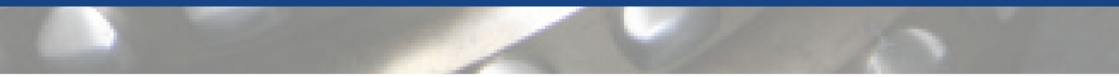
REPORT TO SHAREHOLDERS

UNAUDITED INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2019



SALIENT FEATURES FOR THE PERIOD

- USD Revenue was up 3.8%
- USD Earnings per share decreased 14.3% to 5.4 cents
- ZAR Earnings per share decreased 1,0% to 76,7 cents
- USD Headline earnings per share decreased 8.5% to 5.4 cents
- ZAR Headline earnings per share increased 5,6% to 76,7 cents
- Committed order book of USD198.6 million
- Pipeline of USD297.1 million
- Following dividend for 2018, dividend will be considered at year-end.

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-electric 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.

Commenting on the results for the six months to end June 2019, Danie Pretorius, CEO of Master Drilling, said:

"In the face of continued uncertainty and volatility, which has inevitably impacted on business performance, I am pleased that we have been able to remain committed to our strategic journey of diversifying our presence across geographies, commodities and sectors. In this regard, we have worked hard to bed down our existing businesses across regions, while stabilising new operations and seeking to grow our presence in new territories, such as Russia and Australia, where we believe new opportunities will arise.

Global trade is in turmoil, impacting negatively on commodity markets and creating uncertainty around the future demand for and consumption of commodities. It is heartening that in this uncertain environment our pipeline of new business remains strong, as does interest in our innovative technology. This positions us well, both during these uncertain times and beyond when the inevitable upturn comes, to continue on our growth path through delivering desirable, efficient and safe drilling solutions.

Master Drilling will also continue to focus our efforts on technology that enhances operations and, above all, improves safety."

FINANCIAL OVERVIEW

Revenue increased 3.8% to USD70.0 million and operating profit decreased 8.3% to USD11.8 million. The increase in revenue was due to the acquisition of the Atlantis Group, compared to the same period last year.

The impact of foreign exchange movements on revenue was less than the impact thereof on cost, resulting in overall stable profitability and profit after tax decreasing 14.7% to USD8.3 million.

USD earnings per share (EPS) decreased 14.3% to 5.4 cents, and ZAR EPS decreased 1,0% to 76,7 cents due to the stronger ZAR compared to the same period last year. USD headline earnings per share (HEPS) decreased 8.5% to 5.4 cents, and ZAR HEPS increased 5,6% to 76,7 cents compared to the same period last year.

Net cash generation decreased to USD9.3 million, following the investments in working capital to cater for higher volumes of work coming on stream involving new projects across the Group. Debtor days increased due to longer payment cycles as a result of weak economic conditions. Master Drilling will continue to manage debtors actively to ensure good conversion to cash. Cash resources continue to be managed stringently to cater for emerging opportunities that require specific design, planning and investment.

During the reporting period, 81.4% of the Master Drilling capital spend was on capacity expansion with the remaining 18.6% allocated towards maintenance capital.

Debt increased slightly from USD60.2 million to USD61.3 million while net of cash, the gearing ratio changed from 10.9% to 18.9% compared to the same reporting period in the prior year.

OPERATIONAL OVERVIEW

The domestic macroeconomic environment remained mixed in first half of 2019, with market players, businesses and investors holding back decisions ahead of the national elections in May. Although the elections yielded the anticipated result, the new dispensation's work to place the economy on the recovery track is extensive. As a result, business and consumer confidence remains constrained. Globally, uncertainty has also prevailed as trade wars have escalated, placing the global economic growth outlook at risk. In this environment, the demand for commodities could be compromised.

While these factors continue to shape our operating environment, Master Drilling has continued to forge ahead with its technological development, the stabilisation of its global footprint and the exploration of new business opportunities, which most recently has included Russia and Australia. As a result, the business remains stable and well positioned to benefit from an improvement in the global economic climate.

South America

Operations in Brazil continue to perform well and in a stable and satisfactory manner, following a restructuring of the business two years ago. The short- to medium-term outlook for our business in this country is positive, with a pleasing build-up in the order book.

In Chile we continue to experience growth in the order book and expect to be awarded a substantial amount of contract work for underground vertical shaft development. In addition, Master Drilling is in the process of tendering for the drilling of ventilation shafts which, if successful, will get underway in mid-2020. Notwithstanding the volatility and decline in the copper price, state-owned entity CODELCO remains committed to the expenditure it has pledged towards projects, which continues to bode well for our activities in Chile.

The Peruvian business is undergoing restructuring to ensure that it remains efficient and well positioned to contribute positively to the Group. The restructuring will lead to reduced fixed costs, resizing of the workforce and, in the short-term, lower turnover. Restructuring processes are difficult and costly to implement but we are certain that these measures will ultimately yield positive outcomes.

Enquiries continue to be received across South America, particularly in Colombia. In Ecuador, work on a project at a large underground mine commenced recently with the potential of additional work materialising in future.

Central and North America

The business in Mexico is stabilising after a challenging first half of the year, during which we experienced some operational issues. However, Master Drilling has been awarded new contracts which will lead to increased activity during the second half of the year. These contracts are in the silver and copper mine sectors.

We are encouraged by the amount of inquiries that we receive and the extent of the activity and opportunities that are available in North America, which support our strategic decision to venture into this region. Although it has taken some time to stabilise new clients and contracts, Master Drilling is likely to record improved activity in the second half of 2019, once the on-boarding process for certain large projects, has been completed. We are also making progress in overcoming delays on other projects, with our focus firmly on stabilising operations in this region for the remainder of the year.

Africa

Although Africa's significance in terms of revenue has been in decline in recent years, we continue to be active on the continent, maintaining presence in seven countries, including South Africa.

There are projects underway in Mali and Sierra Leone that are progressing satisfactorily; two machines have been deployed to the site in Sierra Leone. There are also a number of projects under way in the Democratic Republic of Congo, among which Kibali (gold) and Kamoa (copper), where we might need to deploy an additional machine.

In Ghana, following some geological issues on the initial project, we expect work to get underway over the next few months on additional projects. In addition, we have been awarded a new two-phase contract that includes deploying a big machine to drill a vent shaft and, in the second phase, work underground. We expect this contract to yield more scope going forward.

Meanwhile, operations in Zambia have scaled down significantly. Work at the Lubambe copper mine continues and is nearing completion.

In South Africa, activity in the mining sector remains constrained, amid the uncertain economic climate and recent industrial action in the sectors we operate within. However, Master Drilling was recently awarded a contract for a 1.4 kilometer hoisting shaft, which is the first of a number that could be drilled.

In neighbouring Botswana, new opportunities have presented themselves in gas and exploration drilling.

Scandinavia

After getting off to a slow start, the Bergteamet business has recorded an improvement over the past quarter, with the order book filling up for the remainder of the current financial year and well into 2020. Projects have been added across a number of locations, including Spain, Turkey, Finland, Norway and Sweden, proving that Bergteamet Raiseboring has become our gateway into the region.

India

The project we undertook in India in support of Vedanta Limited, a London Stock Exchange listed, globally diversified natural resources major with interests in Zinc, Lead, Silver, Copper, Iron Ore, Aluminium, Power and Oil & Gas, got off to a very good start in 2019. The project is achieving high levels of operational efficiencies and we expect the contract to achieve the targets as initially planned.

Technology

While technological innovation and development is resource-intensive, it remains a key pillar of Master Drilling's focus and a significant business differentiator. This keeps driving global demand for Master Drilling's fleet of machines, which could result in an improved utilisation rate across the large, X large and XX large machines. In addition, having completed the testing of our remote drilling technology in South Africa, Master Drilling recently successfully rolled out this technology in Mexico and Peru.

Because of Master Drilling's steadfast focus on innovation, we continue to receive enquiries worldwide for our new machines and have already recorded significant interest in the horizontal mobile tunnel borer (MTB) and the blind shaft borer.

Master Drilling will continue to focus on progressing machine development and testing during the remainder of 2019. The commissioning of the MTB is already underway and drilling underground has commenced.

The first phase of the shaft boring system is in the process of commissioning and will form part of a new shaft sinking system with the capability to sink shafts in hard rock conditions up to 11.5 meter diameter and 2 kilometer in depth. During the first phase, the pilot shaft excavation section of the complete system will be tested and the detailed concept design of the complete system completed. The phased approach is a result of reducing conceptual risk in the system.

Skills development

Attracting and retaining expertise and skills development are key priorities for Master Drilling. We are investing in skills development based on a skills gap analysis previously conducted and constantly monitored. This investment will extend our capacity to support our growth strategy. The rest of 2019 will focus on targeted technical training in general.

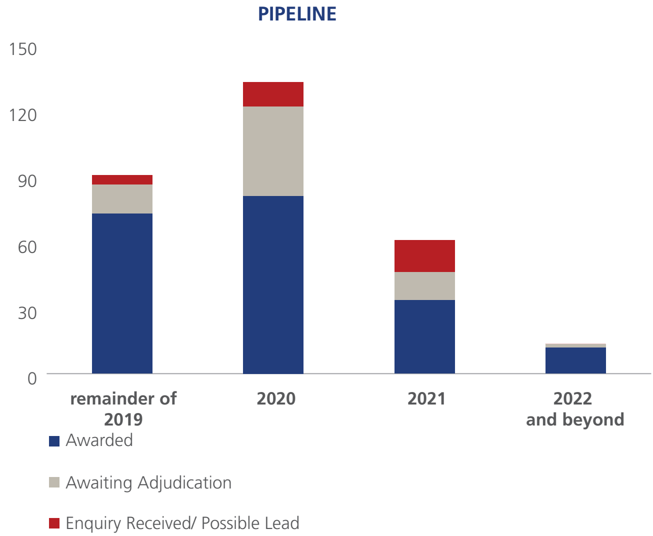
COMMENTARY continued

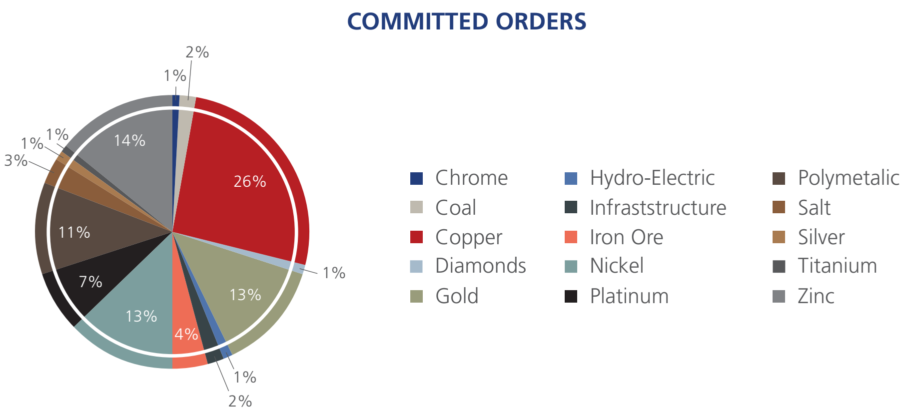
OUTLOOK AND PROSPECTS

The business remained stable and made good progress over the latest reporting period, notwithstanding a number of headwinds, including currency fluctuations and political developments. Having continued to focus on expanding the pipeline and optimising operations geographically, as some of these headwinds subside, we are cautiously optimistic that we will record some improvements in operational and financial performance during the remainder of the financial year. In particular, the positive developments filtering through from any improvement in the commodity cycle, coupled with weaker emerging market currencies could prove supportive of firmer revenue and lower costs.

PIPELINE AND COMMITTED ORDERS

As at 30 June 2019 our pipeline totalled USD297 075 486 (2018: USD358 192 132) while the committed order book totalled USD198 617 931 (2018: USD114 449 011) for the remainder of 2019 and beyond, spread as follows:

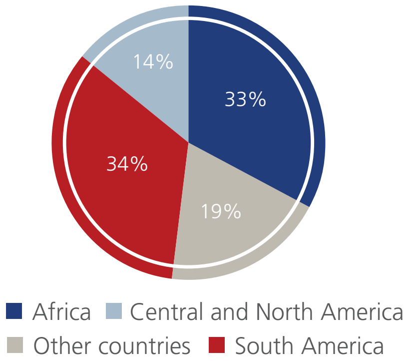




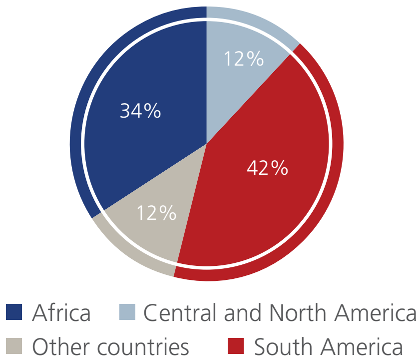
REVENUE

The following graphs reflect the Group's combined revenue for financial periods ended 30 June:

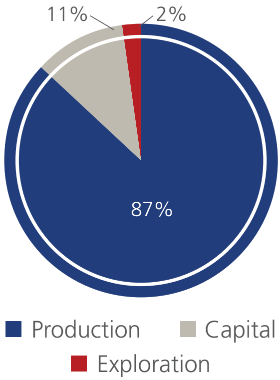
REVENUE BY GEOGRAPHICAL AREA JUNE 2019



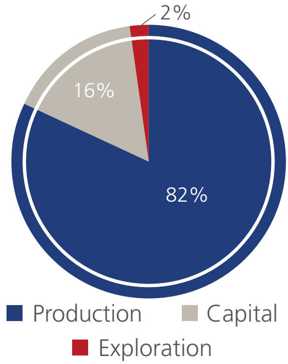
REVENUE BY GEOGRAPHICAL AREA JUNE 2018



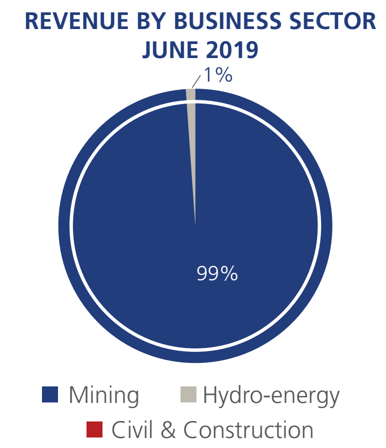
REVENUE BY MINING ACTIVITY JUNE 2019

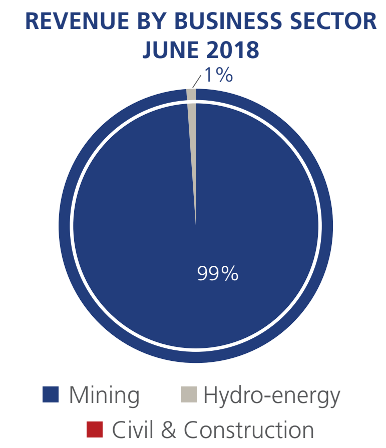


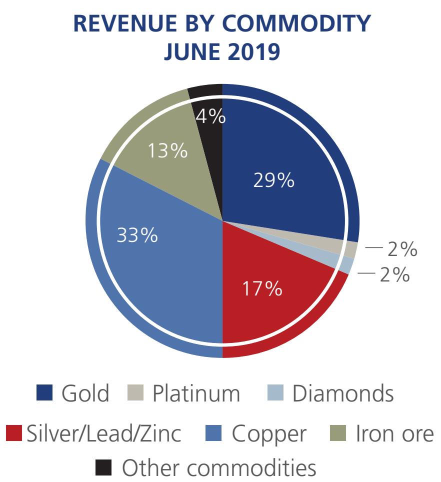
REVENUE BY MINING ACTIVITY JUNE 2018

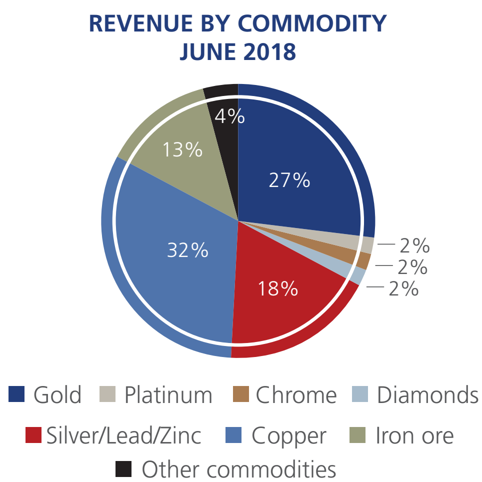


COMMENTARY continued









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, infrastructure and hydro-electric energy sectors, across a number of commodities and geographies. Master Drilling is the global leader in the raise bore drilling services industry

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

The condensed unaudited consolidated interim financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting, International Financial Reporting Standards, the SAICA reporting guides as issued by the Accounting Standards Board and the requirements of the South African Companies Act, (Act No 71 of 2008), as amended and the Listings Requirements of the JSE Limited. The condensed unaudited consolidated interim 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 audited consolidated annual financial statements for the year ended 31 December 2018 except for the adoption of both IFRS 16 and IFRIC 23 which had been accounted and disclosed accordingly in the unaudited interim financial results for the six months ended 30 June 2019.

New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 *Leases*; and
- IFRIC 23 *Uncertainty over Income Tax Treatments*

Details of the impact these two standards have had are given below. Other new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities.

IFRS 16 *Leases*

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The incremental borrowing rate applied ranges between 7.8% and 10.7% based on the country the asset(s) is/are located.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

1. BASIS OF PRESENTATION (continued)

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease; and
- initial direct costs incurred.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group adopted IFRIC 23 effective 1 January 2019. as the Group and its subsidiaries comply with IFRS and applicable tax laws and regulations in the countries it operate, no adjustments were required with the adoption of IFRIC 23.

Use of estimates and judgements

There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods except where the implementation of IFRS 16 and IFRIC 23 discussed above requires a different approach to the accounting previously applied. Significant estimates and judgements that have been required for the implementation of these new standard are:

- The determination of whether an arrangement contains a lease:
- The determination of lease term for some lease contracts in which the Group is a lessee that include renewal options and termination options, and the determination whether the Group is reasonably certain to exercise such option;
- The determination of the incremental borrowing rate used to measure lease liabilities; and
- The identification of uncertain tax treatments and the estimation of the range of possible outcomes that may occur if a taxation authority were to examine the tax treatment.

Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2018. The Group performed an analysis of these standards and interpretations and concluded that it will not have an impact on the financial statements once adopted.

The condensed unaudited consolidated interim 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

a. the investor has power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities;
b. the investor has exposure, or rights to variable returns from its involvement with the investee; and
c. the investor has the ability to use its power over the investee to affect the amount of the investors returns.

The Group measures 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

a. it is probable that future economic benefits associated with the item will flow to the Group; and

b. the cost of the item can be measured reliably.

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

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

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

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

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

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 condensed unaudited consolidated interim 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 were no movement in share capital since 31 December 2018.

OPERATING SEGMENTS

There were no changes made to the operating segments from those disclosed at 31 December 2018.

SUBSEQUENT TO REPORTING PERIOD

There have been no significant events subsequent to 30 June 2019 which require adjustment or additional disclosure to interim results.

DIVIDENDS

The Board resolved not to declare an interim dividend but rather to consider an appropriate dividend at year-end.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note(s)	Unaudited six months ended Jun 2019 USD	Audited year ended Dec 2018 USD
Assets			
Non-current assets			
Property, plant and equipment	3	**159 984 076**	146 215 603
Goodwill	4	**3 427 091**	3 175 092
Financial assets		**3 032 025**	2 734 277
Deferred tax asset		**4 101 769**	2 994 311
Investment in associate		**3 609 933**	2 605 117
		174 154 894	157 724 400
Current assets			
Inventories		**26 856 383**	25 787 869
Related-party loans		**265 382**	101 831
Trade and other receivables	5	**50 698 103**	48 179 847
Derivative financial instrument		**56 366**	53 958
Cash and cash equivalents		**27 650 296**	33 725 131
		105 526 530	107 848 636
Non-current assets held for sale		**819 171**	808 928
		106 345 701	108 657 564
Total assets		**280 500 595**	266 381 964
Equity and liabilities			
Equity			
Share capital		**148 703 721**	148 703 721
Reserves		**(87 595 326)**	(95 498 376)
Retained income		**107 242 782**	101 837 302
		168 351 177	155 042 647
Non-controlling interest		**9 257 453**	9 002 330
		177 608 630	164 044 977
Liabilities			
Non-current liabilities			
Interest bearing borrowings		**48 415 377**	50 458 654
Finance lease obligations		**6 840 316**	1 203 072
Deferred tax liability		**10 695 457**	9 434 322
		65 951 150	61 096 048
Current liabilities			
Interest bearing borrowings		**5 063 057**	7 306 843
Finance lease obligations		**971 162**	1 273 282
Related party loans		**1 341 488**	174 720
Current tax payable		**2 798 999**	3 385 537
Trade and other payables	7	**25 891 397**	28 690 020
Cash and cash equivalents		**874 712**	410 537
		36 940 815	41 240 939
Total liabilities		**102 891 965**	102 336 987
Total equity and liabilities		**280 500 595**	266 381 964

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	**Unaudited six months ended Jun 2019 USD**	Unaudited six months ended Jun 2018 USD	Audited year ended Dec 2018 USD
Revenue		**69 959 103**	67 379 315	138 721 765
Cost of sales		**(45 719 345)**	(43 462 398)	(95 155 229)
Gross profit		**24 239 758**	23 916 917	43 566 536
Other operating income		**925 638**	1 978 649	5 909 368
Other operating expenses		**(13 378 730)**	(13 039 357)	(25 827 367)
Operating profit		**11 786 666**	12 856 209	23 648 537
Investment revenue		**246 683**	573 256	736 169
Finance costs		**(1 815 631)**	(1 486 240)	(2 858 491)
Share of profit from equity accounted investment		**(72 013)**	(17 929)	(26 948)
Profit before taxation		**10 145 705**	11 925 296	21 499 267
Taxation		**(1 882 695)**	(2 234 699)	(4 027 469)
Profit for the period		**8 263 010**	9 690 597	17 471 798
Other comprehensive income that will subsequently be classifiable to profit and loss:				
Exchange differences on translating foreign operations		**7 776 064**	(7 506 025)	(11 979 325)
Other comprehensive income/(loss) for the period net of taxation		**7 776 064**	(7 506 025)	(11 979 325)
Total comprehensive income		**16 039 074**	2 184 572	5 492 473
Profit attributable to:		**8 263 010**	9 690 597	17 471 798
Owners of the parent		**8 205 429**	9 415 400	16 774 334
Non-controlling interest		**57 582**	275 197	697 464
Total comprehensive income attributable to:		**16 039 074**	2 184 572	5 492 473
Owners of the parent		**15 981 492**	1 909 375	4 795 009
Non-controlling interest		**57 582**	275 197	697 464
Earnings per share (USD)	8			
Basic earnings per share (cents)		**5,4**	6.3	11.1
Diluted earnings per share (USD)	8			
Diluted basic earnings per share (cents)		**5,4**	6.2	11.0
Earnings per share (ZAR)				
Basic earnings per share (cents)		**76,7**	77,5	147,1
Diluted earnings per share (ZAR)				
Diluted basic earnings per share (cents)		**76,7**	76,3	145,7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD	Share capital	Equity due to change in control of interests	Foreign currency translation reserve
Balance as at 30 June 2018	148 703 721	(58 264 013)	(33 476 975)
Share-based payments	–	–	–
Issue of ordinary shares	329 286	–	–
Adjustment from the adoption of IFRS 9	–	–	–
Dividends declared by subsidiaries	–	–	–
Total comprehensive income for the period	–	–	(4 473 300)
Total changes	–	–	(4 473 300)
Balance as at 31 December 2018	148 703 721	(58 264 013)	(37 950 275)
Share-based payments	**–**	**–**	**–**
Adjustment from the adoption of IFRS 16	**–**	**–**	**–**
Contribution from non-controlling partner	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**7 776 064**
Dividends to shareholders	**–**	**–**	**–**
Total changes	**–**	**–**	**7 776 064**
Balance as at 30 June 2019	**148 703 721**	**(58 264 013)**	**(30 174 211)**

Share-based payments reserve	Total reserves	Retained income	Attributable to owners of the parent	Non-controlling interest	Total Shareholders' equity
538 957	(91 202 031)	94 558 590	152 060 280	8 530 512	160 590 792
176 955	176 955	–	176 955	–	176 955
–	–	–	329 286	–	329 286
–	–	(80 221)	(80 221)	–	(80 221)
–	–	(3 078 130)	(3 078 130)	–	(3 078 130)
–	(4 473 300)	10 437 063	5 963 763	471 818	6 435 581
176 955	(4 296 345)	7 278 712	2 982 367	471 818	3 454 185
715 912	(95 498 376)	101 837 302	155 042 647	9 002 330	164 044 977
126 986	**126 986**	**–**	**126 986**	**–**	**126 986**
–	**–**	**(136 957)**	**(136 957)**	**–**	**(136 957)**
–	**–**	**–**	**–**	**197 541**	**197 541**
–	**7 776 064**	8 205 429	15 981 493	**57 582**	16 039 075
–	**–**	**(2 662 992)**	**(2 662 992)**	**–**	**(2 662 992)**
126 986	**7 903 050**	5 405 480	13 308 530	**255 123**	13 563 653
842 898	**(87 595 326)**	107 242 782	168 351 177	**9 257 453**	177 608 630

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note(s)	**Unaudited six months ended Jun 2019 USD**	Unaudited six months ended Jun 2018 USD
Cash flows from operating activities			
Cash generated from operations	9	**9 253 213**	11 650 683
Interest income		**246 683**	573 256
Finance costs		**(1 815 631)**	(1 486 240)
Tax paid		**(2 152 497)**	(2 049 554)
Net cash from operating activities		**5 531 768**	8 688 145
Cash flows from investing activities			
Purchase of property, plant and equipment		**(8 095 080)**	(7 103 330)
Sale of property, plant and equipment		**435 155**	1 964 230
Financial assets movement		**(287 006)**	193 439
Investment in associate		**(1 004 816)**	(9 335 904)
Net cash from investing activities		**(8 951 747)**	(14 281 565)
Cash flows from financing activities			
Repayment of financial liabilities		**(4 589 183)**	(1 795 530)
Proceeds from financial leases		**948 470**	328 842
Repayment of financial leases		**(205 657)**	(100 151)
Related party loan movement		**1 003 217**	380 584
Dividends paid		**(2 662 992)**	(3 078 130)
Net cash from financing activities		**(5 506 145)**	(4 264 385)
Total cash movement for the period		**(8 926 124)**	(9 857 805)
Cash at the beginning of the period		**33 314 595**	40 211 629
Effect of exchange rate movement on cash balances		**2 387 113**	(1 956 425)
Total cash at end of the period		**26 775 584**	28 397 399

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Jun 2019 **USD**	**Cost**	**Accumulated depreciation and impairment losses**	**Carrying value**
Land and buildings	**4 621 449**	**(1 053 639)**	**3 567 810**
Right of use of assets	**4 759 518**	**(126 910)**	**4 632 608**
Plant and machinery	**188 021 896**	**(51 197 807)**	**136 824 089**
Assets under construction	**5 524 377**	**(2 567)**	**5 521 810**
Furniture and fittings	**1 244 515**	**(528 571)**	**715 944**
Motor vehicles	**4 589 910**	**(3 114 621)**	**1 475 289**
IT equipment	**744 484**	**(473 716)**	**270 768**
Finance lease: Plant and equipment	**7 214 628**	**(1 358 347)**	**5 856 281**
Computer software	**2 635 226**	**(1 755 351)**	**879 875**
Patents	**239 601**	**–**	**239 601**
Total	**219 595 604**	**(59 611 529)**	**159 984 075**

Dec 2018 USD	Cost	Accumulated depreciation and impairment	Carrying value
Land and buildings	4 249 534	(1 041 678)	3 207 856
Right of use of assets	–	–	–
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

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.1 Reconciliation of property, plant and equipment

Jun 2019 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries	Adjustments with the adoption of IFRS 16
Land and buildings	**3 207 856**	**294 357**	**77 850**	**–**
Right of use of assets	**–**	**–**	**167 207**	**4 592 311**
Plant and machinery	**121 898 655**	**2 307 945**	**4 890 821**	**–**
Assets under construction	**10 588 524**	**5 345 806**	**6 028**	**–**
Furniture and fittings	**726 201**	**5 724**	**(5 628)**	**–**
Motor vehicles	**1 674 795**	**103 893**	**(26 810)**	**–**
IT equipment	**268 668**	**37 355**	**3 108**	**–**
Finance lease: Plant and equipment	**6 679 637**	**–**	**20 771**	**–**
Computer software	**931 666**	**–**	**5 991**	**–**
Patents	**239 601**	**–**	**–**	**–**
	146 215 603	**8 095 080**	**5 139 338**	**4 592 311**

Dec 2018 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries	Adjustments with the adoption of IFRS 16
Land and buildings	4 142 972	168 124	(241 592)	–
Right of use of assets	–	–	–	–
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)	–

Security

Moveable assets to the value of ZAR1.2 billion of the South African subsidiaries have been bonded to Absa Capital as security for an interest-bearing loan.

Assets acquired through business combination	Reclassifications and transfers	Disposals	Depreciation	Impairment of property, plant and equipment	Total
	–	**–**	**(12 253)**	**–**	**3 567 810**
–	**–**	**–**	**(126 910)**	**–**	**4 632 608**
–	**10 429 755**	**(112 547)**	**(2 590 540)**	**–**	**136 824 089**
–	**(10 418 546)**	**–**	**–**	**–**	**5 521 812**
–	**6 876**	**(227)**	**(17 002)**	**–**	**715 944**
–	**300 122**	**(318 706)**	**(258 005)**	**–**	**1 475 289**
–	**(2 835)**	**(491)**	**(35 037)**	**–**	**270 768**
–	**(316 986)**	**–**	**(527 141)**	**–**	**5 856 281**
–	**–**	**–**	**(57 784)**	**–**	**879 873**
–	**–**	**–**	**-**	**–**	**239 601**
–	**(1 614)**	**(431 971)**	**(3 624 672)**	**–**	**159 984 075**

Assets acquired through business combination	Reclassifications and transfers	Disposals	Depreciation	Impairment of property, plant and equipment	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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

4. INTANGIBLE ASSETS

	Jun 2019 USD	Dec 2018 USD
Goodwill recognised from value chain business combinations	2 612 584	2 612 584
Goodwill recognised from raisebore business combinations	814 507	562 508
Goodwill recognised from business combinations	**3 427 091**	3 175 092

5. TRADE AND OTHER RECEIVABLES

	Jun 2019 USD	Dec 2018 USD
Trade receivables – Normal	36 427 134	32 511 631
Trade receivables – Retention	5 417 648	5 449 738
Loans to employees	102 681	119 777
Pre-payments	1 024 187	693 501
Deposits	1 313 337	827 369
Indirect taxes	3 114 435	3 304 990
Sundry	3 298 681	5 272 841
	50 698 103	48 179 847
Trade receivables of South African subsidiaries have been ceded to Absa Capital as security for interest-bearing loan.		
The movement in allowance for doubtful debts is presented below		
Balance 1 January	1 126 817	501 495
Adjustment from adoption of IFRS 9	–	80 221
Exchange differences on translation of foreign operations	(9 535)	(57 625)
Amounts written off	–	–
Allowance for doubtful debts (reversed)/provided for	138 443	602 726
	1 255 725	1 126 817

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

	USD	USD
United States Dollar (USD)	**21 843 649**	20 419 586
South African Rands (ZAR)	**7 951 017**	8 703 918
Brazilian Reals (BRL)	**3 207 637**	3 091 482
Mexican Peso (MXN)	**778 184**	91 500
Chilean Peso (CLP)	**7 656 231**	7 705 700
Peruvian Nuevo Sol (PEN)	**963 107**	975 082
CFA Franc BCEAO (XOF)	**5 656**	3 339
Chinese Yuan Renminbi (CNY)	**389 948**	224 476
Guatemalan Quetzal (GTQ)	**7 216**	6 906
Zambian Kwacha (ZMW)	**299 092**	1 063 825
Colombian Peso (COP)	**610 257**	102 019
Indian Rupee (INR)	**1 024 554**	3 877 865
Swedish Krona (SEK)	**1 019 507**	1 070 442
Australian Dollars (AUD)	**–**	41 828
Canadian Dollar (CAD)	**1 766 491**	289 801
Euro (EUR)	**3 175 557**	512 078
	50 698 103	48 179 847

6. TRADE AND OTHER PAYABLES

	Jun 2019 USD	Dec 2018 USD
Trade payables	**7 839 259**	7 423 846
Income received in advance	**658 299**	822 402
Indirect taxes	**2 365 164**	3 914 138
Leave pay accruals	**2 089 426**	1 983 405
Onerous contracts	**1 014 836**	1 714 836
Business combination consideration payable	**1 295 634**	1 420 684
Investment in associate consideration payable	**–**	897 837
Employee related	**3 287 687**	2 971 288
Other accruals	**7 341 092**	7 541 584
	25 891 397	28 690 020

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

7. EARNINGS PER SHARE

	Jun 2019 USD	Jun 2018 USD	Dec 2018 USD
Reconciliation between earnings and headline earnings			
Basic earnings for the year	**8 263 010**	9 690 597	17 471 798
Deduct:			
Non-controlling interest	**(57 581)**	(275 197)	(697 464)
Attributable to owners of the parent	**8 205 429**	9 415 400	16 774 334
(Gain)/Loss on disposal of fixed assets	**(3 183)**	(845 952)	(949 084)
Impairment of plant and equipment		–	–
Tax effect on loss on disposal of fixed assets and impairments	**679**	249 555	296 687
Headline earnings for the year	**8 202 925**	8 819 003	16 121 937
Earnings per share (USD cents)	**5.4**	6.3	11.1
Diluted earnings per share (USD cents)	**5.4**	6.2	11.0
Headline earnings per share (USD cents)	**5.4**	5.9	10.7
Diluted headline earnings per share (USD cents)	**5.4**	5.8	10.6
Dividends per share (ZAR cents)	**–**	–	26.0
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**	150 592 777	150 592 777
Effect of dilutive potential ordinary shares – employee share options	**1 530 000**	1 530 000	1 530 000
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**	152 122 777	152 122 777

8. CASH GENERATED FROM OPERATIONS

	Jun 2019 USD	Jun 2018 USD
Profit before taxation	**10 145 705**	11 925 296
Adjustments for:		
Depreciation and amortisation	**3 624 672**	3 638 602
Impairment		–
Share of profit from equity accounted investment	**72 013**	17 929
Translation effect of foreign operations	**103 465**	(450 445)
Share-based payment – equity settled	**126 986**	159 521
(Profit)/Loss on sale of assets	**(3 183)**	(845 952)
Interest received	**(246 683)**	(573 256)
Finance costs	**1 815 631**	1 486 240
Changes in working capital:		
Inventories	**(1 068 514)**	2 975 979
Trade and other receivables	**(2 518 256)**	(1 800 770)
Trade and other payables	**(2 798 623)**	(4 882 461)
	9 253 213	11 650 683

9. CAPITAL COMMITMENTS

	Jun 2019 USD	Dec 2018 USD
Capital expenditure authorised by the directors and contracted for within 12 months. Capital expenditure will be funded through cash generated from operations.	**6 365 789**	1 189 801

10. SEGMENT REPORTING

10.1 Mining activity

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

	Jun 2019 USD	Jun 2018 USD	Dec 2018 USD
Sales revenue by stage of mining activity			
Exploration	**1 057 846**	602 942	3 762 574
Capital	**7 742 586**	3 115 163	21 849 982
Production	**61 158 671**	63 661 210	113 109 208
	69 959 103	67 379 315	138 721 765
Gross profit by stage of mining activity			
Exploration	**456 179**	144 385	1 561 718
Capital	**3 052 221**	1 619 518	7 943 321
Production	**20 731 358**	22 153 014	34 061 497
	24 239 758	23 916 917	43 566 536

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

10. SEGMENT REPORTING (continued)

10.2 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.

	Jun 2019 USD	Jun 2018 USD	Dec 2018 USD
Sales revenue by geographical market			
Africa	**22 475 361**	22 702 248	47 011 105
Central and North America	**10 038 271**	7 086 045	17 437 769
Other countries (*)	**13 794 133**	8 875 339	16 195 137
South America	**23 651 338**	28 715 683	58 077 754
	69 959 103	67 379 315	138 721 765
Gross profit by geographical market			
Africa	**11 642 371**	10 667 105	16 641 344
Central and North America	**36 342**	(67 774)	4 739 601
Other countries (*)	**4 071 668**	3 033 523	5 921 443
South America	**8 489 377**	10 284 063	16 264 148
	24 239 758	23 916 917	43 566 536

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

	Jun 2019 USD	Jun 2018 USD	Dec 2018 USD
Depreciation by geographical market			
Africa	**1 678 705**	1 647 830	3 374 462
Central and North America	**297 899**	184 624	706 619
Other countries (*)	**605 732**	599 418	1 212 791
South America	**1 042 336**	1 206 730	1 911 696
	3 624 672	3 638 602	7 205 568

	Jun 2019 USD	Jun 2018 USD	Dec 2018 USD
Investment revenue by geographical market			
Africa	**87 675**	164 236	301 152
Central and North America	**774**	73	4 038
Other countries (*)	**93 349**	247 139	248 373
South America	**64 885**	161 808	182 605
	246 683	573 255	736 169

	Jun 2019 USD	Jun 2018 USD	Dec 2018 USD
Finance cost by geographical market			
Africa	**817 493**	705 240	1 250 988
Central and North America	**330 172**	214 505	575 583
Other countries (*)	**267 729**	270 460	370 205
South America	**400 237**	296 035	661 715
	1 815 631	1 486 240	2 858 491

	Jun 2019 USD	Jun 2018 USD	Dec 2018 USD
Taxation by geographical market			
Africa	**789 211**	1 258 060	868 065
Central and North America	**31 335**	5 559	98 665
Other countries (*)	**696 162**	585 209	1 564 038
South America	**365 987**	385 871	1 496 701
	1 882 695	2 234 699	4 027 469

(*) Other countries include operations in Scandinavia and India.

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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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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 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 George Dixon	Alternate director

Resident in Peru

COMPANY SECRETARY

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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 "investment and multimedia" 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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