Master Drilling Group Limited

(Registration number 2011/008265/06)
Annual Financial Statements
for the year ended 31 December 2020

www.bdo.co.za

AUDIT • ADVISORY • TAX

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment holding company, whose subsidiary companies provide specialised drilling services to major, mid-tier and junior mining companies
Directors	AA Deshmukh AJ Van Deventer AW Brink BJ Jordaan DC Pretorius FG Dixon - Alternate director GR Sheppard HR Van Der Merwe ST Ferguson HJ Faul
Business address	No 4 Bosman Street Fochville 2515
Postal address	PO Box 902 Fochville 2515
Bankers	First National Bank - a division of FirstRand Bank Limited ABSA Bank Limited
Auditors	BDO South Africa Incorporated Registered Auditors
Secretary	Andrew Beaven
Company registration number	2011/008265/06
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act South Africa.
Preparer	The annual financial statements were internally compiled by: Willem Ligthelm CA (SA) under the supervision of AJ van Deventer CA (SA)

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The reports and statements set out below comprise the annual financial statements presented to the shareholders:

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the company’s cash flow forecast for the year to 31 December 2021 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 10 to 12.

The annual financial statements set out on pages 13 to 40, which have been prepared on the going concern basis, were approved by the directors on 28 June 2021 and were signed on their behalf by:

Director	**Director**

Johannesburg

28 June 2021

Audit Committee Report

This report is provided by the audit committee in respect of the 2020 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 (www.masterdrilling.com). The Audit Committee Terms of Reference was informed by the Companies Act, JSE Listing Requirements as well as the Corporate Governance Principles under King IV and approved by the directors. The Audit Committee Terms of Reference is reviewed on an annual basis.

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 AW Brink (Chairman), AA Deshmukh, ST Ferguson and OM Matloa. In addition, the chief executive officer, chief financial officer, risk and assurance 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 later in this report.

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.

During the period under review the committee engaged on the following:

In respect of the external auditor and the external audit, the audit committee, amongst other matters:

- nominated BDO South Africa Incorporated as the external auditor for the financial period ended 31 December 2021;
- 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 2020;
- 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;
- 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.

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

- confirmed the going concern as the basis of preparation of the annual financial statements;
- considered whether any complex taxation areas exist that could have a material impact on the financial statements and determined that matters identified are being addressed by management;
- 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;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the annual financial statements; and
- considered the 2020 pro-active monitoring report and the various JSE communications with the regard to the impact of Covid-19 and appropriate action was taken, where applicable.

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

- appointed an internal auditor with the necessary international presence and experience and were satisfied that it effectively provided objective and relevant assurance on the areas covered during the year;
- 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 auditors; and

Audit Committee Report

- is aware of the limited reviews conducted in the internal financial control environment which was brought about by a number of factors including the mobility restrictions caused by the Covid-19 pandemic. The committee did however take note of the actions taken by management to address identified control deficiencies and its intention to extend the scope of the internal audit activities in the next financial year to provide additional independent assurance on the existing control review activities maintained by management during the year under review.

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, amongst other matters:

- reviewed the Group's continued Enterprise Risk Management implementation and improvements initiatives and the combined assurance framework; and
- forms an integral part of the risk management process and oversees the risk committee functions.

In respect of the co-ordination of assurance activities, the audit committee reviewed the plans and outcomes as outlined in the combined assurance framework. Although the Covid-19 pandemic had an impact on the execution of audit plans, assurance activities were focused to address all significant financial risks facing the business.

In respect of the company's integrated report, the audit committee collaborated with the risk, social, ethics and sustainability, remuneration and governance committees to ensure the accuracy and completeness of the report. The integrated report is expected to be released in April 2021.

In addition, the audit committee:

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

Audit Committee Report

Membership and Attendance at Meetings

The audit committee's members attended the following meetings:

Members	12 March 2020	19 March 2020	23 March 2020	21 May 2020	31 August 2020	19 November 2020
Andries Willem Brink	P	P	P	P	P	P
Akhter Ali Deshmukh	P	P	P	P	P	P
Shane Trevor Ferguson	A	P	P	P	P	P
Octavia Matshidiso Matloa	P	P	P	P	P	P

P - Attended
A - Absent

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 2020, the audit committee is of the view that, in all material aspects, they comply with the relevant provisions of the Companies Act, IFRS, APC and JSE requirements and fairly present the consolidated position at that date and the results of operations and cash flows for the period then ended.

Having satisfied itself in all respects, the audit committee has recommended the financial statements, for the period ended 31 December 2020 for approval to the directors. The directors have subsequently approved the financial statements, which will be open for consideration at the forthcoming annual general meeting.

On behalf of the audit committee

Andries Willem Brink
Chairman of the audit committee

Johannesburg

28 June 2021

Secretary's certificate

In my capacity as company secretary, I hereby certify that in terms of section 88(2)(e) of the Companies Act, for the year ended 31 December 2020, the Group has lodged with the Companies and Intellectual Property Commission, all such returns and notices as are required of a public company in terms of the Companies Act, and that all such returns and notices are true, correct and up-to-date.

Andrew Colin Beaven

Company Secretary

6 Dwars Street
Krugersdorp
1741

28 June 2021

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Master Drilling Group Limited for the year ended 31 December 2020.

1. Nature of business

Master Drilling Group Limited was incorporated in South Africa with interests in the investment holding industry, whose subsidiary companies provide specialised drilling services to major, mid-tier and junior mining companies. The company operates in South Africa.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

3. Share capital

	2020	2019
Authorised	Number of shares	
Ordinary shares	500 000 000	500 000 000

	2020	2019
Issued	Number of shares	
Ordinary shares	151 262 777	150 592 777

There were no movement in authorised ordinary share capital during the year. Issued ordinary share capital increased by 670 000 shares. Refer to note 8 for more details.

Rights attaching to shares

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

Control of share capital

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

4. Dividends

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 22 March 2021 not to declare a dividend in respect of the 2020 financial year. The Board remains committed to consider the continuation of the Company's dividend history in future financial periods, once circumstances permit.

5. Changes to the Board

The only change to the board of directors was the appointment of HJ Faul as an independent non-executive director effective 09 June 2020.

Directors' Report

6. Directorate

The directors in office at the date of this report are as follows:

Directors	Changes
AA Deshmukh	
AJ Van Deventer	
AW Brink	
BJ Jordaan	
DC Pretorius	
FG Dixon - Alternate director	
GR Sheppard	
HR Van Der Merwe	
ST Ferguson	
HJ Faul	Appointed 09 June 2020
OM Matloa	Retired by rotation in accordance with the Companies’ Memorandum of Incorporation at the Companies’ Annual General Meeting held on 14 June 2021

7. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

8. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The escalation in the global spread and effects of the Covid-19 pandemic during 2020 is likely to have a continuous impact on our business and that of our customers and suppliers in most, if not all geographies in which the company operates until the roll-out of the vaccines have been successfully completed. As at the date of signing this report, the Board considered the current cash position of the company, and did stress tests on the ability of the company to absorb periods of up to 6 months lower than normal revenue being generated and found that the company 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.

9. Auditors

BDO South Africa Incorporated continued in office as auditors for the company for 2020.

10. Secretary

The company secretary is Mr Andrew Beaven.

Postal address:	PO Box 158 Krugersdorp 1740
Business address:	6 Dwars Street Krugersdorp 1739

11. Consolidation

Group accounts have been separately prepared as the directors have elected the exemption contained in IFRS 10: Consolidated and seperate financial statements.

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Illovo, 2196

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South Africa

Independent Auditor's Report
To the Shareholders of
Master Drilling Group Limited

Report on the Audit of the Separate Financial Statements

Opinion
We have audited the separate financial statements of Master Drilling Group Limited (the company) set out on pages 13 to 40, which comprise the separate statement of financial position as at 31 December 2020, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Master Drilling Group Limited as at 31 December 2020, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period.

We have determined that there are no key audit matters to communicate in our report.

Other Information
The directors are responsible for the other information. The other information comprises the information included in the document titled Master Drilling Group Limited Separate Financial Statements for the year ended 31 December 2020, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the separate financial statements and our auditor's reports thereon.

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

BDO South Africa Incorporated
Registration number: 1995/002310/21
Practice number: 905526
VAT number: 4910148685

Chief Executive Officer: ME Stewart

A full list of all company directors is available on www.bdo.co.za

The company's principal place of business is at The Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg where a list of directors' names is available for inspection. BDO South Africa Incorporated, a South African personal liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Master Drilling Group Limited for 3 years.

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

EFG Dreyer
Director
Registered Auditor

28 June 2021

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Statement of Financial Position as at 31 December 2020

Figures in Rand	Notes	2020	2019
Assets			
Non-Current Assets			
Investments in subsidiaries	3	754 436 852	734 648 852
Loans to group companies	5	23 402 418	-
Deferred tax	4	787 496	623 122
		778 626 766	**735 271 974**
Current Assets			
Loans to group companies	5	327 324 174	384 498 260
Trade and other receivables	6	206 000	16 949
Cash and cash equivalents	7	5 635 470	1 794 128
		333 165 644	**386 309 337**
Total Assets		**1 111 792 410**	**1 121 581 311**
Equity and Liabilities			
Equity			
Share capital	8	1 280 243 821	1 270 970 271
Reserves		(200 772 655)	(194 699 279)
Accumulated loss		(11 452 287)	(13 195 415)
		1 068 018 879	**1 063 075 577**
Liabilities			
Current Liabilities			
Loans from group companies	10	42 868 031	57 775 125
Trade and other payables	11	905 500	730 609
		43 773 531	**58 505 734**
Total Equity and Liabilities		**1 111 792 410**	**1 121 581 311**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2020	2019
Revenue	12	12 854 948	15 265 493
Other operating losses	13	(1 450)	-
Other operating expenses		(9 999 081)	(5 492 776)
Operating profit	14	**2 854 417**	**9 772 717**
Investment revenue	15	182 849	412 016
Finance costs	16	(1 458 512)	(540 390)
Profit before taxation		**1 578 754**	**9 644 343**
Taxation	17	164 374	(2 002 984)
Profit for the year		**1 743 128**	**7 641 359**

Master Drilling Group Limited
(Registration number 2011/008265/06)
Annual Financial Statements for the year ended 31 December 2020

Statement of Changes in Equity

Figures in Rand	Share capital	Share based payment reserve	Equity due to change in control of interests	Total reserves	Retained income (Accumulated loss)	Total equity
Balance at 01 January 2019	**1 270 970 271**	**9 537 112**	**(202 744 405)**	**(193 207 293)**	**18 317 348**	**1 096 080 326**
Profit for the year	-	-	-	-	7 641 359	7 641 359
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**7 641 359**	**7 641 359**
Share option reserve	-	(1 491 986)	-	(1 491 986)	-	(1 491 986)
Dividends paid	-	-	-	-	(39 154 122)	(39 154 122)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(1 491 986)**	**-**	**(1 491 986)**	**(39 154 122)**	**(40 646 108)**
Balance at 01 January 2020	**1 270 970 271**	**8 045 126**	**(202 744 405)**	**(194 699 279)**	**(13 195 415)**	**1 063 075 577**
Profit for the year	-	-	-	-	1 743 128	1 743 128
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**1 743 128**	**1 743 128**
Issue of shares	9 273 550	(8 402 550)	-	(8 402 550)	-	871 000
Share option reserve	-	2 329 174	-	2 329 174	-	2 329 174
Total contributions by and distributions to owners of company recognised directly in equity	**9 273 550**	**(6 073 376)**	**-**	**(6 073 376)**	**-**	**3 200 174**
Balance at 31 December 2020	**1 280 243 821**	**1 971 750**	**(202 744 405)**	**(200 772 655)**	**(11 452 287)**	**1 068 018 879**
Notes	8		9			

Statement of Cash Flows

Figures in Rand	Notes	2020	2019
Cash flows from operating activities			
Cash (used in) generated from operations	18	(2 048 664)	2 584 739
Interest revenue		182 849	412 016
Dividend revenue		-	5 837 498
Finance costs		(1 458 512)	(540 390)
Tax refunded	20	-	788 202
Net cash from operating activities		**(3 324 327)**	**9 082 065**
Cash flows from investing activities			
Loans repaid by group companies		3 223 974	209 418 032
Cash flows from financing activities			
Proceeds on share issue	8	871 000	-
Advances/(repayments) of loans from group companies	21	3 070 695	(177 586 104)
Dividends paid		-	(39 154 122)
Net cash from financing activities		**3 941 695**	**(216 740 226)**
Total cash movement for the year		**3 841 342**	**1 759 871**
Cash at the beginning of the year		1 794 128	34 257
Total cash at end of the year	7	**5 635 470**	**1 794 128**

Accounting Policies

1. Presentation of annual financial statements

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the IFRS Interpretations Committee (IFRIC) and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act and the JSE Listing Requirements.

The annual financial statements have been prepared on the historic cost basis, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Taxation

Judgement is required in determining the provision for income taxes due to the complexityof legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The assessment of IFRIC 23 indicated no material changes in the corporate tax liabilities.

Deferred taxation

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

Covid-19 Pandemic

The effects of Covid-19 have resulted in certain judgements and estimates being significant in the current period when they had not been in the past. This is due to the uncertainty introduced by the effects of the pandemic, such as collection risk for customers, the cash flows included in estimates of recoverable amounts.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Investments in subsidiaries

The company assesses the in recoverable amount of the investment in subsidiaries based on the recoverable amount of the individual subsidiaries.

Loans to group companies

The company assesses expected credit losses for inter-group receivables based on the underlying liquid assets of the individual subsidiaries for on-demand collectability.

1.3 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.4 Financial instruments

The standard for financial instruments (IFRS 9) provides guidance on the classification and measurement of financial assets and ‘expected credit loss’ model for the impairment of financial assets.

Classification
The company classifies financial assets and financial liabilities into the following categories:

- Amortised cost.

Classification of financial asset is determined by:

- the entity's business model for managing financial instruments; and
- the contractual cashflow characteristics.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments at fair value. Classification of financial liabilities is determined by the purpose for which the liability was acquired and its contractual terms.

Subsequent measurement

Financial assets are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Accounting Policies

1.4 Financial instruments (continued)

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

IFRS 9's impairment requires the use of forward-looking information to recognise expected credit losses. The company uses the simplified approach on the ECL measurements based on a provision matrix. The company considers risks related to the clients that it deals with in the industries it operates in to calculate the ECL measurements. The company's clients have been fairly consistent over an extensive period of time, making it possible to consider the past events, current conditions, reasonable and supportable forecasts available in the determination of the ECL measurements..

Instruments for which expected credit losses are recognised include loans and other debt-type financial assets measured at amortised cost, trade receivables and loans to employees that are not measured at fair value through profit or loss.

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss model.

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); or
- financial instruments that have objective evidence of impairment at the reporting date ('Stage 3').

Besides for the trade and receivables, the company performed credit risk assessment on its financial assets, related parties and cash and cash equivalents and concluded that ECL measurements are immaterial.

Impairment losses are recognised in profit or loss.

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial instruments. In assessing ECL, the company makes use of the general 3-stage approach as disclosed in note 6.

Reversals of impairment losses are recognised in profit or loss.

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

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as financial assets measured at amortised cost.

Loans from group companies are classified as financial liabilities measured at amortised cost.

The company assesses expected credit losses for inter-group receivables based on the underlying liquid assets of the individual subsidiaries for on-demand collectability.

Trade and other receivables

Trade receivables are measured at initial recognition at transaction price and are subsequently measured at amortised cost using the effective interest method.

Accounting Policies

1.4 Financial instruments (continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

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

1.5 Tax

Current tax assets and liabilities

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

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

Deferred tax assets

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

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

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

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

Tax expenses

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

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

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

1.6 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

Accounting Policies

1.6 Impairment of assets (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost is recognised immediately in profit or loss.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:
- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost other than goodwill is recognised immediately in profit or loss.

1.7 Share capital and equity

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

1.8 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

1.9 Revenue

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

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

Inter-company cost recoveries are recognized when the company's right to receive payment has been established.

Management fees are recognized when the company's right to receive payment has been established.

1.10 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.11 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all executive and non-executive directors.

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

1.12 Share based payments

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

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the year in which the performance and/or service conditions are fulfilled in employee benefits expense.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting year has expired and the company's best estimate of the number of equity instruments that will ultimately vest.

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

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

The significant accounting policies are consistent in all material respects with those applied in the previous year except for the list of amendments to IFRS that are mandatory and effective for the annual financial year ending 31 December 2020 as indicated below:

- IFRS 3 Business Combinations ("IFRS 3")
- IAS 1 Presentation of financial statements ("IAS 1")
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")
- IFRS 16 Leases - Covid-19 Related rent concessions ("IFRS 16")

The directors have reviewed the above-mentioned mandatory standards and has applied these, where applicable, in the annual financial statements for the financial year ending 31 December 2020. None of the standards adopted had a material impact on the annual financial statements.

2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early

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

IAS 16 Property, Plant and Equipment

Amendments were made to proceeds before intended use.

IAS 16 is effective from periods beginning on or after 1 January 2022.

The directors have assessed the impact of the new standards, they believe the new standards will not have a material impact on the company's financial statements.

IFRS 10 Consolidated financial statements

Amendments were made to the sale or contribution of assets between an investor and its associate or joint venture.

IFRS 10's effective date has been deferred indefinitely until further notice.

The directors have assessed the impact of the new standards, they believe the new standards will not have a material impact on the company's financial statements.

IAS 1 Presentation of financial statements

Amendments were made to the classification of liabilities as current or non-current.

IAS 1 is effective from periods beginning on or after 1 January 2023.

The directors have assessed the impact of the new standards, they believe the new standards will not have a material impact on the company's financial statements.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

IAS 28 Investments in associated and joint ventures

Amendments were made to the sale or contribution of assets between an investor and its associate or joint venture.

IAS 28's effective date has been deferred indefinitely until further notice.

The directors have assessed the impact of the new standards, they believe the new standards will not have a material impact on the company's financial statements.

IAS 37 Provisions, contingent liabilities and contingent assets

Amendments were made to the cost of fulfilling an onerous contract.

IAS 37 is effective from periods beginning on or after 1 January 2022.

The directors have assessed the impact of the new standards, they believe the new standards will not have a material impact on the company's financial statements.

3. Investments in subsidiaries

Name of company	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019
Drilling Technical Services Proprietary Limited	74.00 %	74.00 %	2 444 058	2 444 058
MDG Shared Services Proprietary Limited	52.91 %	52.91 %	2 480 011	2 480 011
Master Drilling Exploration Proprietary Limited	74.00 %	74.00 %	160 681 481	160 681 481
MDI Exco Limited	100.00 %	100.00 %	79 027 688	79 027 688
Master Drilling International Limited	85.00 %	85.00 %	490 013 226	490 013 226
Raisebore Rental Proprietary Limited	100.00 %	100.00 %	1 000	1 000
Master Sinkers Proprietary Limited	51.00 %	51.00 %	19 788 102	102
Master Drilling Proprietary Limited	100.00 %	100.00 %	100	100
Master Drilling New Technology Holding Proprietary Limited	90.00 %	90.00 %	90	90
MD Training Services Proprietary Limited	50.79 %	50.79 %	96	96
MD Retail Proprietary Limited	100.00 %	100.00 %	1 000	1 000
			754 436 852	734 648 852

The carrying amounts of subsidiaries are shown net of impairment losses.

The company invested an additional R19 788 000 as an equity contribution to Master Sinkers (Pty) Ltd.

A written cession in securitatem debiti agreement concluded contemporaneously between ABSA Capital (Barclays) and Master Drilling Group Limited in terms of which, inter alia, Master Drilling Group Limited cede to ABSA Capital (Barclays) its right, title and interest in and to its shares in, and claims against, Master Drilling South Africa Proprietary Limited, Drilling Technical Services Proprietary Limited and Master Drilling Exploration Proprietary Limited (and any other subsidiary which the company may form, acquire or incorporate from time to time), as security for its obligations to ABSA Capital (Barclays).

Master Drilling Group Limited investment in subsidiaries	% effective holding2020	Status	Country	% effective holding 2019
- MDI Exco Limited	100.00 %	Operational	Malta	100.00 %
- Raisebore Rental Proprietary Limited	100.00 %	Operational	RSA	100.00 %
- Drilling Technical Services Proprietary Limited	74.00 %	Operational	RSA	74.00 %
- Master Drilling Exploration Proprietary Limited	74.00 %	Operational	RSA	74.00 %
- Master Drilling International Limited	85.00 %	Investment	Malta	85.00 %
- MDG Shared Services Proprietary Limited	52.91 %	Operational	RSA	52.91 %
- Master Sinkers Proprietary Limited	51.00 %	Operational	RSA	51.00 %
- Master Drilling Proprietary Limited	100.00 %	Operational	RSA	100.00 %
- Master Drilling New Technology Holding Proprietary Limited	90.00 %	Investment	RSA	90.00 %
- MD Training Services Proprietary Limited	50.79 %	Operational	RSA	50.79 %
- MD Retail Proprietary Limited	100.00 %	Operational	RSA	100.00 %

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

4. Deferred tax

Deferred tax asset

Leave pay provision	10 360	9 387
Tax losses available for set off against future taxable income	777 136	613 735
Total deferred tax asset	**787 496**	**623 122**

Reconciliation of deferred tax asset

At beginning of year	623 122	2 626 106
Leave pay provision	973	4 533
Estimated tax loss	163 401	(652 692)
Over provision from the prior year	-	(1 354 825)
	787 496	**623 122**

5. Loans to group companies

Subsidiaries

MDG Shared Services Proprietary Limited	597 640	15 431 987
Drilling Technical Services Proprietary Limited	201 882 053	261 059 841
Master Drilling New Technology Holding Proprietary Limited	-	7 464 719
Master Sinkers Proprietary Limited	23 402 418	-
Master Drilling Proprietary Limited	-	14 522 253
Master Drilling Changzhou Co. Limited	202 667	202 667
Master Drilling Mexico SA	303 998	303 998
Master Drilling do Brasil Limiteda	274 163	274 163
Master Drilling Peru SAC	617 464	617 464
Raisebore Rental Proprietary Limited	123 446 189	84 621 168
	350 726 592	**384 498 260**

The above loans are unsecured, interest free and are repayable on demand, except for the Drilling Technical Services Proprietary Limited loan of which R115 000 000 (2019: R115 000 000) is interest free. No interest charged for the current or prior year.

Split between non-current and current portions

Non-current assets	23 402 418	-
Current assets	327 324 174	384 498 260
	350 726 592	**384 498 260**

6. Trade and other receivables

Financial instruments:		
Sundry debtors	50 000	16 949
Staff loans	156 000	-

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	206 000	16 949

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	5 635 470	1 794 128

Group cross suretyship in the amount of R6 500 000 by and between Raisebore Rental (Pty) Ltd (previously known as Master Drilling South Africa (Pty) Ltd), Master Drilling Exploration (Pty) Ltd, Drilling Technical Services (Pty) Ltd and Master Drilling Group Ltd.

ST FNB Credit Card Facility - R400 000

ST FNB Auto Card Facility - R1 000 000

8. Share capital

Authorised		
500 000 000 Ordinary no par value shares	500 000 000	500 000 000

	2020		2019	
Reconciliation of number of shares issued:	**Number of shares**	**Value Rand**	**Number of shares**	**Value Rand**
Balance at the beginning of period	150 592 777	1 270 970 271	150 592 777	1 270 970 271

Issued		
Ordinary no par value shares	1 280 243 821	1 270 970 271

The movement in the number of issued shares relates to share options exercised during the year.

9. Equity due to change in control of interests

Assets acquired through business combination	(202 744 405)	(202 744 405)

10. Loans from group companies

Fellow subsidiaries

Master Drilling Exploration Proprietary Limited	20 775 471	51 019 119
MD Training Services Proprietary Limited	1 469 322	781 906
Master Drilling New Technology Holding Proprietary Limited	5 289 723	-
Master Sinkers Proprietary Limited	-	5 974 100
Master Drilling Proprietary Limited	15 133 515	-
Geoserve Exploration Drilling Proprietary Limited	200 000	-
	42 868 031	**57 775 125**

The above loans are unsecured, interest free, except for interest on Master Sinker Proprietary Limited at JIBAR 2.95% and are repayable on demand.

Split between non-current and current portions

Current liabilities	42 868 031	57 775 125

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

11. Trade and other payables

Financial instruments:		
Trade payables	238 639	35 808
Other payables	480 751	601 418
Non-financial instruments:		
Value Added Taxation	186 110	93 383
	905 500	**730 609**

12. Revenue

Revenue from contracts with customers		
Rendering of services	9 608 084	9 427 995
Revenue other than from contracts with customers		
Dividends received	3 246 864	5 837 498
	12 854 948	**15 265 493**

13. Other operating losses

Foreign exchange losses		
Net foreign exchange loss	(1 450)	-

14. Operating profit

Operating profit for the year is stated after charging the following, amongst others:

Employee costs		
Employee costs	5 822 648	1 958 320
Operating lease charges		
Equipment	-	6 785
Other		
Share base payment	2 329 174	(1 491 486)

15. Investment revenue

Interest revenue		
Investments in financial assets:		
Bank	182 849	310 495
Other interest received	-	101 521
Total interest revenue	**182 849**	**412 016**

16. Finance costs

Loans to group companies	1 382 415	323 549
Other interest	76 097	216 841
Total finance costs	**1 458 512**	**540 390**

Notes to the Annual Financial Statements

Figures in Rand		2020	2019

17. Taxation

Major components of the tax income

	2020	2019
Deferred		
Originating and reversing temporary differences	(164 374)	2 002 984

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2020	2019
Accounting profit	1 578 754	9 644 343
Tax at the applicable tax rate of 28% (2019: 28%)	442 051	2 700 416
Tax effect of adjustments on taxable income		
Dividends received	(909 122)	(1 634 499)
Share options	(652 169)	(417 756)
Assessed loss	954 866	1 354 823
	(164 374)	**2 002 984**

18. Cash (used in) generated from operations

	Note	2020	2019
Profit before taxation		1 578 754	9 644 343
Adjustments for:			
Dividend revenue		(3 246 864)	(5 837 498)
Interest revenue		(182 849)	(412 016)
Finance costs		1 458 512	540 390
Movement in share based payment reserve		2 329 176	(1 491 986)
Changes in working capital:			
Trade and other receivables	19	(11 238 348)	(16 949)
Trade and other payables		7 252 955	158 455
		(2 048 664)	**2 584 739**

20. Tax refunded

	2020	2019
Balance at beginning of the year	-	788 202

21. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2020

	Opening balance	Non-cash flows	Cash flows	Closing balance
Loans from group companies	57 775 125	(17 977 789)	3 070 695	42 868 031

Reconciliation of liabilities arising from financing activities - 2019

	Opening balance	Cash flows	Closing balance
Loans from group companies	235 361 229	(177 586 104)	57 775 125

22. Related parties

Relationships

Subsidiaries of Master Drilling Group Limited	MDI Exco Limited Raisebore Rental Proprietary Limited Drilling Technical Services Proprietary Limited Master Drilling Exploration Proprietary Limited Master Drilling International Limited MDG Shared Services Proprietary Limited Master Sinkers Proprietary Limited Master Tunneling Proprietary Limited Master Drilling New Technology Holding Proprietary Limited Master Drilling Proprietary Limited MD Training Services Proprietary Limited MD Retail Proprietary Limited
Subsidiaries of Master Drilling International Limited	Master Drilling Chile SA Master Drilling Peru SAC Master Drilling do Brasil Ltda Master Drilling Mexico SA Master Drilling Zambia Ltd Master Drilling Australia Proprietary Limited Master Drilling Colombia S.A.S Master Drilling Namibia Proprietary Limited Drillcorp Burkina Faso SA Drillcorp Cote d'Ivoire SA Drillcorp Botswana Proprietary Limited Master Drilling Guatemala SA Master Drilling RDC Sprl Master Drilling Malta Limited Jiangsu Master Mining Engineering Technology Company Limited Master Drilling Jiangsu Company Limited Martwick Limited Drilling Technical Services SAC DCP Properties SAC Master Drilling Changzhou Co. Limited Orbit Insurance Company Limited Master Drilling Ecuador SA Master Drilling USA LLC MD Drilling Services Tanzania Limited Master Drilling Sierra Leone Limited Master Drilling India Private Limited Bergteamet Raiseboring Europe AB Master Drilling Mali SARL Master Drilling Madencilik Ve Ticaret Limited Sirketi’ MD Katanga Drilling Company SAS MDX - Masterdrill Explorações E Sondagens Ltda Master Drilling Canada Limited Master Drilling Ghana Sprl Drilling Admin Services S.A.C
Associate of Master Drilling New Technology Holdings Proprietary Limited	TunnelPro S.R.L
Subsidiary of Master Drilling Malta Limited	Master Drilling Chile División Raise Borer SpA

22. Related parties (continued)

Companies with common directors	Barrange Exotic Game Proprietary Limited Barrange Proprietary Limited DNA Developments Proprietary Limited Drilling Properties Proprietary Limited Epha Drilling Proprietary Limited Erf 1044 Fochville Proprietary Limited Erf 429 Keursands Eksklusiewe Vakansieoord Proprietary Limited MDG Equity Holdings Proprietary Limited Mosima Drilling Proprietary Limited Nicaud Companies 101 Proprietary Limited The 1997 DP Investment Trust The AMI Trust The DCP BEE Foundation Trust The Drillcorp BEE Trust The MD Drilling Employee Trust The MD Engineering Employee Trust The MD HDSA Trust Vandev Investments Proprietary Limited
Shareholder with significant influence	DC Pretorius
Directors	AA Deshmukh AJ Van Deventer BJ Jordaan DC Pretorius GR Sheppard HR Van Der Merwe ST Ferguson FG Dixon - Alternate director AW Brink OM Matloa H Faul

Related party balances

	2020	2019
Loan accounts - Owing (to) by related parties		
Drilling Technical Services Proprietary Limited	201 882 053	261 059 841
MDG Shared Services Proprietary Limited	597 640	15 431 987
Master Drilling Exploration Proprietary Limited	(20 775 471)	(51 019 119)
Raisebore Rental Proprietary Limited	123 446 189	84 621 468
Master Drilling Proprietary Limited	(15 133 515)	14 522 253
Master Drilling Changzhou Co. Limited	202 667	202 667
Master Drilling Mexico SA	303 998	303 998
Master Drilling do Brasil Limiteda	274 163	274 163
Master Drilling Peru SAC	617 464	617 464
MD Training Services Proprietary Limited	(1 469 322)	(781 906)
Master Drilling New Technology Holding Proprietary Limited	(5 289 723)	7 464 419
Master Sinkers Proprietary Limited	23 402 418	(5 974 100)
Geoserve	(200 000)	-
	307 858 561	**326 723 135**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

22. Related parties (continued)

Related party transactions

	2020	2019
Interest paid to related party		
Master Sinkers Proprietary Limited	1 382 415	323 549
Purchases from (sales to) related parties		
Drilling Technical Services Proprietary Limited	8 352	-
Drilling Technical Services Proprietary Limited	(2 427 516)	(1 902 797)
MDG Shared Services Proprietary Limited	(112 970)	(677 820)
MDG Shared Services Proprietary Limited	8 063	14 667
Master Drilling Exploration Proprietary Limited	(2 820 210)	(2 740 320)
Raisebore Rental Proprietary Limited	(632 801)	(677 820)
Master Drilling Proprietary Limited	(2 936 767)	(2 751 418)
Master Drilling Proprietary Limited	32 487	32 366
MD Training Services Proprietary Limited	(338 910)	(338 910)
MD Training Services Proprietary Limited	10 141	106 697
Master Drilling New Technology Holding Proprietary Limited	(338 910)	(338 910)
	(9 549 041)	**(9 274 265)**
Dividends received from related party		
Master Drilling Exploration Proprietary Limited	3 246 864	-

23. Directors' and prescribed officer's emoluments

Executive

2020

	Emoluments	Bonus	Fringe benefits	Provident / pension fund contributions	Total
AJ Van Deventer	3 686 520	-	202 177	-	3 888 697
BJ Jordaan	3 833 841	-	202 192	-	4 036 033
DC Pretorius	4 967 122	-	291 427	-	5 258 549
GR Sheppard	6 044 239	-	337 156	-	6 381 395
	18 531 722	**-**	**1 032 952**	**-**	**19 564 674**

2019

	Emoluments	Bonus	Finge benefits	Provident / pension fund contributions	Total
AJ Van Deventer	5 596 883	4 107 642	227 254	-	9 931 779
BJ Jordaan	3 593 318	5 710 537	498 662	-	9 802 517
DC Pretorius	7 717 130	1 326 031	292 440	-	9 335 601
GR Sheppard	4 998 150	4 171 872	355 340	86 297	9 611 659
	21 905 481	**15 316 082**	**1 373 696**	**86 297**	**38 681 556**

Notes to the Annual Financial Statements

23. Directors' and prescribed officer's emoluments (continued)

Non-executive

2020

	Directors' fees	Consulting and legal fees	Total
AA Deshmukh	564 893	-	564 893
A Brink	449 861	-	449 861
HR van der Merwe	854 364	-	854 364
OM Matloa	424 865	-	424 865
ST Ferguson	443 869	480 131	924 000
HJ Faul	176 000	-	176 000
	2 913 852	**480 131**	**3 393 983**

2019

	Directors' fees	Consulting and legal fees	Total
AA Deshmukh	571 125	-	571 125
AW Brink	423 915	-	423 915
HR Van Der Merwe	884 777	-	884 777
OM Matloa	423 915	-	423 915
ST Ferguson	-	1 391 338	1 391 338
	2 303 732	**1 391 338**	**3 695 070**

Alternate

2019

	Emoluments	Bonus	Fringe benefits	Provident / pension fund contributions	Total
FG Dixon	2 380 867	1 562 500	170 648	258 275	4 372 290

23. Directors' and prescribed officer's emoluments (continued)

Prescribed officer

2020

	Emoluments	Bonus	Fringe benefits	Pension and medical aid	Total
R Swanepoel	1 782 623	-	75 601	127 547	1 985 771
FG Dixon	2 363 086	-	254 099	170 564	2 787 749
	4 145 709	**-**	**329 700**	**298 111**	**4 773 520**

2019

	Emoluments	Bonus	Fringe benefits	Pension and medical aid	Total
R Swanepoel	2 024 835	-	51 708	122 738	2 199 281

Directors' interest

Executive directors **2020**	Number of shares: Direct beneficial	Number of shares: Indirect beneficial	Total	Percentage of issued ordinary share capital
DC Pretorius	500 900	78 641 565	79 142 465	52.32%
AJ Van Deventer	10 000	2 671 784	2 681 784	1.77%
GR Sheppard	-	2 955 884	2 955 884	1.96%
BJ Jordaan	1 781 861	1 228 336	3 010 197	2.00%
Prescribed Officer				
FG Dixon	105 000	-	105 000	0.07%
R Swanepoel	11 500	-	11 500	0.01%
Total	**2 409 261**	**85 497 569**	**87 906 830**	**58.13%**

Executive directors **2019**	Number of shares: Direct beneficial	Number of shares: Indirect beneficial	Total	Percentage of issued ordinary share capital
DC Pretorius	500 900	78 641 565	79 142 465	52.55%
AJ Van Deventer	727 648	1 944 136	2 671 784	1.77%
GR Sheppard	-	2 955 884	2 955 884	1.96%
BJ Jordaan	1 781 861	1 228 336	3 010 197	2.00%
Total	**3 010 409**	**84 769 921**	**87 780 330**	**58.28%**

Notes to the Annual Financial Statements

24. Share based payments

Long term incentive scheme

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

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

No expense was recognised for the current or prior year as the initial policy period of three years lapsed at the end of 2020.

Share Option Plan

Under the share option plan, share options of the company are granted to eligible employees of the company. The exercise price of the share options is determined on the grant date. The share options vest on the third anniversary of the grant date. The fair value of the share options is estimated at the grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the share options were granted.
The contractual term of each share option granted is until the tenth anniversary of the grant date. There are no cash settlement alternatives. The company does not have a past practice of cash settlement for these share options.

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

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

Expense arising from equity-settled share based payment transactions	2 329 174	(1 491 486)

Movement during the year:
The following table illustrates the number and exercise prices in ZAR ("EP") of, and movements in share options:

	EP	2020	EP	2019
Outstanding - 1 January	5.21	1 080 000	3.13	1 530 000
Forfeited during the year	-	-	7.52	(450 000)
Excercised during the year	1.30	(670 000)	-	
Outstanding - 31 December	**11.61**	**410 000**	**5.21**	**1 080 000**

The total number of share options excercised, amounted to 3 407 286 while 1 592 714 remains un-issued.

The remaining contractual life for the share options outstanding as at 31 December 2020 was 4,91 years (2019: 7,20).

The expected volatility was determined by calculating the historical volatility of the Company's share price since listing.

The following table lists the inputs to the model used for the Share option Plan for 31 December 2020:	**2020**	**2019**
Expected volatility	30 %	30 %
Risk-free interest rate	7.5 %	7.5 %
Expected life of share options	3 years	3 years
Weighted average share price	9,79	9,79
Model used	Black-Scholes	Black-Scholes

The expected volatility was determined by calculating the historical volatility of the Company's share price since listing.

Notes to the Annual Financial Statements

25. Share option scheme

24.1 General

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

Any eligible employee selected at the discretion of the RemCo shall be eligible to receive grants under the plan. In making this selection, the RemCo shall take into account the contribution of the eligible employee's division to the Group and his/her individual performance measured in the context of the applicable internal performance appraisal process, amongst other factors.

24.2 Form of option

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

24.3 Plan Limits

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

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

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

(d) Voting and dividend rights
Option holders will have no right to voting or dividends until the acquisition of the shares following exercise of the option.

(e) Options issued
No additional share options were granted for the year ended 31 December 2020 (31 December 2019: 0). The share options outstanding as at 31 December 2020 all vested and are exercisable.

26. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2020

	Notes	**Amortised cost**	**Total**
Loans to group companies	5	350 726 592	350 726 592
Trade and other receivables	6	206 000	206 000
Cash and cash equivalents	7	5 635 470	5 635 470
		356 568 062	**356 568 062**

Notes to the Annual Financial Statements

26. Financial instruments and risk management (continued)

2019

	Notes	Amortised cost	Total
Loans to group companies	5	384 498 260	384 498 260
Trade and other receivables	6	16 949	16 949
Cash and cash equivalents	7	1 794 128	1 794 128
		386 309 337	**386 309 337**

Categories of financial liabilities

2020

	Notes	Amortised cost	Total
Trade and other payables	11	719 390	719 390
Loans from group companies	10	42 868 031	42 868 031
		43 587 421	**43 587 421**

2019

	Notes	Amortised cost	Total
Trade and other payables	11	637 226	637 226
Loans from group companies	10	57 775 125	57 775 125
		58 412 351	**58 412 351**

Gains and losses on financial assets

2020

	Note	Amortised cost	Total
Recognised in profit or loss:			
Interest revenue	15	182 849	182 849

2019

	Note	Amortised cost	Total
Recognised in profit or loss:			
Interest revenue	15	412 016	412 016

Notes to the Annual Financial Statements

26. Financial instruments and risk management (continued)

Gains and losses on financial liabilities

2020

	Note	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	16	(1 458 512)	(1 458 512)

2019

	Note	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	16	(540 390)	(540 390)

Capital risk management

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

The capital structure of the company consists of borrowings disclosed in note 10, cash and cash equivalents disclosed in note 7 and equity as disclosed in the statement of financial position.

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

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio.

The company's strategy is to maintain a gearing ratio of less than 30%.

Notes to the Annual Financial Statements

26. Financial instruments and risk management (continued)

Financial risk management

Overview

The company's activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by a central treasury department (company treasury) under policies approved by the board. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The maximum exposure to credit risk is presented in the table below:

		2020			2019		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Loans to group companies	5	350 726 592	-	350 726 592	384 498 260	-	384 498 260
Trade and other receivables	6	206 000	-	206 000	16 949	-	16 949
Cash and cash equivalents	7	5 635 470	-	5 635 470	1 794 128	-	1 794 128
		356 568 062	**-**	**356 568 062**	**386 309 337**	**-**	**386 309 337**

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Notes to the Annual Financial Statements

26. Financial instruments and risk management (continued)

2020

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	11	719 390	719 390	719 390
Loans from group companies	10	42 868 031	42 868 031	42 868 031
		43 587 421	**43 587 421**	**43 587 421**

2019

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	11	637 226	637 226	637 226
Loans from group companies	10	57 554 125	57 554 125	57 554 125
		58 191 351	**58 191 351**	**58 191 351**

27. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

28. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The escalation in the global spread and effects of the Covid-19 pandemic during 2020 is likely to have a continuous impact on our business and that of our customers and suppliers in most, if not all geographies in which the company operates until the roll-out of the vaccines have been successfully completed. As at the date of signing this report, the Board considered the current cash position of the company, and did stress tests on the ability of the company to absorb periods of up to 6 months lower than normal revenue being generated and found that the company 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.