



**MASTER DRILLING**

**2019**  
INTEGRATED  
REPORT

**GLOBAL LEADERS IN DRILLING SOLUTIONS**

# CONTENTS

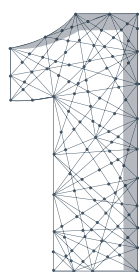
|                                               |                           |
|-----------------------------------------------|---------------------------|
| About Master Drilling                         | <b>flap</b>               |
| About this report                             | <b>Inside front cover</b> |
| FY2019 highlights                             | <b>1</b>                  |
| Timeline                                      | <b>2</b>                  |
| Chairman and Chief Executive Officer's review | <b>4</b>                  |



This icon accompanies a reference to a page elsewhere in this Integrated Report



This icon points to information that can be found on our website [www.masterdrilling.com](http://www.masterdrilling.com)



## MASTER DRILLING IN A SNAPSHOT

|                       |           |
|-----------------------|-----------|
| Who we are            | <b>12</b> |
| Why we lead the world | <b>13</b> |
| Our global footprint  | <b>14</b> |
| Our market in context | <b>16</b> |



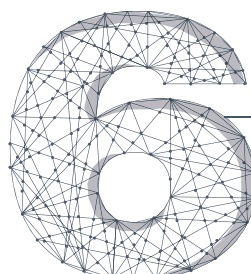
## ACCOUNTABILITY

|                                                    |           |
|----------------------------------------------------|-----------|
| Board of Directors                                 | <b>62</b> |
| Governance report                                  | <b>64</b> |
| Remuneration report                                | <b>69</b> |
| Nominations Committee report                       | <b>77</b> |
| Social, Ethics and Sustainability Committee report | <b>77</b> |



## OUR STRATEGY

|                       |           |
|-----------------------|-----------|
| Our business model    | <b>20</b> |
| Strategy scorecard    | <b>24</b> |
| Risk management       | <b>29</b> |
| Risk Committee report | <b>31</b> |
| Material risks        | <b>32</b> |



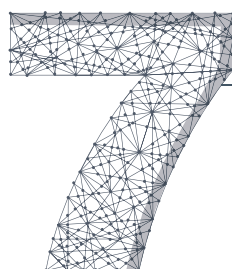
## CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

|                                                                         |           |
|-------------------------------------------------------------------------|-----------|
| Audit Committee report                                                  | <b>80</b> |
| Consolidated statement of financial position                            | <b>82</b> |
| Consolidated statement of profit or loss and other comprehensive income | <b>83</b> |
| Consolidated statement of changes in equity                             | <b>84</b> |
| Consolidated statement of cash flows                                    | <b>86</b> |
| Notes to the condensed consolidated annual financial statements         | <b>87</b> |



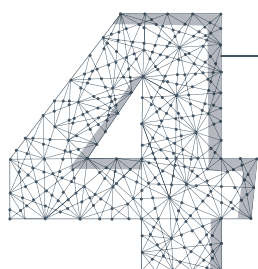
## OUR IMPACT

|                        |           |
|------------------------|-----------|
| Stakeholder engagement | <b>38</b> |
| Our people             | <b>42</b> |
| Health and safety      | <b>45</b> |
| Our communities        | <b>47</b> |



## SHAREHOLDER INFORMATION

|                                  |            |
|----------------------------------|------------|
| Analysis of shareholding         | <b>108</b> |
| Notice of Annual General Meeting | <b>109</b> |
| Form of proxy                    | <b>115</b> |
| Notes to the form of proxy       | <b>116</b> |
| Definitions and glossary         | <b>117</b> |
| Corporate information            | <b>120</b> |
| Shareholders' diary              | <b>120</b> |



## OUR PERFORMANCE

|                      |           |
|----------------------|-----------|
| Operational overview | <b>52</b> |
| Financial review     | <b>56</b> |

# ABOUT THIS REPORT

This is the eighth Integrated Report of Master Drilling Group Limited and its subsidiaries (Master Drilling or the Group) and follows the previous report published in April 2019. The report is targeted at all stakeholders and outlines the activities, relationships, interactions and performance of the Group during the year ended 31 December 2019. The aim of the report is to provide all stakeholders with a holistic view into the ability of Master Drilling to use the capitals at its disposal to create value in the short, medium and long term.

This Integrated Report was prepared in line with the following frameworks:

- The International Integrated Reporting Council (IIRC) framework (<IR> Framework);
- The King IV Report on Corporate Governance for South Africa, 2016 (King IV);
- The South African Companies Act (Act No 71 of 2008) (Companies Act);
- International Financial Reporting Standards (IFRS); and
- The JSE Listings Requirements.

In this report, we provide a comprehensive review of our operational and financial performance in relation to our previously stated plans, the needs of our stakeholders, our governance, material issues, risks and opportunities and how these factors influence our strategic objectives and future plans.

There were no material changes to the size, structure and ownership of the Group during the year.

## REPORTING BOUNDARY

This Integrated Report presents significant information that enables stakeholders to evaluate the operational, social, environmental and economic performance of our operations across all the areas in which we operate.

All monetary amounts reflected in the report are expressed in United States Dollar (USD) or South African Rand (ZAR), as indicated, unless otherwise stated. The results and financial position of our operations in foreign countries are translated into USD as our presentation currency, using the average exchange rate over the reporting period for income

statement purposes and the closing exchange rate at year-end for financial position items.

Since our first Integrated Report, no significant changes have been made to the scope, boundary or measurement methods applied in this report and the rest of our reporting suite. The directors are not aware of any instances of information being unavailable or specific legal prohibitions to disclosure. There are no restatements to comparatives except for the correction of the error as indicated in note 14 to the condensed consolidated annual financial statements on page 105.

## FORWARD-LOOKING STATEMENTS

This Integrated Report contains certain forward-looking statements, mainly on the impact of global commodities markets, global and domestic economic conditions, Group strategy, performance and operations. These forward-looking statements represent the Group's reasonable expectations, unless otherwise indicated, as at 31 December 2019, and may differ materially from the actual results.

The Group undertakes no obligation to guarantee, update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. The forward-looking statements have not been reviewed or reported on by the auditor and no warranty is given with regards to their accuracy, fairness or completeness. It should therefore not be relied upon as investment advice.

This report was prepared prior to the emergence of the COVID-19 pandemic and save for the detail set out on page 9 or specifically where COVID-19 is referenced, should be read as reflecting the position prior to the emergence of the COVID-19 crisis.

## MATERIAL ISSUES

We define material issues (material matters) for reporting purposes as those that may substantially affect our ability to create and sustain value over the short, medium and long term, that is periods of one year, two to three years, and three to five years and beyond, respectively. Material risks identified during the year are outlined on pages 30 to 32.

## DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors (the Board), assisted by the Audit Committee, is responsible for reviewing and publication of this Integrated Report, and acknowledges its responsibility for ensuring its integrity. The Board has applied its collective mind to the preparation and presentation of this report, and concluded that it was prepared in terms of the <IR> Framework. The Board accordingly approved this Integrated Report for publication on 29 April 2020.



**HENNIE VAN DER MERWE**  
Chairman



**DANIE PRETORIUS**  
Chief Executive Officer

## ASSURANCE

We undertake the following assurance to ensure reporting integrity:

| BUSINESS PROCESS            | NATURE OF ASSURANCE          | ASSURANCE PROVIDER                              |
|-----------------------------|------------------------------|-------------------------------------------------|
| Annual financial statements | External audit               | BDO South Africa Incorporated                   |
| B-BBEE                      | B-BBEE scorecard review      | HR Planning Proprietary Limited                 |
| Internal audit              | Internal audit               | PricewaterhouseCoopers Inc.                     |
| HSEC audits                 | Compliance reviews           | Department of Mineral Resources                 |
| JSE requirements            |                              | JSE and sponsor                                 |
| Lender due diligence        | Legal and compliance reviews | ST Ferguson Proprietary Limited (legal advisor) |
| Insurance due diligence     | Independent risk reviews     | Internally                                      |
| Quality control             | ISO compliance audits        | DQS                                             |

# ABOUT MASTER DRILLING



## A world leader in specialised drilling solutions

As the world's largest raise boring business, we provide raise boring and exploration drilling services across the world. Established in South Africa in 1986, we support our clients' unique needs, founded on our in-house expertise in drilling equipment design, manufacturing, operating, training and maintenance capabilities. Our clients comprise blue-chip major and mid-tier entities in the mining, civils and construction, and hydro-energy sectors.

Our international operations span the globe. On the African continent, we maintain operations in South Africa, the Democratic Republic of Congo (DRC), Ghana, Mali, Sierra Leone and Zambia. In South America, we operate in Brazil, Chile, Colombia, Ecuador and Peru. In Central and North America, we operate in Canada, Mexico and the USA, and have mobilised rigs in other countries such as India and Australia. Our acquisition of Sweden-based Bergteamet Raiseboring Europe AB extended our operations into North, Central and Eastern Europe.

We also maintain an office and warehouse facility in China where specialised capital and consumable items equipment is produced and procured. Group engineering manufacturing and support are provided from South Africa and China servicing several of our other international clients.

### HOW WE DO WHAT WE DO



#### DESIGN

Conceptualise, develop and deliver a complete fleet solution for our clients



#### MANUFACTURE

Assemble, establish and maintain a diverse portfolio of custom-made drill rigs



#### TRAIN

Develop and enhance skills to capitalise on our machinery and specialised manpower



#### OPERATE

Provide operational support and complete project management for all our drill rigs



#### MAINTAIN

Provide engineering support for drill rigs, continuously upgrading our portfolio

### OUR PRODUCTS AND SERVICES

#### ROCK BORING

- Raise boring (our primary service offering)
- Horizontal raise boring
- Box hole boring
- Slot hole drilling
- Reverse circulation drain and shaft boring
- Reef boring

#### TUNNELING

- Mobile tunnel boring

#### SHAFT BORING

- Shaft boring


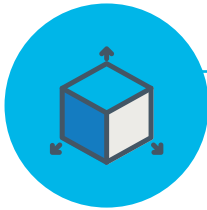

#### SLIM DRILLING

- Blast hole drilling
- De-watering
- Core drilling
- Percussion drilling
- Reverse circulation drilling
- Mud and air rotary drilling

#### SUPPORT SERVICES

- Directional drilling
- Stage shaft support
- Remote-operated shaft support
- Piling
- Scan mobile
- Analysing ore
- Core yard management

# FY2019 HIGHLIGHTS

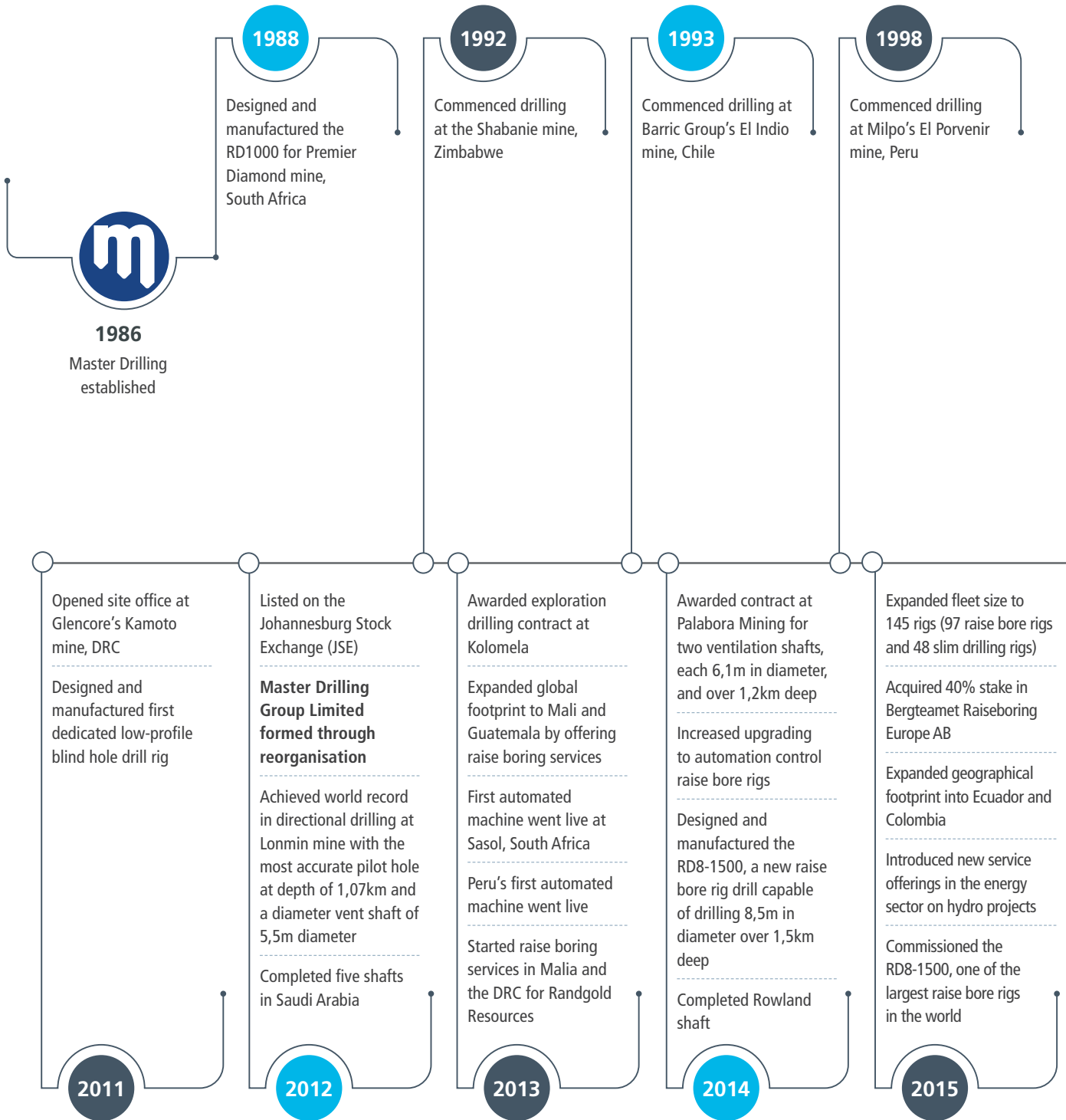
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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>FINANCIAL</b></p> <p>REVENUE IN USD UP BY <b>6.9%</b><br/>FROM USD138.7 MILLION TO<br/>USD147.3 MILLION</p> <hr/> <p>HEADLINE EARNINGS PER<br/>SHARE IN ZAR UP BY <b>4,9%</b><br/>FROM ZAR141,8 CENTS TO<br/>ZAR148,8 CENTS</p> <hr/> <p>STABLE ORDER BOOK OF<br/><b>USD142.1 MILLION</b></p> |  <p><b>SUSTAINABLE<br/>GROWTH</b></p> <p>LOST TIME INJURY FREQUENCY<br/>RATE IMPROVED TO<br/><b>2.02</b><br/>(2018: 2.06)</p> <hr/> <p>STEADY PIPELINE OF<br/><b>USD297.0 MILLION</b></p> <hr/> <p>REVENUE PER HEAD INCREASED<br/>FROM USD64 134 TO<br/><b>USD75 755</b></p> |  <p><b>OPERATIONAL</b></p> <p>MOBILE TUNNEL BORER (MTB)<br/><b>PILOT PROJECT INITIATED</b><br/>IN SOUTH AFRICA</p> <hr/> <p>SHAFT BORING SYSTEM<br/>PHASE 1 <b>SUCCESSFULLY<br/>LAUNCHED</b> AND PHASE 2<br/>CURRENTLY UNDERWAY</p> <hr/> <p>UTILISATION IMPROVED<br/>FROM 61% TO<br/><b>64%</b></p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

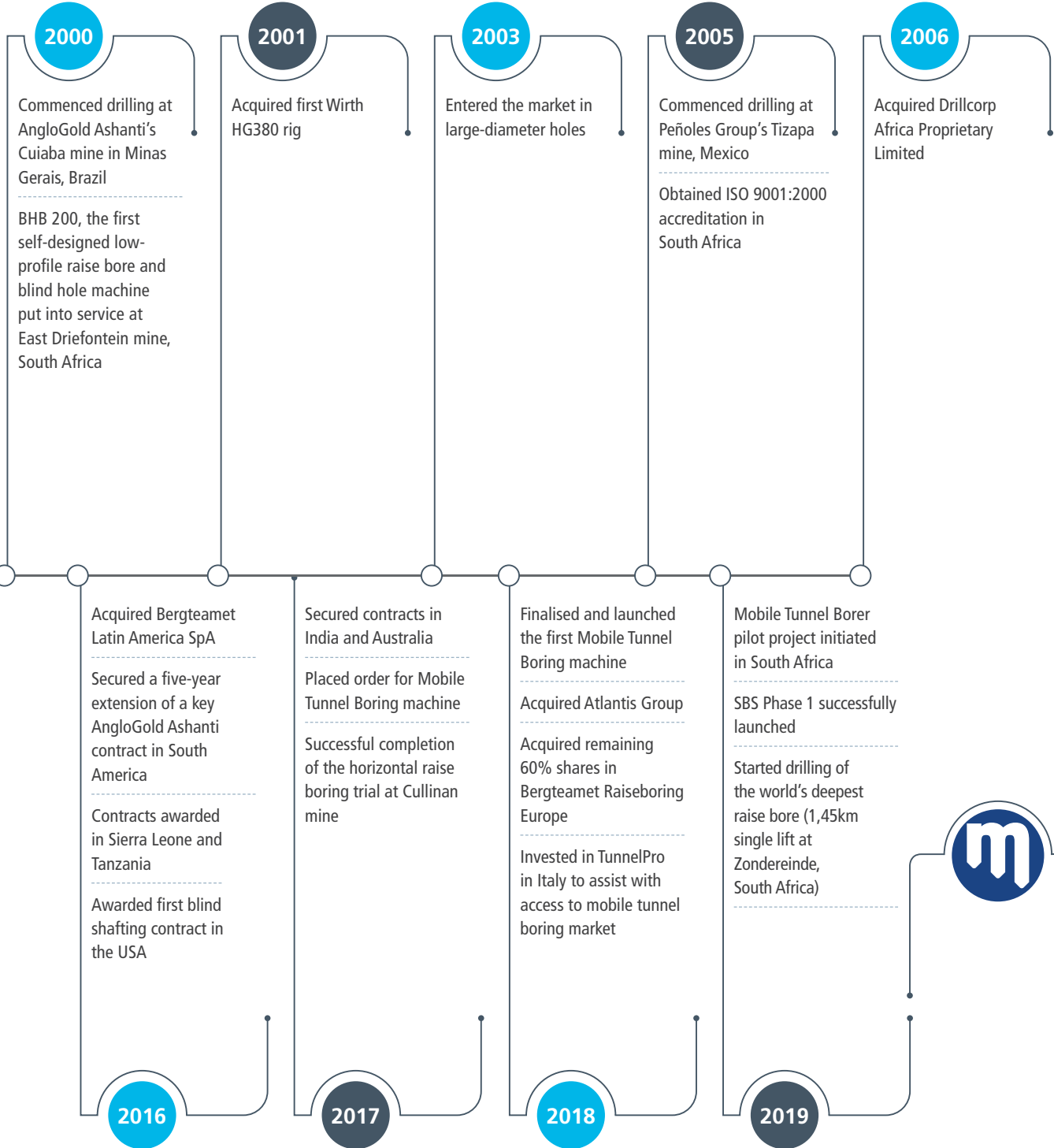


**INVESTMENT  
CASE**

|                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Business strategy positioned to ensure sustainability through commodity cycles</p> <hr/> <p>Satisfactory growth track record</p> <hr/> <p>Ability to overcome high barriers to entry</p> <hr/> <p>Diversity of product and geography</p> <hr/> <p>Strong market position and competitive advantage: unparalleled fleet of rigs</p> <hr/> <p>One-stop service offering and value added support services</p> | <p>Business underpinned by sophisticated information technology</p> <hr/> <p>Innovative technical development team</p> <hr/> <p>Patented intellectual property</p> <hr/> <p>Local currency costs, hard currency revenue</p> <hr/> <p>ZAR hedge to investors</p> <hr/> <p>Blue-chip clients</p> <hr/> <p>Highly skilled and experienced senior management</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

# TIMELINE







# CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REVIEW



**DANIE PRETORIUS**  
Chief Executive Officer

One of the highlights for this year was the commissioning of the Mobile Tunnel Borer at Elands mine. The initial project was to tunnel 300m for phase 1, with the award of another 1 500m.

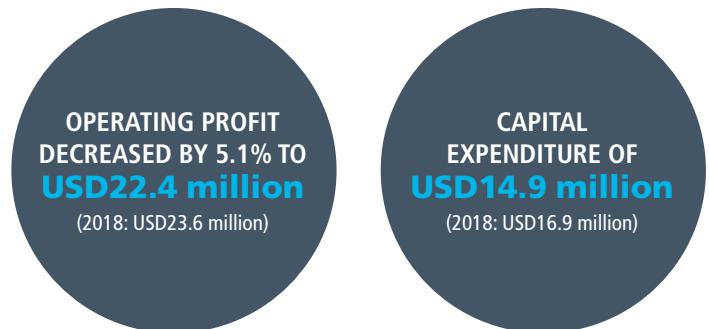
## OPERATING ENVIRONMENT

The Group continued on its growth path notwithstanding a challenging operating environment, with capex spend in the mining industry continuing to contract. One of the main indicators we look at is global exploration spend which reduced from USD19 billion in 2012 to approximately USD8.5/9.5 billion. More recently, the world economy has been affected by the COVID-19 pandemic. Our discussion in this report must be read in the context of the full impact of COVID-19 being unclear, as addressed in the "Looking ahead" section at the end of our report. All indicators are down on the prior year.

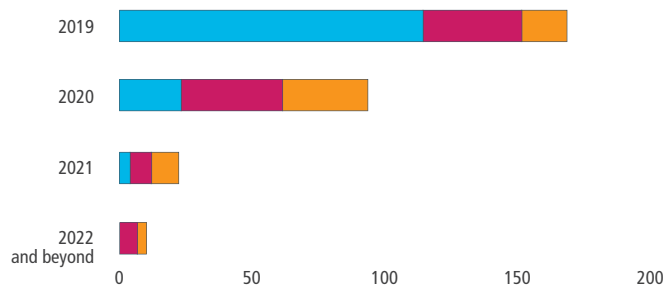
Of more relevance to us in the short to medium term is the limited amount of new mining projects being commissioned and the lack of activity. We have seen, however, an increase in mergers and acquisitions in the mining industry which may improve the prospects of more activity globally.

In line with recent World Bank views, we are not seeing material global growth and this has a direct impact on mining demand. The prospects for our business must be read in light of this environment of lacking GDP growth. Notably, mining tends to pre-empt an uptick in growth and we should benefit sooner from an upturn. The PMI index does give an indication of greater spend although manufacturing is not improving much at this point.

Master Drilling delivered a satisfactory performance:



## PIPELINE (USD MILLION)

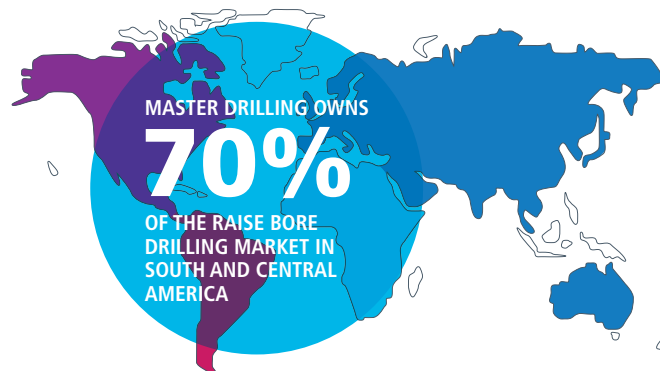


■ Awarded ■ Awaiting adjudication ■ Enquiry received/possible lead





**HENNIE VAN DER MERWE**  
Independent Chairman



**143**  
RAISE BORE RIGS

**30**  
SLIM DRILLING RIGS

In pursuing our strategy, we have placed emphasis on business operational performance. In doing so, we have also continued our diversification, be that geographic, service offering or sector, as well as striving to provide a solution that will enable none explosive mining.

Emerging currencies were stronger than we expected last year, however, as our fixed cost is approximately 40% in South Africa, a stronger Rand does not necessarily impact favourably on our operations.

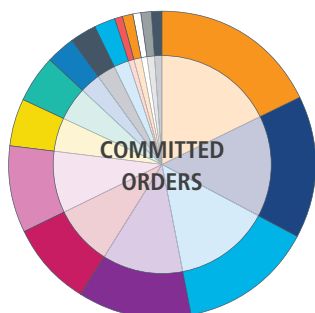
Fortunately, it is not all doom and gloom and we can see areas of promise. Specific commodities such as gold, silver, copper and nickel are doing well, which offer some areas of growth. Looking back at our thoughts at the start of 2019, and how the year then evolved, we do see some bright spots, although things are largely ticking along at the same level. Disciplined capex spend will remain critical and be even more important than previously. There are opportunities out there and while pursuing these we remain focused on driving efficiencies and controlling the unit cost per metre drilled to ameliorate the impact of slower growth. We are seeking to protect our bottom line growth against a backdrop of modest top line growth.

Our business overall has an asset base of approximately USD145 million and we need to ensure we sweat these assets.

We continue to focus on our fixed cost component and ensuring this remains appropriate and stable. This has required some restructuring in some regions, which included retrenchments. We have reset the base in targeted companies to better position the businesses. In all regions, we applied a disciplined

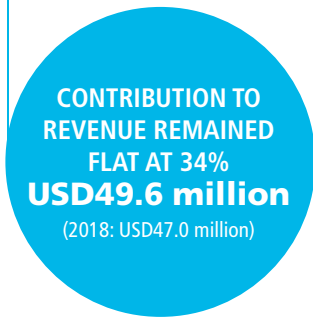
CASH GENERATED BY  
OPERATING ACTIVITIES  
DECREASED BY 21.5% TO  
**USD14.8 million**  
(2018: USD18.8 million)

STEADY PIPELINE OF  
**USD297.0 million**  
(2018: USD578.6 million)

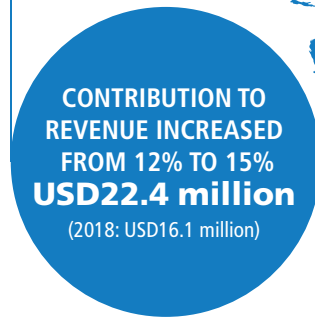
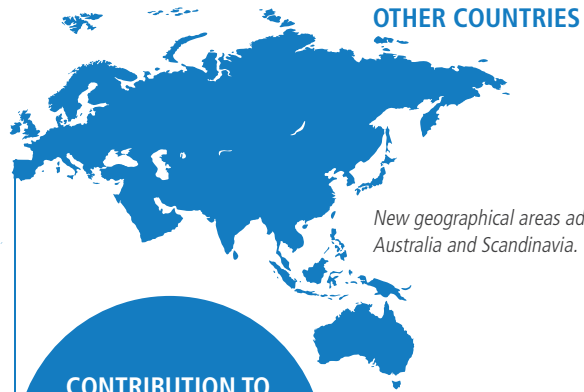


|                |     |
|----------------|-----|
| Gold           | 18% |
| Nickel         | 15% |
| Copper         | 14% |
| Zinc           | 12% |
| Platinum       | 9%  |
| Polimetallic   | 9%  |
| Coal           | 5%  |
| Iron ore       | 5%  |
| Diamonds       | 3%  |
| Salt           | 3%  |
| Water          | 2%  |
| Silver         | 1%  |
| Rutile         | 1%  |
| Hydro-electric | 1%  |
| Infrastructure | 1%  |
| Other          | 1%  |

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REVIEW continued

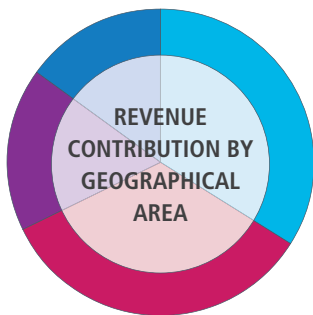


For more detail on our performance in Africa, refer to page 55.



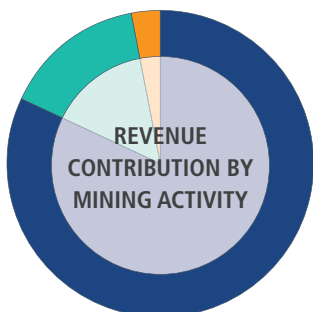
For more detail on our performance in other countries, refer to page 54.

The following charts reflect Master Drilling's combined revenue for 2019:



- Africa
- South America
- Central and North America
- Other countries

| 2019       | 2018 |
|------------|------|
| <b>34%</b> | 34%  |
| <b>34%</b> | 42%  |
| <b>17%</b> | 12%  |
| <b>15%</b> | 12%  |



- Production
- Capital
- Exploration

| 2019       | 2018 |
|------------|------|
| <b>82%</b> | 82%  |
| <b>15%</b> | 16%  |
| <b>3%</b>  | 2%   |

approach to addressing fixed cost elements and reducing the labour per unit and per revenue figure. Our ability to drive technical advancement, making our operations less labour intensive, is an important contributor to this.

Raise boring utilisation improved from 61% to 64% while the slim drilling utilisation also improved from 68% to 70%.

During the year, the Group impaired six raise boring rigs due to future cash flows of these specific rigs being negatively affected by the current declining demand for the smaller class rigs.

**OUR YEAR**

One of the highlights was the commissioning of the MTB at Elands mine. The initial project was to tunnel 300m for phase 1, with the award of another 1 500m. The mining industry has most decidedly taken note of this advancement. A mobile tunnel borer with the capacity to change the direction of drilling is very different from existing rigs that can only drill straight. It is also much smaller and, importantly, can be moved from A to B much quicker. The confidence shown by the client in this innovative product was encouraging. This is an important step in the modernisation of tunnelling in mining.

This innovative machine can shorten the traditional time required to sink a shaft by up to two-thirds, which has a significant impact on a project's efficiency and profitability. Maintenance and ancillary shafts will be a key business area going forward.



For more detail on our activities in Central and North America, refer to [page 52](#).



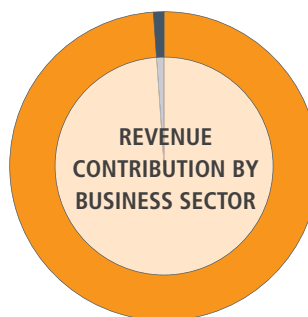
For more detail on our performance in South America, refer to [page 54](#).

Our technical innovation in business remains a key differentiator, particularly at a time of otherwise lacklustre growth. This enables us to set ourselves apart from our competitors and positions the Group to take advantage of any upturn.

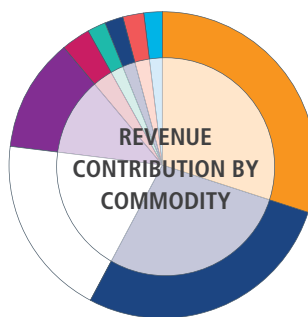
It makes a significant difference in the mining space to be digitised, and the industry is moving towards total modernisation whereby you would push a button and automatically drill a shaft remotely. We may not yet have a silver bullet but we aim to make a significant contribution to completely modernising a full mine. This aligns with one of our four pillars of *technology optimisation and development*.

Our geographic expansion continued during 2019 with successful entry into Turkey. In addition, we established a joint venture with Detra in Russia. Our operations in Australia, where we won a contract in 2017, are also poised for further growth. We enter these new geographies cautiously by first establishing and validating a small foothold and client support before growing our involvement.

In South Africa, the business may become constrained by the effect of load shedding on our clients, however, no negative impact has been experienced as yet as mines enjoy some preference and rigs operating on the surface are often run off generator power. Rigs operating underground are more challenging when no or insufficient power is available, however, our operations do not stop during blackouts and we ensure we limit any potential impact.



|                        | 2019 | 2018 |
|------------------------|------|------|
| Mining sector          | 99%  | 99%  |
| Hydro-energy           | 1%   | 1%   |
| Civil and construction | 0%   | 0%   |



|                   | 2019 | 2018 |
|-------------------|------|------|
| Gold              | 30%  | 27%  |
| Copper            | 28%  | 32%  |
| Silver/lead/zinc  | 19%  | 18%  |
| Iron ore          | 12%  | 13%  |
| Diamonds          | 3%   | 2%   |
| Chrome            | 2%   | 2%   |
| Coal              | 2%   | 2%   |
| Platinum          | 2%   | 2%   |
| Other commodities | 2%   | 2%   |

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REVIEW continued

There has been increasing labour and social unrest during the year in some regions in which we operate. We experienced an unanticipated strike in Chile and some social unrest in Peru. Social expectations globally are on the rise and this is a factor we are keeping an eye on and mitigating as far as possible. While Brazil has stabilised, sales in Peru declined from USD28.6 million to USD18.4 million on the top line, while in the last quarter, Chile saw an improvement. We remain aware of the challenges in the region and are actively managing and mitigating these as far as possible. Similarly, South African conditions have proven challenging, although there are some positive signs. This speaks to the benefits of our geographic diversity – as one region experiences shifts in economics or social areas, this is balanced out within the Group by improved performance in another region.

### OUR PEOPLE


As we have said in the past, one of our major challenges in achieving growth is having the right people in place to achieve our targeted top line growth. Therefore, our focus has been on running projects fit for purpose, ensuring the right number of people with the appropriate skills are working on a project at any given time. We have analysed the business and looked at where it will be in the next five to 10 years together with the skills and functions required. We have moved people around and sought out the skills required. We have made meaningful progress in this regard and have established a formal two-to-five year programme that kicked off in January 2020, aligning with our *people capacity and development* strategic pillar. This will ensure focused attention to our manpower needs. It is a critical element and an ongoing exercise. It also involves training to ensure resources stay aligned to business requirements. Our aim is to keep good engineering skills in-house, which can be challenging, particularly in some regions such as South Africa, however, with a geographically diverse business, we also have the ability to move resources between regions where required.

Ensuring that we have the right skills in place does not only mean internal training and external resourcing but also actively creating the skills required. We have contributed to this through our support of the government-sponsored YES programme which sees us take students from college, training them and providing employment where possible for suitable candidates.

### SAFETY

One of the main focus areas across the Group is safety. Not only do we develop innovative solutions for clients that aim to increase safety during drilling operations, whether it be in mining or civil works, safety within the Group is also of paramount importance. A number of safety initiatives implemented over the past three years have led to an overall reduction in the lost-time injury frequency rate by almost 15% over the period and a decline of 18% in all injuries.

### STRATEGY

We continued realising our four strategic pillars of *sustainable growth; optimisation and increased profitability; technology optimisation and development* as well as *people capacity and development*. Progress in this regard is outlined on  pages 24 to 28.

In pursuing our strategy, we have placed emphasis on business operational performance. In doing so, we have also continued our diversification, be that geographic, service offering or sector, as well as striving to provide a solution that will enable non-explosive mining. The advancements in our SBS systems achieved during the year have contributed to achieving this.

We have made progress in our message of accountability to the various business units that they have responsibility for their earnings. They are looking at ROCE which focuses on capex employed and if capital spend is required, it is done by considering the working capital requirements.

### THE CHANGING INDUSTRY AND TECHNOLOGICAL INNOVATION

The mining industry is changing rapidly and we need to be adept at figuring out where it is moving. Artificial intelligence and big data are driving changes at mines and these are not only addressing the needs of cost reduction but also social responsibility. In order to be sustainable we need to ensure we journey with our innovative clients.

Increasingly, the major mines prefer to deal with a single service provider. We are seen as one of the larger companies and our clients approach us continuously to expand into additional services. Our aim is to assist our clients in achieving their efficiency goals and if we can position ourselves as a full-service provider, we not only boost our own growth but also that of our clients. There is currently a large drive among clients to reduce the ratio of people to rigs. Our ultimate objective is to find solutions to assist with productivity throughput for our clients. We are open to joint ventures with clients as well as joint technology development projects. It is a fast-changing industry and we need to be agile to adapt. Through these joint ventures, we are on track to becoming the single service provider of choice. In South Africa, we already provide all functions with the intention to expand this to other regions and offer a full turnkey solution outside South Africa.

Our digital innovation team has been successful in developing dashboards providing up-to-date and real-time information. This ensures data-driven decision-making in real time and across all regions.


## CAPITAL SPEND

Refer to the Chief Financial Officer's report on  page 57.

## LIQUIDITY

Refer to the Chief Financial Officer's report on  page 56.

## GOVERNANCE

We are committed to being a good corporate citizen and ensure all our processes, procedures and policies align with good corporate governance requirements, including King IV. We have a disciplined approach and methodologies to ensure compliance (refer to Governance on  page 64 for further detail).

During the year, Andries Brink, the current Chairman of both the Audit and Risk Committees, was appointed as Lead Independent Director in line with King IV.

## DIVIDEND

In view of currently prevailing global volatility and uncertain economic conditions, the Board deems it advisable that cash resources should be protected, and thus resolved on 23 March 2020 not to declare a dividend in respect of the 2019 financial year. The Board remains committed to considering the continuation of the Company's dividend history in future financial periods, once circumstances permit.

## LOOKING AHEAD

The escalation in the global spread and effects of the COVID-19 pandemic since year-end is likely to have an impact on our business and that of our customers and suppliers in most, if not all, geographies in which the Group operates. The biggest uncertainty is the long-term effect this pandemic will have on the world and how it will force us to change the way we work. Currently, we are evaluating this risk daily through an active crisis committee. The committee's key focus is the well-being of our workforce followed by the long-term sustainability of the business. As at the date of signing this report, the Board considered the current cash position of the Group, and conducted stress tests on the ability of the Group to absorb periods of up to three months without any revenue being generated and found that the Group will be able to service its obligations. Management and the Board are, and will remain, focused on managing this unfortunate situation as best as possible.

We anticipate that our markets will remain uncertain for the foreseeable future. Against this backdrop, we will continue to develop and deliver solutions such as SBS for clients in order to assist them in meeting their efficiency targets and economic goals, particularly during such challenging times.

Our geographic expansion will continue. In Canada, we were successful with the CAD30 million Voisey's Bay project. This region serves as an expansion hub for the Group within Canada and the USA. We currently have one machine in Australia and are bidding for another sizeable project. Russia and Kazakhstan offer new areas of expansion and we hope to be bidding on work through a joint venture by mid-2020, with the first machine in commission by then.

Another area for growth is our XXL and XXXL rigs, where we have seen increased demand.

## APPRECIATION

We thank management and all our employees for their hard work and dedication. Our appreciation extends to our Board members for their wise counsel and valuable guidance during the year. Our thanks also to all our stakeholders including clients, partners, suppliers, shareholders and advisers for their ongoing support and input in the value creation of our business.



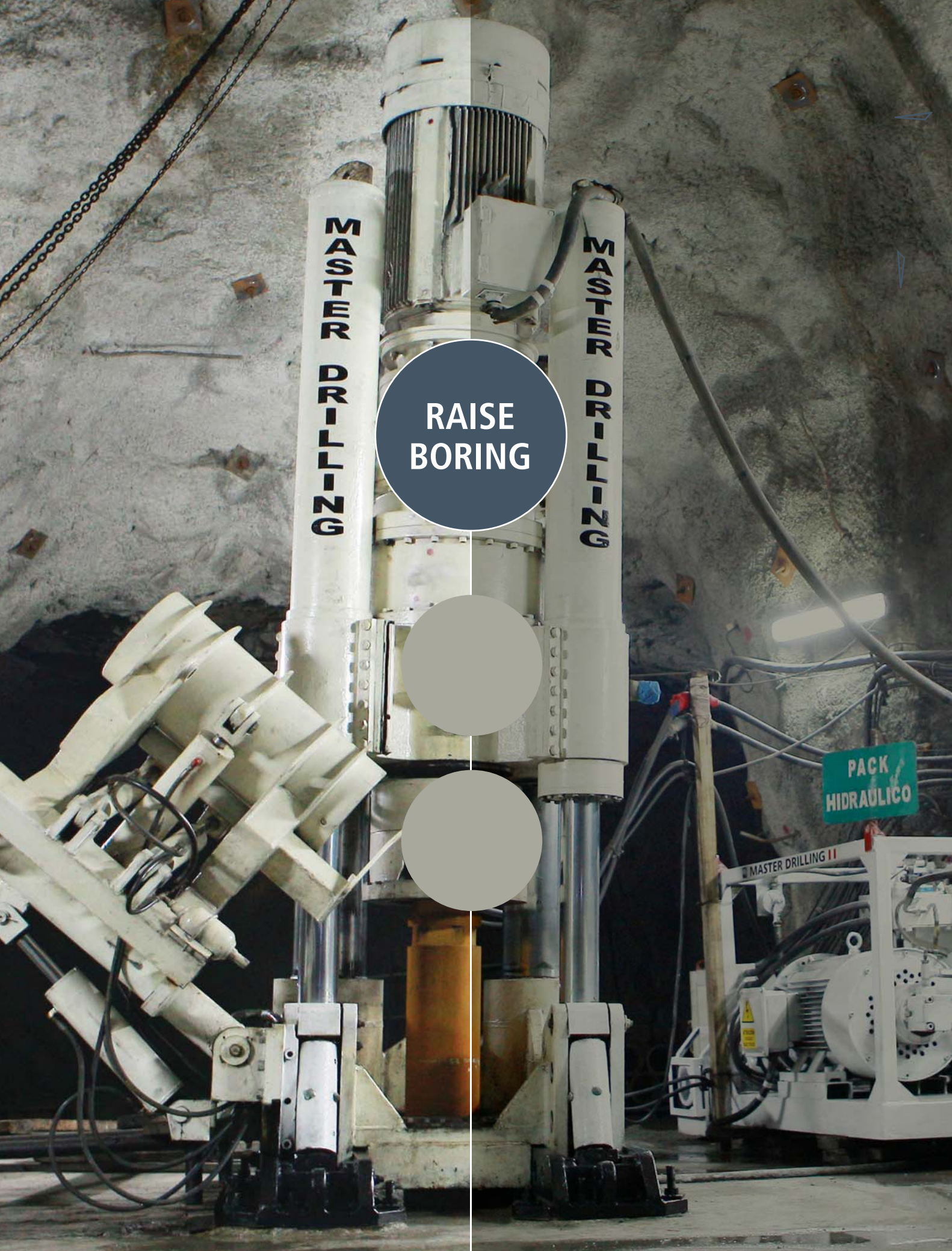
**HENNIE VAN DER MERWE**  
*Chairman*



**DANIE PRETORIUS**  
*Chief Executive Officer*

29 April 2020





**RAISE  
BORING**

**PACK  
HIDRAULICO**

**MASTER DRILLING II**



**MASTER DRILLING  
IN A SNAPSHOT**



# WHO WE ARE

In our quest to create value, we apply our core values with diligence.  
These are:



## VALUES

### RESPECT

We create an inclusive and diverse workplace where we respect the views and feelings of those around us and consider the impact of our words and actions.



### ACCOUNTABILITY

We accept responsibility for our actions and we make and support business decisions through experience and good judgement.



### INNOVATION

We challenge the status quo and proactively seek out new, different or more effective methods to improve performance and service delivery.



### SAFETY

We are conscious of the safety and well-being of those around us and share a personal and professional commitment to protecting the safety and health of our employees, our contractors, our clients and the communities in which we operate.



### EFFICIENCY

We utilise tools, technology and resources to maximise efficiency and effectiveness, and deliver services on time and on budget.


## BEHAVIOURS

- We treat those we encounter with courtesy, dignity and consideration.
- We acknowledge and appreciate the distinctive talents, viewpoints and contributions of others.
- We value the ability of our staff and organisation to honour our commitments to peers, co-workers, supervisors and clients.
- We actively engage in discussions and commit to decisions once they are made.
- We create an environment that encourages and supports new ideas, innovation and problem solving.
- We openly support and recognise those who are creative and innovative in their ideas.
- We believe in the safe, compliant and reliable delivery of our operations.
- We believe that all injuries are preventable and that achieving a healthy and safe environment starts with "me".
- We perform tasks in ways that maximise available resources and minimise waste.
- We are consistent in our execution of and focus on activities that create value.

# WHY WE LEAD THE WORLD

We are able to maintain efficient and effective control over the value chain due to the vertical integration business model that we have been utilising since the inception of our business.

We place a high value on the agility we achieve through the principle of renting out and/or operating and not selling the rigs which we design and build mainly in-house. This principle, together with that of simplicity of design and mobility to which we adhere, enables us to render our services cost-effectively.

With the ever-growing consciousness of, and the need to ensure safety in the workplace, as well as the volatility of the commodities markets and labour issues to which our mining clients are exposed, our meticulous focus on risk management is another element of compliance that brings significant value to what we do. (For more on risk refer to Risk management on  page 29.)

In addition to our diligent pursuit of maximising safety, we add value to our service through:



## SPEED

We can accomplish our automated drilling operations, which allow us to complete jobs often in less than half the time required, by conventional methods of drilling and blasting.



## EFFICIENCY

Our proprietary technology facilitates remote operation and monitoring, reduced manning costs, safer holes and tunnels, and real-time sample grading.



## ACCURACY

We can locate productive ore bodies and meet our clients' analysis requirements with far greater precision than is obtainable with conventional sampling methods.

We hold a number of world records with deep and accurate raise bore holes.



## HIGH SERVICE LEVELS

We can offer complete packages because of the flexibility, simplicity and mobility of our equipment, and our capacity to customise designs that match the individual needs of our clients.



## PIONEERING INNOVATION

We continuously push the envelope to produce mechanised excavation methods that are safer, faster at depths, angles and ground conditions that have not been possible before.








## ECONOMIES OF SCALE

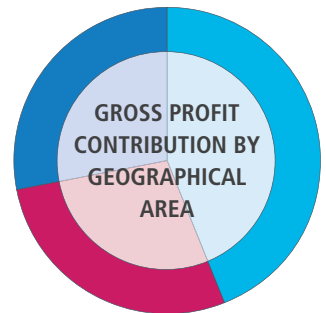
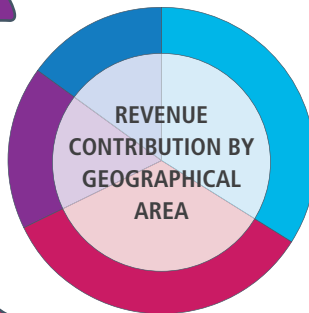
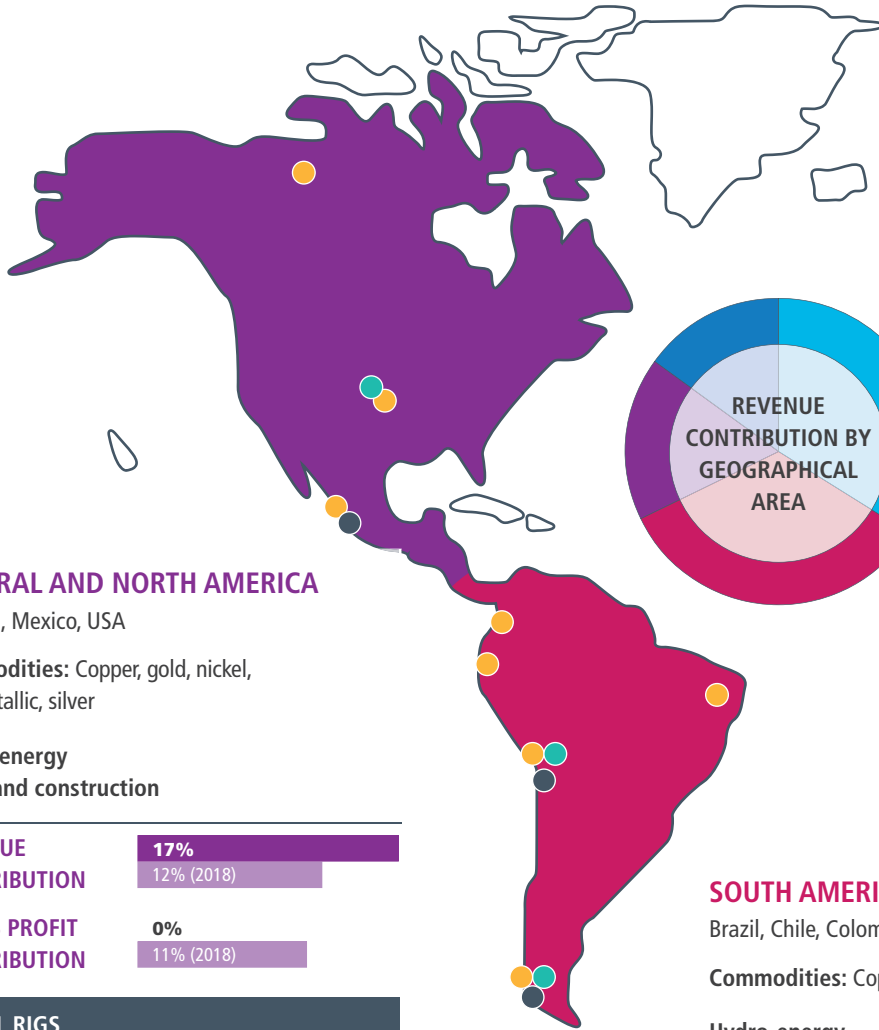
We can offer cost-effective solutions as a consequence of us owning and operating the largest fleet of raise bore rigs globally.

# OUR GLOBAL FOOTPRINT

Master Drilling is a global business, with the major part of our revenue currently derived from Latin America and Africa. Geographic diversification forms an important part of our strategy as it broadens our growth potential and reduces our overall risk.

**OUR OPERATIONAL PRESENCE**

-  Operate
-  Train
-  Maintain
-  Design
-  Manufacture

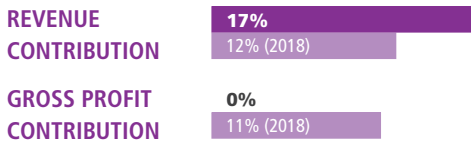


## CENTRAL AND NORTH AMERICA

Canada, Mexico, USA

**Commodities:** Copper, gold, nickel, polymetallic, silver

**Hydro-energy**  
Civils and construction



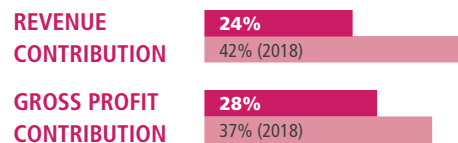
**TOTAL RIGS**  
**27**

## SOUTH AMERICA

Brazil, Chile, Colombia, Ecuador, Peru

**Commodities:** Copper, gold, polymetallic, silver, zink

**Hydro-energy**  
Civils and construction



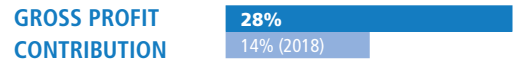
**TOTAL RIGS**  
**58**

### OTHER COUNTRIES

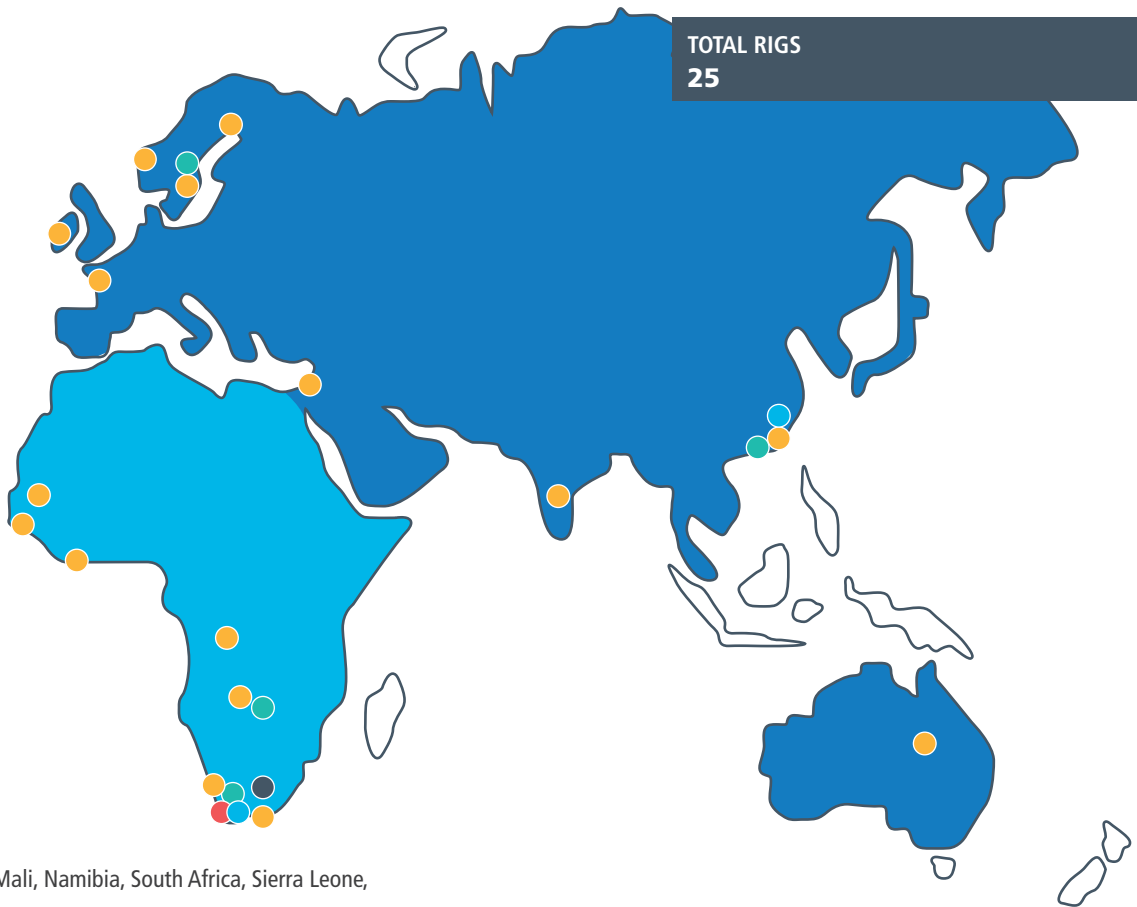
Australia, China, Finland, France, India, Ireland, Norway, Sweden, Turkey

**Commodities:** Chrome, gold, iron ore, lead, polymetallic, zinc

Hydro-energy  
Civils and construction



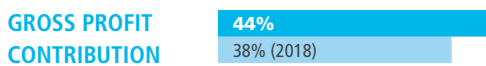
**TOTAL RIGS**  
**25**



### AFRICA

DRC, Ghana, Mali, Namibia, South Africa, Sierra Leone, Zambia

**Commodities:** Coal, copper, diamonds, gold, iron ore, platinum



|                                |                                        |
|--------------------------------|----------------------------------------|
| <b>TOTAL RIGS</b><br><b>33</b> | <b>SLIM DRILLING RIGS</b><br><b>30</b> |
|--------------------------------|----------------------------------------|

## OUR MARKET IN CONTEXT

This report was written prior to the emergence of the COVID-19 pandemic and does not factor in any possible impact from the pandemic in any statements made.



### RATINGS OUTLOOK

The ratings outlook on metals and mining producers is expected to be moderately good, with a strong focus on financial prudence and responsible lending which aligns with the trend of cost and debt reduction, to ensure resilience during downturn economic cycles. There has been a significant cut-down on sector debt in the past two to three years as about 25% of sector debt is due in 2021. Price stability is expected to be a major role player in determining shifts in ratings. For both upstream and downstream producers, prices are expected to be stable over the next two years. China, however, remains high risk as it is the primary force behind the fundamentals of the metals and mining industry. Foreign currency is also a risk due to negative correlation between the US Dollar and commodity prices.



### THE MINING ENVIRONMENT

In 2019, the global estimated non-ferrous exploration budget was USD9.8 billion from 1 708 companies, representing a 3% increase compared to 2018. This correlates with the flat numbers seen in capital expenditure for the year. The majority of exploration projects are around the mine production process and how to improve life of mine. High-profile mergers, such as Newmont-Goldcorp and Barrick-Randgold, have also had a significant impact on boosting the exploration industry, while junior miners are still struggling to tap the markets for exploration funding.

The mergers and acquisitions value dropped off significantly in Q3 of 2019. The average number of deals is around 39 but these are at a much lower value. Most of the transactions were in the gold industry and occurred in Australia and Canada. Deal value in the mining industry in 2019 was at a six-year high of USD24.8 billion.

Vital issues remain safety, environment and productivity challenges, hence the need for adoption of new technology to improve productivity, safety, reduce the environmental impact (CO<sub>2</sub> emissions, clean water/air) and bring down costs.

Mine rehabilitation is receiving an increased focus due to the damage caused to underground water tables in mining areas. There is a drive to push technology innovation to upstream and downstream areas of the mining value chain. Broader collaboration is required between mines/contractors and downstream companies. We strive to provide unique solutions to challenges experienced by clients.



### CAPITAL EXPENDITURE

Capital expenditure of the world's top 20 mining companies reached USD60 billion in 2019, following an average annual decline of 16.6% from 2013 to 2017 and reached USD50.7 billion in 2018.

Revenue growth for the global metals and mining industry is expected to be relatively flat across both upstream and downstream miners as capital expenditure decreases, stalling a positive trend in capital expenditure that has been running for over two years. There is now a cautious approach to capital allocation by various producers due to uncertainty in demand from China. This has been accelerated by the trade tensions between the USA and China which has led to volatility in the market. There is also a lack of incentives for new growth projects due to high volatility and the cost and time associated with the development of new mines. Most capital raised by mining houses is for refinancing on a short-term basis which sometimes leads to high interest costs.

Africa has seen an increase in capital commitments, mainly in the DRC, Ghana and Botswana. Subject to the political landscapes of these countries, this may increase further between 2021 and 2022. Capital expenditure of the world's top 20 mining companies peaked at USD60 billion in 2019 while projects under construction across all mines represent a total capex of USD162 billion. 23% of this is in Asia Pacific region, 20% in the Middle East and Africa, 18% in Oceania, 15% in North America, 14% in Russia, and 10% in the remainder of the mining areas.





**COMMODITY PRICES**

The price outlook is broadly stable for most metals and mining commodities over the next two years. Palladium has seen the biggest rise in price. The nickel ore export ban will result in a deficit for nickel while nickel is expected to rise in 2020 due to a shortage. For copper, some miners are already bringing deposits to production as there is an expected shortfall in the next two to three years, however, due to the economic downturn, copper prices are expected to fall in the near future. Zinc is expected to drop in 2020 due to oversupply. Gold is dependent on rate policies and is expected to fluctuate in line with this principle. Gold is still seen as a safe haven and the price is expected to increase in these uncertain times.

Community challenges and the sharing of wealth is increasing globally. There is an increased focus by miners to build trust with community leaders.



**COVID-19**

Refer to page 9 for our response to COVID-19.

It should be noted that forecasts, data and assumptions addressed and used in this Integrated Report have not been updated to reflect the impact of COVID-19, as the effect of the pandemic remains unclear in many respects.



**CASE STUDY**

**REMOTE DRILLING**

There is strong interest in continued advancement of automation. With hydraulic levers and electric buttons, we have now built intelligence into our rigs giving Master Drilling the benefit of increased IP.

Remote drilling materially reduces safety risks as it is done in a set sequence manner and control system and not according to operator preference resulting in a reduction in operational downtime. It also reduces operational downtime. It provides clients with better control over the drilling process and procedures involved. The control system can provide a holistic view and what is applicable in one operation can be replicated in other areas.

A field trial was conducted in South Africa for remote drilling in a deep underground mine where travel time is very long. Even with two blast cycles per day, remote drilling production can continue if done remotely from the surface communicating via fibre optic cables with an operator controlling the machine from the surface.

The aim is to get to a stage where we could fully automate a bigger process for application in the next project. We will continue with the development of an autonomous system from an engineering point of view and we aim to develop all of this knowledge in-house. We will also follow automation trends in the industry. Automation has already been commercialised and semi-automatic functions are operational on 40 to 50 of our rigs with remote drills on three projects and a fully autonomous set up in trial phase.







## ROCK BORING

**MORE THAN  
30 YEARS'  
EXPERIENCE IN  
RAISE BORING**

The process used in underground mining to mechanically excavate or drill a circular hole between two levels within a mine, eliminating the need for explosives, reducing risk, increasing speed and efficiency, enhancing precision and decreasing costs.

**143  
RIGS**

Methods employed expertly by Master Drilling include:

**LARGEST RAISE  
BORING FLEET IN  
THE WORLD**

- Raise boring
- Horizontal raise boring
- Box hole boring
- Slot hole drilling
- Reverse circulation drain and shaft boring
- Reef boring





**OUR  
STRATEGY**

# OUR BUSINESS MODEL

## OUR INPUTS

Low gearing of **22.5%** | Strong African pedigree | Challenge the status quo



### FINANCIAL CAPITAL

- Revenue
- Capital raised
- Borrowings
- Increase in shareholder spread
- New investors
- Cash generated, etc.



### MANUFACTURED CAPITAL

- Formidable fleet of **143** raise bore and **30** slim drilling rigs
- Deployed in mining, civils and construction and hydro-energy



### INTELLECTUAL CAPITAL

- Specialised market
- Patented IP for enhanced execution capability and cost efficiency
- Global engineering expertise
- 105 years+ global management experience with 60% ownership
- USD0.8 million invested in upskilling FY19
- Strong governance systems and protocols
- Entrenched business codes



### HUMAN CAPITAL

- **1 958** employees
- Culture of excellence
- Safe working environment



### SOCIAL AND RELATIONSHIP CAPITAL

- Loyal client base
- Refer to  page 23 for further detail



### NATURAL CAPITAL

- Our policies and procedures are aligned with the client's project plans

## OUR BUSINESS

Global leader in specialised drilling systems

Vertically integrated business model  
= control of value chain

Niche focus, diversified revenue streams

Competitive mobility

Agile value proposition

Recognised risk management

Safety success



## OUR SEVEN KEY DIFFERENTIATORS



### SPECIALISED MARKET

High barrier to entry with a relatively low base cost for rig manufacturing when compared to the market



### SECURE FINANCIAL PLATFORM

Costs are in local currencies, revenue in hard currencies (Rand hedge)



### DIVERSIFICATION






Revenue streams, footprint, sectors/commodities, client base, activities



### AGILITY


Rent/operate versus sell equipment

Business activities


|                                                                                                                                                                                            |                                                                                                                                                                                                   |                                                                                                                                                                                                 |                                                                                                                                                                                                     |                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>DESIGN</b></p> <p>Conceptualise, develop and deliver a complete fleet solution for our clients</p> |  <p><b>MANUFACTURE</b></p> <p>Assemble, establish and maintain a diverse portfolio of custom-made drill rigs</p> |  <p><b>TRAIN</b></p> <p>Develop and enhance skills to capitalise on our machinery and specialised manpower</p> |  <p><b>OPERATE</b></p> <p>Provide operational support and complete project management for all our drill rigs</p> |  <p><b>MAINTAIN</b></p> <p>Provide engineering support for drill rigs, continuously upgrading our portfolio</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Specialised, adaptive and integrated drilling solutions


|                                                                                                                                                                                                                                                                     |                                                                                                  |                                                                                             |                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>ROCK BORING</b></p> <ul style="list-style-type: none"> <li>• Raise boring</li> <li>• Horizontal raise boring</li> <li>• Box hole boring</li> <li>• Slot hole drilling</li> <li>• Reverse circulation drain and shaft boring</li> <li>• Reef boring</li> </ul> | <p><b>TUNNELING</b></p> <ul style="list-style-type: none"> <li>• Mobile tunnel boring</li> </ul> | <p><b>SHAFT BORING</b></p> <ul style="list-style-type: none"> <li>• Shaft boring</li> </ul> | <p><b>SLIM DRILLING</b></p> <ul style="list-style-type: none"> <li>• Blast hole drilling</li> <li>• De-watering</li> <li>• Core drilling</li> <li>• Percussion drilling</li> <li>• Reverse circulation drilling</li> <li>• Mud and air rotary drilling</li> </ul> | <p><b>SUPPORT SERVICES</b></p> <ul style="list-style-type: none"> <li>• Directional drilling</li> <li>• Stage shaft support</li> <li>• Remote-operated shaft support</li> <li>• Piling</li> <li>• Scan mobile</li> <li>• Ore analysis</li> <li>• Core yard management</li> </ul> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

 **MOBILITY**

Proven ability to move our global-leading fleet between geographies, sectors and clients

 **TECHNOLOGY**

Patented technology for efficient and cost-effective change of the way companies operate underground e.g. proprietary technology for horizontal boring (block caving)

 **SECURE CLIENT BASE**

Mainly blue-chip major and mid-tier mining companies, a preferred supplier to most of the world's largest mining houses

OUR SIX KEY VALUE DRIVERS

|                                                                                                                         |                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>SPEED</b></p>                 | Our automated drilling operations halve execution time compared to conventional methods                                                                                     |
|  <p><b>EFFICIENCY</b></p>            | Our proprietary technology facilitates remote operation and monitoring, enhanced safety, reduced costs and real-time testing                                                |
|  <p><b>ACCURACY</b></p>              | Our technology enables greater precision in locating productive ore bodies and analysis than conventional sampling methods                                                  |
|  <p><b>HIGH SERVICE LEVELS</b></p>   | Our vertically integrated business model and in-house design and build capability enable cost-effective end-to-end service solutions with a bespoke customisation advantage |
|  <p><b>PIONEERING INNOVATION</b></p> | Our dedicated team focuses on labour and cost savings, and enhanced efficiency in a pressured mining sector positioning us at the helm of the industry                      |
|  <p><b>ECONOMIES OF SCALE</b></p>    | Owning and operating the largest global fleet of raise bore rigs offers superior cost-effectiveness for our clients                                                         |

HOW WE  
CREATE  
VALUE

SUSTAINABLE  
GROWTH

- Committed order book
- Revenue (hard currency)
- Market cap of ZAR1,5 billion
- Joint venture bedded down
- New MTB services introduced to expand horizontal underground offering
- R&D progressing for new Shaft Boring System Phase 2 under review (The IDC and Master Drilling are joint shareholders in Master Sinkers)
- Footprint expansion into Canada (first mobile rig contract), Kazakhstan and Russia
- Aggressive West Africa expansion drive end-2019
- Strong pipeline in Australia building steadily
- Expanding focus beyond raise boring (i.e. beyond five-year horizon)
- Revising and extending services offering for a turnkey mine solution
- M&A focus on technology value add targets (mining sector)

OPTIMISATION  
AND INCREASED  
PROFITABILITY

- Profit
- Utilisation of the drill fleet for greater automation on-site
- 24-month “back-to-basics” programme yielding results:
  - Underground teams have smart devices recording real-time information for remote monitoring
  - Supply chain in China under review
- Dedicated digital innovation team progressing systems for data-driven decision-making, global overview (e.g. stockholding) and effective strategic planning for the future

TECHNOLOGY  
OPTIMISATION AND  
DEVELOPMENT

- Improved commercial management
- Greater automation for reduced manpower on-site and improved safety
- R&D spend
- Average revenue per operating rig
- Real-time connectivity at all times in all regions
- Focus on improved safety e.g.:
  - Automisation of rod drills for hands-free operation
  - Increased use of drones for inspection purposes
- Commissioning of MTB

PEOPLE CAPACITY  
AND DEVELOPMENT

- Multi-skilled teams
- Overhaul of performance management system for incentivisation and sustainability at a local level
- Revenue per head
- Skills spend per head
- Hours training per head
- Low LTIFR
- Focus on job creation
- Dedicated skilled resources to engage on and manage social unrest
- SETA accreditation of our training centre
- Multi-skills and talent feed projects
- Thomas International Assessments
- Pilot programme currently underway with eight graduates selected from local communities

- Spend on mitigating environmental impact
- Safer, faster and lower cost drilling solutions for multiple industries
- Can replace dangerous invasive explosives/ blasting
- Greater automation = enhanced safety
- Zero fatalities

- Salaries bill
- Tax paid
- Dividend paid when appropriate
- Increased spend in B-BBEE procurement in South Africa
- Compliance with mines’ environmental requirements

OUR VALUE  
SHARED

OUR TRADE-OFFS



**FINANCIAL CAPITAL**

The most common trade-offs occur at the level of this capital, where capital-intensive initiatives are required in order to realise gains in the other five capitals, for instance:

- Optimisation enhances our manufacturing capital with capacity and efficiency improvements;
- Up- and multi-skilling our people and improving systems, positions the long-term stability and durability of our teams and therefore the Group’s sustainability;
- Expansion boosts our financial capital as well as intellectual capital, with widening experience offering learning and growth;
- Regulatory compliance enhances our relationship with the various stakeholders of the regions in which we operate;
- Dedicated resources for community engagement improve our social and relationship capital; and
- Spend on mitigating our impact on the environment enhances our natural capital.



**MANUFACTURED CAPITAL**

Master Drilling’s significant expertise is backed up by a formidable fleet of 143 raise bore rigs, 30 slim drilling rigs, 1 MTB and the SBS project.



**INTELLECTUAL CAPITAL**

The focus on optimisation requires significant investment. Apart from future financial capital growth, the growing experience of our staff enhances intellectual capital.



**HUMAN CAPITAL**

Time and capital invested in improving performance management systems have a positive impact on staff turnover and morale, and entrenches our culture of excellence with measurable outcomes to improve our social and relationship capital with our clients.



**SOCIAL AND RELATIONSHIP CAPITAL**

There is a trade-off in time and focus invested in this capital, diverting efforts from core business, specifically in respect of stakeholder engagement. Social and relationship capital is, however, the Group’s “licence to operate” and therefore the bedrock of sustainability, with consequent gains in all other capitals.



**NATURAL CAPITAL**

- We are conscious of limiting any detrimental effect our operations may have on the environment, whether as a result of diesel burning, electricity generation, waste or land disturbances.

GROWTH MARKET

- Prevalent recognition of the need to produce more tonnes at quicker production rates, with fewer people and greater efficiencies
- Entrenched mechanisation gaining traction in underground mining globally
- Depleting mineral content and environmental concerns forcing migration from opencast to underground mining
- Even opencast mining yields better reserves at greater depths

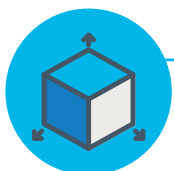
# STRATEGY SCORECARD

We challenge the status quo to provide our clients with specialised, adaptive and integrated drilling solutions.

What this means is that we are continually developing, adapting and refining the Group's **business model for the future**.

We recognise that the business of today is very different to the business of tomorrow. With this in mind, our long-term goal for sustainability is to position the Group to deliver a **turnkey solution for none explosive mining**.

Below, we outline our progress in the year in achieving this, as delineated by our four strategic pillars.



## SUSTAINABLE GROWTH

Growing our business in a sustainable way:

- Leveraging what we do well
- Diversifying into new services, geographies, sectors, clients, revenue streams, etc.
- Maintaining accountability
- Recognising stakeholder interests

1

### Geographic expansion

#### OUR AIM IN FY19

Expand footprints in Australia, India and North America

#### WHAT WE ACHIEVED IN FY19

- **Australia** – actively building pipeline and deploying resources e.g. additional equipment mobilised, ongoing tendering, country-specific marketing plan, business start-up strategy
- **Kazakhstan and Russia** – ongoing tendering, country-specific marketing plan, business start-up strategy
- **Canada** – secured first contract for a mobile fleet

#### MEASURING OUR SUCCESS

- Revenue gap fill
- Volume of enquiries
- Amount of vendor numbers

#### OUR GOALS IN FY20

- Pursue aggressive expansion into West Africa with a specific focus on gold producers
- Start raise boring business by mid-2020 in:
  - Australia
  - Russia/Kazakhstan

2

### New services

#### OUR AIM IN FY19

Deploy MTB for none explosive horizontal development that is safer and faster

#### WHAT WE ACHIEVED IN FY19

- Commenced phase 1 performance validation at Eland Platinum mine

#### MEASURING OUR SUCCESS

- Client-specific KPIs
- Contribution to revenue (%)
- ROC services

#### OUR GOALS IN FY20

- Placement of MTB on another project after the phase 2 capital project at Eland Platinum mine was cancelled in Q1

3

### Commercialisation of new services

#### OUR AIM IN FY19

Leverage new services already existing in the Group, but in different regions

#### WHAT WE ACHIEVED IN FY19

- Approved 2020 business plans including development of:
  - MTB
  - Slot rigs
  - Low-profile raise bore machine
  - De-watering rotary rigs
  - Pit-to-plant strategy

#### MEASURING OUR SUCCESS

- Number of new areas existing services were rolled out
- Contribution to revenue (%)

#### OUR GOAL IN FY20

- Successful start-up of the retail business in Brazil

4

### M&A

#### OUR AIM IN FY19

Ongoing monitoring for M&A opportunities against set investment criteria

#### WHAT WE ACHIEVED IN FY19

- Special Projects Committee established with approved terms of reference
- An informal Investment Committee approved set investment criteria

#### MEASURING OUR SUCCESS

- M&A or joint ventures concluded

#### OUR GOALS IN FY20

- Focus on technology and industry 4.0
- Targeting the mining and mining-related sectors
- Seeking technology partners in various geographies e.g. Europe; Australia, etc.

5

### Establish industry-leading market intelligence for drilling

#### OUR AIM IN FY19

Research insights that can create opportunity from which management can identify new opportunities

#### WHAT WE ACHIEVED IN FY19

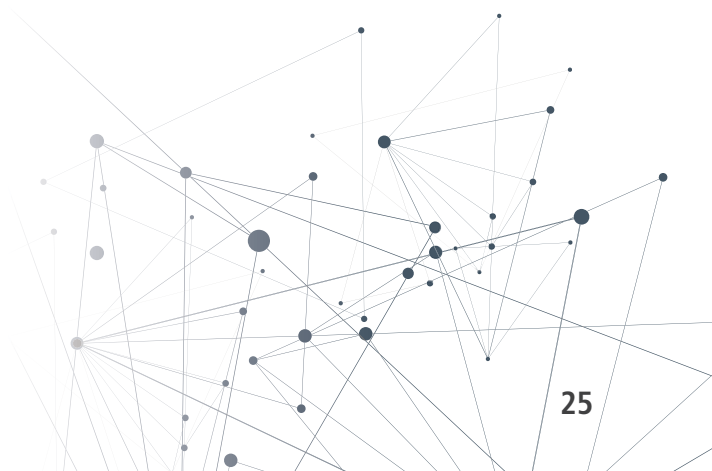
- Evaluation of SNL tools completed
- Increased number of conventions attended
- Began investigation of deep-sea level mining

#### MEASURING OUR SUCCESS

- Number and type of conventions attended

#### OUR GOALS IN FY20

- Focus on automated drilling techniques
- Increase attention on technology for horizontal drilling solutions





## STRATEGY SCORECARD continued



### OPTIMISATION AND INCREASED PROFITABILITY

Optimising our business by building on our established global footprint and robust client base and finding ways to be more effective and efficient in what we do, on a daily basis, in all areas of our operations

1

#### Cost optimisation

##### MEASURING OUR SUCCESS

- Reduction in fixed and overheads cost as a percentage of total costs

##### WHAT WE ACHIEVED IN FY19

- Decrease the fixed cost component of certain costs

##### OUR GOAL IN FY20

- Continued focus on reduction in fixed and overheads cost as a percentage of total costs

2

#### Commercial management and development

##### OUR AIM IN FY19

- Implement a resource group-wide processes for compliance by all countries of operation
- Optimise contract pricing risk

##### WHAT WE ACHIEVED IN FY19

- Invested in enhancing resources with specific focus areas:
  - Function resource appointed in Africa
  - Resources appointed in Peru
- Systems and processes being developed for contract reviews
- Standard group tender conditions being developed
- Standard pricing model being developed

##### MEASURING OUR SUCCESS

- Approved matrix (aligned lag)
- Number of contracts compliant with standard terms – number (%) of balance

##### OUR GOAL IN FY20

- Roll out commercial system that measures standard terms

3

#### Business process and system development

##### OUR AIM IN FY19

- Information systems and business process to enhance profitability and operational performance, and enable optimal organisational management

##### WHAT WE ACHIEVED IN FY19

- Digital innovation team established – dedicated to building effective dashboards to enable data-driven decision-making
- Ongoing analysis and anticipation of trends with root cause analysis to enhance future planning
- Implemented formal project management methodology for IT projects
- Developed IT governance and risk management framework
- Contracted service providers to assist in IT projects
- Real-time connectivity in all regions in progress

##### MEASURING OUR SUCCESS

- Digital Innovation Department restructure lag
- % of group-wide strategic initiatives
- Number of IT projects registered

##### OUR GOAL IN FY20

- Successful completion and measurement of registered IT projects



## TECHNOLOGY OPTIMISATION AND DEVELOPMENT

Leveraging superior in-house technology development as a competitive advantage to:

- Offer customised solutions
- Deliver agility and flexibility
- Improve business performance

1

### Shaft Boring System (SBS)

#### OUR AIM IN FY19

- Replace conventional shaft-sinking methods

#### WHAT WE ACHIEVED IN FY19

- Phase 1 project funding secured. Conceptual engineering in progress
- Detail engineering completed – estimated costing of ZAR450 million
- Phase 1 experimental testing successful and completed
- Phase 2 in progress

#### MEASURING OUR SUCCESS

- Experimental testing successful. Feasibility of business case
- R&D costs-spend lag
- Revenue derived from Blind SBS

#### OUR GOAL IN FY20

- Funding approval and start to phase 2 of project that will see the detail engineering to be completed and manufacturing to start

2

### Remote drilling projects

#### OUR AIM IN FY19

- Successfully operate a machine remotely

#### WHAT WE ACHIEVED IN FY19

- In the process of replicating successful South Africa remote-drilling model in South America

#### MEASURING OUR SUCCESS

- Number of rigs and sites operating remotely

#### OUR GOAL IN FY20

- Operate three rigs remotely by end 2020

3

### Machine automation programme

#### OUR AIM IN FY19

- Automated raise boring rigs available, with auxiliary equipment

#### WHAT WE ACHIEVED IN FY19

- Rigs identified in 2017 for automation on track
- Focus on hands-free, “no touch” equipment
- Programme management:
  - Wheel loaders
  - Rod pallets
  - Pools

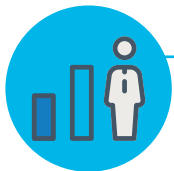
#### MEASURING OUR SUCCESS

- Capital invested (USD)
- % total rigs automated
- Availability of automated rigs
- Failure cost

#### OUR GOAL IN FY20

- Automate and operate three raise boring rigs remotely

## STRATEGY SCORECARD continued



### PEOPLE CAPACITY AND DEVELOPMENT

Our success depends on how our people, and their skills and expertise, support our goals

1

#### Focus on up- and multi-skilling and manpower plan

##### OUR AIM IN FY19

- Skilled and trained employees at all levels capable of cross-over

##### WHAT WE ACHIEVED IN FY19

- Group-wide organogram agreed and approved
- Skills gap audits conducted in South Africa and South America
- Skills gap analyses per job category
- Talent pipeline for scarce skill positions
- Training plans drafted
- Succession plan for management positions
- Group HR plan linked to business plan
- Employee engagement analyses linked to Company culture roll-out
- Successful on-boarding of employees from new businesses in Master Drilling
- Refined recruitment focus on multi-disciplinary capability – plan in progress in South Africa and South America
- New process in development for assessment of internal training requirements
- Learning Management System undergoing investigation and testing
- Dynamics AX – HR module development – in progress

2

#### Improved local community engagement

##### OUR AIM IN FY19

- Better engagement and sharing of value with communities

##### WHAT WE ACHIEVED IN FY19

- Strategy to counter increasing social unrest and strikes
- Dedicated resources to community engagement

3

#### Performance management system

##### OUR AIM IN FY19

- Further strengthen training capacity with effective resources
- Implement a strategy-linked reward system

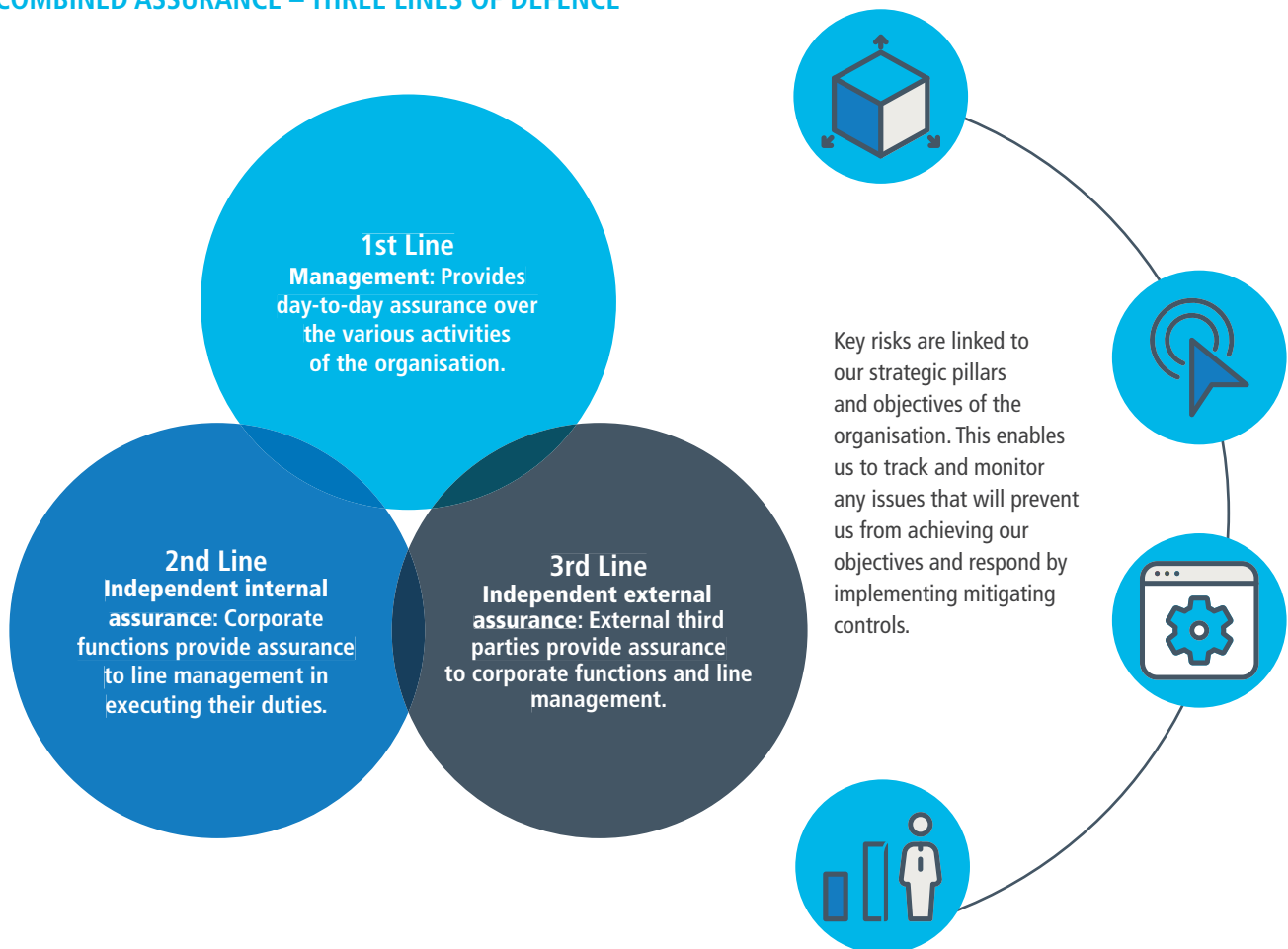
##### WHAT WE ACHIEVED IN FY19

- Alignment of succession plan to performance management system
- Roll-out of financial KPIs to contract manager level
- Overhauled system for buy-in and commitment at a local level
- Performance reviews and bonus structure – incentivising management to engage in the business with “skin in the game” and drive and perpetuate the local business culture

# RISK MANAGEMENT

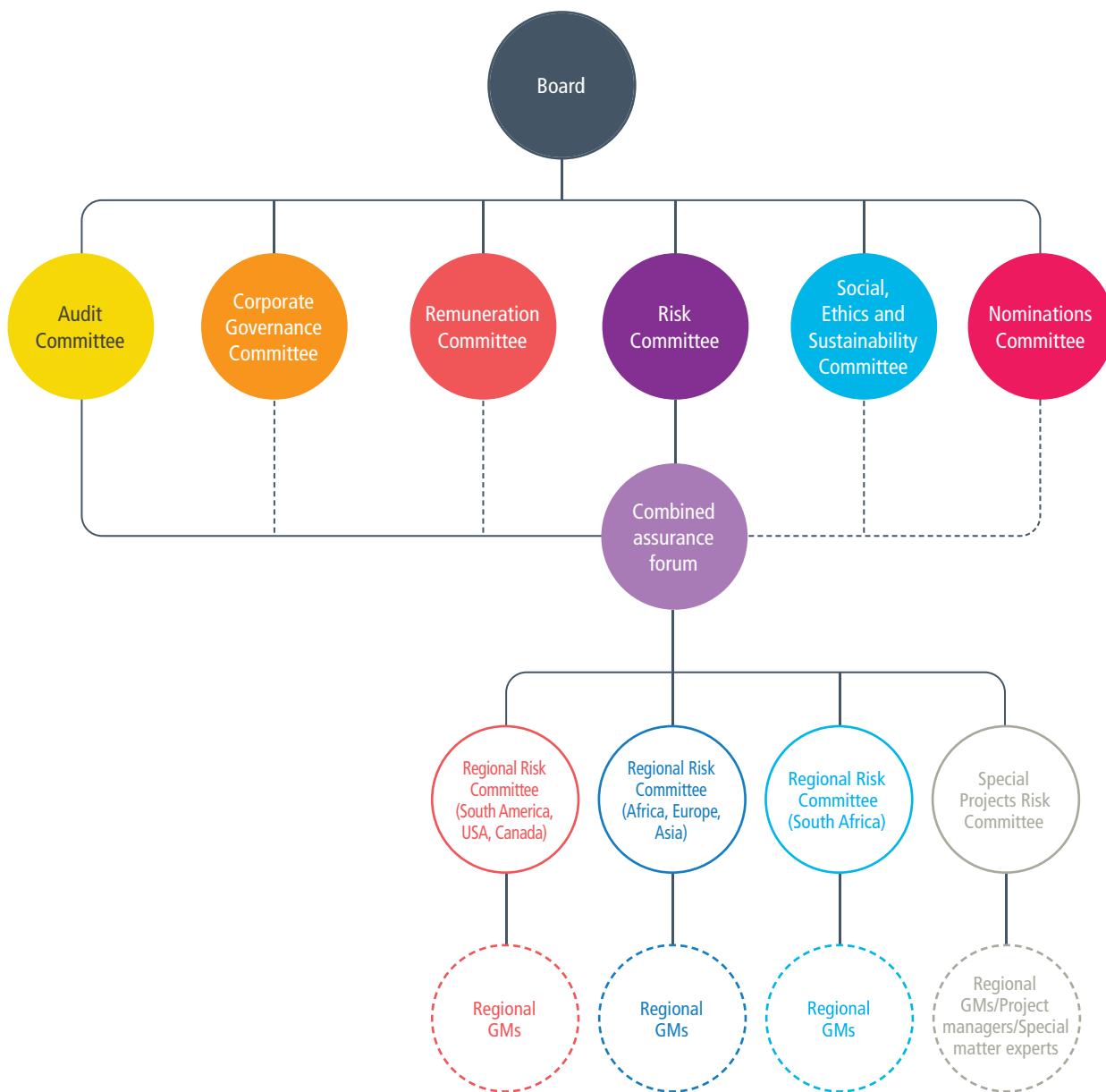
An updated and comprehensive enterprise risk management process was implemented in 2019. This process aligns with the ISO 31000 risk standard, a global standard which governs the principles and generic guidelines concerning this important area of business, the COSO codes (the Committee of Sponsoring Organisations of the Treadway Commission, an initiative providing thought leadership on frameworks and guidance on enterprise risk management, internal control and fraud deterrence) and King IV. All three frameworks are taken into consideration in our enterprise risk management and combined assurance process. Risks are managed daily as guided by the Group’s Enterprise Risk Management and Combined Assurance Framework and reported to the Audit and Risk committees once a quarter.

## COMBINED ASSURANCE – THREE LINES OF DEFENCE



## RISK MANAGEMENT continued

### RISK MANAGEMENT AND COMBINED ASSURANCE STRUCTURE



# RISK COMMITTEE REPORT

We are pleased to present our report for the year ended 31 December 2019.


The Risk Committee is responsible for risk and compliance management.


## Focus for 2020

- Completion and implementation of the risk automation project;
- Refine the risk identification methodology to include forward-looking uncertainties and not just current risk exposures; and
- Establish and implement risk appetite and tolerance measures at Group level.

Attendance at committee meetings is set out on  page 67.

The committee is satisfied that it has fulfilled its responsibilities stipulated in its terms of reference.

Refer to  page 9 for our response to COVID-19.



**ANDRIES WILLEM BRINK**  
Chairman of the Risk Committee

29 April 2020

## CASE STUDY

### MOBILE TUNNEL BORER – MTB

Five years ago, a diamond mining client asked us to consider the technical behaviour of their underground tunnel excavation in block cave operation. We considered introducing a cost-effective tunnel that would not require complicated equipment but make use of our raise boring technology. The tunnel was constructed with the horizontal raise boring method. This led to the conceptualisation of the MTB system which is specifically designed for the mining sector, but also has multiple applications across civil and energy-related projects. The machine can be utilised to excavate a variety of tunnels including tunnels to underground ore bodies such as declines, portals, haulages, inclines, ramps, ring roads and connecting tunnels due to its unique design.

In 2017, we designed a strategy to diversify into key and valued solutions for the industry. We engaged with clients to assess their needs and where we can provide value while applying our rock boring expertise. We also engaged with suppliers and looked at models that might work. This enabled us to create a unique solution that not only reduces safety risks but also offers clients a higher cost-effective solution through its higher productivity and industrialised way of working.

To lower the conceptual risk, we engaged with experienced tunnelling resources to develop the technology. TunnelPro was used for the design and manufacture of the MTB. The concept was launched in 2018 at the Cape Town Mining Indaba. Concept validation of the machine was successfully completed in a quarry outside of Rome at the end of 2018. Its capabilities were demonstrated to clients, with valuable feedback gathered.

Through the above efforts, a contract was secured with Northam Platinum at Eland Platinum mine. Phase I entailed installing the equipment and meeting set performance indicators.

At the end of 2019, a performance validation project was successfully concluded set against key performance indicators. Thereafter, a contract for the construction of a 1,5km long decline over the next 18 months was awarded. The application of the MTB would provide the mining operation with significant cost savings, enabling a sooner mining start-up.

The contract was cancelled in March 2020 due to the COVID-19 pandemic that resulted in capital cutbacks on the project, with no need for a short-term accelerated start-up. The MTB will be cleared from site and alternative project placement proposals are in progress.




# MATERIAL RISKS

The risks identified at management level and assessed by the Board’s Risk Committee expose those material matters that could substantively affect our ability to create value for our stakeholders over the short, medium and long term.

During the year, we continually reviewed our previously identified material matters taking into consideration our operating context, stakeholder engagement as well as risks and opportunities. In doing so, we assess the severity of the impact of any given material matter as well as the probability of its occurrence.


There have been no significant changes in the material matters previously identified and a summary of these is set out below.

Post year-end, the COVID-19 pandemic was added to our risk register. Refer to  page 9 for more detail.

**Safety, health, environment and quality**


- Unwanted safety, health, environmental and quality-related events

**CAPITALS AFFECTED**



| SHORT TERM<br>(1 YEAR) | MEDIUM TERM<br>(2–3 YEARS) | LONG TERM<br>(3–5 YEARS) |
|------------------------|----------------------------|--------------------------|
| Yes                    | Yes                        | Yes                      |


**STRATEGIC PILLARS**



**Information and data**


- Information-driven decision-making
- Information technology, data analytics and end-user knowledge
- Fleet optimisation

**CAPITALS AFFECTED**



| SHORT TERM<br>(1 YEAR) | MEDIUM TERM<br>(2–3 YEARS) | LONG TERM<br>(3–5 YEARS) |
|------------------------|----------------------------|--------------------------|
| Yes                    | Yes                        | Yes                      |


**STRATEGIC PILLARS**



**Geographical expansion**


- Deployment into new geographical locations
- Effectively identify and conclude key mergers and acquisitions
- Competition

**CAPITALS AFFECTED**



| SHORT TERM<br>(1 YEAR) | MEDIUM TERM<br>(2–3 YEARS) | LONG TERM<br>(3–5 YEARS) |
|------------------------|----------------------------|--------------------------|
| Yes                    | Yes                        | Yes                      |

**STRATEGIC PILLARS**







**Diversification**

- 8** Availability of funds
- 9** Innovation and technology

| CAPITALS AFFECTED      |                            |                          |
|------------------------|----------------------------|--------------------------|
|                        |                            |                          |
| SHORT TERM<br>(1 YEAR) | MEDIUM TERM<br>(2-3 YEARS) | LONG TERM<br>(3-5 YEARS) |
| Yes                    | Yes                        | Yes                      |
| STRATEGIC PILLARS      |                            |                          |
|                        |                            |                          |

**Commercial**

- 10** Contract management and execution
- 11** Cost escalation
- 12** Stakeholder engagement

| CAPITALS AFFECTED      |                            |                          |
|------------------------|----------------------------|--------------------------|
|                        |                            |                          |
| SHORT TERM<br>(1 YEAR) | MEDIUM TERM<br>(2-3 YEARS) | LONG TERM<br>(3-5 YEARS) |
| Yes                    | Yes                        | Yes                      |
| STRATEGIC PILLARS      |                            |                          |
|                        |                            |                          |

**Attraction, retention and development of talent**

- 13** Management and technical skills to sustain current and support future growth

| CAPITALS AFFECTED      |                            |                          |
|------------------------|----------------------------|--------------------------|
|                        |                            |                          |
| SHORT TERM<br>(1 YEAR) | MEDIUM TERM<br>(2-3 YEARS) | LONG TERM<br>(3-5 YEARS) |
| Yes                    | Yes                        | Yes                      |
| STRATEGIC PILLARS      |                            |                          |
|                        |                            |                          |

**Legal, regulatory and procedural compliance**

- 14** Compliance with key laws, regulations and critical procedures

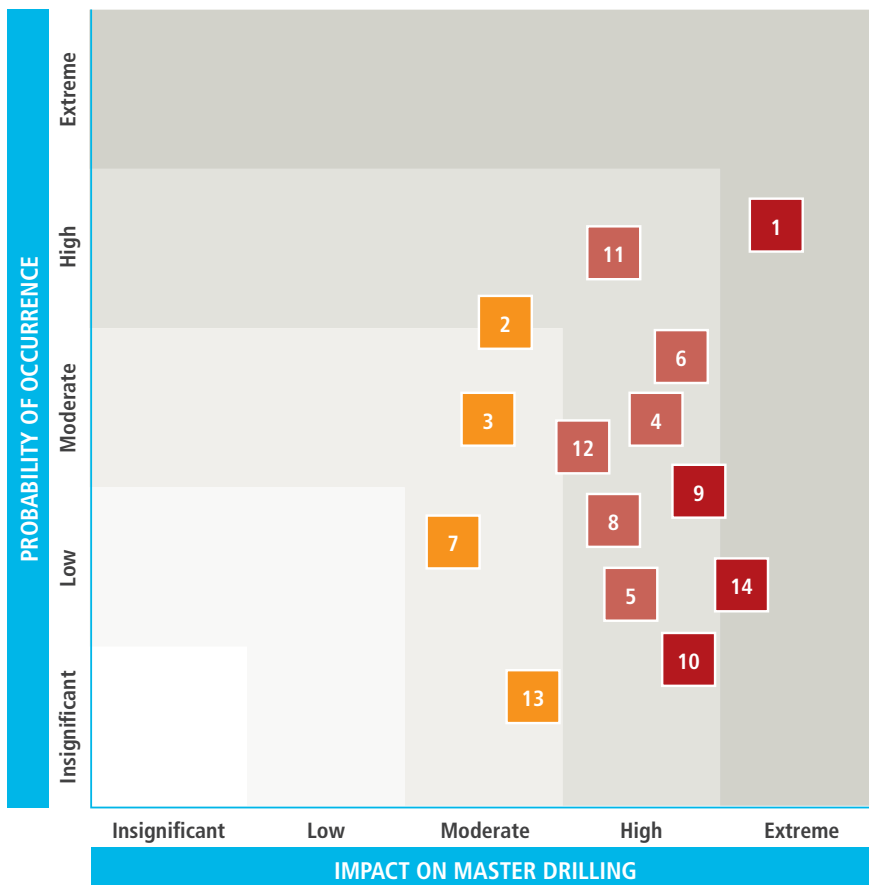
| CAPITALS AFFECTED      |                            |                          |
|------------------------|----------------------------|--------------------------|
|                        |                            |                          |
| SHORT TERM<br>(1 YEAR) | MEDIUM TERM<br>(2-3 YEARS) | LONG TERM<br>(3-5 YEARS) |
| Yes                    | Yes                        | Yes                      |
| STRATEGIC PILLARS      |                            |                          |
|                        |                            |                          |

## MATERIAL RISKS continued

### MATERIAL RISKS HEAT MAP

The heat map indicates the position of material matters based on an assessment of the impact if the risk occurs and the probability of the risk occurring without taking the mitigation effect of controls into consideration (inherent risk position).

- 1** Unwanted safety, health, environmental and quality-related events
- 2** Information-driven decision-making
- 3** Information technology, data analytics and end-user knowledge
- 4** Fleet optimisation
- 5** Deployment into new geographical locations
- 6** Effectively identify and conclude key mergers and acquisitions
- 7** Competition
- 8** Availability of funds
- 9** Innovation and technology
- 10** Contract management and execution
- 11** Cost escalation
- 12** Stakeholder engagement
- 13** Management and technical skills to sustain current and support future growth
- 14** Compliance with key laws, regulations and critical procedures



### INHERENT RISK EXPOSURE

| RISK          | RATING        | MANAGEMENT MITIGATION STRATEGY                                                                                                                                                        |
|---------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Extreme       | > 20          | This risk must be shared, terminated or controlled                                                                                                                                    |
| High          | > 15 up to 19 | This risk should be shared or controlled                                                                                                                                              |
| Moderate      | > 10 up to 14 | This risk will typically be controlled (treated)                                                                                                                                      |
| Low           | > 6 up to 9   | Management will make an informed decision as to whether this risk must be controlled or absorbed by the business unit. The decision will be based on a "cost versus benefit" approach |
| Insignificant | Up to 5       | Impact and probability is insignificant. This risk may be tolerated, and cost of losses will be absorbed by the operating unit                                                        |

## CASE STUDY

## SHAFT BORING SYSTEM

Shaft boring is used for the construction of access or ventilation shafts for the mining industry. As an extension to our range of services to our customers, three years ago we set up a project to establish a shaft-sinking capability which we launched at the Mining Indaba in February 2018. We started the process in 2015 by conceptualising the methodology and how the machine works which took a year. As the initial scale turned out to be too big, we simplified it by procuring from technical suppliers whom we engaged to build a vertically integrated model at a lower cost structure.

After developing the business case, we engaged the market on their operational requirements while keeping in mind technological limitations at the time. The initial capital requirement of ZAR1 billion was reduced to ZAR300 million following discussion with the IDC on a 49% partnership on this project.

The development of the resource is divided into five phases. Phase 1 involves concept validation and risk mitigation of the front part of the machine.

In Q3 of 2019, we had the system manufactured and assembled with input from South Africa, China and Europe. An experimental site was established close to Fochville. This was done due to the area's extremely hard rock, making it an ideal testing ground for hard rock sinking using the rock boring method. The capability of the SBS will enable the sinking of shafts with 2km in depth and 7,5m to 11m in excavation diameter size.

During 2018, TunnelPro a dedicated tunnel boring resource company, was established as a joint venture between Master Drilling and Ghella. Ghella is a world-renowned civil tunnel boring contractor, with its head office located in Rome. TunnelPro acquired Seli Technologies, a specialised TBM resource company with over 50 years of expertise in the industry and responsible for the manufacture and refurbishment of over 70 TBMs. TunnelPro was involved in the design of the SBS due to similar engineering to that of TBMs.

TunnelPro designed the cutterhead and gearbox for the experimental machine used during the experimental boring in Phase 1. Various patents are owned by Master Sinkers the joint venture between Master Drilling and the IDC that was created for the realisation of the SBS. A 10m shaft was excavated during Q4 2019 with engineering data recorded and over 150 industry stakeholders were invited to witness the operation. Various stakeholder recommendations were noted and will be incorporated in the design and workings of the SBS.

The testing during Phase 1 was exceptionally successful. Since then Phases 2 to 4 are in funding evaluation, with the hope to commence detail engineering and manufacturing for the SBS during H1 2020.

The following phases define the development of the SBS:

- Phase 1: The concept validation of the pilot shaft cutterhead.
- Phase 2: The detail design and manufacturing of the SBS.
- Phase 3: The assembly of the SBS.
- Phase 4: The commissioning of the full system during which a 50m experimental shaft will be excavated.
- Phase 5: The first commercial project where the SBS will be deployed.

It is planned that the SBS will be available for project placement towards the beginning of 2022.

The development was divided into five phases with Phase 1 encompassing concept validation and risk identification, and management and building the front part of the machine.

In Q2 2019, we had the system assembled and built with input from South Africa, the Far East and Europe. An experimental site was set up in Fochville due to the site's extremely hard rock, making it an ideal testing ground for hard rock sinking. We looked at a shaft 2km in depth and 7,5m to 11m in excavation size.

To take the project to this point, we had to source equipment from global suppliers. Finding a specialist to contract with for procuring the IP footprint was unsuccessful. In 2017, we started working with Ghella, a company selling the technology in Italy, and we eventually established a joint venture and later brought Seli into our joint venture for this project with world-renowned tunnelling contractor TunnelPro. TunnelPro brings 50 to 70 years of tunnelling IP. Seli provides services for civil construction projects, rail tunnels, metro systems, water storage, etc while TunnelPro has the capacity to supply equipment to as many as 70 projects.

With these relationships, we finally had the required technology and technical skills in-house and we completed the cutterhead and gearbox design which we manufactured in Europe and assembled in South Africa. Our experimental test drilled to 10m proving our concept. As a result, we invited approximately 150 industry stakeholders to ascertain market interest and the market's views and suggestions on this innovative concept. We subsequently patented the technology.

The testing phase was conducted over a three-month period and was exceptionally successful. It helped hone our focus in terms of which services we could offer. Phase 2 of the project was done in partnership with the IDC and involved manufacturing the equipment, assembling and commissioning a resource for contracting to the market, while tendering on projects where this equipment can work. The system will be available for contracting in the industry in 12 to 18 months from now.

This innovative technology provides clients with significant cost savings as well as improved safety. Shaft sinking is historically a hazardous activity and by industrialising the process and reducing the number of people required, the client is able to increase productivity and achieve substantial NPV benefit. One of its main attractions is the quality of excavation as it does not involve blasting making it an ideal option for nuclear waste storage projects. Its systemic approach reduces business risk by following a sequenced maturing technology which leads to cost savings. It is also well suited to greenfield projects where the initial excavation cannot use the more traditional raise boring.

Our competitive advantage is that we are the only ones pursuing shaft sinking in hard rock due to its complexity. During the testing phase, we have developed internal capacity, knowledge and in-house IP to deal with any project that requires customisation. This technology will also position us to exploit opportunities in the civils industry.





## SHAFT BORING

NOVEL  
TECHNOLOGY

The Shaft Boring System will provide the industry with the ability to sink shafts safer and faster, and to access deeper greenfield underground orebodies.

CONCEPTUAL  
CAPABILITY  
EXPERIMENTALLY  
VALIDATED

This will significantly increase the feasibility of projects in relation to net present value and return on investment funding considerations.

**OUR  
IMPACT**






# STAKEHOLDER ENGAGEMENT




Communication and relationship management with our stakeholders is of the utmost importance to the sustainability of our business. Our stakeholders' direct and indirect interests have the ability to influence how we create value. Stakeholder engagement informs our key strategic decisions, business operations and objectives. We identify material issues through stakeholder engagement initiatives and continue to manage them through the process.

We regularly review our stakeholder evaluation process to match the constant changes to influences and impacts by different stakeholders. Our key stakeholders are shareholders, employees, clients, financiers, suppliers, trade unions, government and municipalities, regulators, communities and the media. We are prudent in identifying and defining our stakeholders to determine the best way in which to engage with them. We are cognisant of key issues that affect them and ourselves as well as the manner in which we respond to them. Through our stakeholder engagement programme, we strive to ensure open and transparent engagement with all stakeholders.

We communicate with stakeholders through Annual General Meetings, our website, liaison with the media, one-on-one meetings, forums, formal and informal discussions, as well as various stakeholder presentations.

Our key stakeholders and the engagement process are profiled below along with issues and considered actions as determined and undertaken during previous years.

| STAKEHOLDER                                                                                                | NEEDS                                                                                                                                                                                                                                                                                                                        | ACTIONS/RESPONSE                                                                                                                                                                                                                                                                                                                               | ENGAGEMENT                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br><b>Shareholders</b> | <ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Compliance with laws, regulations and Company policies and procedures</li> <li>• Financial efficiency and profit optimisation</li> <li>• Sustainable business growth</li> <li>• Risk management</li> <li>• Safe and efficient operations</li> </ul> | <ul style="list-style-type: none"> <li>• To achieve our CAGR target, we are continually reinvesting in the business and using our cash resources for investment in asset development</li> <li>• Strong Board with industry-wide experience</li> <li>• Adherence to the principles of King IV</li> <li>• Transparent dividend policy</li> </ul> | <ul style="list-style-type: none"> <li>• One-on-one with CEO and CFO meetings</li> <li>• Reporting into governance structure</li> <li>• Integrated Annual Report</li> <li>• Interim and year-end investor presentations</li> <li>• Investor forums</li> <li>• Roadshows</li> <li>• Analyst meetings</li> <li>• SENS announcements</li> <li>• Investor site visits to our operations</li> </ul> |

| STAKEHOLDER                                                                                                 | NEEDS                                                                                                                                                                                                                                                                                                                                                           | ACTIONS/RESPONSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | ENGAGEMENT                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>Clients</b></p>     | <ul style="list-style-type: none"> <li>• Safe operations</li> <li>• Efficient operations</li> <li>• Compliance with clients’ drilling plans and standards</li> <li>• Effective project management and reporting</li> <li>• Availability and reliability of rigs and equipment</li> <li>• Qualified and trained crew</li> <li>• Relationship building</li> </ul> | <ul style="list-style-type: none"> <li>• Transparent interaction and clear communication</li> <li>• Senior management receives weekly feedback on the monitoring of all contracts</li> <li>• Our high levels of technology translate into a competitive advantage for our clients</li> <li>• Client relationship management programme</li> <li>• Improved account management</li> <li>• Active cost management for better contract management and contract execution</li> <li>• Honest opinions</li> <li>• Senior management’s involvement in dealing with queries</li> </ul> | <ul style="list-style-type: none"> <li>• Monthly client satisfaction surveys</li> <li>• Communication with senior management</li> <li>• Formal site meetings</li> <li>• Mining Indaba and trade shows</li> <li>• Technical meetings</li> <li>• Business development meetings</li> <li>• Conferences and trade shows</li> <li>• Site visits to our facilities and operations on sites</li> </ul> |
|  <p><b>Employees</b></p> | <ul style="list-style-type: none"> <li>• Safe working environment</li> <li>• Attractive compensation and benefits package</li> <li>• Career advancement</li> <li>• Training and development</li> <li>• Recognition and reward</li> <li>• Employee and family well-being</li> </ul>                                                                              | <ul style="list-style-type: none"> <li>• Employment regulation compliance</li> <li>• Reports on employee wellness</li> <li>• Consistent application of grievance policies</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>• Employee training and development initiatives</li> <li>• Audits of policies</li> <li>• Internal staff communication</li> <li>• Periodic communication sessions</li> <li>• Annual review of compensation plans</li> <li>• Consultation with employee representatives</li> </ul>                                                                         |
|  <p><b>Suppliers</b></p> | <ul style="list-style-type: none"> <li>• Timely co-ordination for purchase requests</li> <li>• On-time payment</li> <li>• Transparent and fair tendering practices</li> <li>• On-time deliveries</li> <li>• Relationship building</li> </ul>                                                                                                                    | <ul style="list-style-type: none"> <li>• We continue to develop new suppliers to reduce our reliance on any particular supplier</li> <li>• A dedicated office in China manages all aspects of the equipment component supply chain management process</li> <li>• Data Vault programme to manage change control</li> <li>• Dynamics AX</li> <li>• Engineering trainees work with suppliers to understand the value chain</li> </ul>                                                                                                                                            | <ul style="list-style-type: none"> <li>• A dedicated team dealing with supplier accounts</li> <li>• Regional procurement office for specific equipment</li> <li>• Regular interactions with suppliers via meetings, visits and written communication</li> <li>• Audits</li> <li>• Monthly discussions on supplier variations</li> </ul>                                                         |

STAKEHOLDER ENGAGEMENT continued

| STAKEHOLDER                                                                                                | NEEDS                                                                                                                                                                                                                                                                                                            | ACTIONS/RESPONSE                                                                                                                                                                                                                                                       | ENGAGEMENT                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br><b>Media</b>          | <ul style="list-style-type: none"> <li>• Understanding Master Drilling business</li> <li>• Prompt responses to media queries</li> <li>• Integrity of all communications</li> </ul>                                                                                                                               | <ul style="list-style-type: none"> <li>• Proactively and transparently engage with all forms of media</li> <li>• Efficient media strategy</li> <li>• Media monitoring programme to identify relevant industry, competitor and market-related media articles</li> </ul> | <ul style="list-style-type: none"> <li>• Engage with journalists on specific matters</li> <li>• Exposure in industry-related trade publications</li> <li>• Quarterly publications</li> <li>• Mining-related gatherings</li> <li>• Financial results</li> <li>• One-on-one meetings and interviews</li> <li>• Press releases</li> <li>• Media site visits</li> <li>• Media monitoring</li> <li>• Social media presence and tracking of followers and comments</li> </ul> |
| <br><b>Financiers</b>   | <ul style="list-style-type: none"> <li>• Long-term business planning and budgeting</li> <li>• Liquidity and going concern</li> <li>• Strong financial performance (return on investment and cost optimisations)</li> <li>• Compliance with loan covenants and undertakings</li> <li>• Risk management</li> </ul> | <ul style="list-style-type: none"> <li>• Detailed financial reports and operate to a strong cash flow and debt coverage ratio</li> <li>• Hold significant assets</li> </ul>                                                                                            | <ul style="list-style-type: none"> <li>• CFO meetings</li> <li>• Regular reviews with management</li> <li>• Banks contacted monthly via management statements</li> <li>• Covenant reviews</li> </ul>                                                                                                                                                                                                                                                                    |
| <br><b>Trade unions</b> | <ul style="list-style-type: none"> <li>• Formal correspondence and engagement</li> <li>• Wage negotiations and change management programmes</li> <li>• Advocating for issues of mutual interest</li> </ul>                                                                                                       | <ul style="list-style-type: none"> <li>• Fair remuneration, benchmarked to industry standards</li> <li>• Agreements and interactions are reviewed by an independent labour lawyer</li> <li>• Recognition agreement with UASA</li> </ul>                                | <ul style="list-style-type: none"> <li>• In South Africa, recognition agreements with UASA and AMCU</li> <li>• Union engagement</li> <li>• Annual wage negotiations</li> <li>• Quarterly meetings                             <ul style="list-style-type: none"> <li>– South Africa: 100% (UASA majority of 67.9%)</li> <li>– Brazil: 100%</li> <li>– Chile: 35%</li> <li>– Mexico: 100%</li> <li>– Peru: 38%</li> <li>– Zambia: 75%</li> </ul> </li> </ul>             |

| STAKEHOLDER                                                                                                                      | NEEDS                                                                                                                                                                                                                                              | ACTIONS/RESPONSE                                                                                                                                                                                                                                                                                                                                                                                                                                   | ENGAGEMENT                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>Communities</b></p>                      | <ul style="list-style-type: none"> <li>• Provide jobs and opportunities for citizens</li> <li>• Contribute to the development of local communities</li> <li>• Environmentally-friendly company</li> <li>• Socially responsible employer</li> </ul> | <ul style="list-style-type: none"> <li>• Co-engagement with communities impacted by our clients' operations</li> <li>• Corporate social investment programme</li> <li>• Provide jobs to communities</li> <li>• Community investment</li> <li>• Sponsorship of community events/projects</li> </ul>                                                                                                                                                 | <ul style="list-style-type: none"> <li>• Engagement with communities situated within our clients' areas of operation</li> <li>• Engagement at clients' sites, under their operating authority</li> <li>• Ad hoc as circumstances dictate</li> </ul>                                                                                                                                                        |
|  <p><b>Government and regulatory bodies</b></p> | <ul style="list-style-type: none"> <li>• Contributing to national priorities and related sector initiatives e.g. SDIR programme</li> <li>• Support community development</li> <li>• Regulatory and legislative compliance</li> </ul>               | <ul style="list-style-type: none"> <li>• Meet all compliance requirements through timeous filings and the handover of complete, transparent supporting documentation</li> <li>• Engage on an ongoing basis in order to maintain and establish mutually respectful relationships</li> <li>• Regarded as thought leader in innovative technology-driven drilling solutions</li> <li>• Adherence to labour law</li> <li>• Payment of taxes</li> </ul> | <ul style="list-style-type: none"> <li>• Engage with tax, labour, environmental and mining authorities, JSE and regional and central banks</li> <li>• Engagement at regional head offices and operational sites</li> <li>• Regulatory returns</li> <li>• Direct communication from permanent offices</li> <li>• Indirect communication through our clients</li> <li>• Visits by the authorities</li> </ul> |



## OUR PEOPLE

Our resources are one of our material matters and a critical factor in achieving our strategic goals. It forms one of our strategic pillars as *people capacity and development*. At year-end, we employed 1 958 people (2018: 2 163) across the globe. As part of our drive to automatisation, this requires a radical shift in skills required and we are committed to retraining and reassigning employees. Scarcity of engineering skills in particular regions remains a challenge, however, one of the advantages of our geographic diversity is the ability to redeploy our global workforce.

### EMPLOYEES BY SKILL LEVEL

|              | SOUTH AFRICA |           |            |           |          |           | CHILE      | BRAZIL     | MEXICO     | PERU       | ZAMBIA    | DRC       | GHANA     | CHINA     | MALI      | INDIA     | SIERRA    | TOTAL        |
|--------------|--------------|-----------|------------|-----------|----------|-----------|------------|------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
|              | MDX          | DTS       | MD         | RR        | MDT      | MDSS      |            |            |            |            |           |           |           |           |           |           | LEONE     |              |
| Skilled      | 120          | 69        | 65         | 50        | 2        | 34        | 85         | 24         | 110        | 55         | 38        | 25        | 16        | 27        | 3         | 34        | 2         | 759          |
| Semi-skilled | 77           | 9         | 40         | 10        | 1        | 12        | 98         | 25         | 53         | 158        | 1         | 3         | 4         | 0         | 0         | 5         | 0         | 496          |
| Unqualified  | 8            | 3         | 100        | 14        | 2        | 4         | 96         | 109        | 145        | 102        | 25        | 25        | 14        | 0         | 13        | 34        | 9         | 703          |
| <b>Total</b> | <b>205</b>   | <b>81</b> | <b>205</b> | <b>74</b> | <b>5</b> | <b>50</b> | <b>279</b> | <b>158</b> | <b>308</b> | <b>315</b> | <b>64</b> | <b>53</b> | <b>34</b> | <b>27</b> | <b>16</b> | <b>73</b> | <b>11</b> | <b>1 958</b> |

We are committed to providing an enabling working environment to ensure we attract and retain talent in a skills-scarce market. This is supported by market-related salaries.

### LABOUR TURNOVER

| MONTH        | JAN       | FEB       | MAR       | APR       | MAY       | JUN       | JUL       | AUG       | SEP        | OCT       | NOV        | DEC        |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|------------|------------|
| Skilled      | 20        | 21        | 30        | 11        | 11        | 24        | 14        | 13        | 19         | 11        | 31         | 47         |
| Semi-skilled | 10        | 19        | 20        | 16        | 17        | 17        | 24        | 24        | 47         | 15        | 27         | 31         |
| Unqualified  | 32        | 26        | 29        | 11        | 15        | 12        | 42        | 29        | 51         | 21        | 50         | 61         |
| <b>Total</b> | <b>62</b> | <b>66</b> | <b>79</b> | <b>38</b> | <b>43</b> | <b>53</b> | <b>80</b> | <b>66</b> | <b>117</b> | <b>47</b> | <b>108</b> | <b>139</b> |

#### Total

|                 |       |       |       |       |       |       |       |       |       |       |       |       |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Turnover        | 62    | 66    | 79    | 38    | 43    | 53    | 80    | 66    | 117   | 47    | 108   | 139   |
| Labour strength | 2 265 | 2 077 | 2 062 | 2 106 | 2 216 | 2 215 | 2 186 | 2 166 | 2 037 | 2 070 | 2 035 | 1 958 |
| Percentage      | 2.74  | 3.18  | 3.83  | 1.80  | 1.94  | 2.39  | 3.66  | 3.05  | 5.74  | 2.27  | 5.31  | 7.10  |
| Target          | 2.5   | 2.5   | 2.5   | 2.5   | 2.5   | 2.5   | 2.5   | 2.5   | 2.5   | 2.5   | 2.5   | 2.5   |

#### Skilled

|                 |       |       |       |       |       |       |       |       |       |       |       |       |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Skilled         | 20    | 21    | 30    | 11    | 11    | 24    | 14    | 13    | 19    | 11    | 31    | 47    |
| Labour strength | 2 265 | 2 077 | 2 062 | 2 106 | 2 216 | 2 215 | 2 186 | 2 166 | 2 037 | 2 070 | 2 035 | 1 958 |
| Percentage      | 0.88  | 1.01  | 1.45  | 0.52  | 0.50  | 1.08  | 0.64  | 0.60  | 0.93  | 0.53  | 1.52  | 2.40  |
| Target          | 0.5   | 0.5   | 0.5   | 0.5   | 0.5   | 0.5   | 0.5   | 0.5   | 0.5   | 0.5   | 0.5   | 0.5   |

#### Semi-skilled

|                 |       |       |       |       |       |       |       |       |       |       |       |       |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Semi-skilled    | 10    | 19    | 20    | 16    | 17    | 17    | 24    | 24    | 47    | 15    | 27    | 31    |
| Labour strength | 2 265 | 2 077 | 2 062 | 2 106 | 2 216 | 2 215 | 2 186 | 2 166 | 2 037 | 2 070 | 2 035 | 1 958 |
| Percentage      | 0.44  | 0.91  | 0.97  | 0.76  | 0.77  | 0.77  | 1.10  | 1.11  | 2.31  | 0.72  | 1.33  | 1.58  |
| Target          | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     |

#### Unqualified

|                 |       |       |       |       |       |       |       |       |       |       |       |       |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Unqualified     | 32    | 26    | 29    | 11    | 15    | 12    | 42    | 29    | 51    | 21    | 50    | 61    |
| Labour strength | 2 265 | 2 077 | 2 062 | 2 106 | 2 216 | 2 215 | 2 186 | 2 166 | 2 037 | 2 070 | 2 035 | 1 958 |
| Percentage      | 1.41  | 1.25  | 1.41  | 0.52  | 0.68  | 0.54  | 1.92  | 1.34  | 2.50  | 1.01  | 2.46  | 3.12  |
| Target          | 3.6   | 3.6   | 3.6   | 3.6   | 3.6   | 3.6   | 3.6   | 3.6   | 3.6   | 3.6   | 3.6   | 3.6   |



## SALARY INCREASES

| COUNTRY      | LAST WAGE INCREASE % | SALARY INCREASE SENIOR MANAGERS % | SALARY INCREASE EXECUTIVES % | SALARY INCREASE EMPLOYEES % |
|--------------|----------------------|-----------------------------------|------------------------------|-----------------------------|
| South Africa | 4.60                 | 4.60                              | 6.00                         | 4.60                        |
| Zambia       | 8.00                 | 8.00                              | 8.00                         | 8.00                        |
| China        | 4.00                 | 4.00                              | 4.00                         | 4.00                        |
| Peru         | 1.60                 | 1.60                              | 1.60                         | 1.60                        |
| Mexico       | 5.00                 | 5.02                              | 5.02                         | 5.02                        |
| Chile        | 1.80                 | 1.80                              | 1.80                         | 1.80                        |
| Brazil       | 3.00                 | 3.00                              | 3.00                         | 3.00                        |

We support every employee's right to belong to a union and we maintain open and transparent communication with all unions and their representatives.

## UNIONISED EMPLOYEES

| COUNTRY       | NUMBER OF UNIONISED EMPLOYEES |
|---------------|-------------------------------|
| South Africa* |                               |
| MDX           | 218                           |
| DTS           | 75                            |
| MD            | 69                            |
| RR            | 50                            |
| MDT           | 192                           |
| MDSS          | 5                             |
| Chile         | 26                            |
| Brazil        | 10                            |
| Mexico        | 159                           |
| Peru          | 160                           |
| Zambia        | 99                            |
| China         | 0                             |

\* Master Drilling South Africa is 100% unionised.

## OUR PEOPLE continued

### MINING QUALIFICATIONS AUTHORITY ACCREDITATION

The Master Drilling training centre received accreditation from the Mining Qualifications Authority in 2019.

The first accredited management training programmes have been conducted.

The raise bore qualification training material was developed and submitted for accreditation to the Mining Qualifications Authority.

The training material has been translated to Portuguese and Spanish to ensure uniform standards of training across Master Drilling.

Training videos have been developed to supplement the training material and illustrate case studies. The material as well as accompanying tests can also be presented remotely via the learner management system.

The B-BBEE accreditation for the training centre was finalised with a level 2 rating being awarded.

### ON-BOARDING PROGRAMME

The on-boarding and induction programme was reviewed to ensure standardised quality of on-boarding across the Group and a culture fit to new employees.

The induction programme has also been migrated to a digitised platform which can be presented remotely.

### COMMERCIAL TRAINING

A programme was compiled to assist Contract Managers to understand and manage contracts more effectively and efficiently.

The programme was launched during 2019 after the approval of the content.

### SKILLS GAP ANALYSIS

A skills gap analysis was conducted and linked to development plans to ensure that Master Drilling has a talent pipeline for critical positions.

Psychometric assessments for all operational and management level positions were finalised in 2019 which feed into the Master Drilling succession plan.

### MULTI-SKILLING PROJECT

Master Drilling has embarked on a process to multi-skill first tier operational positions to be able to execute both raise bore as well as maintenance functions for enhanced productivity, smaller crews and improved safety.

To this end, we have enrolled operators on artisan programmes, recruited engineering students to be trained as operators and developed training plans in support of the multi-skill philosophy.



# HEALTH AND SAFETY

Ensuring the health and safety of all our employees is a critical priority and is closely aligned with our pursuit of developing solutions for our clients which reduce safety risks.

We maintain zero tolerance to undesirable employee behaviour. We are pleased to report that our LTIFR improved to 2.02 from 2.06 in the prior year. The all injury frequency rate also decreased to 9.24 in 2019 compared to 9.61 in 2018. The improvement noted was as a result of some key initiatives such as:

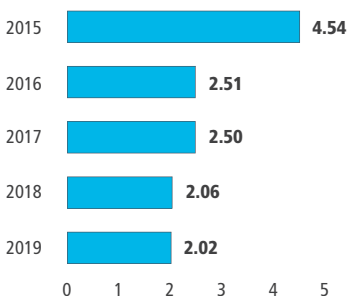
- Hands-free operations;
- Implementation of designed special tools; and
- Focus on risk identification.

In addition to these initiatives, Master Drilling implemented an in-house-developed mobile incident and non-conformance management tool titled the "SHEQ App". This platform aims to ensure live data provision of the Group's leading and lagging indicators.

We believe practicing predictive SHEQ management is essential and this platform enables management to implement the required control measures in real time.

Any incidents that result in single or multiple fatalities, irreversible injury, increasing injury statistics, mine safety stoppages and non-compliance with the Group's management standards are a risk in our business. In addition, clients have specific standards and expectations which we are required to adhere to. In our bidding and tender process, safety is therefore a fundamental element. We remain committed to achieving a figure of zero, with no serious harm whatsoever coming to any member of our workforce.

Comparative lost-time injury frequency rate by year



|                                                                                |                                                                                         |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| <b>TOTAL NUMBER OF EMPLOYEES (GROUP-WIDE)</b><br><b>1 958</b><br>(2018: 2 163) | <b>ANNUAL MAN-HOURS PER STATS (GROUP-WIDE)</b><br><b>5 951 754</b><br>(2018: 5 820 843) |
| <b>TOTAL NUMBER OF LTIS</b><br><b>11</b><br>(2018: 12)                         | <b>TOTAL NUMBER OF INJURIES</b><br><b>55</b><br>(2018: 57)                              |

A Group health and safety policy is in place which prescribes a zero harm approach. This is centred around four key strategic principles:

**HANDS FREE**  
Eliminating manual activities and ensuring that the risk is contained by means of engineering and administrative controls in order to eliminate the primary cause of injuries within the Group.

**GOVERNANCE**  
Comprehensive compliance with the various standards relating to safety, health, environment and quality (SHEQ).

**RISK ASSESSMENT**  
Identifying and controlling all workplace hazards according to the hierarchy of controls.

**INCIDENT INVESTIGATION**  
Ensuring 100% no repeats of any injury in the workplace through preventative and corrective actions.

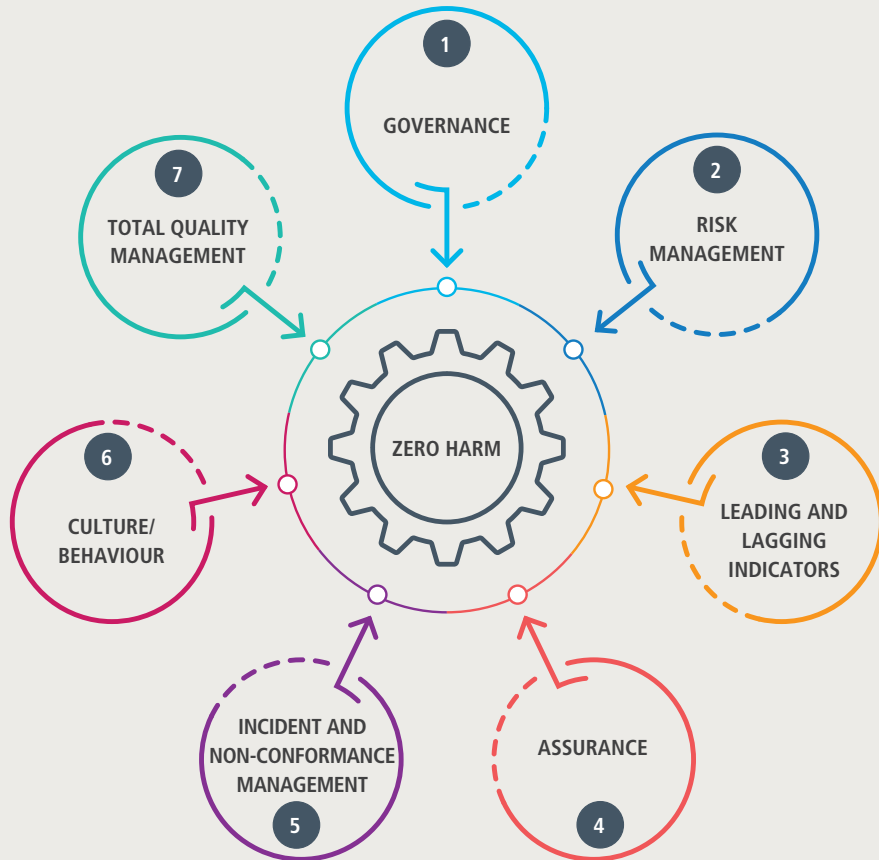
## HEALTH AND SAFETY continued

In addition to the mobile SHEQ application, the following focus areas will also be considered during 2020 as part of our safety, health, environmental and quality (SHEQ) management framework:

Each of these areas have specific initiatives which support our overall objective.

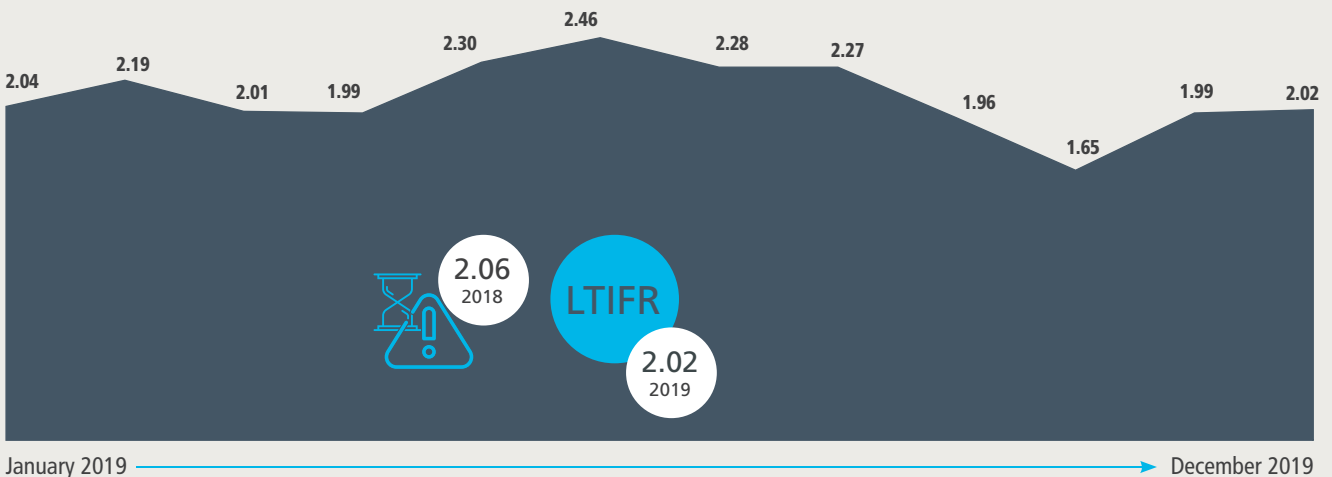
These initiatives will assist us in achieving the following milestones on our journey to zero harm:

- Lost-time injury frequency rate reduced by 15% to 1.7
- All injury frequency rate reduced by 10% to 7.4



### Comparative lost-time injury frequency rate by month

The graph below indicates the LTIFR by month, based on 1 000 000 hours:



# OUR COMMUNITIES

Corporate social responsibility is a continuing commitment by Master Drilling to behave ethically and contribute to economic development. It aims to improve the quality of life of the workforce and their families, as well as of the local community and society at large. By practicing corporate social responsibility, Master Drilling remains conscious of the impact the Company has on all aspects of society, including economic, social and environmental.

Our projects are primarily situated in remote, rural or agriculturally-based communities where there are often challenging social conditions. We are cognisant of our responsibilities to act as a good corporate citizen, and our responsibilities towards the people with whom we work as well as the communities we impact.

As a provider of services and equipment, our presence on project sites is determined by our client contracts and is often short term. Our impact on the communities is therefore determined by our clients' operations. In this light, we are often obligated to comply with client requirements such as employing local labour.

Master Drilling Social Services, established in January 2019, renders social work services to the employees of the Company, their families and to the wider community. The community members of Fochville, Greenspark, Kokosi and Wedela received these services free of charge.

Clinical social work helps individuals address psychological, emotional, behavioural and social challenges that affect their quality of life by using a holistic, person-in-environment approach, which shows that a person is heavily influenced by their environment and their problems and issues. When working with clients of all ages, races, genders, cultures and social situations, social workers strive to ensure ethical and professional service delivery and conduct, to make a positive change in the community.

Master Drilling Social Services provided services in line with the following values:



**Family preservation:** short-term, family-focused services designed to assist families in crisis by improving family functioning while keeping children safe.



**Social assistance:** an intervention focused on ensuring survival and quality of life or standard of living.



**Therapeutic services:** focused on improving mental health and emotional well-being of clients, as well as social functioning within families, friendships and in the workplace by using a holistic approach.



**Mediation:** a dynamic, structured and interactive process where an impartial third party – the social worker – assists disputing parties in resolving conflict through the use of specialised communication and negotiation techniques.



**Crisis intervention services:** immediate and short-term psychological care aimed at assisting individuals in a crisis situation in order to restore equilibrium to the client's biopsychosocial functioning and to minimise the potential of long-term psychological trauma.



## OUR COMMUNITIES continued

Social Services in South Africa fall under two categories: the Employee Assistance Programme and Employee Engagement Projects.

### EMPLOYEE ASSISTANCE PROGRAMME

The Employee Assistance Programme ensures that employees and their dependants have access to professional counselling, advice, personal empowerment opportunities and support services, all at no charge and available on-site. The aim of the programme is to improve the quality of life of all employees by providing support and helping to alleviate the impact of daily work stress and personal problems.

Services available under the Employee Assistance Programme included Huis Kompas (a place of safety), the establishment of a trauma centre for vulnerable and traumatised children at Fochville SAPS, the establishment of community vegetable gardens, implementing empowering school projects and programmes, training of stakeholders and community members, and community work projects and outreach projects to the local community.

### EMPLOYEE ENGAGEMENT PROJECTS

Employee Engagement Projects are used for the direct empowerment of employees with knowledge, attitudes and skills regarding social issues and personal growth and development across our operations. These included events such as:

- Red Friday;
- We're Only Human After All: Prioritising Self-care;
- Holiday Programme;
- Celebration of Freedom Month: Financial Freedom;
- A food parcel drive for employees;
- Muffins with Mom;
- A site visit to our Cullinan site;
- Doughnuts with Dad;
- Tae-bo classes for Master Drilling employees;
- A site visit to our Mponeng site;
- Corporate wellness week;
- Our blessings box project;
- Celebration of Women's Day;
- A site visit to our Finch site;
- X Marks the Spot;
- Doughnut Dash;
- Observance of International Men's Day;
- Observance of World AIDS Day; and
- Observance of 16 Days of Activism Against Gender-based Violence.



| INITIATIVE/PROJECT – ONCE-OFF CONTRIBUTIONS                                                                         | AMOUNT*                   | AREA                                  |
|---------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------------------|
| <b>Brazil</b>                                                                                                       |                           |                                       |
| Rotary Club – Independence Day – community donation                                                                 | BRL500,00                 | Pilar/Caraíba – Bahia                 |
| Basket food for needy families during Christmas period                                                              | BRL500,00                 | Jacobina – Bahia                      |
| Christmas basket food for needy families                                                                            | BRL1 000,00               | Belo Horizonte                        |
| Basket food donation – families in precarious conditions due to rain destruction                                    | BRL3 250,00               | Sabará                                |
| <b>Chile</b>                                                                                                        |                           |                                       |
| Fundación María de la Luz – home for children at social risk                                                        | USD2 900 per annum        | Pucón and San Felipe                  |
| <b>South Africa</b>                                                                                                 |                           |                                       |
| Establishment of a trauma centre for vulnerable and traumatised children at Fochville SAPS                          | ZAR7 000,00               | Fochville                             |
| Establishment of community vegetable gardens                                                                        | ZAR5 000,00               | Fochville                             |
| Out of this World Leadership Programme                                                                              | ZAR7 500,00               | Wedela, Greenspark, Kokosi            |
| School Transitioning Programme                                                                                      | ZAR500,00                 | Wedela                                |
| Child Protection Week 2019: High Five to Safety                                                                     | ZAR1 000,00               | Greenspark, Kokosi                    |
| Fly Butterfly Life Skills Programme                                                                                 | ZAR500,00                 | Wedela, Greenspark                    |
| Grief and Bereavement programme                                                                                     | ZAR500,00                 | Wedela, Greenspark                    |
| Kill 'em with Kindness programme                                                                                    | ZAR1 000,00               | Kokosi                                |
| Courage child protection training for stakeholders                                                                  | ZAR1 725,00               | Fochville                             |
| Training on option counselling for pregnant teenagers                                                               | ZAR2 150,00               | Fochville                             |
| Outreach to Hoërskool Fochville                                                                                     | ZAR200,00                 | Fochville                             |
| World Elder Abuse Awareness Day                                                                                     | ZAR300,00                 | Wedela                                |
| Outreach to Goitsi Modimo facility for mentally challenged adults                                                   | ZAR1 500,00               | Kokosi                                |
| Fochville Retirement Village Christmas function for the elderly                                                     | ZAR5 000,00               | Fochville                             |
| Monthly budget for food parcels to the community supplied by Master Drilling Social Services (monthly contribution) | Per annum<br>ZAR30 000,00 | Fochville and surrounding communities |

\* Amounts used are approximate.





## SLIM DRILLING

HIGHLY  
SPECIALISED  
FLEET

THIS FLEET IS  
THE FIRST OF ITS  
KIND TO BE  
BROUGHT INTO  
AFRICA

Slim drilling is the process of drilling holes smaller in diameter for effective and cost-effective exploration. Master Drilling specialises in the following slim drilling processes:

- Core drilling
- Percussion drilling
- Reverse circulation drilling
- Mud rotary drilling
- Air rotary drilling



**OUR  
PERFORMANCE**



# 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.



## NORTH AMERICA

CONTRIBUTION TO  
REVENUE INCREASED  
FROM 12% TO 17%  
**USD27.0 million**  
(2018: USD17.4 million)

We had another pleasing year in the region with our biggest highlight being a zero LTIFR in this region.

In Canada, where we recorded a significant number of enquiries in 2019, some of which successfully converted into project work, the commencement of our activities was partly delayed by protracted on-boarding processes. Although activity got underway during the second half of the year, and we ultimately executed the projects, our performance was disappointing

and the margins we realised were sub-optimal. Notwithstanding this, we mobilised four rigs, trained up a team and obtained all our certifications.

Our Mexican operations performed worse than expected in 2019 on the back of startup delays on some contracts which, however, gained momentum towards the end of the year. To supplement this momentum, we are exploring additional diversification opportunities. We implemented restructuring and cost saving initiatives in Q4 2019, which are almost complete. We restructured the overhead costs and reviewed our commercial terms and conditions across the country. There are a number of mines presenting opportunities in Mexico. The ground conditions are challenging which requires an innovative approach and we have successfully been using reinforced concrete, which has given us a short-term competitive advantage.

Clients appreciate that we think outside the box and come up with solutions. With an increased focus on safety globally, we are constantly assessing improving automation and minimising man and machine interface through automation and reengineered processes.

While social unrest is growing across South America, Mexico is largely unaffected.

The investment we undertook in the USD a few years ago has not quite lived up to our expectations, but we firmly believe that it was strategically sound and that good opportunities will materialise in future, especially on the back of the prevailing focus on increased mechanisation and modernisation in the sector.

Clients appreciate that we think outside the box and come up with solutions. With an increased focus on safety globally, we are constantly assessing improving automation and minimising man and machine interface.



### Technology

We continued our focus on automation and remote controlling with three automation rigs in Canada representing 75% of the raise boring fleet. Mexico's operational fleet is 50% automated with the first rig imminent.

As underground mines become deeper, more time is dedicated to travelling to the place of work, resulting in a loss of productivity. Automation therefore offers a solution whereby rigs can be run from the surface and lead to 24-hour production. It not only eliminates human error but also leads to less maintenance costs.

### Looking ahead

In Canada, we have appointed a business development executive to take advantage of the lucrative market. Canada has the largest exploration budget in the world offering the largest opportunity for growth. We are competing against all the big players which requires us to build a name in the region and differentiate ourselves.

In the USA, we are in the process of obtaining a contractor's licence in each state in order to be able to quote and tender. Our focus is primarily on mining-rich Nevada. We have also identified a few possible M&A targets in the USA.

We continue to look at M&A targets in Mexico. We also successfully launched a retailing arm.



## OPERATIONAL REVIEW continued

### SOUTH AMERICA



CONTRIBUTION TO  
REVENUE DECREASED  
FROM 42% TO 34%  
**USD49.2 million**

(2018: USD58.0 million)

Our South American operations, together with those in Africa, continue to generate the most significant portion of our overall revenue. Operations in this region span across Chile, Peru, Ecuador and Brazil. We did not see the expected growth in the past year. Up to now, we have been the dominant player in the South American market, however, competitors have been increasingly entering the region in the past few years. Coupled with challenging market conditions this has increased market pressures. We welcome competitors as it focuses our strategy and drives us to excel.

Peru was a disappointment in 2019. Throughout the year, we continued with our review of the Peruvian business with a view to rightsizing operations and increasing efficiency. As a result, and because of relatively stringent labour laws governing retrenchments, higher than desired once-off costs were incurred. The business had to be restructured to align with commercial activities in the country, which have declined in what has become an aggressive pricing environment. We believe that in order to maintain sustainable, long-term business activities, profit margins need to be adequate and that our compelling offering will ultimately lead to renewed business opportunities in this market in future. In addition, our Peruvian operations also continue to support activities in Colombia, where opportunities for copper and gold projects exist, as well as in Ecuador.

In Chile, we have solved the operational issues we experienced two years ago and we have benefitted from contracts with state-owned entity CODELCO in the copper sector. Although operations are stable and continue, for the first time in many years, political uncertainty and instability surfaced in 2019. A state of emergency was declared by Chile's president when unrest erupted over an increase in subway fares. In addition, Chile's production of copper declined in 2019 on the back of lower ore grades, strikes and weather-related disruptions. Chile, however, remains the top copper producer in the world and our revenue target for 2020 remains achievable. The next phase of the Chuquicamata mine development is expected to kick in imminently and we are tendering for significant work.

In Brazil, we have established a good position as the top contractor and we are looking into diversification as we see growth opportunities in the civil construction industry. Returns and performance remained on track and results were aligned to our expectations.

#### Looking ahead

In 2020, we plan to establish an office in Colombia which is a new growth area. We are aiming to have two rigs in the country by the second half of 2020.

Given the pressure in the South American region with political and social uncertainties, we remain focused on cash generation, cash security and optimisation.

### OTHER COUNTRIES



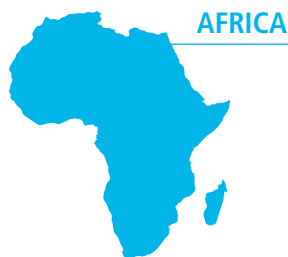
CONTRIBUTION TO  
REVENUE INCREASED  
FROM 12% TO 15%  
**USD22.4 million**

(2018: USD16.1 million)

#### SCANDINAVIA

Our investment in Bergteamet, our gateway to Scandinavia and the rest of Europe, is yielding the expected returns. The order book looks promising with expansion into neighbouring European countries.

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



CONTRIBUTION TO  
REVENUE REMAINED  
FLAT AT 34%  
**USD49.6 million**  
(2018: USD47.0 million)

Although revenue from Africa has slowed as contracts in some countries, such as Zambia and Mali, have come to an end, performance was still pleasing in 2019, with the region accounting for 34% of overall revenue. We continue to operate on the African continent in a number of countries such as Sierra Leone and the DRC, with a total of five rigs deployed across the projects underway. Activity is further increasing, particularly in the western region, where Master Drilling has been awarded a contract by AngloGold in Ghana. We are also involved in the Subika project in this country. Elevated levels of global uncertainty spurred demand for gold as a safe-haven asset in 2019. Together with increased demand from central banks, the gold price moved higher. This might continue to bode well for gold mines, at least in the short term.

In South Africa, the unexpected termination of the Kolomela iron ore mine drilling contract, notwithstanding our compliance with the requirements of the project, has impacted negatively on the business. As a result, and with opportunities for new projects in South Africa remaining limited, we have been exploring developments in neighbouring countries. Nonetheless, South Africa remains the world's leading supplier of platinum group metals (PGMs), catering for the significant demand for

these commodities from China. As such, our revenue exposure to platinum has increased significantly over the past year, on the back of the work we are doing at Northam's Zondereinde mine, which features a world-record deep shaft. Post our results announcement, regrettably our contract to provide our innovative tunnel borer machine to Northam was cancelled due to the impact of COVID-19.

In addition, we are accessing opportunities in Zimbabwe through our work for Zimplats, located on the Hartley Geological complex that has 80% of the country's known PGM resources.

While the South African mining sector still provides isolated opportunities, in overall terms it is shrinking, and new capital expenditure is not forthcoming. Increasingly, with cost pressures rising, uncertainty persisting and labour policies remaining inflexible, an inevitable shift towards increased mechanisation will occur over time and we will be well positioned to exploit resultant opportunities.

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.



## INDIA

In India, through the acquisition of the Atlantis Group operations in 2018, Master Drilling secured a stable portfolio of contracts, which supplemented the work we separately secured from Vedanta Limited, and which got underway in 2018. We are pleased with the performance of our operations in this country, both in terms of efficiencies and revenues. The initial contract is coming to an end towards the end of 2020 and negotiations are currently underway for additional work to be performed under a new contract.

## OTHER REGIONS

Our drive to maintain geographical and commodity exposure diversification continued in 2019. Master Drilling continues to explore opportunities in Russia and Australia, where there is a significant amount of activity and appetite for modern and mechanised drilling solutions.

## FINANCIAL REVIEW

This review should be read in conjunction with the condensed consolidated annual financial statements starting on  page 82. Master Drilling's annual financial statements are available online at  [www.masterdrilling.com](http://www.masterdrilling.com).

We have used the past year to solidify the foundations of our business, which will not only help it withstand the tough trading environment but will also ensure that Master Drilling remains at the helm of some of the rapid changes shaping our industry.

### RESULTS OF OPERATIONS

Refer to the consolidated statement of profit or loss and other comprehensive income on  page 83.

### REVENUE AND PROFITABILITY

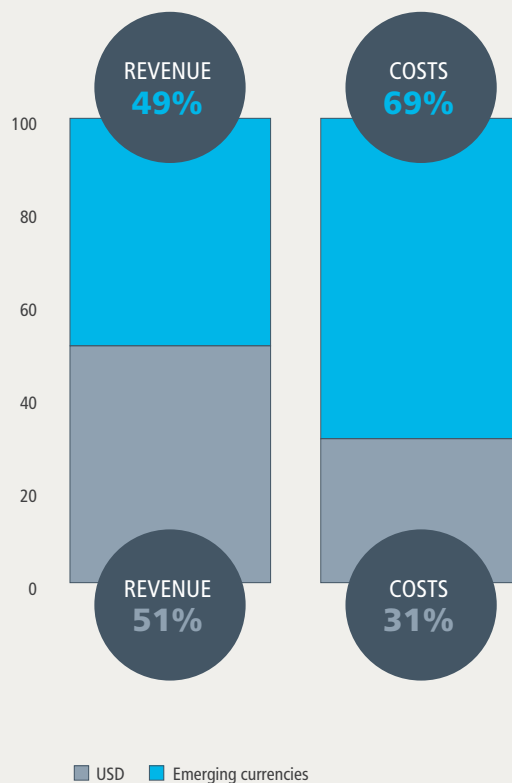
While it has been a challenging year, notably revenue increased by 6.9% to USD148.3 million (2018: USD138.7 million). The approximately USD10 million increase in revenue is pleasing, considering the strength of the US Dollar during the year and given the adverse global market conditions experienced.

In line with our strategy, our focus is on earning revenue in hard currency (USD) to hedge against our costs, which are in emerging currencies. Costs increased in line with the increase in revenue from new business operations. At year-end, 51% of revenue was derived in USD and the balance in emerging currencies, while 69% of costs (2018: 67%) were in emerging currencies, with 31% paid in USD.

Operating profit decreased slightly to USD22.4 million (2018: USD23.6 million). The gross profit percentage, at 30.1%, is down on 2018 (34.1%).



ANDRÉ VAN DEVENTER  
Chief Financial Officer



## UTILISATION

We believe technological innovation will continue to drive increased safety in the global mining sector through the reduction of labour intensity, as well as result in overall efficiency and performance gains, as is already evident. We have committed significant investment towards this technology drive over the years, ensuring a feasible capital mix relative to machine utilisation.

The fleet consists of 143 raise bore and 30 slim drilling rigs. The fleet's total utilisation rate was 64% (2018: 61%), short of our target of 72%. Utilisation of our four big rigs in the fleet was more than 72% at the start of 2020, which is encouraging.

The rate of new rigs coming on-stream is settling down, with a focus on larger units which typically generate higher income. No new slim rigs are in the pipeline at this point.

## AVERAGE REVENUE PER OPERATING RIG (ARPOR) SUMMARY PER ANNUM

|                       | 2019    | 2018    | 2017    | 2016    | 2015    | 2014    | 2013    |
|-----------------------|---------|---------|---------|---------|---------|---------|---------|
| Total raise bore rigs | 143     | 149     | 107     | 105     | 98      | 94      | 88      |
| Utilisation (%)       | 64      | 61      | 69      | 73      | 70      | 75      | 77      |
| ARPOR (USD)           | 111 135 | 107 530 | 110 937 | 111 040 | 120 819 | 118 215 | 117 047 |
| Total slim rigs       | 30      | 30      | 34      | 33      | 48      | 45      | 74      |
| Utilisation (%)       | 70      | 68      | 77      | 55      | 35      | 54      | 54      |
| ARPOR (USD)           | 69 292  | 70 430  | 63 597  | 74 280  | 96 761  | 58 525  | 50 740  |

## TAXATION

There were no changes in tax rates within the Group during 2019. Deferred taxation assets have been recognised in respect of tax losses and temporary differences where, having reviewed the financial projections of the Group, the directors are of the opinion that it is probable that these assets will be recoverable.

## FINANCIAL POSITION

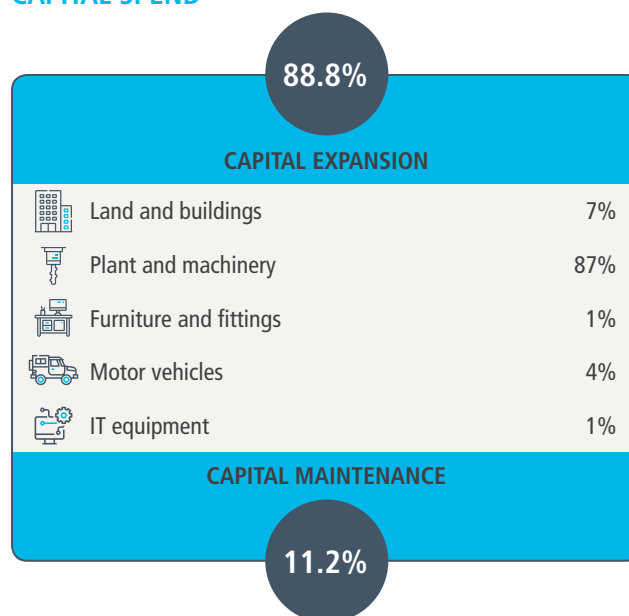
Refer to the consolidated statement of financial position on page 82.

Profit after tax went down by USD2 million this year due to various once-off costs. This includes restructuring costs in Peru, Mexico and South Africa of USD1.5 million, IFRS 9 adjustments on expected credit losses of USD1.79 million, and impairments on unused equipment and inventory of approximately USD0.75 million. A gain in USD, however, due to foreign exchange fluctuations somewhat mitigated these negative effects. Without these once-off costs, the Group would have had a 5% increase in profit.

We achieved a 12.9% ROCE (EBITDA), 4% short of our target of 17%. Given the various once-off costs we had this year, we believe 17% is achievable in normal trading conditions.

Master Drilling's capital spend was 88.8% on expansion and 11.2% on sustaining the existing fleet. This is a long-term investment and a return is expected to take some time.

## CAPITAL SPEND

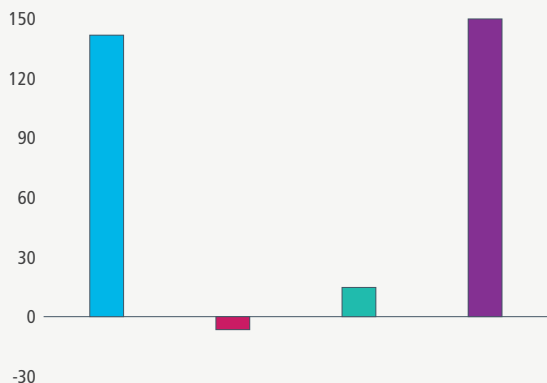


Debt decreased from USD57.8 million to USD51.4 million and the gearing ratio, including cash, changed from 16.2% to 22.5% in the 2019 financial year. This is still within our internal limit of 30%. Our debt allocation and shift in focus will help to improve our cash position and further enable us to manage the business through tough times with acceptable debt levels.



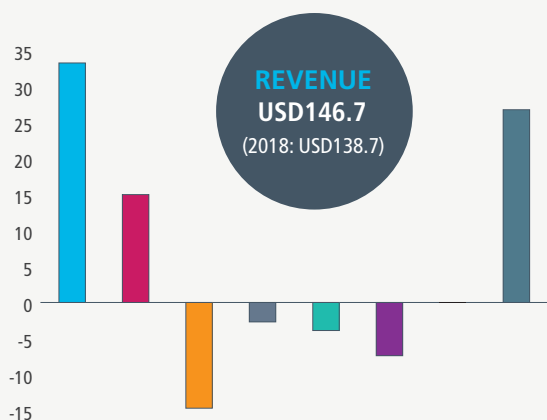
## FINANCIAL REVIEW continued

REVENUE WATERFALL (USD million)



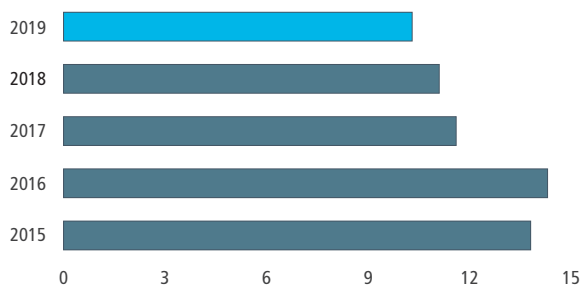
|                           | USD'000 |
|---------------------------|---------|
| Revenue 2018              | 138.7   |
| Foreign exchange          | (6.4)   |
| Fleet expansion           | -       |
| Acquisition               | -       |
| Fleet mix and utilisation | 14.4    |
| Revenue 2019              | 146.7   |

CASH FLOW WATERFALL (USD million)



|                                                  | USD'000 |
|--------------------------------------------------|---------|
| Cash at the beginning of the year                | 33.3    |
| Cash from operational activities                 | 15.0    |
| Net acquisition of property, plant and equipment | (14.7)  |
| Dividends paid                                   | (2.7)   |
| Investment in associate                          | (3.9)   |
| Net movement in financial liabilities            | (7.4)   |
| Other                                            | (0.1)   |
| Cash at the end of the year                      | 26.8    |

HEPS (USDc)



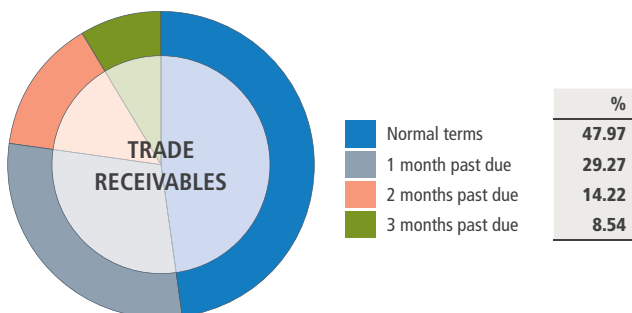
### CASH GENERATION

Refer to the consolidated statement of cash flows on [page 86](#).

Net cash generation decreased to USD15.0 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 to cater for emerging opportunities that require specific design, planning and investment. Working capital has remained a big focus area for senior management with significant effort expended. Pleasingly, it has improved in the last six months.

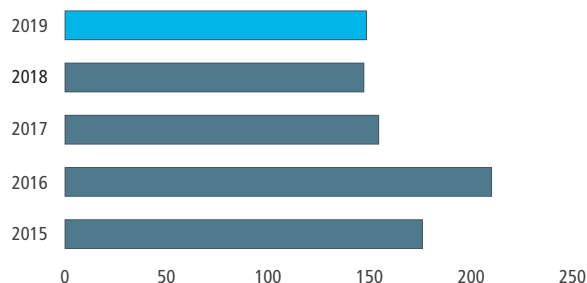
### WORKING CAPITAL BREAKDOWN

|                             | 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)    |



We are still in a healthy position to preserve cash for the future and our healthy cash position ensures we are well placed to survive the COVID-19 crisis.

HEPS (ZARc)



**DIVIDEND**

In view of the currently prevailing COVID-19 pandemic, global volatility and uncertain economic conditions, the Board deemed it advisable that cash resources be protected, and thus resolved on 23 March 2020 not to declare a dividend in respect of the 2019 financial year.

**OUTLOOK**

Post the year-end results, we had a cancellation of a tunnel borer contract due to COVID-19. The escalation in the global spread and effects of the COVID-19 pandemic since year-end is likely to have an impact on our business and that of our customers and suppliers in most – if not all – geographies in which the Group operates.

We remain cautiously optimistic that the resolution or minimisation of geopolitical factors as well as a measured – rather than significant – slowdown in the global economy will create a favourable operating environment in time.

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. Specifically, geographical areas such as North America, and especially Canada, were identified.

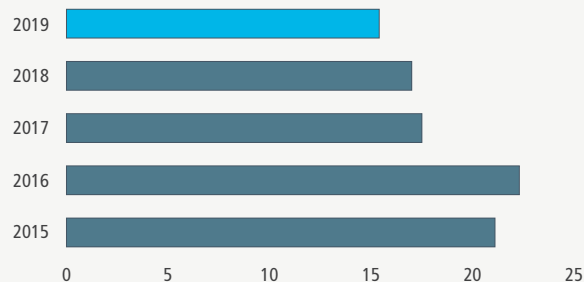
This, together with our existing footprint, services and the depth of our engineering and innovation capabilities position us well to remain a leader in the sector, bearing fruit for all our stakeholders.

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 while reducing operational risk.

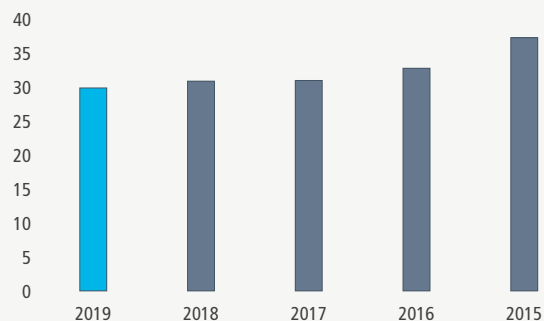
**ANDRÉ VAN DEVENTER**  
Chief Financial Officer

29 April 2020

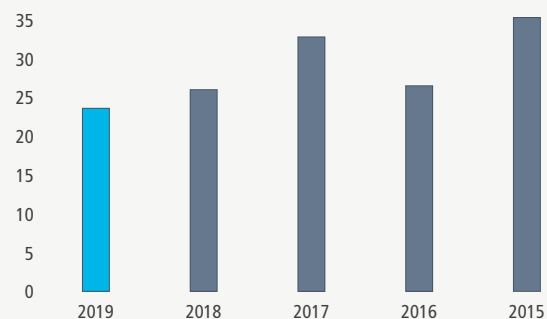
PROFIT AFTER TAX (USD million)



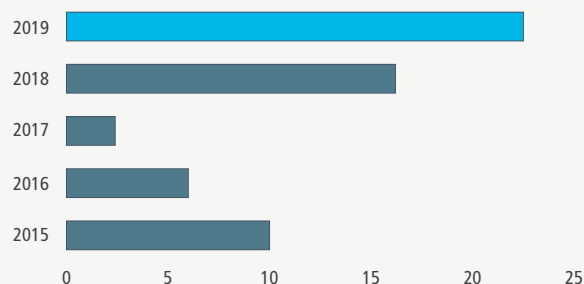
EBITDA (USD million)



CASH GENERATED BY OPERATIONS (USD million)



GEARING RATIO (%)





## MOBILE TUNNEL BORING

PERFORMANCE  
VALIDATION  
COMPLETED  
WITH VALUABLE  
LEARNINGS

EXPERIENCED  
CIVIL  
CONSTRUCTION  
SKILLS TRANSFERRED  
TO LOCAL MINING  
CREW

UPFRONT  
ENGINEERING  
DONE ON  
VARIOUS PROJECT  
APPLICATIONS AND  
ENQUIRIES

Mobile tunnel boring provides underground miners with a hard rock cutting concept and service to reach their ore safer and quicker, significantly influencing the feasibility and performance of their operations.



| ACCOUNTABILITY



# BOARD OF DIRECTORS



NON-EXECUTIVE DIRECTORS

|                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1</b></p> <p><b>HENNIE VAN DER MERWE</b><br/><i>Independent Chairman</i><br/>BA Law, LLB, LLM Tax<br/>Appointed July 2014</p> <p><b>Positions held elsewhere</b><br/>CEO Trecor Limited (JSE listed), Director Bell Equipment Limited (JSE listed), Director Textainer Group Holdings Limited (NYSE listed)</p> <p><b>Committees</b><br/># # #</p> | <p><b>2</b></p> <p><b>ANDRIES BRINK*</b><br/><i>Lead Independent</i><br/>CA(SA)<br/>Appointed June 2018</p> <p><b>Positions held elsewhere</b><br/>Director of York Timbers Limited (JSE Listed), BPW Proprietary Limited and DUTOIT Beherend Eiendoms Beperk</p> <p><b>Committees</b><br/># # # #</p> | <p><b>3</b></p> <p><b>AKHTER DESHMUKH</b><br/><i>Independent</i><br/>BCom, MBL<br/>Appointed November 2012</p> <p><b>Positions held elsewhere</b><br/>Director and CFO Lephatsi Investments Proprietary Limited</p> <p><b>Committees</b><br/># # #</p> | <p><b>4</b></p> <p><b>OCTAVIA MATLOA</b><br/><i>Independent</i><br/>CA(SA)<br/>Appointed June 2018</p> <p><b>Positions held elsewhere</b><br/>Group CEO Mukundi Mining Resources</p> <p><b>Committees</b><br/># # #</p> | <p><b>5</b></p> <p><b>SHANE FERGUSON</b><br/><i>Non-independent</i><br/>BCom, LLB<br/>Appointed September 2012</p> <p><b>Positions held elsewhere</b><br/>Director ST Ferguson Proprietary Limited (Tax Consultant and Legal Advisor to Master Drilling)</p> <p><b>Committees</b><br/># # # # #</p> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

\* Appointed as Lead Independent Director on 20 November 2019.  
# Chairman of the committee.

Full details on each director can be found on the website [www.masterdrilling.com](http://www.masterdrilling.com).

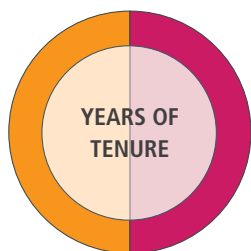
## COMMITTEES

■ Corporate Governance 
 ■ Nominations 
 ■ Risk 
 ■ Audit 
 ■ Remuneration 
 ■ Social, Ethics and Sustainability

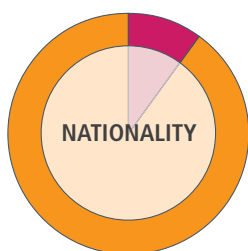




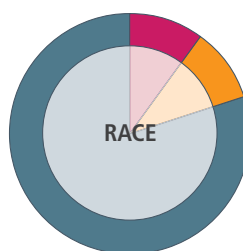
|                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                             |                                                                                                                                                                                                                                               |                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1</b></p> <p><b>DANIE PRETORIUS</b><br/>                 Chief Executive Officer<br/> <i>Government Engineers</i><br/>                 Certificate of Competency<br/>                 Appointed July 2012<br/>                 Master Drilling Founder 1986</p> | <p><b>2</b></p> <p><b>ANDRÉ VAN DEVENTER</b><br/>                 Chief Financial Officer<br/> <i>CA(SA)</i><br/>                 Appointed April 2011<br/>                 Joined Master Drilling 2001</p> | <p><b>3</b></p> <p><b>KOOS JORDAAN</b><br/>                 Executive Director<br/> <i>BEng, MBA, BS in International Technology Management</i><br/>                 Appointed July 2012<br/>                 Joined Master Drilling 2001</p> | <p><b>4</b></p> <p><b>GARY SHEPPARD</b><br/>                 Chief Operating Officer – Americas<br/> <i>BSc Eng, MBA</i><br/>                 Appointed November 2012<br/>                 Joined Master Drilling 1999</p> | <p><b>5</b></p> <p><b>EDDIE DIXON</b><br/>                 Alternative Director<br/>                 Chief Operating Officer – Exploration<br/> <i>MDip (Civil Eng), MBA</i><br/>                 Appointed September 2015<br/>                 Joined Master Drilling 2007</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



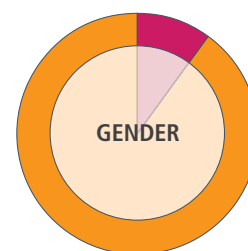
More than 7 years 50%  
 6 years 50%



Other 10%  
 South African 90%



Black 10%  
 Indian 10%  
 White 80%



Female 10%  
 Male 90%

# GOVERNANCE REPORT

## ETHICAL LEADERSHIP

We are committed to upholding the highest standards of ethics and good governance. The Board is ultimately responsible for the Group's governance, ethics and values and is supported in this regard by the Social, Ethics and Sustainability Committee.

Our Board charter and code of conduct set the ethical foundation for how we operate. To provide employees with further direction and guidance, various policies have been developed for conflicts of interest, gifts and hospitality, anti-bribery and anti-corruption. The employee ethics and code of conduct policy and the conflict of interest policy are communicated to all employees.

## King IV

We are committed to the principles of openness, integrity and accountability in our dealings with stakeholders. The Group endorses the value of good corporate governance, standards and principles as recommended by King IV. We apply King IV to support and strengthen our governance processes and to provide stakeholders with the necessary assurances in this regard.

The Board is committed to ensuring that the Group applies good corporate governance throughout its operations, taking into account the six capitals (financial, manufactured, human, intellectual, natural and social) within the triple context (economy, society and environment).

The Board has reviewed the Integrated Report in terms of the governance principles outlined in King IV. Our aim is to continuously improve the quality and reliability of the data presented. We have accordingly revisited our strategy and material matters and have developed a combined assurance model.

Our application of King IV is detailed in the King IV Checklist, which is available online at [www.masterdrilling.com](http://www.masterdrilling.com).

## THE BOARD

### Composition of the Board

The Master Drilling Board is a unitary Board comprised of nine directors – four independent non-executive directors, one non-executive director and four executive directors. The roles of Chairman and Chief Executive Officer are separate and clearly defined and the Chairman of the Board is an independent non-executive director. During the year, a Lead Independent Director was appointed in line with King IV. The executive and alternate executive directors are invited to all Board meetings.

Executive directors are under the leadership of the Chief Executive Officer and derive their authority from the Board. The executive directors, who are responsible for the day-to-day management of the Group's operations, are representative of all the geographic areas in which we operate and they meet regularly.

Non-executive directors have diverse backgrounds and their collective experience enables them to provide sound, objective judgement in decision-making.

### Rotation of directors

Directors are elected by the Company's shareholders at the Annual General meeting as set out in the Company's Memorandum of Incorporation. The matter of rotation of the directors is dealt with in line with the provisions of the Company's Memorandum of Incorporation.

### Director development

A formal process for the selection and appointment of directors is in place, including:

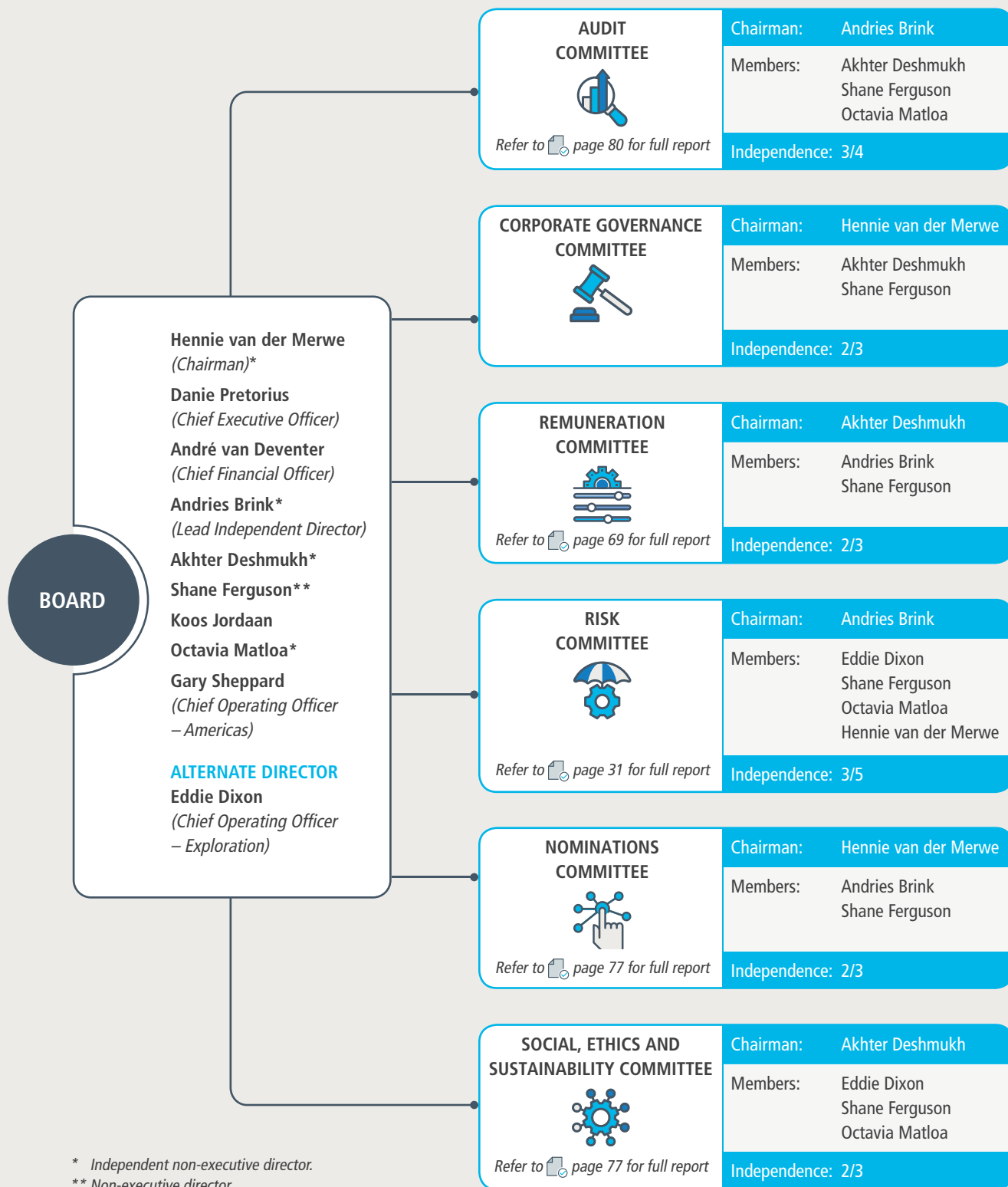
- Identification of suitable members of the Board;
- Reference and background checks of candidates prior to nomination;
- Formalising the appointment of directors through an agreement between the Company and the director subject to election by shareholders; and
- Overseeing the development of a formal induction programme for new directors.

At the Board meeting in November 2019, it was agreed that the associated benefits of establishing a continuous professional development programme that ensures the Board members receive regular briefings on changes in risks, laws and the business environment, should be explored and implemented for the Board/committee members. It was agreed that the individual Board/committee members take personal responsibility for continuously updating/supplementing their individual skill set and requisite knowledge to aptly enable them to perform their fiduciary responsibilities.

### Dealings in securities

Directors may not deal in the securities of the Company during closed periods which are from the end of the financial year to the publication of its financial results and from the end of the half-year to the publication of the half-year results and whenever the Company is subject to a cautionary announcement and/or the director is in possession of price sensitive information not in the public domain. The directors are specifically advised of any other period considered sensitive.

GOVERNANCE STRUCTURE



\* Independent non-executive director.  
 \*\* Non-executive director.

## GOVERNANCE REPORT continued

### Board self-evaluation

The Board through its Nominations Committee ensures that every alternate year there is a review on the effectiveness of itself and its committees and that each committee is appropriately constituted with due regard to the skills required by each committee. The last self-evaluation was performed in November 2018.

### Company Secretary

The Board appointed Andrew Colin Beaven as Company Secretary to Master Drilling, with effect from 1 December 2015. Having considered his skills, experience and expertise, as well as his independence and his arm's-length relationship with the Board and the Group, the Board is satisfied that he has the necessary competence and objectivity to provide independent guidance and support at the highest level of decision-making and is thus suitably qualified to act in this role.

### Board appointment process

The Nominations Committee is responsible for the selection of board candidates, succession planning for the Board and senior management. Newly appointed directors undergo a formal induction programme.

### Board committees

There are six Board committees – the Audit, Remuneration, Risk, Nominations, Corporate Governance and Social, Ethics and Sustainability Committees which assist the Board in managing

specific responsibilities delegated to them. The Audit and the Social, Ethics and Sustainability Committees have additional statutory responsibilities in terms of the Companies Act.

The Chief Executive Officer and executive directors are not members of any Board committees, with the exception of the Alternative Director, Eddie Dixon, who is a member of the Risk and Social, Ethics and Sustainability Committees. The Chief Executive Officer may attend committee meetings by invitation and when required by committee members.

The terms of reference for all Board committees and the Board's terms of reference are approved by the Board and reviewed on a regular basis. The Board is satisfied that all the committees have fulfilled their responsibilities for the year in accordance with their terms of reference.

The Board and its committees use the services of independent external advisers, as and when required.

The detailed terms of reference for each committee are available on our website at [www.masterdrilling.com](http://www.masterdrilling.com).

### Investment Committee

This is an informal committee comprising Board members, the Chief Executive Officer, Chief Financial Officer and Chief Sustainability Officer. The committee meets on an ad hoc basis to discuss investment opportunities which are then presented to the Board for discussion. It is not a formal Board committee, but Board members are invited to participate in the deliberations of the committee.

### Diversity at Board level

The Social, Ethics and Sustainability Committee deals with overseeing the Board-approved diversity policy and diversity plan and reporting against it.

The Nominations Committee handles any nominations for proposed appointments stemming from the policy.


| Occupational levels                  | MALE |   |   |   | FEMALE |   |   |   | TOTAL (%) |    |
|--------------------------------------|------|---|---|---|--------|---|---|---|-----------|----|
|                                      | A    | C | I | W | A      | C | I | W | M         | F  |
| Board representation – December 2019 | –    | – | 1 | 8 | 1      | – | – | – | 90        | 10 |
| – December 2018                      | –    | – | 1 | 8 | 1      | – | – | – | 90        | 10 |

Diversity at Board level receives regular consideration and the policies on gender and race diversity are available on our website at [www.masterdrilling.com](http://www.masterdrilling.com).

## Board activities

The activities of the Board are listed in the table below. The activities carried out by each committee in supporting and enhancing the governance framework are explained in their respective reports.

### Focus for 2019

- To ensure that the strategic initiatives remain appropriate, and to monitor performance against them;
- To monitor management's actions in order to ensure that all manpower, funding and operational resources are in place to enable expected performance and growth;
- To monitor, through report-backs from the Board committees and management, actual performance against operational, financial and corporate governance targets;
- To ensure informative and timeous reporting to shareholders and the investing public;
- To ensure that an appropriate realistic long-term strategy – a key driver in business decisions – is in place and to ensure that compliance with the strategy is monitored on a regular basis;
- To ensure that the industry and business risks faced are monitored and addressed by management;
- To ensure that report-backs are submitted to the Board regularly to enable it to carry out its oversight function;
- To approve the development, structuring and changing of individual committee charters and work plans for adherence to King IV; and
- Refer to  page 9 for our response to COVID-19.

## Board and committee meetings

The Board meets at least four times a year, with ad hoc meetings as required. Notice of meetings and documentation are provided to directors timeously, allowing them to prepare for meetings ensuring that they can make informed decisions.

Attendance at Board and committee meetings is indicated in the table below:

| MEMBERS                              | AGM | BOARD | AUDIT COMMITTEE | RISK COMMITTEE | SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE | REMUNE-RATION COMMITTEE | NOMINATIONS COMMITTEE | CORPORATE GOVERNANCE COMMITTEE |
|--------------------------------------|-----|-------|-----------------|----------------|---------------------------------------------|-------------------------|-----------------------|--------------------------------|
| Andries Brink <sup>#</sup>           | 1/1 | 4/4   | 4/4             | 4/4            |                                             | 4/4                     | 2/2                   |                                |
| Akhter Deshmukh <sup>#</sup>         | 1/1 | 4/4   | 3/4             |                | 4/4                                         | 4/4                     |                       | 2/2                            |
| Hennie van der Merwe                 | 1/1 | 4/4   |                 | 4/4            |                                             |                         | 2/2                   | 2/2                            |
| Octavia Matloa                       | 1/1 | 4/4   | 4/4             | 4/4            | 3/4                                         |                         |                       |                                |
| Shane Ferguson                       |     | 3/4   | 3/4             | 3/4            | 4/4                                         | 3/4                     | 2/2                   | 2/2                            |
| Danie Pretorius                      | 1/1 | 4/4   |                 |                |                                             |                         |                       |                                |
| André van Deventer                   | 1/1 | 4/4   |                 |                |                                             |                         |                       |                                |
| Koos Jordaan                         | 1/1 | 4/4   |                 |                |                                             |                         |                       |                                |
| Gary Sheppard                        | 1/1 | 4/4   |                 |                |                                             |                         |                       |                                |
| Eddie Dixon <sup>#</sup> (alternate) | 1/1 | 4/4   |                 |                |                                             |                         |                       |                                |

<sup>#</sup> On 26 March 2019, Andries Brink stepped down as Chairman and member of the Social, Ethics and Sustainability Committee and independent non-executive director. Akhter Alli Deshmukh was appointed in his place and alternate executive director, Eddie George Dixon, was appointed as a member of the Social, Ethics and Sustainability Committee.



## GOVERNANCE REPORT continued

### TECHNOLOGY AND INFORMATION GOVERNANCE

Information technology (IT) is a critical element for our business in ensuring sustainable growth and is encompassed by our strategic pillar technology optimisation and development. It is applied throughout our business from research and development, administration to tendering and logistics.

An IT project manager is in place and responsible for driving projects. The IT department and information management systems are fully integrated. During the year, we undertook a number of IT projects including:

- SHEQ incident management app;
- Procurement and logistics standardisation and optimisation; and
- Asset management and tracking using RFID.

We have multi-factor authentication in place for all our users, which prevents any user-name and password being used by people outside of the system, which can now detect an unknown device and request verification via SMS or a dedicated app.

All employees have access to a learner management system via Sharepoint which enables users to participate in online courses, specifically on IT systems. On completion, users are awarded certificates and granted permission to access a system if required.

We are striving towards our goal of paperless and smarter working and have systems in place to ensure that requisition requests across Africa can be submitted electronically.

We have Dynamics AX, a Microsoft Enterprise Resource Planning system, and an incident management system (AX) in place across Africa.

We also use Power BI throughout the Group specifically as a business intelligence programme for the executives. Our balanced scorecards and dashboards are available on this system to enable executives to access them for quick viewing.

### COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

We comply with a number of regulations, codes and statutes. A compliance function has been established at Group level, including a Group legal compliance policy with reporting structures. Adherence to non-binding rules, codes and standards is considered and, where deemed practical, is implemented as appropriate. Reports on compliance with these regulations are tabled at the Risk Committee meetings.

All Board committee charters have been approved and a Corporate Governance Committee has been established. We are currently compiling a regulations register which will assist in our compliance matrix.

### Relevant legislation/regulations

There were no material non-compliance issues identified/reported during the year.

### ANTI-COMPETITIVE BEHAVIOUR

We are not aware of Master Drilling having been party to anti-competitive behaviour or monopoly practices during the year.



# REMUNERATION REPORT

## KEY THEMES

- Major institutional investor feedback in respect of policy
- Key issue in respect of remuneration policy:
  - a guaranteed package;
  - variable pay in short and long term incentives;
  - performance management;
  - individual growth and development; and
  - a stimulating work environment.

## Dear stakeholder,

On behalf of the committee, I present the FY19 remuneration report.

The Remuneration Committee (Remco) is charged with determining the Group's policy for the individual remuneration of executive directors, prescribed officers, senior, middle and junior management.

Given their diverse track records, the three non-executive committee members provide the necessary expertise and industry experience in regard to remuneration matters.

No external remuneration consultants were used in the year, however, Remco continued to make reference to market data from external sources.

Further, in the year, a major institutional investor was polled for feedback on our remuneration policy and implementation. Key themes raised, and our responses, are tabled below:

| KEY THEMES                                                                                                                                                                                                                                                                               | MASTER DRILLING RESPONSE                                                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Projects in development, albeit recognised as critical to long-term sustainability, not yet generating a return with consequent poor cash conversion i.e. quantum of investment accumulating materially while operating performance from existing assets deteriorating (increasing debt) |                                                                                                                                                                                              |
| ROA in the three-year LTI cycle to account for the cash conversion concern                                                                                                                                                                                                               | The LTI of an eligible employee depends on: <ul style="list-style-type: none"> <li>• The average ROA of Master Drilling Group over an LTI cycle;</li> <li>• His/her On Target LTI</li> </ul> |
| More highly incentivised payouts in terms of the LTI Scheme i.e. stretch management to overdeliver                                                                                                                                                                                       | Yes, there is a correlation between delivery and incentive payouts                                                                                                                           |
| Scaled/tiered/stepped payouts in terms of the LTI Scheme in terms of signify/make material the performance hurdles i.e. overcome arbitrary application                                                                                                                                   | The MD LTI Scheme makes provision for tiered payouts which is described in the policy to prevent arbitrary payouts                                                                           |
| Eliminate payouts for performance below WACC to align with shareholder interests e.g. the 50% payout for 15% to 17% ROA through the LTI cycle                                                                                                                                            | WACC is one of the achievement thresholds to be achieved before LTI                                                                                                                          |
| Explicit inclusion in the STI Scheme to address the cash conversion concern                                                                                                                                                                                                              | Debtor days are a KPI on all performance agreements and cash conversion cycle for the Finance and Logistics HODS                                                                             |
| "Budgeted headline earnings" susceptible to padding – universal concern i.e. intense Board engagement required to determine the accuracy of budgeting/benchmarks                                                                                                                         |                                                                                                                                                                                              |
| As per the LTI Scheme, possible stepping/ tiering of HEPS performance hurdles to incentivise material management outperformance in the STI Scheme                                                                                                                                        |                                                                                                                                                                                              |

Remco's terms of reference is available online at [www.masterdrilling.com](http://www.masterdrilling.com).

## REMUNERATION REPORT continued

### NON-BINDING ADVISORY VOTE AT ANNUAL GENERAL MEETING 9 JUNE 2020

Our remuneration policy and implementation report are tabled annually for a separate, non-binding advisory vote by shareholders at the Annual General Meeting. The policy is available online at [www.masterdrilling.com](http://www.masterdrilling.com).

The policy records the measures which the Board is obligated to take in the event that either the remuneration policy or the implementation report, respectively or both, are voted against by 25% or more of the voting rights exercised. Inter alia, the measures provide for:

- An engagement process to ascertain the reasons for any dissenting votes; and
- Appropriately addressing legitimate and reasonable objections and concerns raised, including, if necessary, amending the remuneration policy or clarifying or adjusting our remuneration governance and/or processes.

Remco is satisfied that the remuneration policy and implementation report are complied with and that there have been no deviations.

### HOW PERFORMANCE IMPACTS ON REMUNERATION

Both the STI and LTI Schemes are designed as incentivisation mechanisms, with reward thereunder linked to specific Group key performance indicators, for instance the STI is predicated on actual headline earnings versus budgeted headline earnings for any one year, while the LTI is predicated on average EBITDA over a three-year cycle with a target of 15%+.

During FY17, the STI structure was refined and improved with the introduction of a stronger correlation between individual performance and reward. The Board then approved a special performance reward (SPR) – a new variable component to be paid annually to qualifying employees based solely on individual performance. The achievement of the individual SPR objective in question determines the percentage increase, over and above inflation, to which the employee is entitled for the year. (The specific SPR objective that entitles reward is determined per employee, by the employee in question together with his/her direct supervisor, recorded in a separate contract with checks and balances, and updated annually.)

Attendance at committee meetings is set out on [page 67](#).

### REMUNERATION TRENDS AND FOCUS AREAS FY20

- STI for Shared Services to be approved;
- Implementation of principle of linking LTIs to restraint of trade documents;
- Annual quality assurance on the 1-5 performance ratings to ensure consistency; and
- Analysis of employees under or over the approved salary bands (escalated to the relevant COO).

### REMUNERATION POLICY

A formal remuneration policy is in place and is available on the website [www.masterdrilling.com](http://www.masterdrilling.com). The policy sets out the Company's commitment to paying employees fairly for the work performed in line with principles free of discrimination on the basis of race, gender, sex, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, political opinion, culture, language, marital status or family responsibility.

As our people are one of our competitive advantages, we acknowledge that in order to meet corporate goals and objectives, our reward policies must be an integral part of overall HR strategy, be designed to motivate and reinforce superior performance, encourage individual development, be designed to attract and retain high-quality people and be aligned to anti-discriminatory practices.

Each job is internally and externally benchmarked, to determine its relative contribution in terms of complexity and expected outputs and results which determines the remuneration ranges. Role levels, Paterson grading level and market medians form the basis of remuneration range structures and these are reviewed at least annually to ensure ongoing market competitiveness.

A benchmarking analysis compares the internal salary levels to the market, per grade, to assess how Master Drilling's internal pay compares relative to the market. This determines how competitive our remuneration is and how wide the pay spread is between the lowest paid and highest paid employee within the same grade, which, in turn guides how wide the pay range will be for the respective pay scales.

The policy also outlines policies for salary increases. In addition to any inflationary increases, that may be determined an employee may receive an additional increase over and above the inflationary increase, which is measured by a set merit scale.

## REMUNERATION OVERVIEW

| NON-EXECUTIVE DIRECTORS                                                                                                                                                                                                                  | EXECUTIVE DIRECTORS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | PRESCRIBED OFFICERS/EXCO | SENIOR MANAGEMENT                                                                                                                                                                                                                                                         | MIDDLE AND JUNIOR MANAGEMENT |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| <ul style="list-style-type: none"> <li>• Fee = base fee + attendance fee – benchmarked annually</li> <li>• Higher fees for Chairpersons</li> <li>• Reimbursable travel claims – 100% of cost if Company-related/agreed policy</li> </ul> | <ul style="list-style-type: none"> <li>• Basic salary                             <ul style="list-style-type: none"> <li>– Inflationary and SPR increase</li> <li>– Circumstantial pay: qualifications and experience, retention-critical, specific position</li> <li>– Benchmarking (PwC remuneration survey = benchmark for executive directors)</li> <li>– Alignment with group strategic objectives and shareholders’ interests</li> </ul> </li> <li>• Retirement fund contribution</li> <li>• Medical aid</li> <li>• Reimbursable travel claims – 100% of cost if Company-related/agreed policy</li> <li>• Fixed allowance for uniforms</li> <li>• PPE clothing, where applicable</li> </ul> |                          |                                                                                                                                                                                                                                                                           |                              |
|                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>• STI (STI + SPR)</li> <li>• LTI (including SOS)</li> <li>• Liability insurance (liabilities per position delineated and approved FY18)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                          | <ul style="list-style-type: none"> <li>• STI: Incentive bonus based on achievement of production targets OR</li> <li>• In South America: 5% to 10% of PAT paid to employees</li> <li>• LTI: B-BBEE share option plan open to B-BBEE candidates in South Africa</li> </ul> |                              |





## REMUNERATION REPORT continued

### SHORT-TERM INCENTIVE (STI) SCHEME

During FY17, the Group's STI structure was refined and improved with a stronger correlation between individual performance and reward than when the SPR was introduced in addition to the existing STI. There were no STIs paid during FY19 as not all targets were met.

|                                                 | STI                                                                                                                                                                                                                                                                                                                                                                                                                                       | SPR                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------|----------|-----------------------------|-------------------|------------------------|-------------|-----------------------------------|------------------------|--------------------------------|---------------|--------------------------------|
| <b>Underlying metric</b>                        | Actual headline earnings versus budgeted headline earnings                                                                                                                                                                                                                                                                                                                                                                                | <b>Individual strategic objective/s</b><br>Determined annually per employee, by employee and direct supervisor                                                                                                                                                                                                                                                                                                                                                                  |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| <b>Discretion</b>                               | Remco discretion and CEO entitled to motivate for any specific qualifying employee despite 75% of budgeted headline earnings not having been achieved                                                                                                                                                                                                                                                                                     | Remco discretion                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| <b>Eligibility</b>                              | <ul style="list-style-type: none"> <li>Executive directors</li> <li>Direct reports</li> </ul>                                                                                                                                                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>Permanent employees in A to E role positions</li> <li>Paterson grades D3 and above</li> </ul>                                                                                                                                                                                                                                                                                                                                            |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| <b>Calculation</b>                              | Total Gross Package (TGP) x Base STI %<br><br>Base STI guide: <ul style="list-style-type: none"> <li>CEO – 75%</li> <li>COO – fixed amount</li> <li>CFO and FD – 50%</li> <li>Other eligible employees – 25%*</li> </ul> * Remco discretion FY19.                                                                                                                                                                                         | <table border="1"> <thead> <tr> <th>Performance rating of strategic objective 1 – 5</th> <th>Increase over and above inflation %</th> </tr> </thead> <tbody> <tr> <td>1 – Poor</td> <td>–</td> </tr> <tr> <td>2 – Below average</td> <td>–</td> </tr> <tr> <td>3 – Average</td> <td>–</td> </tr> <tr> <td>4 – Well above average</td> <td>50% of inflationary percentage</td> </tr> <tr> <td>5 – Excellent</td> <td>75% of inflationary percentage</td> </tr> </tbody> </table> | Performance rating of strategic objective 1 – 5 | Increase over and above inflation % | 1 – Poor | –                           | 2 – Below average | –                      | 3 – Average | –                                 | 4 – Well above average | 50% of inflationary percentage | 5 – Excellent | 75% of inflationary percentage |
| Performance rating of strategic objective 1 – 5 | Increase over and above inflation %                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| 1 – Poor                                        | –                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| 2 – Below average                               | –                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| 3 – Average                                     | –                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| 4 – Well above average                          | 50% of inflationary percentage                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| 5 – Excellent                                   | 75% of inflationary percentage                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| <b>Allocation cap</b>                           | <ul style="list-style-type: none"> <li>Allocation is limited to the total STI pool</li> <li>Allocation per employee is limited to the maximum Base STI</li> </ul>                                                                                                                                                                                                                                                                         | Performance rating in relation to individual SPR objective must equal or exceed 4                                                                                                                                                                                                                                                                                                                                                                                               |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| <b>Individual allocation cap</b>                | <table border="1"> <thead> <tr> <th>Performance rating 1 – 5</th> <th>Calculation input %</th> </tr> </thead> <tbody> <tr> <td>1 – Poor (0%)</td> <td>Nil</td> </tr> <tr> <td>2 – Below average (0 – 60%)</td> <td>Nil</td> </tr> <tr> <td>3 – Average (61 – 80%)</td> <td>100</td> </tr> <tr> <td>4 – Well above average (81 – 90%)</td> <td>120</td> </tr> <tr> <td>5 – Excellent (91 – 100%)</td> <td>150</td> </tr> </tbody> </table> | Performance rating 1 – 5                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Calculation input %                             | 1 – Poor (0%)                       | Nil      | 2 – Below average (0 – 60%) | Nil               | 3 – Average (61 – 80%) | 100         | 4 – Well above average (81 – 90%) | 120                    | 5 – Excellent (91 – 100%)      | 150           |                                |
| Performance rating 1 – 5                        | Calculation input %                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| 1 – Poor (0%)                                   | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| 2 – Below average (0 – 60%)                     | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| 3 – Average (61 – 80%)                          | 100                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| 4 – Well above average (81 – 90%)               | 120                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |
| 5 – Excellent (91 – 100%)                       | 150                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                 |                                     |          |                             |                   |                        |             |                                   |                        |                                |               |                                |

Further, in FY20 a STI for Shared Services staff and other staff not covered by the existing STI, was introduced.

#### STI for Shared Services

This STI incentivises the attainment and improvement of Group strategic objectives. Targets are categorised as Tier 1 and Tier 2 for a calendar year 1 January to 31 December. Participation in Tier 1 is subject to minimum Group PAT targets being achieved, while participation in Tier 2 is subject to achieving 100% of Tier 1 targets, unless otherwise stated in the rules.



## LONG-TERM INCENTIVE (LTI) SCHEME

|                                | LTI                                                                                                                                                                                                                                                                                                                                              |                                |                                        |         |    |           |    |     |     |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------|---------|----|-----------|----|-----|-----|
| <b>Underlying metric</b>       | Average EBITDA over three-year LTI cycle (FY19 to FY21)                                                                                                                                                                                                                                                                                          |                                |                                        |         |    |           |    |     |     |
| <b>Discretion</b>              | Remco discretion                                                                                                                                                                                                                                                                                                                                 |                                |                                        |         |    |           |    |     |     |
| <b>Eligibility</b>             | <ul style="list-style-type: none"> <li>Executive directors</li> <li>Direct reports</li> </ul>                                                                                                                                                                                                                                                    |                                |                                        |         |    |           |    |     |     |
| <b>Calculation</b>             | <p>TGP x on-target LTI %</p> <p>On-target LTI guide:</p> <ul style="list-style-type: none"> <li>CEO – 75%</li> <li>CFO and FD – 50%</li> <li>COO and other eligible employees – fixed amount*</li> </ul> <p>* Remco discretion.</p>                                                                                                              |                                |                                        |         |    |           |    |     |     |
| <b>Allocation cap</b>          | <table border="1"> <thead> <tr> <th>Average EBITDA for LTI cycle %</th> <th>Portion of on-target LTI entitlement %</th> </tr> </thead> <tbody> <tr> <td>13 – 14</td> <td>50</td> </tr> <tr> <td>14 – 14.9</td> <td>75</td> </tr> <tr> <td>15+</td> <td>100</td> </tr> </tbody> </table> <p>EBITDA targets based on current invested capital.</p> | Average EBITDA for LTI cycle % | Portion of on-target LTI entitlement % | 13 – 14 | 50 | 14 – 14.9 | 75 | 15+ | 100 |
| Average EBITDA for LTI cycle % | Portion of on-target LTI entitlement %                                                                                                                                                                                                                                                                                                           |                                |                                        |         |    |           |    |     |     |
| 13 – 14                        | 50                                                                                                                                                                                                                                                                                                                                               |                                |                                        |         |    |           |    |     |     |
| 14 – 14.9                      | 75                                                                                                                                                                                                                                                                                                                                               |                                |                                        |         |    |           |    |     |     |
| 15+                            | 100                                                                                                                                                                                                                                                                                                                                              |                                |                                        |         |    |           |    |     |     |
| <b>Payment</b>                 | <ul style="list-style-type: none"> <li>2/3 cash on conclusion of audited LTI cycle</li> <li>1/3 share options (equivalent to cash amount) under MDG SOS (see below)</li> </ul>                                                                                                                                                                   |                                |                                        |         |    |           |    |     |     |

Variable performance-related remuneration is subject to clawback. This is determined if the committee considers that there is:

- A significant downward restatement of the financial results;
- Reasonable evidence of gross misconduct or gross negligence by the individual;
- Reasonable evidence of material breach by the individual of the code of conduct and ethics;
- Breach of restrictive covenants by which the individual has agreed to be bound; and/or
- Reasonable evidence of conduct by the individual that results in significant losses or reputational damage.

If any of the above are deemed to have occurred, the committee may, in its discretion, decide that some or all of the performance-related remuneration (which is subject to this malus and clawback provision) will be reduced, lapse, will not vest or will only vest in part. During 2019, no circumstances have been identified that result in any adjustments or clawback.

## MASTER DRILLING GROUP SHARE OPTION SCHEME (SOS)

In addition to executive directors and their direct reports under the LTI above, any employee shall be eligible to receive grants under the SOS who, in Remco's discretion, has contributed materially to the relevant Group division and delivered an exceptional individual performance (other than a non-executive director and trustee of an employee benefit trust). The latter shall be measured in the context of the applicable internal performance appraisal process, among other factors.

The maximum number of shares in respect of which options can be granted to any one option-holder is 500 000 shares in a three-year cycle (coinciding with the LTI cycle currently FY19 to FY21). Subject to this, further, the maximum value of shares subject to an option to be awarded to an option-holder will not usually exceed 200% of his/her base salary per financial year.

Options will vest and become exercisable no earlier than the third anniversary of the date of grant. Options can be exercised in whole or in part once they have vested, up to the 10th anniversary of the date of grant.

| DETAILS                                                               | OPTIONS     |
|-----------------------------------------------------------------------|-------------|
| Total number of share options attributable to the share option scheme | 5 000 000   |
| Less: Total number of share options granted on 29 November 2014       | (2 000 000) |
| Total number of share options granted on 19 May 2014                  | (327 286)   |
| Total number of share options granted on 21 August 2015               | (80 000)    |
| Total number of share options granted on 19 October 2015              | (80 000)    |
| Total number of share options granted on 20 October 2015              | (35 000)    |
| Total number of share options exercised during 2015                   | –           |
| Total number of share options granted on 4 January 2016               | (250 000)   |
| Total number of share options granted on 27 January 2016              | (250 000)   |
| Total share options unissued as at 31 December 2016                   | 1 977 714   |
| Total number of share options granted on 1 October 2017               | (835 000)   |
| Total share options unissued as at 31 December 2017                   | 1 142 714   |
| Cancelled during 2019                                                 | 450 000     |
| Total share options unissued as at 31 December 2019*                  | 1 592 714   |

\* No new share options were issued during the year.

More detail on how our SOS is structured is set out in the annual financial statements contained in this Integrated Report and available online at [www.masterdrilling.com](http://www.masterdrilling.com).

## REMUNERATION REPORT continued

### IMPLEMENTATION REPORT

|                                | BASIC SALARY     | TRAVEL ALLOWANCE | BONUS            | FRINGE BENEFITS | PROVIDENT/<br>PENSION FUND<br>CONTRI-<br>BUTIONS | DIRECTORS'<br>FEES | TOTAL            |
|--------------------------------|------------------|------------------|------------------|-----------------|--------------------------------------------------|--------------------|------------------|
| <b>2019 USD</b>                |                  |                  |                  |                 |                                                  |                    |                  |
| <b>Executive directors</b>     |                  |                  |                  |                 |                                                  |                    |                  |
| Danie Pretorius                | 534 091          | –                | 91 773           | 20 239          | –                                                | –                  | 646 103          |
| Andre van Deventer             | 387 352          | –                | 284 284          | 15 728          | –                                                | –                  | 687 364          |
| Gary Sheppard                  | 345 914          | –                | 288 729          | 24 593          | 5 972                                            | –                  | 665 208          |
| Koos Jordaan                   | 248 688          | –                | 395 217          | 34 512          | –                                                | –                  | 678 417          |
| <b>Sub-total</b>               | <b>1 516 045</b> | <b>–</b>         | <b>1 060 003</b> | <b>95 072</b>   | <b>–</b>                                         | <b>–</b>           | <b>2 677 092</b> |
| <b>Non-executive directors</b> |                  |                  |                  |                 |                                                  |                    |                  |
| Hennie van der Merwe           | –                | –                | –                | –               | –                                                | 61 234             | 61 234           |
| Shane Ferguson                 | –                | –                | –                | –               | –                                                | –                  | –                |
| Octavia Matloa                 | –                | –                | –                | –               | –                                                | 29 339             | 29 339           |
| Andries Brink                  | –                | –                | –                | –               | –                                                | 29 339             | 29 339           |
| Akhter Deshmukh                | –                | –                | –                | –               | –                                                | 39 527             | 39 527           |
| <b>Sub-total</b>               | <b>–</b>         | <b>–</b>         | <b>–</b>         | <b>–</b>        | <b>–</b>                                         | <b>159 439</b>     | <b>159 439</b>   |
| <b>Alternate director</b>      |                  |                  |                  |                 |                                                  |                    |                  |
| Eddie Dixon                    | 164 776          | –                | 108 138          | 11 810          | 17 875                                           | –                  | 302 599          |
| <b>Sub-total</b>               | <b>164 776</b>   | <b>–</b>         | <b>108 138</b>   | <b>11 810</b>   | <b>17 875</b>                                    | <b>–</b>           | <b>302 599</b>   |
| <b>Prescribed Officer</b>      |                  |                  |                  |                 |                                                  |                    |                  |
| Roelof Swanepoel               | 140 136          | –                | –                | 3 579           | 8 494                                            | –                  | 152 209          |
| <b>Sub-total</b>               | <b>140 136</b>   | <b>–</b>         | <b>–</b>         | <b>3 579</b>    | <b>8 494</b>                                     | <b>–</b>           | <b>152 209</b>   |
| <b>Total</b>                   | <b>1 820 957</b> | <b>–</b>         | <b>1 168 141</b> | <b>110 461</b>  | <b>–</b>                                         | <b>159 439</b>     | <b>3 387 631</b> |

A prescribed officer is defined as having general executive control over and management of a significant portion of the Group or regularly participates therein to a material degree, and is not a director of the Group.



|                                | BASIC<br>SALARY  | TRAVEL<br>ALLOWANCE | BONUS          | FRINGE<br>BENEFITS | PROVIDENT/<br>PENSION<br>FUND<br>CONTRI-<br>BUTIONS | DIRECTORS'<br>FEES | CONSULTING<br>AND<br>LEGAL<br>FEES | TOTAL            |
|--------------------------------|------------------|---------------------|----------------|--------------------|-----------------------------------------------------|--------------------|------------------------------------|------------------|
| <b>2018 USD</b>                |                  |                     |                |                    |                                                     |                    |                                    |                  |
| <b>Executive directors</b>     |                  |                     |                |                    |                                                     |                    |                                    |                  |
| Danie Pretorius                | 399 919          | –                   | 188 007        | 19 239             | –                                                   | –                  | –                                  | 607 165          |
| Andre van Deventer             | 291 887          | –                   | 133 529        | 12 932             | –                                                   | –                  | –                                  | 438 348          |
| Gary Sheppard                  | 373 520          | –                   | –              | 14 422             | –                                                   | –                  | –                                  | 387 942          |
| Koos Jordaan                   | 298 462          | –                   | –              | 13 623             | –                                                   | –                  | –                                  | 312 085          |
| <b>Sub-total</b>               | <b>1 363 788</b> | <b>–</b>            | <b>321 536</b> | <b>60 216</b>      | <b>–</b>                                            | <b>–</b>           | <b>–</b>                           | <b>1 745 540</b> |
| <b>Non-executive directors</b> |                  |                     |                |                    |                                                     |                    |                                    |                  |
| Hennie van der Merwe           | –                | –                   | –              | –                  | –                                                   | 63 239             | –                                  | 63 239           |
| Johan Botha                    | –                | –                   | –              | –                  | –                                                   | –                  | –                                  | –                |
| Shane Ferguson                 | –                | –                   | –              | –                  | –                                                   | 30 220             | 95 316                             | 125 536          |
| Octavia Matloa                 | –                | –                   | –              | –                  | –                                                   | 17 602             | –                                  | 17 602           |
| Andries Brink                  | –                | –                   | –              | –                  | –                                                   | 17 579             | –                                  | 17 579           |
| Jacques de Wet                 | –                | –                   | –              | –                  | –                                                   | –                  | –                                  | –                |
| Akhter Deshmukh                | –                | –                   | –              | –                  | –                                                   | 40 642             | –                                  | 40 642           |
| <b>Sub-total</b>               | <b>–</b>         | <b>–</b>            | <b>–</b>       | <b>–</b>           | <b>–</b>                                            | <b>169 362</b>     | <b>95 316</b>                      | <b>264 598</b>   |
| <b>Alternate director</b>      |                  |                     |                |                    |                                                     |                    |                                    |                  |
| Eddie Dixon                    | 177 880          | –                   | 58 920         | 28 368             | –                                                   | –                  | –                                  | 265 168          |
| <b>Sub-total</b>               | <b>177 880</b>   | <b>–</b>            | <b>58 920</b>  | <b>28 368</b>      | <b>–</b>                                            | <b>–</b>           | <b>–</b>                           | <b>265 168</b>   |
| <b>Prescribed Officer</b>      |                  |                     |                |                    |                                                     |                    |                                    |                  |
| Roelof Swanepoel               | 207 220          | –                   | 56 605         | 1 580              | –                                                   | –                  | –                                  | 271 944          |
| <b>Sub-total</b>               | <b>207 220</b>   | <b>–</b>            | <b>56 605</b>  | <b>1 580</b>       | <b>–</b>                                            | <b>–</b>           | <b>–</b>                           | <b>271 944</b>   |
| <b>Total</b>                   | <b>1 748 888</b> | <b>–</b>            | <b>437 061</b> | <b>90 164</b>      | <b>–</b>                                            | <b>169 362</b>     | <b>95 316</b>                      | <b>2 547 250</b> |



## REMUNERATION REPORT continued

### DIRECTORS' INTEREST

|                                | NUMBER OF SHARES     |                        |                   | PERCENTAGE<br>OF ISSUED<br>ORDINARY<br>SHARE<br>CAPITAL |
|--------------------------------|----------------------|------------------------|-------------------|---------------------------------------------------------|
|                                | DIRECT<br>BENEFICIAL | INDIRECT<br>BENEFICIAL | TOTAL             |                                                         |
| <b>2019 USD</b>                |                      |                        |                   |                                                         |
| <b>Executive directors</b>     |                      |                        |                   |                                                         |
| Danie Pretorius                | 500 900              | 78 641 565             | 79 142 465        | 52.55                                                   |
| Andre van Deventer             | 727 648              | 1 944 136              | 2 671 784         | 1.77                                                    |
| Gary Sheppard                  | –                    | 2 955 884              | 2 955 884         | 1.96                                                    |
| Koos Jordaan                   | 1 781 861            | 1 228 336              | 3 010 197         | 2.00                                                    |
|                                | <b>3 010 409</b>     | <b>84 769 921</b>      | <b>87 780 330</b> | <b>58.29</b>                                            |
| <b>Non-executive directors</b> |                      |                        |                   |                                                         |
| Hennie vd Merwe                | –                    | –                      | –                 | –                                                       |
| Shane Ferguson                 | –                    | –                      | –                 | –                                                       |
| Octavia Matloa                 | –                    | –                      | –                 | –                                                       |
| Andries Brink                  | –                    | –                      | –                 | –                                                       |
| Akhter Deshmukh                | –                    | –                      | –                 | –                                                       |
| <b>Total</b>                   | <b>3 010 409</b>     | <b>84 769 921</b>      | <b>2 955 884</b>  | <b>58.29</b>                                            |
| <b>2018 USD</b>                |                      |                        |                   |                                                         |
| Danie Pretorius                | 500 900              | 78 636 565             | 79 137 465        | 52.55                                                   |
| Andre van Deventer             | 727 648              | 1 944 136              | 2 671 784         | 1.77                                                    |
| Gary Sheppard                  | –                    | 2 955 884              | 2 955 884         | 1.96                                                    |
| Koos Jordaan                   | 1 781 861            | 1 228 336              | 3 010 197         | 2.00                                                    |
|                                | <b>3 010 409</b>     | <b>84 764 921</b>      | <b>87 775 330</b> | <b>58.29</b>                                            |
| <b>Non-executive directors</b> |                      |                        |                   |                                                         |
| Hennie vd Merwe                | –                    | –                      | –                 | –                                                       |
| Johan Botha                    | –                    | –                      | –                 | –                                                       |
| Shane Ferguson                 | –                    | –                      | –                 | –                                                       |
| Octavia Matloa                 | –                    | –                      | –                 | –                                                       |
| Andries Brink                  | –                    | –                      | –                 | –                                                       |
| Jacques de Wet                 | –                    | –                      | –                 | –                                                       |
| Akhter Deshmukh                | –                    | –                      | –                 | –                                                       |
| <b>Total</b>                   | <b>3 010 409</b>     | <b>84 764 921</b>      | <b>87 775 330</b> | <b>58.29</b>                                            |

There were no changes between the end of the financial year and the date of approval of the consolidated annual financial statements.



**AKHTER ALLI DESHMUKH**

*Chairman of the Remuneration Committee*

29 April 2020

## NOMINATIONS COMMITTEE REPORT

We are pleased to present our report for the year ended 31 December 2019.

The Nominations Committee is responsible for the appointment of directors, succession planning for Board and senior management positions and Board effectiveness.

- The committee comprises three members, of whom the majority are independent non-executive directors, and is chaired by an independent non-executive director; and
- Members are appointed by the Board.


### FOCUS FOR 2020

- To review the structure and composition of Board committees in order to ensure optimal functioning;
- To monitor the self-evaluation process, with the Chairman and Chief Executive Officer separately evaluated by other Board members;
- To ensure an appropriate competency mix and that adequate independence is maintained;

- To ensure practical progress with the diversity policy; and
- To review the make-up of the Board in order to ensure a correct competency mix and adequate independence.

Attendance at committee meetings is set out on  page 67.

The committee is satisfied that it has fulfilled its responsibilities stipulated in its terms of reference.

Refer to  page 9 for our response to COVID-19.



**HENNIE VAN DER MERWE**  
*Chairman of the Nominations Committee*

29 April 2020

## SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT

We are pleased to present our report for the year ended 31 December 2019.


The Social, Ethics and Sustainability Committee is responsible for transformation, stakeholder engagement, health, safety and environmental programmes and other statutory duties as prescribed in Regulation 43 of the Companies Act.

### FOCUS FOR 2020

- To formulate a transformation programme;
- To ensure the continued refinement of the health, safety and environmental programmes, including the ongoing focus and attention required to improve performance, with good progress made;
- The stakeholder engagement plan has been formulated and is currently being implemented; and
- To ensure greater community engagement in the areas within which the Group operates.

Attendance at committee meetings is set out on  page 67.

The committee is satisfied that it has fulfilled its responsibilities stipulated in its terms of reference.

Refer to  page 9 for our response to COVID-19.



**AKHTER ALLI DESHMUKH**  
*Chairman of the Social, Ethics and Sustainability Committee*

29 April 2020






## SUPPORT SERVICES

CURRENTLY  
ACTIVE IN  
23 COUNTRIES

CONTINUOUS  
INVESTMENT  
IN TECHNOLOGY  
TO MEET CLIENT  
NEEDS

Our leading experts and advisors strive to provide a solution for every operational challenge – be it access, transportation, ventilation or analysis – focusing on the continuous research and development of new techniques and methods.



**CONDENSED  
CONSOLIDATED  
ANNUAL FINANCIAL  
STATEMENTS**

# AUDIT COMMITTEE REPORT

for the year ended 31 December 2019

This report is provided by the Audit Committee in respect of the 2019 financial period of the Group. The Group's Audit Committee is established as a statutory committee in terms of section 94(2) of the Companies Act and oversees Audit Committee matters for all of the South African subsidiaries within the Group, as permitted by section 94(2)(a) of the Companies Act.

The Audit Committee's operation is guided by detailed terms of reference, a copy of which can be found on the Group's website at [www.masterdrilling.com](http://www.masterdrilling.com). The Audit Committee terms of reference are informed by the Companies Act, the JSE Listing Requirements as well as the corporate governance principles under King IV and approved by the directors. The Audit Committee terms of reference are reviewed on an annual basis.

Refer to [page 9](#) for our response to COVID-19.

## MEMBERSHIP

The Audit Committee consisted of four non-executive directors of whom three were independent at all times during the year. The members comprise of Mr AW Brink (Chairman), Mr AA Deshmukh, Mr ST Ferguson and Ms OM Matloa. In addition, the Chief Financial Officer, Risk Manager, as well as the internal and external auditors are permanent invitees to the Audit Committee meetings. The Audit Committee meets at least four times a year and details of attendance are disclosed on [page 67](#).

## DUTIES AND RESPONSIBILITIES

The Audit Committee has executed its duties and responsibilities during the period in accordance with its terms of reference as they relate to the Group's accounting, internal auditing, internal control and financial reporting practices.

### The period under review

In respect of the external auditor and the external audit, the Audit Committee, among other matters:

- Nominated BDO South Africa Incorporated as the external auditor for the financial period ended 31 December 2020;
- Ensured that the appointment of the external auditor complied with all applicable legal and regulatory requirements for the appointment of an auditor. The Audit Committee confirms that the auditor is accredited by the JSE;
- Approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditor for 2019;
- Obtained an annual written statement from the auditor that its independence was not impaired;
- Determined the nature and extent of all non-audit services provided by the external auditor and approved the applicable non-audit services undertaken in terms of the audit terms of reference;
- Considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, 2005, and determined that there were none; and

- Nominated the external auditor for both the holding and subsidiary companies.

In respect of the annual financial statements, the Audit Committee, among other matters:

- Confirmed the going concern as the basis of preparation of the annual financial statements;
- Considered whether any complex taxation areas exist that could have a material impact on the annual financial statements and determined that there were none;
- Examined and reviewed the annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the directors;
- Ensured that the annual financial statements fairly present the financial position of the Group as at the end of the period and the results of operations and cash flows for the financial period;
- Considered the appropriateness of the accounting policies adopted and changes thereto;
- Reviewed the external auditor's audit report;
- Reviewed the representation letter relating to the annual financial statements which was signed by management; and
- Considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the annual financial statements.

In respect of internal financial control and internal audit, the Audit Committee, among other matters:

- Appointed an internal auditor with the necessary international presence to ensure effective service delivery to the Audit Committee;
- Reviewed the terms of reference of the internal audit function and approved the internal audit work plan;
- Reviewed internal audit reports and deliberated on the audit findings of the internal auditor as part of the internal audit work programme;
- Considered the Group's system of internal financial control, during the year under review and reports from the independent internal auditor;
- Is aware of the internal control deficiencies that were identified by the review of the internal financial control environment by the internal auditor and will ensure oversight of management's implementation of remedial actions; and
- Performed an assessment on the effectiveness of the internal audit function and found it to be satisfactory.

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

- Reviewed legal matters with management that could have a material effect on the Group; and

- Considered reports provided by management and the external auditor regarding compliance with legal and regulatory requirements.

In respect of risk management and governance the Audit Committee, among other matters:

- Reviewed the Group's enterprise risk management implementation initiatives, which form part of the process to establish a combined assurance framework across the business; and
- Is an integral component of the risk management process and oversees the Risk Committee functions as they pertain to:
  - Financial reporting risk;
  - Internal financial controls; and
  - Fraud and information technology risk as it relates to financial reporting.

In respect of the co-ordination of assurance activities, the Audit Committee reviewed the plans and outcomes as outlined in the combined assurance framework and concluded that the assurance activities are focused to address all significant financial risks facing the business.

In respect of the Company's Integrated Report, the Board committees being Audit, Risk, Social, Ethics and Sustainability Committees collaborated and provided input to ensure accuracy and completeness of the report.

In addition, the Audit Committee:

- Considered the expertise, resources and experience of the finance function and concluded that these were appropriate;
- Considered the experience and expertise of the Chief Financial Officer and concluded that these were appropriate;
- Considered the key audit matters as determined by BDO South Africa Incorporated and as described in the independent auditor's report;
- Reviewed sections 3, 8, 13, 15 and 22 and schedule 8 of the JSE Listings Requirements and confirmed that, based on the amended requirements for the JSE-accreditation of Auditors, effective 15 October 2017, the Audit Committee was satisfied that:
  - (i) The audit firm has met all the criteria stipulated in the requirements, including that the audit regulator has completed a firm-wide independent quality control (ISQC 1) inspection on the audit firm during its previous inspection cycle;
  - (ii) The auditor has provided to the Audit Committee, the required IRBA inspection decision letters, findings report and the proposed remedial action to address the findings, both at the audit firm and the individual auditor levels; and
  - (iii) Both the audit firm and the individual auditor understand their roles and have the competence, expertise, experience and skills required to discharge their specific audit and financial reporting responsibilities.

## INDEPENDENCE AND SUITABILITY OF THE EXTERNAL AUDITOR

The Audit Committee is satisfied that BDO South Africa Incorporated is independent and suitable for the Group after taking the following factors into account:

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

## ANNUAL FINANCIAL STATEMENTS

Following the review by the Audit Committee of the annual financial statements of the Group for the period ended 31 December 2019, the Audit Committee is of the view that, in all material aspects, they comply with the relevant provisions of the Companies Act, IFRS, APC and JSE requirements and fairly present the consolidated position at that date and the results of operations and cash flows for the period then ended.

Having satisfied itself in all respects, the Audit Committee has recommended the annual financial statements, for the period ended 31 December 2019, for approval to the directors. The directors have subsequently approved the annual financial statements, which will be open for consideration at the forthcoming Annual General Meeting.

On behalf of the Audit Committee



**ANDRIES WILLEM BRINK**  
*Chairman of the Audit Committee*

Johannesburg  
29 April 2020



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

|                                         | Notes | Audited<br>2019<br>USD | Restated<br>2018<br>USD | Restated<br>2017<br>USD |
|-----------------------------------------|-------|------------------------|-------------------------|-------------------------|
| <b>ASSETS</b>                           |       |                        |                         |                         |
| <b>Non-current assets</b>               |       |                        |                         |                         |
| Property, plant and equipment           | 3     | 158 014 917            | 145 044 336             | 119 075 667             |
| Intangibles                             | 4     | 3 487 216              | 4 346 359               | 3 083 427               |
| Financial assets                        | 5     | 5 320 645              | 4 345 662               | 4 709 897               |
| Deferred tax asset                      |       | 6 175 360              | 2 994 311               | 2 010 263               |
| Investment in associate                 |       | 3 710 575              | 2 605 117               | 6 022 115               |
|                                         |       | <b>176 708 713</b>     | 159 335 785             | 134 901 369             |
| <b>Current assets</b>                   |       |                        |                         |                         |
| Inventories                             |       | 27 855 901             | 25 787 869              | 23 894 609              |
| Related party loans                     |       | 103 842                | 101 831                 | 102 641                 |
| Trade and other receivables             | 6     | 50 734 496             | 48 179 847              | 38 191 737              |
| Derivative financial instrument         |       | 296 323                | 53 958                  | –                       |
| Cash and cash equivalents               |       | 19 723 118             | 33 725 131              | 40 211 629              |
|                                         |       | <b>98 713 680</b>      | 107 848 636             | 102 400 615             |
| <b>Non-current assets held for sale</b> |       | <b>808 928</b>         | 808 928                 | 1 255 128               |
|                                         |       | <b>99 522 608</b>      | 108 657 564             | 103 655 744             |
| <b>Total assets</b>                     |       | <b>276 231 321</b>     | 267 993 349             | 238 557 113             |
| <b>EQUITY AND LIABILITIES</b>           |       |                        |                         |                         |
| <b>Equity</b>                           |       |                        |                         |                         |
| Share capital                           |       | 148 703 721            | 148 703 721             | 148 703 721             |
| Reserves                                |       | (97 974 826)           | (93 886 991)            | (82 244 142)            |
| Retained income                         |       | 114 437 446            | 101 837 302             | 88 221 320              |
|                                         |       | <b>165 166 341</b>     | 156 654 032             | 154 680 899             |
| <b>Non-controlling interest</b>         |       | <b>9 964 308</b>       | 9 002 330               | 8 255 315               |
|                                         |       | <b>175 130 649</b>     | 165 656 362             | 162 936 214             |
| <b>LIABILITIES</b>                      |       |                        |                         |                         |
| <b>Non-current liabilities</b>          |       |                        |                         |                         |
| Interest-bearing borrowings             |       | 39 113 277             | 50 458 654              | 36 263 625              |
| Lease obligations                       | 7     | 5 534 231              | –                       | –                       |
| Instalment lease obligations            | 7     | 618 716                | 1 203 072               | 1 682 765               |
| Deferred tax liability                  |       | 11 602 658             | 9 434 322               | 9 189 125               |
|                                         |       | <b>56 868 882</b>      | 61 096 048              | 47 135 515              |
| <b>Current liabilities</b>              |       |                        |                         |                         |
| Interest-bearing borrowings             |       | 12 334 035             | 7 306 843               | 4 659 387               |
| Lease obligations                       | 7     | 457 626                | –                       | –                       |
| Instalment lease obligations            | 7     | 898 059                | 1 273 282               | 1 444 820               |
| Related party loans                     |       | 481 067                | 174 720                 | 195 483                 |
| Current tax payable                     |       | 2 943 562              | 3 385 537               | 2 098 947               |
| Trade and other payables                | 8     | 26 901 528             | 28 690 020              | 20 086 747              |
| Cash and cash equivalents               |       | 215 913                | 410 537                 | –                       |
|                                         |       | <b>44 231 790</b>      | 41 240 939              | 28 485 384              |
| <b>Total liabilities</b>                |       | <b>101 100 672</b>     | 102 336 987             | 75 620 899              |
| <b>Total equity and liabilities</b>     |       | <b>276 231 321</b>     | 267 993 349             | 238 557 113             |



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

|                                                                                            | Notes | 2019<br>USD        | 2018<br>USD  |
|--------------------------------------------------------------------------------------------|-------|--------------------|--------------|
| Revenue                                                                                    |       | 148 327 852        | 138 721 765  |
| Cost of sales                                                                              |       | (104 199 262)      | (95 155 229) |
| <b>Gross profit</b>                                                                        |       | <b>44 128 590</b>  | 43 566 536   |
| Other operating income                                                                     |       | 3 074 752          | 5 909 368    |
| Other operating expenses                                                                   |       | (24 756 349)       | (25 827 367) |
| <b>Operating profit</b>                                                                    |       | <b>22 446 993</b>  | 23 648 537   |
| Investment revenue                                                                         |       | 1 139 831          | 736 169      |
| Finance costs                                                                              |       | (4 601 505)        | (2 858 491)  |
| Share of profit/(loss) from equity accounted investment                                    |       | 10 529             | ( 26 948)    |
| <b>Profit before taxation</b>                                                              |       | <b>18 995 848</b>  | 21 499 267   |
| Taxation                                                                                   | 9     | (3 614 278)        | (4 027 469)  |
| <b>Profit for the year</b>                                                                 |       | <b>15 381 570</b>  | 17 471 798   |
| <b>Other comprehensive income that will subsequently be classified to profit and loss:</b> |       |                    |              |
| Exchange differences on translating foreign operations                                     |       | (3 947 546)        | (11 979 325) |
| <b>Other comprehensive income for the year net of taxation</b>                             |       | <b>(3 947 546)</b> | (11 979 325) |
| <b>Total comprehensive income</b>                                                          |       | <b>11 434 024</b>  | 5 492 473    |
| <b>Profit attributable to:</b>                                                             |       | <b>15 381 570</b>  | 17 471 798   |
| Owners of the parent                                                                       |       | 15 263 136         | 16 774 334   |
| Non-controlling interest                                                                   |       | 118 434            | 697 464      |
| <b>Total comprehensive income attributable to:</b>                                         |       | <b>11 434 024</b>  | 5 492 473    |
| Owners of the parent                                                                       |       | 11 315 590         | 4 795 009    |
| Non-controlling interest                                                                   |       | 118 434            | 697 464      |
| <b>Earnings per share (USD)</b>                                                            | 10    |                    |              |
| Basic earnings per share (cents)                                                           |       | 10.1               | 11.1         |
| <b>Diluted earnings per share (USD)</b>                                                    | 10    |                    |              |
| Diluted basic earnings per share (cents)                                                   |       | 10.1               | 11.0         |
| <b>Earnings per share (ZAR)</b>                                                            |       |                    |              |
| Basic earnings per share (cents)                                                           |       | 145,9              | 147,1        |
| <b>Diluted earnings per share (ZAR)</b>                                                    |       |                    |              |
| Diluted basic earnings per share (cents)                                                   |       | 145,9              | 145,7        |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

|                                                                   | Share capital<br>USD | Equity due to change<br>in control<br>of interests<br>USD | Foreign<br>currency<br>translation<br>reserve<br>USD |
|-------------------------------------------------------------------|----------------------|-----------------------------------------------------------|------------------------------------------------------|
| <b>Balance as at 31 December 2017 – as previously reported</b>    | 148 703 721          | (58 264 013)                                              | (25 970 950)                                         |
| Opening balance adjustment (refer to note 14)                     | –                    | –                                                         | –                                                    |
| <b>Balance as at 31 December 2017 – restated</b>                  | 148 703 721          | (58 264 013)                                              | (25 970 950)                                         |
| Adjustment from the adoption of IFRS 9                            | –                    | –                                                         | –                                                    |
| Contribution from non-controlling partner (contribution from IDC) | –                    | –                                                         | –                                                    |
| Share-based payments                                              | –                    | –                                                         | –                                                    |
| Dividends declared by subsidiaries                                | –                    | –                                                         | –                                                    |
| Dividends paid to shareholders                                    | –                    | –                                                         | –                                                    |
| Total comprehensive income for the year                           | –                    | –                                                         | (11 979 325)                                         |
| <b>Total changes</b>                                              | –                    | –                                                         | (11 979 325)                                         |
| <b>Balance as at 31 December 2018</b>                             | <b>148 703 721</b>   | <b>(58 264 013)</b>                                       | <b>(37 950 275)</b>                                  |
| Share-based payments                                              | –                    | –                                                         | –                                                    |
| Dividends paid to shareholders                                    | –                    | –                                                         | –                                                    |
| Dividends declared by subsidiaries                                | –                    | –                                                         | –                                                    |
| Contribution from non-controlling partner (contribution from IDC) | –                    | –                                                         | –                                                    |
| Total comprehensive income for the year                           | –                    | –                                                         | (3 947 546)                                          |
| Total changes                                                     | –                    | –                                                         | (3 947 546)                                          |
| <b>Balance as at 31 December 2019</b>                             | <b>148 703 721</b>   | <b>(58 264 013)</b>                                       | <b>(41 897 821)</b>                                  |

| Transaction between equity holders<br>USD | Share-based payments reserve<br>USD | Total reserves<br>USD | Retained income<br>USD | Attributable to owners of the parent<br>USD | Non-controlling interests<br>USD | Total shareholders' equity<br>USD |
|-------------------------------------------|-------------------------------------|-----------------------|------------------------|---------------------------------------------|----------------------------------|-----------------------------------|
| –                                         | 379 436                             | (83 855 527)          | 88 221 320             | 153 069 514                                 | 8 255 315                        | 161 324 829                       |
| 1 611 385                                 | –                                   | 1 611 385             | –                      | 1 611 385                                   | –                                | 1 611 385                         |
| 1 611 385                                 | 379 436                             | (82 244 142)          | 88 221 320             | 154 680 899                                 | 8 255 315                        | 162 936 214                       |
| –                                         | –                                   | –                     | (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                         |
| <b>1 611 385</b>                          | <b>715 912</b>                      | <b>(93 886 991)</b>   | <b>101 837 302</b>     | <b>156 654 032</b>                          | <b>9 002 330</b>                 | <b>165 656 362</b>                |
| –                                         | (140 289)                           | (140 289)             | –                      | (140 289)                                   | –                                | (140 289)                         |
| –                                         | –                                   | –                     | (2 662 992)            | (2 662 992)                                 | –                                | (2 662 992)                       |
| –                                         | –                                   | –                     | –                      | –                                           | (525 953)                        | (525 953)                         |
| –                                         | –                                   | –                     | –                      | –                                           | 1 369 497                        | 1 369 497                         |
| –                                         | –                                   | (3 947 546)           | 15 263 136             | 11 315 590                                  | 118 434                          | 11 434 024                        |
| –                                         | (140 289)                           | (4 087 835)           | 12 600 144             | 8 512 309                                   | 961 978                          | 9 474 287                         |
| <b>1 611 385</b>                          | <b>575 623</b>                      | <b>(97 974 826)</b>   | <b>114 437 446</b>     | <b>165 166 341</b>                          | <b>9 964 308</b>                 | <b>175 130 649</b>                |

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December

|                                                   | Notes | 2019<br>USD         | 2018<br>USD         |
|---------------------------------------------------|-------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>       |       |                     |                     |
| Cash generated from operations                    | 11.1  | 23 607 299          | 25 801 932          |
| Dividends received                                |       | 947 439             | 444 540             |
| Interest received                                 |       | 192 393             | 291 629             |
| Finance costs                                     |       | (4 850 280)         | (2 858 491)         |
| Tax paid                                          |       | (5 122 813)         | (4 854 787)         |
| <b>Net cash inflow from operating activities</b>  |       | <b>14 774 038</b>   | <b>18 824 823</b>   |
| <b>Cash flows from investing activities</b>       |       |                     |                     |
| Purchase of property, plant and equipment         |       | (14 876 878)        | (16 920 012)        |
| Sale of property, plant and equipment             |       | 948 278             | 1 595 764           |
| Financial assets proceeds                         |       | 631 553             | 362 937             |
| Acquisition of associate                          |       | (897 837)           | (2 605 117)         |
| Additional investment in associate                |       | (3 048 673)         | –                   |
| Acquisition of subsidiaries                       | 11.2  | –                   | (14 689 135)        |
| <b>Net cash outflow from investing activities</b> |       | <b>(17 243 557)</b> | <b>(32 255 563)</b> |
| <b>Cash flows from financing activities</b>       |       |                     |                     |
| Advance from financial liabilities                | 12.2  | –                   | 20 000 000          |
| Repayment of financial liabilities                | 12.2  | (6 798 814)         | (6 604 694)         |
| Advance from leases                               | 12.2  | –                   | 597 942             |
| Repayment of leases                               | 12.2  | (1 502 917)         | (1 249 171)         |
| Related party loan advance/(repayment)            |       | 304 335             | (19 953)            |
| Dividends paid to shareholders                    |       | (2 662 992)         | (3 078 131)         |
| Dividends paid to B-BBEE partners                 |       | (525 953)           | (135 594)           |
| <b>Net cash inflow from financing activities</b>  |       | <b>(11 186 341)</b> | <b>9 510 399</b>    |
| <b>Total cash outflow for the period</b>          |       | <b>(13 655 860)</b> | <b>(3 920 341)</b>  |
| Cash at the beginning of the period               |       | 33 314 594          | 40 211 629          |
| Effect of exchange rate movement on cash balances |       | (151 529)           | (2 976 694)         |
| <b>Total cash at the end of the period</b>        |       | <b>19 507 205</b>   | <b>33 314 594</b>   |

# NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December

## 1. ACCOUNTING POLICIES

### Basis of presentation

The audited condensed consolidated annual financial statements have been prepared in accordance with IAS 34: *Interim Financial Reporting*, International Financial Reporting Standards, the SAICA reporting guides as issued by the Accounting Standards Board and the requirements of the South African Companies Act, (Act No 71 of 2008), as amended and the JSE Listings Requirements. The audited consolidated condensed 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 condensed consolidated annual financial statements for Master Drilling Group Limited for the period ended 31 December 2019 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 condensed consolidated annual financial statements is available on [www.masterdrilling.com](http://www.masterdrilling.com). These audited condensed consolidated financial results were derived from the condensed consolidated annual financial statements.

The condensed consolidated annual financial statements for Master Drilling Group Limited (Registration number: 2011/008265/06), for the period ended 31 December 2019, have been audited by BDO South Africa Incorporated, the Company's independent external auditor, whose unqualified audit report can be found on pages 6 to 9 of the audited consolidated annual financial statements 2019, which are available on [www.masterdrilling.com](http://www.masterdrilling.com).

The audited condensed consolidated annual 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 the audited condensed 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 annual 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 annual 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.



## NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December

### 2. SIGNIFICANT ACCOUNTING POLICIES continued

#### 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 condensed 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.

#### Functional and presentation currency

Items included in the annual 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 consolidated annual financial statements are presented in USD (the "presentation currency"). Management believes that USD is more useful to the users of the condensed consolidated annual 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

There were no changes made to the Board since the previous reporting period except for Mr AW Brink being appointed as the Group's Lead Independent Director effective 20 November 2019.

#### 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 Tuesday, 9 June 2020 at 09:00.

#### Subsequent events

On 19 March 2020, after the end of the 2019 financial year, the Group fulfilled all the conditions and acquired Geoserve Exploration Drilling Proprietary Limited, a wholly-owned subsidiary within our African segment. The purchase consideration payable amounts to ZAR100 and assumed the bank overdraft facility and certain liabilities of the acquiree. A detailed purchase price allocation will be performed during 2020 and disclosed in the 2020 annual financial statements.

The escalation in the global spread and effects of the COVID-19 pandemic since year-end is likely to have an impact on our business and that of our customers and suppliers in most, if not all, geographies in which the Group operates. As at the date of signing this report, the Board considered the current cash position of the Group, and did stress tests on the ability of the Group to absorb periods of up to three months without any revenue being generated and found that the Group will be able to service its obligations. Management and the Board are and will remain focused on managing this unfortunate situation as best as possible.

#### Outlook and prospects

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

## 2. SIGNIFICANT ACCOUNTING POLICIES continued

### Outlook and prospects continued

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 time.

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

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, positions 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 while reducing operational risk.

## 3. PROPERTY, PLANT AND EQUIPMENT

|                           | Cost<br>USD        | Accumulated<br>depreciation<br>and<br>impairment<br>losses<br>USD | Carrying<br>value<br>USD |
|---------------------------|--------------------|-------------------------------------------------------------------|--------------------------|
| <b>2019</b>               |                    |                                                                   |                          |
| Land and buildings        | 5 359 499          | (940 359)                                                         | 4 419 140                |
| Right-of-use assets       | 6 569 097          | (662 908)                                                         | 5 906 188                |
| Finance leases            | 6 077 860          | (658 785)                                                         | 5 419 076                |
| Plant and machinery       | 184 582 130        | (50 451 936)                                                      | 134 130 194              |
| Assets under construction | 5 006 522          | (2 566)                                                           | 5 003 956                |
| Furniture and fittings    | 1 534 522          | (504 323)                                                         | 1 030 199                |
| Motor vehicles            | 5 101 501          | (3 225 625)                                                       | 1 875 876                |
| IT equipment              | 765 454            | (535 166)                                                         | 230 288                  |
| <b>Total</b>              | <b>214 996 585</b> | <b>(56 981 668)</b>                                               | <b>158 014 917</b>       |
| <b>2018</b>               |                    |                                                                   |                          |
| Land and buildings        | 4 249 534          | (1 041 678)                                                       | 3 207 856                |
| Finance leases            | 7 876 916          | (1 197 278)                                                       | 6 679 638                |
| 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                  |
| <b>Total</b>              | <b>200 993 631</b> | <b>(55 949 295)</b>                                               | <b>145 044 336</b>       |

### Borrowing cost

Included in the cost of property, plant and equipment are capitalised borrowing costs related to the acquisition of land to the amount of 2019: USD795 020 (2018: USD491 544) calculated at a capitalisation rate of 10.6%.

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued  
for the year ended 31 December

**3. PROPERTY, PLANT AND EQUIPMENT** continued

**3.1 Reconciliation of property, plant and equipment**

|                           | Opening<br>balance<br>USD | Additions<br>USD  | Exchange<br>difference on<br>combination<br>of foreign<br>subsidiaries<br>USD |
|---------------------------|---------------------------|-------------------|-------------------------------------------------------------------------------|
| <b>2019</b>               |                           |                   |                                                                               |
| Land and buildings        | 3 207 856                 | 1 086 600         | 126 668                                                                       |
| Right-of-use assets       | –                         | –                 | (76 979)                                                                      |
| Finance leases            | 6 679 637                 | 136 060           | (23 886)                                                                      |
| Plant and machinery       | 121 898 655               | 9 846 006         | (1 029 514)                                                                   |
| Assets under construction | 10 588 524                | 3 748 439         | (9 030)                                                                       |
| Furniture and fittings    | 726 201                   | 118 240           | 23 055                                                                        |
| Motor vehicles            | 1 674 795                 | 645 004           | (7 119)                                                                       |
| IT equipment              | 268 668                   | 102 218           | (2 567)                                                                       |
|                           | <b>145 044 336</b>        | <b>15 682 567</b> | <b>(999 372)</b>                                                              |
| <b>2018</b>               |                           |                   |                                                                               |
| Land and buildings        | 4 142 972                 | 168 124           | (241 592)                                                                     |
| Finance leases            | 8 853 320                 | 38 267            | (1 040 338)                                                                   |
| 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)                                                                      |
|                           | 117 623 266               | 16 884 011        | (7 378 677)                                                                   |

**Security**

Moveable assets to the value of ZAR1,2 billion (USD85.9 million at closing spot rate) of the South African subsidiaries have been bonded to Absa Capital as security for an interest-bearing loan.

The Group reclassified Computer Software and Patents from Property, Plant and Equipment (note 3) to Intangibles (note 4) as an improvement of disclosure.

**Impairment**

During 2019, throughout the Group, plant and machinery were impaired during the current financial period. The future cash flows of these specific rigs were negatively affected by the current declining demand for the smaller class machinery.

| Adjustment with the adoption of IFRS16 USD | Assets acquired through business combinations USD | Reclassifications and transfers (to)/from inventory/assets USD | Disposals USD | Depreciation USD | Impairment of fixed assets USD | Total USD   |
|--------------------------------------------|---------------------------------------------------|----------------------------------------------------------------|---------------|------------------|--------------------------------|-------------|
| –                                          | –                                                 | –                                                              | –             | (1 984)          | –                              | 4 419 140   |
| 6 646 076                                  | –                                                 | –                                                              | –             | (662 908)        | –                              | 5 906 188   |
| –                                          | –                                                 | (870 532)                                                      | (12 727)      | (489 477)        | –                              | 5 419 076   |
| –                                          | –                                                 | 9 627 047                                                      | (359 302)     | (5 514 728)      | (337 970)                      | 134 130 194 |
| –                                          | –                                                 | (9 323 976)                                                    | –             | –                | –                              | 5 003 956   |
| –                                          | –                                                 | 212 261                                                        | (12 038)      | (37 520)         | –                              | 1 030 199   |
| –                                          | –                                                 | 559 104                                                        | (511 290)     | (484 618)        | –                              | 1 875 876   |
| –                                          | –                                                 | (978)                                                          | (36 845)      | (100 208)        | –                              | 230 288     |
| 6 646 076                                  | –                                                 | 202 926                                                        | (932 202)     | (7 291 443)      | (337 970)                      | 158 014 917 |
| –                                          | –                                                 | (808 928)                                                      | –             | (52 720)         | –                              | 3 207 856   |
| –                                          | 2 667 952                                         | (2 532 740)                                                    | (432 576)     | (874 248)        | –                              | 6 679 637   |
| –                                          | 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     |
| –                                          | 24 716 076                                        | 790 859                                                        | (646 607)     | (6 944 592)      | –                              | 145 044 336 |

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued  
for the year ended 31 December

**4. INTANGIBLE ASSETS**

**4.1 Intangible assets**

|                   | Cost<br>USD      | Accumulated<br>amortisation<br>and<br>impairment<br>losses<br>USD | Carrying<br>value<br>USD |
|-------------------|------------------|-------------------------------------------------------------------|--------------------------|
| <b>2019</b>       |                  |                                                                   |                          |
| Computer software | 2 341 050        | (1 790 194)                                                       | 550 856                  |
| Patents           | 212 182          | –                                                                 | 212 182                  |
| <b>Total</b>      | <b>2 553 232</b> | <b>(1 790 194)</b>                                                | <b>763 038</b>           |
| <b>2018</b>       |                  |                                                                   |                          |
| Computer software | 2 398 727        | (1 467 061)                                                       | 931 666                  |
| Patents           | 239 601          | –                                                                 | 239 601                  |
| <b>Total</b>      | <b>2 638 328</b> | <b>(1 467 061)</b>                                                | <b>1 171 267</b>         |

|                   | Opening<br>balance<br>USD | Additions<br>USD | Exchange<br>difference on<br>consolidation<br>of foreign<br>subsidiaries<br>USD |
|-------------------|---------------------------|------------------|---------------------------------------------------------------------------------|
| <b>2019</b>       |                           |                  |                                                                                 |
| Computer software | 931 666                   | 5 958            | 4 397                                                                           |
| Patents           | 239 601                   | –                | (27 419)                                                                        |
|                   | <b>1 171 267</b>          | <b>5 958</b>     | <b>(23 022)</b>                                                                 |
| <b>2018</b>       |                           |                  |                                                                                 |
| Computer software | 1 212 800                 | 36 001           | (69 954)                                                                        |
| Patents           | 239 601                   | –                | –                                                                               |
|                   | <b>1 452 401</b>          | <b>36 001</b>    | <b>(69 954)</b>                                                                 |

**Impairment**

During 2019, the Mexican subsidiary impaired its accounting system with the implementation of the accounting system that is rolled out throughout the rest of Group.



|  | Assets<br>acquired<br>through<br>business<br>combinations<br>USD | Reclassifications<br>and transfers<br>(to)/from<br>inventory/<br>assets<br>held for sale<br>USD | Disposals<br>USD | Amortisation<br>USD | Impairment<br>of fixed<br>assets<br>USD | Total<br>USD |
|--|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------|---------------------|-----------------------------------------|--------------|
|  | –                                                                | (206 070)                                                                                       | –                | (138 347)           | (46 748)                                | 550 856      |
|  | –                                                                | –                                                                                               | –                | –                   | –                                       | 212 182      |
|  | –                                                                | (206 070)                                                                                       | –                | (138 347)           | (46 748)                                | 763 038      |
|  | 13 870                                                           | –                                                                                               | (75)             | (260 976)           | –                                       | 931 666      |
|  | –                                                                | –                                                                                               | –                | –                   | –                                       | 239 601      |
|  | 13 870                                                           | –                                                                                               | (75)             | (260 976)           | –                                       | 1 171 267    |

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued  
for the year ended 31 December

4. INTANGIBLE ASSETS continued

4.2 Goodwill

|                                                            | 2019<br>USD      | 2018<br>USD      |
|------------------------------------------------------------|------------------|------------------|
| Goodwill recognised from value chain business combinations | 2 221 699        | 2 612 584        |
| Goodwill recognised from raise bore business combinations  | 502 478          | 562 508          |
| <b>Goodwill recognised from business combinations</b>      | <b>2 724 177</b> | <b>3 175 092</b> |

The change in goodwill from the previous financial year arose due to the underlying goodwill in emerging currencies converted to presentation currency. The effect as a result of foreign exchange differences amounts to USD450 915.

5. FINANCIAL ASSETS

| Subsidiary                                    | Master<br>Drilling<br>Exploration<br>Proprietary<br>Limited<br>USD | Raisebore<br>Rental<br>Proprietary<br>Limited<br>USD | Drilling<br>Technical<br>Services<br>Proprietary<br>Limited<br>USD | Total<br>USD      |
|-----------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------|--------------------------------------------------------------------|-------------------|
| B-BBEE partners                               | Epha<br>Drilling<br>Proprietary<br>Limited<br>USD                  | Mosima<br>Drilling<br>Proprietary<br>Limited<br>USD  | Mosima<br>Drilling<br>Proprietary<br>Limited<br>USD                | Total<br>USD      |
| <b>2019</b>                                   |                                                                    |                                                      |                                                                    |                   |
| Opening balance – restated                    | 4 254 269                                                          | –                                                    | 91 393                                                             | 4 345 662         |
| Exchange rate differences on translation      | 76 395                                                             | –                                                    | (2 642)                                                            | 73 753            |
| Preference dividends receivable capitalised   | 1 835 293                                                          | –                                                    | 6 469                                                              | 1 841 762         |
| Preference dividend received                  | (940 532)                                                          | –                                                    | –                                                                  | (940 532)         |
| <b>Closing balance</b>                        | <b>5 225 425</b>                                                   | <b>–</b>                                             | <b>95 220</b>                                                      | <b>5 320 645</b>  |
| <b>2018</b>                                   |                                                                    |                                                      |                                                                    |                   |
| Opening balance – restated                    | 4 617 854                                                          | –                                                    | 92 043                                                             | 4 709 897         |
| Exchange rate differences on translation      | (417 632)                                                          | –                                                    | (12 786)                                                           | (430 418)         |
| Preference dividends receivable capitalised   | 208 373                                                            | –                                                    | 12 136                                                             | 220 509           |
| Preference dividend received                  | (154 326)                                                          | –                                                    | –                                                                  | (154 326)         |
| <b>Closing balance</b>                        | <b>4 254 269</b>                                                   | <b>–</b>                                             | <b>91 393</b>                                                      | <b>4 345 662</b>  |
| <b>2017</b>                                   |                                                                    |                                                      |                                                                    |                   |
| Opening balance – as previously reported      | 2 617 462                                                          | 7 368 303                                            | 82 589                                                             | 10 068 354        |
| Opening balance adjustment (refer to note 14) | 1 611 385                                                          | –                                                    | –                                                                  | 1 611 385         |
| <b>Opening balance – restated</b>             | <b>4 228 847</b>                                                   | <b>7 368 303</b>                                     | <b>82 589</b>                                                      | <b>11 679 739</b> |
| Exchange rate differences on translation      | 286 905                                                            | 742 385                                              | 9 053                                                              | 1 038 343         |
| Redemption of financial assets                | –                                                                  | (7 977 048)                                          | –                                                                  | (7 977 048)       |
| Preference dividends receivable capitalised   | 209 324                                                            | –                                                    | 401                                                                | 209 725           |
| Preference dividend received                  | (107 222)                                                          | (133 640)                                            | –                                                                  | (240 862)         |
| <b>Closing balance – restated</b>             | <b>4 617 854</b>                                                   | <b>–</b>                                             | <b>92 043</b>                                                      | <b>4 709 897</b>  |

## 5. FINANCIAL ASSETS continued

Variable rate cumulative redeemable preference shares. The variable rate is 72% of the prevailing South African prime overdraft rate as published by First National Bank.

Preference shares are redeemable the earlier of 10 years from date of issue or at the election of the holder when the B-BBEE company ceases to be wholly owned by historically disadvantaged individuals.

The carrying amounts of the investments are considered a reasonable approximation for the fair value. An error has been identified in 2015 which has been corrected in the prior year. Refer to note 14 for more detail.

During 2017, the transaction between Raisebore Rental Proprietary Limited (previously known as Master Drilling South Africa Proprietary Limited and Mosima Drilling Proprietary Limited was dissolved as the business requirements of Raisebore Rental Proprietary Limited changed. This will result in Mosima Proprietary Limited not receiving the economic benefits from the transaction it was initially expected to achieve. The transaction was dissolved at fair value and all adjustments related to this transaction have been accounted for in the Group's annual financial statements.

## 6. TRADE AND OTHER RECEIVABLES

|                                                                                                                                                                                               | 2019<br>USD           | 2018<br>USD       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------|
| Trade receivables – Normal                                                                                                                                                                    | 33 901 268            | 32 511 631        |
| Trade receivables – Retention                                                                                                                                                                 | 5 603 489             | 5 449 738         |
| Loans to employees                                                                                                                                                                            | 152 812               | 119 777           |
| Prepayments                                                                                                                                                                                   | 3 349 227             | 1 302 039         |
| Deposits                                                                                                                                                                                      | 866 593               | 827 369           |
| Indirect taxes                                                                                                                                                                                | 4 569 627             | 3 304 990         |
| Sundry                                                                                                                                                                                        | 2 291 480             | 4 664 303         |
|                                                                                                                                                                                               | <b>50 734 496</b>     | <b>48 179 847</b> |
| 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. |                       |                   |
| <b>The movement in expected credit losses is presented below:</b>                                                                                                                             |                       |                   |
| Balance as at 1 January                                                                                                                                                                       | 1 126 817             | 581 716           |
| Exchange differences on translation of foreign operations                                                                                                                                     | (25 376)              | (57 625)          |
| Amounts written off                                                                                                                                                                           | –                     | –                 |
| Allowance for credit losses provided for                                                                                                                                                      | 1 693 888             | 602 726           |
|                                                                                                                                                                                               | <b>2 795 329</b>      | <b>1 126 817</b>  |
| <b>Expected credit losses matrix:</b>                                                                                                                                                         |                       |                   |
| Current                                                                                                                                                                                       | <b>2.84% to 2.95%</b> |                   |
| 30 days                                                                                                                                                                                       | <b>2.94% to 3.00%</b> |                   |
| 31 to 60 days                                                                                                                                                                                 | <b>3.19% to 3.25%</b> |                   |
| 61 to 90 days                                                                                                                                                                                 | <b>3.69% to 3.95%</b> |                   |
| 90+ days                                                                                                                                                                                      | <b>4.05% to 4.15%</b> |                   |

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued  
for the year ended 31 December

**6. TRADE AND OTHER RECEIVABLES** continued

|                             | 2019<br>USD       | 2018<br>USD |
|-----------------------------|-------------------|-------------|
| United States Dollar (USD)  | <b>17 537 778</b> | 20 419 586  |
| South African Rand (ZAR)    | <b>7 580 681</b>  | 8 703 918   |
| Brazilian Reals (BRL)       | <b>3 074 568</b>  | 3 091 482   |
| Mexican Peso (MXN)          | <b>73 741</b>     | 91 500      |
| Chilean Peso (CLP)          | <b>6 273 167</b>  | 7 705 700   |
| Peruvian Nuevo Sol (PEN)    | <b>986 710</b>    | 975 082     |
| CFA Franc BCEAO (XOF)       | <b>2 308</b>      | 3 339       |
| Chinese Yuan Renminbi (CNY) | <b>627 776</b>    | 224 476     |
| Guatemalan Quetzal (GTQ)    | <b>7 520</b>      | 6 906       |
| Zambian Kwacha (ZMW)        | <b>1 739 911</b>  | 1 063 825   |
| Colombian Peso (COP)        | <b>433 218</b>    | 102 019     |
| Euro (EUR)                  | <b>844 022</b>    | 512 078     |
| Swedish Krona (SEK)         | <b>2 020 375</b>  | 1 070 442   |
| Australian Dollar (AUD)     | <b>1 158</b>      | 41 828      |
| Canadian Dollar (CAD)       | <b>6 143 964</b>  | 289 801     |
| Indian Rupee (INR)          | <b>3 387 599</b>  | 3 877 865   |
|                             | <b>50 734 496</b> | 48 179 847  |

**7. LEASE OBLIGATION**

**7.1 Lease obligations**

|                                                | 2019<br>USD      | 2018<br>USD |
|------------------------------------------------|------------------|-------------|
| <b>Instalment lease obligations</b>            |                  |             |
| <b>Minimum lease payment due</b>               |                  |             |
| – within one year                              | <b>924 089</b>   | 1 363 884   |
| – in second to fifth year                      | <b>665 074</b>   | 1 307 659   |
|                                                | <b>1 589 163</b> | 2 671 543   |
| <i>Less: Future finance charges</i>            | <b>(72 387)</b>  | (195 189)   |
| <b>Present value of minimum lease payment</b>  | <b>1 516 776</b> | 2 476 354   |
| – within one year                              | <b>898 059</b>   | 1 273 282   |
| – in second to fifth year                      | <b>618 716</b>   | 1 203 072   |
| <b>Present value of minimum lease payments</b> | <b>1 516 776</b> | 2 476 354   |

**7. LEASE OBLIGATION** continued**7.2 Lease payments due**

|                                               | 2019<br>USD        | 2018<br>USD |
|-----------------------------------------------|--------------------|-------------|
| <b>Minimum lease payment due</b>              |                    |             |
| – within one year                             | 995 529            | –           |
| – in second to fifth year                     | 3 989 583          | –           |
| – more than five years                        | 10 657 598         | –           |
|                                               | <b>15 642 710</b>  | –           |
| <i>Less: Future finance charges</i>           | <b>(9 650 853)</b> | –           |
| <b>Present value of minimum lease payment</b> |                    |             |
| – within one year                             | 457 626            | –           |
| – in second to fifth year                     | 1 843 464          | –           |
| – more than five years                        | 3 690 767          | –           |

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

**7.3 Operating lease obligations**

|                           | 2019<br>USD | 2018<br>USD |
|---------------------------|-------------|-------------|
| <b>Office space</b>       |             |             |
| – within one year         | –           | 442 733     |
| – in second to fifth year | –           | 3 688 394   |
| – more than five years    | –           | –           |
|                           | –           | 4 131 127   |
| <b>Workshop</b>           |             |             |
| – within one year         | –           | 513 047     |
| – in second to fifth year | –           | 1 097 417   |
| – more than five years    | –           | –           |
| – more than five years    | –           | 1 610 464   |



NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued  
for the year ended 31 December

**7. LEASE OBLIGATION** continued

**7.4 Lease obligation reconciliation**

|                            | 2019<br>USD      | 2018<br>USD |
|----------------------------|------------------|-------------|
| <b>Office space</b>        |                  |             |
| Opening balance            | 5 741 591        | –           |
| Additions                  | 702 596          | –           |
| Interest expense           | 562 872          | –           |
| Lease payments             | (937 261)        | –           |
| Foreign exchange movements | (77 941)         | –           |
| <b>Closing balance</b>     | <b>5 991 857</b> | <b>–</b>    |

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. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

**8. TRADE AND OTHER PAYABLES**

|                                               | 2019<br>USD       | 2018<br>USD       |
|-----------------------------------------------|-------------------|-------------------|
| Trade payables                                | 13 643 509        | 7 423 846         |
| Income received in advance                    | 134 884           | 822 402           |
| Indirect taxes                                | 1 678 789         | 3 914 138         |
| Leave pay accruals                            | 2 147 816         | 1 983 405         |
| Onerous contracts                             | 535 377           | 1 714 836         |
| Business combination consideration payable    | 1 228 602         | 1 420 684         |
| Investment in associate consideration payable | –                 | 897 837           |
| Employee-related                              | 3 454 042         | 2 971 288         |
| Other accruals                                | 4 078 509         | 7 541 584         |
|                                               | <b>26 901 528</b> | <b>28 690 020</b> |

## 9. TAXATION

### 9.1 Taxation

|                                                                                | 2019<br>USD      | 2018<br>USD |
|--------------------------------------------------------------------------------|------------------|-------------|
| <b>Current</b>                                                                 |                  |             |
| Normal taxation                                                                | 4 627 926        | 5 524 399   |
| Current taxation                                                               | 5 339 878        | 6 994 758   |
| (Over)/under provision                                                         | (711 952)        | (1 470 359) |
| Deferred taxation: Temporary differences                                       | (1 013 648)      | (1 496 930) |
|                                                                                | <b>3 614 278</b> | 4 027 469   |
| <b>Reconciliation of the tax expense</b>                                       |                  |             |
| Accounting profit                                                              | 18 995 848       | 21 499 267  |
| Tax at the applicable tax rate                                                 | 6 452 941        | 6 789 872   |
| (Over)/under provision                                                         | (711 952)        | (1 470 359) |
| Exempt income – Dividends                                                      | (3 639 763)      | (3 439 294) |
| Non-deductible expenses – Fines and penalties                                  | 153 707          | 2 081 109   |
| Deferred taxation: Change in tax rate                                          | –                | 158 810     |
| Assessed loss not recognised                                                   | 1 799 081        | 420 765     |
| Assessed loss previously not recognised                                        | (439 736)        | (513 434)   |
| <b>Taxation per statement of profit or loss and other comprehensive income</b> | <b>3 614 278</b> | 4 027 469   |

Deferred taxation assets have been recognised in respect of tax losses and temporary differences where, having reviewed the financial projections of the Group, the directors are of the opinion that it is probable that these assets will be recoverable.

The total unrecognised assessed loss as at 31 December 2019 is USD5 532 824 (2018: USD3 265 658).

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued  
for the year ended 31 December

9. TAXATION continued

9.1 Taxation continued

|                                                                    | 2019<br>USD      | 2018<br>USD      |
|--------------------------------------------------------------------|------------------|------------------|
| <b>Normal taxation charge/(refund) per entity within the Group</b> |                  |                  |
| DCP Properties SAC                                                 | 35 002           | –                |
| Master Drilling Exploration Proprietary Limited                    | 221 912          | 1 055 555        |
| Master Drilling Chile SA                                           | 589 238          | 146 827          |
| Master Drilling Peru SAC                                           | –                | 701 891          |
| Master Drilling do Brasil Ltda                                     | 336 339          | 491 941          |
| Master Drilling Mexico SA                                          | 769 522          | 174 013          |
| Master Drilling Malta Limited                                      | 869 489          | 2 648 814        |
| Master Drilling Guatemala SA                                       | 358              | 3 492            |
| Master Drilling Training Services Proprietary Limited              | 3 499            | 1 875            |
| Master Drilling RDC sprl                                           | 201 178          | –                |
| Master Drilling Colombia SAS                                       | 94 078           | 76 273           |
| Master Drilling Zambia Limited                                     | 758 343          | (208 044)        |
| Master Drilling International Limited                              | –                | (741 531)        |
| Master Drilling Mali SARL                                          | –                | 45 464           |
| Drilling Technical Services SAC                                    | (102 719)        | –                |
| Master Drilling Australia Limited                                  | 123              | –                |
| Master Drilling USA LLC                                            | (336 307)        | –                |
| MD Katanga Drilling Company SAS                                    | 94 941           | –                |
| Master Drilling Changzhou Co Limited                               | 54 440           | 64 934           |
| Bergteamet Latin America SpA                                       | 41 308           | 347 153          |
| Bergteamet Raiseboring Europe AB                                   | 299 104          | 221 945          |
| Master Drilling Madencilik Ve Ticaret Limited Sirketi              | 9 049            | 65 212           |
| Master Drilling India Limited                                      | 172 106          | 299 173          |
| Drilling Admin Services SAC                                        | –                | 94 831           |
| Drilling Technical Services Proprietary Limited                    | –                | 243 117          |
| Martwick Limited                                                   | –                | (18)             |
| Master Drilling Proprietary Limited                                | 516 700          | (169 360)        |
| MD Drilling Services Tanzania SARL                                 | 223              | (39 158)         |
|                                                                    | <b>4 627 926</b> | <b>5 524 399</b> |

9.2 Uncertainty over tax treatments

The Group elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 January 2019. The assessment on the adoption of IFRIC 23 indicated no change in corporate tax liabilities. The Group will continue to assess the impact of the uncertainty over tax treatment and disclose accordingly in future annual financial statements.

**10. EARNINGS PER SHARE**

|                                                                                                                                                                      | 2019<br>USD        | 2018<br>USD |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------|
| <b>Reconciliation between earnings and headline earnings</b>                                                                                                         |                    |             |
| Basic earnings for the year                                                                                                                                          | 15 381 570         | 17 471 798  |
| <i>Less:</i>                                                                                                                                                         |                    |             |
| Non-controlling interest                                                                                                                                             | (118 434)          | (697 464)   |
| <b>Attributable to owners of the parent</b>                                                                                                                          | <b>15 263 136</b>  | 16 774 334  |
| Gain on disposal of fixed assets                                                                                                                                     | (16 076)           | (949 084)   |
| Impairment of plant and equipment                                                                                                                                    | 384 717            | –           |
| Tax effect on (gain)/loss on disposal of fixed assets and impairments                                                                                                | (103 553)          | 296 687     |
| <b>Headline earnings for the year</b>                                                                                                                                | <b>15 528 224</b>  | 16 121 937  |
| Earnings per share (cents)                                                                                                                                           | 10.1               | 11.1        |
| Diluted earnings per share (cents)                                                                                                                                   | 10.1               | 11.0        |
| Headline earnings per share (cents)                                                                                                                                  | 10.3               | 10.7        |
| Diluted headline earnings per share (cents)                                                                                                                          | 10.2               | 10.6        |
| Dividends per share (cents)                                                                                                                                          | 26.0               | 26.0        |
| <b>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</b>                 | <b>150 592 777</b> | 150 592 777 |
| Effect of dilutive potential ordinary shares – employee share options                                                                                                | 1 080 000          | 1 530 000   |
| <b>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</b> | <b>151 672 777</b> | 152 122 777 |

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued  
for the year ended 31 December

**11. CASH GENERATED FROM OPERATIONS**

|                                                         | 2019<br>USD        | 2018<br>USD |
|---------------------------------------------------------|--------------------|-------------|
| Profit before taxation                                  | <b>18 995 848</b>  | 21 499 267  |
| <b>Adjustments for:</b>                                 |                    |             |
| Depreciation and amortisation                           | <b>7 429 791</b>   | 7 205 568   |
| Derivative movement                                     | <b>242 365</b>     | –           |
| Impairment                                              | <b>384 717</b>     | –           |
| Share of (profit)/loss from equity accounted investment | <b>(10 529)</b>    | 26 948      |
| Translation effect of foreign operations                | <b>(329 027)</b>   | (519 249)   |
| Share-based payment – equity settled                    | <b>(140 289)</b>   | 336 476     |
| Gain on disposal of fixed assets                        | <b>(16 076)</b>    | (949 084)   |
| Dividends received                                      | <b>(947 439)</b>   | (444 540)   |
| Interest received                                       | <b>(192 393)</b>   | (291 629)   |
| Finance costs                                           | <b>4 601 505</b>   | 2 858 491   |
| <b>Changes in working capital:</b>                      |                    |             |
| Inventories                                             | <b>(2 068 032)</b> | 1 715 417   |
| Trade and other receivables                             | <b>(2 554 649)</b> | (6 754 239) |
| Trade and other payables                                | <b>(1 788 493)</b> | 1 118 506   |
|                                                         | <b>23 607 299</b>  | 25 801 932  |

**12. CAPITAL COMMITMENTS**

|                                                                                                                                                                 | 2019<br>USD      | 2018<br>USD |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------|
| Capital expenditure authorised by the directors and contracted for within 12 months. Capital expenditure will be funded through cash generated from operations. | <b>1 568 610</b> | 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:

|                                                  | 2019<br>USD        | 2018<br>USD |
|--------------------------------------------------|--------------------|-------------|
| <b>Sales revenue by stage of mining activity</b> |                    |             |
| Exploration                                      | 3 819 938          | 3 762 574   |
| Capital                                          | 22 157 343         | 21 849 982  |
| Production                                       | 122 350 571        | 113 109 208 |
|                                                  | <b>148 327 852</b> | 138 721 765 |
| <b>Gross profit by stage of mining activity</b>  |                    |             |
| Exploration                                      | 1 080 308          | 1 561 718   |
| Capital                                          | 8 560 898          | 7 943 321   |
| Production                                       | 34 487 384         | 34 061 497  |
|                                                  | <b>44 128 590</b>  | 43 566 536  |

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.

|                                             | 2019<br>USD        | 2018<br>USD |
|---------------------------------------------|--------------------|-------------|
| <b>Sales revenue by geographical market</b> |                    |             |
| Africa                                      | 49 637 943         | 47 011 105  |
| Central and North America                   | 27 039 051         | 17 437 769  |
| Other countries                             | 22 433 946         | 16 195 137  |
| South America                               | 49 216 912         | 58 077 754  |
|                                             | <b>148 327 852</b> | 138 721 765 |
| <b>Gross profit by geographical market</b>  |                    |             |
| Africa                                      | 19 390 419         | 16 641 344  |
| Central and North America                   | (220 295)          | 4 739 601   |
| Other countries                             | 12 526 964         | 5 921 443   |
| South America                               | 12 431 502         | 16 264 148  |
|                                             | <b>44 128 590</b>  | 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.

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued  
for the year ended 31 December

**13. SEGMENT REPORTING** continued

**13.2 Geographical segments** continued

|                                                                 | 2019<br>USD | 2018<br>USD |
|-----------------------------------------------------------------|-------------|-------------|
| <b>Depreciation by geographical market</b>                      |             |             |
| Africa                                                          | 2 977 680   | 3 374 462   |
| Central and North America                                       | 899 843     | 706 619     |
| Other countries                                                 | 1 435 168   | 1 212 791   |
| South America                                                   | 2 117 875   | 1 911 696   |
|                                                                 | 7 430 566   | 7 205 568   |
| <b>Investment revenue by geographical market</b>                |             |             |
| Africa                                                          | 998 164     | 301 152     |
| Central and North America                                       | –           | 4 038       |
| Other countries                                                 | 72 932      | 248 373     |
| South America                                                   | 68 735      | 182 605     |
|                                                                 | 1 139 831   | 736 169     |
| <b>Finance cost by geographical market</b>                      |             |             |
| Africa                                                          | 1 477 449   | 1 250 988   |
| Central and North America                                       | 1 452 643   | 575 583     |
| Other countries                                                 | 262 303     | 370 205     |
| South America                                                   | 1 409 111   | 661 715     |
|                                                                 | 4 601 506   | 2 858 491   |
| <b>Taxation by geographical market</b>                          |             |             |
| Africa                                                          | 3 162 005   | 868 065     |
| Central and North America                                       | (1 239 819) | 98 665      |
| Other countries                                                 | 428 749     | 1 564 038   |
| South America                                                   | 1 263 343   | 1 496 701   |
|                                                                 | 3 614 278   | 4 027 469   |
| <b>Total assets by geographical market</b>                      |             |             |
| Africa*                                                         | 83 656 785  | 78 419 639  |
| Central and North America                                       | 48 759 985  | 43 961 799  |
| Other countries                                                 | 48 628 929  | 50 543 357  |
| South America**                                                 | 95 185 622  | 93 457 169  |
| <b>Total assets as per statement of financial position</b>      | 276 231 321 | 266 381 964 |
| <b>Total liabilities by geographical market</b>                 |             |             |
| Africa                                                          | 36 583 796  | 34 698 362  |
| Central and North America                                       | 27 038 214  | 23 690 201  |
| Other countries                                                 | 11 732 594  | 16 561 972  |
| South America                                                   | 25 746 068  | 27 386 452  |
| <b>Total liabilities as per statement of financial position</b> | 101 100 672 | 102 336 987 |

\* Assets in Africa includes the investment in associate.

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

#### 14. CORRECTION OF PRIOR YEAR ERROR

During 2019, the Group discovered that it erroneously omitted the reversal of an investment transaction in financial assets since 2015. As a consequence, financial assets and reserves have been understated. The errors have been corrected by restating each of the affected financial statement line items for prior periods. Refer to the statement of changes in equity and note 5 to see the impact of the error.

|                  | As reported<br>2017<br>USD | Restated<br>2017<br>USD | Change<br>USD |
|------------------|----------------------------|-------------------------|---------------|
| Financial assets | 3 098 512                  | 4 709 897               | 1 611 385     |
| Reserves         | (83 855 527)               | (82 244 142)            | 1 611 385     |

|                  | As reported<br>2018<br>USD | Restated<br>2018<br>USD | Change<br>USD |
|------------------|----------------------------|-------------------------|---------------|
| Financial assets | 2 734 277                  | 4 345 662               | 1 611 385     |
| Reserves         | (95 498 376)               | (93 886 991)            | 1 611 385     |

#### 15. RESTATEMENT OF PRIOR PERIOD

The Group reclassified Computer Software and Patents from Property, Plant and Equipment (note 3) to Intangibles (note 4) as an improvement of disclosure.

|                               | As reported<br>2018<br>USD | Restated<br>2018<br>USD | Change<br>USD |
|-------------------------------|----------------------------|-------------------------|---------------|
| Property, plant and equipment | 146 215 603                | 145 044 336             | (1 171 267)   |
| Intangibles                   | 3 175 092                  | 4 346 359               | 1 171 267     |

#### 16. SUBSEQUENT EVENTS

On 19 March 2020, after the end of the 2019 financial year, the Group fulfilled all the conditions and acquired Geoserve Exploration Drilling Proprietary Limited, a wholly-owned subsidiary within our African segment. The purchase consideration payable amounts to ZAR100 and the bank overdraft facility of the acquiree. A detailed purchase price allocation will be performed during 2020 and disclosed in the 2020 annual financial statements.

The escalation in the global spread and effects of the COVID-19 pandemic since year-end is likely to have an impact on our business and that of our customers and suppliers in most, if not all, geographies in which the Group operates. As at the date of signing this report, the Board considered the current cash position of the Group, and did stress tests on the ability of the Group to absorb periods of up to three months without any revenue being generated and found that the Group will be able to service its obligations. Management and the Board are and will remain focused on managing this unfortunate situation as best as possible.



## REMOTE-OPERATED SHAFT SUPPORT

SAFER  
OPERATION  
WITH NO  
PERSONAL  
IN-SHAFT  
REQUIRED

The remote application of rock support is safer, faster and at a lower cost than other alternatives.

WELL  
EXPERIENCED  
IN VARIOUS  
APPLICATIONS

MULTIPLE  
RESOURCES  
AVAILABLE ACROSS  
REGIONS



**SHAREHOLDER  
INFORMATION**



# ANALYSIS OF SHAREHOLDING

as at 31 December

|                              | NUMBER OF SHAREHOLDERS | % OF TOTAL SHAREHOLDERS | NUMBER OF SHARES   | % OF SHARES IN ISSUE |
|------------------------------|------------------------|-------------------------|--------------------|----------------------|
| <b>SIZE OF HOLDINGS</b>      |                        |                         |                    |                      |
| 1 – 1 000                    | 1 044                  | 55.8                    | 318 237            | 0.2                  |
| 1 001 – 10 000               | 630                    | 33.7                    | 2 215 726          | 1.5                  |
| 10 001 – 100 000             | 114                    | 6.1                     | 3 948 635          | 2.6                  |
| 100 001 – 1 000 000          | 60                     | 3.2                     | 22 506 602         | 14.9                 |
| 1 000 000+                   | 22                     | 1.2                     | 121 603 577        | 80.8                 |
| <b>Total</b>                 | <b>1 870</b>           | <b>100.0</b>            | <b>150 592 777</b> | <b>100.0</b>         |
| <b>SHAREHOLDER TYPE</b>      |                        |                         |                    |                      |
| Public shareholders          | 1 857                  | 99.3                    | 62 812 447         | 41.7                 |
| Non-public shareholders      |                        |                         |                    |                      |
| Directors' indirect holdings | 10                     | 0.5                     | 84 769 921         | 56.3                 |
| Directors' direct holdings   | 3                      | 0.2                     | 3 010 409          | 2.0                  |
| <b>Total</b>                 | <b>1 870</b>           | <b>100.0</b>            | <b>150 592 777</b> | <b>100.0</b>         |

According to the share register of the Company, the following fund managers, other than directors, are registered as holding in excess of 3% of the issued share capital of the Company:

|                           | NUMBER OF SHARES  | % OF SHARES IN ISSUE |
|---------------------------|-------------------|----------------------|
| Kagiso Asset Management   | 17 763 503        | 11.8                 |
| Abax Investments          | 11 040 344        | 7.3                  |
| Investec Asset Management | 8 967 043         | 6.0                  |
| Coronation Fund Managers  | 5 152 799         | 3.4                  |
| <b>Total</b>              | <b>42 923 689</b> | <b>28.5</b>          |

According to the share register of the Company, the following beneficial shareholders, other than directors, are registered as holding in excess of 3% of the issued share capital of the Company:

|                                         | NUMBER OF SHARES  | % OF SHARES IN ISSUE |
|-----------------------------------------|-------------------|----------------------|
| Barrange Proprietary Limited            | 43 696 650        | 29.0                 |
| MDG Equity Holdings Proprietary Limited | 38 954 436        | 25.9                 |
| Investec                                | 8 844 740         | 5.9                  |
| Nedbank Group                           | 6 670 430         | 4.4                  |
| <b>Total</b>                            | <b>98 166 256</b> | <b>65.2</b>          |

## SHARE PERFORMANCE

Stock exchange information as at 31 December

|                                 | 2019       | 2018       |
|---------------------------------|------------|------------|
| <b>JSE share code: MDI</b>      |            |            |
| Market price (ZAR cents) – high | 1 225      | 1 500      |
| – low                           | 910        | 873        |
| – closing                       | 1 028      | 1 017      |
| Shares traded                   | 21 571 390 | 11 158 485 |



# NOTICE OF ANNUAL GENERAL MEETING



## MASTER DRILLING GROUP LIMITED

(Incorporated in the Republic of South Africa)  
 Registration number: 2011/008265/06  
 JSE share code: MDI | ISIN: ZAE000171948  
 (Master Drilling or the Company)

Notice is hereby given that the eighth Annual General Meeting of Master Drilling will be held (subject to any adjournment, postponement or cancellation thereof) at the BDO South Africa Incorporated offices, Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg on Tuesday, 9 June 2020 at 09:00 to consider and, if deemed fit, pass, with or without modification, the resolutions as set out in this notice.

Due to the COVID-19 pandemic, electronic participation at the AGM, rather than physical attendance may be required. Furthermore, given the guidance from authorities regarding the need for social distancing, members would be encouraged to make use of proxies.

### FORM OF NOTICE AND PROXY

This form of notice and proxy have been approved by the Board of Directors of Master Drilling (the Board or the directors) and signed on its behalf by Mr HR van der Merwe, Chairman, on 29 April 2020.

### REGISTERED AND CORPORATE OFFICE

4 Bosman Street, Fochville, Gauteng, South Africa (PO Box 902, Fochville, 2515, South Africa)

Agenda and index of proposed resolutions for shareholder approval at the meeting:

- The consideration of the annual financial statements for the period ended 31 December 2019;
- The appointment of the external auditor;
- The election of certain directors and re-election of certain of those retiring by rotation;
- The reappointment of members of the Audit Committee;
- The granting of authority to directors to allot and issue ordinary shares;
- The granting of authority to directors to issue shares for cash;
- The granting of authority to the Company to acquire its own shares;
- The approval of non-executive directors' fees;
- Non-binding vote on the approval of the Company's remuneration policy;
- Non-binding vote on the approval of the report on the implementation of the Company's remuneration policy;
- The granting of authority to the directors to commit the Company to providing financial assistance; and
- To transact such other business as may be transacted at an Annual General Meeting of shareholders.

### ADMINISTRATION: SHAREHOLDERS' DIARY

|                             |                       |                  |
|-----------------------------|-----------------------|------------------|
| Financial year-end          |                       | 31 December 2019 |
| Annual results 2019         | Published on or about | 24 March 2020    |
| Integrated Report 2019      | Published on or about | 29 April 2020    |
| Annual General Meeting 2020 | 09:00                 | 9 June 2020      |
| Interim results 2020        | Published on or about | 25 August 2020   |

### IMPORTANT INFORMATION REGARDING ATTENDING THE ANNUAL GENERAL MEETING

#### Attending the Annual General Meeting

Shareholders who have dematerialised their shares in the Company (other than those shareholders whose shareholding is recorded in their own name in the sub-register maintained by their CSDP) and who wish to attend and vote at the Annual General Meeting to be held on Tuesday, 9 June 2020 in person, will need to request their CSDP or broker to provide them with the necessary authority in terms of the custody agreement entered into between them and the CSDP or broker.

#### Voting rights


The South African Companies Act, No 71 of 2008, as amended, (the Companies Act), provides that any shareholder present at the meeting, whether in person or by duly appointed proxy, and entitled to exercise voting rights has (a) if voting is by a show of hands, one vote, irrespective of the number of voting rights that shareholder would otherwise be entitled to; and (b) should voting be taken by way of a poll, one vote for every share held.

## NOTICE OF ANNUAL GENERAL MEETING continued

### Change of details

Shareholders are reminded that the onus is on them to keep the Company apprised, through the share registrars, of any change in postal address and personal particulars. Similarly, shareholders who have elected to receive dividend payments electronically (EFT) should ensure that the banking details which the share registrars and/or CSDPs have on file are correct.

### Annual reports

Should you wish to receive printed copies of the Master Drilling Integrated Report 2019, please complete a request by means of the form on the Company website at  [www.masterdrilling.com](http://www.masterdrilling.com) or by email from [companysecretary@masterdrilling.com](mailto:companysecretary@masterdrilling.com).

### Identification

In terms of section 63(1) of the Companies Act, before any person may attend or participate in the Annual General Meeting, that person must present reasonably satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of the person to participate and vote at the Annual General Meeting, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified. Acceptable forms of identification include the presentation of a valid identity document, driver's licence or passport.

### Record dates, voting and proxies

The Board has determined, in accordance with sections 59(1)(a) and (b) of the Companies Act, that:

- The record date for the purposes of receiving notice of the AGM (being the date on which a shareholder must be registered in the Company's register of shareholders in order to receive notice of the AGM), shall be the close of business on Friday, 24 April 2020 (Notice Record Date);
- The record date for the purposes of participating in and voting at the Annual General Meeting (being the date on which a shareholder must be registered in the Company's register of shareholders in order to participate in and vote at the Annual General Meeting), shall be the close of business on Friday, 29 May 2020 (voting record date);
- The last day to trade for purposes of participating in and voting at the Annual General Meeting shall be the close of business on Tuesday, 26 May 2020; and
- The date by which forms of proxy for the Annual General Meeting are requested to be lodged is, for administrative purposes, 09:00 on Friday, 5 June 2020. Any forms of proxy not lodged by this date must be handed to the Chairman of the Annual General Meeting immediately prior to the commencement of the meeting. The Chairman may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with the proxy notes, provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.

### A. If you have dematerialised your shares without "own name" registration

#### *Voting at the Annual General Meeting*

- If you have not been contacted by your CSDP or broker, it would be advisable for you to contact your CSDP/broker and furnish them with your voting instructions.
- If your CSDP/broker does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the agreement concluded between you and your CSDP/broker.
- You must NOT complete the attached form of proxy.

#### *Attendance and representation at the Annual General Meeting*

In accordance with the mandate between you and your CSDP/broker, you must advise your CSDP/broker if you wish to attend the Annual General Meeting in person, or if you wish to send a proxy to represent you at the Annual General Meeting. Your CSDP/broker will issue the necessary letter of representation to you or your proxy to attend the Annual General Meeting.

### B. If you have not dematerialised your shares or have dematerialised your shares with "own name" registration

#### *Voting, attendance and representation at the Annual General Meeting*

You may attend, speak and vote at the Annual General Meeting in person.

Alternatively, you may appoint one or more proxies to represent you at the Annual General Meeting by completing the attached form of proxy in accordance with the instructions it contains. A proxy need not be a shareholder of the Company. Forms of proxy must be lodged with or posted to the share registrars to be received within the allowable time periods prescribed by law.

### C. Electronic participation

In compliance with the provisions of the Companies Act, Master Drilling intends to offer shareholders reasonable access, through electronic facilities, to participate in the Annual General Meeting by means of a conference call facility. Shareholders will be able to listen to the proceedings and raise questions should they wish to do so and are invited to indicate their intention to make use of this facility by making application, in writing (including details as to how the shareholder or representative can be contacted), to the share registrars at the address set out in this notice of Annual General Meeting. The application is to be received by the share registrars at least 10 business days prior to the date of the Annual General Meeting i.e. by Tuesday, 26 May 2020. The share registrars will, by way of email, provide information enabling participation to those shareholders who have made application. Voting will not be possible via the electronic facility and shareholders wishing to exercise their voting rights at the Annual General Meeting are required to be represented at the meeting either in person, by proxy or by letter

of representation as provided for in the notice of Annual General Meeting.

## ORDINARY BUSINESS

### 1. Ordinary resolution number 1: Presentation of annual financial statements


"To consider the audited condensed consolidated annual financial statements of the Company, together with the auditor's, Audit and Social, Ethics and Sustainability Committees' and Directors' reports for the year ended 31 December 2019."

### 2. Ordinary resolution number 2: Appointment of auditor

"Resolved that BDO South Africa Incorporated is appointed as the auditor of the Company, to hold office from the conclusion of the Annual General Meeting at which this resolution is passed until the conclusion of the next Annual General Meeting of the Company."

### 3. Ordinary resolution number 3: Re-election of Mr Akhter Alli Deshmukh as non-executive director

"Resolved that Mr AA Deshmukh, who retires by rotation at this Annual General Meeting and who is eligible and available for re-election, is re-elected as a non-executive director of the Company."

Mr Deshmukh's curriculum vitae appears on  page 62 of the Integrated Report 2019, available on  [www.masterdrilling.com](http://www.masterdrilling.com).



### 4. Ordinary resolution number 4: Election of Mr Hendrik Johannes Faul as non-executive director

"Resolved that Mr HJ Faul is elected as a non-executive director of the Company."

### 5. Ordinary resolution number 5: Election of members of the Audit Committee



#### 5.1 Election of Mr Andries Willem Brink as a member of the Audit Committee

"Resolved that Mr AW Brink is elected as a member of the Audit Committee, from the conclusion of the Annual General Meeting at which this resolution is passed until the conclusion of the next Annual General Meeting of the Company."

Mr Brink's curriculum vitae appears on  page 62 of the Integrated Report 2019, available on  [www.masterdrilling.com](http://www.masterdrilling.com).



#### 5.2 Election of Ms Octavia Matshidiso Matloa as a member of the Audit Committee

"Resolved that Ms OM Matloa is elected as a member of the Audit Committee, from the conclusion of the Annual General Meeting at which this resolution is passed until the conclusion of the next Annual General Meeting of the Company."

Ms Matloa's curriculum vitae appears on  page 62 of the Integrated Report 2019, available on  [www.masterdrilling.com](http://www.masterdrilling.com).

#### 5.3 Election of Mr Shane Trevor Ferguson as a member of the Audit Committee

"Resolved that Mr ST Ferguson is elected as a member of the Audit Committee, from the conclusion of the Annual General Meeting at which this resolution is passed until the conclusion of the next Annual General Meeting of the Company."

Mr Ferguson's curriculum vitae appears on  page 62 of the Integrated Report 2019, available on  [www.masterdrilling.com](http://www.masterdrilling.com).

#### 5.4 Election of Mr Akhter Alli Deshmukh as a member of the Audit Committee

"Subject to the passing of ordinary resolution number 3, resolved that Mr AA Deshmukh is elected as a member of the Audit Committee, from the conclusion of the Annual General Meeting at which this resolution is passed until the conclusion of the next Annual General Meeting of the Company."

Mr Deshmukh's curriculum vitae appears on  page 62 of the Integrated Report 2019, available on  [www.masterdrilling.com](http://www.masterdrilling.com).

### 6. Ordinary resolution number 6: General authority to directors to allot and issue ordinary shares

"Resolved that, subject to the provisions of the Companies Act and the JSE Listings Requirements from time to time, the directors of the Company are, as a general authority and approval, authorised to allot and issue, for such purposes and on such terms as they may in their discretion determine, ordinary shares of no par value each in the authorised but unissued share capital of the Company, up to a maximum of 5% of the number of ordinary shares of no par value each in issue from time to time."

Ordinary resolution number 6 is to seek a general authority and approval for the directors to allot and issue ordinary shares, up to a maximum of 5% of the ordinary shares of the Company in issue from time to time, in order to enable the Company to take advantage of business opportunities which might arise in the future.

Pursuant to the Memorandum of Incorporation, this general authority shall be valid only until the next Annual General Meeting of the Company, at which time it may be submitted for renewal.

### 7. Ordinary resolution number 7: General authority to directors to issue for cash, in respect of those ordinary shares which the directors are authorised to allot and issue in terms of ordinary resolution number 6

"Resolved that, subject to ordinary resolution number 6 being passed, the directors are authorised, in accordance with the JSE Listings Requirements, to allot and issue for cash, on such terms and

## NOTICE OF ANNUAL GENERAL MEETING continued

conditions as they may deem fit, all or any of the ordinary shares of no par value each (ordinary shares) in the authorised but unissued share capital of the Company which they shall have been authorised to allot and issue in terms of ordinary resolution number 6, subject to the following conditions:

**7.1** This authority shall be limited to a maximum number of 7 529 639 shares (being 5% of the issued ordinary shares in the share capital of the Company, excluding treasury shares, as at the date of the notice convening the Annual General Meeting at which this ordinary resolution number 7 is to be proposed, being Tuesday, 9 June 2020);

**7.2** This authority shall only be valid until the next Annual General Meeting of the Company but shall not extend beyond 15 months;

**7.3** An announcement, in compliance with section 11.22 of the JSE Listings Requirements, shall be published after any issue representing, on a cumulative basis within the year contemplated in paragraph 7.2 above, 5% (7 529 639) of the number of ordinary shares in issue prior to the issue concerned excluding treasury shares;

**7.4** In the event of a sub-division or consolidation of issued shares during the period contemplated in paragraph 7.2 above, this authority must be adjusted accordingly to represent the same allocation ratio;

**7.5** In determining the price at which an issue of ordinary shares for cash shall be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE Limited over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities; and

**7.6** Any issue of ordinary shares under this authority shall be made only to public shareholders as defined in the JSE Listings Requirements."

Any equity securities already issued under the authority during the period contemplated in paragraph 7.2 above, must be deducted from such number in paragraph 7.1 above.

The purpose of ordinary resolution number 7 is that the directors consider it advantageous to have the authority to issue ordinary shares for cash in order to enable the Company to take advantage of any business opportunity which might arise in the future.

It should be noted that this authority relates only to those ordinary shares which the directors are authorised to issue in terms of ordinary resolution number 6 and is not intended to (nor does it) grant the directors authority to issue ordinary shares over and above the ordinary shares which the directors are authorised to issue in terms of ordinary resolution number 6.

In terms of the JSE Listings Requirements, a 75% majority of the votes cast by shareholders present in person or represented by proxy at

the Annual General Meeting is required for the approval of ordinary resolution number 7.

### **8. Ordinary resolution number 8: Approval of the Master Drilling remuneration policy**

"To consider and approve the remuneration policy as contained in the Remuneration report of the Company as set out on pages 69 to 76 of the Integrated Report 2019, available on [www.masterdrilling.com](http://www.masterdrilling.com) (excluding the remuneration of directors for their services as directors and members of the Board and Board committees) in terms of the King IV Report on Corporate Governance for South Africa, 2016 (King IV)."

Shareholders are reminded that in terms of King IV, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Master Drilling undertakes to engage with shareholders as to the reasons therefore.

### **9. Ordinary resolution number 9: Report on implementation of the remuneration policy**

"To consider and approve the implementation of the remuneration policy, details of which are set out in the Remuneration report of the Company as set out on pages 69 to 76 of the Integrated Report 2019, available on [www.masterdrilling.com](http://www.masterdrilling.com) (excluding the remuneration of directors for their services as directors and members of the Board and Board committees) in terms of the King IV Report on Corporate Governance for South Africa, 2016 (King IV)."

Shareholders are reminded that in terms of King IV, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Master Drilling undertakes to engage with shareholders as to the reasons therefore.

## **SPECIAL BUSINESS**

### **10. Special resolution number 1: Acquisition of the Company's own shares**

"Resolved, pursuant to the Company's Memorandum of Incorporation, that the acquisition by the Company or by any of the Company's subsidiaries from time to time, of ordinary shares issued by the Company, in accordance with the Companies Act and the JSE Listings Requirements, is hereby authorised by way of a general approval, provided that:

- Any such acquisition of shares shall be effected through the order book operated by the JSE Limited trading system or on the open market of any other stock exchange on which the shares are or may be listed, subject to the approval of the JSE Limited and of the relevant other stock exchange, as applicable, in either event without any prior understanding or arrangement between the Company and the counterparty;

- This approval shall be valid only until the next Annual General Meeting of the Company, or for 15 months from the date of passing of this resolution, whichever period is shorter;
- Shares issued by the Company may not be acquired at a price greater than 10% above the weighted average market price of the Company's shares for the five business days immediately preceding the date of the acquisition being effected;
- The Company only appoints one agent to effect any acquisitions on its behalf;
- The Board has resolved to authorise the acquisition and that the Company and its subsidiaries shall satisfy the solvency and liquidity test immediately after the acquisition and that since the test was done, there have been no material changes to the financial position of the Group;
- The Company may not, in any one financial year, acquire in excess of 5% of the Company's issued ordinary share capital as at the date of passing of this resolution;
- An announcement containing details of such acquisitions shall be published as soon as the Company and/or the subsidiaries, collectively, shall have acquired ordinary shares issued by the Company constituting, on a cumulative basis, not less than 3% of the number of ordinary shares in the Company in issue as at the date of this approval; and an announcement containing details of such acquisitions will be published in respect of each subsequent acquisition by either the Company and/or the subsidiaries, collectively, of ordinary shares issued by the Company, constituting, on a cumulative basis, not less than 3% of the number of ordinary shares in the Company in issue as at the date of this approval;
- The acquisition of shares by the Company or its subsidiaries may not be effected during a prohibited period, as defined in the JSE Listings Requirements, unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been submitted in writing to the JSE prior to the commencement of the prohibited period;
- The Company's subsidiaries shall not be entitled to acquire ordinary shares issued by the Company if the acquisition of shares will result in them holding, on a cumulative basis, more than 10% of the number of ordinary shares in issue in the Company; and
- The shares acquired by the Company's subsidiaries shall not carry with them any voting rights."

The purpose and effect of this special resolution is to grant a general authority for the acquisition of the Company's ordinary shares by the Company, or by a subsidiary or subsidiaries of the Company should the directors deem that to be in the best interest of the Company and its shareholders.

The directors believe that the Company should retain the flexibility to take action if future acquisitions of its shares were considered

desirable and in the best interests of the Company and its shareholders.

The directors shall ensure at the time of the Company's commencement of any acquisitions of its own shares, after considering the effect of acquisitions, up to the maximum limit, of the Company's issued ordinary shares, that they are of the opinion that if such acquisitions were implemented:

- The Company and the Group would be able in the ordinary course of business to pay its debts for a period of 12 months after the repurchase;
- The assets of the Company and the Group would be in excess of the liabilities of the Company and the Group for a period of 12 months after the repurchase. For this purpose, the assets and liabilities would be recognised and measured in accordance with the accounting policies used in the latest audited Group annual financial statements; and
- The ordinary capital and reserves of the Company and the Group would be adequate for ordinary business purposes for a period of 12 months after the date of the notice issued in respect of the Annual General Meeting and the working capital of the Company and the Group would be adequate in the ordinary course of business for a period of 12 months after the date of the repurchase.

Prior to executing an acquisition of the Company's own shares under this authority granted in terms of special resolution number 1, the directors will submit to the JSE the required confirmation of the adequacy of working capital.

In terms of section 11.26 of the JSE Listings Requirements, the following information is disclosed in the Integrated Report 2019, available on [www.masterdrilling.com](http://www.masterdrilling.com):

- Directors and management – pages 62 and 63;
- Major shareholders – page 108;
- Material change statement – page 114;
- Directors' interest in securities – page 76; and
- Share capital of the Company – page 108.

## 11. Special resolution number 2: Non-executive directors' fees

"Resolved as special resolution number 2, in terms of section 66(9) of the Companies Act, that the remuneration, as set out in the table below, to be paid to non-executive directors for their service as directors of the Company (with effect from 1 July 2020), as recommended by the Remuneration Committee and the Board to the shareholders at the Annual General Meeting, is hereby approved, as well as payment of such value added tax as may be attributable to non-executive directors' fees payable by the Company."

The recommended fees to take effect from 1 July 2020 are set out more fully below. The annual basic remuneration is an annual fee payable



## NOTICE OF ANNUAL GENERAL MEETING continued

in four equal quarterly amounts. The remuneration reflected below for meeting attendance is payable quarterly per meeting/s attended:

|                                                                                                                | ZAR     |
|----------------------------------------------------------------------------------------------------------------|---------|
| <b>Annual basic remuneration, to be paid quarterly</b>                                                         |         |
| Non-executive Chairman of the Board                                                                            | 400 000 |
| Non-executive member of the Board, including Lead Independent Director                                         | 100 000 |
| <b>Fees per meeting attended to the members of the Board and of the Board Committees, to be paid quarterly</b> |         |
| Chairman of the Board                                                                                          | 87 000  |
| Non-executive member of the Board                                                                              | 30 000  |
| Chairman of the Audit Committee                                                                                | 30 000  |
| Chairman of the Risk Committee                                                                                 | 30 000  |
| Chairman of the Social, Ethics and Sustainability Committee                                                    | 20 000  |
| Chairman of the Corporate Governance Committee                                                                 | 20 000  |
| Chairman of the Remuneration Committee                                                                         | 25 000  |
| Chairman of the Nominations Committee                                                                          | 20 000  |
| Member of the Audit Committee                                                                                  | 21 000  |
| Member of the Risk Committee                                                                                   | 21 000  |
| Member of the Social, Ethics and Sustainability Committee                                                      | 12 000  |
| Member of the Corporate Governance Committee                                                                   | 6 000   |
| Member of the Remuneration Committee                                                                           | 10 000  |
| Member of the Nominations Committee                                                                            | 9 000   |

\* The directors' fees comprise a fixed annual portion as annual basic remuneration and a portion based on attendance at Board and committee meetings.

The fees payable in terms of special resolution number 2 will be in accordance with the agreed fees between the Company and the directors for both Board and committee attendance during the ensuing year.

The purpose and effect of special resolution number 2 is to reward non-executive directors for their services as directors, in line with best practice.

### 12. Special resolution number 3: Financial assistance in terms of sections 44 and 45 of the Companies Act

"Resolved, to the extent required by the Companies Act, that the shareholders hereby approve of Master Drilling providing, at any time and from time to time during the period of 2 (two) years, commencing on the date of this special resolution, if passed and becoming effective, any direct or indirect financial assistance as contemplated in sections 44 and 45 of the Companies Act to any 1 (one) or more related or inter-related companies or corporations of Master Drilling, provided that:



- (i) The recipient or recipients of such financial assistance;
- (ii) The form, nature and extent of such financial assistance; and
- (iii) The terms and conditions under which such financial assistance is provided, are determined by the Board from time to time."

The Board may not authorise Master Drilling to provide any financial assistance pursuant to this special resolution unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet, and such financial assistance to a recipient thereof is, in the opinion of the Board, required for the purpose of:

- (i) Meeting all or any of such recipient's operating expenses (including capital expenditure);
- (ii) Funding the growth, expansion, reorganisation or restructuring of the businesses or operations of such recipient; and/or
- (iii) Funding such recipient for any other purpose which in the opinion of the Board is directly or indirectly in the interest of Master Drilling.

The purpose and effect of special resolution number 3, if passed and becoming effective, is to allow Master Drilling to grant direct or indirect financial assistance to any company or corporation forming part of the Group, including in the form of loans or the guaranteeing of their debts and/or obligations.

### RESPONSIBILITY

The directors whose names appear on  pages 62 and 63 of the Integrated Report 2019, available on  [www.masterdrilling.com](http://www.masterdrilling.com), collectively and individually accept full responsibility for the accuracy of the information given in this notice and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the JSE Listings Requirements.

### NO MATERIAL CHANGES

Other than the facts and developments reported on in the Integrated Report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice.

By order of the Board



**HENNIE VAN DER MERWE**  
Chairman of the Board

29 April 2020

# FORM OF PROXY



## MASTER DRILLING GROUP LIMITED

(Incorporated in the Republic of South Africa)  
 Registration number: 2011/008265/06  
 JSE share code: MDI | ISIN: ZAE000171948  
 (Master Drilling or the Company)

### FORM OF PROXY FOR MASTER DRILLING SHAREHOLDERS

Due to the COVID-19 pandemic, electronic participation at the AGM, rather than physical attendance may be required. Furthermore, given the guidance from authorities regarding the need for social distancing, members would be encouraged to make use of proxies.

Only for use by certificated shareholders or those dematerialised shareholders of the Company who have selected "own name" registration.

For use by Master Drilling shareholders at the Annual General Meeting of shareholders to be held at the BDO South Africa Incorporated offices, Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg, on Tuesday, 9 June 2020 at 09:00 and at any adjournment of that meeting.

If you have dematerialised your shares with a Central Securities Depository Participant (CSDP) or broker and have not selected "own name" registration, you must arrange with your CSDP or broker to provide you with the necessary letter of representation to attend the General Meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into between you and the CSDP or broker.

I/We (Names in full in BLOCK LETTERS):

of (address):

being the holder/s of \_\_\_\_\_ shares in issued ordinary share capital of Master Drilling hereby appoint:

1. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her,
2. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her,
3. the Chairman of the Annual General Meeting,

as my/our proxy to attend, speak and vote on a show of hands or on a poll for me/us and on my/our behalf at the Annual General Meeting of Master Drilling shareholders to be held for the purpose of considering and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Master Drilling ordinary shares registered in my/our name in accordance with the following instructions (see notes):

| PLEASE INDICATE WITH AN "X" IN THE APPROPRIATE SPACES HOW VOTES ARE TO BE CAST                                                                                                           | FOR | AGAINST | ABSTAIN |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------|---------|
| Ordinary resolution number 1: Presentation of the annual financial statements for the period ended 31 December 2019                                                                      |     |         |         |
| Ordinary resolution number 2: Appointment of BDO South Africa Incorporated as external auditor                                                                                           |     |         |         |
| Ordinary resolution number 3: Re-election of Mr AA Deshmukh as a non-executive director                                                                                                  |     |         |         |
| Ordinary resolution number 4: Election of Mr HJ Faul as a non-executive director                                                                                                         |     |         |         |
| Ordinary resolution number 5.1: Election of Mr AW Brink as a member of the Audit Committee of the Company                                                                                |     |         |         |
| Ordinary resolution number 5.2: Election of Ms OM Matloa as a member of the Audit Committee of the Company                                                                               |     |         |         |
| Ordinary resolution number 5.3: Election of Mr ST Ferguson as a member of the Audit Committee of the Company                                                                             |     |         |         |
| Ordinary resolution number 5.4: Election of Mr AA Deshmukh as a member of the Audit Committee of the Company                                                                             |     |         |         |
| Ordinary resolution number 6: General authority to directors to allot and issue ordinary shares                                                                                          |     |         |         |
| Ordinary resolution number 7: General authority to directors to issue for cash, those ordinary shares placed under the control of the directors in terms of ordinary resolution number 6 |     |         |         |
| Ordinary resolution number 8: Approval of the Master Drilling remuneration policy                                                                                                        |     |         |         |
| Ordinary resolution number 9: Approval of the implementation report on the Master Drilling remuneration policy                                                                           |     |         |         |
| Special resolution number 1: Acquisition of the Company's own shares                                                                                                                     |     |         |         |
| Special resolution number 2: Non-executive directors' fees                                                                                                                               |     |         |         |
| Special resolution number 3: Approval to grant financial assistance in terms of sections 44 and 45 of the Companies Act                                                                  |     |         |         |

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2020

Name of shareholder/joint holders signature/s \_\_\_\_\_

Assisted by me (if applicable) \_\_\_\_\_

Full name/s of signatory/ies if signing in a representative capacity \_\_\_\_\_

(In block letters and authority to be attached – refer to note 7 on page 116).

## NOTES TO THE FORM OF PROXY

1. Every shareholder present in person or represented by proxy and entitled to vote at the Annual General Meeting of the Company shall, on a show of hands, have only one vote, irrespective of the number of shares such shareholder holds. In the event of a poll, the total number of votes exercised and/or abstained on by the shareholder or his/her proxy shall be counted, provided that such votes shall not exceed the total of the votes exercisable by the shareholder and the proxy.
  2. A signatory to this form of proxy may insert the name of a proxy or the name of an alternate proxy of the signatory's choice in the blank spaces provided, with or without deleting "the Chairman of the Annual General Meeting", but such deletion must be signed in full by the signatory. Any insertion or deletion not complying with the foregoing will be deemed not to have been validly effected. The person present at the Annual General Meeting, whose name appears first on the list of names overleaf, shall be the validly appointed proxy for the shareholder at the Annual General Meeting.
  3. A shareholder's instructions to the proxy must be indicated in the appropriate spaces provided. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, or to cast all those votes in the same way, but the total of votes cast and in respect whereof abstention is directed, may not exceed the total of the votes exercisable by the shareholder or the proxy. Failure to comply with the above or to provide voting instructions or the giving of contradictory instructions will be deemed to authorise the proxy, if he is the Chairman of the Annual General Meeting, to vote in favour of all resolutions at the Annual General Meeting in respect of all the shareholder's votes exercisable at the Annual General Meeting or if he/she is not the Chairman of the Annual General Meeting, to vote or abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable at the Annual General Meeting.
  4. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
  5. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the share in respect of which the proxy is given, unless written notice as to any of the aforementioned matters shall have been received by the share registrars prior to the commencement of the Annual General Meeting, or at any adjournment thereof.
  6. Any alteration or correction made to this form of proxy must be signed in full and not merely initialled by the signatory.
  7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the share registrars of the Company.
  8. A minor must be assisted by his/her guardian and the relevant documentary evidence establishing his/her legal capacity must be attached to this form of proxy unless previously recorded by the share registrars of the Company.
  9. When there are joint holders of shares, any one holder may sign the form of proxy.
  10. The completion and lodging of this form of proxy will not preclude the shareholder who grants the proxy from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.
  11. The Chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.
  12. The appointment of a proxy or proxies:
    - 12.1 Is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
    - 12.2 Is revocable in which case a shareholder may revoke the proxy appointment by:
      - 12.2.1 Cancelling it in writing or making a later inconsistent appointment of a proxy; and
      - 12.2.2 Delivering a copy of the revocation instrument to the proxy and to the Company.
  13. Completed proxy forms should be delivered by email at [proxy@computershare.co.za](mailto:proxy@computershare.co.za) or by post to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, (Private Bag X9000, Saxonwold, 2132) before the person(s) so empowered seeks to exercise any right granted to it under such instrument, and are requested to be lodged timeously so as to be received, for administrative purposes, by 09:00 on Friday, 5 June 2020.
- The Chairman may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with the proxy notes, provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.
- Proxy forms delivered on the day of the meeting must be delivered by email to the Company at [proxy@computershare.co.za](mailto:proxy@computershare.co.za) with a copy thereof to the Company Secretary of the Company at [Companysecretary@masterdrilling.com](mailto:Companysecretary@masterdrilling.com) to be received by both of them before the person so empowered seeks to exercise any right granted to it under such instrument.

# DEFINITIONS AND GLOSSARY

## GLOSSARY

|                                   |                                                                                                    |                                       |                                                                                                                          |
|-----------------------------------|----------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| <b>AGM</b>                        | Annual General Meeting                                                                             | <b>M&amp;A</b>                        | Mergers and acquisitions                                                                                                 |
| <b>AMCU</b>                       | Association of Mineworkers and Contractors Union                                                   | <b>Master Drilling or the Company</b> | Master Drilling Group Limited                                                                                            |
| <b>APC</b>                        | Audit Progress Committee                                                                           | <b>MD</b>                             | Master Drilling                                                                                                          |
| <b>B-BBEE</b>                     | Broad-based black economic empowerment                                                             | <b>MDSS</b>                           | Master Drilling Shared Services                                                                                          |
| <b>Board</b>                      | The Board of Directors of Master Drilling Group Limited                                            | <b>MDX</b>                            | Master Drilling Exploration Proprietary Limited                                                                          |
| <b>CCC</b>                        | Cash conversion cycle                                                                              | <b>Mosima</b>                         | Mosima Drilling Proprietary Limited, a B-BBEE-owned and controlled company with a 26% shareholding in each of RR and DTS |
| <b>CEO</b>                        | Chief Executive Officer                                                                            | <b>MTB</b>                            | Mobile Tunnel Borer                                                                                                      |
| <b>CFO</b>                        | Chief Financial Officer                                                                            | <b>Other countries</b>                | Includes Arabia, Australia, China, India, Ireland, Malta, Saudi and Scandinavia                                          |
| <b>COO</b>                        | Chief Operating Officer                                                                            | <b>PGM</b>                            | Platinum group metals                                                                                                    |
| <b>COVID-19</b>                   | Coronavirus disease 2019                                                                           | <b>PMI Index</b>                      | Purchasing Manager Index (remove the "Index" at the end)                                                                 |
| <b>DRC</b>                        | Democratic Republic of Congo                                                                       | <b>PwC</b>                            | PricewaterhouseCoopers Inc.                                                                                              |
| <b>CSDP</b>                       | Central Securities Depository Participant                                                          | <b>R&amp;D</b>                        | Research and development                                                                                                 |
| <b>DMR</b>                        | Department of Mineral Resources                                                                    | <b>Remco</b>                          | Remuneration Committee                                                                                                   |
| <b>DTS</b>                        | Drilling Technical Services                                                                        | <b>Rest of Africa</b>                 | Includes Mali, Burkina Faso, the Democratic Republic of Congo, Zambia, Botswana and Zimbabwe                             |
| <b>Epha</b>                       | Drilling Proprietary Limited, a B-BBEE-owned and controlled company with a 26% shareholding in MDX | <b>RR</b>                             | Raisebore Rental                                                                                                         |
| <b>HR</b>                         | Human resources                                                                                    | <b>SA Companies Act</b>               | The South African Companies Act, 2008 (Act No 71 of 2008)                                                                |
| <b>IAS</b>                        | International Accounting Standards                                                                 | <b>SBS</b>                            | Shaft Boring System                                                                                                      |
| <b>IDC</b>                        | Industrial Development Corporation                                                                 | <b>SDIR</b>                           | Social Dialogue and Harmonious Industrial Relations                                                                      |
| <b>IFRS</b>                       | International Financial Reporting Standards                                                        | <b>SENS</b>                           | Securities Exchange News Service of the JSE                                                                              |
| <b>IIRC</b>                       | International Integrated Reporting Council                                                         | <b>SHEQ</b>                           | Safety, health, environmental and quality                                                                                |
| <b>IP</b>                         | Intellectual property                                                                              | <b>SNL</b>                            | Spectral Noise Logging                                                                                                   |
| <b>ISO</b>                        | International Organisation for Standardisation                                                     | <b>SOS</b>                            | Share Option Scheme                                                                                                      |
| <b>ISO 14001</b>                  | ISO Environmental Management                                                                       | <b>SPR</b>                            | Special performance reward                                                                                               |
| <b>ISO 9001</b>                   | ISO Quality Management System                                                                      | <b>STI</b>                            | Short-term incentive scheme                                                                                              |
| <b>JSE</b>                        | Johannesburg Stock Exchange Limited                                                                | <b>The previous year</b>              | The year ended 31 December 2018                                                                                          |
| <b>King IV</b>                    | King IV Report on Corporate Governance for South Africa, 2016                                      | <b>The year</b>                       | The year ended 31 December 2019                                                                                          |
| <b>KPA</b>                        | Key performance areas                                                                              | <b>UASA</b>                           | United Association of South Africa                                                                                       |
| <b>KPI</b>                        | Key performance indicator                                                                          |                                       |                                                                                                                          |
| <b>Latin America and Colombia</b> | Includes Mexico, Guatemala, Chile, Peru, Argentina and Brazil                                      |                                       |                                                                                                                          |
| <b>LTI</b>                        | Long-term incentive scheme                                                                         |                                       |                                                                                                                          |
| <b>LTIFR</b>                      | Lost-time injury frequency rate                                                                    |                                       |                                                                                                                          |

## DEFINITIONS AND GLOSSARY continued

### OPERATIONAL DEFINITIONS

|                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Air rotary drilling</b> | Air rotary drilling is most commonly used for the application of large-diameter blast holes in the surface or opencast mining industry and is similar to the blast hole application of percussion drilling. This type of drilling is often used in weak ground, when a raise boring rig is used to establish a pilot hole for paste, utility holes or a raise bored shaft.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Blind hole boring</b>   | Blind hole boring or enlargement is used for the construction of access or ventilation shafts for the mining industry in various forms. In the urban infrastructure industry, this form of boring is used for access and ventilation shafts ranging from metro tunnels to underground storage areas such as parking garages. In the energy sector, it is used for surge, ventilation, access and pressure shafts.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Box hole drilling</b>   | <p>Most box holes are drilled in underground mining applications, where bottom access is available in a production section.</p> <p>The holes are drilled from the bottom up to intersect with the ore body. When mining activity reaches this hole, it may be used as a transfer pass for dropping material from the reef/ore horizon downwards where it can be collected and transported, or as a ventilation shaft to the mining location.</p> <p>In some cases, the shaft is equipped with a chute to hold a certain volume of material, similar to a small silo. In other cases, it is used for transfer passes into an existing ore pass or where construction of material handling infrastructure is already in place and explosives cannot be used to create an excavation. In addition, it is used for trough passes in block cave mines.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Core drilling</b>       | <p>Core drilling is used in surface and underground mining for delineation of an ore body and resource definition and valuation. Cover drilling is used in tunnel infrastructure to ensure that no methane pockets of air are mined into and for water-bearing areas that could potentially flood the underground infrastructure. In addition, core drilling is used for the geotechnical evaluation of the nature, material properties and type of rock for the purposes of designing a certain size shaft, tunnel or stoping panel to be used for the calculation of the type and amount of rock support required.</p> <p>In many cases, core drilling is used for resource definition, which enables engineers to see the exact position in relation to an access tunnel of a certain geological feature of interest in the construction of infrastructure or in mining. On the surface, it is similar, depending on the stage of exploration of grid holes for resource estimation and information purposes. This is optimised to a finer grid as mining operations start and finer detail is required.</p> <p>In the construction or urban infrastructure industries, core drilling is mainly used for geotechnical information in the design of foundations for bridges, buildings, tunnels, etc.</p> <p>In the energy industry, core drilling is used for collecting core in gas, oil, coal or uranium carrying geology. The sample is stored and tested in a laboratory to understand the yield of energy that could be extracted from this type of geology and the nature of the structure.</p> |
| <b>Mud rotary drilling</b> | Mud rotary drilling is used in the mining industry for the drilling of utility, paste, de-watering and other infrastructure holes. In urban infrastructure, it is used predominantly for water wells and horizontal directional drilling, while the most common use in the energy sector is the drilling of coalbed methane, shale gas, gas, oil and geothermal holes. Mud rotary drilling is also commonly used for the directional drilling of horizontal wells.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Percussion drilling</b> | <p>Percussion drilling is a mobile type of drilling with fast production rates. The drilling assembly down the hole comprises a button bit fitted to a precipitating hammer with drill rods to the drill rig.</p> <p>Percussion drilling is commonly used to establish a hole in the ground quickly. When used for sampling geology, it is referred to as reverse air blast or RAB drilling. The most common use for this type of drilling is for the drilling of de-watering holes on open-cast mines, water wells for domestic use, blast holes for the injection of explosives during mining, utility holes used for cables and production wells for oil and gas. In many cases, these types of holes are also established for diamond tailing, which refers to the establishment of a fast hole by percussion drilling to a particular depth of no geological importance and then to diamond tail the hole with core drilling.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Piling</b>              | We predominantly use piling for the construction of circular secant pile walls to establish a barrel from surface through unconsolidated ground socketed into fresh rock.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Piloting</b>            | Some drilling methods require pre-drilling operations to ensure hole accuracy and stability or to enable the subsequent process. The pilot process is usually executed using percussion or mud rotary drilling methods.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Reaming</b>             | Reaming is the process of enlarging an existing hole. This can be done by re-drilling a pilot hole using a large cutter, hammer, bit or reaming shell. In the raise boring application, the pilot hole can be enlarged by drawing a large-diameter reamer head from the bottom of the hole upwards.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |



|                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Reef boring</b>                  | Reef boring is used where vein ore bodies are narrow. The equipment is moved underground and positioned in such a way that it can drill a hole on the reef horizon, whether down dip, up dip or on strike. Small single pass holes are drilled and, if required, enlarged by reaming.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Reverse circulation drilling</b> | Reverse circulation drilling is a cost-effective way for resource definition and very effective for grade control drilling to determine the accurate composition of the ore body that will be mined just before blasting.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Semi-skilled</b>                 | C-lower and B-upper level employees e.g. artisan aids and operators.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Skilled</b>                      | Using the Paterson grading model, skilled employees are classified as upper level employees from C4 level e.g. managers, skilled artisans, foremen and administrators.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Slot hole boring</b>             | <p>Slot hole boring is similar to traditional raise and box hole boring. The raise boring configuration can be adapted so that a pilot hole is drilled downward and then reamed from the top down, instead of from the bottom up, depending on the mining method required.</p> <p>Slot hole boring systems are faster moving than the other conventional boring methods as the length of boring is shorter and normally a number of holes are required. There is no sequence to the holes and a suite of equipment can easily move between levels, lodes or east/west sections of a mine, between holes.</p>                                                                                                                                                                                                                                                                                                                 |
| <b>Trackless mining</b>             | Mobile equipment not using mining tracks i.e. the mobile unit uses its own wheels or method of movement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Tunnel boring</b>                | <p>Tunnel boring is used to excavate tunnels with a circular cross-section through a variety of soil and rock strata, varying from hard rock to sand.</p> <p>This method is used for the construction of metro, utility (waste water pipes, communication, etc.), fresh/waste water collection/removal, railway tunnels in the transport and urban infrastructure industries.</p> <p>In the mining industry, it is used for the construction of access tunnels to ore bodies in either a decline-type ramp or horizontal haulage format. There are various other applications where it is effective for the opening up of blocks of ground and increasing the mine's footprint, such as finger raises.</p> <p>For energy-type projects, tunnel boring is predominantly used in hydro-energy or pumped storage projects for the use of tailrace tunnels. It is also used for nuclear waste storage facility construction.</p> |
| <b>Unskilled</b>                    | Wage workers e.g. raise bore assistants, general workers and cleaners.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

## FINANCIAL DEFINITIONS

|                             |                                                                                                                                   |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| <b>ARPOR</b>                | Average revenue per operating rig                                                                                                 |
| <b>Asset turnover ratio</b> | $\frac{\text{Revenue}}{\text{(Average cost of property, plant and equipment)}}$                                                   |
| <b>CAGR</b>                 | Compound annual growth rate                                                                                                       |
| <b>EBITDA</b>               | Earnings before interest, tax, depreciation and amortisation                                                                      |
| <b>HEPS</b>                 | Headline earnings per share                                                                                                       |
| <b>GP</b>                   | Gross profit                                                                                                                      |
| <b>PAT</b>                  | Profit after tax                                                                                                                  |
| <b>ROA</b>                  | Return on asset                                                                                                                   |
| <b>ROC</b>                  | Return on capital                                                                                                                 |
| <b>ROCE</b>                 | $\text{Return on capital employed} = \frac{\text{Earnings before interest and tax}}{\text{(Total assets – current liabilities)}}$ |
| <b>ROE</b>                  | $\text{Return on equity} = \frac{\text{Profit after tax}}{\text{Total equity}}$                                                   |
| <b>TGP</b>                  | Total gross package                                                                                                               |
| <b>WACC</b>                 | Weighted average cost of capital                                                                                                  |

# 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, Fochville, 2515, South Africa  
PO Box 902, Fochville, 2515, South Africa

## DIRECTORS

### Executive

|                                   |                                                       |
|-----------------------------------|-------------------------------------------------------|
| Daniël (Danie) Coenraad Pretorius | <i>Chief Executive Officer and founder</i>            |
| André Jean van Deventer           | <i>Financial Director and Chief Financial Officer</i> |
| Barend Jacobus (Koos) Jordaan     | <i>Executive Director</i>                             |
| Gareth (Gary) Robert Sheppard*    | <i>Chief Operating Officer</i>                        |
| Fred (Eddie) George Dixon         | <i>Chief Operating Officer (Alternate director)</i>   |

\* Resident in Peru

### Non-executive

|                                     |                                               |
|-------------------------------------|-----------------------------------------------|
| Hendrik (Hennie) Roux van der Merwe | <i>Chairman and independent non-executive</i> |
| Akhter Alli Deshmukh                | <i>Independent non-executive</i>              |
| Andries Willem Brink*               | <i>Lead independent non-executive</i>         |
| Octavia Matshidiso Matloa           | <i>Independent non-executive</i>              |
| Shane Trevor Ferguson               | <i>Non-executive</i>                          |

\* Appointed as Lead Independent Director on 20 November 2019.

## COMPANY SECRETARY

Andrew Colin Beaven  
6 Dwars Street, Krugersdorp, 1739, South Africa  
PO Box 158, Krugersdorp, 1740, South Africa

## INDEPENDENT AUDITOR

BDO South Africa Incorporated  
South African member of the BDO Group  
52 Corlett Drive, Illovo, 2196, South Africa

## JSE SPONSOR

Investec Bank Limited  
(Registration number: 1969/004763/06)  
100 Grayston Drive, Sandton, 2196, South Africa

## INVESTOR RELATIONS CONTACTS

Monica Ambrosi  
Instinctif Partners  
Telephone: +27 11 050 7506  
Mobile: +27 82 659 9226  
E-mail: MasterDrilling@instinctif.com

## SHARE TRANSFER SECRETARIES

Computershare Investor Services  
Proprietary Limited  
(Registration number: 2004/003647/07)  
Rosebank Towers, 15 Biermann Avenue  
Rosebank, 2196, South Africa  
Private Bag X9000, Saxonwold, 2132, South Africa  
E-mail: proxy@computershare.co.za

## General e-mail queries

info@masterdrilling.com

## Master Drilling website

www.masterdrilling.com

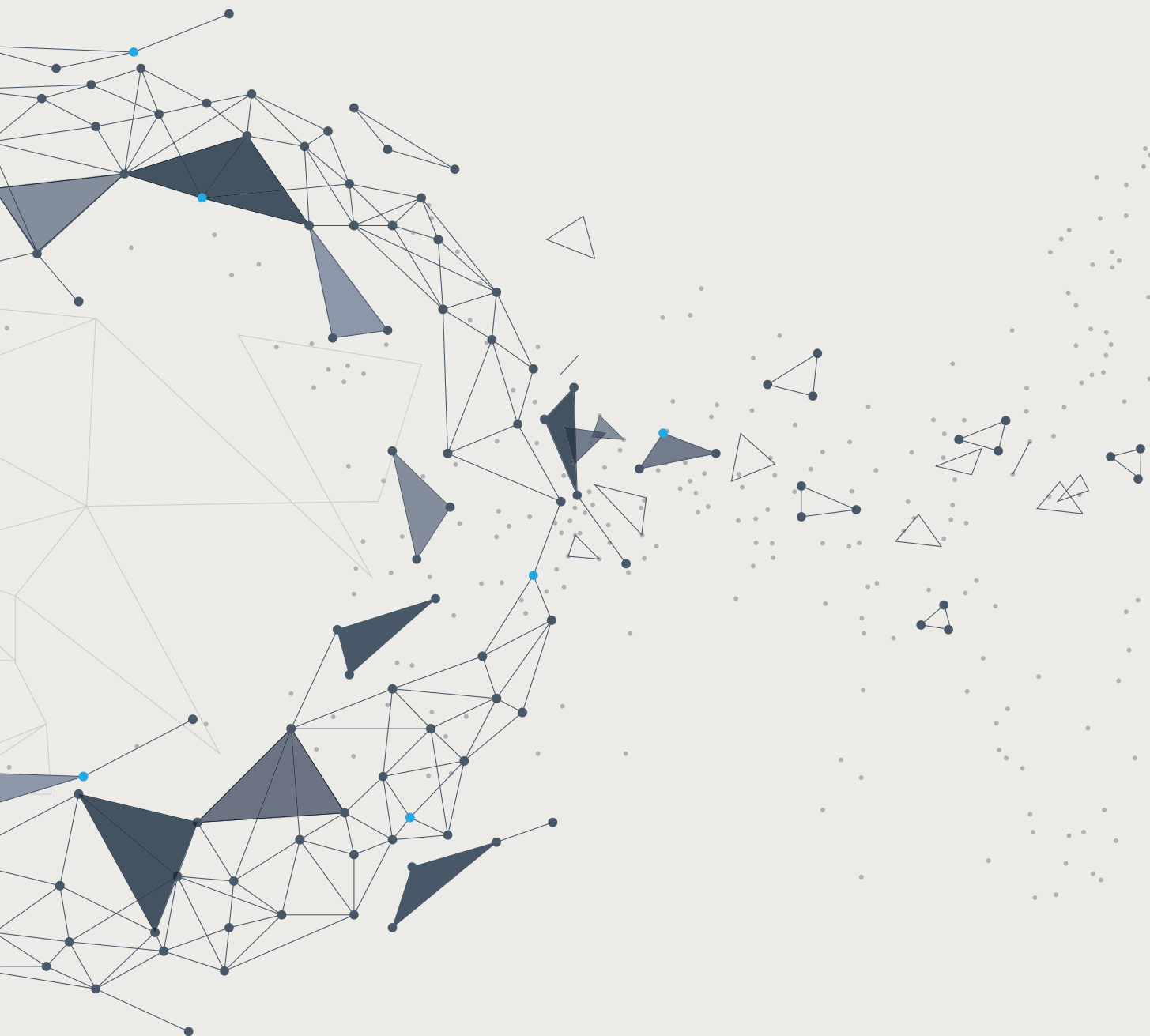
## Company secretarial e-mail

www.masterdrilling.com

Master Drilling posts information that is important to investors on the main page of its website at [www.masterdrilling.com](http://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.

# SHAREHOLDERS' DIARY

|                             |                                         |
|-----------------------------|-----------------------------------------|
| Financial year-end          | 31 December 2019                        |
| Annual results 2019         | Published 24 March 2020                 |
| Integrated Report 2019      | Published on or about 29 April 2020     |
| Annual General Meeting 2020 | 9 June 2020                             |
| Interim results 2020        | Published on or about 30 September 2020 |



[www.masterdrilling.com](http://www.masterdrilling.com)