

DIVERSIFICATION STRATEGY SUPPORTS MASTER DRILLING'S RESILIENCE DURING A PERIOD OF UNPRECEDENTED DISRUPTIONS

25 August 2020 - Master Drilling Group Limited (Master Drilling, JSE: MDI), a global leader in providing drilling services to the mining, civil engineering and building construction sectors, today reported its results for the six-months ended 30 June 2020 amid unprecedented disruptions due to the COVID-19 pandemic.

Commenting on the first half of the year, Danie Pretorius, CEO of Master Drilling, said: ***“The Group entered the year facing a challenging operating environment and deteriorating economic fundamentals across many of the 23 countries in which we operate. However, our quick response to the unprecedented disruptions in mining activity due to government-imposed lockdowns to curb the spread of COVID-19 ensured our financial stability and profitability.”***

Master Drilling's comprehensive response to the COVID-19 pandemic supported the containment of the impact that the pandemic had across all its operations, including in countries that are most severely impacted by the pandemic.

“I am proud of the way our teams have responded to the challenges posed by COVID-19 to ensure that we are able to continue delivering services to our clients in a way that is responsible for all staff, their families and the communities in which we operate,” remarked Pretorius.

Despite the unprecedented impact of the pandemic on the Group's operations, the decisive actions taken by the Group contained the revenue decrease to 17.9%, from USD70.0 million to USD57.4 million, whilst operating profit retracted 37.7% to USD7.3 million in the first half of the year. Net cash generated from operating activities increased 100% from USD5.5 million to USD11.1 million.

André van Deventer, Group CFO, said: ***“We maintained a strong financial footing and improved our cash generation whilst debtor days were kept consistent. Whilst we have adequate liquidity headroom, we will maintain stringent proactive measures focused on cash flows, costs management as well as working capital and capital expenditure optimisation across the business.”***

Importantly, the Group also made good progress in pursuing its strategy to secure projects in various geographies and industries. New work was secured in West Africa, Australia, Russia, Europe and North America, whilst also increasing exposure to commodities experiencing significant upswings and driving mining activity. Opportunities in the civil construction industry are also being pursued and an 18 months' contract starting in mid-2021 has been secured in France. As at 30 June 2020, Master Drilling's sales pipeline totalled USD281.4 million with a committed order book of USD144.6 million.

“At year end, we highlighted our interest in growing our presence in Australia, Russia and central Asia, with a focus on raise boring. Our Russian business partner agreement is in place and a project has been secured with equipment currently being mobilised. Opportunities in Kazakhstan and neighbouring states are also being actively worked on. Operations in Australia have started under a contract and we are actively building a pipeline of new projects,” added Pretorius.

Technological innovation and development remain pillars for Master Drilling's long-term success. Artificial intelligence and big data are driving changes around mining activities to enable cost reductions and improve safety.

“Technology remains a key differentiator for Master Drilling and we continue to support our customers with solutions that address changing conditions and future trends. A clear example of Master Drilling's technological advantage during the period was the setting of a world record by successfully drilling a 1382 metre raise-bore pilot hole at Northam's Zondereinde Mine,” commented Pretorius.

The Mobile Tunnel Borer continues to receive keen interest and Master Drilling is actively looking to deploy the machine on a new project after the phase 2 capital project at Eland Platinum mine was cancelled due to capital cutbacks on the project, as a result of the COVID-19 lockdown.

“The Group remains committed to developing and delivering solutions to assist clients meeting their efficiency targets and economic goals. However, all non-essential capex has been halted to preserve cash during these uncertain times,” added van Deventer.

Global economic growth is not expected to correct in the short term and global volatility across capital and commodity markets is set to further impact overall mining activity and capex spend. Although some commodities are showing positive trends, only a limited number of new mining projects are expected to be commissioned in the short to medium term.

“Looking ahead, the improvement in commodity prices including gold, PGMs, iron ore, copper and polymetals, together with the weaker emerging market currencies, should counter some of the headwinds still facing the Group for the remainder of the year. In the longer term, whilst it is still too early to assess the full impact of the pandemic on our business, we believe that our strategy to diversify across regions, commodities,

currencies and industries will stand us in good stead to take advantage of opportunities when we emerge from this cycle,” concluded Pretorius.

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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 blue-chip 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 a flexible support and logistics chain makes it the preferred drilling partner throughout the lifecycle of projects from exploration to production and capital stages.
www.masterdrilling.com