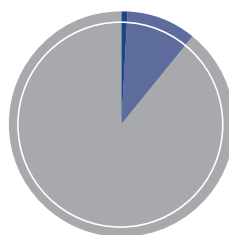
- 23% Africa
- 52% Latin America
- 1% Other countries
- 25% South Africa

**Revenue by mining activity
December 2016**



- 1% Exploration
- 19% Capital
- 80% Production

**Revenue by mining activity
December 2015**



- 1% Exploration
- 10% Capital
- 89% Production

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 have been entered into and are progressing well. 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 being investigated.

We will continue to focus on working capital management whilst decreasing project initiation costs, and the consolidation of our raise boring fleet will release some pressure. 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.

We expect the weaker utilisation rates of drilling rigs to continue in the first half of 2017 but start improving in the later part of the year with an aim to drive rates to mid-70% and improve return on investments.

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)	2016 USD	2015 USD
Assets			
Non-current assets			
Property, plant and equipment	3	105 316 594	89 532 466
Intangible assets	4	3 043 042	2 612 584
Financial assets		10 068 354	9 159 284
Deferred tax asset		1 733 825	1 124 233
Investment in associate	5	6 023 825	5 467 740
		126 185 640	107 896 307
Current assets			
Inventories		24 437 264	19 574 979
Related-party loans		70 486	35 755
Trade and other receivables	6	39 014 664	30 572 822
Cash and cash equivalents		21 690 039	22 496 770
		85 212 453	72 680 326
Non-current assets held for sale	7	1 209 520	–
		86 421 973	72 680 326
Total assets		212 607 613	180 576 633
Equity and liabilities			
Equity			
Share capital		146 607 965	146 607 965
Reserves		(91 010 256)	(97 883 624)
Retained income		74 427 478	53 231 728
		130 025 187	101 956 069
Non-controlling interest		16 291 360	16 309 067
		146 316 547	118 265 136
Liabilities			
Non-current liabilities			
Interest bearing borrowings		17 806 057	19 096 633
Finance lease obligations		1 950 891	2 957 153
Share-based payment liability		–	706 681
Deferred tax liability		9 266 022	7 387 853
		29 022 970	30 148 320
Current liabilities			
Interest bearing borrowings		8 650 837	8 417 589
Finance lease obligations		2 579 699	2 941 002
Related party loans		160 622	41 317
Current tax payable		1 561 045	5 195 800
Trade and other payables	8	22 998 427	15 567 469
Cash and cash equivalents		1 317 466	–
		37 268 096	32 163 177
Total liabilities		66 291 066	62 311 497
Total equity and liabilities		212 607 613	180 576 633

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	2016 USD	2015 USD
Revenue		118 102 983	119 867 646
Cost of sales		(75 159 529)	(71 989 042)
Gross profit		42 943 454	47 878 604
Other operating income		4 645 115	1 037 888
Other operating expenses		(21 743 714)	(19 336 260)
Operating profit		25 844 855	29 580 232
Investment revenue		808 845	806 556
Finance costs		(1 940 479)	(1 710 539)
Share of profit from equity accounted investment		556 085	134 575
Profit before taxation		25 269 306	28 810 824
Taxation	9	(2 949 412)	(7 695 925)
Profit for the year		22 319 894	21 114 899
Other comprehensive income that will subsequently be classifiable to profit and loss:			
Exchange differences on translating foreign operations		6 618 019	(18 378 247)
Other comprehensive income/(loss) for the year net of taxation		6 618 019	(18 378 247)
Total comprehensive income		28 937 913	2 736 652
Profit attributable to:		22 319 894	21 114 899
Owners of the parent		21 195 750	19 966 151
Non-controlling interest		1 124 144	1 148 748
Total comprehensive income attributable to:		28 937 913	2 736 652
Owners of the parent		27 813 769	1 587 904
Non-controlling interest		1 124 144	1 148 748
Earnings per share (USD)	10		
Basic earnings per share (cents)		14.3	13.5
Diluted earnings per share (USD)	10		
Diluted basic earnings per share (cents)		14.0	13.3
Earnings per share (ZAR)			
Basic earnings per share (cents)		210,0	172,0
Diluted earnings per share (ZAR)			
Diluted basic earnings per share (cents)		205,6	169,3

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 2014	146 607 965	(58 264 013)	(21 613 831)
Share-based payments	–	–	–
Dividends declared by subsidiaries	–	–	–
Total comprehensive income for the year	–	–	(18 378 247)
Total changes	–	–	(18 378 247)
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 reserve	Total reserves	Retained income	Attributable to owners of the parent	Non-controlling interest	Total Shareholders' equity
207 864	(79 669 980)	33 265 577	100 203 562	15 474 542	115 678 104
164 603	164 603	–	164 603	–	164 603
–	–	–	–	(314 223)	(314 223)
–	(18 378 247)	19 966 151	1 587 904	1 148 748	2 736 652
164 603	(18 213 644)	19 966 151	1 752 507	834 525	2 587 032
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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note(s)	2016 USD	2015 USD
Cash flows from operating activities			
Cash generated from operations	11.1	26 551 147	35 327 891
Interest income		808 845	806 556
Finance costs		(1 940 479)	(1 710 539)
Tax paid		(5 840 274)	(6 128 552)
Net cash from operating activities		19 579 239	28 295 356
Cash flows from investing activities			
Purchase of property, plant and equipment		(16 364 467)	(18 396 693)
Sale of property, plant and equipment		1 060 693	228 070
Financial assets movement		303 556	(511 762)
Acquisition of subsidiary	11.2	(3 894 451)	–
Acquisition of associate		–	(5 333 165)
Net cash from investing activities		(18 894 669)	(24 013 550)
Cash flows from financing activities			
Proceeds of financial liabilities		8 678 685	21 434 218
Repayment of financial liabilities		(9 736 013)	(5 891 468)
Proceeds from financial leases		1 524 268	429 245
Repayment of financial leases		(2 891 833)	(5 166 064)
Related party loan movement		84 574	(1 007 132)
Dividends paid to BEE partners		(1 141 851)	(314 223)
Net cash from financing activities		(3 482 170)	9 484 576
Total cash movement for the period		(2 797 600)	13 766 383
Cash at the beginning of the period		22 496 770	12 477 082
Effect of exchange rate movement on cash balances		673 403	(3 746 695)
Total cash at end of the period		20 372 573	22 496 770

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 consolidated annual financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting, International Financial Reporting Standards, the SAICA reporting guides as issued by the Accounting Standards Board and the requirements of the South African Companies Act, (Act No 71 of 2008), as amended and the Listings Requirements of the JSE Limited. The abridged 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 abridged audited consolidated financial statements for Master Drilling Group Limited for the period ended 31 December 2016 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 statements were derived from the consolidated annual financial statements.

The consolidated annual financial statements for Master Drilling Group Limited (Registration number 2011/008265/06), for the period ended 31 December 2016, have been audited by Grant Thornton, the Company's independent external auditors, whose unqualified audit report can be found on pages 8 to 11 of the consolidated annual financial statements 2016, which are available on: www.masterdrilling.com.

The abridged 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 set of financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

ABRIDGED AUDITED FINANCIAL RESULTS continued

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

Non-controlling interests in the net assets of combined subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

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

- (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

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

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

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

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

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

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

An associate is an entity over which the Group has significant influence.

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.

ABRIDGED AUDITED FINANCIAL RESULTS continued

Going concern

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

Issued capital

There has been no change to the issued capital since 31 December 2016.

Operating segments

There are no changes to the operating segments from those disclosed at 31 December 2015. See note 12.

Changes to the board

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

Name	Position	Change	Date
Christopher Gerald O' Neill	Alternate Director	Resignation	1 November 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, 20 July 2017 at 09:00.

Subsequent Events

The Board approved a maiden dividend of ZAR 30 cents per ordinary share on 20 March 2017 payable to all shareholders recorded in the register on 19 May 2017. The dividend declared is not reflected in the financial statements for the year ended 31 December 2016.

3. PROPERTY, PLANT AND EQUIPMENT

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

2015 USD	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and buildings	3 611 305	(38 641)	3 572 664
Plant and machinery	84 071 033	(25 120 600)	58 950 433
Assets under construction	5 505 621	–	5 505 621
Furniture and fittings	1 201 367	(404 331)	797 036
Motor vehicles	2 669 126	(985 579)	1 683 547
IT equipment	564 286	(314 746)	249 540
Finance lease: Plant and equipment	21 737 224	(4 256 153)	17 481 071
Computer software	1 877 368	(814 314)	1 063 054
Patents	229 500	–	229 500
Total	121 466 830	(31 934 364)	89 532 466

Borrowing cost

Included in the cost of land and buildings are capitalised borrowing cost related to the acquisition of land to the amount of USD138 978 (2015: USD172 888) calculated at a capitalisation rate of 5,9%.

ABRIDGED AUDITED FINANCIAL RESULTS continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

3.1 Reconciliation of property, plant and equipment

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

2015 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Land and buildings	3 894 241	261 581	(536 993)
Plant and machinery	55 996 007	15 893 937	(7 364 009)
Assets under construction	7 943 681	609 798	(27 296)
Furniture and fittings	842 826	73 848	(61 397)
Motor vehicles	1 993 290	471 266	(270 120)
IT equipment	277 218	102 035	(32 662)
Finance lease: Plant and equipment	21 996 857	429 247	(3 567 469)
Computer software	1 437 735	325 481	(211 809)
Patents	–	229 500	–
	94 381 855	18 396 693	(12 071 755)

Security

Moveable assets to the value of ZAR500 million of the South African subsidiaries have been bonded to ABSA Capital as security for an interest bearing loan.

Impairment

During 2016, the Exploration segment in our South Africa segment recognised an impairment loss of USD268 388. The main elements were a write-down of the idle slim drilling drill rigs to their value in use. The calculation of value in use is most sensitive to the mining commodity cycles. The future cash flows of the particular drill rigs was negatively affected by the current declining commodity prices of our customers, which mainly comprise of mining operations. As a result of the declining prices, our customers reduced and deferred exploration slim drilling activities.

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

Assets acquired through business combination	Reclassifications and transfers	Disposals	Depreciation	Impairment of fixed assets	Total
–	–	(26 545)	(19 620)	–	3 572 664
–	435 994	(529 625)	(5 481 871)	–	58 950 433
–	(3 020 562)	–	–	–	5 505 621
–	–	(8 999)	(49 242)	–	797 036
–	116 537	(323 726)	(303 700)	–	1 683 547
–	(138)	(5 024)	(91 889)	–	249 540
–	(116 537)	(12 049)	(1 248 978)	–	17 481 071
–	–	–	(488 353)	–	1 063 054
–	–	–	–	–	229 500
–	(2 584 706)	(905 968)	(7 683 653)	–	89 532 466

ABRIDGED AUDITED FINANCIAL RESULTS continued

4. INTANGIBLE ASSETS

	2016 USD	2015 USD
Goodwill recognised from value chain business combinations	2 612 584	2 612 584
Goodwill recognised from raisebore business combinations	430 458	–
Goodwill recognised from business combinations	3 043 042	2 612 584

Goodwill recognised

The increase of USD430 458 in goodwill during the current year arose with the Bergteamet Latin America SpA acquisition transaction. Refer to note 11.2 for more detail.

5. INVESTMENT IN ASSOCIATE

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

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

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

The financial year-end of Bergteamet is 31 August. This was the reporting date established when that company was incorporated, and a change of reporting date is not permitted. For the purpose of applying the equity method of accounting, the financial information of Bergteamet have been used. Appropriate adjustments were made for fair value adjustments at acquisition, 1 December 2015, differences in accounting policies and effects of significant transactions up to 31 December 2016.

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

	2016 USD	2015 USD
Revenue	16 011 794	1 878 984
Profit from continuing operations	1 390 213	336 438
Total comprehensive income	1 390 213	336 438
Group's share of total comprehensive income	556 085	134 575
Dividends received from associate	–	–

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.

	2016 USD	2015 USD
Non-current assets	8 765 242	5 207 473
Current assets	7 986 687	5 421 292
Non-current liabilities	(5 134 029)	(5 768 094)
Current liabilities	(3 246 175)	(3 387 054)
Net assets	8 371 725	1 473 617
Group's share of net assets	3 348 690	589 447
Goodwill	2 119 050	4 743 718
Share of profit from equity accounted investment	556 085	134 575
Investment in Bergteamet	6 023 825	5 467 740

6. TRADE AND OTHER RECEIVABLES

	2016 USD	2015 USD
Trade receivables – Normal	26 789 516	21 437 001
Trade receivables – Retention	3 098 167	2 720 868
Loans to employees	81 097	89 298
Pre-payments	1 372 357	2 534 712
Deposits	46 890	106 733
Indirect taxes	1 426 352	521 086
Sundry	6 200 285	3 163 124
	39 014 664	30 572 822

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	10 981 269	16 947 349
1 month past due	6 702 871	3 109 214
2 months past due	5 591 572	1 719 700
3 months and over past due	6 748 090	3 018 405
Allowance for doubtful debts	(136 119)	(636 799)
	29 887 683	24 157 869

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	636 799	1 590 191
Exchange differences on translation of foreign operations	58 431	(440 887)
Amounts written off	–	(578 880)
Allowance for doubtful debts (reversed)/provided for	(559 111)	66 375
	136 119	636 799

ABRIDGED AUDITED FINANCIAL RESULTS continued

6. TRADE AND OTHER RECEIVABLES continued

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

	2016 USD	2015 USD
United States Dollar (USD)	17 591 574	16 520 399
South African Rands (ZAR)	7 119 116	3 563 917
Brazilian Reals (BRL)	4 455 101	3 794 977
Mexican Peso (MXN)	373 151	37 902
Chilean Peso (CLP)	7 360 884	3 643 250
Peruvian Nuevo Sol (PEN)	1 289 943	1 271 413
Chinese Yuan Renminbi (CNY)	440 543	148 753
Guatemalan Quetzal (GTQ)	–	476 351
Colombian Peso (CLP)	217 247	946 076
Euro (EUR)	167 105	169 784
	39 014 664	30 572 822

7. 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 land owned into offices and workshop facilities. Negotiations to sell the land and buildings are at an advanced stage. The sale is expected to be finalised by May 2017.

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 2016, the assets held for sale were comprised of the following:

Land and buildings	1 209 520	–
Assets held for sale	1 209 520	–

8. TRADE AND OTHER PAYABLES

	2016 USD	2015 USD
Trade payables	9 931 942	7 839 195
Income received in advance	391 683	517 570
Indirect taxes	5 914 578	2 850 274
Leave pay accruals	1 821 971	1 306 196
Other accruals	4 938 253	3 054 234
	22 998 427	15 567 469

9. TAXATION

	2016 USD	2015 USD
Current		
Normal taxation	2 293 305	5 311 822
Current taxation	3 936 680	6 703 819
Prior year tax over provided	(1 643 375)	(1 391 997)
Deferred taxation: Temporary differences	656 107	2 384 103
	2 949 412	7 695 925
Reconciliation of the tax expense		
Accounting profit	25 269 306	28 810 824
Tax at the applicable tax rate	4 592 417	7 363 529
Prior year tax over provided	(1 643 375)	(1 391 997)
Exempt income	(2 336 512)	(668 115)
Non-deductible expenses	571 321	1 936 907
Deferred taxation: Change in tax rate	187 408	(192 062)
Assessed loss not recognised	1 729 360	647 663
Assessed loss from prior year	(151 207)	–
	2 949 412	7 695 925
Taxation per statement of comprehensive income	2 949 412	7 695 925
The total unrecognised assessed loss at 31 December 2016 is USD4 029 099 (2015: USD647 663).		
Normal taxation charge/(refund) per entity within the Group		
Master Drilling Group Limited	–	82 990
Master Drilling Exploration (Pty) Ltd	609 730	642 848
Master Drilling Chile SA	318 739	212 754
Master Drilling Peru SAC	–	–
Master Drilling do Brasil Ltda	–	–
Master Drilling Mexico SA	–	1 358 677
Master Drilling Malta Limited	1 894 395	1 540 033
Master Drilling Guatemala SA	195 253	106 815
Master Drilling South Africa (Pty) Ltd	–	293 055
Jiangsu Master Mining Engineering Technology Company Limited	30 126	–
Master Drilling DRC sprl	(677 929)	1 338 874
Master Drilling Colombia SAS	503 304	–
Master Drilling Zambia Limited	(256 579)	402 844
Master Drilling International Ltd	(655 736)	(1 328 464)
Master Drilling Changzhou Co Ltd	213 921	178 250
Drilling Technical Services (Pty) Ltd	–	239 767
Master Drilling Group Shared Services (Pty) Ltd	–	62 332
Master Drilling Ecuador SA	103 670	181 047
Master Drilling USA LLC	14 411	–
MD Drilling Services Tanzania SARL	–	–
	2 293 305	5 311 822

ABRIDGED AUDITED FINANCIAL RESULTS continued

9. TAXATION continued

A 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. The impact on taxation as a result potential future dividends is impractical to calculate as at 31 December 2016.

The change in tax rate relates to Chile where the tax rate changed from 22,50% to 24,00%.

10. EARNINGS PER SHARE

	2016 USD	2015 USD
Reconciliation between earnings and headline earnings		
Basic earnings for the year	22 319 894	21 114 899
<i>Deduct:</i>		
Non-controlling interest	(1 124 144)	(1 148 748)
Attributable to owners of the parent	21 195 750	19 966 151
(Gain)/Loss on disposal of fixed assets	(230 161)	677 898
Impairment of plant and equipment	268 388	–
Tax effect on loss on disposal of fixed assets and impairments	(48 284)	(217 524)
Headline earnings for the year	21 185 693	20 426 525
Earnings per share (cents)	14.3	13.5
Diluted earnings per share (cents)	14.0	13.3
Headline earnings per share (cents)	14.3	13.8
Diluted headline earnings per share (cents)	14.0	13.6
Net asset value per share (cents)	98.7	79.8
Tangible net asset value per share (cents)	96.6	78.0
Dividends per share (cents)	–	–
Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share and headline earnings per share	148 265 491	148 265 491
Effect of dilutive potential ordinary shares – employee share options	3 003 793	2 379 656
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	151 269 284	150 645 147

11 CASH GENERATED FROM OPERATIONS

11.1 Cash generated from operations

	2016 USD	2015 USD
Profit before taxation	25 269 306	28 810 824
Adjustments for:		
Depreciation and amortisation	6 927 652	7 683 653
Impairment	268 388	–
Share of profit from equity accounted investment	(556 085)	(134 575)
Translation effect of foreign operations	1 134 652	605 318
Share-based payment – equity settled	255 349	164 603
Share-based payment – liability	(706 681)	(47 922)
(Gain)/Loss on sale of assets	(230 161)	677 898
Interest received	(808 845)	(806 556)
Finance costs	1 940 479	1 710 539
Changes in working capital:		
Inventories	(3 529 733)	2 247 694
Trade and other receivables	(7 479 267)	(1 741 907)
Trade and other payables	4 066 093	(3 841 678)
	26 551 147	35 327 891

ABRIDGED AUDITED FINANCIAL RESULTS continued

11. CASH GENERATED FROM OPERATIONS continued

11.2 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.

	2016 USD	2015 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	-

12. CAPITAL COMMITMENTS

	2016 USD	2015 USD
Capital expenditure authorised by the directors and contracted for within 12 months. Capital expenditure will be funded through cash generated from operations.	4 276 175	6 974 023

13. SEGMENT REPORTING

13.1 Mining activity

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

	2016 USD	2015 USD
Sales revenue by stage of mining activity		
Exploration	695 690	1 664 074
Capital	22 792 887	11 804 595
Production	94 614 406	106 398 977
	118 102 983	119 867 646
Gross profit by stage of mining activity		
Exploration	297 369	779 248
Capital	9 350 969	4 984 392
Production	33 295 116	42 114 964
	42 943 454	47 878 604

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

13. SEGMENTAL REPORTING continued

13.2 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.

	2016 USD	2015 USD
Sales revenue by geographical market		
Africa	21 110 578	27 087 779
Latin America	68 169 160	61 844 572
Other countries	927 223	207 734
South Africa	27 896 022	30 727 561
	118 102 983	119 867 646
Gross profit by geographical market		
Africa	11 399 711	14 232 105
Latin America	19 121 158	16 594 674
Other countries	2 354 396	1 010 347
South Africa	10 068 189	16 041 478
	42 943 454	47 878 604

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 9% (2015: African region 17%) of the Group's revenue.

	2016 USD	2015 USD
Total assets by geographical market		
Africa	25 401 844	17 637 933
Latin America *	105 685 089	85 986 072
Other countries **	18 465 134	9 173 293
South Africa	63 055 546	67 779 335
Total assets as per statement of financial position	212 607 613	180 576 633
Total liabilities by geographical market		
Africa	13 182 291	16 447 717
Latin America	27 210 338	26 672 086
Other countries	2 048 053	3 628 066
South Africa	23 850 384	15 563 628
Total liabilities as per statement of financial position	66 291 066	62 311 497

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

** Assets in other countries includes the investment in associate.

CORPORATE INFORMATION

MASTER DRILLING GROUP LIMITED

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

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Executive

Daniël (Danie) Coenraad Pretorius
André Jean van Deventer
Barend Jacobus (Koos) Jordaan
Gareth (Gary) Robert Sheppard #

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

Non-executive

Hendrik Roux van der Merwe
Akhter Alli Deshmukh
Jacques Pierre de Wet
Johan Louis Botha
Shane Trevor Ferguson
Fred George Dixon

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

Resident in Peru

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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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