

Market diversification remains Master Drilling's sweet spot in a challenging operating environment

24 March 2020 - Master Drilling Group Limited (Master Drilling, JSE: MDI), a global leader in providing drilling services to various sectors, today reported its results for the year ended 31 December 2019, recording an increase in revenue of 6.9% to USD148.3 million and a slight decrease in operating profit of 5.1% to USD22.4 million, due to adverse global market conditions and an uncertain macro operating environment.

Commenting on the release of the company's annual results, Danie Pretorius, CEO of Master Drilling said: **“No one can run away from a challenging operating environment, but we can look for ways to mitigate this and other risks. One way to do this is through diversification, which has always been a part of our strategy and I am pleased that we remained on track with this in 2019. Our team continued to explore opportunities for the expansion of our presence, services and exposure, through our foray into new markets and our search for business acquisitions that would integrate well into our value chain and provide increased revenue and profits.”**

The development and testing of new machines continued during FY2019. The commissioning of the Mobile Tunnel Borer (MTB) got underway, as did the first phase of commissioning of the shaft boring system. **“These innovative systems will yield benefits for the business in coming years”**, added Pretorius.

“The past year was characterised by volatile markets, including commodity, currency and equity markets. Despite this, we continued to maintain a stable order book of USD142.1 million and a healthy pipeline of USD297.0 million”, said Andre van Deventer, Master Drilling CFO.

The partnerships that were set up to help Master Drilling in its quest for expansion are yielding results. The earlier Bergteamet acquisition showed great progress, giving Master Drilling access to Scandinavia and the rest of Europe.

Recently, the Competition Commission approved Master Drilling's acquisition of Geoserve Exploration Drilling Proprietary Limited (“Geoserve”), a private company specialising in exploration and drilling services. **“The transaction will augment our expertise and global reach, as well as provide a platform for horizontal integration in the mining industry, which has been under pressure in the past few years, necessitating consolidation”**, said Pretorius.

Through the transaction, Master Drilling will acquire the total number of issued shares of Geoserve from MOGS Mining services Proprietary Limited (“MOGS”) and have sole control of Geoserve. Geoserve has a well-established footprint and pipeline that will reinforce Master Drilling’s capacity and income profile through increased exploration drilling, reverse circulation drilling, geotechnical investigations and grade control drilling services, which are all key to the broader mining sector.

CEO Danie Pretorius added: **“As business conditions become more difficult and exploration drilling budgets continue to dwindle, we believe it is critical to not only manage existing operations optimally but also adapt to changing conditions and plan for a different future. Master Drilling’s future remains firmly driven by investments in technology, people and processes that will generate consistent and long-term returns.”**

The global spread of COVID-19 (“Coronavirus”) is testing operations in many sectors at the moment, including mining, where working remotely poses a great challenge for the industry as a whole. Master Drilling is in close communication with all its clients to assist them in taking the appropriate measures to mitigate the spread of the virus on all sites.

“We are mining technology experts and as a business we continue to utilise technological innovation to provide drilling solutions across a number of sectors, principally mining, but also construction and civil works. We have committed significant investment towards this technology drive over the years and will continue to do so to ensure return on investment for our investors”, concluded Danie Pretorius.

CONTACTS

Master Drilling

Su-Marie Lemmer marketcomm@masterdrilling.com +27 18 771 8100

Instinctif Partners (Media and Investor Relations)

Monica Ambrosi monica.ambrosi@instinctif.com +27 82 659 9226

Keagile Makgoba keagile.makgoba@instinctif.com +27 82 325 9063

NOTES TO EDITORS

About Master Drilling

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

Master Drilling was established in 1986 and listed on the Johannesburg Stock Exchange in 2012. The company delivers innovative drilling technologies and has built trusted partner

relationships with bluechip major and mid-tier companies in the mining, civil engineering and building construction sectors across various commodities worldwide.

The Master Drilling business model of providing drilling solutions to clients through tailor-made designs coupled with flexible support and logistics chain makes it the preferred drilling partner throughout the lifecycle of projects from exploration to production and capital stages.