

MASTER DRILLING ACQUIRES STAKE IN DATA-DRIVEN MINING FLEET MANAGEMENT SOLUTIONS, AVA SOLUTIONS

23 March 2021 - 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 a muted but resilient performance for the full year ended 31 December 2020, demonstrating the benefits of its flexible business model and diversified footprint.

Commenting on the full year results, Danie Pretorius, CEO of Master Drilling, said: ***“Master Drilling’s overall performance for the year was weighed down the weak global economic growth environment entering 2020 which was compounded by the material impact of Covid-19, across the 23 countries in which we operate, from a human, financial and operational perspective. Although the Group experienced a significant decline in revenue in the South American operations, primarily due to government-imposed Covid-19 restrictions, this was offset by regions such as India, Africa and Scandinavia which remained operational and received various stimulus packages.”***

The Group contained the revenue decrease to 17% ending the year at USD123.1 million, whilst operating profit declined to USD12.3 million. Net cash generation increased 72.7% to USD25.5 million. Capex continues to be well managed to balance maintenance with emerging opportunities. Additional focus on the balance sheet saw debt decrease 18% from USD51.4 million to USD42.1 million and the gearing ratio, including cash, reducing from 22.5% to 10.3% during the 2020 financial year.

Master Drilling’s response to the pandemic ensured a reduced impact on its people and clients across all its operations, including in countries that are most severely impacted. The ability to stabilise production in the second half of the year partially mitigated the significant financial pressures resulting from the initial hard lockdowns of the first half of the year.

André van Deventer, Group CFO, said: ***“Despite a decrease in revenue, the Group experienced a much-improved overall cash generation and maintained adequate liquidity whilst prioritising proactive measures around costs, working capital and capex during these uncertain times. These initiatives provide us with a solid platform for the current year as we execute on exciting contracts and opportunities.”***

In the second half of the year, Master Drilling was awarded new exploration projects and mobilised an additional fleet to service existing clients with a considerable turnaround in drilling and exploration activity becoming more apparent and creating a healthy pipeline. Importantly,

the Group's commitment to Africa saw the continent becoming the largest contributor to the Group in terms of revenue and profits. Aggressive expansion into West Africa continued as part of the Group's diversification strategy, with a specific focus on gold, which has seen a surge in demand as a safe-haven asset since 2019.

Master Drilling also continued to grow its presence in new markets, including Australia, Russia and Central Asia, and secured new contracts with a focus on raise boring and mechanised mining services. The civil infrastructure sector has been a key focus area and enquiries for projects that have historically been excavated conventionally are increasing across regions.

As at 31 December 2020, Master Drilling's sales pipeline totalled USD539.9 million with a stable order book of USD212.8 million (2019: USD142.1 million). In the short to medium term, the sales pipeline is expected to normalise and increase with further tactical acquisitions and joint ventures supporting performance. Opportunities to diversify outside of the traditional drilling business into areas such as AI will also continue.

Although capex has been tightly managed in response to the uncertain environment, technological innovation remains a key priority for Master Drilling. Aligned to this, Master Drilling announced in March 2021 a 40% investment in AVA Solutions ("AVA") a specialist in data-driven mining fleet management solutions that has disrupted the category with a solution accessible for all mines and asset sizes.

Commenting on the investment, Pretorius said: ***"Technological innovation is a key priority for Master Drilling as we continue to support our clients to move down the cost curve, optimise their operations and increase safety. Our recent investment in AVA is aligned with our strategy to diversify our services and invest in businesses that help us meet our clients' demand for increased mechanisation and digitisation. Other opportunities with low capital requirements and short return cycles are currently under review."***

The diversification across regions, commodities, currencies and industries proved to be a critical factor in Master Drilling's resilient performance and will remain a key part of its strategy. Having made significant investments in its fleet, technology and geographical diversification over the past couple of years, the Group is now well-positioned to capitalise on the predicted bull run without requiring additional capital investment.

"Although the shape of recovery remains uncertain, we have seen a turnaround in the past six months across the commodities and regions that we are already exposed to. Having made significant investments in our fleet, technology and geographical diversification over the past couple of years, we are now positioned to capitalise on the predicted commodities bull run without requiring additional capital investment," 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