MASTER DRILLING

2018

ABRIDGED ANNUAL FINANCIAL RESULTS

SALIENT FEATURES FOR THE PERIOD

- USD Revenue increased by 14.2% to USD138.7 million
- USD Earnings per share decreased by 3.5% to 11.1 cents
- ZAR Earnings per share decreased by 3,9% to 147,1 cents
- USD Headline earnings per share decreased by 7.8% to 10.7 cents
- ZAR Headline earnings per share decreased by 8,2% to 141,8 cents
- Stable order book of USD203.6 million
- Healthy pipeline of USD578.6 million
- Focus on working capital management bearing fruit
- Added geographies – Canada, Turkey, Ghana and Italy

CONTENTS

COMMENTARY

ABOUT MASTER DRILLING

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

CEO, Danie Pretorius provided an overview of the business for the past year, commenting as follows:

"Over the past year, the macroeconomic operating environment proved to be more difficult than initially anticipated, both globally and domestically. Notwithstanding this, we remained steadfast in the pursuit and implementation of our strategy, laying the foundation for future growth through the continued development of new, ground-breaking technologies, the expansion of our global footprint and by nurturing our client and business relationships."

"During the second half of 2018, economic conditions were unequivocally weaker in many parts of the world in which we operate, both in developed economies, where the slowdown was broad-based, and in emerging markets, such as India and Turkey. Notwithstanding this, there were notable improvements in some regions, such as South America, where growth rebounded in Brazil and Mexico."

"Commodity price movements were mixed. Geo-political pressures led to higher energy prices, while the economic slowdown, the imposition of broad-based import tariffs and the intensification of trade wars led to a downturn in most metal prices. In particular, tariffs on China – which has been driving commodity demand over the past two decades – together with the country's changing structural growth dynamic, risk placing even more pressure on industrial commodity prices in coming years."

"The variety of external risks that impact on our business highlight the importance of a strategy that seeks to mitigate these and stabilise operations through diversification across regions and services, and the development of innovative technologies that help the world adapt to change"

"We made progress in all these areas in 2018 by: unveiling and subsequently launching the Mobile Tunnel Borer; exercising the option to fully acquire Bergteamet Raiseboring Europe AB (Bergteamet) in order to expand our operations in European markets; acquiring the businesses of the Atlantis Group, thus augmenting our skills pool and global footprint in India, Brazil and Zambia; launching TunnelPro Srl ("TunnelPro"), a joint venture with Ghella SpA ("Ghella"), to acquire SELI Technologies ("SELI"), a leading manufacturer of tunnel boring machines."

"The technological innovation under way globally seeks to generate efficiency and productivity gains and improve global supply chains to enhance the way in which we live and work. It is disruptive and evolves unbelievably fast. Master Drilling has taken cognisance of this and has focused on delivering solutions that primarily reduce costs and increase safety, while additionally rendering projects that were previously considered marginal, viable. The future of our industry is increasingly about man *and* machine, and we are well positioned to deliver on this."

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

FINANCIAL OVERVIEW

Revenue increased 14.2% to USD138.7 million and operating profit decreased slightly to USD23.6 million. This was a positive result given that one of the Group's machine categories, the XX-large machines category, were utilized only 44%. Cost of sales increased in line with the increase in revenue aligned with the new business operations.

COMMENTARY continued

Continuous investment in middle management human capital to support future growth, lower utilisation rates due to adverse demand had a negative impact on the profit after tax.

USD earnings per share (EPS) decreased 3.5% to 11.1 cents, and ZAR EPS decreased 3,9% to 147,1 cents. USD headline earnings per share (HEPS) decreased 7.8% to 10.7 cents, and ZAR HEPS decreased 8,2% to 141,8 cents.

Net cash generation decreased to USD25.8 million. This is as a result of the worsening working capital cycle which came on the back of slower payment from debtors due to challenging global economic conditions. Cash resources continue to be managed stringently as market conditions improve to cater for emerging opportunities that require specific design, planning and investment. This will result in a healthy cash resource balance that will position the company well for future growth.

Master Drilling's capital spend was 90.3% on expansion and 9.7% on sustaining the existing fleet.

Debt increased from USD44.0 million to USD60.4 million and the gearing ratio, including cash, changed from 2.4% to 16.2% in the 2018 financial year. This is due to an additional draw down of USD20 million from ABSA during the year and the debt incurred to complete the Bergteamet Raiseboring Europe AB and Atlantis Group transaction.

OPERATIONAL OVERVIEW

The past year was characterised by volatility across markets, including equity, currency and commodity markets. As a business that generates USD revenues off an emerging currency cost base, we benefit from emerging currency weakness. After having benefited from the change in leadership in the ruling party at the start of the year, the USD/ZAR exchange rate weakened anew in second half of 2018 as country risk intensified. This, together with the country-specific developments outlined below, led to a realization of our revenue projections for the financial year.

South America

As reported at the release of our interim financial results, work in Brazil has been progressing well on the long-term contracts that are currently under way, with nine machines deployed in the country. This is on the back of strong operational records being achieved. Owing to this, as well as an improvement in the economic environment, the outlook for Brazil remains positive.

Our primary client in Chile, CODELCO (a state-owned entity) moved ahead with the rollout of its planned capital expenditure, which enabled the projects previously placed on hold to resume last year. However, we encountered increasing cost pressures that impacted our margins negatively as well as delays on debtor payments. These are being addressed by in-country managers in this and other regions.

Cost pressures also slowed progress in Peru, where the rigidity of labour laws continues to impact on overhead costs, margins and overall profitability. These difficulties were encountered throughout 2018 and remain part of the operating landscape in the country.

Meanwhile, we are gearing up for new hydro-energy sector projects in both Colombia and Ecuador, where we will be deploying equipment in 2019, which will extend our sector diversification into the region.

Central and North America

Our activities in Central and North America are progressing well. During 2018, we mobilised five machines and shipped two more to various project sites in Mexico for work to commence in 2019. We also secured several contracts in Canada. Operations on one of these projects got under way in November, after we mobilised one machine and, by the end of 2019, we expect to have initiated a total of four projects. We are also seeking to expand our product line through a new partnership targeting water drilling in the USA.

Overall, activity in Central and North America remains strong, evident from additional enquiries and a pipeline of projects.

Africa

Although activity in Africa remains subdued and the operating environment difficult, as it is domestically, a number of projects are set to get under way which will enable us to maintain our footprint on the continent. For instance, we were recently awarded a break-through contract in Ghana.

In both the DRC and Zambia operations continue to be scaled down and, although we expect the region to increasingly account for less revenue in the coming year, we continuously remain open to new opportunities on the continent.

Such opportunities could also arise domestically in coming years, now that we have turned the corner on the Mining Charter, following its revision in September 2018. The progress in clarifying the regulatory and policy environment, together with the need to modernise the sector through increased mechanisation could lead to a revival of the mining industry in South Africa, but this will require concerted effort by government, business, labour and investors.

In the interim, we continue to work on local projects. Our slim drilling project at the Kolomela iron ore mine in the Northern Cape is set to continue for another year, following the extension of our contract. During 2018, we were awarded another contract by Anglo American, for its Sishen iron ore mine. We continue to make progress towards effectively rolling out our innovative new technology in the form of the Mobile Tunnel Borer (MTB) and will begin a pilot project on South African soil with a view to potentially securing an extended contract on this machine.

Master Drilling will continue to support its loyal domestic clients although growth will likely remain subdued.

We remain committed to expansion into appropriate African countries.

Scandinavia

The completion of the acquisition of Bergteamet Raiseboring in 2018 cemented our presence in Scandinavia, which serves as a gateway to projects throughout Europe. Bergteamet is highly specialised in raise boring, conducts operations throughout the world and services a mix of clients in mining, hydro-energy and infrastructure projects. As a result of the acquisition, the Group completed projects in France, Spain and Turkey during 2018.

Our foray into this region continues. We are currently investigating opportunities to expand our service offering both in Scandinavia and the rest of Europe.

India

India's economy showed signs of slowing during the second half of 2018, but this had no impact on our existing project commitments in the country. Work for Vedanta Limited, a diversified natural resources company listed on the London Stock Exchange, continued.

Through the acquisition of the businesses of the Atlantis Group, a South African headquartered, multinational mining contracting company, Master Drilling's presence in India deepened as we assumed responsibility for the company's existing contracts and operations.

Consequently, we have a total of seven operational machines on this project.

Australia

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

Technology

Technology is at the forefront of our business. In early 2018 we launched the disruptive MTB solution at the "Investing in African Mining Indaba". The MTB is an internally conceptualised design which has been internationally patented. In September, we unveiled the MTB and commissioned SELI Technologies to build it. The capabilities of the MTB were subsequently tested in Italy by SELI and the first machine is in the process of being shipped to South Africa where it will be deployed on a local pilot project. We believe that once its capabilities have been fully demonstrated we will be able to realise returns on this significant investment through the procurement of contracts globally.

In 2018 we also made further progress in the development of Blind Shaft Boring System technology. The development has progressed to testing phase on a site in South Africa and we hope to be able to successfully launch this new technology soon.

Automation, remote operation and autonomous control of remote placed machines are making progress. An example of this is a raise boring contract where the rig, 3500m underground, is operated from surface for part of the day. Thereby reducing unproductive time related to shift changes and blasting times. These remote operated and already automated processes set the basis for developing full autonomous control. This will Influence productivity, cost and profitability as a result thereof and quality and safety of operations.

Plant and equipment

Five raise bore machines were added to our fleet, contributing 1.8% growth in revenue while the acquisition of Bergteamet and Atlantis contributed to growth in revenue of 9.5%. The fleet now consists of 149 raise bore and 30 slim drilling rigs. The rate of new rigs coming on stream will settle with a focus on larger units, which typically generate higher income. No new slim rigs are in the pipeline at this point.

Skills development

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

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

Dividend

Since listing in 2012, the Company has achieved compound annual growth and delivered on the key strategic objectives set out in its listing prospectus. This, coupled with significant ongoing cash generation, enables the company to strike a balance between continued investment in capital projects to support the company's further growth and enhancing returns to shareholders through the payment of appropriate dividends. Thus, the Board has declared a gross dividend of ZAR26,0 cents per share on 25 March 2019 payable to shareholders recorded in the company's share register on 17 May 2019.

The dividend is payable from distributable reserves and if subject to dividend withholding tax of 20%, a net dividend of ZAR20,8 cents per share to shareholders will be payable subject to such dividend withholding tax. This dividend represents a 5.5 times earnings cover.

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

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

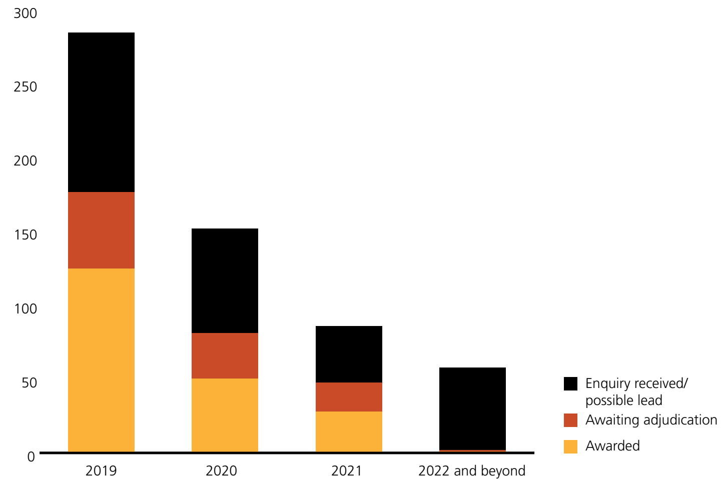
Last date to trade cum dividend:	Tuesday 14 May 2019
Trading *ex* dividend commences:	Wednesday 15 May 2019
Record date:	Friday 17 May 2019
Payment date:	Monday 20 May 2019

Shares may not be dematerialised or re-materialised between Wednesday 15 May and Friday 17 May 2019, both dates inclusive.

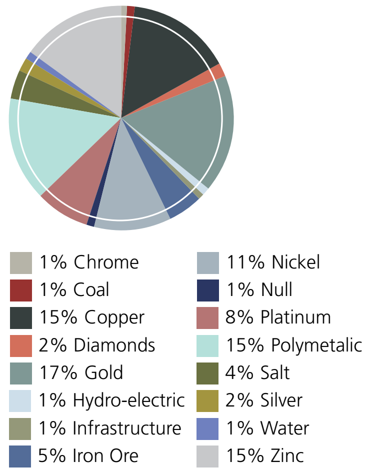
PIPELINE AND COMMITTED ORDERS

As at 31 December 2018 our pipeline totaled USD578 615 878 while the committed order book totaled USD203 624 114 for 2019 and beyond, spread as follows:

Pipeline (USD' million)



Committed orders

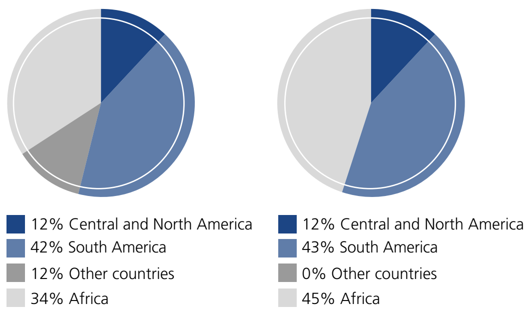


REVENUE

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

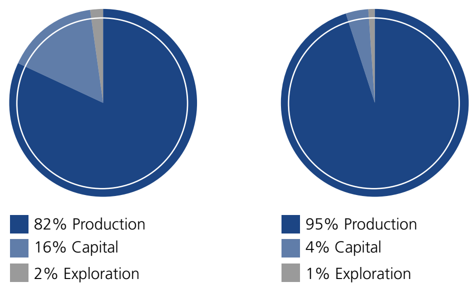
Revenue by geographical area

2018 | 2017



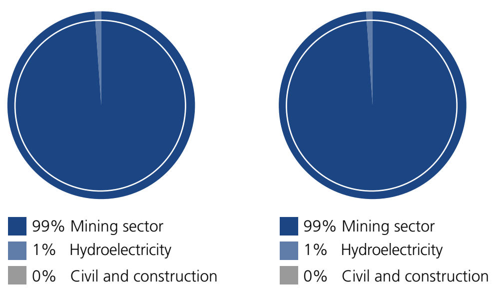
Revenue by mining activity

2018 | 2017



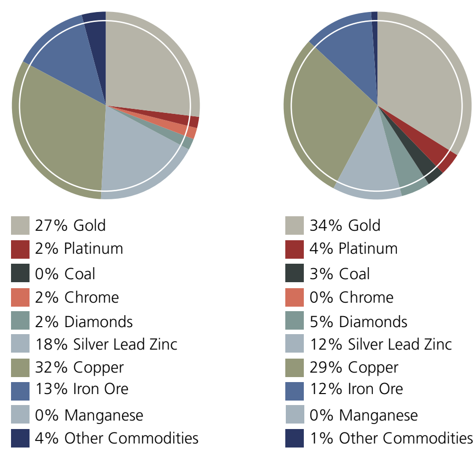
Revenue business sector

2018 | 2017



Revenue by commodity

2018 | 2017



OUTLOOK AND PROSPECTS

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

With volatility and uncertainty likely to prevail in global markets in the foreseeable future, we remain cautiously optimistic that the resolution, or the minimisation of geopolitical factors as well as a measured, rather than significant slowdown in the global economy will create a favourable operating environment in 2019.

Various opportunities in first world countries such as Australia, Canada and USA are coming to fruition and are expected to increase the Group's footprint across the world in the near future.

The upswing in the commodity cycle has had a positive impact on our order book with committed orders of USD203.6 million and a healthy pipeline of USD578.6 million. Although not immediately reflecting in our numbers, we do expect a positive impact on our revenue during the next reporting period.

As outlined earlier, we believe that we have used the past year to solidify the foundations of our business, which will not only help it withstand the anticipated environment but will also ensure that Master Drilling remains at the helm of some of the rapid changes shaping our industry. We will continue with our efforts to expand our footprint in countries where we do not yet have a presence and to look for opportunities to expand our sector and service diversification. This, together with our existing footprint, services and the depth of our engineering and innovation capabilities position us well to remain a leader in the sector, bearing fruit for all our stakeholders.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note(s)	2018 USD	2017 USD
Assets			
Non-current assets			
Property, plant and equipment	3	**146 215 603**	119 075 667
Goodwill	4	**3 175 092**	3 083 427
Financial assets		**2 734 277**	3 098 512
Deferred tax asset		**2 994 311**	2 010 263
Investment in associate	5	**2 605 117**	6 022 115
		157 724 400	133 289 984
Current assets			
Inventories		**25 787 869**	23 894 609
Related-party loans		**101 831**	102 641
Trade and other receivables	6	**48 179 847**	38 191 737
Derivative financial instrument		**53 958**	–
Cash and cash equivalents		**33 725 131**	40 211 629
		107 848 636	102 400 616
Non-current assets held for sale	7	**808 928**	1 255 128
		108 657 564	103 655 744
Total assets		**266 381 964**	236 945 728
Equity and liabilities			
Equity			
Share capital		**148 703 721**	148 703 721
Reserves		**(95 498 376)**	(83 855 527)
Retained income		**101 837 302**	88 221 320
		155 042 647	153 069 514
Non-controlling interest		**9 002 330**	8 255 315
		164 044 977	161 324 829
Liabilities			
Non-current liabilities			
Interest bearing borrowings		**50 458 654**	36 263 625
Finance lease obligations		**1 203 072**	1 682 765
Deferred tax liability		**9 434 322**	9 189 125
		61 096 048	47 135 515
Current liabilities			
Interest bearing borrowings		**7 306 843**	4 659 387
Finance lease obligations		**1 273 282**	1 444 820
Related party loans		**174 720**	195 483
Current tax payable		**3 385 537**	2 098 947
Trade and other payables	8	**28 690 020**	20 086 747
Cash and cash equivalents		**410 537**	–
		41 240 939	28 485 384
Total liabilities		**102 336 987**	75 620 899
Total equity and liabilities		**266 381 964**	236 945 728

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	2018 USD	2017 USD
Revenue		**138 721 765**	121 424 109
Cost of sales		**(95 155 229)**	(76 794 271)
Gross profit		**43 566 536**	44 629 838
Other operating income		**5 909 368**	3 674 987
Other operating expenses		**(25 827 367)**	(23 378 396)
Operating profit		**23 648 537**	24 926 429
Investment revenue		**736 169**	510 325
Finance costs		**(2 858 491)**	(2 850 878)
Share of loss from equity accounted investment		**(26 948)**	(1 710)
Profit before taxation		**21 499 267**	22 584 166
Taxation	9	**(4 027 469)**	(5 134 100)
Profit for the year		**17 471 798**	17 450 066
Other comprehensive income that will subsequently be classifiable to profit and loss:			
Exchange differences on translating foreign operations		**(11 979 325)**	7 403 109
Other comprehensive income for the year net of taxation		**(11 979 325)**	7 403 109
Total comprehensive income		**5 492 473**	24 853 175
Profit attributable to:		**17 471 798**	17 450 066
Owners of the parent		**16 774 334**	17 202 923
Non-controlling interest		**697 464**	247 143
Total comprehensive income attributable to:		**5 492 473**	24 853 175
Owners of the parent		**4 795 009**	24 606 032
Non-controlling interest		**697 464**	247 143
Earnings per share (USD)	10		
Basic earnings per share (cents)		**11.1**	11.5
Diluted earnings per share (USD)	10		
Diluted basic earnings per share (cents)		**11.0**	11.4
Earnings per share (ZAR)			
Basic earnings per share (cents)		**147,1**	153,1
Diluted earnings per share (ZAR)			
Diluted basic earnings per share (cents)		**145,7**	151,7

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note(s)	2018 USD	2017 USD
Cash flows from operating activities			
Cash generated from operations	11.1	**25 801 932**	32 843 989
Dividends received		**444 540**	510 325
Interest received		**291 629**	
Finance costs		**(2 858 491)**	(2 850 878)
Tax paid		**(4 854 787)**	(5 497 412)
Net cash inflow from operating activities		**18 824 823**	25 006 024
Cash flows from investing activities			
Purchase of property, plant and equipment		**(16 920 012)**	(15 833 126)
Sale of property, plant and equipment		**1 595 764**	170 560
Financial assets proceeds		**362 937**	398 460
Acquisition of associate	5	**(2 605 117)**	–
Acquisition of subsidiaries	11.2	**(14 689 135)**	–
Net cash outflow from investing activities		**(32 255 563)**	(15 264 106)
Cash flows from financing activities			
Proceeds from financial liabilities		**20 000 000**	20 000 000
Repayment of financial liabilities		**(6 604 694)**	(6 574 430)
Proceeds from financial leases		**597 942**	554 741
Repayment of financial leases		**(1 249 171)**	(2 382 326)
Related party loan (repayment)/proceeds		**(19 953)**	2 706
Issue of share capital		**–**	1 556 518
Dividends paid to shareholders		**(3 078 131)**	(3 409 081)
Dividends paid to BEE partners		**(135 594)**	(306 140)
Net cash inflow from financing activities		**9 510 399**	9 441 988
Total cash (outflow)/inflow for the period		**(3 920 341)**	19 183 906
Cash at the beginning of the period		**40 211 629**	20 372 573
Effect of exchange rate movement on cash balances		**(2 976 694)**	655 150
Total cash at end of the period		**33 314 594**	40 211 629

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 2016	146 607 965	(58 264 013)	(33 374 059)
Share-based payments	–	–	–
Issue of ordinary shares	1 556 518	–	–
Issue of ordinary shares for share-based payment reserve	539 238	–	–
Dividends declared by subsidiaries	–	–	–
Dividends to shareholders	–	–	–
Derecognition of non-controlling interest	–	–	–
Total comprehensive income for the year	–	–	7 403 109
Total changes	2 095 756	–	7 403 109
Balance as at 31 December 2017	**148 703 721**	**(58 264 013)**	**(25 970 950)**
Adjustment from the adoption of IFRS 9	**–**	**–**	**–**
Contribution for non-controlling partner	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**
Dividends declared by subsidiaries	**–**	**–**	**–**
Dividends to shareholders	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**(11 979 325)**
Total changes	**–**	**–**	**(11 979 325)**
Balance as at 31 December 2018	**148 703 721**	**(58 264 013)**	**(37 950 275)**

Share-based payments reserve	Total reserves	Retained income	Attributable to owners of the parent	Non-controlling interest	Total Shareholders' equity
627 816	(91 010 256)	74 427 478	130 025 187	16 291 360	146 316 547
290 858	290 858	–	290 858	–	290 858
–	–	–	1 556 518	–	1 556 518
(539 238)	(539 238)	–	–	–	–
–	–	–	–	(306 140)	(306 140)
–	–	(3 409 081)	(3 409 081)	–	(3 409 081)
–	–	–	–	(7 977 048)	(7 977 048)
–	7 403 109	17 202 923	24 606 032	247 143	24 853 175
(248 380)	7 154 729	13 793 842	23 044 327	(8 036 045)	15 008 281
379 436	**(83 855 527)**	**88 221 320**	**153 069 514**	**8 255 315**	**161 324 829**
–	**–**	**(80 221)**	**(80 221)**	**–**	**(80 221)**
–	**–**	**–**	**–**	**185 145**	**185 145**
336 476	**336 476**	**–**	**336 476**	**–**	**336 476**
–	**–**	**–**	**–**	**(135 594)**	**(135 594)**
–	**–**	**(3 078 131)**	**(3 078 131)**	**–**	**(3 078 131)**
–	**(11 979 325)**	**16 774 334**	**4 795 009**	**697 464**	**5 492 473**
336 476	**(11 642 849)**	**13 615 982**	**1 973 133**	**747 015**	**2 720 148**
715 912	**(95 498 376)**	**101 837 302**	**155 042 647**	**9 002 330**	**164 044 977**

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS

NATURE OF BUSINESS

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

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

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

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

The audited consolidated financial statements for Master Drilling Group Limited for the period ended 31 December 2018 have been audited by BDO South Africa Incorporated, who expressed an unmodified audit opinion thereon. A copy of the auditor's report on the audited consolidated financial statements are available on www.masterdrilling.com. These abridged audited consolidated financial results were derived from the consolidated annual financial statements.

The consolidated annual financial statements for Master Drilling Group Limited (Registration number 2011/008265/06), for the period ended 31 December 2018, have been audited by BDO South Africa Incorporated, the Company's independent external auditors, whose unqualified audit report can be found on pages 6 to 10 of the consolidated annual financial statements 2018, which are available on: www.masterdrilling.com.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment. 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.

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

Investment in associate

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

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

Functional and presentation currency

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

Going concern

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

Issued capital

There was no movement in authorised ordinary or issued share capital during the financial year.

Operating segments

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

Changes to the board

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

Name	Position	Change	Date
Jacques Pierre de Wet	Non-executive director	Retired	07 June 2018
Johan Louis Botha	Non-executive director	Retired	07 June 2018
Andries Willem Brink	Non-executive director	Appointment	07 June 2018 #
Octavia Matshidiso Matloa	Non-executive director	Appointment	07 June 2018

 # Effective 01 July 2018

Annual general meeting

The annual general meeting of Master Drilling Group Limited will be held at BDO South Africa Incorporated, Wanderers Office Park, 52 Corlett Drive, Johannesburg, on Thursday, 6 June 2019 at 09h00.

Subsequent events

The Board approved a dividend on 25 March 2019 of ZAR26,0 cents per ordinary share payable to shareholders recorded in the register on 17 May 2019. The dividend declared is not reflected in the financial statements for the year ended 31 December 2018.

3. PROPERTY, PLANT AND EQUIPMENT

2018 USD	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and buildings	**4 249 534**	**(1 041 678)**	**3 207 856**
Plant and machinery	**171 927 007**	**(50 028 352)**	**121 898 655**
Assets under construction	**10 590 920**	**(2 396)**	**10 588 524**
Furniture and fittings	**1 437 999**	**(711 798)**	**726 201**
Motor vehicles	**4 194 501**	**(2 519 707)**	**1 674 794**
IT equipment	**716 754**	**(448 086)**	**268 668**
Finance lease: Plant and equipment	**7 876 916**	**(1 197 278)**	**6 679 638**
Computer software	**2 398 727**	**(1 467 061)**	**931 666**
Patents	**239 601**	**–**	**239 601**
Total	**203 631 959**	**(57 416 356)**	**146 215 603**

2017 USD	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and buildings	4 267 124	(124 152)	4 142 972
Plant and machinery	142 393 202	(41 269 532)	101 123 670
Assets under construction	392 338	(2 567)	389 771
Furniture and fittings	1 461 158	(382 136)	1 079 022
Motor vehicles	3 434 946	(1 699 685)	1 735 261
IT equipment	743 646	(444 396)	299 250
Finance lease: Plant and equipment	13 414 269	(4 560 949)	8 853 320
Computer software	2 591 229	(1 378 429)	1 212 800
Patents	239 601	–	239 601
Total	168 937 513	(49 861 846)	119 075 667

Borrowing cost

Included in the cost of property, plant and equipment are capitalised borrowing cost related to the acquisition of land to the amount of 2018: USD491 544 (2017: USD64 625) calculated at a capitalisation rate of 5,9%.

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

3. SIGNIFICANT ACCOUNTING POLICIES continued

3.1 Reconciliation of property, plant and equipment

2018 USD	**Opening balance**	**Additions**	**Exchange difference on consolidation of foreign subsidiaries**
Land and buildings	**4 142 972**	**168 124**	**(241 592)**
Plant and machinery	**101 123 670**	**9 180 218**	**(6 015 418)**
Assets under construction	**389 771**	**7 134 385**	**(24 816)**
Furniture and fittings	**1 079 022**	**17 415**	**11 068**
Motor vehicles	**1 735 261**	**224 011**	**(52 188)**
IT equipment	**299 250**	**121 591**	**(15 393)**
Finance lease: Plant and equipment	**8 853 320**	**38 267**	**(1 040 338)**
Computer software	**1 212 800**	**36 001**	**(69 954)**
Patents	**239 601**	**–**	**–**
	119 075 667	**16 920 012**	**(7 448 631)**

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

Security

Moveable assets to the value of ZAR1,2 billion (USD96.9 million at closing spot rate) of the South African subsidiaries have been bonded to ABSA Capital as security for an interest bearing loan.

Impairment

The Exploration department in our African segment recognised an impairment loss of USD nil (2017: USD185 678).

Assets acquired through business combination	Reclassifications and transfers (to)/from inventory/assets held for sale	Disposals	Depreciation	Impairment of fixed assets	Total
–	**(808 928)**	**–**	**(52 720)**	**–**	**3 207 856**
22 035 018	**695 473**	**(38 301)**	**(5 082 005)**	**–**	**121 898 655**
–	**3 089 184**	**–**	**–**	**–**	**10 588 524**
587	**(3 866)**	**(1 267)**	**(376 758)**	**–**	**726 201**
12 519	**351 736**	**(119 366)**	**(477 178)**	**–**	**1 674 795**
–	**–**	**(55 097)**	**(81 683)**	**–**	**268 668**
2 667 952	**(2 532 740)**	**(432 576)**	**(874 248)**	**–**	**6 679 637**
13 870	**–**	**(75)**	**(260 976)**	**–**	**931 666**
–	**–**	**–**	**–**	**–**	**239 601**
24 729 946	**790 859**	**(646 682)**	**(7 205 568)**	**–**	**146 215 603**

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

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

4. INTANGIBLE ASSETS

	2018 USD	2017 USD
Goodwill recognised from value chain business combinations	**2 612 584**	2 612 584
Goodwill recognised from raisebore business combinations	**562 508**	470 843
Goodwill recognised from business combinations	**3 175 092**	3 083 427

The change in goodwill from the previous financial year arose from the acquisition of Bergteamet Raiseboring Europe AB and Atlantis Group. Refer to note 11.2 for more details.

5. INVESTMENT IN ASSOCIATE

	Note(s)	2018 USD	2017 USD
Investment in associate – Bergteamet Raiseboring Europe AB	5.1	**–**	6 022 115
Investment in associate – TunnelPro S.r.L	5.2	**2 605 117**	–
Total		**2 605 117**	6 022 115

5.1 Investment in associate - Bergteamet Raiseboring Europe AB

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

On 1 March 2018, the Group excercised its option to acquire the remainder of the 60% shares in Bergteamet Raiseboring Europe AB to increase its shareholding to 100%. The purchase of the remainder of the shares amounted to SEK69 825 000 (USD8 509 222). The Group now accounts for the investment as a subsidiary. Refer to Note 11.2 for more details.

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

	2018 USD	2017 USD
Revenue	**–**	9 873 828
Loss from continuing operations	**–**	(4 275)
Total comprehensive loss	**–**	(4 275)
Group's share of total comprehensive loss	**–**	(1 710)
Dividends received from associate	**–**	104 207

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

	2018 USD	2017 USD
Non-current assets	–	9 962 208
Current assets	–	6 456 978
Non-current liabilities	–	4 581 086
Current liabilities	–	3 614 112
Net assets	–	8 223 988
Group's share of net assets	–	3 289 595
Goodwill	–	2 734 230
Share of loss from equity accounted investment	–	(1 710)
Investment in associate	–	6 022 115

5.2 Investment in associate – TunnelPro S.r.L

On 25 January 2018, the Group entered into a shareholder agreement with Ghella SpA to establish a new associate named TunnelPro Srl in Italy. The Group owns 49% of the shareholder rights in TunnelPro Srl. The purchase consideration relating to the Group's share amount to EUR2 107 000 (USD2 412 963). The investment will provide the Group with a strategic footprint in the European as well as Tunnelboring market. The effective date of the agreement is 23 October 2018. Consideration payable at year end amounts to EUR784 000 (USD897 837).

The Group does not control TunnelPro Srl and have elected the equity accounting method for the investment in associate.

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

	2018 USD	2017 USD
Revenue	**288 214**	–
Loss from continuing operations	**(54 997)**	–
Total comprehensive loss	**(54 997)**	–
Group's share of total comprehensive loss	**(26 949)**	–
Dividends received from associate	–	–

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

5. INVESTMENT IN ASSOCIATE continued

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.

	2018 USD	2017 USD
Non-current assets	232 397	–
Current assets	8 604 168	–
Non-current liabilities	–	–
Current liabilities	6 419 176	–
Net assets	2 417 389	–
Group's share of net assets	1 184 521	–
Goodwill	1 447 545	–
Share of loss from equity accounted investment	(26 949)	–
Investment in associate	2 605 117	–

6. TRADE AND OTHER RECEIVABLES

	2018 USD	2017 USD
Trade receivables - Normal	32 511 631	27 333 869
Trade receivables - Retention	5 449 738	5 021 356
Loans to employees	119 777	40 636
Pre-payments	693 501	1 054 572
Deposits	827 369	82 219
Indirect taxes	3 304 990	1 691 851
Sundry	5 272 841	2 967 234
	48 179 847	38 191 737

Trade and other receivables past due but not impaired

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

	2018 USD	2017 USD
Outstanding on normal cycle terms	18 590 455	18 330 132
1 month past due	9 269 296	6 029 069
2 months past due	3 978 446	3 084 459
3 months and over past due	7 249 989	5 413 060
Allowance for doubtful debts	(1 126 817)	(501 495)
Normal and retention trade receivables	37 961 369	32 355 225

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

	2018 USD	2017 USD
The movement in allowance for doubtful debts is presented below		
Balance 1 January	**501 495**	136 119
Adjustment from the adoption of IFRS 9	**80 221**	–
Exchange differences on translation of foreign operations	**(57 625)**	6 698
Amounts written off	**–**	–
Allowance for doubtful debts provided for	**602 726**	358 678
	1 126 817	501 495

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

	2018 USD	2017 USD
United States Dollar (USD)	**20 419 586**	18 223 187
South African Rands (ZAR)	**8 703 918**	6 162 910
Brazilian Reals (BRL)	**3 091 482**	2 943 824
Mexican Peso (MXN)	**91 500**	594 427
Chilean Peso (CLP)	**7 705 700**	7 558 388
Peruvian Nuevo Sol (PEN)	**975 082**	630 645
CFA Franc BCEAO (XOF)	**3 339**	712 913
Chinese Yuan Renminbi (CNY)	**224 476**	339 833
Guatemalan Quetzal (GTQ)	**6 906**	3 175
Zambian Kwacha (ZMW)	**1 063 825**	351 527
Colombian Peso (COP)	**102 019**	594 787
Euro (EUR)	**512 078**	–
Swedish Krona (SEK)	**1 070 442**	–
Australian Dollar (AUD)	**41 828**	32 448
Canadian Dollar (CAD)	**289 801**	–
Indian Rupee (INR)	**3 877 865**	43 673
	48 179 847	38 191 737

7. NON-CURRENT ASSETS HELD FOR SALE

	Note(s)	2018 USD	2017 USD
Non-current assets held for sale – Peru	8.1	**–**	1 255 128
Non-current assets held for sale – Chile	8.2	**808 928**	–
Total		**808 928**	1 255 128

7.1 Non-current assets held for sale – Peru

In September 2016, management committed to a plan to sell the land and building owned in Peru. Master Drilling Peru uses the land and building to house its administrative and workshop facilities. Management's plan is to develop another piece of land owned in Peru into offices and workshop facilities. The sale of the land and building realised during May 2018 and proceeds to the value of USD2.08 million was received from an external buyer.

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

7. NON-CURRENT ASSETS HELD OR SALE continued

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

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

	2018 USD	2017 USD
Land and buildings	**–**	1 255 128
Assets held for sale	**–**	1 255 128

7.2 Non-current assets held for sale – Chile

In October 2018, management committed to a plan to sell the property owned in Chile. Efforts to sell the property have started and a sale is expected to be finalised towards the end first quarter of 2019.

Management's intention to sell is driven by the need for a bigger facility to cater for the expansion of the Chilean business in the last couple of years which resulted in more workshop space to successfully service and maintain the increased plant and machinery.

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

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

	2018 USD	2017 USD
Land and buildings	**808 928**	–
Assets held for sale	**808 928**	**–**

8. TRADE AND OTHER PAYABLES

	2018 USD	2017 USD
Trade payables	**7 423 846**	7 956 216
Income received in advance	**822 402**	–
Indirect taxes	**3 914 138**	6 654 506
Leave pay accruals	**1 983 405**	2 070 242
Onerous contracts	**1 714 836**	–
Business combination consideration payable	**1 420 684**	–
Investment in associate consideration payable	**897 837**	–
Employee related	**2 971 288**	–
Other accruals	**7 541 584**	3 405 783
	28 690 020	20 086 747

9. TAXATION

	2018 USD	2017 USD
Current		
Normal taxation	5 524 399	6 040 830
Current taxation	6 994 758	5 231 760
(Over)/Under provision	(1 470 359)	809 070
Deferred taxation: Temporary differences	(1 496 930)	(906 730)
	4 027 469	5 134 100
Reconciliation of the tax expense		
Accounting profit	21 499 267	22 584 166
Tax at the applicable tax rate	6 789 872	5 502 316
(Over)/Under provision	(1 470 359)	809 070
Exempt income	(3 439 294)	(4 371 627)
Non-deductible expenses	2 081 109	2 724 372
Deferred taxation: Change in tax rate	158 810	78 771
Assessed loss not recognised	420 765	741 163
Assessed loss previously not recognised	(513 434)	(349 965)
Taxation per statement of profit or loss and other comprehensive income	4 027 469	5 134 100
The total unrecognised assessed loss at 31 December 2018 is USD3 265 658 (2017: USD2 544 768).		
Normal taxation charge/(refund) per entity within the Group		
DCP Properties	–	15 129
Master Drilling Exploration (Pty) Ltd	1 055 555	409 833
Master Drilling Chile SA	146 827	275 577
Master Drilling Peru SAC	701 891	1 394 792
Master Drilling do Brasil Ltda	491 941	479 007
Master Drilling Mexico SA	174 013	–
Master Drilling Malta Limited	2 648 814	1 554 235
Master Drilling Guatemala SA	3 492	–
Master Drilling Training Services (Pty) Ltd	1 875	–
Master Drilling DRC sprl	–	389 921
Master Drilling Colombia SAS	76 273	80 900
Master Drilling Zambia Limited	(208 044)	1 232 820
Master Drilling International Ltd	(741 531)	2 988
Master Drilling Mali SARL	45 464	163 884
Master Drilling Changzhou Co Ltd	64 934	–
Bergteamet Latin America SpA	347 153	–
Bergteamet Raiseboring Europe AB	221 945	–
Master Drilling Madencilik Ve Ticaret Limited Sirketi	65 212	–
Master Drilling India	299 173	–
Drilling Admin Services SAC	94 831	–
Drilling Technical Services	243 117	2 567
Martwick Ltd	(18)	18
Master Drilling (Pty) Ltd	(169 360)	–
MD Drilling Services Tanzania SARL	(39 158)	39 159
	5 524 399	6 040 830

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

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

10. EARNINGS PER SHARE

	2018 USD	2017 USD
Reconciliation between earnings and headline earnings		
Basic earnings for the year	**17 471 798**	17 450 066
Deduct:		
Non-controlling interest	**(697 464)**	(247 143)
Attributable to owners of the parent	**16 774 334**	17 202 923
Loss/(Gain) on disposal of fixed assets	**(949 084)**	67 183
Impairment of plant and equipment	**–**	185 678
Tax effect on loss on disposal of fixed assets and impairments	**296 687**	(70 801)
Headline earnings for the year	**16 121 937**	17 384 983
Earnings per share (cents)	**11.1**	11.5
Diluted earnings per share (cents)	**11.0**	11.4
Headline earnings per share (cents)	**10.7**	11.6
Diluted headline earnings per share (cents)	**10.6**	11.5
Net asset value per share (cents)	**109.0**	107.6
Tangible net asset value per share (cents)	**106.9**	105.6
Dividends per share (cents)	**26.0**	30.0
Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share and headline earnings per share	**150 592 777**	149 894 366
Effect of dilutive potential ordinary shares – employee share options	**1 530 000**	1 603 877
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	**152 122 777**	151 498 243

11. CASH GENERATED FROM OPERATIONS

11.1 Cash generated from operations

	2018 USD	2017 USD
Profit before taxation	**21 499 267**	22 584 166
Adjustments for:		
Depreciation and amortisation	**7 205 568**	6 056 352
Impairment	**–**	845 891
Share of loss from equity accounted investment	**26 948**	1 710
Translation effect of foreign operations	**(519 249)**	2 203 374
Share-based payment – equity settled	**336 476**	290 858
(Gain)/Loss on disposal of fixed assets	**(949 084)**	67 183
Dividends received	**(444 540)**	(321 583)
Interest received	**(291 629)**	(188 742)
Finance costs	**2 858 491**	2 850 878
Changes in working capital:		
Inventories	**1 715 417**	542 655
Trade and other receivables	**(6 754 239)**	822 927
Trade and other payables	**1 118 506**	(2 911 680)
	25 801 932	32 843 989

11.2 Net cash flow on business combinations

	Note(s)		
Acquisition of Bergteamet Raiseboring Europe AB	12.2.1	**9 335 904**	–
Acquisition of Atlantis Group	12.2.2	**5 353 231**	–
Total		**14 689 135**	–

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

11. CASH GENERATED FROM OPERATIONS continued

11.2.1 Acquisition of Bergteamet Raiseboring Europe AB

On 1 March 2018, the Group excercised its option to acquire the remainder of the 60% shares in Bergteamet Raiseboring Europe AB to increase its shareholding to 100%. The purchase of the remainder of the shares amounted to SEK69 825 000 (USD8 509 222).

The Group previously accounted for Bergteamet Raiseboring Europe AB as an investment in associate with equity accounting when only 40% of shareholding was held.

The goodwill amount represents a provisional calculation on the acquisition. A detailed purchase price allocation is being performed and the directors currently anticipate that there will be a fair value revaluation of drilling equipment.

	2018 USD	2017 USD
The fair value of assets and liabilities assumed at date of acquisition was:		
Assets		
Property, plant and equipment	**17 099 264**	–
Current tax receivable	**165 517**	–
Non-current interest bearing loans and borrowings	**(3 447 179)**	–
Deferred taxation liability	**(407 032)**	–
Net working capital		–
Trade and other receivables	**3 233 870**	–
Inventory	**3 608 677**	–
Trade and other payables	**(5 005 518)**	–
Cash and other equivalents	**(826 682)**	–
Total assets and liabilities acquired	**14 420 917**	–
Group's share of total assets and liabilities acquired	**14 420 917**	–
Goodwill at acquisition	**92 489**	–
Total consideration	**14 513 406**	–
Cash and cash equivalents on hand at acquisition	**826 682**	–
Fair value of 40% interest held prior to acquisition	**(6 004 184)**	–
Net cash outflow on acquisition of subsidiaries	**9 335 904**	–
Turnover since acquisition date included in the consolidated results for the year	**10 634 299**	–
Profit after tax since acquisition date included in the consolidated results for the year	**1 360 458**	–
Group turnover since acquisition date included in the consolidated results for the year	**111 663 770**	–
Group profit after tax since acquisition date included in the consolidated results for the year	**16 390 524**	–

11.2.2 Acquisition of Atlantis Group

On 3 September 2018, the Group acquired all the business assets and liabilities of the Atlantis Group. The purchase price for the entire Atlantis Group amounted to ZAR99 500 000 (USD6 773 914)

The Atlantis Group's operations are located in South Africa, Zambia, India and Brazil and all of the business assets and liabilities acquired have been accounted for in the respective segments the assets and liabilities relate to. Refer to Note 13.2 for more details on the segments.

The goodwill amount represents a provisional calculation on the acquisition. A detailed purchase price allocation is being performed and the directors currently anticipate that there will be a fair value revaluation of drilling equipment.

The fair value of assets and liabilities assumed at date of acquisition was:

	2018 USD	2017 USD
Assets		
Property, plant and equipment	**7 808 635**	–
Net working capital		
Trade and other payables	**(1 058 548)**	–
Total assets and liabilities acquired	**6 750 087**	–
Group's share of total assets and liabilities acquired	**6 750 087**	–
Goodwill at acquisition	**23 828**	–
Total consideration	**6 773 915**	–
Consideration still payable	**(1 420 684)**	–
Net cash outflow on acquisition of subsidiaries	**5 353 231**	–
Turnover since acquisition date included in the consolidated results for the year	**2 550 769**	–
Profit after tax since acquisition date included in the consolidated results for the year	**530 666**	–
Group turnover since acquisition date included in the consolidated results for the year	**35 471 813**	–
Group profit after tax since acquisition date included in the consolidated results for the year	**5 221 277**	–

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

12. CAPITAL COMMITMENTS

	2018 USD	2017 USD
Capital expenditure authorised by the directors and contracted for within 12 months. Capital expenditure will be funded through cash generated from operations.	**1 189 801**	4 579 527

13. SEGMENT REPORTING

13.1 Mining activity

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

	2018 USD	2017 USD
Sales revenue by stage of mining activity		
Exploration	**3 762 574**	973 412
Capital	**21 849 982**	4 339 904
Production	**113 109 208**	116 110 793
	138 721 765	121 424 109
Gross profit by stage of mining activity		
Exploration	**1 561 718**	383 107
Capital	**7 943 321**	830 043
Production	**34 061 497**	43 416 688
	43 566 536	44 629 838

The chief operating decision maker of the Group is the chief executive officer. Information reported to the group's chief operating decision maker for purposes of resource allocation and assessment of segment performance is focused on geographical areas. Each reportable segment derives its revenues from the sale of goods related services. The accounting policies of the reportable segments are the same as the group's accounting policies.

13.2 Geographical segments

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

	2018 USD	2017 USD
Sales revenue by geographical market		
Africa	**47 011 105**	54 737 735
Central and North America	**17 437 769**	14 619 849
Other countries	**16 195 137**	–
South America	**58 077 754**	52 066 525
	138 721 765	121 424 109

	2018 USD	2017 USD
Gross profit by geographical market		
Africa	**16 641 344**	24 880 016
Central and North America	**4 739 601**	4 547 869
Other countries	**5 921 443**	–
South America	**16 264 148**	15 201 953
	43 566 536	44 629 838

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 6% (2017: African region 14%) of the Group's revenue.

	2018 USD	2017 USD
Depreciation by geographical market		
Africa	**3 374 462**	2 813 563
Central and North America	**706 619**	465 299
Other Countries	**1 212 791**	42 009
South America	**1 911 696**	2 735 481
	7 205 568	6 056 352

	2018 USD	2017 USD
Investment revenue by geographical market		
Africa	**301 152**	261 559
Central and North America	**4 038**	749
Other Countries	**248 373**	168 101
South America	**182 605**	79 916
	736 169	510 325

	2018 USD	2017 USD
Finance cost by geographical market		
Africa	**1 250 988**	1 834 711
Central and North America	**575 583**	209 404
Other Countries	**370 205**	204 635
South America	**661 715**	602 128
	2 858 491	2 850 878

NOTES TO THE ABRIDGED CONSOLIDATED ANNUAL FINANCIAL RESULTS continued

13. SEGMENT REPORTING continued

	2018 USD	2017 USD
Taxation by geographical market		
Africa	**868 065**	1 334 731
Central and North America	**98 665**	312 205
Other Countries	**1 564 038**	2 203 622
South America	**1 496 701**	1 283 542
	4 027 469	5 134 100

	2018 USD	2017 USD
Total assets by geographical market		
Africa *	**78 419 639**	95 020 536
Central and North America	**43 961 799**	24 975 860
Other Countries	**50 543 357**	25 208 838
South America **	**93 457 169**	91 740 494
Total assets as per statement of financial position	**266 381 964**	236 945 728
Total liabilities by geographical market		
Africa	**34 698 362**	34 438 606
Central and North America	**23 690 201**	8 457 641
Other Countries	**16 561 972**	6 535 299
South America	**27 386 452**	26 189 353
Total liabilities as per statement of financial position	**102 336 987**	75 620 899

* *Assets in Africa includes the investment in associate. See Note 5*

** *Assets in South America includes the non-current asset held for sale. See Note 7*

CORPORATE INFORMATION

MASTER DRILLING GROUP LIMITED

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

REGISTERED AND CORPORATE OFFICE

4 Bosman Street
PO Box 902
Fochville, 2515
South Africa

DIRECTORS

Executive

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

Non-executive

Hendrik (Hennie) Roux van der Merwe	Chairman and independent non-executive
Akhter Alli Deshmukh	Independent non-executive
Andries Willem Brink	Independent non-executive
Octavia Matshidiso Matloa	Independent non-executive
Shane Trevor Ferguson	Non-executive
Fred (Eddie) George Dixon	Alternate director

 # Resident in Peru

COMPANY SECRETARY

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JSE SPONSOR

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CORPORATE INFORMATION continued

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2196
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Master Drilling posts information that is important to investors on the main page of its website at www.masterdrilling.com and under the "investors" tab on the main page. The information is updated regularly and investors should visit the website to obtain important information about Master Drilling.

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