MASTER DRILLING

2016

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors of Master Drilling Group ("the Group") are required in terms of the Companies Act No. 71 of 2008 ("Companies Act"), to maintain adequate accounting records and are responsible for the preparation, the content and integrity of the Group's annual financial statements and related financial information included in this report. It is their responsibility to ensure that the Group's annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards ("IFRS"), the Companies Act and the Johannesburg Stock Exchange ("JSE") Listings Requirements. The external auditors are engaged to express an independent opinion on the Group's financial statements.

The Group's annual financial statements are prepared in accordance with IFRS, and the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee ("APC") and Financial Reporting Pronouncements as issued by the Financial Standards Council and JSE listing requirements, and are based upon appropriate accounting policies and the requirements of the Companies Act consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

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

The directors have reviewed the Group's cash flow forecast for the year to 31 December 2017 and, in the light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently auditing and reporting on the Group's financial statements. In accordance with section 29(1)(e)(ii) of the Companies Act, the annual financial statements of the Group, for the year ended 31 December 2016, have been audited by Grant Thornton, the Group's independent external auditors, whose unqualified audit report can be found on pages 8 to 11 of this document.

DIRECTORS' RESPONSIBILITIES AND APPROVAL (CONTINUED)

The Group's annual financial statements set out on pages 3 to 72, which have been prepared on the going concern basis, were approved by the directors on 20 March 2017 and were signed on its behalf by:

Daniël Coenraad Pretorius
Director

Johannesburg
20 March 2017

André Jean van Deventer
Director

Johannesburg
20 March 2017

SECRETARY'S CERTIFICATE

In my capacity as company secretary, I hereby certify that in terms of section 88(2)(e) of the Companies Act, for the year ended 31 December 2016, the Group has lodged with the Companies and Intellectual Property Commission, all such returns and notices as are required of a public company in terms of the Companies Act, and that all such returns and notices are true, correct and up-to-date.

Andrew Colin Beaven
Company Secretary

6 Dwars Street
Krugersdorp
1741
20 March 2017

AUDIT COMMITTEE REPORT

for the year ended 31 December 2016

This report is provided by the audit committee in respect of the 2016 financial period of the Group. The Group's audit committee is established as a statutory committee in terms of section 94(2) of the Companies Act and oversees audit committee matters for all of the South African subsidiaries within the Group, as permitted by section 94(2)(a) of the Companies Act.

The audit committee's operation is guided by a detailed charter, a copy of which can be found on the Group's website (www.masterdrilling.com). The Audit Committee Charter was informed by the Companies Act, JSE Listing Requirements as well as the Corporate Governance Principles under King III and approved by the directors. The Audit Committee Charter is reviewed on an annual basis.

MEMBERSHIP

The audit committee consisted of four non-executive directors of which three were independent at all times during the year. The members therefore comprise of JP de Wet (Chairman), AA Deshmukh, ST Ferguson and JL Botha. In addition, the chief financial officer, risk manager, as well as the internal and external auditors are permanent invitees to the audit committee meetings. The audit committee meets at least four times a year and details of attendance are contained in the governance report of the integrated report which will be released end of June 2017.

DUTIES AND RESPONSIBILITIES

The audit committee has executed its duties and responsibilities during the period in accordance with its charter as they relate to the Group's accounting, internal auditing, internal control and financial reporting practices.

During the period under review:
In respect of the external auditor and the external audit, the audit committee, amongst other matters:

- nominated Grant Thornton as the external auditor for the financial period ended 31 December 2017;
- ensured that the appointment of the external auditor complied with all applicable legal and regulatory requirements for the appointment of an auditor. The audit committee confirms that the auditor is accredited by the JSE;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor for 2016;
- obtained an annual written statement from the auditor that its independence was not impaired;
- determined the nature and extent of all non-audit services provided by the external auditor and approved the applicable non-audit services undertaken in terms of the audit charter;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, 2005, and determined that there were none; and
- nominated the external auditor for both the holding and subsidiary companies.

In respect of the annual financial statements, the audit committee, amongst other matters:

- confirmed the going concern as the basis of preparation of the annual financial statements;
- examined and reviewed the annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the directors;
- ensured that the annual financial statements fairly present the financial position of the Group as at the end of the period and the results of operations and cash flows for the financial period;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- reviewed the representation letter relating to the annual financial statements which was signed by management; and
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the annual financial statements.

In respect of internal financial control and internal audit, the audit committee, amongst other matters:

- reviewed the Group's system of internal financial control during the year under review, with input and reports from the independent internal auditors. The audit committee confirmed that there were no material areas of concern that would render the internal financial controls ineffective;
- appointed an internal auditor with the necessary international presence to ensure effective service delivery to the audit committee; and
- reviewed internal audit reports and deliberated on the audit findings of the internal auditor as part of the internal audit work programme.

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

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

In respect of the co-ordination of assurance activities, the audit committee reviewed the plans and outcomes and concluded that the assurance activities are adequate to address all significant financial risks facing the business.

In respect of the company's integrated report, the audit committee will collaborated with the risk, social, ethics and sustainability, remuneration and company's governance committees to ensure the accuracy and completeness of the report. The integrated report is expected to be released In June 2017.

In addition, the audit committee:

- considered the expertise, resources and experience of the finance function and concluded that these were appropriate; and
- considered the experience and expertise of the chief financial officer and concluded that these were appropriate.

INDEPENDENCE OF THE EXTERNAL AUDITOR

The audit committee is satisfied that Grant Thornton is independent of the Group after taking the following factors into account:

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

ANNUAL FINANCIAL STATEMENTS

Following the review by the audit committee of the annual financial statements of the Group for the period ended 31 December 2016, the audit committee is of the view that, in all material aspects, they comply with the relevant provisions of the Companies Act, IFRS, APC and JSE requirements and fairly present the consolidated position at that date and the results of operations and cash flows for the period then ended.

Having satisfied itself in all respects, the audit committee has recommended the financial statements, for the period ended 31 December 2016, for approval to the directors. The directors have subsequently approved the financial statements, which will be open for consideration at the forthcoming annual general meeting.

On behalf of the audit committee

J P de Wet
Chairman of the audit committee

Johannesburg
20 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

MASTER DRILLING GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Master Drilling Group Limited and its subsidiaries (the Group) as set out on pages 16 to 70, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of plant and machinery: Management is required to assess useful lives relating to drilling machinery on an annual basis (refer accounting policy note 1.7). Furthermore, the existence of drilling machinery is challenging to verify due to the drilling machinery being operational in various remote locations, including underground mines, across the world. Due to the judgement involved in the determination of useful lives of the drilling machinery and difficulty in confirmation of the existence thereof, this is deemed a key audit matter.	• We have assessed management's useful lives determination and depreciation periods for consistency with expectations and prior periods. • We recalculated the depreciation charge for the year and performed analytical review procedures to compare the actual charge to expectations. • We verified samples of drilling machinery through a combination of physical inspection and other procedures. • For drilling equipment on site, we confirmed the existence via revenue generation. • Any drilling equipment that were not utilised during the period was tested for impairment. • We furthermore reviewed control documentation relating to movement of drilling machinery between sites and countries.
Inventory valuation As disclosed in accounting policy 1.12, Master Drilling carries its inventory at the lower of cost and net-realisable value. Accounting policy 1.4 states that future technology or other market-driven changes may reduce future selling prices. Judgment is required in estimating future technology and selling prices. Furthermore, certain critical spare parts and components are in excess of one year old. Judgment is required in determining whether these spare parts can still be utilised in future or whether they are deemed to be obsolete. Inventory valuation is therefore considered a key audit matter.	• We attended inventory counts for material audit locations to assist with our understanding of the condition of inventory. • We trace inventory-in-transit to shipping records and verified the shipment date accuracies. We assessed the date and terms of shipment to ensure that the accurate exchange rates were used in the costing of inventory. • We reviewed management methodology and assumptions in quantifying inventory obsolescence, and performed a reasonability check. • We utilised Computer Assisted Audit Techniques ("CAAT's") to reperform the average cost of the inventory. We tested the costing and net realisable values of significant inventory populations. • We re-aged the inventory based on date of purchase and predicted the rate of usage based on past usage to determine that there adequate provision for obsolete inventory.
Taxation Master Drilling operates in multiple jurisdictions and has taxation obligation denominated in multiple foreign currencies. This gives rise to complexity in determining Master Drillings' tax charge and deferred assets and liabilities. Due to the complexity noted, the recognition and fair presentation of Master Drilling's tax charge and balances has been identified as a key audit matter.	• Our audit work included among others, using our taxation specialists to assess the rates of taxations in the various jurisdictions and to assess the reasonableness of deferred taxation assets and liabilities raised. • Our audit work furthermore included the inspection of past tax assessments received, consultations with local tax specialists and correspondence with the tax authorities in the various jurisdiction.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Grant Thornton has been the auditor of Master Drilling Group Limited for five years.

Grant Thornton.

GRANT THORNTON
Registered Auditors
Practice Number: 903485E

J Barradas
Registered Auditor
Chartered Accountant (SA)

20 March 2017

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

DIRECTORS' REPORT

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 geographics.

GOING CONCERN BASIS OF ACCOUNTING

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

BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE OF MASTER DRILLING'S ISSUED SHARE CAPITAL

As at 31 December 2016	%
AMI Trust	29,5
MDG Equity Holdings (Pty) Ltd	26,6

FUND MANAGERS HOLDING 5% OR MORE OF MASTER DRILLING'S ISSUED SHARE CAPITAL

As at 31 December 2016	%
Kagiso Asset Management	12,5
Coronation Fund Management	7,7

Share capital

Authorised

500 000 000 ordinary shares of no par value.

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

Unissued ordinary shares

	Number of shares 2016	2015
At 1 January	**351 734 509**	351 734 509
Authorised during the year	**–**	–
Issued during the year	**–**	–
At 31 December	**351 734 509**	351 734 509

There have been no changes to the unissued ordinary share capital of the Company since year end to the date of this report.

RIGHTS ATTACHING TO SHARES

All of the authorised and issued ordinary shares are of the same class, and rank *pari passu* with each other and are fully paid. Accordingly, no share has any special rights to dividends, capital or profits of the Company. No share has any preferential voting, exchange or conversion rights. The rights attaching to the shares may only be varied by a special resolution passed by the requisite majority of the Company's shareholders at a general meeting.

CONTROL OF SHARE CAPITAL

In accordance with the Memorandum of Incorporation, the authorised but unissued ordinary shares of the Company are under the control of the directors, subject to the provisions of the Companies Act and the JSE Listings Requirements.

In terms of the JSE Listings Requirements and as permitted by the Memorandum of Incorporation of the Company, the shareholders of the Company have authorised the directors to issue ordinary shares held under their control for cash, subject to certain restrictions as set out below:

1. This authority shall be limited to a maximum number of 7 413 275 ordinary shares (being 5% of the issued ordinary shares in the share capital of the Company);
2. This authority shall only be valid until the next annual general meeting of the Company but shall not extend beyond 15 months:
3. An announcement, in compliance with section 11.22 of the Listings Requirements of the JSE Limited, shall be published after any issue representing, on a cumulative basis within the period contemplated as in paragraph 2 above, 5% (7 413 275) of the number of ordinary shares in issue prior to the issue concerned excluding treasury shares; and
4. In the event of a sub-division or consolidation of issued ordinary shares during the period contemplated as per paragraph 2 above, this authority must be adjusted accordingly to represent the same allocation ratio.
5. In determining the price at which an issue of ordinary shares for cash shall be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE Limited over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities; and
6. Any issue of ordinary shares under this authority shall be made only to a public shareholder, as defined in the Listings Requirements of the JSE Limited.
7. Any equity securities issued under the authority during the period contemplated in paragraph 2 above, must be deducted from such number in 5 above.

There were no repurchases of ordinary shares during the period under review.

DIRECTORS' INTERESTS IN SHARES

The interests of Directors and associates in the ordinary share capital of the Company at 31 December 2016, are made up as follows:

	Total % holding of issued capital	**Beneficial Direct 2016**	**Indirect 2016**	Beneficial Direct 2015	Indirect 2015
Executive Director					
DC Pretorius	53,0	**900**	**78 630 565**	900	78 630 565
AJ van Deventer	2,0	**727 648**	**2 252 316**	727 648	2 252 316
GR Sheppard	2,0	**–**	**2 955 884**	–	2 955 884
BJ Jordaan	2,0	**1 781 861**	**1 228 336**	1 781 861	1 228 336
Total Executive Directors	59,1	**2 510 409**	**85 067 101**	2 510 409	85 067 101

Rounding of % may result in computational discrepancies.

At 31 December 2016, the directors of the Company held direct and indirect interests in 59.1% (2015: 59.1%) of the Company's issued ordinary share capital. Refer note 21.1. There has been no change to the directors' shareholding since year-end to date of this report.

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

Dividend declared

No dividends were paid by Master Drilling Group Limited since the Company's incorporation. The board has now been able to approve a maiden dividend on 20 March 2017 of ZAR 30 cents per share payable to all shareholders recorded in the Company's share register on 19 May 2017.

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.

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.

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.

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.

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

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

BORROWING POWERS

The borrowing powers of the directors of the Company and its subsidiaries have not been exceeded during the past four years and may only be varied by amending the relevant provisions of the Memorandum of Incorporation of the particular company. Such amendment must be effected in accordance with sections 16(1) and 16(4) of the Companies Act and would require a special resolution.

The directors of subsidiaries within the Group are restricted from borrowing any amount without the approval of its majority shareholder, Master Drilling International.

LEGAL PROCEEDINGS

There are no governmental, legal or arbitration proceedings, including any proceedings that are pending or threatened, of which Master Drilling is aware, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position.

The Group is not a party to unduly onerous funding arrangements.

MATERIAL CHANGE

The financial and trading position of Master Drilling Group Limited has not materially changed for the financial year. The ultimate holding company, Master Drilling Group Limited, is incorporated in South Africa.

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

SEPARATE COMPANY FINANCIAL STATEMENTS

A copy of the Master Drilling Group Limited company financial statements can be found on the company's website (www.masterdrilling.com).

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 09h00.

SUBSIDIARIES

The subsidiaries of Master Drilling are disclosed in Note 29 of this document.

EVENTS SUBSEQUENT TO YEAR-END

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.

MATERIAL RESOLUTIONS

No material special resolutions were passed during the year under review, except those passed at the annual general meeting held on 21 July 2016. Copies of all material resolutions taken by the subsidiaries during the year under review may be obtained from the office of the Company Secretary.

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	5	**10 068 354**	9 159 284
Deferred tax asset	6	**1 733 825**	1 124 233
Investment in associate	34	**6 023 825**	5 467 740
		126 185 640	107 896 307
Current assets			
Inventories	7	**24 437 264**	19 574 979
Related-party loans	24	**70 486**	35 755
Trade and other receivables	8	**39 014 664**	30 572 822
Cash and cash equivalents	9	**21 690 039**	22 496 770
		85 212 453	72 680 326
Non-current assets held for sale	35	**1 209 520**	–
		86 421 973	72 680 326
Total assets		**212 607 613**	180 576 633
Equity and liabilities			
Equity			
Share capital	10	**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	12	**17 806 057**	19 096 633
Finance lease obligations	13	**1 950 891**	2 957 153
Share-based payment liability		**–**	706 681
Deferred tax liability	6	**9 266 022**	7 387 853
		29 022 970	30 148 320
Current liabilities			
Interest bearing borrowings	12	**8 650 837**	8 417 589
Finance lease obligations	13	**2 579 699**	2 941 002
Related party loans	24	**160 622**	41 317
Current tax payable		**1 561 045**	5 195 800
Trade and other payables	14	**22 998 427**	15 567 469
Cash and cash equivalents	9	**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	16	**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	17	**25 844 855**	29 580 232
Investment revenue	18	**808 845**	806 556
Finance costs	19	**(1 940 479)**	(1 710 539)
Share of profit from equity accounted investment	34	**556 085**	134 575
Profit before taxation		**25 269 306**	28 810 824
Taxation	20	**(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)	22		
Basic earnings per share (cents)		**14.3**	13.5
Diluted earnings per share (USD)	22		
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)**
Note(s)	10	11	

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	23.1	**26 551 147**	35 327 891
Interest income		**808 845**	806 556
Finance costs		**(1 940 479)**	(1 710 539)
Tax paid	23.2	**(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	23.3	**(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

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL INFORMATION

The Group's consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards, the SAICA Financial reporting guides as issued by the Accounting Pronouncements Committee and Financial Reporting Pronouncements as issued the Financial Standards Council, the requirements of the Companies Act and the JSE Listings Requirements. The consolidated annual financial statements have been prepared on the historical cost basis, except for certain financial instruments at fair value or amortised cost, 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 list of amendments to IFRSs that are mandatory and effective for the annual financial year ending 31 December 2016 as indicated below:

Amendments to IFRS 10 *Consolidated financial statements;*
Amendments to IAS 16 *Property, plant and equipment;*
Amendments to IAS 38 *Intangible assets; and*
Amendments to IFRSs *Annual improvements to IFRSs 2012 – 2014 cycle*

Management has reviewed the above mentioned mandatory standards and has accommodated for these, where applicable, in the annual financial statements for the financial year ending 31 December 2016.

1.1 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.

1.2 Consolidation

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, which 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.

1.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of

(a) *fair value of consideration transferred;*

(b) *the recognised amount of any non-controlling interest in the acquiree;*

(c) *acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets; and*

(d) *If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit of loss immediately.*

1.4 Significant judgements and sources of estimation uncertainty

In preparing the Group annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial information and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial information. Significant judgements include:

(a) *Trade receivables and loans and receivables*

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the trade receivable, probability that the trade receivable will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(b) *Inventories*

Management estimates the net realisable values of inventories, taking into account the economic and market conditions within the industry available at each reporting date. The future realisation of these inventories may be effected by future technology or other market-driven changes that may reduce future selling prices. Management uses judgement on the critical spares kept for the specialised drilling equipment. Critical spares do not have a specific write off period due to the specialised nature.

(c) *Taxation*

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting year could be impacted.

(d) *Useful lives of depreciable assets*

Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain assets. Management uses judgement to determine the useful lives and residual values based on the specific environmental conditions it operates within. As the majority of the assets are purpose built, no specific benchmark is available.

1.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 4) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent years.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.6 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.

1.7 Property, plant and equipment

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 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. Assets under construction are not depreciated but tested for impairment.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life	Depreciation method
Land	Indefinite	Not Applicable
Buildings	20 years	Straight line
Drilling Rigs (included under plant and machinery)		
– Raisebore\Piling	20 years	Straight line
– Blindhole	20 years	Straight line
– Dropraise	20 years	Straight line
– Blasting	15 000 machine hours	Units of production
– Slim drilling rigs (surface)	10 years	Straight line
– Slim drilling rigs (underground)	3 – 5 years	Straight line
Other drilling equipment (included under plant and machinery)		
– Drill rods	15 000 drilling metres	Units of production
– Slim drilling surface rods	6 500 drilling metres	Units of production
– Drum rods	15 000 drilling metres	Units of production
– Reamers and reamer wings	2 000 drilling metres	Units of production
– Fins	1 000 drilling metres	Units of production
– Stem bars	800 drilling metres	Units of production
– Pilot and reaming stabilisers	800 drilling metres	Units of production
– Cross overs	600 drilling metres	Units of production
– Bitsubs	600 drilling metres	Units of production
– Raise beams	5 years	Straight line
– Locomotives	5 years	Straight line
– Tool and rod cars	5 years	Straight line
– Water pumps	5 years	Straight line
Furniture and fixtures	5 – 10 years	Straight line
Vehicles		
– Light duty vehicles	2 – 5 years	Straight line
– Heavy duty vehicles	5 – 10 years	Straight line
IT equipment	5 years	Straight line
Computer software	3 – 10 years	Straight line

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year based on the economic, market and operating environment conditions. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Cost to repair or maintain property and equipment is expensed as incurred.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset. Depreciation is recognised on a straight-line basis or units of production method as appropriate, to write down the cost less estimated residual values of the property, plant and equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.8 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

1.9 Financial instruments

(a) *Classification*

The Group classifies financial assets and financial liabilities into the following categories:

- loans and receivables;
- cash and cash equivalents;
- financial liabilities measured at amortised cost; and
- preference shares are classified as loans and receivables.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

(b) *Initial recognition and measurement*

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

(c) *Subsequent measurement*

Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

(d) *Impairment of financial assets*

At each reporting date the Group assesses all financial assets, to determine whether there is objective evidence that a financial asset or Group of financial assets has been impaired.

For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

(e) *Loans to/(from) related parties*

These include loans to and from related parties and are recognised initially at fair value plus direct transaction costs.

Loans to related parties are classified as loans and receivables at amortised cost.

Loans from related parties are classified as financial liabilities measured at amortised cost.

(f) *Loans to employees*

These financial assets are classified as loans and receivables.

(g) *Trade and other receivables*

Trade receivables are measured at initial recognition at fair value including transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

(h) *Trade and other payables*

Trade payables are initially measured at fair value including transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Trade and other payables are classified as financial liabilities at amortised cost.

(i) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as loans and receivables.

(j) *Bank overdrafts and borrowings*

Bank overdrafts and borrowings are initially measured at fair value including transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Bank overdraft and borrowings are classified as financial liabilities at amortised cost.

1.10 Non-current assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, non-current assets are no longer depreciated.

1.11 Tax

(a) Current tax assets and liabilities

Current tax for current and prior years is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior years exceeds the amount due for those years, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior years are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

(b) Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

(c) Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different year, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different year, to other comprehensive income.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

(a) *Finance leases*

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

(b) *Operating leases*

Operating lease payments are recognised as an expense on a straightline basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the year in which they are incurred.

1.13 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories are assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are utilised, the carrying amount of those inventories are recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

ACCOUNTING POLICIES (CONTINUED)

1.14 Impairment of goodwill and property, plant and equipment

For impairment assessment purposes, assets are Grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which Management monitors goodwill.

An impairment loss is recognised for the amount by which the asset's or cash-generating units carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged *pro rata* to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

1.15 Equity and reserves

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.16 Employee benefits

(a) *Short-term employee benefits*

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised as an expense in the year in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit-sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

(b) *Defined contribution plans*

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.17 Contingencies

Contingent assets are disclosed when it is virtually certain there will be an inflow of future economic benefits. Contingent liabilities are recognised when it is probable that there will be outflow of economic resources.

1.18 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting year. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the end of the reporting year can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting year. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract;
- variations in contract work, claims and incentive payments;
- to the extent that it is probable that they will result in revenue; and
- they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the Group's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the year during which the service is performed.

ACCOUNTING POLICIES (CONTINUED)

1.19 Cost of sales

The related cost of providing services recognised as revenue in the current year is included in cost of sales.

Contract costs comprise:

– costs that relate directly to the specific contract;
– costs that are attributable to contract activity in general and can be allocated to the contract; and
– such other costs as are specifically chargeable to the customer under the terms of the contract.

1.20 Translation on foreign currencies

(a) *Foreign currency translation*

A foreign currency transaction is translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

At the end of the reporting year:

– foreign currency monetary items are translated using the closing rate;
– non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
– non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in previous financial statements are recognised in profit or loss in the year in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised in other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(b) *Translation to presentation currency*

The results and financial position of operations are translated into the presentation currency using the following procedures:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
– income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
– all resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

1.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings; and
- weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs begins when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended years in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

1.22 Share-based payments

Eligible employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

(a) *Equity-settled transactions*

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the year in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting year has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The statement of profit or loss expense or credit for a year represents the movement in cumulative expense recognised as at the beginning and end of that year and is recognised in employee benefits expense. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(b) *Cash-settled transactions*

The cost of cash-settled transactions is measured initially at fair value at the grant date using a Black-Scholes Option Pricing Model. This fair value is expensed over the year until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense.

2. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP

At the date of authorisation of these annual financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board but are not yet effective, and have not been early adopted by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first year beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's annual financial statements is provided below.

2.1 IFRS 9 Financial instruments

IFRS 9 Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition.

The standard is effective for annual years beginning or after 1 January 2018.

The Group's management has yet to assess the impact of this new standard on the Group's annual financial statements. Management does not expect to implement IFRS 9 until it becomes effective.

2.2 IFRS 2 Share-based payment

Classification and Measurement of Share-based Payment Transactions: A collection of three distinct narrow-scope amendments dealing with classification and measurement of share-based payments.

This is effective for annual years beginning or after 1 January 2018.

2.3 IFRS 16 Leases

New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

This is effective for annual years beginning on or after 1 January 2018.

2. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP continued

2.4 IFRS 15 Revenue

New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers.

This is effective for annual years beginning on or after 1 January 2018.

2.5 IAS 7 Statement of cash flow

Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).

This is effective for annual years beginning on or after 1 January 2017.

2.6 IAS 12 Income tax

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12): Narrow-scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

This is effective for annual years beginning on or after 1 January 2017.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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 USD 138 978 (2015:USD 172 888) calculated at a capitalisation rate of 5,9%.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT 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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (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 23.3 for more detail.

Impairment testing

For the purpose of annual impairment testing, goodwill is allocated to the operating segment which is expected to benefit from the synergies of the business combination in which the goodwill arose.

The recoverable amount was determined based on value-in-use calculation covering a five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using the growth rates determined by management. The present value of the expected cash flows of the segment is determined by applying a suitable discount rate.

The recoverable amount of the value chain cash generating unit exceeds the carrying value by USD16 855 255 (2015: USD12 686 436). The recoverable amount of the raise bore cash-generating unit exceeds the carrying value by USD5 112 260 (2015: nil)

	Growth rate 2016	**Discount rate 2016**	Growth rate 2015	Discount rate 2015
Raisebore cash-generating unit	**3,6% - 8,0%**	**10,0% - 16,4%**	3,4%	10,0%

Growth rate

The growth rate reflect the long-term average growth rates for the raisebore cash generating unit.

Discount rate

The discount rate reflect appropriate adjustments relating to market risk and specific risk factors.

Cash flow assumptions

Management's key assumptions include the purchasing benefits based on consumption quantities. Cash flow projections reflect these purchasing benefits being realised.

5. FINANCIAL ASSETS

Subsidiary	Master Drilling Exploration (Pty) Ltd	Master Drilling South Africa (Pty) Ltd	Drilling Technical Services (Pty) Ltd	Total
BEE Partner	**Epha Drilling (Pty) Ltd**	**Mosima Drilling (Pty) Ltd**	**Mosima Drilling (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 dividend received	**(509 405)**	**(537 504)**	**–**	**(1 046 909)**
Closing balance	**2 617 462**	**7 368 303**	**82 589**	**10 068 354**
2015 USD				
Opening balance	3 373 177	8 305 915	79 389	11 758 481
Exchange rate differences on translation	(894 984)	(2 198 960)	(17 015)	(3 110 959)
Preference dividends receivable capitalised	213 251	525 509	5 367	744 127
Preference dividends received	(114 730)	(117 635)	–	(232 365)
Closing balance	2 576 714	6 514 829	67 741	9 159 284

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

6. DEFERRED TAX

	2016 USD	2015 USD
Property, plant and equipment	**7 353 923**	5 354 548
Pre-payments	**(17 709)**	61 322
Allowance for doubtful debts	**–**	(172 062)
Finance leases	**1 912 099**	1 971 983
Accrual for leave pay	**(306 192)**	(156 251)
Assessed loss	**(1 198 561)**	(109 960)
Share-based payment scheme liability	**–**	(234 421)
Unrealised foreign exchange profit/loss	**(211 363)**	(451 539)
Net deferred tax liability	**7 532 197**	6 263 620
Deferred tax liability	**9 266 022**	**7 387 853**
Deferred tax asset	**1 733 825**	**1 124 233**
	7 532 197	**6 263 620**
Reconciliation of deferred tax liability		
Reported as at 1 January	**6 263 620**	4 927 999
Exchange differences on translation of foreign operations	**598 617**	(1 221 172)
Change in tax rate	**(173 555)**	192 062
Property, plant and equipment	**1 875 566**	470 269
Pre-payments	**(100 929)**	(140 947)
Allowance for doubtful debts	**183 225**	(150 702)
Finance leases	**(185 769)**	1 596 877
Accrual for leave pay	**(168 404)**	526 924
Assessed loss	**(1 025 520)**	(34 091)
Share-based payment scheme liability	**265 346**	96 402
	7 532 197	6 263 620

7. INVENTORIES

	2016 USD	2015 USD
Consumables	**13 266 711**	13 360 787
Cutters	**10 181 831**	6 030 342
Work in progress	**1 600 816**	2 777 686
	25 049 358	22 168 815
Allowance for obsolete inventory	**(612 094)**	(2 593 836)
	24 437 264	19 574 979

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

9. CASH AND CASH EQUIVALENTS

	2016 USD	2015 USD
Cash on hand	56 164	26 854
Bank balances	18 518 382	18 102 626
Short-term deposits	3 115 493	4 367 290
Bank overdraft	(1 317 466)	–
	20 372 573	22 496 770
Current assets	21 690 039	22 496 770
Current liabilities	1 317 466	–

10. SHARE CAPITAL

Authorised	2016 Number of shares		2015 Number of shares	
Ordinary shares	500 000 000	–	500 000 000	–

Reconciliation of number of shares issued:	2016 Number of shares	2016 Value USD	2015 Number of shares	2015 Value USD
Reported as at 31 December	148 265 491	146 607 965	148 265 491	146 607 965

The unissued shares are under the control of the directors. No issue of shares for cash occurred during the period under review. The Group is holding 2 000 000 treasury shares allocated but not yet issued.

11. EQUITY DUE TO CHANGE IN CONTROL OF INTEREST

	2016 USD	2015 USD
Foreign entities acquired through business combinations	9 594 855	9 594 855
South African entities acquired through business combinations	21 506 359	21 506 359
South African assets acquired through business combinations	27 162 799	27 162 799
Total	58 264 013	58 264 013

12. INTEREST-BEARING BORROWINGS

	2016 USD	2015 USD
Held at amortised cost		
Secured		
Kibali Goldmines SPRL	**804 153**	3 269 337
The loan is denominated in USD, secured by owned plant and machinery which is pledged as collateral, bears no interest and is repayable over the drilling contract period, of which approximately six months remaining.		
BBVA Banco Continental	**–**	400 587
The loan was denominated in PEN, and was fully settled during the current year.		
Banco Internacional del Perú S.A.A.	**2 334 544**	3 578 309
A portion of the loan, USD500 000, is denominated in Peruvian Nuevo Sol, secured by owned plant and machinery which is pledged as collateral, bears interest at 5,1% and is repayable in two monthly installments of USD350 000 and USD150 000 in June 2017.		
The balance, USD1 834 544, is denominated in United States Dollar, secured by property, bears interest at 5,5% per annum and is repayable in monthly installments of USD19 000.		
ABSA Capital, a division of ABSA Bank Limited	**23 318 197**	19 924 989
A portion of the loan, USD15 551 806, is denominated in USD and bears interest at the margin rate of 2,95% over libor as applicable. The remainder of the loan, USD7 766 391, is denominated in ZAR and bears interest at the margin rate of 2,95% over jibar as applicable. The loan is repayable in 20 quarterly instalments of which 15 remains.		
Banco de Crédito		
The loan was denominated in USD, and was fully settled during the current year.	**–**	100 147
Santander		
The loan was denominated in USD, and was fully settled during the current year.	**–**	240 853
Total interest-bearing borrowings	**26 456 894**	27 514 222
Non-current liabilities		
At amortised cost	**17 806 057**	19 096 633
Current liabilities		
At amortised cost	**8 650 837**	8 417 589
	26 456 894	27 514 222

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

13. LEASE OBLIGATION

		2016 USD	2015 USD
13.1	**Finance lease obligations: Plant and machinery**		
	Minimum lease payment due		
	– within one year	**2 949 949**	3 324 613
	– in second to fifth year	**2 097 081**	3 352 163
		5 047 030	6 676 776
	Less: Future finance charges	**(516 440)**	(778 620)
	Present value of minimum lease payment	**4 530 590**	5 898 155
	– within one year	**2 579 699**	2 941 002
	– in second to fifth year	**1 950 891**	2 957 153
	Present value of minimum lease payments	**4 530 590**	5 898 155

Interest is payable at rates between zero and 2% above the current bank lending rate applicable in the respective countries. The settlement dates are between one and five years and therefore recorded at cost. The leases are secured by a pledge over certain fixed assets of the Group.

		2016 USD	2015 USD
13.2	**Operating lease obligations**		
	Office space		
	– within one year	**97 179**	99 779
	– in second to fifth year	**327 943**	480 544
	– more than five years	**–**	106 609
		425 122	686 933
	Workspace		
	– within one year	**98 237**	39 704
	– in second to fifth year	**331 511**	237 242
	– more than five years	**–**	22 783
		429 748	299 729

Operating leases were signed for a period of 10 years with a renewal option at the end of the contract term. An annual escalation of 6% is applicable.

14. 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

15. 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

16. REVENUE

	2016 USD	2015 USD
Revenue earned	**118 102 983**	119 867 646

17. OPERATING PROFIT

	2016 USD	2015 USD
Operating profit for the year is stated after accounting for the following:		
Gain/(Loss) on sale of property, plant and equipment	**230 161**	(677 898)
Impairment of plant and equipment	**(268 388)**	–
Profit on exchange differences	**1 821 056**	723 851
Depreciation on property, plant and equipment	**(6 927 652)**	(7 683 653)
Employee costs	**(44 785 383)**	(40 887 381)
Operating lease expense	**(172 450)**	(131 114)
Auditors' remuneration	**(208 124)**	(158 073)

Research and development

During the year the Horizontal Raise Boring (HRB) technology was introduced at the pilot test site. Blind Shaft Boring System (BSBS) is similar to HRB in terms of the benefits it can deliver to the mining and construction sectors. BSBS is another in-house technology currently being developed that promise to change mining and construction significantly.

The Group expensed USD 1.5 million of research and development costs in the consolidated annual financial statement for the year ended 31 December 2016 (2015: USD 1.0 million).

18. INVESTMENT REVENUE

	2016 USD	2015 USD
Total dividends received		
Unlisted preference dividends	**743 352**	744 127
Total interest received		
Bank	**59 054**	56 771
Other	**6 439**	5 658
	808 845	806 556

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

19. FINANCE COST

	2016 USD	2015 USD
Financial liabilities	**1 194 220**	108 338
Finance leases	**456 865**	724 195
Bank	**278 482**	524 004
Other	**10 912**	354 002
	1 940 479	1 710 539

Finance costs are disclosed net of borrowing cost capitalised relating to the acquisition of land. Refer to note 3.

20. 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)**	–
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).

	2016 **USD**	2015 USD
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

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%.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

21. DIRECTORS' REMUNERATION

2016 USD	Basic salary	Travel allowance	Bonus
Executive directors			
Danie Pretorius	299 083	24 509	572 436
Andre van Deventer	193 635	16 339	259 809
Gary Sheppard	369 436	–	186 198
Koos Jordaan	189 242	16 339	259 809
Sub-total	1 051 396	57 187	1 278 252
Non-executive directors			
Hennie vd Merwe	–	–	–
Johan Botha	–	–	–
Shane Ferguson	–	–	–
Jacques de Wet	–	–	–
Akhter Deshmukh	–	–	–
Sub-total	–	–	–
Alternate director			
Eddie Dixon	140 841	10 961	–
Chris O'Neill	105 302	13 888	33 283
Sub-total	246 143	24 849	33 283
Prescribed Officer			
Pieter van Wyngaard	28 656	4 300	–
Sub-total	28 656	4 300	–
Total	1 326 195	86 336	1 311 535

A prescribed officer is defined as having general executive control over and management of a significant portion of the Group or regularly participates therein to a material degree, and is not a director of the Group. The prescribed officer as disclosed in 2015 has taken up a new position within the Group resulted in a change in 2016.

Fringe benefits	Provident/ Pension fund contributions	Director's fees	Consulting and legal fees	Total
21 416	–	–	–	917 444
14 335	–	–	–	484 118
16 046	2 321	–	–	574 001
14 213	–	–	–	479 603
66 010	2 321	–	–	2 455 166
–	–	37 926	–	37 926
–	–	24 355	–	24 355
–	–	24 114	60 686	84 800
–	–	24 114	–	24 114
–	–	32 606	–	32 606
–	–	143 115	60 686	203 801
906	–	–	–	152 708
8 362	12 785	–	–	173 620
9 268	12 785	–	–	326 328
1 515	3 159	–	–	37 630
1 515	3 159	–	–	37 630
76 793	18 265	143 115	60 686	3 022 925

21. DIRECTORS' REMUNERATION continued

2015 USD	Basic salary	Travel allowance	Bonus
Executive directors			
Danie Pretorius	310 197	28 191	214 212
Andre van Deventer	209 342	18 794	84 812
Gary Sheppard	351 590	–	130 558
Koos Jordaan	234 639	18 794	84 812
Sub-total	1 105 768	65 779	514 394
Non-executive directors			
Hennie vd Merwe	–	–	–
Johan Botha	–	–	–
Shane Ferguson	–	–	–
Jacques de Wet	–	–	–
Akhter Deshmukh	–	–	–
Sub-total	–	–	–
Alternate director			
Eddie Dixon	113 630	16 096	35 278
Chris O'Neill	66 953	9 459	–
Sub-total	180 583	25 555	35 278
Prescribed Officer			
Roelof Swanepoel	66 733	122	4 361
Sub-total	66 733	122	4 361
Total	1 353 084	91 456	554 033

Fringe benefits	Provident/ Pension fund contributions	Directors' fees	Consulting and legal fees	Total
5 634	13 052	–	–	571 286
3 105	9 070	–	–	325 123
12 411	11 491	–	–	506 050
3 209	9 049	–	–	350 503
24 359	42 662	–	–	1 752 962
–	–	41 313	–	41 313
–	–	3 306	–	3 306
–	–	26 294	83 337	109 631
–	–	26 294	–	26 294
–	–	32 884	–	32 884
–	–	130 091	83 337	213 428
1 764	20 844	–	–	187 612
792	–	11 197	–	88 401
2 556	20 844	11 197	–	276 013
754	7 741	–		79 711
754	7 741	–	–	79 711
27 669	71 247	141 288	83 337	2 322 114

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

21. DIRECTORS' REMUNERATION continued

21.1 Directors' interest

2016	Number of shares: Direct beneficial	Number of shares: Indirect beneficial	Total	Percentage of issued ordinary share capital
Executive directors				
Danie Pretorius	**900**	**78 630 565**	**78 631 465**	**53.03%**
Andre van Deventer	**727 648**	**2 252 316**	**2 979 964**	**2.01%**
Gary Sheppard	**–**	**2 955 884**	**2 955 884**	**1.99%**
Koos Jordaan	**1 781 861**	**1 228 336**	**3 010 197**	**2.03%**
Total	**2 510 409**	**85 067 101**	**87 577 510**	**59.06%**

2015	Number of shares: Direct beneficial	Number of shares: Indirect beneficial	Total	Percentage of issued ordinary share capital
Executive directors				
Danie Pretorius	900	78 630 565	78 631 465	53.03%
Andre van Deventer	727 648	2 252 316	2 979 964	2.01%
Gary Sheppard	–	2 955 884	2 955 884	1.99%
Koos Jordaan	1 781 861	1 228 336	3 010 197	2.03%
Total	2 510 409	85 067 101	87 577 510	59.06%

22. EARNINGS PER SHARE

	2016 USD	2015 USD
Reconciliation between earnings and headline earnings		
Basic earnings for the year	**22 319 894**	21 114 899
Deduct:		
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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

23. CASH GENERATED FROM OPERATIONS

23.1 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

23.2 Tax paid

	2016 USD	2015 USD
Reported as at 1 January	**5 195 800**	4 909 891
Current tax for the period recognised in profit and loss	**2 293 305**	5 311 822
Exchange effect on consolidation of foreign subsidiaries	**(87 786)**	1 102 639
Balance at end of the period	**(1 561 045)**	(5 195 800)
	5 840 274	6 128 552

23.3 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 raise bore drilling business, thereby obtaining control. The acquistion was made to further expand the Group's presence within Chile.

The acquistion 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 acquistion, 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 of Bergteamet Latin America SpA's operations.

	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 acquistion 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 acquistion date included in the consolidated results for the year	**22 319 894**	–
Group turnover since acquisition date included in the consolidated results for the year	**118 102 983**	–

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

24. RELATED PARTY LOANS RECEIVABLE FROM/(OWING TO)

	2016 USD	2015 USD
1997 DP Investment Trust [1]	–	7 003
MD Employees Trust	584	68
Basfour 276 (Pty) Ltd	1 510	1 254
DP Global Investment Trust [1]	–	2 031
Epha Drilling (Pty) Ltd [2]	(78 272)	(24 441)
Mosima Drilling (Pty) Ltd [2]	(76 487)	(13 135)
MD Drilling Employee Trust	(4 039)	(3 741)
MD HDSA Trust [2]	35 966	12 077
DCP BEE Foundation Trust [2]	1 699	90
The Drillcorp BEE Trust [2]	30 490	13 232
MD Argentina	(1 824)	–
Master Sinkers (Pty) Ltd	237	–
	(90 136)	(5 562)
Related party loans receivable from	70 486	35 755
Related party loans (owing to)	160 622	41 317
	(90 136)	(5 562)

Loans with related parties that involves directors were settled during 2016. The above loans are with legal entities where the following related parties have control:

[1] Danie Pretorius

[2] BEE Partner

25. RISK MANAGEMENT

25.1 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 12 and 13, cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The ABSA Capital facility has the following covenant ratio requirements:
– leverage ratio less than 1.5;
– debt service cover ratio not less than 1.5; and
– interest coverage rate not less than 4.

The above covenant ratios are closely monitored by management and as at 31 December 2016 the above covenant ratios were adhered to.

25.2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The principles for financial management are included in the Group's treasury policy and cover specific areas, such as foreign exchange risk, interest rate risk, credit risk.

25.3 Interest rate risk

As the Group has no significant interest-bearing assets, other than interest bearing preference shares, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2016 the Group's borrowings at variable rate were denominated in the US Dollars, South African Rand, Peruvian Sol and Chillian Peso. Interest bearing borrowings comprise 21,2% of equity and is therefore deemed to be low risk.

2016 **USD**	**+50 basis points**	**-50 basis points**
Profit and loss	**(132 284)**	**132 284**
Equity, net of finance tax	**(116 844)**	**116 844**

25.4 Credit risk

Credit risk is managed on a Group basis as well as individual company basis.

Credit risk consists mainly of cash deposits, cash equivalents, trade debtors, related party loans and preference shares.

Trade receivables comprise a widespread customer base of which the majority consists of large international mining companies. Management evaluates credit risk relating to customers on an ongoing basis. Individual risk limits are set in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

The maximum credit risk the Group is exposed to is the receivable balance on the trade receivables and related party loans as disclosed in notes 8 and 24 respectively.

25.5 Liquidity risk

Management manages cash flow on a Group-basis through an on-going review of future commitments and credit facilities. Cash flow forecasts are prepared and borrowing facilities are monitored for compliance with internal balance sheet ratio targets.

The table below analyses the Group's financial liabilities into the relevant maturity Groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

25. RISK MANAGEMENT continued

2016 USD	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	5 years and after
Long-term interest bearing borrowings	8 650 837	5 710 292	12 095 765	–
Finance lease obligations	2 579 699	1 332 381	618 510	–
Share-based payment liability	–	–	–	–
Related party loans	90 136	–	–	–
Current tax payable	1 561 045	–	–	–
Trade and other payables	22 998 427	–	–	–

2015 USD	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	5 years and after
Long-term interest bearing borrowings	8 417 589	7 737 551	9 714 995	1 644 088
Finance lease obligations	3 324 613	1 717 336	1 207 975	426 852
Share-based payment liability	706 681	–	–	–
Related party loans	5 562	–	–	–
Current tax payable	5 195 800	–	–	–
Trade and other payables	15 567 468	–	–	–

25.6 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to ZAR, CLP, BRL and PEN. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management is of the view that only the ZAR poses a significant foreign exchange risk given its volatility against the USD.

The Group reviews its foreign currency exposure, including commitments on an ongoing basis, and has adopted a formal treasury policy to monitor and manage the foreign exchange risk.

Illustrated below is the estimated impact on profitability due to currency movements:

		USD	USD
Currency		**+10%**	**-10%**
Chilean Peso	CLP	(15 766)	19 270
South African Rand	ZAR	(250 768)	306 494
Peruvian Sol	PEN	(500 597)	611 841
Brazilian Real	BRL	(50 433)	61 641
Zambian Kwacha	ZMW	(358 532)	438 206
Chinese Yuan Renminbi	CNY	(43 642)	53 341
Guatemalan Quetzal	GTQ	(685 889)	838 309
Euro	EUR	858	(1 049)
Colombian Peso	COP	(26 407)	32 276

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the financial assets in each category are as follows:

2016 **USD**	**Loans** **and receivables**	**Total**
Cash and cash equivalents	**21 690 039**	**21 690 039**
Financial assets	**10 068 354**	**10 068 355**
Loans to related parties	**70 486**	**70 486**
Trade and other receivables	**36 215 955**	**39 014 665**
	68 044 834	**70 843 545**

2015 USD	Loans and receivables	Total
Cash and cash equivalents	22 496 770	22 496 770
Financial assets	9 159 284	9 159 284
Loans to related parties	35 755	35 755
Trade and other receivables	30 572 822	30 572 822
	62 264 631	62 264 631

The carrying amounts of the financial liabilities in each category are as follows:

Financial liabilities at amortised cost	**2016** **USD**	2015 USD
Financial lease obligations	**4 530 590**	5 898 155
Financial liabilities	**26 456 894**	27 514 222
Loans to related parties	**160 622**	41 317
Trade and other payables	**15 261 878**	15 567 469
	46 409 984	49 021 163

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

27. SEGMENT REPORTING

27.1 Mining activity

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

	2015 USD
Sales revenue by stage of mining activity	
Exploration	1 664 074
Capital	11 804 595
Production	106 398 977
	119 867 646
Gross profit by stage of mining activity	
Exploration	779 248
Capital	4 984 392
Production	42 114 964
	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.

27.2 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

27. SEGMENT REPORTING continued

27.2 Geographical segments continued

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.

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

	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.*

28. CONTINGENCY

	2016 USD	2015 USD
Payment bonds issued to customers	**38 573**	34 101
Advance payment bonds issued to customers	**–**	–
Retention bonds issued to customers	**2 586 224**	1 888 782
Performance bonds issued to customers	**2 288 898**	2 235 645
	4 913 695	4 158 529

The bonds are issued to customers and underwritten by Lombard's Insurance.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

29. INVESTMENTS IN SUBSIDIARIES

Master Drilling Group Limited investment in subsidiaries	Effective holding	Status	Country
MDI Exco Ltd	**100%**	Investment Holding	Malta
Master Drilling South Africa (Pty) Ltd	**74%**	Operational	RSA
Drilling Technical Services (Pty) Ltd	**74%**	Operational	RSA
Master Drilling Exploration (Pty) Ltd	**74%**	Operational	RSA
Master Drilling International Ltd	**100%**	Operational	Malta
MDG Shared Services (Pty) Ltd	**100%**	Operational	RSA
Master Drilling International Limited investment in subsidiaries			
Master Drilling Chile SA	**100%**	Operational	Chile
Master Drilling Peru SAC	**100%**	Operational	Peru
Master Drilling do Brasil Ltda	**100%**	Operational	Brazil
Master Drilling Mexico SA	**100%**	Operational	Mexico
Master Drilling Zambia Ltd	**100%**	Operational	Zambia
Master Drilling Australia (Pty) Ltd	**100%**	Dormant	Australia
Master Drilling Colombia S.A.S	**100%**	Operational	Colombia
Master Drilling Namibia (Pty) Ltd	**100%**	Dormant	Namibia
Drillcorp Burkina Faso SA	**80%**	Dormant	Burkina Faso
Drillcorp Cote d'Ivoire SA	**80%**	Dormant	Cote d'Ivoire
Drillcorp Botswana (Pty) Ltd	**100%**	Dormant	Botswana
Master Drilling Guatemala SA	**100%**	Operational	Guatemala
Master Drilling RDC Sprl	**100%**	Operational	DRC
Master Drilling Malta Ltd	**100%**	Operational	Malta
Jiangsu Master Mining Engineering Technology Company Ltd	**100%**	Dormant	China
Martwick Ltd	**100%**	Dormant	Ireland
Drilling Technical Services SAC	**100%**	Dormant	Peru
DCP Properties SAC	**100%**	Operational	Peru
Master Drilling Changzhou Co. Ltd	**100%**	Operational	China
Orbit Insurance Company Ltd	**100%**	Operational	Anguilla
Master Drilling Ecuador SA	**100%**	Operational	Ecuador
Master Drilling USA LLC	**90%**	Operational	USA
MD Drilling Services Tanzania Ltd	**100%**	Operational	Tanzania
Master Drilling Sierra Leone Ltd	**100%**	Dormant	Sierra Leone
Master Drilling Malta Limited investment in subsidiaries			
Bergteamet Latin America SpA	**100%**	Operational	Chile

30. RELATED PARTIES

Relationships	
Subsidiaries	Refer to note 29
Shareholder with significant influence	AMI Trust
	MDG Equity Holdings (Pty) Ltd
Companies controlled by directors	Refer to note 24
Related party balances	Refer to note 24
Associate	Refer to note 34

Salaries paid to key management amounts to USD1 279 037 (2015: USD990 471).

Key management is defined as the employees who have the authority to directly or indirectly plan and control the specific business operations within the country it operates in. Key management excludes the directors and prescribed officer of the Group. Refer to note 21 for disclosure on directors' and prescribed officer's remuneration.

31. SHARE OPTION SCHEME

General

The Group adopted the plan on 15 November 2012. The plan is being administered by its compliance officer under the direction of the remuneration committee (the "RemCo"). The plan allows the grant of options to acquire fully paid ordinary shares to eligible employees after admission. An eligible employee is any employee (including any executive director) of any member of the Group, but shall not include any non-executive director of the Group, any member of the RemCo or any trustee of an employee benefit trust.

Any eligible employee selected at the discretion of the RemCo shall be eligible to receive grants under the plan. The plan is generally administered by the RemCo which has the power to exercise various discretions. The Company has the power to grant Options to employees under the plan to acquire a number of ordinary shares in the Company. In making this selection, the RemCo shall take into account the contribution of the eligible employee's division to the Group and his/her individual performance measured in the context of the applicable internal performance appraisal process, amongst other factors.

Form of option

The Plan will allow for the grant of options in such form as the RemCo may consider appropriate, including to allow for options to be granted to individuals in jurisdictions outside the Republic of South Africa, subject to appropriate regulatory approvals. The plan will allow for the grant of options with an exercise price determined by the RemCo at the date of grant, being 85% of the market value of a share on that date. Options will be granted for no consideration and will be non-transferable, except to the option holder's heirs or executors on death.

Plan limits

Overall

The maximum number of shares in respect of which options can be granted under the plan is five million shares. Options may be settled by existing shares purchased through the market, newly issued shares or shares held in treasury. Shares purchased through the market will not count towards this plan limit.

Individual

The maximum number of shares in respect of which options can be granted to any one option holder under the Plan is 500 000 shares in any three year cycle. Subject to this, the maximum value of shares subject to an option to be awarded to an option holder will not usually exceed 200% of his/her base salary per financial year of the Group.

31. SHARE OPTION SCHEME continued

Vesting and exercise

Options will vest no earlier than the third anniversary of the date of grant. Options can be exercised in whole or in part once they have vested up to the tenth anniversary of the date of grant.

Cessation of employment or office

In the event that an option holder ceases to be an employee or officer of the Group or a Group company, their options will generally lapse. Where the reason for leaving is death, disability, retirement (with agreement of the RemCo) or retrenchment, options will vest and become exercisable for a limited period following the date of cessation, as they will for any other reason determined at the sole discretion of the RemCo.

Corporate transactions

On a change of control of the Group, a takeover, merger or on a voluntary winding up, unvested options will vest and become exercisable for a limited period, subject a pro rata reduction of the option to reflect the period between grant and change of control. Vested options remain exercisable for a limited period. However, no subsisting option may be rolled over, i.e. released in consideration of the grant of a new option in the acquiring company (including the arrangement that assumes equity securities which have already vested and been issued in terms of the plan, and which usually revert back to the overall plan limits referred to above.

Variation of share capital

In the event of any sub-division or consolidation, the RemCo shall, and in the event of a capitalisation issue, special dividend, rights issue or reduction of capital, it may, vary the number of shares subject to options and their exercise price, as well as the plan and individual limits in such manner as it considers appropriate, in accordance with the JSE listings requirements, having first obtained auditor confirmation.

Voting and dividend rights

Option holders will have no right to voting or dividends until the acquisition of the shares following exercise of the option.

Amendments

The rules of the plan may be amended from time to time by the RemCo, except to the extent the JSE listings requirements requires such amendment to be approved by an ordinary resolution passed at a general meeting of the Group with a 75% majority (excluding shares held by option holders).

Options issued

During 2016, 500 000 options have been granted as at 31 December 2016 and the date of this report. Refer to note 32.

32. SHARE-BASED PAYMENTS

Long-term incentive scheme

The long-term incentive is granted to eligible employees of the parent. The incentive comprises of the issue of either shares in the company, phantom shares based on the company shares or cash settlement. Vesting are dependant on the performance conditions which include annual compound growth in profit after tax as well as the annual compound growth in the share price of Master Drilling Group Limited.

The eligible employee must remain in service of the Group until terminal date.

No expense recognised for the current year as the initial policy period of three years lapsed at the end of 2015. The expense recognised for employee services received during the years are as follow:

	2016 USD	2015 USD
Expense arising from cash-settled share-based payment transactions	**–**	878 241

Share option plan

Under the share option plan, share options of the Group are granted to eligible employees of the Group. The exercise price of the share options is 15% less than the market price of the underlying shares on the grant date. The share options vest on the third anniversary of the grant date.

The fair value of the share options is estimated at the grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the share options were granted.

The contractual term of each share option granted is until the tenth anniversary of the grant date. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

The expense recognised for employee services received during the year is as follows:

	2016 USD	2015 USD
Expense arising from equity-settled share-based payment transactions	**255 349**	200 326

Movements during the year:

The following table illustrates the number and exercise prices ("EP") of, and movements in share options.

	Number	**EP**
Outstanding at 1 January 2015	**2 672 714**	
Granted during the year	**(195 000)**	**11.60**
Outstanding at 31 December 2015	**2 477 714**	
Granted during the year	**(500 000)**	**13.64**
Outstanding at 31 December 2016	**1 977 714**	

Directors' interest in the share options granted to date comprise of 2 000 000 share options granted but not yet exercised.

The remaining contractual life for the share options outstanding as at 31 December 2016 was 0.95 years (2015: 2.81).

The average fair value of the options granted during the year was 444 ZAR cents (2015: 507 ZAR cents).

32. SHARE-BASED PAYMENTS continued

The following table list the inputs to the model used for the share plan for 31 December 2016:

	2016	2015
Expected volatility	30%	30%
Risk-free interest rate	6.0%	5.2%
Expected life of share options	3 years	3 years
Weighted average exercise price	10.79	10.88
Model used	Black-Scholes	Black-Scholes

33. NON-CONTROLLING INTEREST

The following subsidiaries have material non-controlling interest.

2016 USD	Master Drilling Exploration (Pty) Ltd	Master Drilling South Africa (Pty) Ltd	Drilling Technical Services (Pty) Ltd	Master Drilling USA LLC
Principal place of business	RSA	RSA	RSA	USA
Non-controlling interest ("NCI")	26%	26%	26%	10%
Revenue	11 781 365	16 146 362	21 440 616	927 224
Profit/Loss	2 197 731	2 069 981	(2 594 404)	37 057
Total comprehensive income	2 197 731	2 069 981	(2 594 404)	37 057
Profit/Loss allocated to NCI	571 410	538 195	(674 545)	3 706
Comprehensive income attributable to NCI	571 410	538 195	(674 545)	3 706
Non-current assets	9 840 593	32 132 369	719 310	82 686
Current assets	5 801 709	12 720 606	13 912 596	867 462
Non-current liabilities	2 392 541	9 910 874	–	–
Current liabilities	3 291 272	24 137 258	16 497 650	843 091
Net assets	9 958 488	10 804 843	(1 865 745)	107 057
Net assets attributable to NCI	2 589 207	2 809 259	(485 094)	10 706
Cash flows from operating activities	2 720 005	(810 860)	3 629 165	418 118
Cash flows from investing activities	1 028 515	(599 405)	(2 277 708)	122 905
Cash flows from financing activities	(3 779 249)	298 214	(4 158)	–
Net increase/(decrease) in cash and cash equivalents	(30 729)	(1 112 051)	1 347 298	541 023
Dividends paid	2 094 945	2 296 791	–	–

2015 USD	Master Drilling Exploration (Pty) Ltd	Master Drilling South Africa (Pty) Ltd	Drilling Technical Services (Pty) Ltd	Master Drilling USA LLC
Principal place of business	RSA	RSA	RSA	USA
Non-controlling interest ("NCI")	26%	26%	26%	0%
Revenue	13 220 030	17 215 041	29 698 880	–
Profit/Loss	2 416 468	2 935 385	955 043	–
Total comprehensive income	2 416 468	2 935 385	955 043	–
Profit/Loss allocated to NCI	628 282	763 200	248 311	–
Comprehensive income attributable to NCI	628 282	763 200	248 311	–
Non-current assets	9 560 461	25 654 429	646 134	–
Current assets	9 697 981	16 765 277	23 680 828	–
Non-current liabilities	3 030 687	7 523 662	59 159	–
Current liabilities	7 515 334	25 129 469	23 141 868	–
Net assets	8 712 421	9 766 575	1 125 936	–
Net assets attributable to NCI	2 265 229	2 539 310	292 743	–
Cash flows from operating activities	3 875 197	1 748 191	3 537 722	–
Cash flows from investing activities	(2 785 838)	(5 052 192)	(4 035 005)	–
Cash flows from financing activities	(1 169 333)	3 414 065	(3 558)	–
Net increase/(decrease) in cash and cash equivalents	(79 974)	110 065	(500 841)	–
Dividends paid	596 720	611 829	–	–

34. INVESTMENT IN ASSOCIATE

On 1 December 2015, the Group purchased a 40% equity interest in Bergteamet Raiseboring Europe AB ("Bergteamet") for USD 5 333 165 (SEK 46 555 000). 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

34. INVESTMENT IN ASSOCIATE continued

The table below 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

35. 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	–

36. 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.

SUPPLEMENTARY INFORMATION

ANALYSIS OF SHAREHOLDING

Size of holdings	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
1 – 1 000	658	49.0	214 856	0.1
1 001 – 10 000	488	36.3	1 673 510	1.1
10 001 – 100 000	108	8.0	3 584 368	2.4
100 001 – 1 000 000	70	5.2	24 010 673	16.2
1 000 000+	19	1.4	118 782 084	80.1
Total	**1 343**	**100.00**	**148 265 491**	**100.0**

Shareholder type				
Public shareholders	1 334	99.2	60 687 981	40.9
Non-public shareholders				
Directors' indirect holdings	6	0.6	85 067 101	57.4
Directors' direct holdings	3	0.3	2 510 409	1.7
Total	**1 343**	**100.0**	**148 265 491**	**100.0**

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

	Number of shares	% of shares in issue
Kagiso Asset Management	18 465 686	12.5
Coronation Fund Management	11 466 800	7.7
Total	**29 932 486**	**20.2**

SUPPLEMENTARY INFORMATION (CONTINUED)

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

	Number of shares	% of shares in issue
AMI Trust	43 698 200	29.5
MDG Equity Holdings (Pty) Ltd	39 454 436	26.6
Total	**83 152 636**	**56.1**

Stock exchange information as at 31 December

JSE share code: MDI

		2016	2015
Market price (ZAR cents)	– high	**1 615**	1 590
	– low	**1 102**	1 121
	– closing	**1 500**	1 340
Shares traded		**20 710 864**	27 374 579

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

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PO Box 902
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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	Executive director
Gareth (Gary) Robert Sheppard #	Chief operating officer

Non-executive

Hendrik 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 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 AUDITOR

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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)
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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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