



MASTER DRILLING



AUDITED ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2019



PRESENTED BY
DANIE PRETORIUS, CEO
ANDRE VAN DEVENTER, CFO
KOOS JORDAAN, DIRECTOR
ROELOF SWANEPOEL, COO



**Business
overview**



**Technology
overview**



**Operational
overview**



**Financial
overview**



**Q&A and
Closing**

AGENDA



**BUSINESS OVERVIEW
DANIE PRETORIUS, CEO**

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- The background of the slide features a dark blue and black color scheme with a grid pattern. On the right side, there is a candlestick chart with green and white bars. On the left side, there are several numerical values in different colors: 93.21 (blue), 1.8245 (orange), 1.390 (green), 0.9269 (orange), and 65.84 (blue).
- Global economy slowdown
 - China economy impact on the world and the industry
 - Volatile commodity prices
 - COVID 19 impact
 - Capital expenditure being pulled back

MARKET

Innovative tailor made drilling solutions

Client Challenges



Safety



Financial feasibility

No Blast -
Mechanical excavation

Mobile tunnel
borer



Blind shaft
boring system



Horizontal
raise boring



Autonomous
drilling



STRATEGIC RESPONSE



TECHNOLOGY OVERVIEW KOOS JORDAAN, DIRECTOR

Master Tunnelling: Mobile Tunnel Borer

- Phase 1 executed H2 2019 with Northam Platinum
- Phase 2 contract start-up Q1 2020 for 1.5km decline for 18 months
- 2 further projects under proposal
- Alternative contractual business model under review for future projects



TECHNOLOGY OVERVIEW

Master Sinking: Shaft Boring System

- Phase 1- 5 approach for risk mitigation
- Phase 1 concluded in Q4 2019
- Equity and Debt funding for Phase 2-4 in review
- Unique hard rock mechanised Shaft Sinking technology



TECHNOLOGY OVERVIEW

Automation, remote operation and digitization

3 years since the establishment of a dedicated inhouse electronic and software development and support resource

- **Remote operation**
 - 20% of demonstrated project drilled
 - 1 rig capable, further 4 rigs in work in progress
- **Semi and Full autonomous control**
 - 42x machines fitted with semi autonomous control
 - Full autonomous engineering done awaiting suitable trial project

- **Digitization**

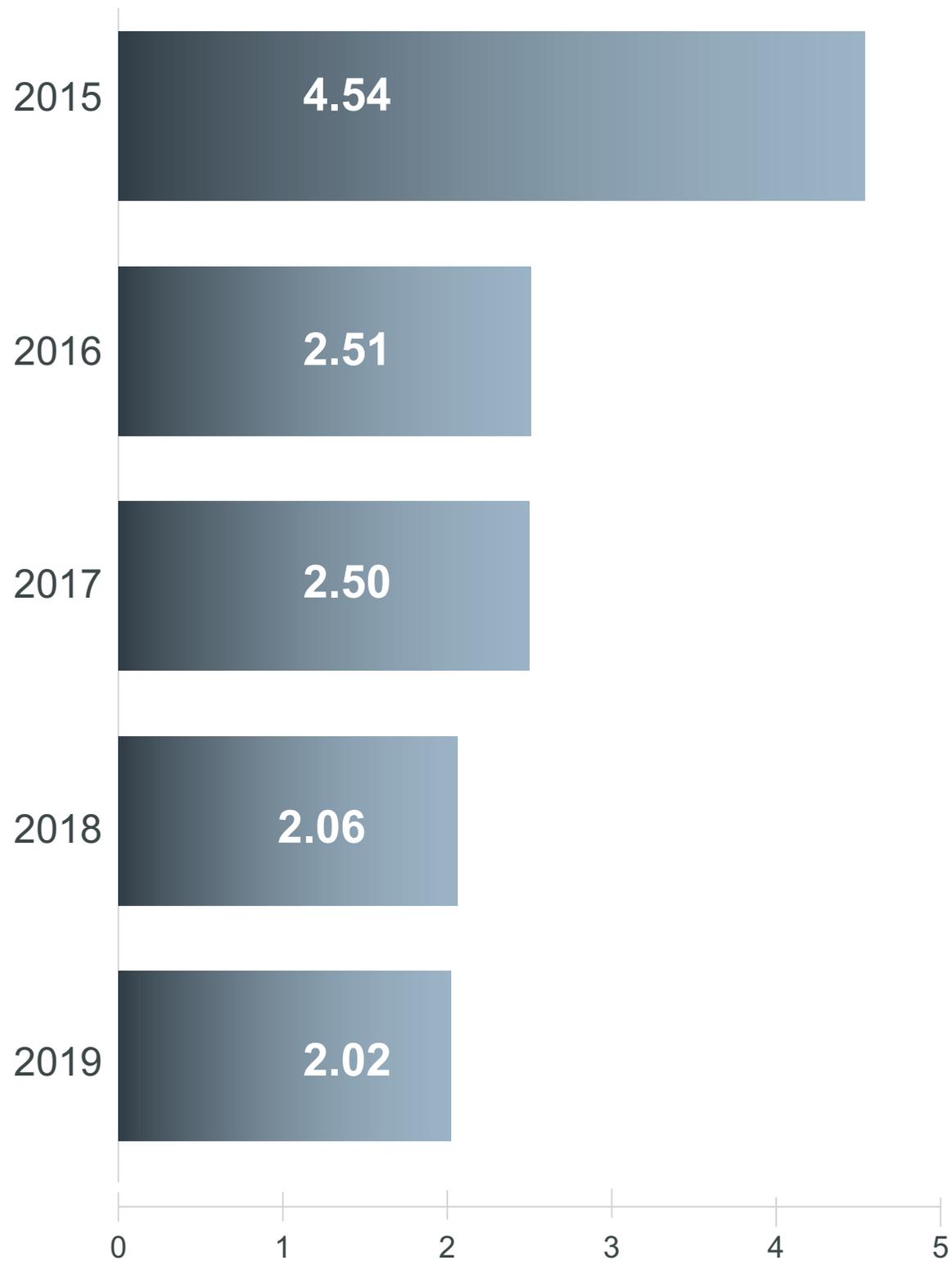
- MD Exploration operational reporting done since 2017
- Role out to the majority of other operations in 2019
- Further development for additional modules



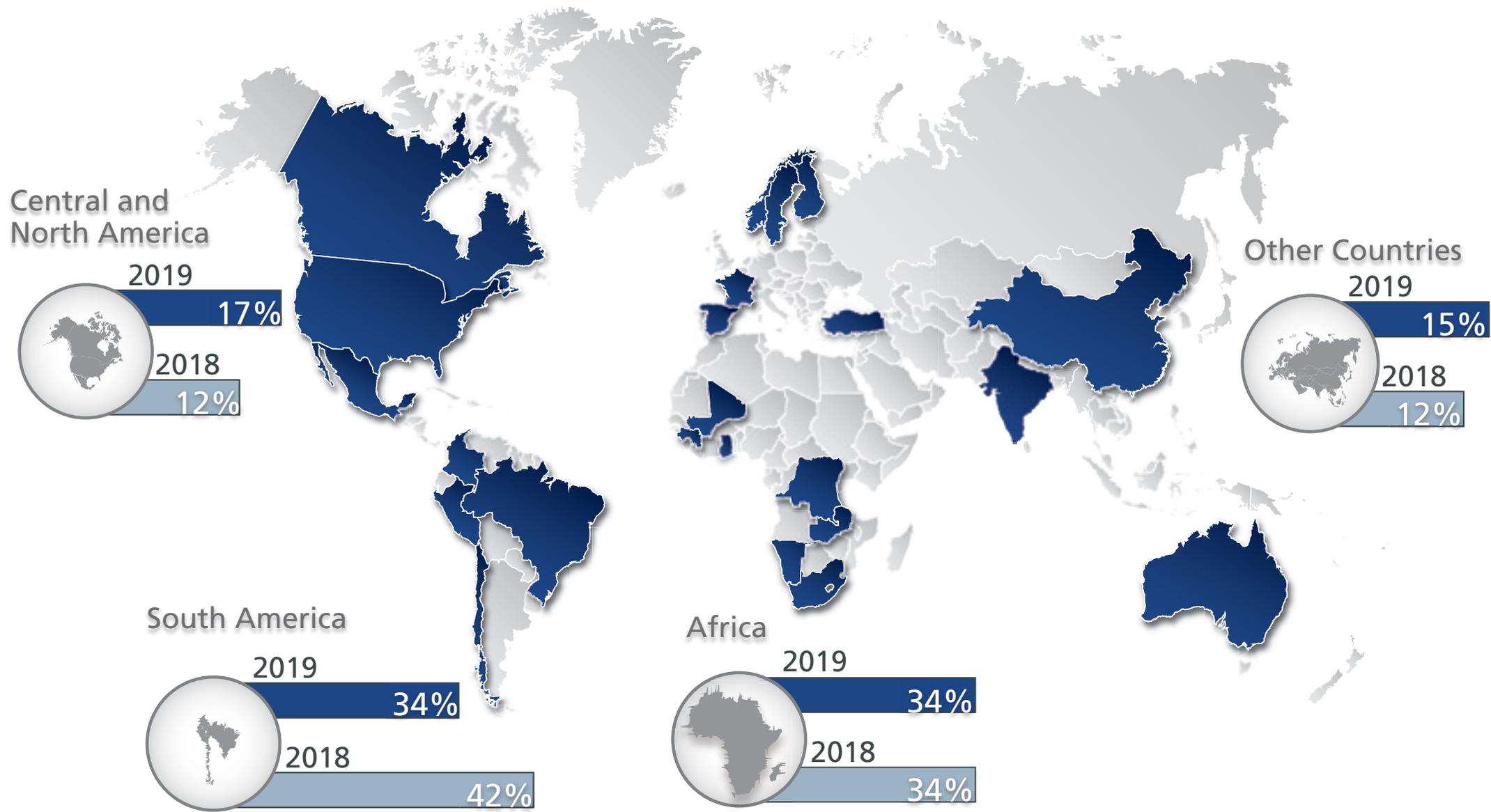
TECHNOLOGY OVERVIEW



OPERATIONAL REVIEW ROELOF SWANEPOEL, COO



LOST TIME INJURY FREQUENCY RATE



Operating profit margin

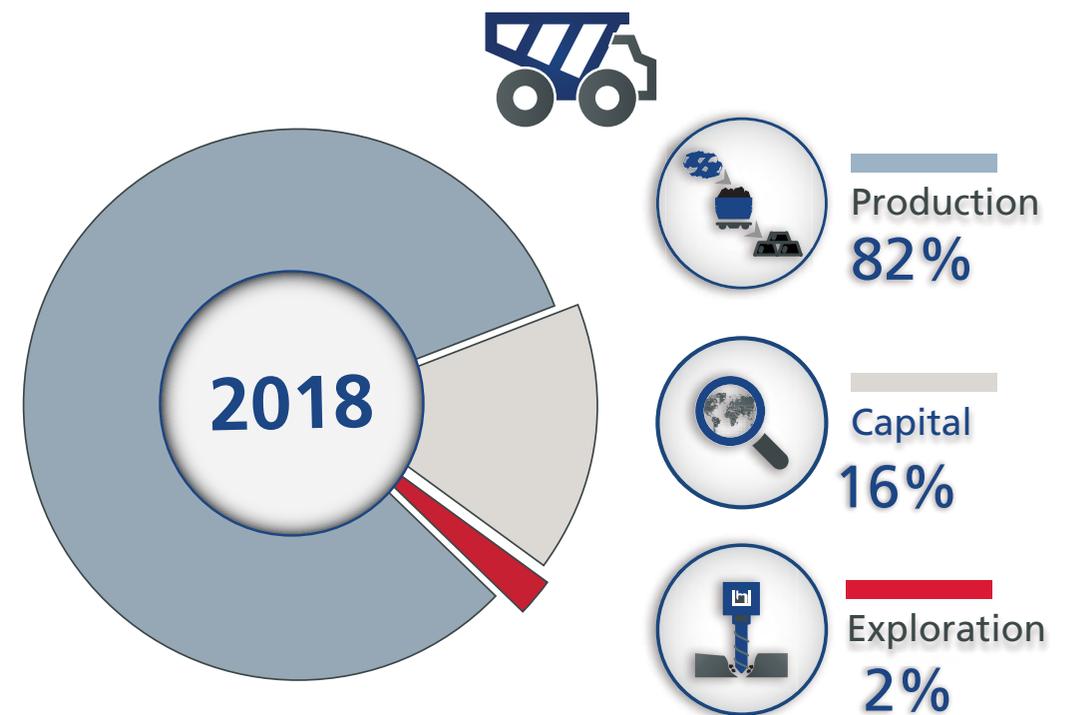
Central and North America
(1.02%)

South America
20.18%

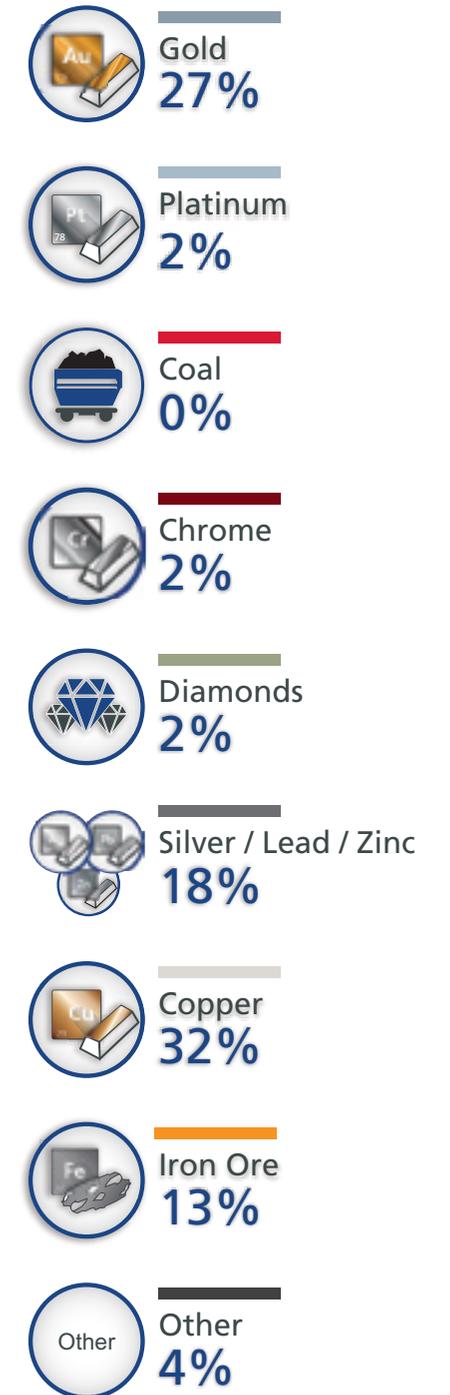
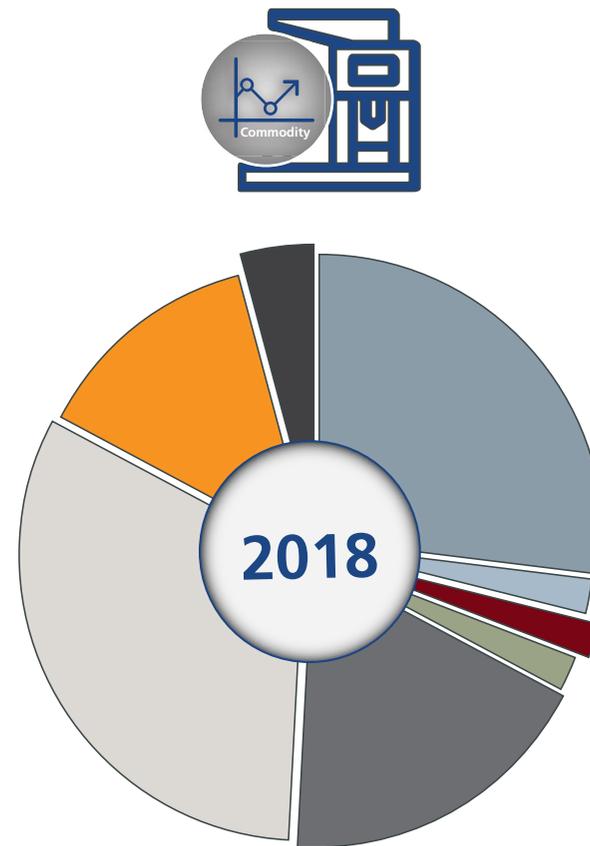
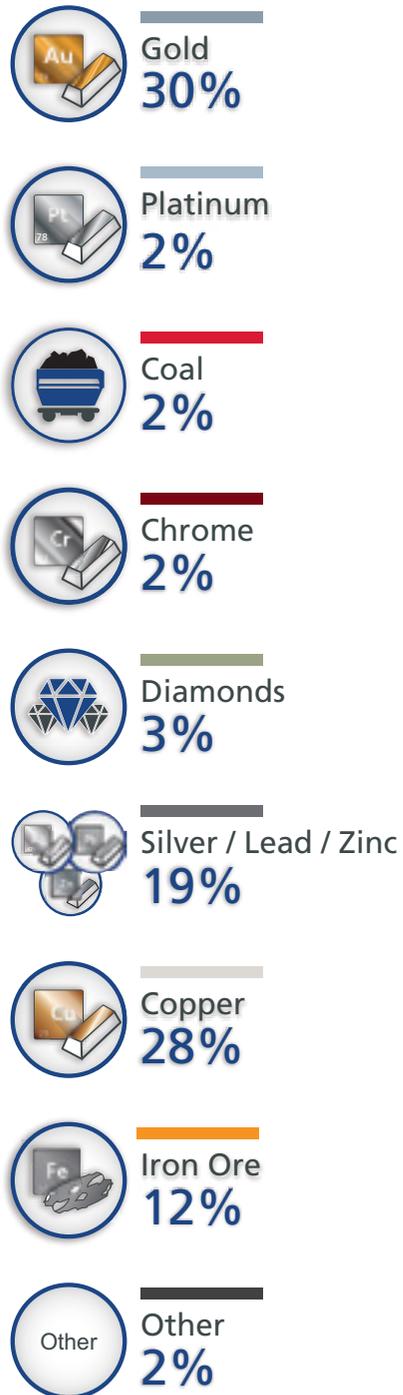
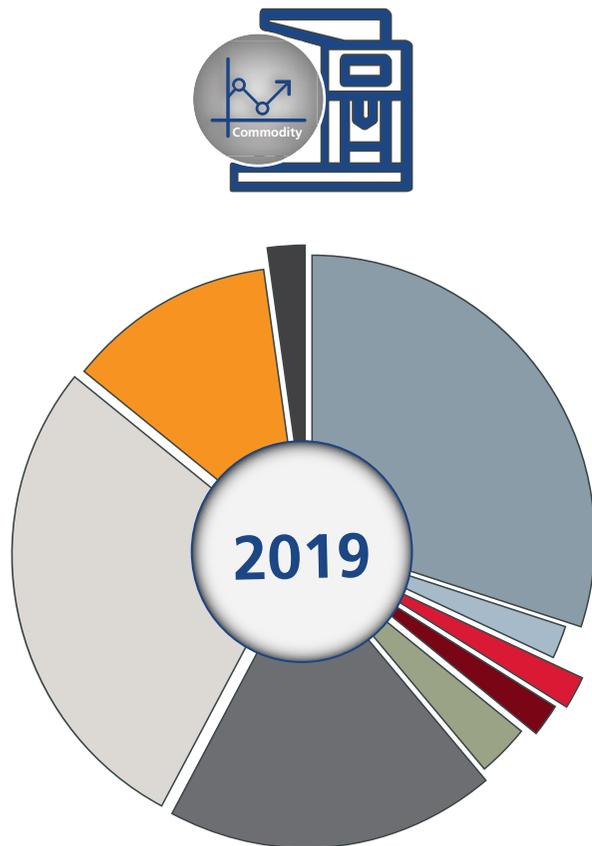
Other Countries
28.52%

Africa
39.06%

REVENUE GEOGRAPHIC DIVERSIFICATION



REVENUE MINING ACTIVITY DIVERSIFICATION

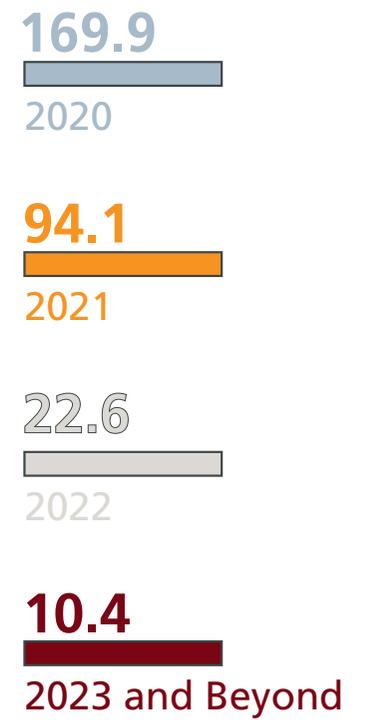
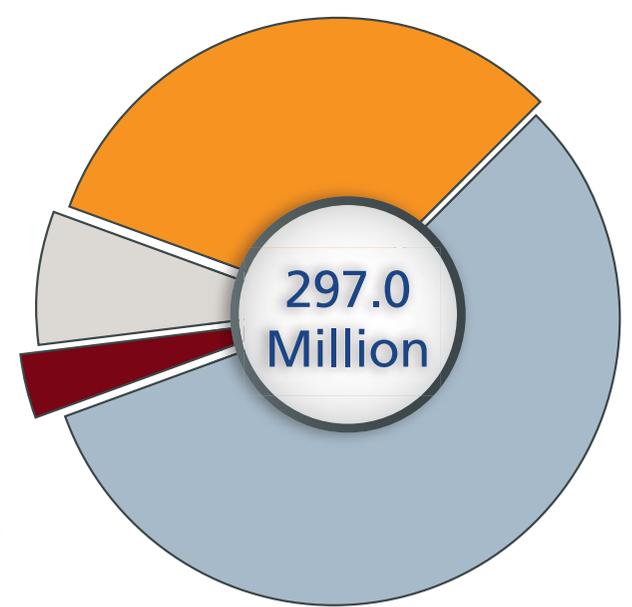
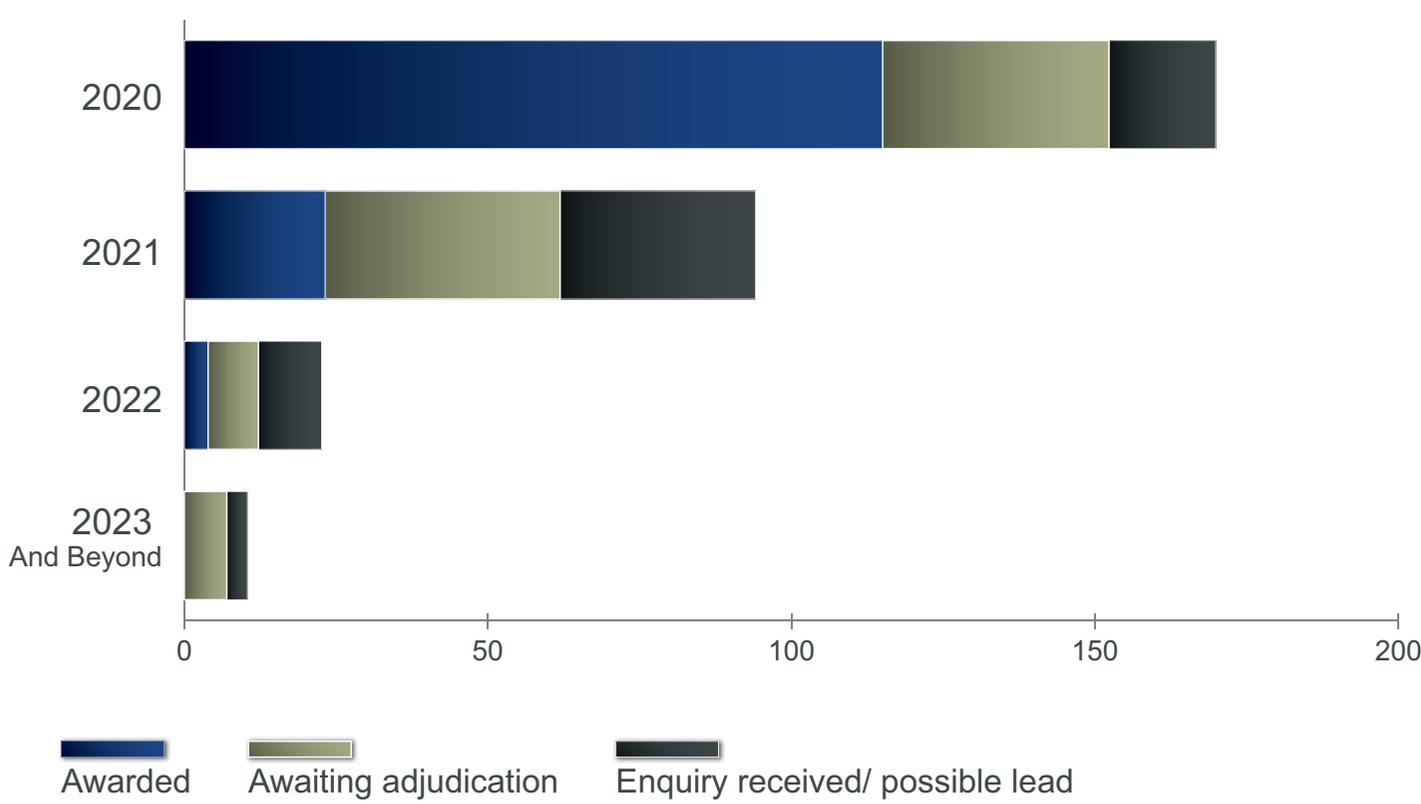


REVENUE COMMODITY DIVERSIFICATION

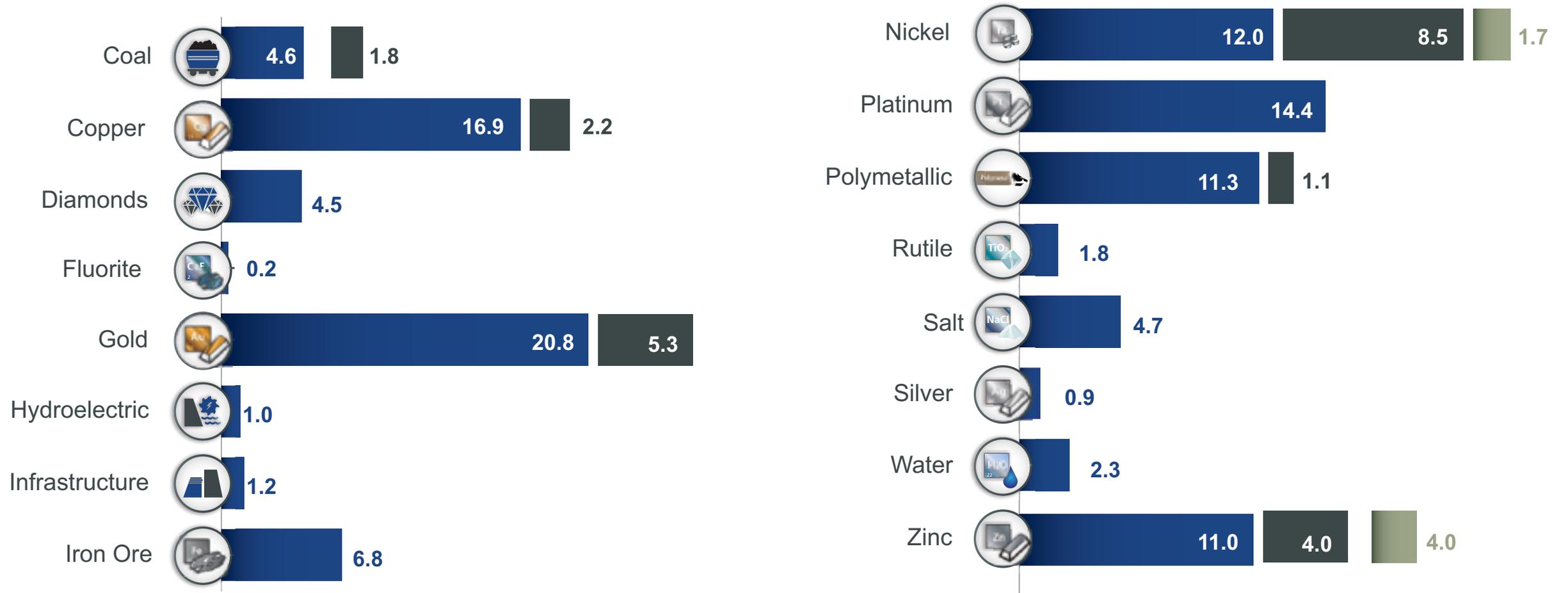
	2019	2018	2017
Total Raise bore rigs	143	149	107
Utilization %	64%	61%	69%
ARPOR (USD)	111 135	107 530	110 937
Total Slim rigs	30	30	34
Utilization %	70%	68%	77%
ARPOR (USD)	69 292	70 430	63 597



ARPOR SUMMARY PER ANNUM



PIPELINE (USD ‘ MILLION)



COMMITTED ORDERS (USD ‘ MILLION)

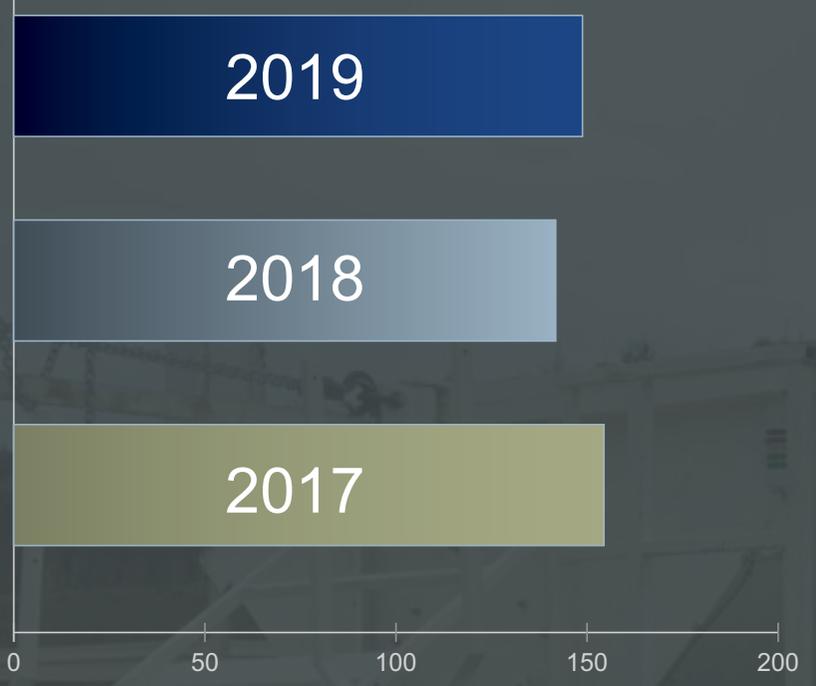


**FINANCIAL OVERVIEW
ANDRE VAN DEVENTER, CFO**

- USD Revenue increased by 6.9%
- Further expansion into North America - Start up of new projects
- Mobile Tunnel Borer's pilot project started in South Africa
- Healthy cash balance - geared for future growth

HIGHLIGHTS FOR THE PERIOD

HEPS (ZARc)



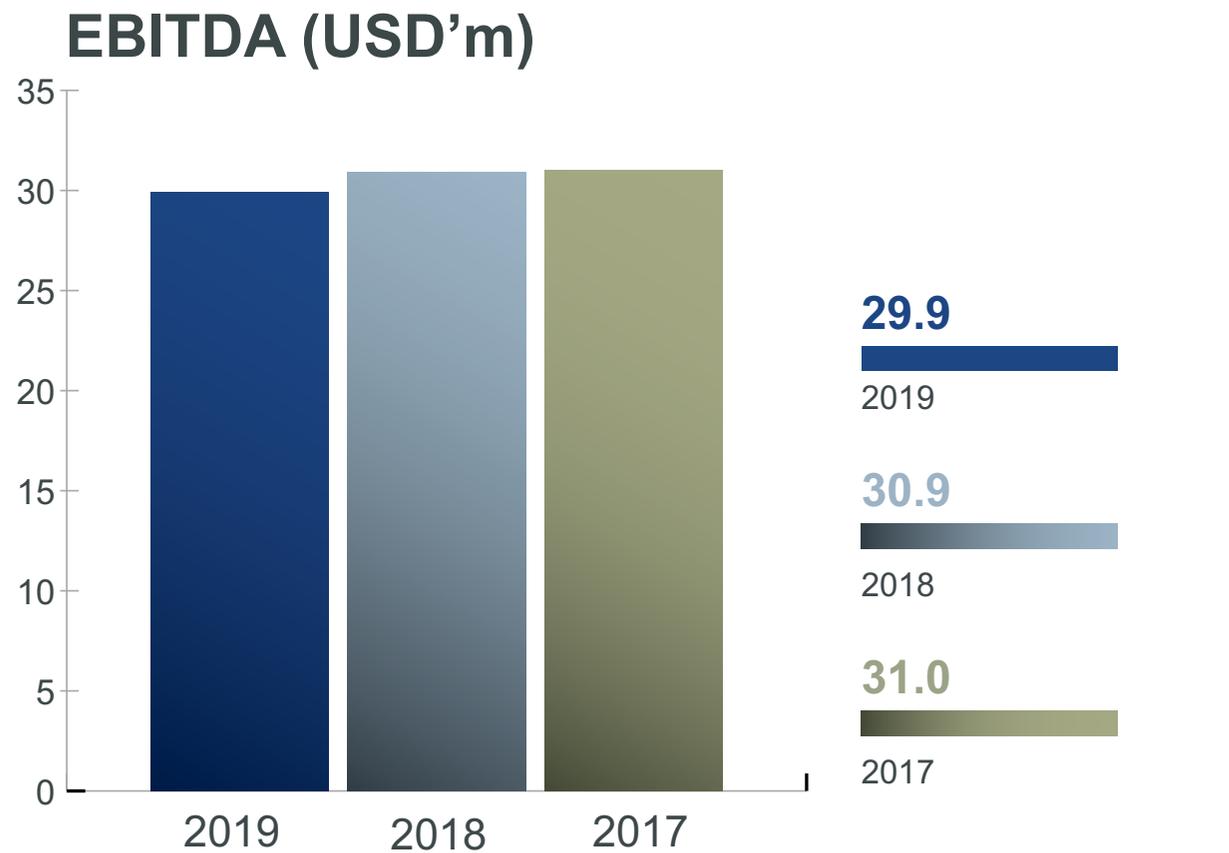
HEPS (USDc)



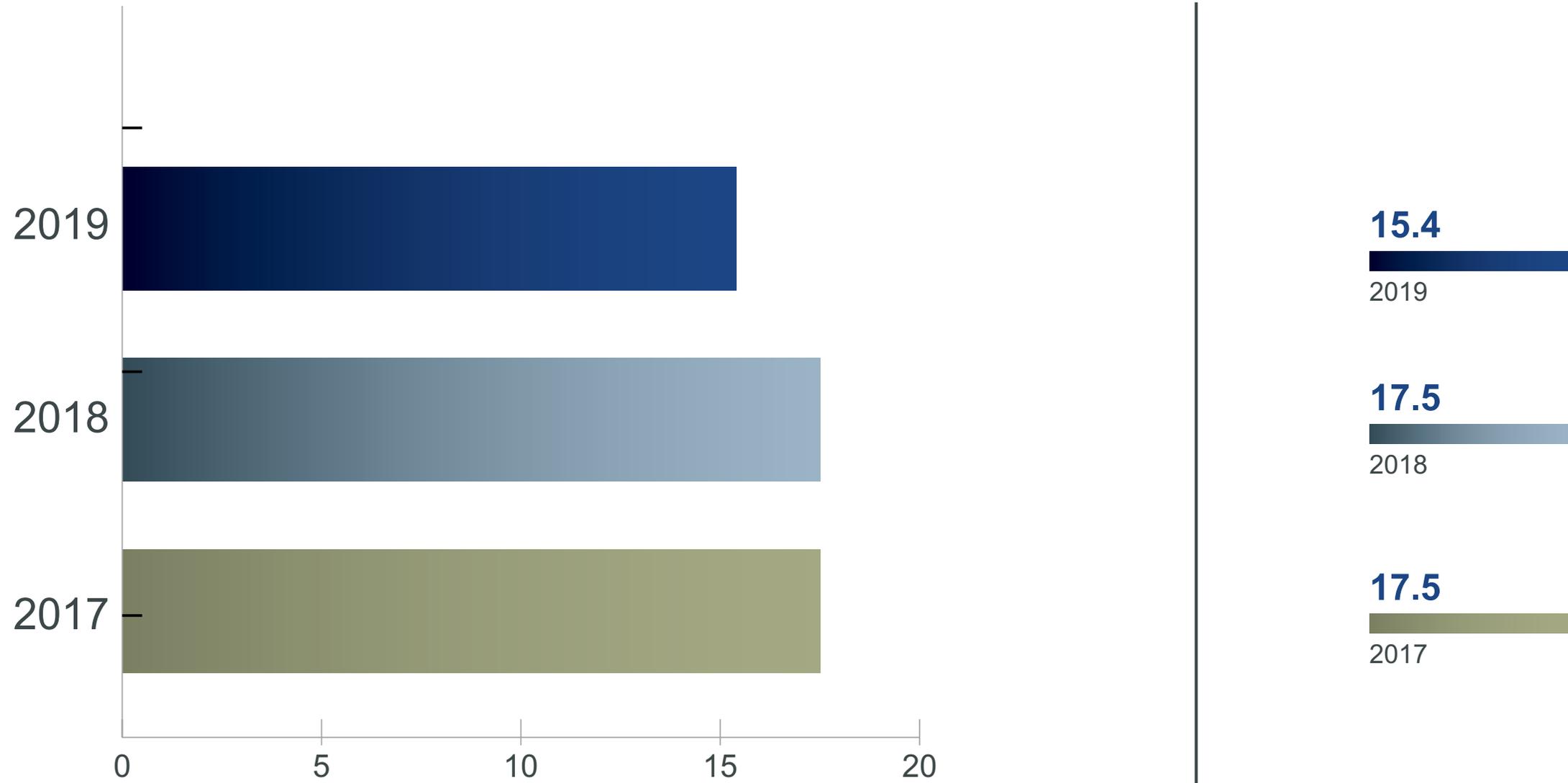
HEADLINE EARNINGS PER SHARE

2019

20.1%



**EARNINGS BEFORE INTEREST TAX
DEPRECIATION AMORTISATION (USD ' MILLION)**



PROFIT AFTER TAX (USD ' MILLION)



	2019 USD 'million	2018 USD 'million	Comment
Assets			
Total non-current assets	176.7	157.7	Investment in MTB and SBS
Total current assets	99.5	108.7	Working capital ratio moved from 119.1 to 127.5
Total assets	276.2	266.4	
Equity			
Equity	165.2	155.1	
Non-controlling interest	10.0	9.0	
Total equity	175.1	164.1	
Liabilities			
Total non-current liabilities	56.9	61.2	Gearing ratio moved from 16.2% to 22.5%
Total current liabilities	44.2	41.1	Healthy current ratio of 2.25
Total liabilities	101.0	102.3	
Total equity and liabilities	276.2	266.4	

STATEMENT OF FINANCIAL POSITION

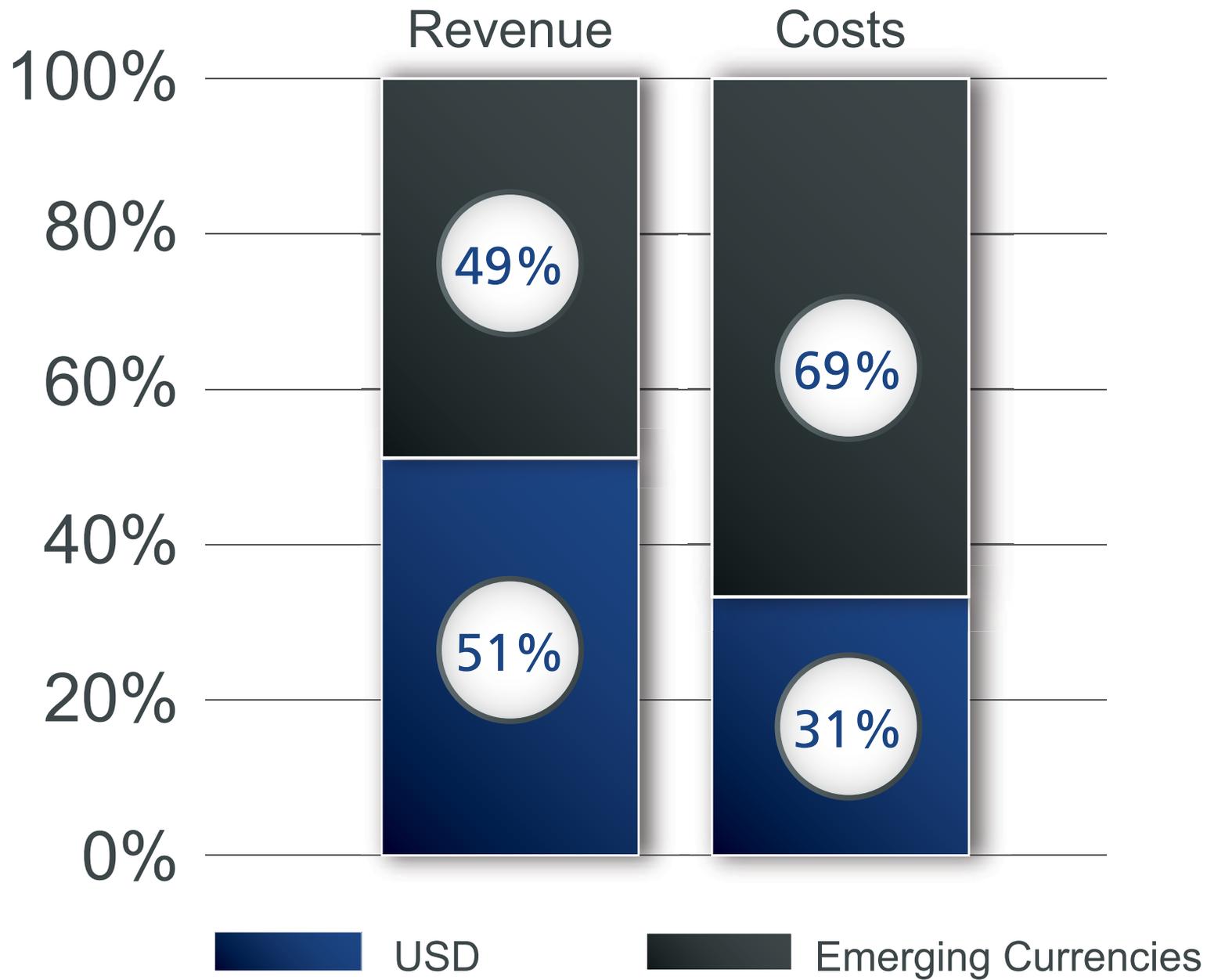
	2019	2018
	USD 'million	USD 'million
Revenue	148.3	138.7
Cost of sales	(104.2)	(95.1)
Gross profit	44.1	43.6
Other operating income	3.1	5.9
Other operating expenses	(24.8)	(25.8)
Operating profit	22.4	23.7
Investment revenue	1.2	0.7
Finance costs	(4.6)	(2.8)
Share of profit from equity accounted investment	0.0	(0.0)
Profit before taxation	19.0	21.5
Taxation	(3.6)	(4.0)
Profit for the year	15.4	17.5

	Comment
Revenue	Increased due to expansion into new geographics
Cost of Sales	Includes restructuring cost of USD1.5 million
Other operating expenses	Stable
Taxation	Stable
Profit for the year	Down due to largely restructuring, ECL provision and impairments

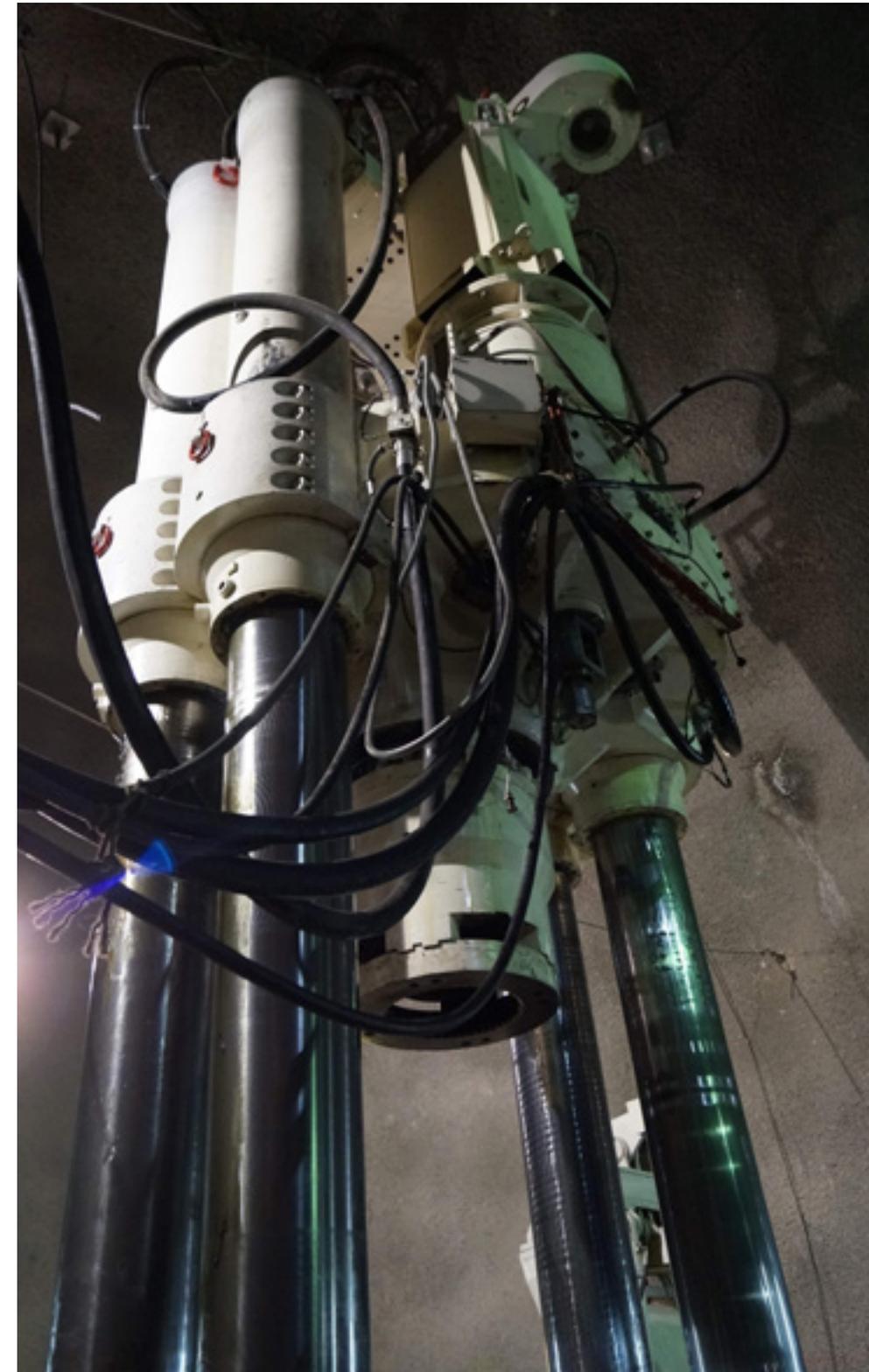


STATEMENT OF COMPREHENSIVE INCOME

2019



	USD' million
Positive impact on profit before taxation	1.04

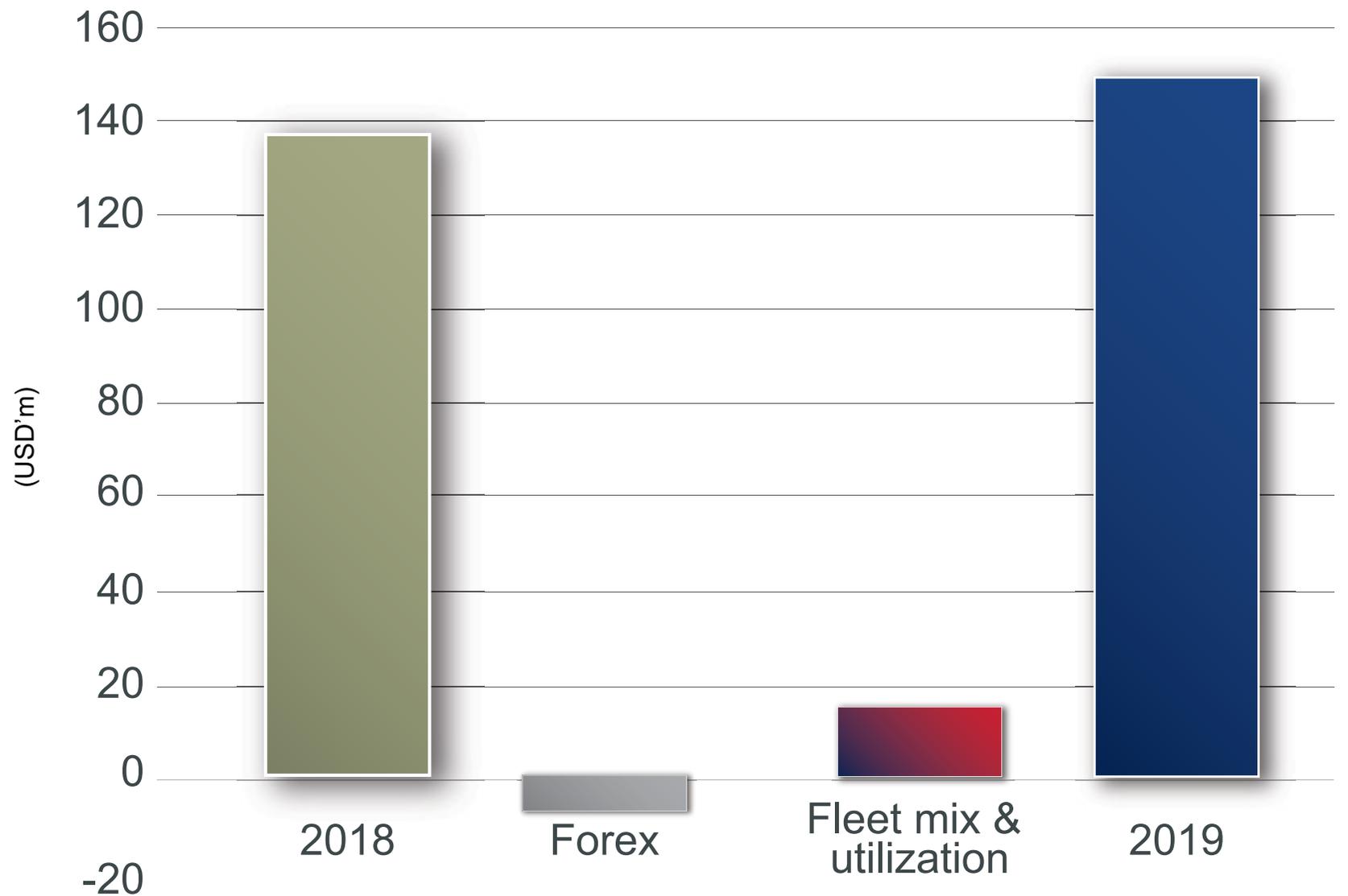


IMPACT OF CURRENCY ON PROFIT BEFORE TAXATION



	2019	2018	Comment
	USD 'million	USD 'million	
Net cash from operating activities	14.8	18.8	Slower payments from debtors
Net cash from investing activities	(17.2)	(32.2)	Investment in technology
Net cash from financing activities	(11.2)	9.5	Repayment of ABSA loan facility
Total cash movement for the period	(13.7)	(3.9)	
Cash at the beginning of the period	33.3	40.2	
Effect of exchange rate movement on cash balances	(0.1)	(3.0)	
Total cash at the end of the period	19.5	33.3	Sufficient cash for future opportunities

STATEMENT OF CASH FLOWS

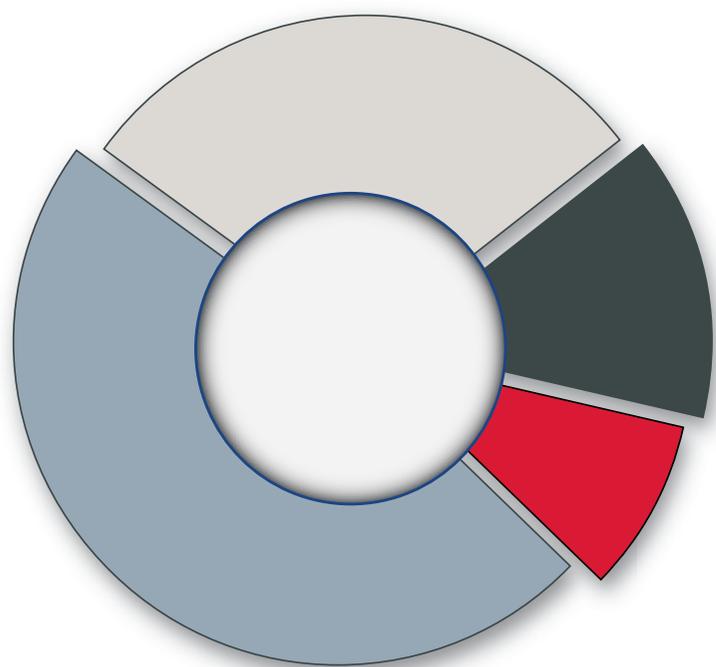


Revenue - 2018	138.7
Forex	(6.4)
Fleet Mix and Utilisation	14.4
Revenue - 2019	148.3

REVENUE WATERFALL BREAKDOWN (USD ‘ MILLION)

Working Capital Breakdown	2019	2018	Movement
Inventory	27.9	25.8	(2.1)
Trade and Other Receivables	50.7	48.2	(2.5)
Trade and Other Payables	26.9	28.7	(1.8)

Trade receivable ageing



Normal Terms
47.97%

1 month past due
29.27%

2 months past due
14.22%

3 and more months past due
8.54%

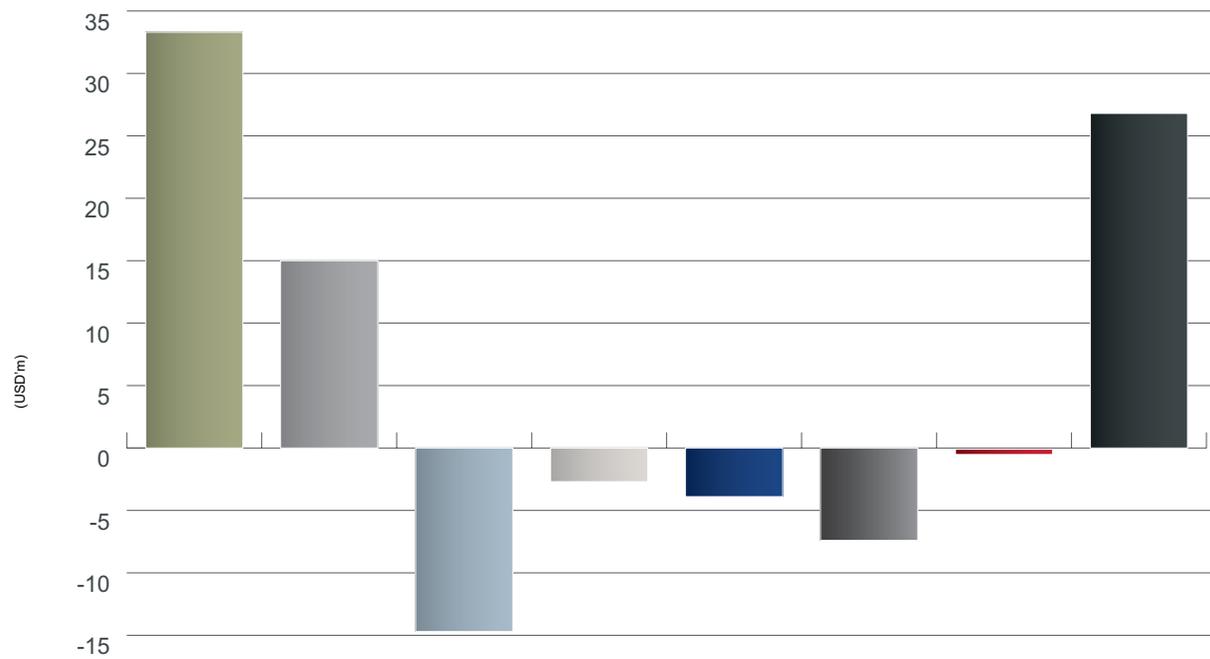


WORKING CAPITAL BREAKDOWN (USD ‘ MILLION)

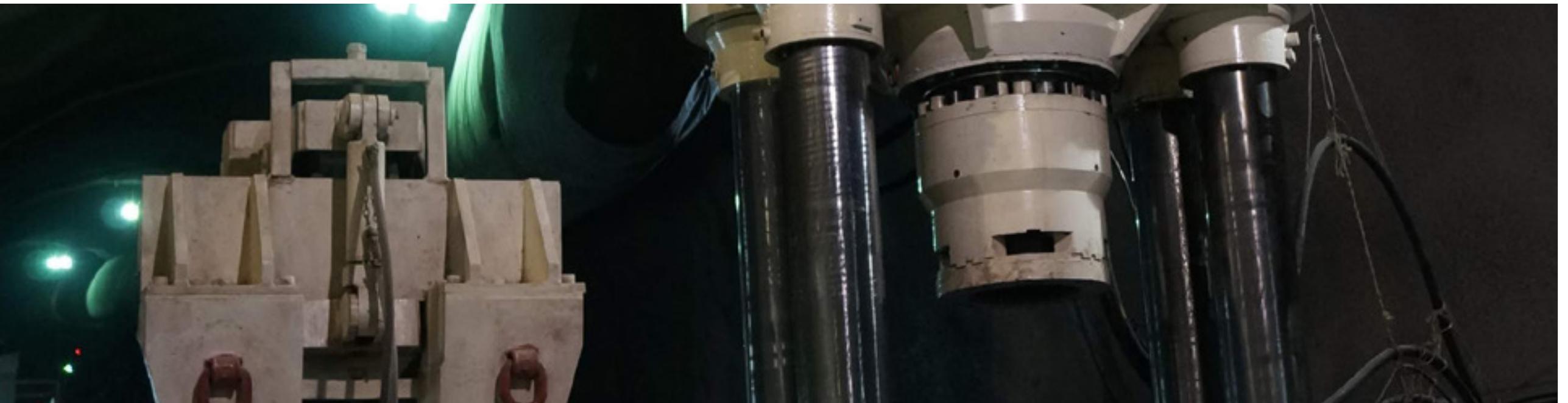
	2019	2018
Return on Capital Employed (EBITDA)	12.9%	14.6%
Return on Capital Employed (EBIT)	9.7%	10.9%
Working Capital Ratio (Days)	127.2	119.1
Gearing Ratio (Net of Cash)	22.5%	16.2%



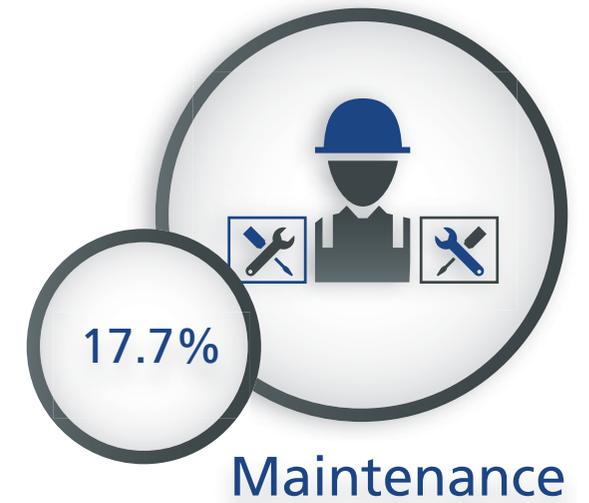
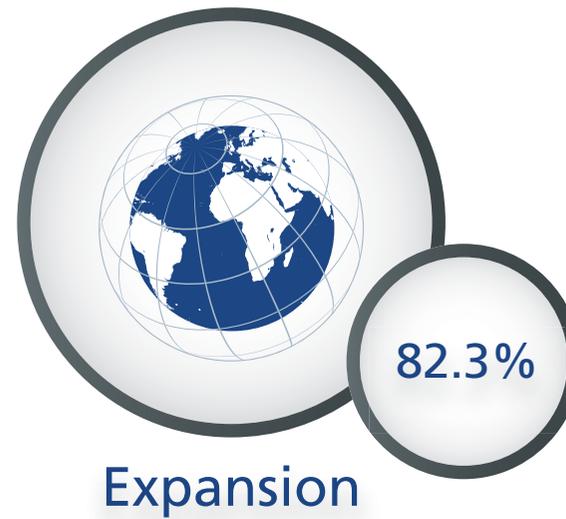
BALANCE SHEET RATIOS



Cash Flow Waterfall		2019
Cash at beginning of period		33.3
Cash from operation activities		15.0
Net acquisition of property, plant & equipment		(14.7)
Dividends paid		(2.7)
Investment of associate		(3.9)
Net movement in Financial Liabilities		(7.4)
Other		(0.1)
Cash at end of period		26.8



CASH FLOW WATERFALL (USD ‘ MILLION)



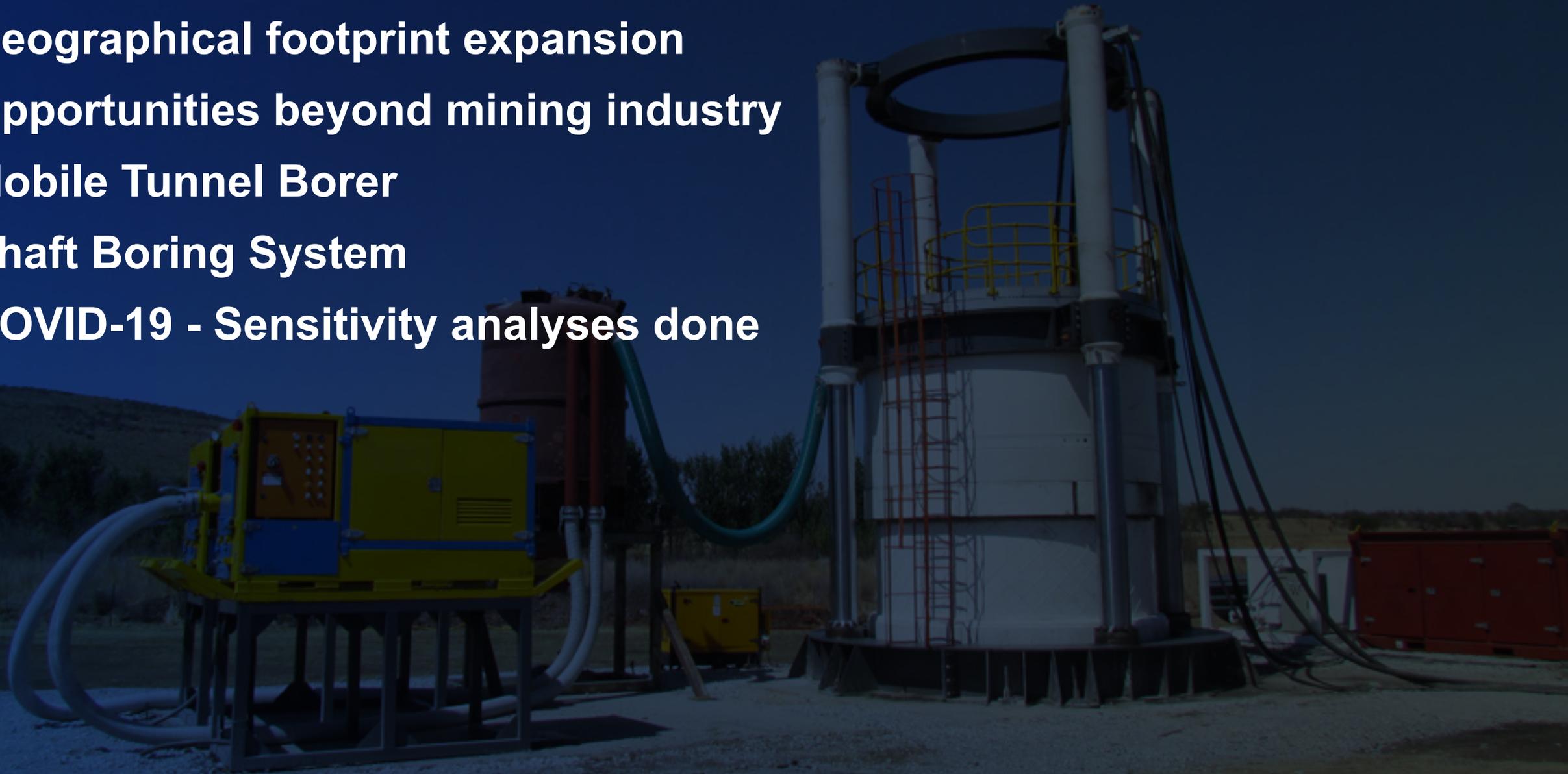
Land and Buildings	7%
Plant and Machinery	87%
Furniture and Fittings	1%
Motor Vehicles	4%
IT Equipment	1%

CAPITAL SPEND



Q&A SESSION

- **Healthy pipeline of USD297.1 million**
- **Stable orderbook**
- **Geographical footprint expansion**
- **Opportunities beyond mining industry**
- **Mobile Tunnel Borer**
- **Shaft Boring System**
- **COVID-19 - Sensitivity analyses done**



IN CLOSING



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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
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André Jean van Deventer	Financial director and chief financial officer
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Barend Jacobus (Koos) Jordaan	Executive director
-------------------------------	--------------------

Gareth (Gary) Robert Sheppard #	Chief operating officer
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Non-executive

Hendrik (Hennie) Roux van der Merwe	Chairman and independent non-executive
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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 (Eddie) Dixon	Alternate director
---------------------------	--------------------

Resident in Peru

COMPANY SECRETARY

Andrew Beaven

6 Dwars Street

Krugersdorp

1739

South Africa

PO Box 158, Krugersdorp, 1740

South Africa

JSE SPONSOR

Investec Bank Limited

(Registration number: 1969/004763/06)

100 Grayston Drive, Sandown

Sandton, 2196

South Africa

INDEPENDENT AUDITORS

BDO South Africa Incorporated

52 Corlett Drive

Illovo

2196

South Africa

SHARE TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

(Registration number: 2004/003647/07)

Rosebank Towers, 15 Biermann Avenue,

Rosebank,

South Africa

CORPORATE INFORMATION



INVESTOR RELATIONS CONTACTS

Monica Ambrosi

Instinctif Partners

Telephone: +27 11 050 7506

Mobile: +27 83 307 8286

E-mail: MasterDrilling@instinctif.com

GENERAL E-MAIL QUERIES

info@masterdrilling.com

Master Drilling website

www.masterdrilling.com

Company Secretarial E-mail

Companysecretary@masterdrilling.com

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