

INTEGRATED REPORT 2020

MASTER DRILLING



Global leaders in
drilling solutions

ABOUT THIS REPORT

This is the ninth Integrated Report of Master Drilling Group Limited and its subsidiaries (Master Drilling or the Company or the Group) and follows the previous report published in April 2020. The report is targeted at all stakeholders and outlines the activities, relationships, interactions and performance of the Group during the year ended 31 December 2020. The aim of the report is to provide all stakeholders with a holistic view into the ability of Master Drilling to use the capitals at its disposal to create value in the short, medium and long term.

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

- The International Integrated Reporting Council Framework (<IR> Framework);
- The King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™);
- The South African Companies Act (Act 71 of 2008) (Companies Act);
- International Financial Reporting Standards (IFRS); and
- The JSE Limited Listings Requirements (JSE Listings Requirements).

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

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

REPORTING BOUNDARY

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

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

Since our first Integrated Report, no significant changes have been made to the scope, boundary or measurement methods applied in this report and the rest of our reporting suite. The directors are not aware of any instances of information being unavailable or specific legal prohibitions to disclosure. There are no restatements to comparatives.

MATERIAL MATTERS

We define material matters for reporting purposes as those that may substantially affect our ability to create and sustain value over the short, medium and long term, that is periods of one year, two to three years, and three to five years and beyond, respectively. Material risks identified during the year are outlined on pages 30 to 35.

FORWARD-LOOKING STATEMENTS

This Integrated Report contains certain forward-looking statements, mainly on the impact of global commodities markets, global and domestic economic conditions, Group strategy, performance and operations. These forward-looking statements represent the Group's reasonable expectations, unless otherwise indicated, as at 31 December 2020, and may differ materially from actual future results.

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

ASSURANCE

We undertake the following assurance to ensure reporting integrity:

Business process	Nature of assurance	Assurance provider
Annual financial statements	External audit	BDO South Africa Incorporated
B-BBEE	B-BBEE scorecard review	Moore B-BBEE
Internal audit	Internal audit	PricewaterhouseCoopers Inc.
Internal controls	Interdependent internal reviews and internal audit	PricewaterhouseCoopers Inc. and Risk and Assurance department
SHEQ audits	Compliance reviews	Department of Mineral Resources and Energy
JSE Listings Requirements	Regulator	JSE and sponsor
Insurance due diligence	Independent risk reviews	Internal
Quality control	ISO compliance audits	BSI

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DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors (the Board), assisted by the Audit Committee, is responsible for reviewing and publication of this Integrated Report and acknowledges its responsibility for ensuring its integrity. The Board has applied its collective mind to the preparation and presentation of this report and concluded that it was prepared in terms of the <IR> Framework. The Board believes it addresses all material matters and offers a balanced view of Master Drilling's strategy and the Group's ability to create value over the short, medium and long term. The Integrated Report, which remains the ultimate responsibility of the Board, is prepared under the supervision of senior management and executives. The Audit Committee reviews and recommends the report to the Board for approval. The Board accordingly approved this Integrated Report for publication on 28 April 2021.



Hennie van der Merwe
Chairman



Danie Pretorius
Chief Executive Officer

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IFC

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ABOUT MASTER DRILLING

As the world's largest raise boring business, we provide innovative, cutting edge drilling solutions globally as well as support services.

Established in South Africa in 1986, we support our clients' unique needs, founded on our in-house expertise in drilling equipment design, manufacturing, operating, training and maintenance capabilities. Our clients comprise blue-chip major and mid-tier entities in the mining, civils and construction and hydro-energy sectors.

Our international operations span the globe. On the African continent, we maintain operations in South Africa, Botswana, the Democratic Republic of Congo (DRC), Ghana, Mali, Namibia, Sierra Leone and Zambia. In South America, we operate in Brazil,

Chile, Colombia, Ecuador and Peru. In Central and North America, we operate in Canada, Mexico and the USA and have mobilised rigs in other countries such as India and Australia. Our acquisition of Sweden-based Bergteamet Raiseboring Europe AB extended our operations into North, Central and Eastern Europe and Asia.

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

How we do what we do

DESIGN

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

MANUFACTURE

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

TRAINING

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

OPERATE

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

MAINTAIN

Provide engineering support for drill rigs, continuously upgrading our portfolio

OUR PRODUCTS AND SERVICES

ROCK BORING

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

TUNNELLING

- Mobile tunnel boring

SHAFT BORING

- Shaft boring

SLIM DRILLING

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

SUPPORT SERVICES

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



INVESTMENT CASE

Business strategy positioned to ensure sustainability through commodity cycles

Business supported by well-developed information technology (IT)

Satisfactory growth track record

Innovative technical development team

Ability to overcome high barriers to entry

Patented intellectual property

Diversity of product and geography

Local currency costs, hard currency revenue

Strong market position and competitive advantage: unparalleled fleet of rigs

ZAR hedge to investors

One-stop service offering and value-added support services

Blue-chip clients

Highly skilled and experienced senior management

FY20 SALIENT FEATURES

FINANCIAL

Revenue in USD down by
17%

from USD148.3 million to USD123.1 million

Headline earnings per share in USD down
74.8%

from USD10.3 cents to USD2.6 cents

Stable order book of

USD212.8 million

(2019: USD142.1 million)

SUSTAINABLE GROWTH

Lost-time injury frequency rate improved from 2.02 to

1.11 (2019: 2.02)

Steady pipeline of

USD539.9 million

(2019: USD297.0 million)

EXPANSION INTO AUSTRALIA AND RUSSIA

OPERATIONAL

Mobile Tunnel Borer

Pilot project initiated
in South Africa

Shaft Boring System phase 1

Successfully launched
and phase 2 currently underway

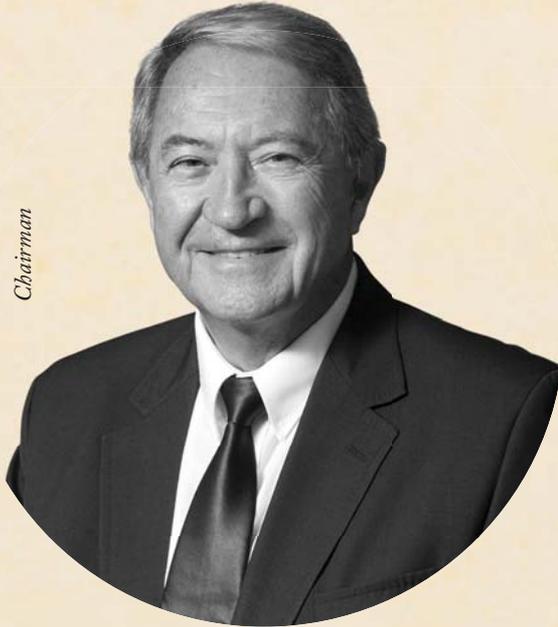
Raise bore fleet utilisation down from 64% to

60%

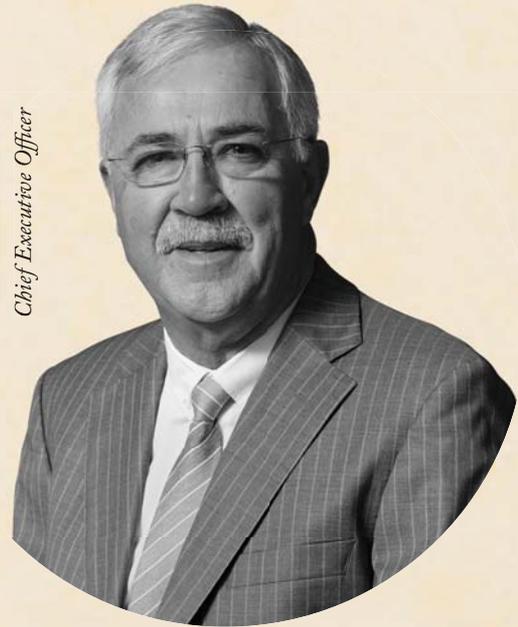
Slim drilling fleet utilisation down from 70% to

48%

HENNIE VAN DER MERWE
Chairman



DANIE PRETORIUS
Chief Executive Officer



CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

Revenue in USD down 17.0% from USD148.3 million to

USD123.1 million

Order book for gold miners at

23% gold exposure

on awarded work

Electric vehicle sales are expected to increase by around

9% year-on-year

and the demand for nickel, lithium and cobalt should rise

OPERATING ENVIRONMENT

Notwithstanding an extremely challenging year due to lacklustre global economic growth compounded by the COVID-19 pandemic and its subsequent lockdowns, Master Drilling performed satisfactorily. Across the Group, revenue in USD was down 17.0% from USD148.3 million to USD123.1 million while cash from operating activities increased by 73% to USD25.5 million. Given the devastating impact of the pandemic, we are pleased with the Company's performance and believe that we are well poised for greater success in the year ahead.

In many countries, mining is a critical component and often a cornerstone of economic activity. Limited production during lockdown periods led mining companies to build up supply chains and logistics capacity around their respective operating mines. During the year, the flexibility of our business model and the geographical spread of our operations have assisted in cushioning the COVID-19 blow while ensuring stability in the short to medium term. This affirms the resilience of our key strategy of geographic expansion.

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. In Canada, commissioning of our business was bolstered, with our expansion into Russia and Australia further supporting our risk mitigation in the long term.

The proven resilience of our business and ability to remain profitable in the current climate is a noteworthy achievement.

During the COVID-19 pandemic, international travel has been incredibly challenging and getting people in and out of key destinations is exceedingly difficult and costly.

Demand for precious metals such as gold and silver enjoyed high price benefits as they are considered "safe havens" by the market amid the uncertainty. Master Drilling has been focusing on gold miners and the order book has a healthy exposure of 23% to gold, most of which will come from Australia, Africa and Brazil.

Palladium and rhodium prices are expected to increase with the prominence of carbon tax and stricter global carbon emission regulations. Electric vehicle sales are expected to increase by around 9% year-on-year and the demand for nickel, lithium and cobalt should rise as a result together with their related prices. Zinc was the biggest winner on the base metals front due to the acceleration of Chinese steel manufacturing. Our exposure to zinc is 11% through our Indian operations. Notwithstanding

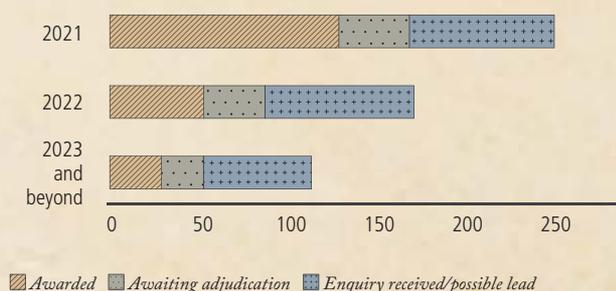
the drive for cleaner energy due to global warming, coal will remain a high-volume commodity for the near future as cleaner energy is being slowly phased in. Our exposure to coal has been significantly reduced to 2%. China steel production is at a record high, driven by government stimulus in infrastructure, housing and automotive production. The copper price is expected to increase by 2% in 2021 due to China's demand for the commodity, and there is a predicted supply shortage in the next two years. During the year, industrial metals have seen a good price increase as well. All of these developments will have a positive impact on our business.

OUR YEAR

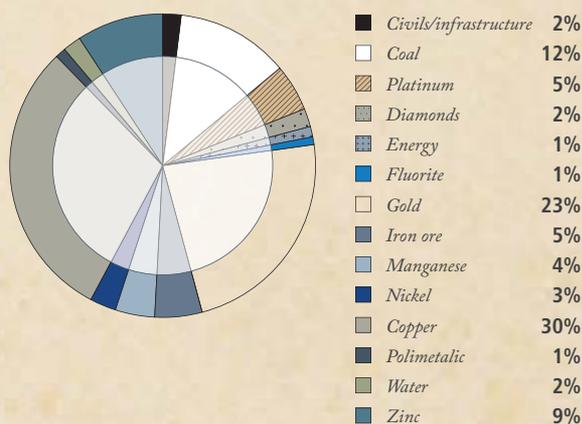
Master Drilling has managed to stabilise production outputs to an acceptable level given the COVID-19 pandemic, allowing for partial mitigation of the significant financial impact during the hard lockdown. We were awarded new exploration projects and mobilised an additional fleet through the acquisition of Geoserve Exploration Drilling to service existing clients during the year.

In North America, operations have been bedded down and the strategy to grow Master Drilling as a differentiated competitor in the market is progressing. Canada continues to have the largest exploration budget in the world, offering many opportunities for growth. We continue with our efforts to secure contractors licences across each state in the USA. The Mexican operations experienced a challenging first half of 2020, however, it is encouraging to see signs of recovery with numerous requests for proposals.

Pipeline (USD million)



Committed orders



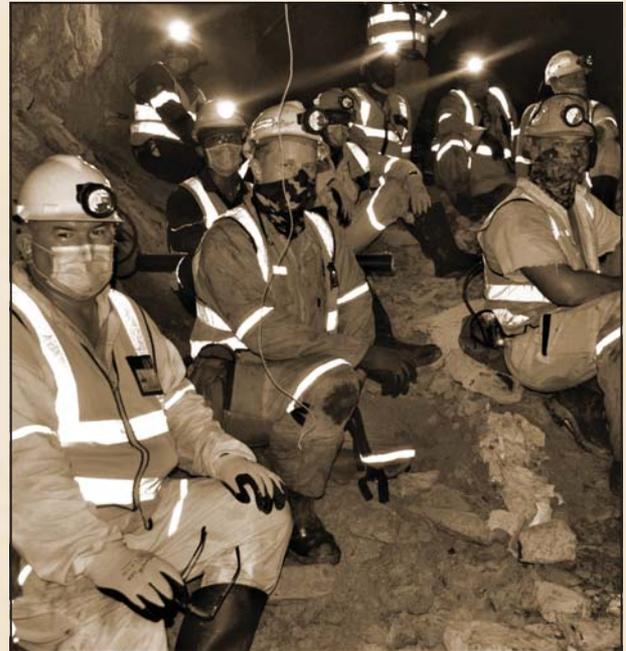
CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT *continued*

The South American businesses continued to show resilience amid the pandemic with Brazil's output normalising in the second half of 2020 and all contracts continuing as operationally planned. Major capital projects are expected to commence at the start and end of 2021. A commercialisation process is well underway for another project due to commence in 2022. A reverse circulation exploration project was awarded to us in December 2020 and is our first reverse circulation exploration drilling service expansion within Brazil. In Chile, we invested in resizing and the restructure of the business is now complete and we can already see the improvement in margins. Lockdowns in Peru due to COVID-19 affected revenue, while the joint project in Chuicamata positions Master Drilling for additional vertical and horizontal development projects within the country.

We continue to utilise the "Suspension Perfecta" arrangement established by the Peruvian labour ministry, which allowed Master Drilling Peru to reduce labour costs significantly during this period, and we continue to make progress with our restructuring programme. A new General Manager was appointed in October 2020 and we expect to finalise the management restructuring at the end of 2021.

Despite the second wave of the pandemic hitting Europe, our projects there remain on track and well capacitated. The civil infrastructure sector has been a key focus area and we are starting to see an increase in raise bore enquiries for projects that have historically been excavated conventionally. Our first project in Russia has commenced and we are busy drilling the first ore pass at Kola mine. Our partnership with Detra is starting to bear fruit and we have a healthy pipeline of opportunities in the region that we are currently pursuing. In Sweden, we are waiting on Boliden to decide on the continuation of the second ventilation shaft at Rävlingen mine, after it was postponed due to COVID-19.

COVID-19 has had a limited effect on operations in Africa and not one site was stopped as a result of a lockdown. Most of our projects remained active during the pandemic, however, it affected the logistics side of the business with various delays experienced



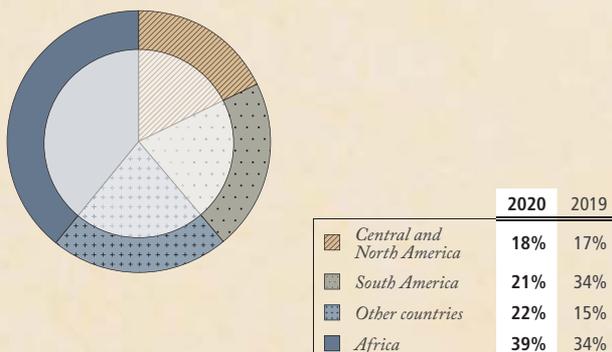
in mobilising equipment to site. In Southern Africa, Master Drilling Zambia's operations were put into care and maintenance for the near future. The current forecast for our operations in the African region indicates an increase in revenue.

Our India contract, although adversely affected by the pandemic, was extended by an additional three years commencing 1 October 2020. Seven rigs are currently operational with an eighth rig on standby. A ninth rig is also available for use on an ad hoc basis. In Australia, mobilisation and project start-up came with challenges such as not being able to travel, quarantine and unplanned shipping delays. We were nevertheless able to set up office in Perth and all critical personnel have been appointed.

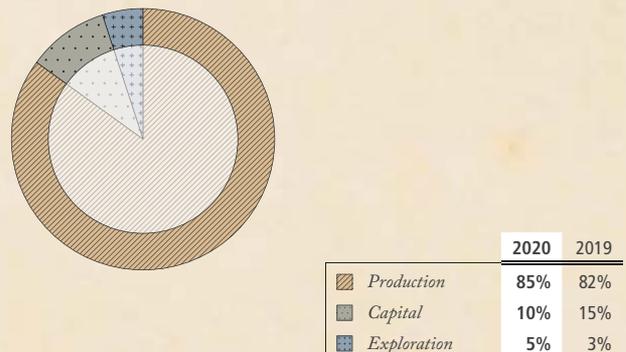
Further detail on operations is set out on pages 54 to 57.

The following charts reflect Master Drilling's combined revenue for 2020:

Revenue contribution by geographical area



Revenue contribution by mining activity





OUR PEOPLE

Master Drilling is committed to upskilling its human capital to improve performance as our success and sustainability depend on how our skills and expertise support our growth goals. We currently employ 1 771 people deployed across the Group and, under the prevailing circumstances, our priority has been to ensure the well-being of our people. We ensured we were resourced appropriately to pursue business even in the current challenging environment.

During the year, we embarked on a human capital project that focused on reviewing the current skills requirement and ensuring that it aligns with our future growth and expansion vision.

The Master Drilling Training Centre received accreditation from the Mining Qualifications Authority and the first accredited management training programmes were conducted (refer to pages 44 to 46 for more detail on our training).

Ensuring we have the right skills in place does not only mean internal training and external resourcing, but also actively creating the skills required.

STRATEGY

In March 2020, Master Drilling's executive team initiated a process of updating and refining the business strategy and organisational structure.

Ultimately, we want to make a difference in the mining industry and in the lives of people who work for us. To achieve this, we drive responsible leadership, create a high-performance culture, have fit for purpose teams and diversify the business within our chosen focus areas. This, in turn, assists us to create a safe working environment setting the stage for optimised returns on current and new investments, creating true shareholder value.

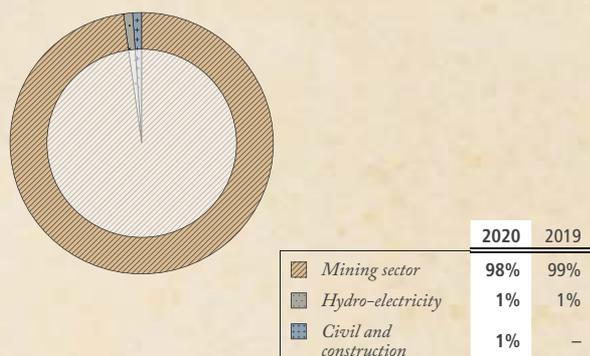
This strategy is supported by our four strategic pillars, namely: sustainable growth; optimisation and increased profitability; technology optimisation and development; and people capacity and development as outlined on pages 26 to 29 of this report.

To formalise our commitment to a sustainable business, we have developed an environmental, social and governance (ESG) strategy and have aligned our ESG goals to the UN Sustainable Development Goals (UN SDGs). We are committed to making a positive contribution to mankind and the planet in our daily activities. Our ESG policy covers the environment, health and safety, society and governance and sets specific targets and objectives. Refer to page 38 for more detail.

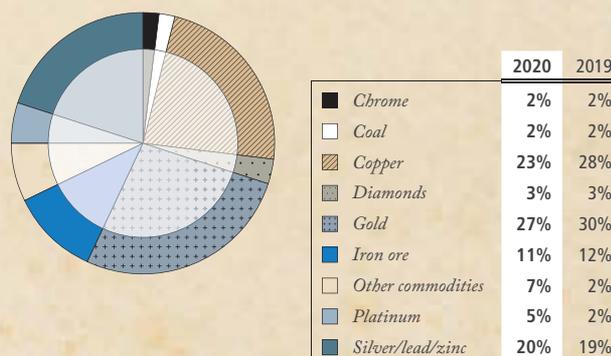
In pursuit of sustainable growth, we are continuing to investigate merger and acquisition opportunities which would be value-adding for our stakeholders. We are considering the establishment of a satellite office in West Africa to better serve the African market and to increase our marketing efforts in this region. This will complement and support our recently set up business development alliance with a logistics, loading and hauling company for work in North Africa.

In January 2021, after the end of the 2020 financial year, the Group acquired a 40% interest in Applied Vehicle Analysis Proprietary Limited, expanding our expertise in equipment tracking and management. The purchase consideration payable amounted to ZAR8,0 million.

Revenue contribution by business sector



Revenue contribution by commodity



CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT *continued*

The pandemic has propelled our drive to optimise and rightsize operations in order to make Master Drilling more efficient and fit for purpose as illustrated by our sales pipeline which represents a forward-looking view on awarded work, tenders under adjudication and enquiries received. Our sales pipeline reduced somewhat due to COVID-19 but remains healthy.

Marketing through social media is also performing well. Our followers on LinkedIn have almost doubled in the past 12 months. Our updated website resulted in the Company receiving several leads from the website due to increased traffic.

THE CHANGING INDUSTRY AND TECHNOLOGICAL INNOVATION

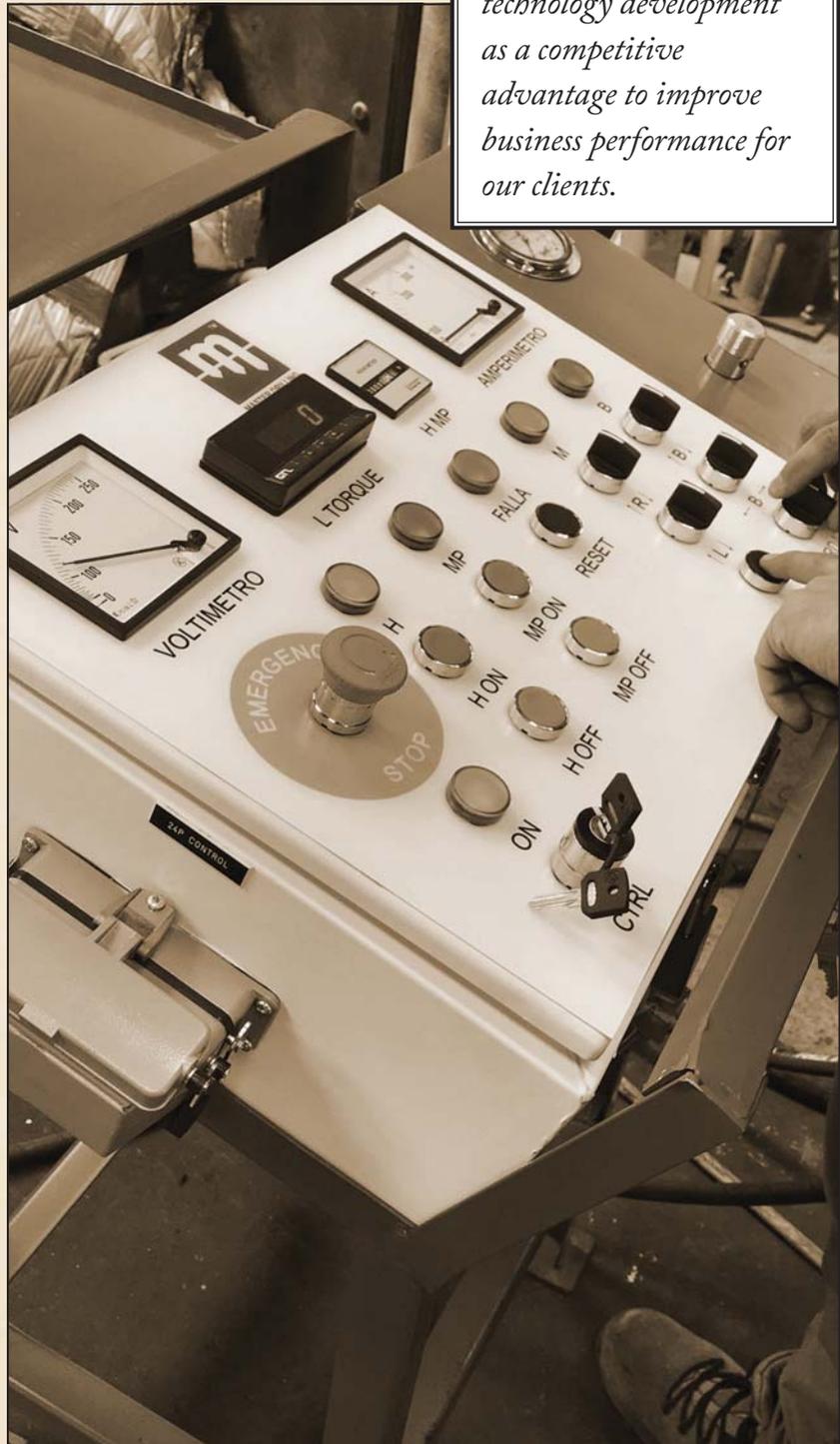
The successful piloting of the groundbreaking Mobile Tunnel Borer (MTB) at Northam Platinum's Eland Mine in 2019 led to the further commissioning of a 1.4km project in 2020, which was unfortunately cancelled in March 2020 due to the pandemic. The MTB is currently being commissioned at our workshop facility situated in Fochville.

Strategically Master Tunnelling is aiming to be able to supply a carbon-free products and services to current/potential clients and to differentiate ourselves from other tunnelling service/product providers. Currently we are at the final stages of contract negotiations decline system to start in 2021. Master Tunnelling is in further discussions with clients using the MTB technology.

The Shaft Boring System (SBS) is developed together with the support and co-funding of the Industrial Development Corporation (IDC). A smaller scope system will be used to introduce the concept to the industry. The technology will be used to replace conventional shaft-sinking methods. The smaller scale implementation will reduce exposure regarding capital funding and client critical infrastructure risk.

Master Sinkers received a letter of intent for a shaft to be constructed in 2022 and busy with internal funding approvals to continue with the manufacturing of the SBS to be used for the construction of this shaft.

We are flexible and provide specialised services to suit our clients' requirements, applying technology development as a competitive advantage to improve business performance for our clients.



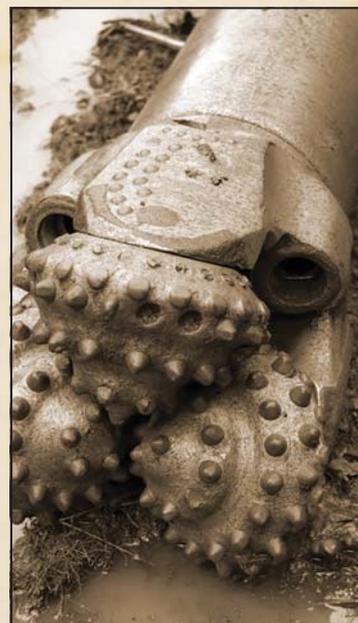


Currently Master Drilling is executing two mechanised non-explosive mining research and development projects for clients that they anticipate to progress to full production rock cutting products and services. This will generate significant value to their clients in terms of safer and a more continuous mining operation.

Master Drilling built the first RD6 large capacity raise bore that is currently in commissioning for its first project. This sets the tone for more mobile, equipment requiring smaller underground setup space and increased semi-autonomous and remote control. Master Drilling busy with resourcing more existing sites with remote drilling capability. Over the past year this have increased production on some sites more than 15%.

Master Drilling also concluded the design of the LP 100. A highly mobile slot boring system that can be used for increased stope performance for its clients. They are currently seeking the appropriate opportunity to motivate manufacturing and application of the service.

Drilling Technical Services (DTS) is currently commissioning a RD6 machine which will be send to Chile. Another RD6 machine is being built for either Chile or Canada. Two raise boring machines are being prepared for remote drilling in India and Australia.



SAFETY

We are committed to the safety and well-being of all our employees and communities and take a zero-harm approach.

Our control measures have proven adequate and effective in dealing with the Group's exposure to COVID-19. All infections have been well controlled with zero casualties during the year under review as a result of the pandemic and 152 up to December 2020

cases Group-wide (see our response to COVID-19 on page 18 for further detail). The Group's lost time injury frequency rate decreased by 45% year to year. This performance is much better than our expected 2020 milestone bringing our overall safety performance in line with our 2020 milestone of not more than 1.7. For our health and safety report, refer to page 47.

GOVERNANCE

Operating as a good corporate citizen and ensuring good corporate governance remain critical factors for a sustainable business. We have a disciplined approach and methodologies to ensure all our processes, procedures and policies align with good corporate governance requirements, including King IV™. Our social licence to operate is underpinned by our responsibility and accountability for the impacts of our business operations on surrounding communities (read our full governance report on pages 66 to 71).

During the year, we welcomed Hendrik Faul as a non-executive member of the Board and reconstituted the Board committees following the outcome of the virtual Annual General Meeting held on 9 June 2020. Independent non-executive director, Octavia Matloa, was appointed as Chairperson of the Social, Ethics and Sustainability Committee. She replaced independent non-executive director, Akhter Deshmukh, who stepped down as Chairman but remains a member of the committee.

DIVIDEND

In view of current prevailing global volatility, 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 considering the continuation of the Company's dividend history in future financial periods, once circumstances permit.

LOOKING AHEAD

Although the outlook for the future remains volatile, economists are predicting a "V"-shaped recovery, with China already ramping up their industries. Many economies continue to flatten the curve and the introduction of COVID-19 vaccines is expected to aid recovery. The Group will continue to use technology to manage the effects of travel restrictions resulting from the pandemic outbreak.

We are well positioned for the next five to seven years for the perceived bull run on commodities, particularly those we follow, such as gold, zinc, silver, copper and iron ore. We have already seen an uptick in prices in the past six months.

We are optimistic that we will continue to develop and deliver solutions such as MTB and SBS for clients in order to assist them in meeting their efficiency targets and economic goals, particularly during such challenging times.

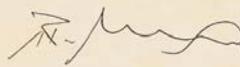
In the short to medium term, our sales pipeline is expected to normalise and subsequently increase, and all our recent and pending acquisitions and joint ventures will add a substantial boost to our profitability and balance sheet, and the geographical spread will continue to shield us from unexpected global events. We have added over 60 machines in the past six years, we have made the requisite capital investment and we are now positioned to capitalise on the anticipated bull run without requiring material additional capital investment.

We remain committed to ensuring the safety of our people and will continue using innovative mechanised equipment in our operations. This is also the future of the industry with an increased focus on mechanisation and remote operation. This is the space in which we like to operate and where we are well placed to compete.

We will continue to assess opportunities to diversify the business outside of the traditional drilling business into areas such as artificial intelligence (AI).

APPRECIATION

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

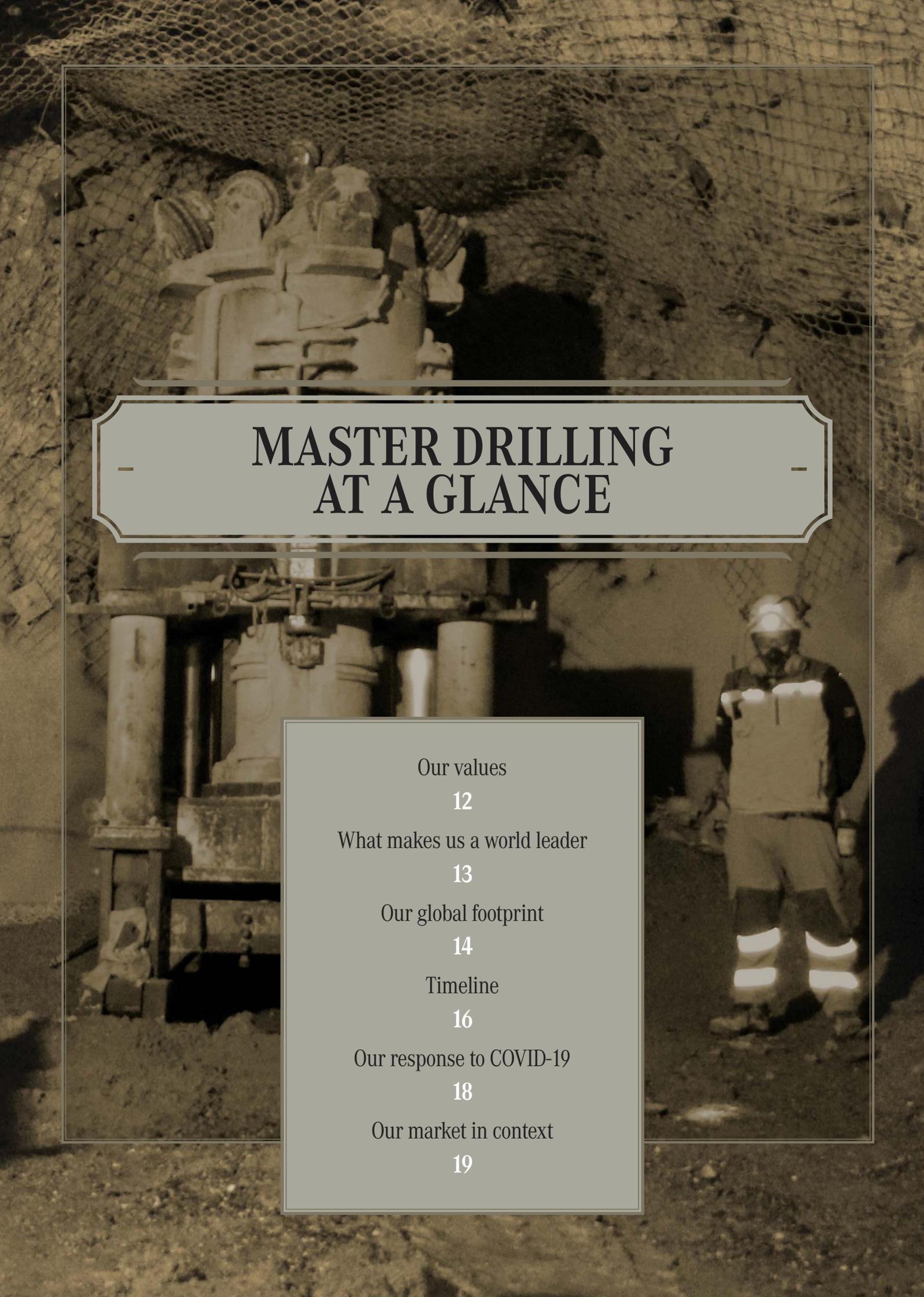


Hennie van der Merwe
Chairman



Danie Pretorius
Chief Executive Officer

28 April 2021



MASTER DRILLING AT A GLANCE

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Our response to COVID-19

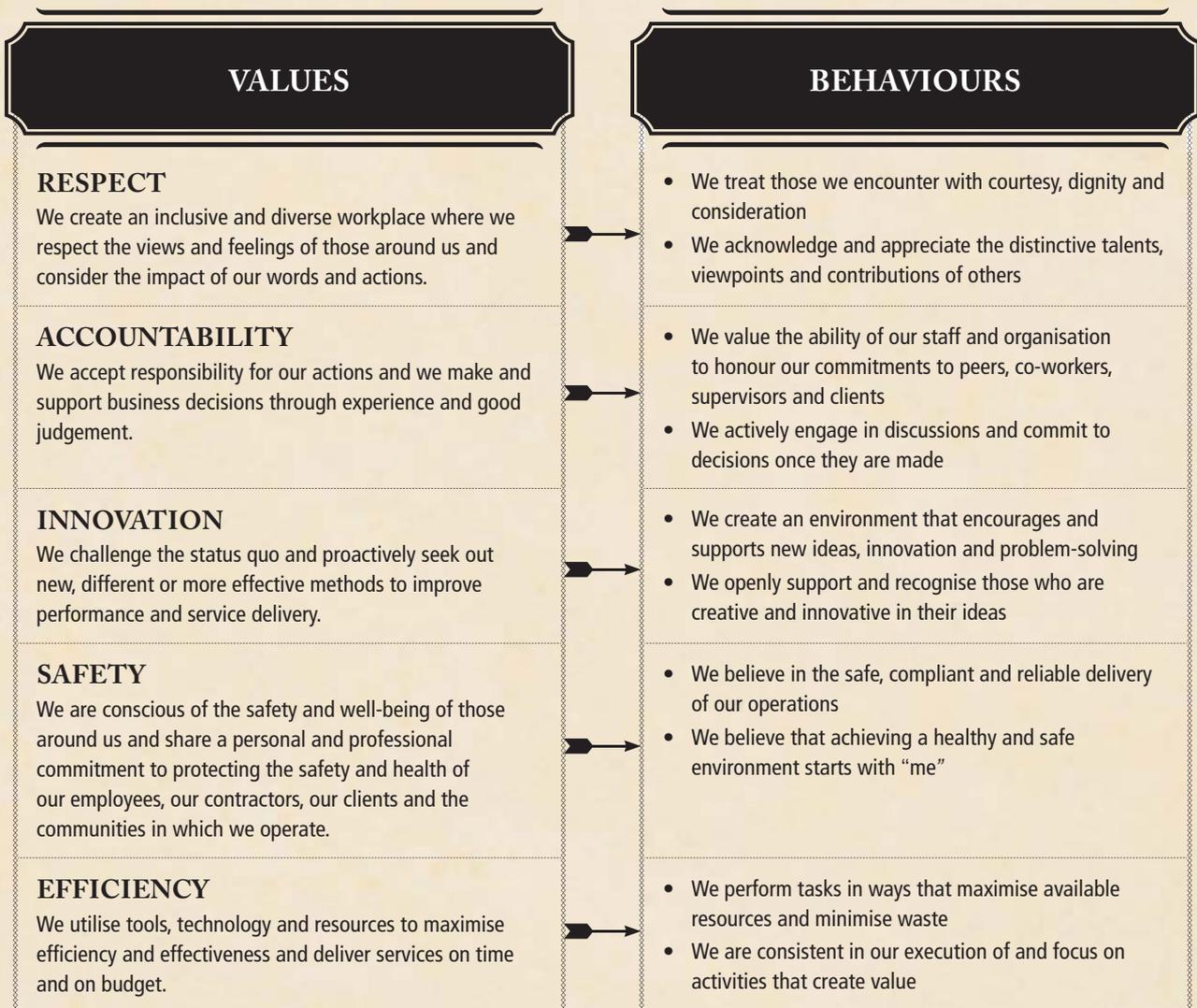
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Our market in context

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OUR VALUES

In our quest to create value, we apply our core values with due diligence.





WHAT MAKES US A WORLD LEADER

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

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

With the ever-growing consciousness of, and the need to ensure safety in the workplace, as well as the volatility of the commodities markets and labour issues to which our mining clients are exposed, our meticulous focus on risk management is another element of compliance that brings significant value to what we do. For more on risk, refer to risk management and material risks on page 30.

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

SPEED	HIGH SERVICE LEVELS
Our automated drilling operations which allow us to complete jobs often in less than half the time required by conventional methods of drilling and blasting.	We can offer complete packages because of the flexibility, simplicity and mobility of our equipment, and our capacity to customise designs that match the individual needs of our clients.
EFFICIENCY	PIONEERING INNOVATION
Our proprietary technology facilitates remote operation and monitoring, reduced manning costs, safer holes and tunnels and real-time sample grading.	We continuously push the envelope to produce mechanised excavation methods that are safer, faster at depths, angles and ground conditions that have not been possible before.
VALUE	ECONOMIES OF SCALE
We provide clients with solution-based services that in many cases increase a safer operational design, increased mining production, reduce cost, provide better quality and/or reduce their project risk.	We can offer cost-effective solutions as we own and operate the largest fleet of raise bore rigs globally.
QUALITY	
Creating accurate directional drilling on mining access shafts that needs to be straight for the movement of conveyances at high speed is but one example of the quality we provide with certainty to our clients.	

OUR GLOBAL FOOTPRINT

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

Our operational presence

- ◆ Design
- ★ Manufacture
- Training
- Operate
- ▲ Maintain

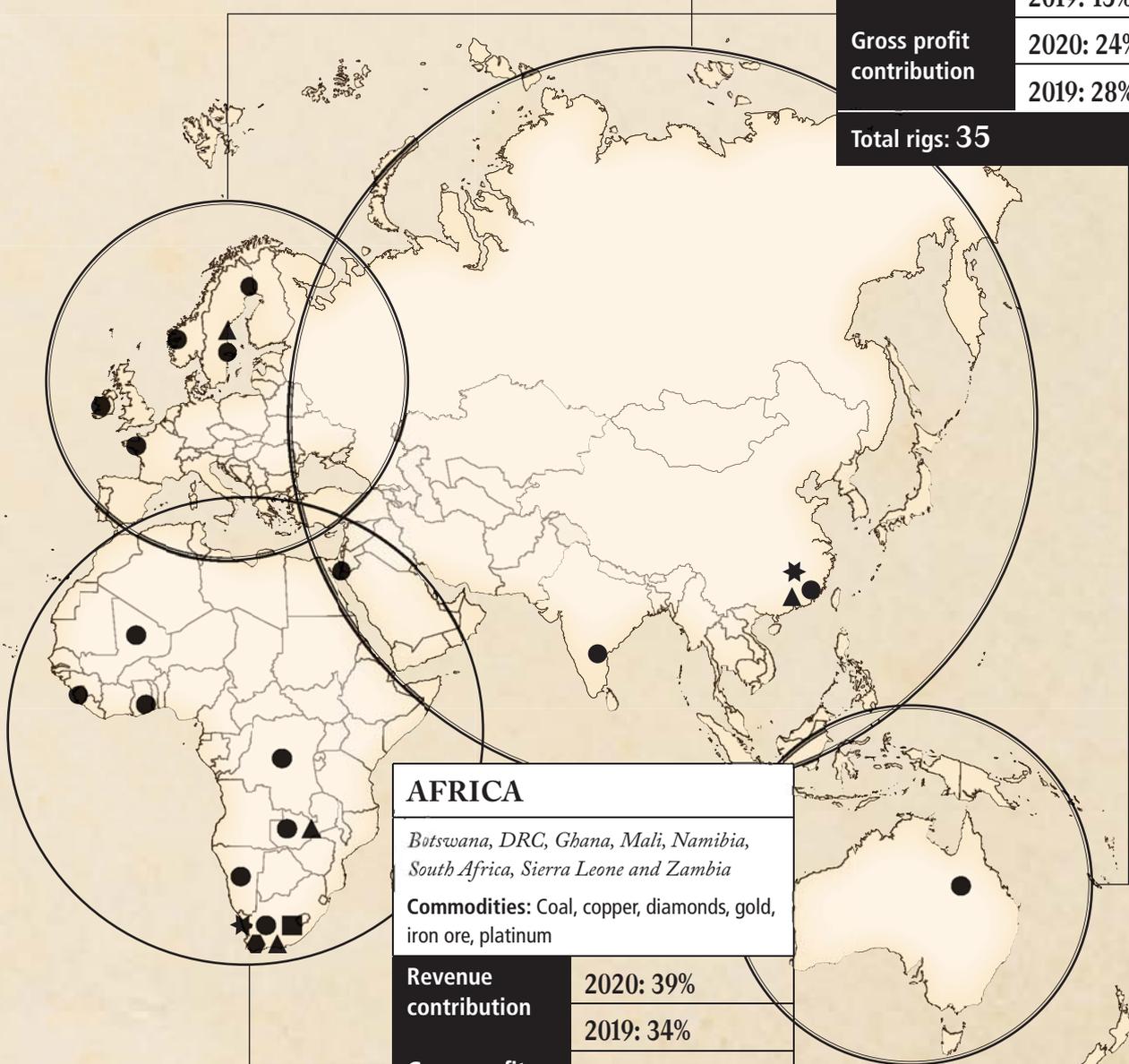
CENTRAL AND NORTH AMERICA	
<i>Canada, Mexico, USA</i>	
Commodities: Copper, gold, nickel, polymetallic, silver	
Mining	
Revenue contribution	2020: 18%
	2019: 17%
Gross profit contribution	2020: 17%
	2019: 0%
Total rigs: 27	

For more detail on our performance in Central and North America, refer to page 55.

SOUTH AMERICA	
<i>Brazil, Chile, Colombia, Ecuador, Peru</i>	
Commodities: Copper, gold, polymetallic, silver, zinc	
Mining	
Revenue contribution	2020: 21%
	2019: 34%
Gross profit contribution	2020: 10%
	2019: 28%
Total rigs: 50	



For more detail on our performance in South America, refer to page 54.



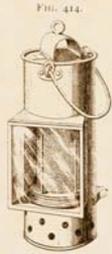
OTHER COUNTRIES	
<i>Australia, China, Finland, France, India, Ireland, Norway, Sweden, Turkey, Russia</i>	
Commodities: Chrome, gold, iron ore, lead, polymetallic, zinc	
Hydro-energy Civils and construction	
Revenue contribution	2020: 22%
	2019: 15%
Gross profit contribution	2020: 24%
	2019: 28%
Total rigs: 35	

For more detail on our performance in other countries, refer to page 57.

AFRICA	
<i>Botswana, DRC, Ghana, Mali, Namibia, South Africa, Sierra Leone and Zambia</i>	
Commodities: Coal, copper, diamonds, gold, iron ore, platinum	
Revenue contribution	2020: 39%
	2019: 34%
Gross profit contribution	2020: 49%
	2019: 44%
Total rigs:	Slim drill rigs:
33	58

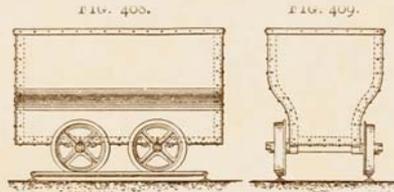
For more detail on our performance in Africa, refer to page 56.

TIMELINE



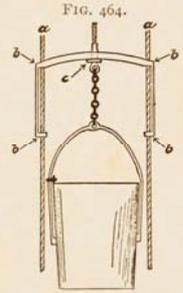
1988

Designed and manufactured the RD1000 for Premier Diamond mine, South Africa



1993

Commenced drilling at Barric Group's El Indio mine, Chile

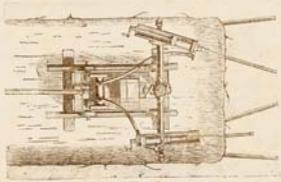


1986

Master Drilling established

1992

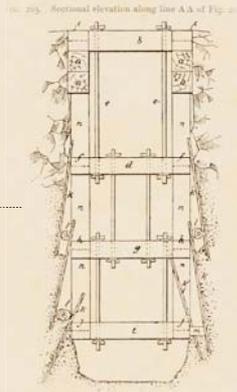
Commenced drilling at the Shabanie mine, Zimbabwe



2011

Opened site office at Glencore's Kamoto mine, DRC

Designed and manufactured first dedicated low-profile blind hole drill rig



2012

Listed on the JSE

Master Drilling Group Limited formed through reorganisation

Achieved world record in directional drilling at Lonmin mine with the most accurate pilot hole at a depth of 1,07km and a diameter vent shaft of 5,5m

Completed five shafts in Saudi Arabia



2006

Acquired Drillcorp Africa Proprietary Limited



2015

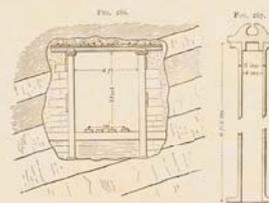
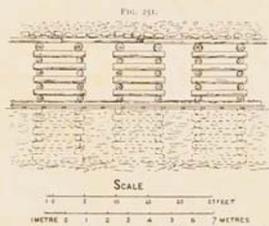
Expanded fleet size to 145 rigs (97 raise bore rigs and 48 slim drilling rigs)

Acquired 40% stake in Bergteamet Raiseboring Europe AB

Expanded geographical footprint into Ecuador and Colombia

Introduced new service offerings in the energy sector on hydro projects

Commissioned the RD8-1500, one of the largest raise bore rigs in the world



2016

Acquired Bergteamet Latin America SpA

Secured a five-year extension of a key AngloGold Ashanti contract in South America

Contracts awarded in Sierra Leone and Tanzania

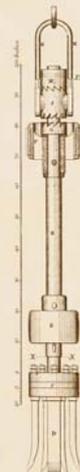
Awarded first blind shafting contract in the USA

2017

Secured contracts in India and Australia

Placed order for MTB machine

Successful completion of the horizontal raise boring trial at Cullinan mine





1998

Commenced drilling at Milpo's El Porvenir mine, Peru



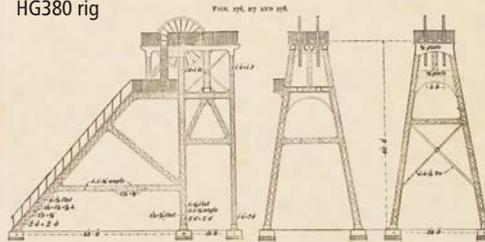
2000

Commenced drilling at AngloGold Ashanti's Cuiaba mine in Minas Gerais, Brazil

BHB 200, the first self-designed low-profile raise bore and blind hole machine put into service at East Driefontein mine, South Africa

2001

Acquired first Wirth HG380 rig



2003

Entered the market in large-diameter holes

2005

Commenced drilling at Peñoles Group's Tizapa mine, Mexico

Obtained ISO 9001:2000 accreditation in South Africa



2013

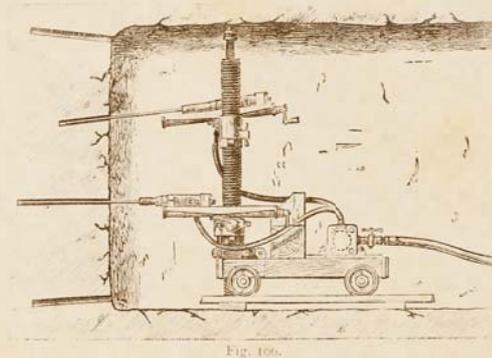
Awarded exploration drilling contract at Kolomela

Expanded global footprint to Mali and Guatemala by offering raise boring services

First automated machine went live at Sasol, South Africa

Peru's first automated machine went live

Started raise boring services in Mali and the DRC for Randgold Resources



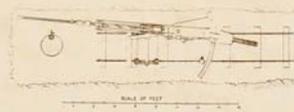
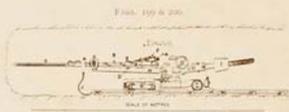
2014

Awarded contract at Palabora Mining for two ventilation shafts, each 6,1 m in diameter and over 1,2km deep

Increased upgrading to automation control raise bore rigs

Designed and manufactured the RD8-1500, a new raise bore drill rig capable of drilling 8,5m in diameter over 1,5km deep

Completed Rowland shaft



2018

Finalised and launched the first MTB machine

Acquired Atlantis Group

Acquired remaining 60% shares in Bergteamet Raiseboring Europe

Invested in TunnelPro in Italy to assist with access to mobile tunnel boring market

2019

MTB pilot project initiated in South Africa

SBS phase 1 successfully launched

Started drilling of the world's deepest raise bore (1,45km single lift at Zondereinde, South Africa)

2020

Expansion into Australia and Russia

Successfully completed pilot drilling of the world's deepest raise bore (1,45km single lift at Zondereinde, South Africa)

Acquisition of Geoserve Exploration Drilling

Successfully dealing with the outbreak of the COVID-19 pandemic

New RD6 Large Raise Bore machine manufactured

Remote Drilling of Raise Bore rigs implemented

OUR RESPONSE TO COVID-19

The COVID-19 pandemic has had an unprecedented negative effect on our business with government-imposed lockdowns impacting our customers' operations across most of the 23 countries in which we operate. Decisive actions taken by us from the outset of the crisis, which focused on cash generation, capital management and the safety of our people, secured the Group's financial stability and sustainability.

The pandemic is having a profound effect on the world economy and various lockdowns disrupted mining operations globally. Currently, we are evaluating this risk daily through an active Crisis Committee. The committee's key focus is the well-being of our workforce followed by the long-term sustainability of the business. Various stress tests have been conducted and the Board is satisfied that the Group's financial position remains adequate to service its obligations and remain a going concern for the foreseeable future.

The mining industry's response has been swift and aligned, and has been driven by two key priorities. Firstly, protecting the health and safety of employees and local communities; and secondly, laying the groundwork to support the longer-term economic recovery which includes supporting livelihoods, protecting severely disrupted supply chains, and helping to build long-term community resilience to any future crises. What this response has made immediately clear is that companies, governments and communities must work in collaboration to aid recovery efforts.

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.

We are working closely with health authorities to ensure all sites are adhering to national and local guidance. Continuing to share learnings from different responses and knowledge of specific health protocols will be critical in order to help flatten the curve and ensure workers and communities are kept as safe as possible.

We have drawn on our existing expertise in managing other health crises such as Ebola, TB and malaria. Master Drilling has the knowledge to efficiently and effectively implement vital protocols and measures needed to continue to operate safely. These measures include temperature screening at site, COVID-19 testing and increased hygiene measures

such as social distancing and reduced shift sizes. We have placed restrictions on work-related travel and have set up hotlines operating 24/7 that provide medical and well-being advice, including signposted access to mental health services for employees and those in the local community.

Ensuring the safety of all staff, their families and the communities in which we operate, to the greatest practical extent, remains our top priority.

Our control measures ensured infections were kept to a minimum with 152 positive cases confirmed across the Group for the year, representing 8.6% of total employees.

LOOKING AHEAD

COVID-19 has undoubtedly led to the refocusing and reframing of relationships with local community groups. This is one positive to emerge from the crisis, and something we must learn from and continue to encourage as we move from the response to the recovery phase.

We are fully supportive of the measures announced by President Cyril Ramaphosa to prevent the spread of COVID-19 in South Africa, and the efforts by government to manage this unprecedented crisis. The Group continues to support and comply with all requirements set by governments and customers to contain the pandemic and stringent workplace measures have been implemented to ensure that the Group continues to deliver services in a responsible manner.



OUR MARKET IN CONTEXT

The COVID-19 pandemic had a devastating impact on the global economy and it has not yet subsided with many countries going back into lockdown or with partial restrictions. International travel is incredibly challenging and getting people in and out of key destinations is exceedingly difficult and costly. Some countries in Europe, as well as the USA, have seen huge stimulus packages in 2020 to protect industries in those countries. Africa as a continent, however, has been hard hit with rising unemployment and many businesses struggling to survive. South Africa has a high unemployment rate at 30% coupled with a tax deficit and a 70% debt-to-GDP ratio.

RATINGS OUTLOOK FOR THE MINING INDUSTRY

The ratings outlook for the global mining sector in 2020 remained stable, as slower demand for certain commodities was offset by supply restrictions for others.

A weakened macroeconomic environment has caused demand and prices for some commodities to fall, which the rating agencies expect to continue over the medium term, particularly aluminium and copper, but also thermal coal.

Most mining companies' ratings have "stable outlooks" and are comfortably positioned within their rating sensitivities. This follows efforts to move to more conservative balance sheets in the aftermath of the downturn of 2015 and 2016. Fitch upgraded many companies based on a prudent step change in their financial policies.

THE MINING ENVIRONMENT

Many countries view mining as a critical component of their economy and allowed mines to return to production as soon as possible. Master Drilling's order book is 97% exposed to mining. Miners have seen the need to protect a critical supply chain ensuring that logistics and supply chain capacity are built up around operating mines.

The social licence to operate is now more important than ever. As a result, there has been a big focus on ESG. Some miners are starting to look at creating their own clean energy, for example, the Caledonia mine is erecting a solar farm to generate energy for their mine. In addition, miners are also cutting back on capital spend. The London stock market has had the biggest raise of capital in recent times for mergers in target countries like Russia, Canada and Australia, with 80% of these deals in the gold sector.

Exploration drilling capital budgets globally reduced by 11%. This is a recovery from previous predictions of about 30%. The biggest declines were seen in Chile with 30% and Peru with 34%. Due to the rise in precious metal and base metal prices, however, it is expected that we will see a good recovery and that most companies will increase budgets for exploration from mid-to late 2021.



GLOBAL CAPITAL EXPENDITURE

Global capex in the mining industry across 15 commodities dropped by 6.4% year-on-year in 2020, driven by a decline in development capex.

Due to a lack of finance for new projects in the mining industry globally, year-on-year reductions on projects moving from the construction to production phase will outweigh increases coming through from early stages of the project pipeline. Within the copper and gold sectors, almost all regions will see decreases in capital investment, while new iron ore projects in Australia will drive development capex higher in the Asia-Pacific region.

The fallout of the COVID-19 outbreak has forced global miners to cut their 2020 capital expenditure as well as reduce the copper production outlook by 8% or just under 400 000 tonnes for the year.

Demand for metals was also hit as COVID-19 spread from China to other parts of the world and forced several nations to shut down much of their economies to contain the outbreak.



COMMODITY PRICES

Precious metals like gold and silver are a safe haven. During the year, the gold price was supported by the second wave of COVID-19, a European lockdown and US President Trump creating uncertainty in the USA market by not accepting defeat in the elections. The price of silver was boosted with a Biden win as he supports a green economy. It is expected that Biden will also promote an increase in trade with Mexico and China.

The palladium and rhodium prices are predicted to do well in the next two years especially with an ever-increasing focus on CO₂ emissions and carbon tax. This will stand the mines in good stead where their platinum group metals (PGMs) basket is rich in palladium and rhodium such as the northern limb of South Africa.

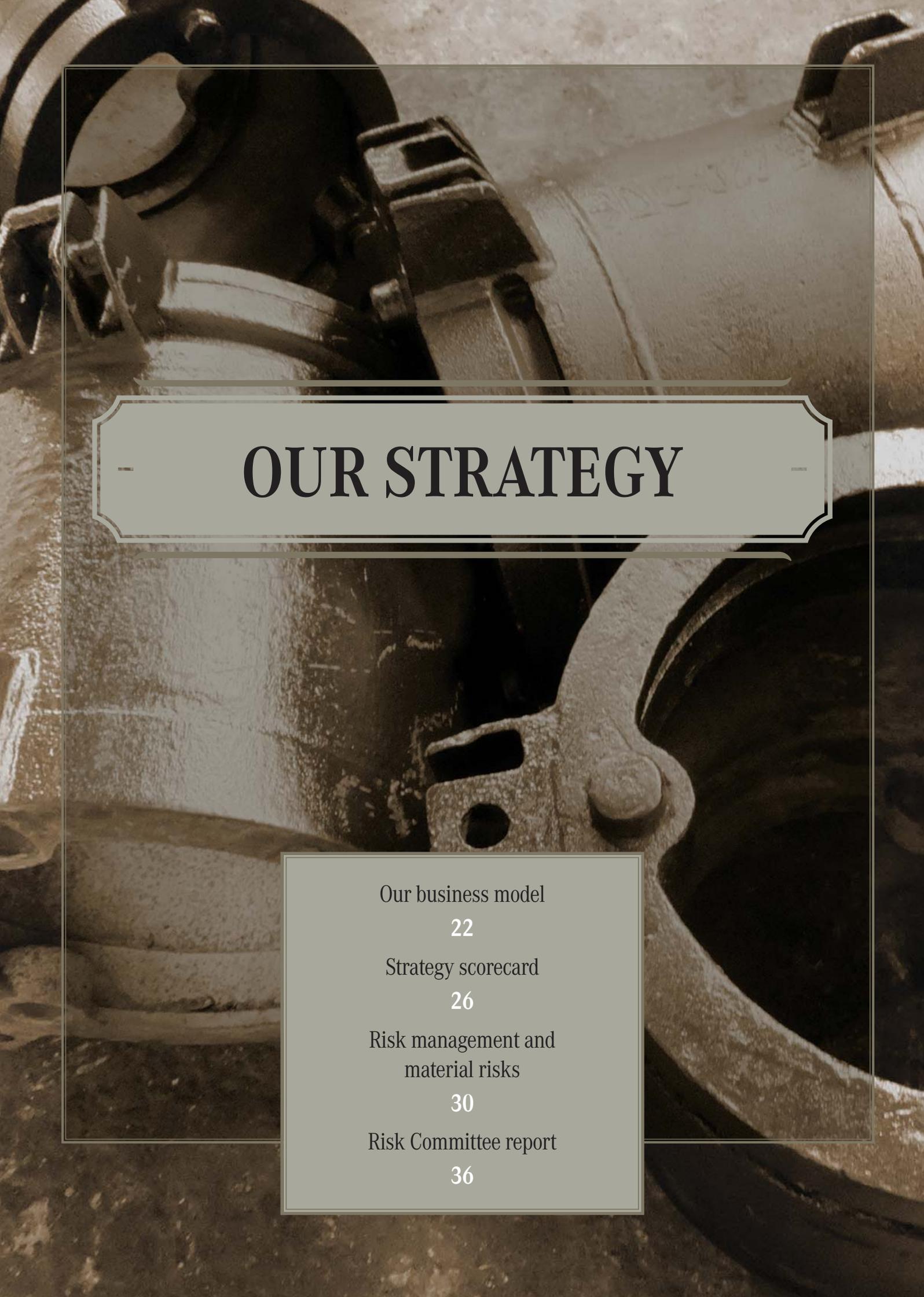
The sale of electric vehicles is also expected to increase by around 9% year-on-year and the demand for nickel, lithium and cobalt should rise as a result, together with their related prices. It is therefore our strategy to increase our exposure in key commodities. The biggest winner on the base metals front is zinc due to the acceleration of Chinese steel manufacturing. Master Drilling has 11% exposure to zinc through our Indian operations.

Coal will remain under pressure due to the global warming issue and a drive to cleaner energy. Cleaner energy is not a mainstream energy source yet and therefore coal will remain a high-volume commodity.

Our exposure to coal has decreased year-on-year.

A supply shortage in copper is predicted in the next two years and major miners like RIO are investing heavily in copper mine development. The copper price is expected to tick up by around 2% in 2021 due to Chinese demand for copper. Industrial metals have seen a good price increase as well. Chinese steel production is at a record high, driven by government stimulus in infrastructure, housing and automotive production.

Source: Reuters, S&P Global, Fitch ratings.



OUR STRATEGY

Our business model

22

Strategy scorecard

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Risk management and
material risks

30

Risk Committee report

36

OUR BUSINESS MODEL

OUR INPUTS

*Low gearing of 10.3% / Strong African pedigree /
Challenge the status quo*

Financial capital



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

Manufactured capital



- Formidable fleet of 145 raise bore and 58 slim drilling rigs
- Deployed in mining, civils and construction and hydro-energy

Intellectual capital



- Specialised market
- Patented intellectual property for enhanced execution capability and cost efficiency
- Global engineering expertise
- Over 105 years' global management experience with approximately 60% ownership
- USD0.7 million invested in upskilling workers in FY20
- Strong governance systems and protocols
- Entrenched business codes

Human capital



- 1 771 employees
- Culture of excellence
- Safe working environment

Social and relationship capital



- Loyal client base
- Refer to page 25 for further detail

Natural capital



- Our policies and procedures are aligned with clients' project plans

OUR BUSINESS

- Global leader in specialised drilling systems
- Vertically integrated business model translates to control of value chain
- Niche focus with diversified revenue streams
- Competitive mobility
- Agile value proposition
- Recognised risk management
- Safety success

BUSINESS ACTIVITIES

Design

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

Manufacture

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

Training

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

Operate

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

Maintain

Provide engineering support for drill rigs, continuously upgrading our portfolio



OUR SEVEN KEY DIFFERENTIATORS

1. SPECIALISED MARKET

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

2. SECURE FINANCIAL PLATFORM

Rand hedge as costs are in local currencies and revenue is in hard currencies

3. DIVERSIFICATION

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

4. AGILITY

Rent/operate versus selling equipment

5. MOBILITY

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

6. TECHNOLOGY

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

7. SECURE CLIENT BASE

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

SPECIALISED, ADAPTIVE AND INTEGRATED DRILLING SOLUTIONS

ROCK BORING

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

TUNNELLING

- Mobile tunnel boring

SHAFT BORING

- Shaft boring

SLIM DRILLING

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

SUPPORT SERVICES

- Directional drilling
- Stage shaft support
- Remote-operated shaft support
- Piling
- Scan mobile
- Ore analysis
- Core yard management

OUR BUSINESS MODEL *continued*

HOW WE CREATE VALUE

SUSTAINABLE GROWTH

- Committed order book
- Revenue (hard currency)
- Market cap of ZAR1,5 billion
- MTB completes production validation project as an alternative to conventional and traditional tunnel boring for fast underground tunnelling
- Phase 1 of the SBS is successfully completed with a committed letter of intent issued for what might be the first project done by this technology
- Footprint expansion into Australia, Canada and Russia
- Aggressive West Africa expansion drive
- Strong pipeline in Australia building steadily
- Revising and extending service offering for a turnkey mine solution
- Mergers and acquisitions focus on technology value-add targets (mining sector)

OPTIMISATION AND INCREASED PROFITABILITY

- Increased utilisation of the drill fleet
- Remote drilling
- Focused programme yielding results:
 - Underground teams have smart devices recording real-time information for remote monitoring
- Dedicated digital innovation team progressing systems for data-driven decision-making, global overview (e.g. stockholding) and effective strategic planning for the future

OUR TRADE-OFFS

Financial capital



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

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

Manufactured capital



Master Drilling's significant expertise is backed up by a formidable fleet of 145 raise bore rigs, 58 slim drilling rigs, 1 MTB and the SBS project

SUSTAINABILITY

- Invest in mitigating environmental impact
- Safer, faster and lower-cost drilling solutions for multiple industries
- Safer solutions for explosives/blasting
- Greater automation = enhanced safety
- Zero harm
- Salaries bill
- Tax paid
- Dividend paid when appropriate
- Increased spend in B-BBEE procurement in South Africa
- Compliance with mines' environmental requirements



TECHNOLOGY OPTIMISATION AND DEVELOPMENT

- Further development and improvements on MTB technology
- SBS realisation for a potential first project
- Further development in raise boring technology with the development of the RD6 and LP100 rigs
- Increased roll out of remote drilling capabilities
- Expansion of digitised platform reporting, analysis, and management
- Research and development in non-explosive mining solutions in partnership with clients
- Building capability and knowledge for green energy integration

PEOPLE CAPACITY AND DEVELOPMENT

- Multi-skilled teams
- Overhaul of performance management system for incentivisation and sustainability at a local level
- Active people development
- Hours training per head
- Zero harm
- Focus on local job creation
- SETA accreditation of our training centre
- Multi-skills and talent feed projects
- Thomas International Assessments
- Launch intern program to attract top talent and develop pipeline

Intellectual capital



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

Human capital



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

Social and relationship capital



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

Natural capital



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

GROWTH MARKET

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

STRATEGIC SCORECARD

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

We are continually developing, adapting and refining the Group's business model for the future.

We recognise that the business of today is very different to the business of tomorrow. With this in mind, our long-term goal for sustainability is to continue to position the Group to deliver a turnkey solution for non-explosive mining.

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



Growing our business in a sustainable way:

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

Geographic expansion

Our aim in FY20

Expand our footprint in Australia, the USA and Europe

What we achieved in FY20

- Australia – continued building pipeline and deploying resources. Secured first contract with Newmont. Two new satellite offices established
- Kazakhstan and Russia – ongoing tendering, country-specific marketing plan, business start-up strategy
- Canada – various contracts running

Measuring our success

- Increased leads and opportunities
- Improvement of conversion rates
- Increased tier one clients

Our goals in FY21

- Pursue aggressive expansion into West Africa with a specific focus on gold producers
- Further expand raise boring services in:
 - Australia
 - Russia/Kazakhstan

New services

Our aim in FY20

Deploy MTB for non-explosive horizontal development that is safer and faster

What we achieved in FY20

- Commenced phase 1 performance validation at Eland Platinum mine
- Working towards expanding digitalisation and other technologies
- Set up satellite office in Ghana that will service an area with better opportunities in gold

Measuring our success

- Client-specific key performance indicators (KPIs)
- Contribution to revenue (%)
- Return on capital services

Our goal in FY21

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



Commercialisation of new services

Our aim in FY20

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

What we achieved in FY20

- Approved 2021 business plans including development of:
 - MTB
 - Slot rigs
 - Low-profile raise bore machine
 - De-watering rotary rigs
 - Pit-to-plant strategy

Measuring our success

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

Our goal in FY21

- Successful start-up of the equipment sales business in South America

Mergers and acquisitions

Our aim in FY20

Ongoing monitoring for mergers and acquisitions opportunities against set investment criteria

What we achieved in FY20

- Special Projects Committee communications took place within approved terms of reference
- Informal Investment Committee communications took place within set investment criteria
- Pursued acquisitions to make the balance sheet leaner

Measuring our success

- Mergers and acquisitions or joint ventures concluded

Our goals in FY21

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

Establish industry-leading market intelligence for drilling

Our aim in FY20

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

What we achieved in FY20

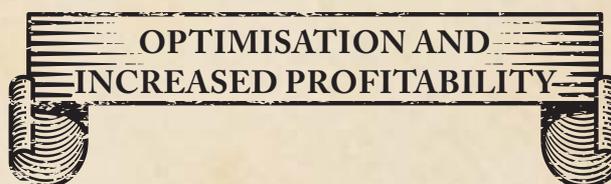
- Further evaluation of spectral noise logging tools completed
- Increased number of conventions attended
- Continued investigation of deep-sea mining

Measuring our success

- Number and type of conventions attended

Our goals in FY21

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



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

Cost optimisation

Our aim in FY20

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

What we achieved in FY20

- Decreased the fixed-cost component of certain costs
- Cut back on cost base in South American regions – especially Peru which has been hardest hit by COVID-19 restrictions
- Deployed fewer resources to optimise scale of business

Measuring our success

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

Our goal in FY21

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

Commercial management and development

Our aim in FY20

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

What we achieved in FY20

- Back to basics and maintained contracts
- Further invested in enhancing resources with specific focus areas
- Systems and processes being maintained for contract reviews
- Standard Group tender conditions being maintained
- Standard pricing model being maintained
- Worked on machine automisation and introduced a new machine – RD6

Measuring our success

- Approved commercial matrix (aligned to lag in market impact)
- Number of contracts compliant with standard terms – number (%) of balance

Our goal in FY21

- Roll out commercial system that measures standard terms

Business process and system development

Our aim in FY20

- Information systems and business process to enhance profitability and operational performance and enable optimal organisational management
- Streamline internal processes to make decisions faster
- Information visible at different levels

What we achieved in FY20

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

Measuring our success

- Digital innovation department restructure lag
- Percentage of Group-wide strategic initiatives
- Number of IT projects registered

Our goal in FY21

- Successful completion and measurement of registered IT projects



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

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

Shaft Boring System

Our aim in FY20

- Replace conventional shaft-sinking methods

What we achieved in FY20

- Phase 1 of conceptual engineering in progress
- Phase 1 experimental testing successful and completed
- Phase 2 experimental testing in progress

Measuring our success

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

Our goal in FY21

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

Remote drilling projects

Our aim in FY20

- Successfully operate a machine remotely

What we achieved in FY20

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

Measuring our success

- Number of rigs and sites operating remotely

Our goal in FY21

- Operate three rigs remotely by end 2020



Machine automation programme

Our aim in FY20

- Automated raise boring rigs available with auxiliary equipment

What we achieved in FY20

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

Measuring our success

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

Our goal in FY21

- Automate and operate three raise boring rigs remotely



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

Focus on up- and multi-skilling and manpower plan

Our aim in FY20

- Skilled and trained employees at all levels with well-defined career paths

What we achieved in FY20

- Human capital project assessed various positions and skills requirements
- Created a roadmap of skill gaps
- Talent pipeline for scarce skill positions
- Succession plan for management positions
- Employee engagement analyses linked to Company culture roll out
- New process in development for assessment of internal training requirements
- Dynamics AX – HR module development – in progress

Measuring our success

- Stable work environment
- Multi-skilled workforce

Our goals in FY21

- Engaged high-performing employees
- Defined career paths and promotable

Improved local community engagement

Our aim in FY20

- Better engagement and sharing of value with communities

What we achieved in FY20

- Dedicated resources to community engagement
- COVID-19 risk monitored and support provided

Measuring our success

- No local community interruptions
- Local employment
- Local procurement

Our goal in FY21

- Increased local community commitment

RISK MANAGEMENT AND MATERIAL RISKS

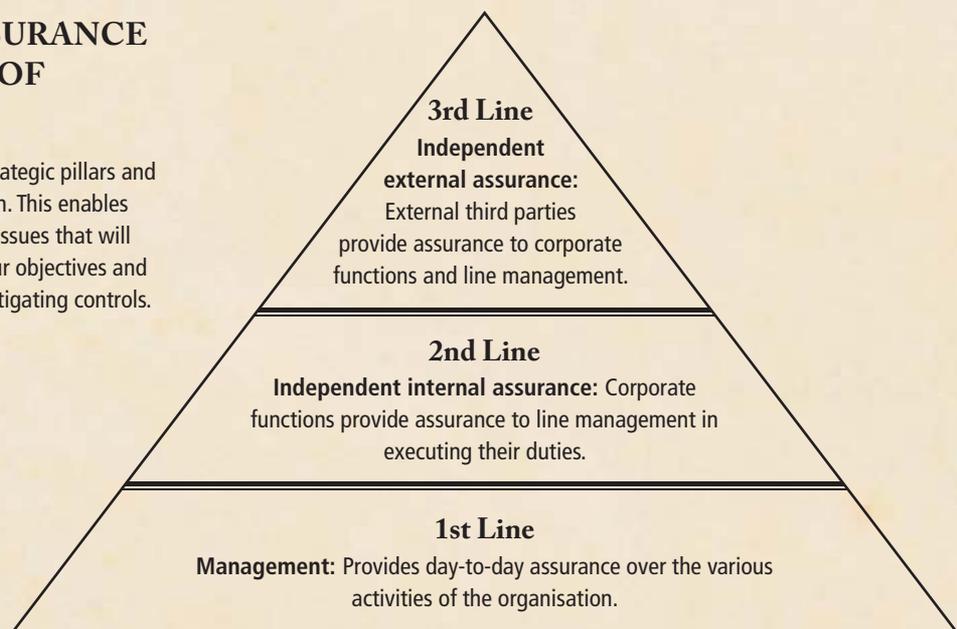
RISK MANAGEMENT

The importance of a solid risk management process being in place became more evident than ever during the COVID-19 pandemic. Master Drilling's already solid risk management framework and process did not change in principle this year, but did in its application. Master Drilling automated the process by developing an application to assist with the implementation, updating of information and reporting of changes in the risk environment in real time. This application is called Stragility and was rolled out in the Group during November and December 2020. The framework and process is being updated to align with the workings of the application during the first half of 2021.

The Group follows the H II and ISO 31000 principles of risk management. Our approach requires risks to be linked to objectives that drive our strategy. These identified risks are then linked to root causes and possible consequences. Controls are then identified to deal with the root causes and possible consequences. The prioritisation of our risks helps us to focus our efforts and resources on the areas with the biggest exposure and possible opportunities.

COMBINED ASSURANCE – THREE LINES OF DEFENCE

Key risks are linked to the strategic pillars and objectives of the organisation. This enables us to track and monitor any issues that will prevent us from achieving our objectives and respond by implementing mitigating controls.





RISK MANAGEMENT AND COMBINED ASSURANCE STRUCTURE

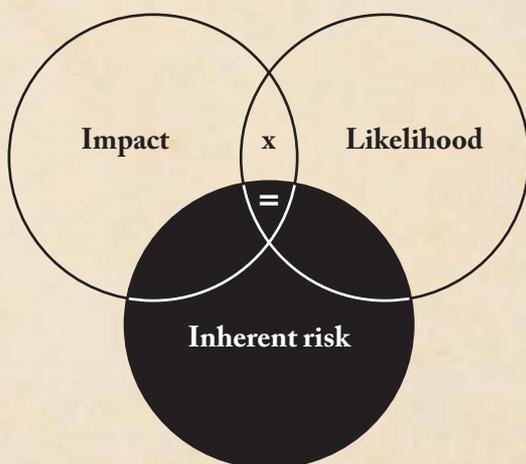
The Chief Executive Officer is ultimately accountable to the shareholders for risk management at Group level. The Chief Executive Officer then allocates responsibility to the various executives, heads of department and other staff to ensure risks are managed and mitigated throughout the organisation.

Board					
Audit Committee	Corporate Governance Committee	Remuneration Committee	Risk Committee	Social, Ethics and Sustainability Committee	Nominations Committee

Combined assurance forum			
Regional Risk Committee (South America, USA, Canada)	Regional Risk Committee (Africa, Europe, Asia)	Regional Risk Committee (South Africa)	Special Projects Risk Committee
Regional General Managers	Regional General Managers	Regional General Managers	Regional General Managers/ project managers/ special matter experts

The Board does not, in the first instance, determine the risk appetite and tolerance of the Group as management assumes the role, and, through the Risk Committee, presents it to the Board for approval. We aim to have set appetite and tolerance levels for each of our Group strategic risks and management is currently in the process of determining and setting these to be presented to the Risk Committee and ultimately the Board.

Risks are rated by using the following methodology:



We then apply a control effectiveness factor to the inherent risk to arrive at the residual risk exposure. The following four indicators are used to prioritise various actions relating to risk:

- Inherent risk;
- Residual risk;
- Desired residual risk; and
- Gap (difference between residual and desired residual risk).

Master Drilling follows a risk-based approach when it comes to assurance (internal audit). Assurance activities include various types of reviews including internal audit, as well as external audit, cross audits and site audits. Master Drilling's assurance plan is risk-based and reviews are scheduled according to this plan.

As a result of COVID-19, an epidemics and pandemics risk was identified and added to the Group's strategic risk register. Master Drilling launched a COVID-19 Group Steering Committee which met every day during the hard lockdown. After that, meetings were held once a week to discuss pressing matters and key controls in this regard. Master Drilling also developed and launched a COVID-19 app that enabled us to track and monitor infections across the Group in real time.

RISK MANAGEMENT AND MATERIAL RISKS *continued*

MATERIAL RISKS

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

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

There have been no significant changes in the material matters previously identified and a summary of these is set out below. The COVID-19 pandemic was added to our risk register as epidemics and pandemics.

Although there have been no significant changes in our material matters previously identified over the past year, we have identified and mitigated the following new material matters:

- Epidemics and pandemics;
- Business model optimisation;
- Look and feel of the future mining industry;
- Cybersecurity; and
- Theft, fraud and corruption.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

1

Unwanted safety, health, environmental and quality (SHEQ)-related events

Control through an integrated management system is based on leadership commitment, effective SHEQ standards, core competencies and consultation and participation. This combined with the live data provision of applicable leading and lagging indicators ensure the risk is actively controlled.

2

Epidemics and pandemics

The Group has a functioning Crisis Committee that looks at COVID-19 and the potential impacts it could have on the Group. The work of the committee is strengthened through specific COVID-19 policies and procedures. All cases are continuously monitored and any changes are reported to the Crisis Committee. Regular assurance is done down to site level to ensure compliance with the policy and related procedures.

New risk



INFORMATION AND DATA

3

Information-driven decision-making

The Group drives continuous digital innovation projects through a dedicated digital innovations department. The data that these projects generate is stored in data warehouses and interpreted by making use of data analytics and Power BI dashboards. This information is then used to make real-time business decisions.

4

IT, data analytics and end-user knowledge

The same controls are applied as under the information-driven decision-making risk, however, with a focus on upskilling the end user to use the various dashboards. Continuous training and development initiatives are driven by the digital innovations department as and when new systems and platforms are launched.





SUSTAINABLE GROWTH

<p>5</p>	<p>Fleet optimisation and utilisation</p>	<p>Various scheduled machine upgrades are underway with a specific focus on low-profile machines. There is also an increased focus on the MTB and SBS. Unfortunately, due to COVID-19, capital is constrained hence the risk increase.</p>	<p>↑</p>
<p>6</p>	<p>Business model optimisation</p>	<p>Group strategy alignment project with a monthly review of progress towards strategic initiatives. The aim of this project is to align entities and teams with the overall direction of the business. This is achieved by making use of technology where all employees in the Group have access to the objectives and key results as well as the ability to view progress towards achieving them.</p>	<p><i>New risk</i></p>
<p>7</p>	<p>Diversification, mergers and acquisitions and geographical expansion</p>	<p>Establishment of an Innovations Committee and partnered with business development agents to expand the geographical footprint. Commenced research into specific technologies that can be applied in the mining industry but are not drilling-related.</p>	<p>↕</p>
<p>8</p>	<p>Availability and accessibility of funds and free cash</p>	<p>A number of cash preservation measures were implemented to counter the effect of COVID-19 on the business, including weekly cash flow projections, reduced capital spend and cost reduction initiatives across the Group.</p>	<p>↑</p>
<p>9</p>	<p>Innovation and technology</p>	<p>Establishment of an Innovations Committee with the primary objective to innovate technology-driven solutions that can be applied in the mining as well as non-mining environments.</p>	<p>↔</p>
<p>10</p>	<p>Look and feel of the future mining industry</p>	<p>Participation in various forums and several global indabas which provided insight in terms of what the future of the industry might look like.</p>	<p><i>New risk</i></p>

COMMERCIAL

<p>11</p>	<p>Contract management, execution and profitability</p>	<p>We have dedicated contract managers with a key focus on training and development around contract execution and cost management. These contract managers are supported by qualified quantity surveyors and project management technologies.</p>	<p>↔</p>
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COMPETITION

<p>12</p>	<p>Strategy and technical development at competitors, potential future competitors and original equipment manufacturers</p>	<p>Continuous monitoring of the industry for new technologies and adjustment to long-term strategy accordingly. The Innovations Committee also plays a key part here.</p>	<p>↔</p>
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RISK MANAGEMENT AND MATERIAL RISKS *continued*

PEOPLE CAPACITY AND DEVELOPMENT

13

Required skills mix, development and availability thereof for new normal

Defined business strategy with a specific future-fit objective. KPIs and performance agreements for executives are in place together with succession plans for key individuals.



LEGAL, REGULATORY AND PROCEDURAL COMPLIANCE

14

Compliance with key laws, regulations and critical procedures

Each business unit in the Group developed a compliance universe based on the Group's identification and prioritisation methodology.



CYBERSECURITY

15

Safeguarding of information and protecting the organisation against cyberattacks

Various IT policies and procedures are in place together with firewalls and continuous data monitoring. Deviations from procedures are investigated with remedial actions identified and implemented. Notifications around cyberattacks are monitored and adjustments made as and when required.

New risk

THEFT, FRAUD AND CORRUPTION

16

Timely detection and reaction to theft, fraud and corruption

Policies and procedures are in place to deal with any such incidents. The Group also has a whistle-blower hotline that is administered by Deloitte. Scheduled internal and external reviews are also conducted throughout the year.

New risk

 *Reduced*  *Increased*  *Unchanged*

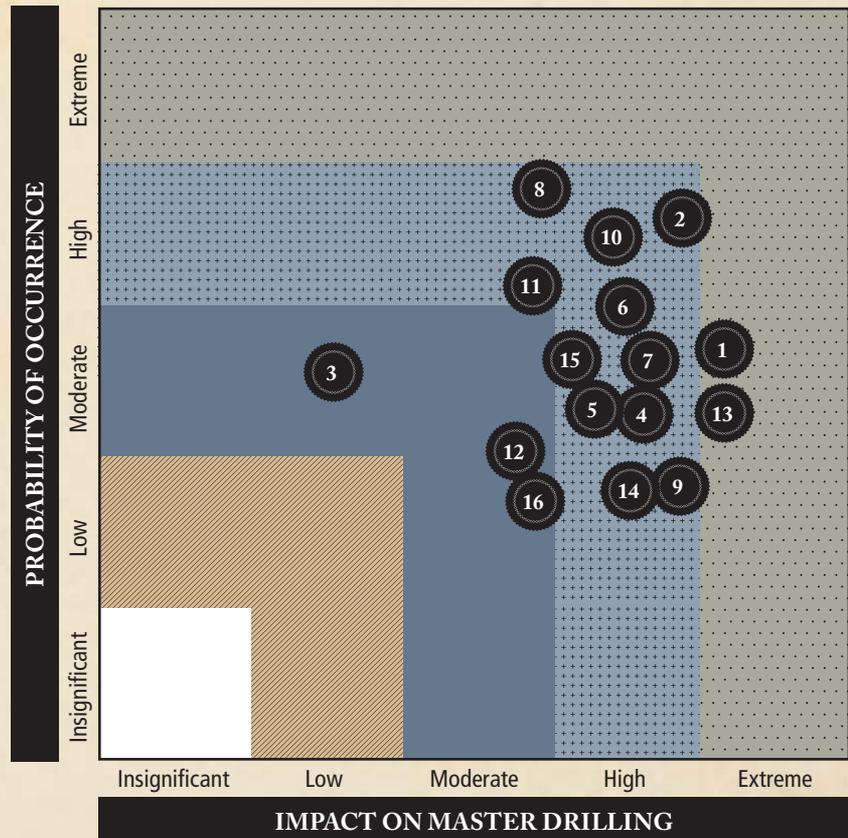


MATERIAL RISKS HEAT MAP

Material risk

1. Unwanted safety, health, environmental and quality-related events
2. Epidemics and pandemics
3. Information-driven decision-making
4. IT, data analytics and end-user knowledge
5. Fleet optimisation and utilisation
6. Business model optimisation
7. Diversification, mergers and acquisitions and geographical expansion
8. Availability and accessibility of funds and free cash
9. Innovation and technology
10. Look and feel of the future mining industry
11. Contract management, execution and profitability
12. Strategy and technical development at competitors, potential future competitors and original equipment manufacturers
13. Required skills mix, development and availability thereof for new normal
14. Compliance with key laws, regulations and critical procedures
15. Safeguarding of information and protecting the organisation against cyberattacks
16. Timely detection and reaction to theft, fraud and corruption

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



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

RISK COMMITTEE REPORT

The Risk Committee is responsible for risk and compliance management.

Various risk assessments are conducted throughout the year at various levels in the organisation. Group risks are reviewed and rated on a quarterly basis. There are no findings associated with the risk assessments other than those on the reprioritised risk register.

The Risk Committee is responsible for:

- Establishing and maintaining a common understanding of the risk universe as it applies to the Group, which needs to be addressed in order to meet strategic objectives;
- Together with the Board identifying and agreeing the risk profile of the Group including the ten most important risks affecting the Group, the risk appetite of the Group and the risk tolerance of the Group;
- Satisfying the corporate governance reporting requirements regarding risk management;
- Monitoring the Group's risk management and assurance efforts; and
- Exercising ongoing oversight of risk management within the Group.

The committee assists the Board in discharging its duties related to:

- Providing oversight and input into the strategic process of risk identification and mitigation;
- Ensuring that the risk management process aligns to and follows the established enterprise risk management and combined assurance framework; and
- Ensuring that the committee acts under a delegated mandate from the Board.

During the reporting period, the committee:

- Completed and implemented the risk automation project;
- Refined the risk identification methodology to include forward-looking uncertainties and not just current risk exposures; and
- Established and implemented risk appetite and tolerance measures at Group level.

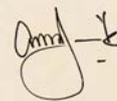
In the 2021 financial year, the committee intends to:

- Digitise the tracking of objectives and key results;
- Roll out and embed a risk management culture at lower levels of the organisation; and
- Digitise the legal and regulatory landscape for South Africa and Africa.

Attendance at committee meetings is set out on page 70.

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

Refer to page 18 for our response to COVID-19 and pages 30 to 35 which deal with risk management and material risks.



Andries Brink
Chairman of the Risk Committee

28 April 2021

The background of the page is a dark, industrial scene. It features a large, metallic, ribbed cylindrical object on the right side, possibly a part of a machine. In the center, there are bright sparks and a glowing light source, suggesting a welding or grinding process. The overall atmosphere is one of intense industrial activity.

OUR IMPACT

Our ESG strategy

38

Stakeholder engagement

40

Our people

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Health and safety

47

Our communities

49

OUR ESG STRATEGY

ESG touches all parts of our business with everyone in the organisation playing an important role. At Master Drilling, we live our values and responsibilities, we engage with all stakeholders and we are committed to making a positive contribution to mankind and the planet in our daily activities. We are aware that our specific actions and business decisions have an impact on our clients, shareholders, employees and their families, local communities and the natural environment. Our holistic and Group-wide ESG strategy framework is currently being integrated with the aim of long-term value creation for all our key stakeholders. This propels us to arrive at every decision we make by considering our responsibility to our stakeholders in the areas in which we operate.

ENVIRONMENTAL	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	15 LIFE ON LAND
<h3>HOW WE DEFINE ESG</h3> <p>The energy the Company takes in, the waste it discharges, the resources it needs, and the consequences for living beings as a result. This encompasses carbon emissions and climate change.</p> <p><i>Our sustainability goals are aligned to the UN SDGs</i></p> <ul style="list-style-type: none">• Protect and preserve the environment and planet from harm through water management, waste reduction and recycling• Measure and manage energy	<h3>OUR TARGETS</h3> <ul style="list-style-type: none">• Decrease our LTIFR rate by 20% year-on-year• Generate some of our global office energy requirements from renewable sources• Reduce energy consumption at our operational sites• Reduce water consumption at our operational sites• Reduce oil consumption (filter and re-use) or recycle oil used in operations• Develop the communities in which we operate by making use of local labour and spending as far as possible			





SOCIAL	
<p>3 GOOD HEALTH AND WELL-BEING</p> <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>10 REDUCED INEQUALITIES</p>	
<p>HOW WE DEFINE ESG</p> <p>The relationships the Company has and the reputation it fosters with people and institutions in the communities where we operate; labour relations, diversity and inclusivity in relation to the broader, diverse society in which we operate</p>	<p>OUR TARGETS</p> <p><i>Safety and health</i></p> <ul style="list-style-type: none"> • Zero harm • 20% reduction in recordable health and safety incidents • SBS safety programme with targets from recruitment to retirement • Health programme for all employees <p><i>Social</i></p> <ul style="list-style-type: none"> • Channel 20% of procurement spend through local businesses where we operate • Employ at least 50% of local people where we operate with a knowledge transfer programme to achieve 70% in 36 months • Retain key skills and attract required skills to grow the business • 50% women in senior management (five-year target) • 100% compliance with and support of the Social and Labour Plans of our clients
<p><i>Our sustainability goals are aligned to the UN SDGs</i></p> <ul style="list-style-type: none"> • Care for and respect all stakeholders • Ensure safe and responsible operations 	

GOVERNANCE	
<p>10 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	
<p>HOW WE DEFINE ESG</p> <p>The internal system of practices, controls and procedures adopted in order to govern the Company; make effective decisions, comply with the law and meet the needs of external stakeholders</p>	<p>OUR TARGETS</p> <ul style="list-style-type: none"> • Compliance with King IV™ principles • Roll out of Group values and measure compliance • Remuneration practices • Board diversity and management diversity • Tax strategy • Risk programme and insurance cover • Audit practices
<p><i>Our sustainability goals are aligned to the UN SDGs</i></p> <ul style="list-style-type: none"> • Ensure compliance with laws and regulations • Comply with best practice • Act in a transparent manner 	

STAKEHOLDER ENGAGEMENT

Communication and relationship management with our stakeholders is of the utmost importance to the sustainability of our business. Our stakeholders' direct and indirect interests have the ability to influence how we create value and inform our strategy. Master Drilling's stakeholder evaluation process is reviewed regularly to match the constant changes regarding the influences and impacts of different stakeholders on our broader environment throughout our business' life cycle. We define our stakeholders as persons or groups who are directly or indirectly affected by our operations or projects, or whose interests in our operations or projects can influence their outcome.

Our key stakeholders are locally affected communities and individuals; government, politicians and regulatory authorities; employees, their families and labour unions; the media; suppliers, joint venture partners and business peers; and the investment community. Our approach is critical to ensure that we determine

the best way in which to engage with them. We are cognisant of key issues that affect them, and ourselves, as well as the manner in which we respond to them.

Stakeholder engagement informs our key strategic decisions, business operations and objectives. We identify material

matters through stakeholder engagement initiatives and continue to manage them through the process.

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

Through our stakeholder engagement programme, we strive to ensure open and transparent engagement with all stakeholders.

Our key stakeholders and the engagement processes are profiled below. Regular formal investor and analyst feedback is performed by external consultants. Regular employee and customer feedback is performed internally.

LOCALLY AFFECTED COMMUNITIES AND INDIVIDUALS

Engagement

We follow all guidelines provided by our clients to determine who the affected communities are and how we should engage.

We allocate financial and human resources and work with these communities to ensure that they are empowered with information, and consulted on operational issues that may affect them.

Impact on stakeholders and the Company

Outward: Through engagement, our operations have an immediate and long-term positive impact on the socio-economic development and sustainability of communities and livelihoods.

Inward: Conflict with communities could delay or impede access to projects and operations, resulting in financial and other losses and reputational damage. Through engagement, the Company aims to be a responsible corporate citizen.

Matters raised

- Community investment
- Local procurement
- Infrastructure development and benefit sharing
- Impact of restructuring and closures
- Environmental and health impacts



GOVERNMENT AND REGULATORY BODIES

Engagement

We continually engage with governments in all regions in which we operate.

Statutory payments including levies and taxes are made timely to governments, and we maintain transparency in all payments to governments.

All donations are governed by our values and compliance policies, including the anti-bribery and anti-corruption policy, and we comply with any and all applicable laws.

Impact on stakeholders and the Company

Outward: The benefits for government are jobs, taxes and investment. The benefits to Master Drilling, at a local level, include employment, skills development, local procurement and infrastructure and service development.

Inward: Engagement is aimed at establishing regulatory certainty and compliance with the King IV™ principles to create an environment conducive to good business practice.

Matters raised

- Safety and environmental performance
- Regulatory compliance
- Taxes
- Labour relations
- Local development
- Housing and living conditions
- Wage negotiations and the industry's economic position
- Safety, security and stability

EMPLOYEES, THEIR FAMILIES AND LABOUR UNIONS

Engagement

Engagement with employees is a two-way platform of communication and is critical to ensuring increased productivity, to maintaining a strategic focus and to motivating employees to give of their best. Engagement is undertaken on a wide range of issues, many of which are specific to the local context.

Answers to a survey conducted highlighted a firm belief in the Company's values and areas requiring attention, and possible intervention included ethics, managerial effectiveness in developing trust, as well as senior leadership practices, where employees would like to see greater consistency between what is said and what is done. Feedback on the survey results has been shared with employees.

We comply with local legal and regulatory frameworks as well as with international codes, including those of the International Labour Organisation.

Impact on stakeholders and the Company

Outward: Improved safety, health and well-being have marked impacts on employees and their families. By understanding and aligning with the corporate strategy, employees have access to development and career fulfilment, as well as job security. Unprotected industrial action may have negative consequences as the Company will not compromise on ensuring the safety of its employees and its assets.

Inward: Improved safety and health performance has a positive impact on the Company. Employee engagement has a positive impact on productivity. Good labour relations reduce the potential for industrial action and promote a collaborative approach to problem-solving in the workplace.

Matters raised

- Employee safety and health
- Wages and benefits
- Accommodation and living conditions
- Employee indebtedness
- Job security

STAKEHOLDER ENGAGEMENT *continued*

THE MEDIA	
<p>Engagement We seek to engage regularly and transparently with local and international media.</p> <p>We often post Company projects and events on social media.</p>	<p>Impact on stakeholders and the Company Outward: Engagement can enhance understanding of the Company and promote accurate reporting and constructive relationships.</p> <p>Inward: Successful engagement will enhance the Company's reputation.</p>
<p>Matters raised</p> <ul style="list-style-type: none"> • Operational performance and business sustainability • Safety and health performance 	
SUPPLIERS, BUSINESS PARTNERS AND BUSINESS PEERS	
<p>Engagement We seek collaborative and mutually beneficial relationships.</p>	<p>Impact on stakeholders and the Company Outward and inward: Stable, long-term and mutually beneficial relationships. Development and support of local suppliers.</p> <p>Improved sustainability and growth.</p>
<p>Matters raised</p> <ul style="list-style-type: none"> • Impact of restructuring and closures • Modernisation and innovation • Ongoing financial commitments • Local procurement 	
FINANCIERS, INVESTORS AND POTENTIAL INVESTORS (INVESTMENT COMMUNITY)	
<p>Engagement We communicate regularly with our shareholders, investors, potential investors and the providers of capital, in person and by email, at our half-yearly and annual results presentations, conference calls, site visits, investor conferences and at one-on-one meetings.</p> <p>This also ensures compliance with the JSE Listings Requirements and King IV™.</p>	<p>Impact on stakeholders and the Company Outward: Engagement can enhance the valuation and credit rating of our Company and our access to cost-efficient capital.</p> <p>Inward: We have been able to successfully arrange new facilities for capital sustaining growth and obtain assistance with technology development from financial partners. Improved business focus and a strategy review is undertaken after feedback from shareholders.</p>
<p>Matters raised</p> <ul style="list-style-type: none"> • Operational performance and business sustainability • Regulatory issues • Financial performance • Shareholder returns • Safety performance 	

Reporting and monitoring

The Audit Committee, Risk Committee and the Social, Ethics and Sustainability Committee have reviewed the stakeholder issues identified, as well as the Integrated Report, and have determined that the material matters for reporting represent a balanced and comprehensive view of the critical areas of concern for the business and its stakeholders.

OUR PEOPLE

Our resources are one of our material matters and a critical factor in achieving our strategic goals. People capacity and development is one of our strategic pillars. At year-end, we employed 1 771 people (2019: 1 958) across the globe. As part of our drive to automisation, this requires a radical shift in skills

required and we are committed to retraining and reassigning employees. The scarcity of engineering skills in particular regions remains a challenge, however, one of the advantages of our geographic diversity is the ability to redeploy our global workforce.

EMPLOYEES BY SKILL LEVEL

	Africa	Australia	Brazil	Chile	China	India	Mexico	Peru	Total
Workforce December									
Skilled	378	6	28	85	21	8	53	46	
Semi-skilled	220	3	44	66	–	4	36	117	
Unskilled	275	–	121	82	–	33	62	83	
Total	873	9	193	233	21	45	151	246	1 771

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

SALARY INCREASES

Country	Last wage increase %	Salary increase senior managers %	Salary increase executives %	Salary increase employees %
South Africa	–	–	–	–
Brazil	2.00	2.00	2.00	2.00
Chile	0.50	0.50	0.50	0.50
China	–	–	–	–
Mexico	3.50	–	–	–
Peru	–	–	–	–
Zambia	–	–	–	–

* The table above reflects increases for 2020.

UNIONISED EMPLOYEES

Country	Number of unionised employees
Africa	758
Australia	0
China	10
Peru	62
Mexico	47
Chile	99
Brazil	0

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

MINING QUALIFICATIONS AUTHORITY ACCREDITATION

The Master Drilling training centre received accreditation from the Mining Qualifications Authority in 2020.

The second accredited management training programmes have been conducted. The raise bore qualification training material was developed and submitted for accreditation to the Mining Qualifications Authority.

The training material has been translated into Portuguese and Spanish to ensure uniform standards of training across Master Drilling. Training videos have been developed to supplement the training material and illustrate case studies. The material as well as accompanying tests can also be presented remotely via the learner management system.

TRAINING STRATEGY

DEDICATED

Focused training programmes and support systems

RETURN

Investments focusing on people development and talent acquisitions

INVEST

Invest in our own people capacity and development of skills

LONG TERM

Strategy for training that aligns with industry and global trends



IN-HOUSE TRAINING PROGRAMMES

On-boarding programme

Applicable to new employees to assist them in gaining a better understanding of the business and getting to know the people in the Company. This programme is supported by a development programme that has to be signed by the relevant heads of department.

The on-boarding and induction programme was reviewed to ensure standardised quality of on-boarding across the Group and a culture fit to new employees. The induction programme has also been migrated to a digitised platform which can be presented remotely.

Safety induction/refresher programme

Employees attend the programme annually in order to maintain a high level of safety knowledge.

Operational training/refresher programme

New employees are trained in operational practices to familiarise them with the Master Drilling way. Operational staff have to be tested annually to measure their knowledge retention. Employees are assessed for competency at various stages once they have achieved the requirements e.g. operator, foreman, etc.

LONG-TERM OBJECTIVES

Profitability

Market penetration

Quality management

Customer value proposition

Product mix

Recruitment and development

KPIs

- Increase revenue
- Keep expenditure below budget
- Remain competitive
- Increase market share
- Adopt aggressive marketing strategy
- Diversify product range
- Obtain Mining Qualifications Authority full accreditation
- Obtain Quality Council for Trades and Occupations accreditation
- Obtain scope extension applied for
- Maintain ISO 9001:2015 standards
- Obtain scope extension with other SETAs
- Register with the Department of Higher Education
- Review customer value proposition continually to ensure that customer requirements are met
- Diversify product range
- Keep abreast of latest changes to training material
- Recruit employees as required
- Determine employee requirements
- Develop employees as needed
- Meet employment equity requirements

OUR PEOPLE *continued*

COMMERCIAL TRAINING

A programme was compiled to assist contract managers to understand and manage contracts more effectively and efficiently.

The programme was successfully conducted in 2020.

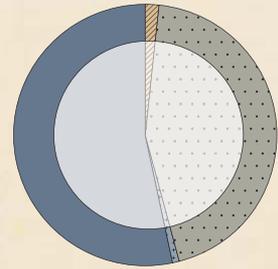
SKILLS GAP ANALYSIS

A skills gap analysis was conducted and linked to development plans to ensure that Master Drilling has a talent pipeline for critical positions. Psychometric assessments for all operational and management level positions were finalised in 2020 which feed into the Master Drilling succession plan.

MULTI-SKILLING PROJECT

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

Training per region



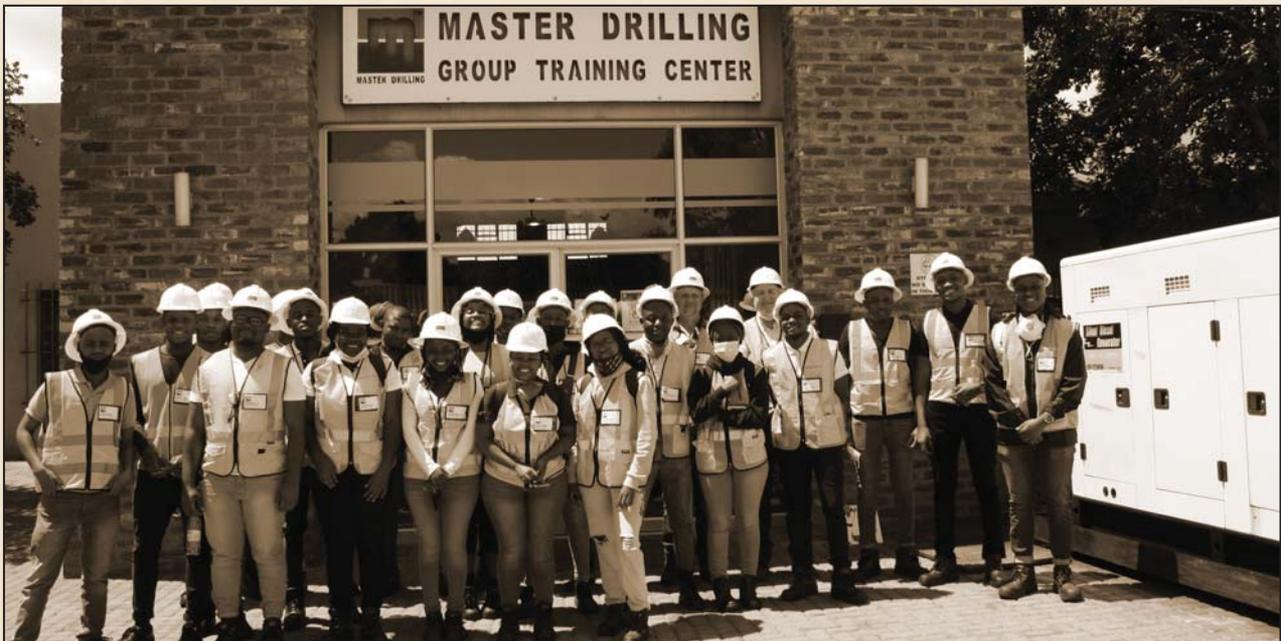
	2020 USD
Central and North America	24 224
South America	669 644
Other countries	6 348
Africa	796 409
Total	1 496 625

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

ACCREDITED TRAINING (2021 AND BEYOND)

Provided that infrastructure and competent training personnel are available, Master Drilling training services' scope will be extended to include the following training products in the near future:

- Engineering learnerships;
- Working at heights;
- Overhead crane;
- Self-propelled vehicles (forklift, mobilift, etc.);
- OD-ETD certificate (levels 3 and 4);
- Assessor programme; and
- Moderator programme.





HEALTH AND SAFETY

Master Drilling is committed to ensuring the health and safety of all employees. Our philosophy around health and safety is to create a safe work environment which complies with all statutory requirements, regulations as well as the different codes of practice.

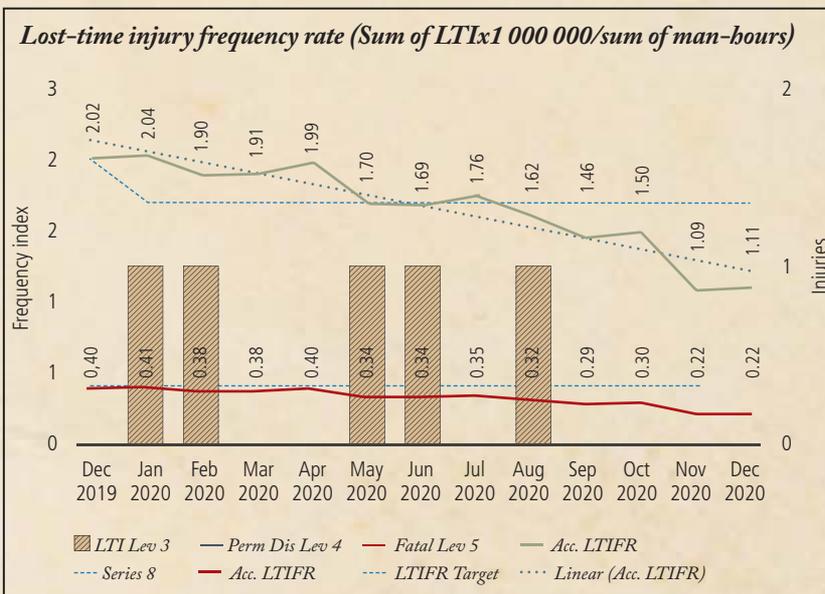
We believe that practising predictive SHEQ management is essential and this platform enables management to implement the required control measures in real time. We have implemented an in-house-developed mobile incident and non-conformance management tool called the "SHEQ app". This platform aims to ensure live data provision of the Group's leading and lagging indicators.

Our overall safety performance, LTIFR improved by 45% from December 2019 to December 2020 achieving an LTIFR of 1.1 for the year. This is considerably lower than the milestone of 1.7. The improvements in health and safety were a result of some key initiatives such as hands-free operations through automation and remote drilling, implementation of designed special tools and focusing on risk identification.

We challenge the status quo of conventional mining techniques such as drill and blast by offering a one-stop mining solution to clients. Applied technology, such as tunnel boring, is a typical example of how we achieve this. Master Drilling decreases man-machine interaction which decreases the associated health and safety risks. During the year, we upgraded the existing raise boring and other drilling equipment to decrease the inherent risk of the machines.

We remain committed to zero harm to people, property and the environment. Master Drilling views any incident as an organisational risk which should be controlled. Through operational governance controls, a continuous assessment of standards is conducted based on local legislative obligations, client requirements and international best practices.

To continually improve our health and safety culture we conduct frequent monitoring of behavioural aspects.



HEALTH AND SAFETY *continued*

Our zero-harm approach is enshrined in our health and safety policy and is focused on four key principles:

- | | | | |
|---|---|--|--|
| <p>1</p> <p>Hands-free
Eliminating manual activities and ensuring that the risk is contained by means of engineering and administrative controls in order to reduce the primary cause of injuries</p> | <p>2</p> <p>Governance
Comprehensive compliance with the various standards relating to SHEQ</p> | <p>3</p> <p>Risk assessment
Identifying and controlling all workplace hazards according to the hierarchy of controls</p> | <p>4</p> <p>Incident investigation
Striving for 100% no repeats of any injury in the workplace through preventative and corrective actions</p> |
|---|---|--|--|

Master Drilling SHEQ management framework:



Our objective for 2021 is to remain the industry leader in raise boring and safety by pioneering and leveraging technology to solve conceptual problems and ensure the safety of our employees and clients. This includes hazard identification, risk

assessment, control of risks and keeping each person responsible for their own health and safety. With the support of government, regulators and policy makers, proven mechanisation processes should be adopted and promoted as an industry standard.



OUR COMMUNITIES

Master Drilling has an effective corporate social responsibility (CSR) policy in line with our commitment to behave ethically and contribute to economic development while improving the quality of life of our workforce and their families, as well as of the local communities in which we operate, and society in general. The Group's corporate social investment (CSI) policies aim to ensure that we properly maintain our social licence to operate by considering human rights as well as the social, economic and environmental impacts of what we do as a business.

The establishment of the Employee Assistance Programme demonstrates our commitment to humanising the workplace and ensures employees unfettered access to resources such as counselling, advice, personal empowerment opportunities and support. The rationale for the programme is to meet employee health and general well-being needs; meet the needs of the changing workforce; and help the organisation with evaluation and feedback about reactions of employees on a variety of social issues.

The Employee Assistance Programme is managed by the Master Drilling Social Services office and consists of two professional social workers who render services to Master Drilling employees, their families and other community members. Social workers are registered as professionals at the South African Council for Social Service Professions and must adhere to the requirements set out by the Council regarding ethical practice and continuous professional development.

The programme is a cost-free, worksite-based programme providing professional assistance to Master Drilling employees and their dependants. Its objectives include enhancing the psychosocial well-being of all individual employees and enhancing the well-being of the employer as a corporate client towards improved productivity of the workforce at large. Furthermore, the goal is to provide proactive and reactive interventions, through the application of acknowledged core technologies, for the early identification and/or resolution of both work and personal challenges that may adversely affect performance and well-being.

Various employee engagement initiatives are used as tools for creating awareness and the empowerment of employees with knowledge, attitudes and skills regarding social issues, wellness, personal growth and development ultimately ensuring that employees function optimally. During the year, our CSR initiatives benefited about 1 372 employees.

Community engagement projects are implemented within remote, rural or agriculturally-based communities where there are often challenging social conditions. We are cognisant of our responsibility to act as a good corporate citizen and our responsibilities towards the people with whom we work as well as the communities we affect. During the year, our CSR initiatives benefited about 886 individuals in various communities.

Master Drilling creates opportunities for local non-profit organisations, facilities and schools by providing sponsorships to ensure the active operation and, ultimately, enable these community groups to make a direct impact on the lives of vulnerable population groups. During the year, we spent ZAR1 264 988 on sponsorships which benefited about 1 436 community members.

The engagement programmes implemented and sponsorships allocated have created many opportunities for beneficiaries to improve their quality of life and standard of living.

Clinical social workers are uniquely trained to combine individual psychotherapeutic methods with a broader understanding of the many contexts in which people live and

OUR COMMUNITIES *continued*

experience social, financial, familial and emotional challenges. This is characterised by a holistic, person-in-environment approach. Clinical social work involves assessment, intervention by treating and prevention and monitoring services. It also assists individuals to address psychological, emotional, behavioural and social challenges that affect their quality of life.

During the year, the following services were available free of charge to employees, their families and community members who reported to the Master Drilling Social Services office to ensure access to professional services:

1

Family preservation: services are short-term, family-focused services designed to assist families in crisis by improving family functioning while keeping children safe. Social assistance can be defined as an intervention focused on ensuring survival by meeting basic needs and quality of life or standard of living and they include supplying food parcels to individuals and families and assisting these individuals and families to link with formal and informal resources and structures.

2

Therapeutic services: are focused on improving the mental health and emotional well-being of employees and community members in a holistic manner, rendering support, ensuring sustainable change with regard to impediments or challenges, and to empower clients with the necessary skills and knowledge to enhance positive outcomes in their lives.

3

Mediation services: offer a dynamic, structured and interactive process where an impartial third party assists disputing parties in resolving conflict through the use of specialised communication, debriefing and negotiation techniques. Mediation services are mainly focused on the compilation of memoranda of understanding, parental rights and responsibilities agreements and formal parental plans made orders of the Children's Court.

4

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

Huis Kompas (place of safety) is a registered non-profit organisation and is funded primarily by Master Drilling to ensure that this valuable resource is available to child protection organisations to effectively protect and safeguard children in need. The facility operates as a place of safety for children who are found to be in need of care and protection and are removed statutorily from harsh and harmful circumstances. Children are placed in temporary safe care to stabilise their physical and emotional state and to experience a safe, stable and supportive environment during the intervention process. During the temporary placement, the children must be linked with the necessary resources and intervention needed to restore balance in their lives and must also be supported and empowered with life skills to be able to improve their quality of life, even after placement.

Community engagement projects are implemented within remote, rural or agriculturally-based communities where there are often challenging social conditions.

For the year, the facility accommodated 11 children between the ages of six and 12 years.

Master Drilling's Social Services office makes use of awareness programmes, empowerment programmes and outreach programmes when rendering community work, ensuring that Master Drilling's CSR is adhered to. The social workers are able to reach a large number of children, adults, disabled persons and elderly persons to enhance skills or knowledge, or link the population groups with resources to improve their standard of living. The COVID-19 pandemic has had a huge impact on general social work service delivery, but the social workers were led by the values of Master Drilling, especially innovation, and proactively sought out new and innovative methods to serve our communities.

Details of donations and engagement programmes and sponsorships for the past year are set out below:

EMPLOYEE ENGAGEMENT

Engagement programme	Beneficiaries	Date
Red Friday – Keys to Positive Relationships	140 employees	February 2020
Human Rights Day – Creating a Work-life Balance	133 employees	March 2020
Child Protection Week – Book of Fun for Kids	100 employees	June 2020
Women's Day – Women-2-Women Virtual Conference	60 employees	August 2020
Marriage Week – Nurturing and Strengthening your Marriage	160 employees	September 2020
Heritage Day – Jerusalema Challenge	40 employees	September 2020
Mental Health Awareness – Trauma debriefing for HR and SHEQ employees	20 employees	October 2020
16 Days of Activism against Women and Child Abuse	160 employees	November 2020
World AIDS Day – Hand-out of self-tester	180 employees	December 2020
Food parcel drive for employees	36 employees	Throughout 2020
COVID-19-related social work service delivery	43 employees	Throughout 2020
COVID-19-related awareness projects	300 employees	Throughout 2020

COMMUNITY ENGAGEMENT

Engagement programme	Beneficiaries	Date
School Shoe Drive – Greenspark Primary School	40 children	February 2020
Meet and Greet Child Protection Forum for stakeholders	29 stakeholders	March 2020
Out-of-this-World Leadership Programme – Greenspark, Wedela and Kokosi Primary Schools	88 children	March 2020
Self-development training for teachers	79 teachers	June to July 2020
Celebration of Mandela Day – blanket drive	55 elderly persons	July 2020
Sisonke Project 2020 – empowerment of local non-profit organisations and food parcels	310 beneficiaries	April to June 2020
Junior Birds soccer team – soccer kits and uniforms	46 children	August 2020
Mental health awareness – project for the South African Police Service	42 officials	September 2020
Celebration of Teachers' Day	197 teachers	October 2020



OUR COMMUNITIES *continued*

COMMUNITY SPONSORSHIPS/DONATIONS

Initiative	Amount	Frequency
The Grace Foundation – salary of a qualified teacher	ZAR3 500	Monthly
Greenspark Primary School – 3x salaries for student teachers	ZAR6 000	Monthly
Nederduits Gereformeerde Kerk Welfare – rental of office	ZAR4 000	Monthly
Wedela Primary School – salaries for student teachers	ZAR2 500	Monthly
Losberg Primary School – salary for student teacher	ZAR5 500	Monthly
Losberg Primary School – establishment of animal camp	ZAR13 790	Once-off
Barach Tamid International Ministries – general donation	ZAR15 000	Monthly
Karabo Dineo Home for Children in Kokosi – general donation	ZAR2 000	Monthly
Lethabo Centre for the Blind in Kokosi	ZAR1 000	Once-off
Greenspark Old Age Centre – Christmas function	ZAR500	Once-off
Access facility to medical services at local GP – medical care for vulnerable population groups	ZAR50 000	Yearly
Provision of HIV medication to Master Drilling’s employees	ZAR13 800	Yearly
SAVF Reenboog Pre-primary School – sponsorship of school fees for 10 children	ZAR2 000	Monthly
Huis Kompas (place of safety) general donation	ZAR788 280	Yearly

CSI ACTIVITIES OUTSIDE SOUTH AFRICA

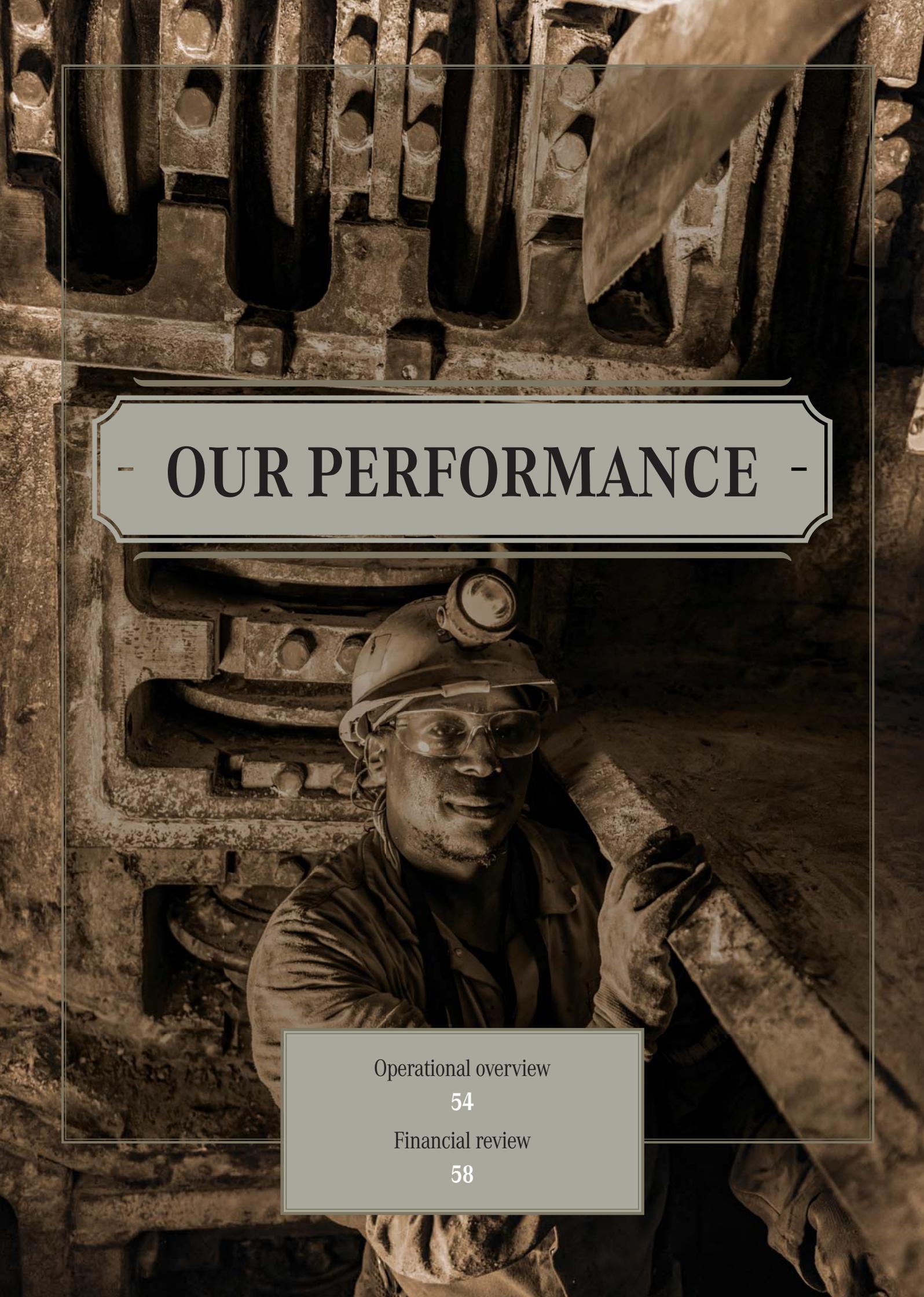
EMPLOYEE AND COMMUNITY ENGAGEMENT - BRAZIL

Initiative	Amount	Frequency	Area (city)
Basket food donation – families in precarious conditions because of rain destruction	BRL3 250	Once-off	Sabará
Basket food for needy families	BRL1 890	Once-off	Belo Horizonte – church donation
Christmas basket food for needy families	BRL2 000	Once-off	Belo Horizonte, Vazante, Santa Bárbara
Basket food for needy families – COVID-19 causes – unemployed families	BRL18 020	Once-off	Belo Horizonte
Assistance with eye surgery – Paloma’s grandfather (Master Drilling Brazil employee)	BRL3 000	Once-off	Belo Horizonte
JMC SHEQ week donations – accident prevention	BRL1 305	Periodically	Jacobina

EMPLOYEE AND COMMUNITY ENGAGEMENT - CHILE

Initiative	Amount	Frequency	Area (city)
Fundación María de la Luz – home for children at social risk	CLP2 500 000	Yearly	Pucón and San Felipe
Nursing home in Rancagua – we donated food money for neighbours affected by COVID-19	CLP538 000	Once-off	Rancagua

Master Drilling is actively involved in creating opportunities for empowerment and upliftment in the surrounding communities to ultimately achieve sustainable, functioning and flourishing communities.

A photograph of a male worker in a mine. He is wearing a grey hard hat with a headlamp, safety glasses, and a dark work shirt. He is looking towards the camera with a slight smile. The background shows the interior of a mine with large, dark, rectangular metal structures, possibly part of a conveyor system or a large container. The lighting is dim, with the worker's face and the headlamp providing the main source of light.

- OUR PERFORMANCE -

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OPERATIONAL OVERVIEW

The Group entered the year facing a challenging operating environment across most of its operations. The COVID-19 pandemic is having a profound effect on the world economy and various lockdowns disrupted mining operations globally. Global volatility across capital and commodity markets further impacted overall mining activity and capex spend, with only a limited number of new mining projects expected to be commissioned in the short to medium term.



SOUTH AMERICA

Operations in South America, which include Brazil, Chile, Ecuador and Peru, were severely impacted by the COVID-19 pandemic, with these countries suffering some of the worst infection rates globally.

While we remain the dominant player in the South American market, revenues were weighed down by a combination of currency impact, government-imposed lockdowns as well as increased competitor activity and market pressures already apparent at the beginning of the year. Various restructuring initiatives to rightsize our footprint and costs were completed and the businesses continued to show resilience amid the pandemic with Brazil output normalising in the second half of 2020 and all contracts continuing as operationally planned.

Brazil finished the 2020 year in a strong position as delays incurred during the COVID-19 period were recovered during the latter part of the year. The business will continue to look for diversification opportunities, including those in the civil construction sector.

In **Chile**, margins are showing improvements following the restructuring initiatives. The newly established joint venture, Master Drilling Besalco S.A., has been successfully awarded a project in Chuiqcamata (Codelco) which positions Master Drilling for additional vertical and horizontal development projects within the country.

CONTRIBUTION TO REVENUE

Decreased from 34%
to 21% USD25.7 million
(2019: USD49.2 million)

Peru continued to present difficult conditions with strict lockdowns in 2020 restricting human capital mobilisation to sites. Revenue remained low, despite Peru starting operations again in July with a couple of machines working. Although the utilisation of the rest of the machines deployed in Peru increased in the fourth quarter, this was not sufficient to offset losses incurred earlier in the year. The management restructuring process was completed during the second half of 2020 and the low revenue necessitated a further reduction in the labour force in addition to the initial restructuring plan. The Peruvian Government COVID-19 related special labour arrangement provided some relief.

CONTRIBUTION TO REVENUE

Increased from 17%
to 18% USD22.3 million
(2019: USD27.0 million)



CENTRAL AND NORTH AMERICA AND CANADA

Our operations in North America have been bedded down and we continue to establish Master Drilling as a differentiated competitor compared to other players. We have appointed a Vice President Finance for North America.

Canada has the largest exploration budget in the world offering many opportunities for growth. Our most valuable contract in this region is progressing well and the first rig deployed on the project recently completed the first ever bore hole in Labrador. The second rig has been commissioned and has successfully completed its first pilot hole.

In the **USA**, we continue to work hard to secure contractor's licences across each state to drive the new business pipeline, with a focus primarily on mining-rich Nevada as well as Arizona. We are currently in active conversations with leading mining companies on specialised drilling projects.

The **Mexican** operations had a challenging first half with the government declaring mining a non-essential activity and enforcing a lockdown. Although mining output is showing signs of recovery, the effects of the lockdown and currency fluctuation impacted our performance negatively. In the second half, the team in Mexico saw increased activity in the market with numerous requests for proposals for new projects in 2021.

We see good opportunities in the region driven by increased mechanisation and modernisation, and remain focused on automation and remote controlling with three automation rigs in Canada representing 75% of the raise boring fleet there, while Mexico's operational fleet is targeting a 50% automation rate.



OPERATIONAL OVERVIEW *continued*



AFRICA

Africa is currently the largest contributor in terms of revenue and profit and the region delivered a commendable performance during the year. We currently have a large fleet deployed across key projects in the region.

COVID-19 has had a limited effect on operations in Africa and no sites were closed as a result of a lockdown. The pandemic did, however, adversely affect the logistical side of the business with various delays experienced in mobilising equipment to site and clearances by the necessary authorities. It also affected the rotation of the expatriate crews which is only now starting to take place.

We continue to pursue aggressive expansion into West Africa with a specific focus on gold producers. The global uncertainty spurred demand for gold as a safe-haven asset in 2019 and this trend accelerated in 2020 as the pandemic took hold with the metal reaching new highs. This trend is positive for gold producers in the short term.

In **Ghana**, an initial contract commenced in the second quarter and the Company's footprint was expanded further with different clients during the remainder of 2020 thereby securing a long-term sustainable business. Delayed approvals required to operate by the Minerals Commission of Ghana had a negative impact on operational performance, however, satisfactory progress was made following receipt of approvals at the end of Q2. Closed borders severely impacted our operations.

CONTRIBUTION TO REVENUE

Increased from 34%
to 39% USD48.1 million
(2019: USD49.6 million)

Operations in **Mali** will see a marginal uptick in revenue due to a bigger machine (RD3) being mobilised to the site and stable revenue is expected in this country. Kibali in the **DRC** continued its satisfactory performance.

South Africa remains the world's leading supplier of PGMs, catering for the significant Chinese demand. The surge in PGM prices is expected to balance the significant production losses associated with the national lockdown and phased restart of mining activities. Our exposure to PGMs has steadily increased as a result of the work at Northam's Zondereinde mine. In addition, we are also accessing opportunities in Zimbabwe.

While the South African mining sector still provides isolated opportunities, it is shrinking in overall size and new capital expenditure by this sector is not forthcoming. With cost pressures rising, uncertainty and inflexible labour policies persisting, Master Drilling is positioning itself to benefit from opportunities arising from the inevitable shift towards increased mechanisation over time.

Botswana offered opportunities and with a contract secured in the first half of 2020 now underway, this long-term project is a sign of encouraging prospects available in the country.



OTHER COUNTRIES

After a very positive start to the year, we experienced a slowdown in the latter half as a result of mines postponing the start-up of new projects in response to the uncertainty caused by COVID-19.

Scandinavia

In **Sweden**, the 18-month underground project is progressing well and Master Drilling has been awarded an additional shaft. Discussions are also currently underway for other drilling contracts.

The civil infrastructure sector has been a key focus area and we are starting to see an increase in raise bore enquiries for projects that have historically been excavated conventionally. We have also been awarded a project in Gothenburg to drill a 6,0m diameter ventilation shaft for an underground subway tunnel. The project is scheduled to start in March 2021 and we intend to use the opportunity to further establish our presence in the infrastructure sector.

We are currently establishing in **Finland** where we have been awarded an additional seven months' work.

The start-up at a hydro-electric project in **Norway** has experienced further delays as a result of COVID-19 as well as production delays in the tunnel development. Based on the latest forecast, the underground development will be in place in February 2021, after which we will start the mobilisation.

India

Our operations in India are performing well in terms of efficiencies and revenue supported by a stable contract.

Managing operations in India remains a constant challenge, but the management team is experienced and is handling the situation well. Our India contract was extended by an additional three years, starting 1 October 2020. Seven rigs are currently operational with an eighth rig on standby. A ninth rig is also available for use on an ad hoc basis. Further discussions regarding expansion are continuing.

CONTRIBUTION TO REVENUE

Increased from 15%
to 22% USD27.1 million
(2019: USD22.4 million)

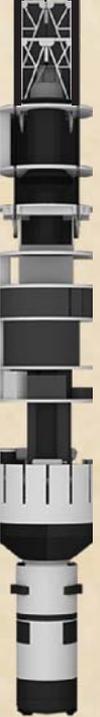


Other regions

Master Drilling has an interest in growing its presence in Australia, Russia and Central Asia, with a focus on raise boring.

Operations in **Australia** have started on a contract and we are actively building a pipeline of new projects. Mobilisation and project start-up came with challenges of not being able to travel, quarantine and unplanned shipping delays. We were able to set up office in Perth and all critical personnel have been appointed.

There is a growing appetite in **Russia** for mechanised mining services and the Group has commenced its first drilling project in this region with a partner. Opportunities in **Kazakhstan** and neighbouring states are also being actively pursued.



ANDRÉ VAN DEVENTER
Chief Financial Officer



FINANCIAL REVIEW

This review should be read in conjunction with the condensed consolidated annual financial statements starting on page 88. Master Drilling's annual financial statements are available online at www.masterdrilling.com.

It has been a challenging year with the COVID-19 pandemic impacting operations. Notwithstanding a decrease in revenue and a tough economic environment, overall cash generation improved considerably enabling the Group to maintain adequate liquidity while prioritising proactive measures around costs, working capital and capex. These initiatives provide us with a solid platform for the current year as we execute on exciting contracts and opportunities.

RESULTS OF OPERATIONS

Refer to the consolidated statement of profit or loss and other comprehensive income on page 89.

REVENUE AND PROFITABILITY

Revenue decreased by 17.0% to USD123.1 million (2019: USD148.3 million) and operating profit decreased to USD12.3 million (2019: USD24.1 million). This was a respectable result given the adverse global market conditions experienced. Cost-saving initiatives were implemented as far as possible to limit the impact of the COVID-19 pandemic.

USD earnings per share (EPS) decreased 78.2% to 2.2 cents, and ZAR earnings per share decreased 75.1% to 36,3 cents. USD headline earnings per share decreased 74.8% to 2.6 cents and ZAR headline earnings per share decreased 71.4% to 42,6 cents.

COVID-19 ASSISTANCE

A number of parties contributed to meeting the challenges of the pandemic including employees, directors, management and the governments of the countries where we operate. This took the form of salary cuts on the part of executives and directors of 25% for three months government assistance packages as outlined below.

South Africa

The Group's employees received ZAR14,0 million from the Temporary Employer/Employee Relief Scheme within the African segment of the Group. Master Drilling has facilitated payment to the individual employees.

Europe

In Sweden, the Group received government assistance to the value of SEK1.0 million to sustain the business operations within the country. There were no special conditions linked to the assistance received from the government and the amount is disclosed as part of the Group's other income in the income statement.

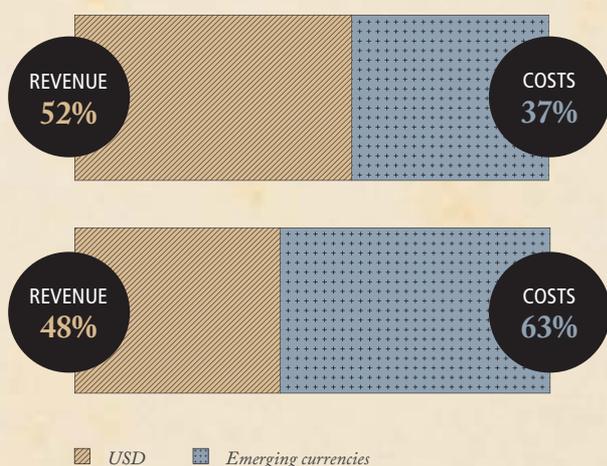
USA

The Group received government assistance in the form of an interest-free loan of USD0.3 million. As at 31 December 2020, clarity is awaited from the USA government as to the repayment requirements. The Group disclosed the loan as part sundry payable in the annual financial statements.

Canada

The Group received government assistance to the value of CAD0.3 million to sustain the business operations within the country. There were no special conditions linked to the assistance received from the government and the amount is disclosed as part of the Group's other income in the income statement.

OUR PERFORMANCE



UTILISATION

Technological innovation is a key priority for Master Drilling to support clients to move down the cost curve, optimise their operations and increase safety. We have committed significant investment towards this technology drive over the years, ensuring a feasible capital mix relative to machine utilisation.

The fleet consists of 145 raise bore and 58 slim drilling rigs. The total fleet's utilisation rate was 60% (2019: 64%). The rate of new rigs coming on board will settle with a focus on larger units, which typically generate higher income. No new slim rigs are in the pipeline at this point.

AVERAGE REVENUE PER OPERATING RIG (ARPOR) SUMMARY PER ANNUM

	2020 USD	2019 USD	2018 USD
Total raise bore rigs	145	143	149
Utilisation (%)	60	64	61
ARPOR (USD)	105 715	111 135	107 530
Total slim rigs	58	30	30
Utilisation (%)	48	70	68
ARPOR (USD)	30 237	69 292	70 430

TAXATION

There were no changes in tax rates within the Group during 2020. Losses in certain countries could not be recognised as tax assets. The Group believes, with an improved situation going forward, these assets will be recoverable and therefore the tax expense is expected to be lower in future years.

FINANCIAL POSITION

Refer to the consolidated statement of financial position on page 88.

CAPITAL SPEND

Master Drilling's total capital spend of USD9.2 million was 52.9% on expansion and 47.1% on sustaining the existing fleet.

Debt decreased from USD51.4 million to USD42.1 million and the gearing ratio, including cash, changed from 22.5% to 10.3% in the 2020 financial year. This remains well within our internal limit of 30%. Notably, we were in a position to repay our debt within the contractual terms despite the challenging economic conditions.



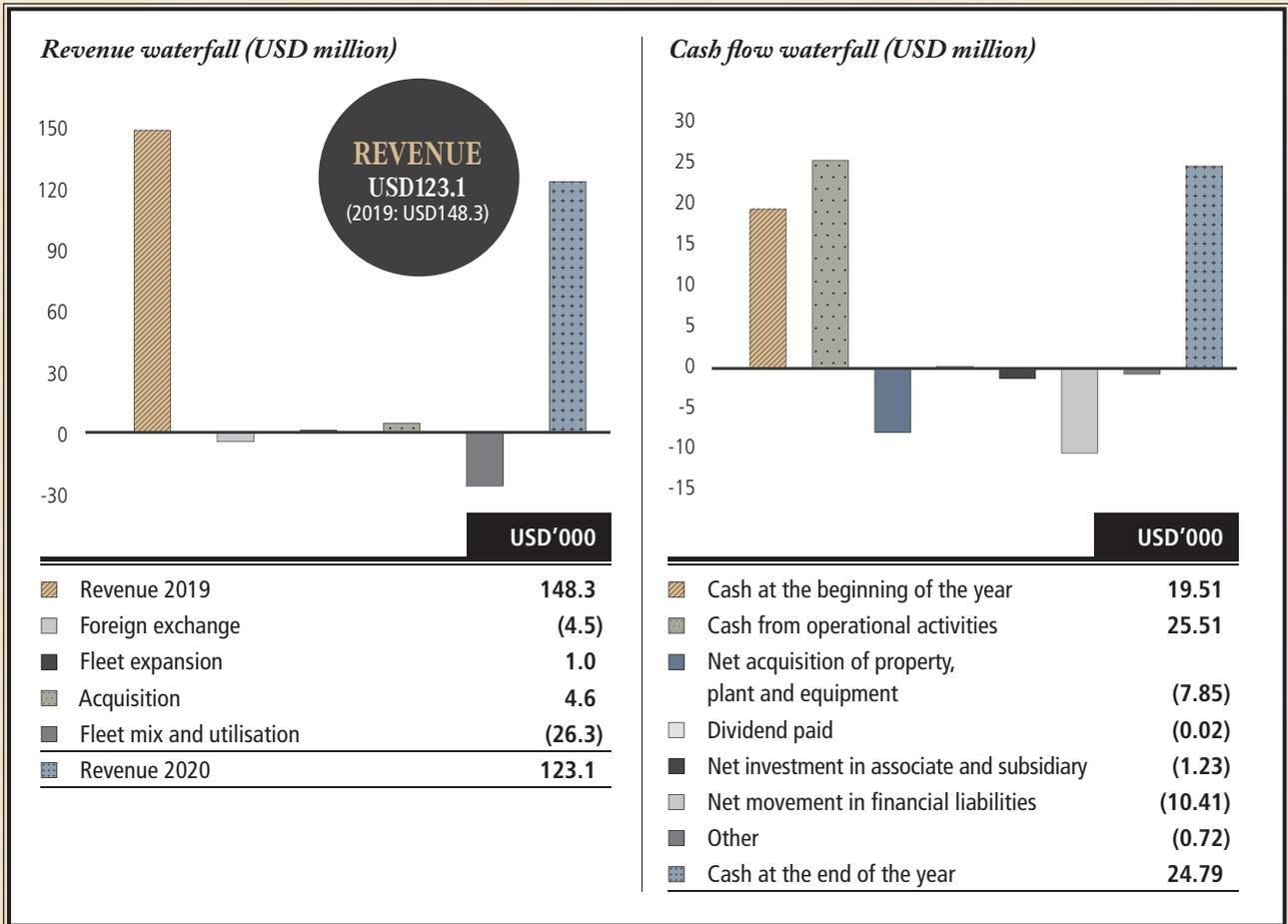
Expansion
52.9%



Maintenance
47.1%

	%
Land and buildings	2
Plant and machinery	94
Motor vehicles	2
IT equipment	2

FINANCIAL REVIEW *continued*



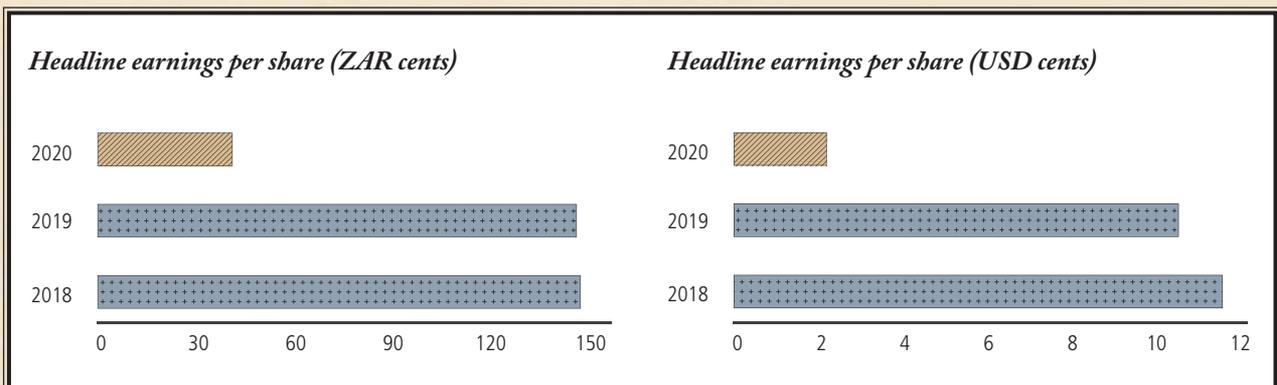
Revenue decreased

17.0% to USD123.1 million

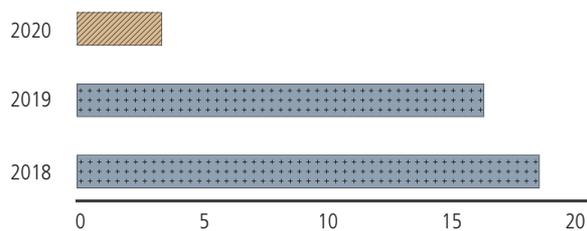
Operating profit decreased

USD12.3 million

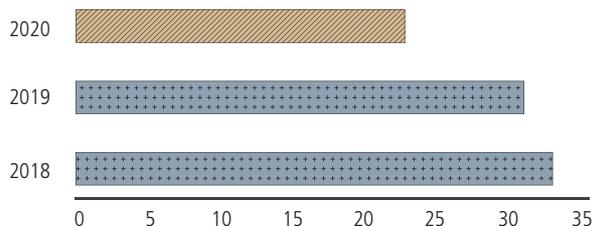
Our results are respectable given the adverse global market conditions experienced. Cost-saving initiatives were implemented as far as possible to limit the impact of the COVID-19 pandemic.



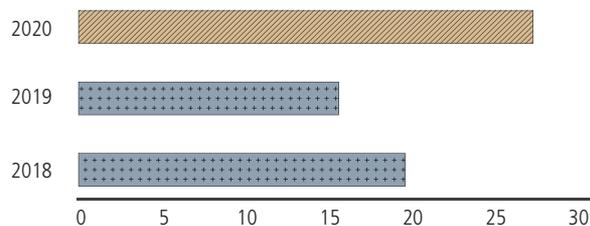
Profit after tax (USD million)



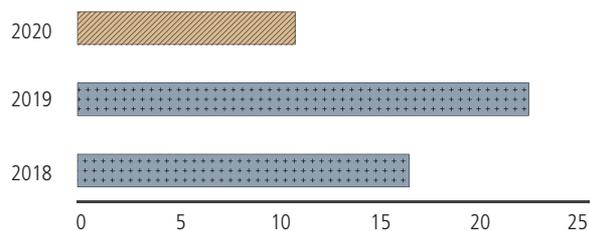
EBITDA (USD million)



Cash generated by operations (USD million)



Gearing ratio (%)



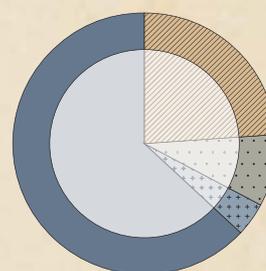
CASH GENERATION

Refer to the consolidated statement of cash flows on page 92. Net cash generation improved to USD25.5 million (2019: USD14.8 million). Cash resources continue to be managed stringently to cater for emerging opportunities that require specific design, planning and investment. Pleasingly, our focus on cash management ensured sustainability during a challenging economic period.

Working capital breakdown (USD million)

	2020	2019	Movement
Inventory	24.6	27.9	3.3
Trade and other receivables	43.8	50.7	6.9
Trade and other payables	26.9	26.9	–

Trade receivables ageing (%)



	2020
1 month past due	24
2 months past due	9
3 and more months past due	4
Normal terms	63

DIVIDEND

In view of current prevailing global volatility, 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 considering the continuation of the Company's dividend history in future financial periods, once circumstances permit.

OUTLOOK

The challenges of the COVID-19 pandemic are expected to continue in the short term as the shape of the recovery and the pace at which vaccines will be rolled out globally remains uncertain. The uptick in the past six months across the commodities and regions to which Master Drilling is already exposed is, however, encouraging and the Group is well placed and properly geared to capitalise on this.

As at 31 December 2020, our pipeline totalled USD539 903 987 while the committed order book totalled USD212 775 709 for 2021 and beyond. In the short to medium term, the sales pipeline is expected to normalise and increase with further tactical acquisitions and joint ventures supporting performance.

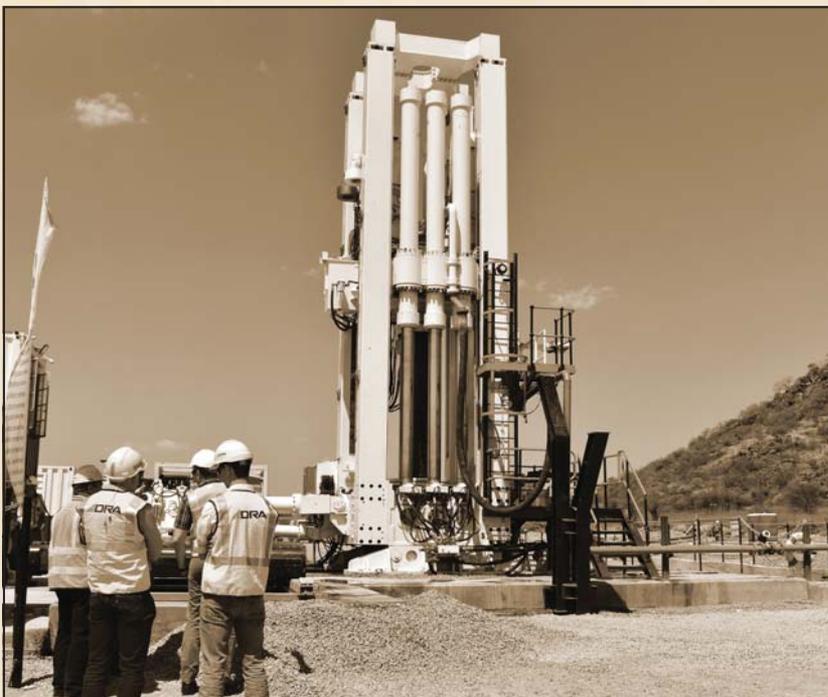
We have made significant investments in our fleet, technology and geographical diversification over the past years, which positioned us well to capitalise on the anticipated upswing without requiring significant additional capital investment.

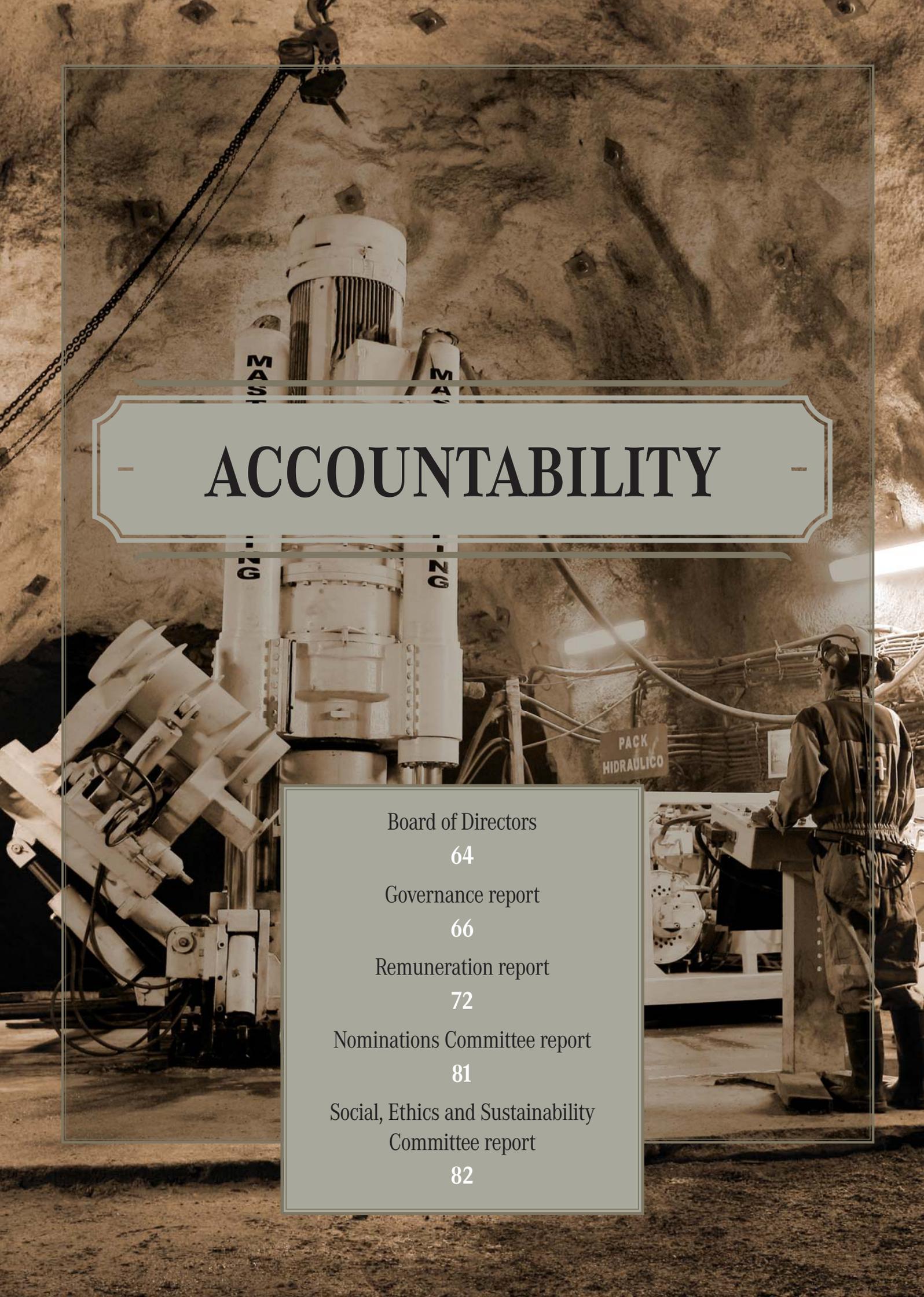
Master Drilling's technology and experience put the Company in a strong position to continue to support its clients' drive to improve productivity and efficiencies while reducing operational risk.



André van Deventer
Chief Financial Officer

28 April 2021





- ACCOUNTABILITY -

Board of Directors

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Governance report

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Remuneration report

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Nominations Committee report

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Social, Ethics and Sustainability
Committee report

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BOARD OF DIRECTORS

COMMITTEES

■ Corporate Governance	□ Nominations
▨ Risk	■ Audit
■ Remuneration	■ Social, Ethics and Sustainability
● Chair of committee	



HENNIE VAN DER MERWE (73)

Independent Chairman

BA Law, LLB, LLM Tax

Appointed: July 2014

Positions held elsewhere

Chief Executive Officer of Trecor Limited (JSE-listed), director of Bell Equipment Limited (JSE-listed), director of Textainer Group Holdings Limited (NYSE-listed)

Committees



ANDRIES BRINK (59)

Lead Independent

CA(SA)

Appointed: June 2018

Positions held elsewhere

Director of York Timbers Limited (JSE-listed), BPW Proprietary Limited and DUTOIT Beherend Eiendoms Beperk

Committees



AKHTER DESHMUKH (59)

Independent

BCom, MBL

Appointed: November 2012

Positions held elsewhere

Director and Chief Financial Officer of Lephatsi Investments Proprietary Limited

Committees



HENDRIK FAUL (58)

Independent

BEng (Mining), AMP

Appointed: June 2020

Positions held elsewhere

Director of LSE: Centamin plc

Previous positions held elsewhere

Director of LSE: Amara Mining PLC, JSE-listed Palabora Mining Company, International Copper Association, Anglo American PLC (Santiago, Chile), AA Sur S.A. Chile, Quellaveco S.A. Peru, Compañía Minera Doña Inés de Collahuasi Chile

Committees



OCTAVIA MATLOA (45)

Independent

CA(SA)

Appointed: June 2018

Position held elsewhere

Group Chief Executive Officer of Mukundi Mining Resources. Director of Tsidkenu Chartered Accountants Inc. and Petra Diamonds PLC

Committees



SHANE FERGUSON (57)

Non-independent

BCom, LLB

Appointed: September 2012

Positions held elsewhere

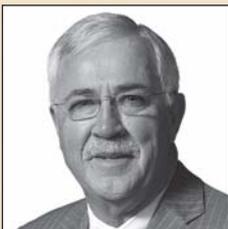
Director of ST Ferguson Proprietary Limited (tax consultant and legal advisor to Master Drilling)

Committees



Full details on each director can be found on the website at www.masterdrilling.com

EXECUTIVE DIRECTORS



DANIE PRETORIUS (63)
 Chief Executive Officer
Government Engineers' Certificate of Competency
 Appointed: July 2012
 Founded Master Drilling in 1986



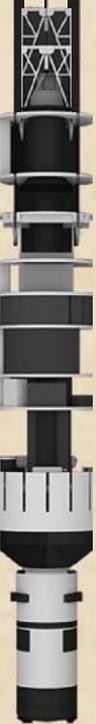
ANDRÉ VAN DEVENTER (51)
 Chief Financial Officer
 CA(SA)
 Appointed: July 2012
 Joined Master Drilling in 2001



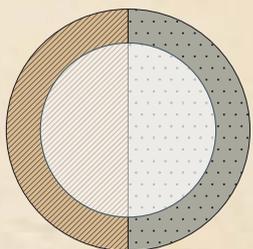
KOOS JORDAAN (46)
 Executive Director
BEng, MBA, BS in International Technology Management
 Appointed: July 2012
 Joined Master Drilling in 2001



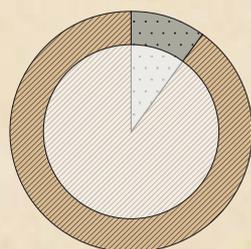
GARY SHEPPARD (51)
 Chief Operating Officer – Americas
BSc Eng, MBA
 Appointed: November 2012
 Joined Master Drilling in 1999



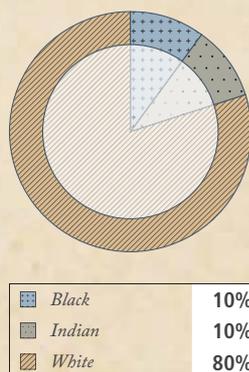
Years of tenure



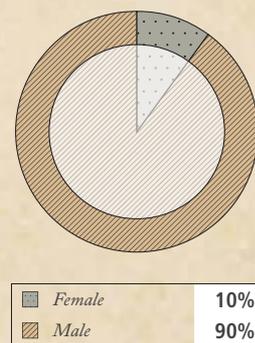
Nationality



Race



Gender



GOVERNANCE REPORT

ETHICAL LEADERSHIP

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

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

The employee ethics and code of conduct policy and the conflict of interest policy are communicated to all employees.

KING IV™

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

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

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

Our application of King IV™ is detailed in the King IV™ checklist, which is available online at www.masterdrilling.com.



GOVERNANCE STRUCTURE

BOARD

Hennie van der Merwe
Independent Chairman

Danie Pretorius
Chief Executive Officer

André van Deventer
Chief Financial Officer

Andries Brink
Lead Independent

Akhter Deshmukh
Independent

Hendrik Faul
Independent

Octavia Matloa
Independent

Shane Ferguson
Non-independent

Koos Jordaan
Executive Director

Gary Sheppard
Chief Operating Officer – Americas

AUDIT COMMITTEE

Refer to page 85 for the full report

Chairman: **Andries Brink**

Members: Akhter Deshmukh
Shane Ferguson
Octavia Matloa

Independence: 3/4

CORPORATE GOVERNANCE COMMITTEE

Chairman: **Hennie van der Merwe**

Members: Akhter Deshmukh
Shane Ferguson

Independence: 2/3

REMUNERATION COMMITTEE

Refer to page 72 for the full report

Chairman: **Akhter Deshmukh**

Members: Andries Brink
Shane Ferguson

Independence: 2/3

RISK COMMITTEE

Refer to page 36 for the full report

Chairman: **Andries Brink**

Members: Hendrik Faul
Shane Ferguson
Octavia Matloa
Hennie van der Merwe

Independence: 4/5

NOMINATIONS COMMITTEE

Refer to page 81 for the full report

Chairman: **Hennie van der Merwe**

Members: Andries Brink
Shane Ferguson

Independence: 2/3

SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE

Refer to page 82 for the full report

Chairperson: **Octavia Matloa**

Members: Akhter Deshmukh
Hendrik Faul
Shane Ferguson

Independence: 3/4



THE BOARD

Composition of the Board

The Master Drilling Board is a unitary Board comprised of 10 directors – five independent non-executive directors, one non-executive director and four executive directors. The roles of Chairman and Chief Executive Officer are separate and clearly defined and the Chairman of the Board is an independent non-executive director. A Lead Independent Director has been appointed in line with King IV™. The executive and alternate executive directors are invited to all Board meetings.

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

The Chief Executive Officer currently has a succession plan in place that is tracked by the Nominations Committee. The Chief Executive Officer has no membership to governing bodies outside the organisation.

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

Director development

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

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

A continuous professional development programme is in place to ensure that Board members receive regular briefings on changes to risks, laws and the business environment.

Individual Board/committee members take personal responsibility for continuously updating/supplementing their individual skill set and requisite knowledge to aptly enable them to perform their fiduciary responsibilities.

Rotation of directors

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

Dealings in securities

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

Board self-evaluation

The Board, through its Nominations Committee, ensures that every alternate year there is a review on the effectiveness of itself and its committees and that each committee is appropriately constituted with due regard to the skills required by each committee. The last self-evaluation was performed in November 2020.

BOARD APPOINTMENT PROCESS

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

The Chief Executive Officer's has a twelve week notice period and the appointment process is also the responsibility of the Nominations Committee.

Company Secretary

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

BOARD COMMITTEES

There are six Board committees – the Audit, Remuneration, Risk, Nominations, Corporate Governance and Social, Ethics and Sustainability Committees – which assist the Board in managing specific responsibilities delegated to them. The Audit and the Social, Ethics and Sustainability Committees have additional statutory responsibilities in terms of the Companies Act.

The Chief Executive Officer and executive directors are not members of any Board committees. The Chief Executive Officer

and members of management may attend committee meetings by invitation and when required by committee members.

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

The Board and its committees use the services of independent external

advisers as and when required. There are arrangements in place for assessing professional corporate governance services and the governing body believes those arrangements are effective. The governing body is also satisfied that the delegation of authority framework contributes to the role clarity and the effective exercise of authority and responsibilities.

The detailed terms of reference for each committee are available on our website at www.masterdrilling.com.

Investment Committee

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

Diversity at Board level

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

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

	Female				Male				Total	
	A	C	I	W	A	C	I	W	F	M
Board representation – December 2020	1	–	–	–	–	–	1	8	1	9
Board representation – December 2019	1	–	–	–	–	–	1	8	1	9

Diversity at Board level receives regular consideration and the policies on gender and race diversity are available on our website at www.masterdrilling.com.



Board activities

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

Board and committee meetings

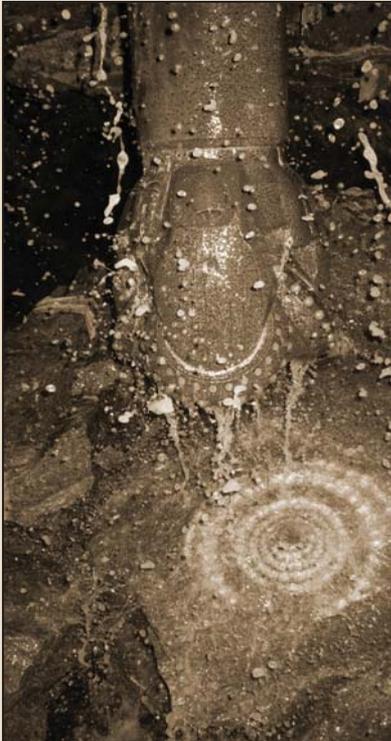
The Board meets at least four times a year, with additional ad hoc meetings as required. Notices of meetings and documentation are provided to directors timeously, allowing them to prepare for meetings which ensures informed decision-making.

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

Members	Annual General Meeting	Board	Audit Committee	Risk Committee	Social, Ethics and Sustainability Committee	Remuneration Committee	Nominations Committee	Corporate Governance Committee
Hennie van der Merwe	1/1	5/5		4/4			2/2	2/2
Danie Pretorius	1/1	5/5						
André van Deventer	1/1	5/5						
Andries Brink	1/1	5/5	6/6	4/4		4/4	2/2	
Akhter Deshmukh	1/1	5/5	6/6		4/4	4/4		2/2
Hendrik Faul*		2/5			2/4			
Octavia Matloa	1/1	5/5	6/6	4/4	4/4			
Shane Ferguson	A	5/5	5/6	2/4	3/4	4/4	2/2	2/2
Koos Jordaan	1/1	5/5						
Gary Sheppard	1/1	4/5						

* Appointment approved at the Annual General Meeting on 9 June 2020.

A = Absent



Board focus for 2021

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

Please also refer to page 18 for our response to COVID-19.

TECHNOLOGY AND INFORMATION GOVERNANCE

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

An IT project manager is in place who is responsible for driving projects.

The IT department and information management systems are fully integrated. During the year, we undertook a number of IT projects including:

- The SHEQ incident management app;
- Procurement and logistics standardisation and optimisation; and
- Asset management and tracking using proprietary chip.

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

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

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

We have Dynamics AX, a Microsoft enterprise resource planning system, and an incident management system (AX) in place across Africa.

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



COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

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

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

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

Master Drilling has complied with the provision of the Companies Act particularly with reference to the incorporation provisions set out therein and has operated in conformity with Master Drilling's Memorandum of Incorporation.

ANTI-COMPETITIVE BEHAVIOUR

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

REMUNERATION REPORT

Key themes

- Major institutional investor feedback in respect of the policy
- Key issues in respect of the remuneration policy:
 - A guaranteed package;
 - Variable pay in short- and long-term incentives;
 - Performance management;
 - Individual growth and development; and
 - A stimulating work environment

Dear stakeholder,

On behalf of the committee, I present the FY20 remuneration report.

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

Given their diverse track records, the three non-executive committee members provide the necessary expertise and industry experience in regard to remuneration matters. Please see page 70 for attendance at committee meetings.

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

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

Key themes	Master Drilling response
Projects in development, albeit recognised as critical to long-term sustainability, not yet generating a return with consequent poor cash conversion i.e. quantum of investment accumulating materially while operating performance from existing assets deteriorating (increasing debt)	Capital investments are done for strategic reasons. Some of these have lower returns on investment, but no investments are done targeting below our current weighted average cost of capital (WACC). Some do take longer to achieve this, but it is combined with investments that yield over shorter period
Return on asset (ROA) in the three-year long-term incentive (LTI) cycle to account for the cash conversion concern	The LTI of an eligible employee depends on: <ul style="list-style-type: none"> • The average ROA of Master Drilling Group over an LTI cycle • His/her on-target LTI
More highly incentivised payouts in terms of the LTI Scheme i.e. stretch management to overdeliver	There is a correlation between delivery and incentive payouts
Scaled/tiered/stepped payouts in terms of the LTI Scheme in terms of signify/make material the performance hurdles i.e. overcome arbitrary application	The Master Drilling LTI Scheme makes provision for tiered payouts which is described in the policy to prevent arbitrary payouts
Eliminate payouts for performance below WACC to align with shareholder interests e.g. the 50% payout for 15% to 17% ROA through the LTI cycle	WACC is one of the achievement thresholds to be achieved before a LTI
Explicit inclusion in the short-term incentive (STI) Scheme to address the cash conversion concern	Debtor days are a KPI on all performance agreements and the cash conversion cycle for the Finance and Logistics HODs
"Budgeted headline earnings" susceptible to padding – universal concern i.e. intense Board engagement required to determine the accuracy of budgeting/benchmarks	Budgets are prepared and presented by the executive directors and the non-executive directors for review and the assumptions and targets used are interrogated. We believe the targets are mostly stretch targets and not easily achievable
As per the LTI Scheme, possible stepping/ tiering of headline earnings per share performance hurdles to incentivise material management outperformance in the STI Scheme	During the year, Remco agreed to reconsider the capping of incentives from 2021 onwards

Remco's terms of reference are available online at www.masterdrilling.com.

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

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

- An engagement process to ascertain the reasons for any dissenting votes; and

- Appropriately addressing legitimate and reasonable objections and concerns raised, including, if necessary, amending the remuneration policy or clarifying or adjusting our remuneration governance and/or processes.

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

REMUNERATION POLICY

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

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

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

A benchmarking analysis compares the internal salary levels to the market, per grade, to assess how Master Drilling's internal pay compares relative to the market.

HOW PERFORMANCE IMPACTS ON REMUNERATION

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

During FY17, the STI structure was refined and improved with the introduction of a stronger correlation between individual performance and reward. The Board then approved a special performance reward (SPR) – a new variable component to be paid annually to qualifying employees based solely on individual performance. The achievement of the individual SPR objective in question determines the percentage increase, over and above inflation, to which the employee is entitled for the year. (The specific SPR objective that entitles reward is determined per employee, by the employee in question together with his/her direct supervisor, recorded in a separate contract with checks and balances, and updated annually.) A SPR was paid to Mr R Geel in July 2020 for the achievement of the MDX B-BBEE rating. No other SPRs were paid.

REMUNERATION TRENDS AND FOCUS AREAS FY20

- STI for Shared Services to be approved;
- Restraint of trade as well as clawback clauses were added to appointment contracts in 2020 for executives;
- Annual quality assurance on the 1-5 performance ratings to ensure consistency; and
- An analysis of employees under or over the approved salary bands is conducted annually on approval of the new salary bands which are signed off by the Chief Financial Officer.



REMUNERATION REPORT *continued*

This determines how competitive our remuneration is and how wide the pay spread is between the lowest paid and highest paid employee within the same grade, which, in turn, guides how wide the pay range will be for the respective pay scales.

The policy also outlines policies for salary increases. In addition to any inflationary increases that may be determined, an employee may receive an additional increase over and above the inflationary increase, which is measured by a set merit scale. There were no salary increases for the Group other than a few small increases for Chile 0.5%, Brazil 2% and Mexico 3%.

The current mix of incentives differs between employees with the entry point to incentives being 25% STI and 25% LTI added for defined employees. A major hurdle for performance incentivisation is the requirement to create a pool to finance bonuses which is created from over-target performance. Therefore, if the Company does not perform to or better than target, no funds are available for performance bonuses. STI performance targets are scaled at 80% and 100% of performance. Salary increases are also scaled in that full performance, (3) rating, realises an inflation-related adjustment and exceptional performance, (4) rating, realises an inflation plus 50% adjustment. Performance awards are limited at 25% or 50% of basic salary for STI and LTI.



REMUNERATION OVERVIEW

Non-executive directors	Executive directors	Prescribed officers/Exco	Senior management	Middle and junior management
<ul style="list-style-type: none"> • Fee = base fee + attendance fee – benchmarked annually • Higher fees for Chairpersons • Reimbursable travel claims – 100% of cost if Company-related/agreed policy 	<ul style="list-style-type: none"> • Basic salary <ul style="list-style-type: none"> – Inflationary and SPR increase – Circumstantial pay: qualifications and experience, retention-critical, specific position – Benchmarking (PricewaterhouseCoopers Inc. remuneration survey = benchmark for executive directors) – Alignment with Group strategic objectives and shareholders' interests • Retirement fund contribution • Medical aid • Reimbursable travel claims – 100% of cost if Company-related/agreed policy • Fixed allowance for uniforms • Protective personal equipment and clothing, where applicable 			
	<ul style="list-style-type: none"> • STI (STI + SPR) • LTI (including share option scheme (SOS)) • Liability insurance (liabilities per position delineated and approved) 		<ul style="list-style-type: none"> • STI: Incentive bonus based on achievement of production targets OR • In South America: 5% to 10% of profit after tax paid to employees, subject to regulations of such country • LTI: B-BBEE share option plan open to B-BBEE candidates in South Africa 	



SHORT-TERM INCENTIVE SCHEME

During FY17, the Group's STI structure was refined and improved with a stronger correlation between individual performance and reward than when the SPR was introduced in addition to the existing STI. There were no STIs paid during FY20 as not all targets were met.

	STI	SPR												
Underlying metric	Actual headline earnings versus budgeted headline earnings	Individual strategic objective/s Determined annually per employee, by employee and direct supervisor												
Discretion	Remco discretion and Chief Executive Officer entitled to motivate for any specific qualifying employee despite 75% of budgeted headline earnings not having been achieved	Remco discretion												
Eligibility	<ul style="list-style-type: none"> Executive directors Direct reports 	<ul style="list-style-type: none"> Permanent employees in A to E role positions Paterson grades D3 and above 												
Calculation total gross package (TGP) x base STI %	Base STI guide: <ul style="list-style-type: none"> Chief Executive Officer – 75% Chief Operating Officer – fixed amount Chief Financial Officer and Financial Director – 50% Other eligible employees – 25%* * Remco discretion FY19	<table border="1"> <thead> <tr> <th>Performance rating of strategic objective 1 – 5</th> <th>Increase over and above inflation %</th> </tr> </thead> <tbody> <tr> <td>1 – Poor</td> <td>No salary increase and performance management process for bottom 10% of performers</td> </tr> <tr> <td>2 – Below average</td> <td>No salary increase and performance management process for bottom 10% of performers</td> </tr> <tr> <td>3 – Average</td> <td>–</td> </tr> <tr> <td>4 – Well above average</td> <td>50% of inflationary</td> </tr> <tr> <td>5 – Excellent</td> <td>75% of inflationary</td> </tr> </tbody> </table>	Performance rating of strategic objective 1 – 5	Increase over and above inflation %	1 – Poor	No salary increase and performance management process for bottom 10% of performers	2 – Below average	No salary increase and performance management process for bottom 10% of performers	3 – Average	–	4 – Well above average	50% of inflationary	5 – Excellent	75% of inflationary
Performance rating of strategic objective 1 – 5	Increase over and above inflation %													
1 – Poor	No salary increase and performance management process for bottom 10% of performers													
2 – Below average	No salary increase and performance management process for bottom 10% of performers													
3 – Average	–													
4 – Well above average	50% of inflationary													
5 – Excellent	75% of inflationary													
Allocation cap	<ul style="list-style-type: none"> Allocation is limited to the total STI pool Allocation per employee is limited to the maximum base STI 	Performance rating in relation to individual SPR objective must equal or exceed 4												
Individual allocation cap	<table border="1"> <thead> <tr> <th>Performance rating 1 – 5</th> <th>Calculation input %</th> </tr> </thead> <tbody> <tr> <td>1 – Poor (0%)</td> <td>Nil</td> </tr> <tr> <td>2 – Below average (0 – 60%)</td> <td>Nil</td> </tr> <tr> <td>3 – Average (61 – 80%)</td> <td>100</td> </tr> <tr> <td>4 – Well above average (81 – 90%)</td> <td>120</td> </tr> <tr> <td>5 – Excellent (91 – 100%)</td> <td>150</td> </tr> </tbody> </table>	Performance rating 1 – 5	Calculation input %	1 – Poor (0%)	Nil	2 – Below average (0 – 60%)	Nil	3 – Average (61 – 80%)	100	4 – Well above average (81 – 90%)	120	5 – Excellent (91 – 100%)	150	
Performance rating 1 – 5	Calculation input %													
1 – Poor (0%)	Nil													
2 – Below average (0 – 60%)	Nil													
3 – Average (61 – 80%)	100													
4 – Well above average (81 – 90%)	120													
5 – Excellent (91 – 100%)	150													



LONG-TERM INCENTIVE SCHEME

LTI	Average EBITDA over three-year LTI cycle (FY20 to FY22)									
Underlying metric	Remco discretion									
Eligibility	<ul style="list-style-type: none"> Executive directors Direct reports 									
Calculation	<ul style="list-style-type: none"> TGP x on-target LTI % On-target LTI guide: <ul style="list-style-type: none"> Chief Executive Officer – 75% Chief Financial Officer and Financial Director – 50% Chief Operating Officer and other eligible employees – fixed amount* <p><i>* Remco discretion</i></p>									
Allocation cap	<table border="1"> <thead> <tr> <th>Average EBITDA ROCE for LTI cycle %</th> <th>Portion of on-target LTI entitlement %</th> </tr> </thead> <tbody> <tr> <td>13 – 14</td> <td>50</td> </tr> <tr> <td>14 – 14.9</td> <td>75</td> </tr> <tr> <td>15+</td> <td>100</td> </tr> </tbody> </table>	Average EBITDA ROCE for LTI cycle %	Portion of on-target LTI entitlement %	13 – 14	50	14 – 14.9	75	15+	100	<p>EBITDA ROCE targets based on current invested capital</p>
Average EBITDA ROCE for LTI cycle %	Portion of on-target LTI entitlement %									
13 – 14	50									
14 – 14.9	75									
15+	100									
Payment	<ul style="list-style-type: none"> 2/3 cash on conclusion of audited LTI cycle 1/3 share options (equivalent to cash amount) under MDG SOS (see below) 									

Variable performance-related remuneration is subject to clawback.

This is determined if the committee considers that there is:

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

If any of the above are deemed to have occurred, the committee may, in its discretion, decide that some or all of the performance-related remuneration (which is subject to this malus and clawback provision) will be reduced, lapse, will not vest or will only vest in part. During 2020, no circumstances were identified resulting in any adjustments or clawback.

MASTER DRILLING GROUP SHARE OPTION SCHEME

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

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

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

Details	Options
Total number of share options attributable to the share option scheme	5 000 000
Less: Total number of share options granted on 29 November 2014	(2 000 000)
Total number of share options granted on 19 May 2014	(327 286)
Total number of share options granted on 21 August 2015	(80 000)
Total number of share options granted on 19 October 2015	(80 000)
Total number of share options granted on 20 October 2015	(35 000)
Total number of share options exercised during 2015	–
Total number of share options granted on 4 January 2016	(250 000)
Total number of share options granted on 27 January 2016	(250 000)
Total share options unissued as at 31 December 2016	1 977 714
Total number of share options granted on 1 October 2017	(835 000)
Total share options unissued as at 31 December 2017	1 142 714
Total share options unissued as at 31 December 2018	1 142 714
Cancelled during 2019	450 000
Total share options unissued as at 31 December 2019*	1 592 714

* No new share options were issued during the year.

Movements during the year

The following table illustrates the number and exercise prices in ZAR of and movements in share options.

	Exercise price	2020	Exercise price	2019
Outstanding – 1 January	5,21	1 080 000	3,13	1 530 000
Forfeited during the year	–	–	7,52	(450 000)
Exercised during the year	1,30	(670 000)	–	–
Outstanding – 31 December	11,61	410 000	5,21	1 080 000

More detail on how our SOS is structured is set out in the annual financial statements contained in this Integrated Report and available online at www.masterdrilling.com.

REMUNERATION REPORT *continued*

DIRECTORS' REMUNERATION

	Basic salary USD	Bonus USD	Fringe benefits USD	Provident/ pension fund contri- butions USD	Directors' fees USD	Consulting and legal fees USD	Total USD
2020							
Executive directors							
Danie Pretorius	302 558	–	17 751	–	–	–	320 309
Andre van Deventer	224 554	–	12 315	–	–	–	236 869
Gary Sheppard	368 167	–	20 537	–	–	–	388 704
Koos Jordaan	233 527	–	12 316	–	–	–	245 843
Sub-total	1 128 806	–	62 919	–	–	–	1 191 725
Non-executive directors							
Hennie van der Merwe	–	–	–	–	52 041	–	52 041
Shane Ferguson	–	–	–	–	27 037	29 246	56 283
Octavia Matloa	–	–	–	–	25 879	–	25 879
Andries Brink	–	–	–	–	27 402	–	27 402
Hendrik Faul	–	–	–	–	10 721	–	10 721
Akhter Deshmukh	–	–	–	–	34 409	–	34 409
Sub-total	–	–	–	–	177 489	29 246	206 735
Prescribed officers							
Eddie Dixon	143 940	–	15 478	10 389	–	–	169 807
Roelof Swanepoel	108 583	–	4 605	7 769	–	–	120 957
Sub-total	252 523	–	20 083	18 158	–	–	290 764
Total	1 381 329	–	83 002	18 158	177 489	29 246	1 689 224

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



ACCOUNTABILITY

	Basic salary USD	Bonus USD	Fringe benefits USD	Provident/ pension fund contri- butions USD	Directors' fees USD	Consulting and legal fees USD	Total USD
2019							
Executive directors							
Danie Pretorius	534 091	91 773	20 239	–	–	–	646 103
Andre van Deventer	387 352	284 284	15 728	–	–	–	687 364
Gary Sheppard	345 914	288 729	24 593	5 972	–	–	665 208
Koos Jordaan	248 688	395 217	34 512	–	–	–	678 417
Sub-total	1 516 045	1 060 003	95 072	5 972	–	–	2 677 092
Non-executive directors							
Hennie van der Merwe	–	–	–	–	61 234	–	61 234
Shane Ferguson	–	–	–	–	–	96 292	96 292
Octavia Matloa	–	–	–	–	29 339	–	29 339
Andries Brink	–	–	–	–	29 339	–	29 339
Akhter Deshmukh	–	–	–	–	39 527	–	39 527
Sub-total	–	–	–	–	159 439	96 292	255 731
Alternate director							
Eddie Dixon	164 776	108 138	11 810	17 875	–	–	302 599
Sub-total	164 776	108 138	11 810	17 875	–	–	302 599
Prescribed officer							
Roelof Swanepoel	140 136	–	3 579	8 494	–	–	152 209
Sub-total	140 136	–	3 579	8 494	–	–	152 209
Total	1 820 957	1 168 141	110 461	32 341	159 439	96 292	3 387 631

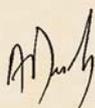
Due to prevailing economic conditions, no bonuses were paid during FY20.

During the 2020 year, senior management and non-executive directors forfeited 25% of their salaries for a three-month period during the initial COVID-19 period. This was also applied at lower percentages in areas where it was allowed for by labour practice.

REMUNERATION REPORT *continued*

	Number of shares			Percentage of issued ordinary share capital %
	Direct beneficial	Indirect beneficial	Total	
2020				
Executive directors				
Danie Pretorius	500 900	78 641 565	79 142 465	52.32
Andre van Deventer	10 000	2 671 784	2 681 784	1.77
Gary Sheppard	–	2 955 884	2 955 884	1.96
Koos Jordaan	1 781 861	1 228 336	3 010 197	2.00
Prescribed officers				
Eddie Dixon	105 000	–	105 000	0.07
Roelof Swanepoel	11 500	–	11 500	0.01
Total	2 409 261	85 497 569	87 906 830	58.06
2019				
Executive directors				
Danie Pretorius	500 900	78 641 565	79 142 465	52.55
Andre van Deventer	727 648	1 944 136	2 671 784	1.77
Gary Sheppard	–	2 955 884	2 955 884	1.96
Koos Jordaan	1 781 861	1 228 336	3 010 197	2.00
Total	3 010 409	84 769 921	87 780 330	58.28

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



Akhter Deshmukh
Chairman of the Remuneration Committee

28 April 2021

NOMINATIONS COMMITTEE REPORT

We are pleased to present our report for the year ended 31 December 2020.

The Nominations Committee is responsible for the appointment of directors, succession planning for Board and senior management positions and Board effectiveness. The committee derives its authority from the delegated authority of the Board as contemplated in the terms of reference (charter) and in accordance with section 72(1)(b) of the Companies Act. It exists for the sole purpose of assisting the Board in effectively discharging its responsibilities and ensuring the right composition, skill set and experience.

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

Attendance at committee meetings is set out on page 70.

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

Refer to page 18 for our response to COVID-19.

FOCUS AREAS FOR 2021

- To review the structure and composition of Board committees in order to ensure optimal functioning;
- To monitor the self-evaluation process, with the Chairman and Chief Executive Officer separately evaluated by other Board members;
- To ensure practical progress with the diversity policy; and
- To review the make-up of the Board in order to ensure a correct competency mix and adequate independence



Hennie van der Merwe
Chairman of the Nominations Committee

28 April 2021



SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT

We are pleased to present our report for the period ended 31 December 2020.

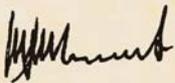
The Social, Ethics and Sustainability Committee is responsible for monitoring the activities of the company (taking into account relevant legislation, legal requirements, prevailing codes of best practice) relating to social and economic development, ethics, diversity and stakeholder relations as prescribed in Regulation 43 of the Companies Act. The committee has oversight of the Group's activities with reference to all existing codes of best practice.

The committee is chaired by independent non-executive director Octavia Matloa, and further comprises two independent non-executive directors and one member from executive management. Members of the committee are appointed by the Board.

Attendance at committee meetings is set out on page 70.

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

Refer to page 18 for our response to COVID-19.

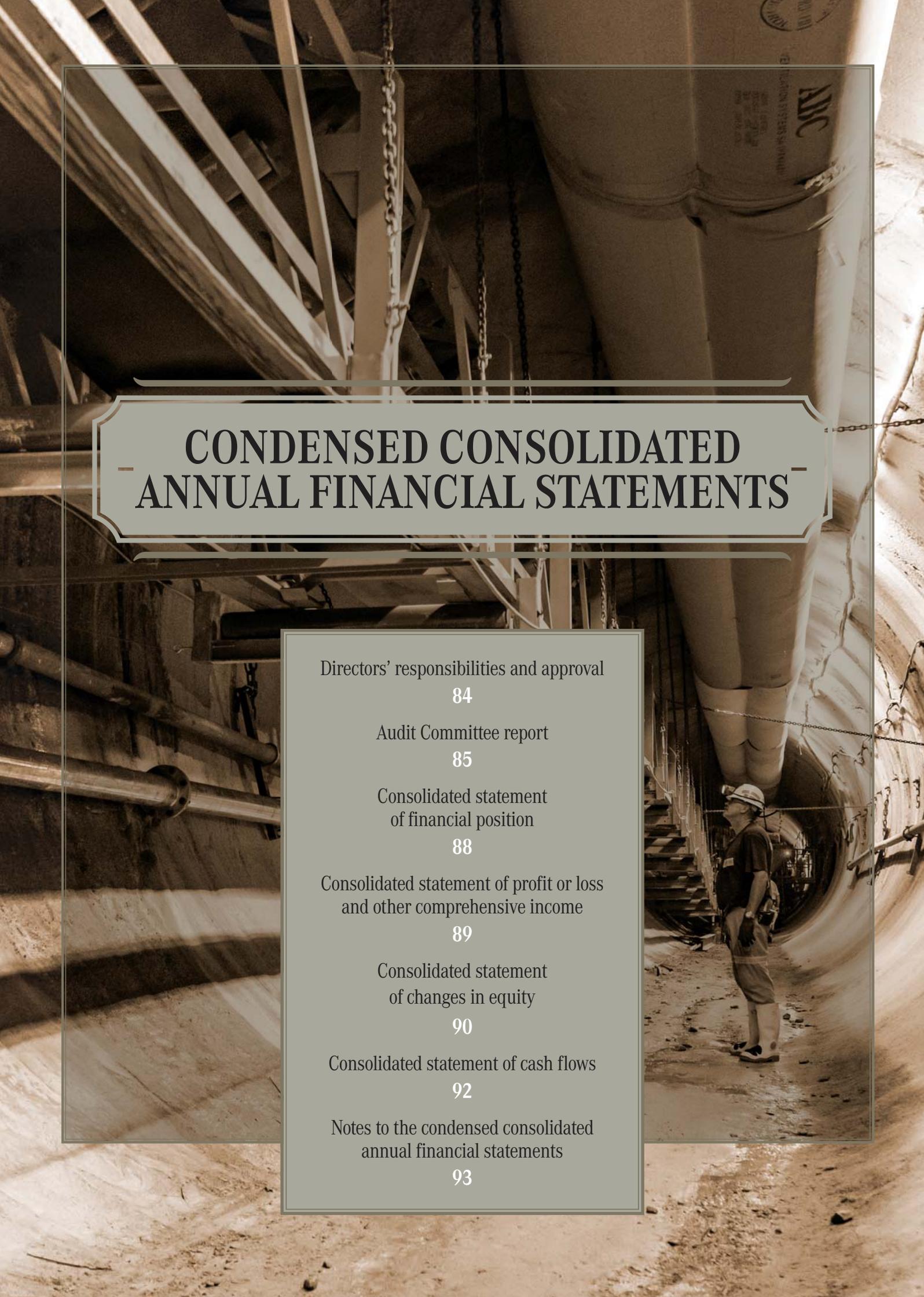


Octavia Matloa
Chairperson of the Social, Ethics and Sustainability Committee

28 April 2021

FOCUS AREAS FOR 2021

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



CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set 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 Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances, is above reproach. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Based on the information and explanations provided by management, the directors are of the opinion 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. Any system of internal financial control, however, can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group'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 Group has access to adequate resources to continue in operational existence for the foreseeable future. The directors are responsible for the financial affairs of the Group.

The external auditor is responsible for independently auditing and reporting on the Group's annual financial statements. In accordance with section 29(1)(e)(ii) of the Companies Act, the annual financial statements of the Group, for the year ended 31 December 2020, have been audited by BDO South Africa Incorporated, the Group's independent external auditor, whose unqualified audit report can be found on pages 6 to 10 of the

consolidated annual financial statement, which are available at www.masterdrilling.com.

The Chief Executive Officer and Chief Financial Officer of the Group confirm the following after due, careful and proper consideration:

The directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 88 to 92, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of the issuer; and
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV™. Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.*



Danie Pretorius
Chief Executive Officer



André van Deventer
Chief Financial Officer

28 April 2021

* While the directors are aware of their responsibility to communicate fraud incidents to the Audit Committee and auditor, no incidents of such fraud were identified for communication during the period under review.

AUDIT COMMITTEE REPORT

for the year ended 31 December

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 are informed by the Companies Act, the JSE Listings Requirements as well as the corporate governance principles under King IV and approved by the directors. The Audit Committee terms of reference are reviewed on an annual basis.

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 Andries Brink (Chairman), Akhter Deshmukh, Shane Ferguson and Olivia 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 on page 70.

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:

External auditor and the external audit

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

- Nominated BDO South Africa Incorporated as the external auditor for both the holding and subsidiary companies 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 a 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; and
- 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.

AUDIT COMMITTEE REPORT *continued*

Annual financial statements

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

- Confirmed going concern as the basis of preparation of the annual financial statements;
- Considered whether any complex taxation areas exist that could have a material impact on the annual financial statements and determined that 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 proactive monitoring report and the various JSE communications with regard to the impact of COVID-19 and appropriate action was taken, where applicable.

Internal financial control and internal audit

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

- Appointed an internal auditor with the necessary international presence and experience and is 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, with input and reports from the independent internal auditor; and
- 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.

Legal and regulatory requirements

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.

Risk management and governance

In respect of **risk management and governance**, the Audit Committee, among 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 management functions relevant to the Audit Committee.

Co-ordination of assurance activities

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 on to address all significant financial risks facing the business.

Company's Integrated Report

In respect of the Company's Integrated Report, the Audit Committee collaborated with the Risk, Social, Ethics and Sustainability, Remuneration and Corporate Governance Committees to ensure the accuracy and completeness of the report.

Additional Audit Committee engagement during the year under review

In addition, the Audit Committee:

- Considered the expertise, resources and experience of the finance function and concluded that these were appropriate;
- Considered the experience and expertise of the chief financial officer and concluded that these were appropriate;
- Considered the key audit matters as determined by BDO South Africa Incorporated and as described in the independent auditor's report;
- Reviewed sections 3, 8, 13, 15 and 22 and schedule 8 of the JSE Listings Requirements and confirmed that based on the amended requirements for the JSE accreditation of auditors, effective 15 October 2017, the Audit Committee was satisfied that:
 - 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;
 - ensured that the auditor provided to the Audit Committee, the required Independent Regulatory Board for Auditors 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
 - ensured that 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.

MEMBERSHIP AND ATTENDANCE AT MEETINGS

The Audit Committee's members attended the following meetings:

Members	Special		Special		13 August 2020	19 November 2020
	12 March 2020	19 March 2020	23 March 2020	21 May 2020		
Andries Brink	✓	✓	✓	✓	✓	✓
Akhter Deshmukh	✓	✓	✓	✓	✓	✓
Shane Ferguson	X	✓	✓	✓	✓	✓
Octavia Matloa	✓	✓	✓	✓	✓	✓

✓ Attended X 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.

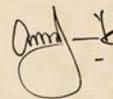
ANNUAL FINANCIAL STATEMENTS

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, Auditing Professional Competence and JSE Listings Requirements and fairly present the consolidated position at that date and the results of operations and cash flows for the period then ended.

Having satisfied itself in all respects, the Audit Committee has recommended the annual financial statements, for the

period ended 31 December 2020, for approval to the directors. The directors have subsequently approved the annual financial statements, which will be open for consideration at the forthcoming Annual General Meeting.

On behalf of the Audit Committee



Andries Brink
Chairman of the Audit Committee

Johannesburg
28 April 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

	Notes	2020 USD	2019 USD
ASSETS			
Non-current assets			
Property, plant and equipment	3	156 281 876	158 014 917
Intangibles and goodwill	4	3 448 922	3 487 216
Financial assets		5 303 058	5 320 645
Deferred tax asset		1 651 701	6 175 360
Investment in associate		–	3 710 575
		166 685 557	176 708 713
Current assets			
Inventories		24 627 227	27 855 901
Related party loans		105 377	103 842
Trade and other receivables	5	43 842 104	50 734 496
Current tax receivable		2 687 120	–
Derivative financial instrument		18 959	296 323
Cash and cash equivalents		24 790 077	19 723 118
		96 070 864	98 713 680
Non-current assets held for sale		2 381 810	808 928
		98 452 674	99 522 608
Total assets		265 138 231	276 231 321
EQUITY AND LIABILITIES			
Equity			
Share capital		149 259 486	148 703 721
Reserves		(100 641 125)	(97 974 826)
Retained income		117 773 867	114 437 446
		166 392 228	165 166 341
Non-controlling interest		9 757 161	9 964 308
		176 149 389	175 130 649
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings		27 083 992	39 113 277
Lease liabilities		3 589 672	5 534 231
Instalment sales liabilities		282 920	618 716
Deferred tax liability		9 405 537	11 602 658
		40 362 121	56 868 882
Current liabilities			
Interest-bearing borrowings		15 021 835	12 334 035
Lease liabilities		357 885	457 626
Instalment sales liabilities		533 576	898 059
Related party loans		183 950	481 067
Current tax payable		5 614 795	2 943 562
Trade and other payables	6	26 914 680	26 901 528
Cash and cash equivalents		–	215 913
		48 626 721	44 231 790
Total liabilities		88 988 842	101 100 672
Total equity and liabilities		265 138 231	276 231 321

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	2020 USD	2019 USD
Revenue		123 141 882	148 327 852
Cost of sales		(95 175 065)	(104 199 262)
Gross profit		27 966 817	44 128 590
Other operating income		2 348 058	3 074 752
Other operating expenses		(18 004 684)	(23 062 461)
Operating profit		12 310 191	24 140 881
Investment income		272 565	1 139 831
Finance costs		(2 964 742)	(4 601 505)
Movement of expected credit losses allowances		(1 194 200)	(1 693 888)
Gain on bargain purchase		592 916	–
Loss on disposal of investment in associate		(1 378 542)	–
Share of (loss)/profit from equity-accounted investment		(151 276)	10 529
Profit before taxation		7 486 912	18 995 848
Taxation	7	(4 279 745)	(3 614 278)
Profit for the year		3 207 167	15 381 570
Other comprehensive income that will subsequently be classified to profit and loss:			
Exchange differences on translating foreign operations		(2 225 307)	(3 947 546)
Other comprehensive loss for the year net of taxation		(2 225 307)	(3 947 546)
Total comprehensive income		981 860	11 434 024
Profit attributable to:		3 207 167	15 381 570
Owners of the Parent		3 336 421	15 263 136
Non-controlling interest		(129 254)	118 434
Total comprehensive income attributable to:		981 860	11 434 024
Owners of the Parent		1 111 114	11 315 590
Non-controlling interest		(129 254)	118 434
Earnings per share (USD)	8		
Basic earnings per share (cents)		2.2	10.1
Diluted earnings per share (USD)	8		
Diluted basic earnings per share (cents)		2.2	10.1
Earnings per share (ZAR)			
Basic earnings per share (cents)		36.3	145,9
Diluted earnings per share (ZAR)			
Diluted basic earnings per share (cents)		36.3	145,9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

	Share capital USD	Equity due to change in control of interests USD	Foreign currency translation reserve USD	Transactions between equity holders USD
Balance as at 31 December 2018	148 703 721	(58 264 013)	(37 950 275)	1 611 385
Share-based payments	–	–	–	–
Dividends paid to shareholders	–	–	–	–
Dividends declared by subsidiaries	–	–	–	–
Contribution from non-controlling partner (contribution from the IDC)	–	–	–	–
Total comprehensive income for the year	–	–	(3 947 546)	–
Total changes	–	–	(3 947 546)	–
Balance as at 31 December 2019	148 703 721	(58 264 013)	(41 897 821)	1 611 385
Share-based payments	–	–	–	–
Issue of share capital	555 765	–	–	–
Dividends declared by subsidiaries	–	–	–	–
Total comprehensive income for the year	–	–	(2 225 307)	–
Total changes	555 765	–	(2 225 307)	–
Balance as at 31 December 2020	149 259 486	(58 264 013)	(44 123 128)	1 611 385

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Share-based payments reserve USD	Total reserves USD	Retained income USD	Attributable to owners of the Parent USD	Non- controlling interest USD	Total shareholders' equity USD
715 912	(93 886 991)	101 837 302	156 654 032	9 002 330	165 656 362
(140 289)	(140 289)	–	(140 289)	–	(140 289)
–	–	(2 662 992)	(2 662 992)	–	(2 662 992)
–	–	–	–	(525 953)	(525 953)
–	–	–	–	1 369 497	1 369 497
–	(3 947 546)	15 263 136	11 315 590	118 434	11 434 024
(140 289)	(4 087 835)	12 600 144	8 512 309	961 978	9 474 287
575 623	(97 974 826)	114 437 446	165 166 341	9 964 308	175 130 649
62 574	62 574	–	62 574	–	62 574
(503 566)	(503 566)	–	52 199	–	52 199
–	–	–	–	(77 893)	(77 893)
–	(2 225 307)	3 336 421	1 111 114	(129 254)	981 860
(440 992)	(2 666 299)	3 336 421	1 225 887	(207 147)	1 018 740
134 631	(100 641 125)	117 773 867	166 392 228	9 757 161	176 149 389

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December

	Notes	2020 USD	2019 USD
Cash flows from operating activities			
Cash generated from operations	9.1	29 614 914	23 607 299
Dividends received		–	947 439
Interest received		220 478	192 393
Finance costs		(2 142 606)	(4 850 280)
Tax paid	9.2	(2 180 925)	(5 122 813)
Net cash inflow from operating activities		25 511 861	14 774 038
Cash flows from investing activities			
Purchase of property, plant and equipment		(9 221 450)	(14 876 878)
Purchase of intangibles		(52 670)	–
Sale of property, plant and equipment		1 421 106	948 278
Advances to related parties		(15 350)	–
Financial assets proceeds		–	631 553
Proceeds on disposal/(acquisition) of associate		56 000	(897 837)
Additional investment in associate		(285 824)	(3 048 673)
Acquisition of subsidiaries	9.3	(941 601)	–
Net cash outflow from investing activities		(9 039 789)	(17 243 557)
Cash flows from financing activities			
Advance from financial liabilities		–	–
Repayment of financial liabilities		(9 393 708)	(6 798 814)
Repayment of leases		(1 014 506)	(1 502 917)
(Repayment)/advances from related parties		(292 512)	304 335
Issue of share capital		52 199	–
Dividends paid to shareholders		–	(2 662 992)
Dividends paid to B-BBEE partners		(15 354)	(525 953)
Net cash outflow from financing activities		(10 663 881)	(11 186 341)
Total cash inflow/(outflow) for the period		5 808 191	(13 655 860)
Cash at the beginning of the period		19 507 205	33 314 594
Effect of exchange rate movement on cash balances		(525 319)	(151 529)
Total cash at the end of the period		24 790 077	19 507 205

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December

1. ACCOUNTING POLICIES

Basis of presentation

The abridged audited financial results have been prepared in accordance with IAS 34: *Interim Financial Reporting*, International Financial Reporting Standards, the SAICA reporting guides as issued by the Accounting Standards Board and the requirements of the South African Companies Act, (Act 71 of 2008), as amended and the JSE Listings Requirements. The audited consolidated annual financial statements have been prepared on the historical cost basis, except certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in United States Dollar (USD).

The significant accounting policies are consistent in all material respects with those applied in the previous year, except for the adoption of new standards and amendments which became effective in the current year.

The audited consolidated annual financial statements for Master Drilling Group Limited for the period ended 31 December 2020 have been audited by BDO South Africa Incorporated, who expressed an unmodified audit opinion thereon. A copy of the auditor's report on the audited consolidated financial statements is available online at www.masterdrilling.com. These abridged audited consolidated annual financial results were derived from the consolidated annual financial statements.

The consolidated annual financial statements for Master Drilling Group Limited (Registration number 2011/008265/06), for the period ended 31 December 2020, have been audited by BDO South Africa Incorporated, the Company's independent external auditor, whose unmodified audit report

can be found on pages 6 to 10 of the consolidated annual financial statements 2020, which are available online at www.masterdrilling.com.

The audited consolidated annual financial statements presented have been prepared by the corporate reporting staff of Master Drilling, headed by Willem Ligthelm CA(SA), the Group's Financial Manager. This process was supervised by André van Deventer CA(SA), the Group's chief financial officer.

The auditor's report does not necessarily report on all of the information contained in the abridged audited consolidated financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated annual financial statements incorporate all entities which are controlled by the Group.

At inception, the consolidated annual financial statements had been accounted for under the pooling of interest method as acquisition of entities under common control is excluded from IFRS 3. The entities had been accounted for at historical carrying values for the period presented.

Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains

and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Control is considered to exist if all of the factors below are satisfied:

- The investor has power over the investee i.e. the investor has existing rights that give it the ability to direct the relevant activities;
- The investor has exposure, or rights to variable returns from its involvement with the investee; and
- The investor has the ability to use its power over the investee to affect the amount of the investors' returns.

The Group assesses its control of an investee at the time of its initial investment and again if changes in facts and circumstances affect one or more of the control factors listed above. In assessing whether the Group has control over an investee, consideration is given to many factors including shareholding, voting rights and their impact on the Group's ability to direct the management, operations and returns of the investee; contractual obligations; minority shareholder rights and whether these are protective or substantive in nature; and the financial position of the investee.



NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

Property, plant and equipment and intangibles assets

Property, plant and equipment are initially measured at cost and subsequently at cost less any accumulated depreciation and accumulated impairment losses.

Patents are acquired by the Group and have an indefinite useful life as the Group's plan and ability is to renew and maintain the patent indefinitely. It is expected that the patent will generate revenue for the Group for an unlimited period of time. Patents are carried at cost less accumulated impairment losses. Patents are assessed annually for possible impairment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment. Cost associated with equipment upgrades that result in increased capabilities or performance enhancements of property and equipment are capitalised. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

An asset under construction will be reclassified to the relevant asset category as soon as it is available for use. Assets under construction are not depreciated.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Investment in associate

The results, assets and liabilities are incorporated in these consolidated annual financial statements using the equity method of accounting. An investment

in associate is initially recognised in the consolidated statement of financial position at cost and adjusted for thereafter to recognise the Group's share of the profit or loss in associate and other comprehensive income of the associate.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary environment in which the entity operates i.e. "functional currency". The consolidated annual financial statements are presented in USD (the "presentation currency"). Management believes that USD is more useful to the users of the consolidated annual financial statements, as this currency most reliably reflects the global business performance of the Group as a whole.

Going concern

Based on the information available to it, the Board of Directors believes that the Group remains a going concern.

The annual financial statements have been prepared on the going concern basis. This basis presumes that funds will be available to finance future operations for the next 12-month period and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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 Group operates until the roll out of the vaccines has been successfully completed. As at

the date of signing this report, the Board considered the current cash position of the Group, and did stress tests on the ability of the Group to absorb periods of up to six months lower than normal revenue being generated and found that the Group will be able to service its obligations. Management and the Board are and will remain focused on managing this unfortunate situation as best as possible.

Operating segments

There were no changes made to the reporting segments during the current financial year.

Changes to the Board

The only change to the Board of Directors was the appointment of Hendrik Faul as an independent non-executive director, effective 9 June 2020.

Annual General Meeting

The Annual General Meeting of Master Drilling Group Limited will be held virtually on Monday, 14 June 2021 at 09:00. More details on arrangements around the virtual Annual General Meeting will be disclosed in the notice and proxy that will be available no later than 30 April 2021.

Subsequent events

In January 2021, after the end of the 2020 financial year, the Group fulfilled all the conditions and acquired a 40% interest in Applied Vehicle Analysis Proprietary Limited. The purchase consideration payable amounted to ZAR8,0 million.

The directors are not aware of any other matters or circumstances arising since the reporting date to the date of this report, not otherwise dealt with in this report.

CONDENSED CONSOLIDATED
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2. SIGNIFICANT ACCOUNTING POLICIES *continued*

Outlook and prospects *continued*

The Group remains committed to ensuring the safety of its people and will continue using innovative mechanised equipment in its operations. This is also the future of the industry with an increased focus on mechanisation and remote operations which is the space in which Master Drilling likes to operate and is well placed to compete. Opportunities to diversify outside of the traditional drilling business into areas such as AI will also continue.

Although the shape of recovery and the pace at which vaccines will be rolled out globally remains uncertain, the uptick in the past six months across the commodities and regions that Master Drilling is already exposed to is encouraging.

Pipeline and committed orders as at 31 December 2020 totalled USD539.9 million while the committed order book totalled USD212.8 million for 2021 and beyond. In the short to medium term, the sales pipeline is expected to normalise and increase with further

tactical acquisitions and joint ventures supporting performance.

Having made significant investments in its fleet, technology and geographical diversification over the past couple of years, the Group is now positioned to capitalise on the predicted bull run without requiring additional capital investment.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost USD	Accumulated depreciation and impairment losses USD	Carrying value USD
2020			
Land and buildings	2 929 739	(843 878)	2 085 861
Right-of-use assets: Land and buildings	4 965 931	(1 262 869)	3 703 062
Instalment sale: Plant and machinery	7 409 668	(1 709 522)	5 700 146
Plant and machinery	196 212 205	(55 932 206)	140 279 999
Assets under construction	945 307	(2 566)	942 741
Furniture and fittings	1 401 232	(147 103)	1 254 129
Motor vehicles	5 026 064	(3 070 855)	1 955 209
IT equipment	691 655	(330 926)	360 729
Total	219 581 801	(63 299 925)	156 281 876
2019			
Land and buildings	5 359 499	(940 359)	4 419 140
Right-of-use assets: Land and buildings	6 569 097	(662 908)	5 906 188
Instalment sale: Plant and machinery	6 077 860	(658 785)	5 419 076
Plant and machinery	184 582 130	(50 451 936)	134 130 194
Assets under construction	5 006 522	(2 566)	5 003 956
Furniture and fittings	1 534 522	(504 323)	1 030 199
Motor vehicles	5 101 501	(3 225 625)	1 875 876
IT equipment	765 454	(535 166)	230 288
Total	214 996 585	(56 981 668)	158 014 917

Borrowing cost

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

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*

3. PROPERTY, PLANT AND EQUIPMENT *continued*

3.1 Reconciliation of property, plant and equipment

	Opening balance USD	Additions USD	Exchange difference on consolidation of foreign subsidiaries USD	Adjustment with the adoption of IFRS 16 USD
2020				
Land and buildings	4 419 140	236 285	(90 119)	–
Right-of-use assets: Land and buildings	5 906 188	–	(118 891)	–
Instalment sale: Plant and machinery	5 419 076	6 231	925 816	–
Plant and machinery	134 130 194	7 248 652	(2 332 474)	–
Assets under construction	5 003 956	432 601	(73 446)	–
Furniture and fittings	1 030 199	326 750	(26 349)	–
Motor vehicles	1 875 876	746 612	(71 649)	–
IT equipment	230 288	224 320	4 314	–
	158 014 917	9 221 451	(1 782 798)	–
2019				
Land and buildings	3 207 856	1 086 600	126 668	–
Right-of-use assets: Land and buildings	–	–	(76 979)	6 646 076
Instalment sale: Plant and machinery	6 679 637	136 060	(23 886)	–
Plant and machinery	121 898 655	9 846 006	(1 029 514)	–
Assets under construction	10 588 524	3 748 439	(9 031)	–
Furniture and fittings	726 201	118 240	23 055	–
Motor vehicles	1 674 795	645 004	(7 119)	–
IT equipment	268 668	102 218	(2 567)	–
	145 044 336	15 682 567	(999 373)	6 646 076

Security

Moveable assets to the value of ZAR1,2 billion (USD81.9 million at the closing spot rate) of the South African subsidiaries have been bonded to Absa Capital as security for an interest-bearing loan.

Property, plant and equipment to the value of SEK11.0 million (USD1.3 million at the closing rate) of the European entity have been pledged to Swedbank as security for an interest-bearing loan.

Impairment

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

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Assets acquired through business combination USD	Reclassifi- cations and transfers (to)/from inventory/ assets held for sale/ derecogni- tion of assets USD	Disposal USD	Depre- ciation USD	Impairment of assets USD	Total USD
–	(2 381 810)	(94 801)	(2 834)	–	2 085 861
–	(1 484 275)	–	(599 960)	–	3 703 062
–	–	(26 681)	(624 296)	–	5 700 146
1 414 730	7 970 401	(662 945)	(7 488 559)	–	140 279 999
–	(4 370 906)	(49 464)	–	–	942 741
–	–	(47 875)	(28 596)	–	1 254 129
–	–	(103 745)	(491 885)	–	1 955 209
–	–	(28 323)	(69 870)	–	360 729
1 414 730	(266 590)	(1 013 834)	(9 306 000)	–	156 281 876
–	–	–	(1 984)	–	4 419 140
–	–	–	(662 908)	–	5 906 189
–	(870 532)	(12 727)	(489 477)	–	5 419 075
–	9 627 047	(359 302)	(5 514 728)	(337 970)	134 130 194
–	(9 323 976)	–	–	–	5 003 956
–	212 261	(12 038)	(37 520)	–	1 030 199
–	559 104	(511 290)	(484 618)	–	1 875 876
–	(978)	(36 845)	(100 208)	–	230 288
–	202 926	(932 202)	(7 291 443)	(337 970)	158 014 917

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*

4. INTANGIBLE ASSETS AND GOODWILL

4.1 Intangible assets

	Cost USD	Accumulated amortisation and impairment losses USD	Carrying value USD
2020			
Computer software	2 187 543	(1 802 665)	384 878
Patents	202 482	–	202 482
Total	2 390 025	(1 802 665)	587 360
2019			
Computer software	2 341 050	(1 790 194)	550 856
Patents	212 182	–	212 182
Total	2 553 232	(1 790 194)	763 038

	Opening balance USD	Additions USD	Exchange difference on consolidation of foreign subsidiaries USD
2020			
Computer software	550 856	52 670	(64 284)
Patents	212 182	–	(9 700)
	763 038	52 670	(73 984)
2019			
Computer software	931 666	5 958	4 397
Patents	239 601	–	(27 419)
	1 171 267	5 958	(23 022)

Impairment

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

CONDENSED CONSOLIDATED
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	Assets acquired through business combination USD	Reclassifi- cations and transfers (to)/from inventory/ assets held for sale USD	Disposal USD	Amortisation USD	Impairment of intangible assets USD	Total USD
	–	–	–	(154 364)	–	384 878
	–	–	–	–	–	202 482
	–	–	–	(154 364)	–	587 360
	–	(206 070)	–	(138 347)	(46 748)	550 856
	–	–	–	–	–	212 182
	–	(206 070)	–	(138 347)	(46 748)	763 038

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*

4. INTANGIBLE ASSETS AND GOODWILL *continued*

4.1 Intangible assets *continued*

Impairment testing

For the purpose of annual impairment testing, patents are allocated to plant and machinery within the Group that are expected to benefit from the use of the patents.

The recoverable amount was determined based on a value-in-use calculation covering a five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using the growth rates determined by management. The present value of the expected cash flows of the segment is determined by applying a suitable discount rate.

The recoverable amount for the business utilising the patent exceeds the carrying value by USD4 335 359 (2019: USD5 535 966).

	Growth rate 2020	Discount rate 2020	Growth rate 2019	Discount rate 2019
Patents	3.50%	11.40%	4.30%	14.50%

Growth rate

The growth rates reflect the long-term average growth rates for the cash-generating units.

Discount rate

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors.

Cash flow assumptions

Management's key assumptions include the present value of the cash flow to be generated by utilisation of the patent discounted at the applicable discount rate. Five-year cash flow projections reflect these benefits to be realised.

4.2 Goodwill

	2020 USD	2019 USD
Goodwill recognised from value chain business combinations	2 324 063	2 221 699
Goodwill recognised from raise bore business combinations	537 499	502 478
Goodwill recognised from business combinations	2 861 562	2 724 177

	Opening balance USD	Exchange difference on consolidation of foreign subsidiaries USD	Total USD
2020			
Goodwill recognised from value chain business combinations	2 221 699	102 364	2 324 063
Goodwill recognised from raise bore business combinations	502 478	35 021	537 499
Goodwill recognised from business combinations	2 724 177	137 385	2 861 562
2019			
Goodwill recognised from value chain business combinations	2 612 584	(390 885)	2 221 699
Goodwill recognised from raise bore business combinations	562 508	(60 030)	502 478
Goodwill recognised from business combinations	3 175 092	(450 915)	2 724 177

4. INTANGIBLE ASSETS AND GOODWILL *continued*

4.2 Goodwill *continued*

Impairment testing

For the purpose of annual impairment testing, goodwill is allocated to the cash-generating units, which is expected to benefit from the synergies of the business combination in which the goodwill arose.

The recoverable amount was determined based on a value-in-use calculation covering a five-year forecast, followed by an extrapolation of expected cash flows for the remaining forecast period using the growth rates determined by management. The present value of the expected cash flows of the segment is determined by applying a suitable discount rate.

The recoverable amount for the value chain cash-generating unit exceeds the carrying value by USD1 103 073 (2019: USD7 098 970). The recoverable amount of the raise bore cash-generating unit exceeds the carrying value by USD6 038 158 (2019: USD555 374).

	Growth rate 2020	Discount rate 2020	Growth rate 2019	Discount rate 2019
Value chain business combination	2.60%	11.81%	2.00%	9.75%
Raise bore business combination	2.45%	13.28%	5.00%	12.00%

Growth rate

The growth rates reflect the long-term average growth rates for the cash-generating units.

Discount rate

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors.

Cash flow assumptions

Management's key assumptions include the discounted future net cash flows generated using the applicable discount rate. Five-year cash flow projections reflect these benefits being realised.

5. TRADE AND OTHER RECEIVABLES

	2020 USD	2019 USD
Trade receivables	37 278 279	39 504 757
Trade receivables – Normal (gross)	38 488 814	36 696 597
Impairment allowance of trade receivables	(3 731 677)	(2 795 329)
Trade receivables – Retention (gross)	2 521 142	5 603 489
Loans to employees	119 967	152 812
Prepaid expenses	1 033 205	3 349 227
Deposits	240 719	866 593
Indirect taxes	3 824 954	4 569 627
Other receivables	1 344 980	2 291 480
	43 842 104	50 734 496

Trade receivables of South African subsidiaries have been ceded to Absa Capital as security for an interest-bearing loan. Retention receivables are collectable within a period of 12 months.

The Group's policy does not allow for loans to employees to exceed the monetary value of earnings due to the employee in the notice period. As a result no expected credit loss allowances have been recognised.

Retention trade receivables are considered for expected credit losses based on the same assumptions as for normal trade receivables.

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*

5. TRADE AND OTHER RECEIVABLES *continued*

	2020 USD	2019 USD
The movement in expected credit losses is presented below:		
Balance 1 January	2 795 329	1 126 817
Exchange differences on translation of foreign operations	(257 852)	(25 376)
Amounts written off	–	–
Allowance for credit losses provided for	1 194 200	1 693 888
	3 731 677	2 795 329
Expected credit losses matrix:		
Current	0.10% to 3.25%	2.84% to 2.95%
30 days	0.20% to 3.50%	2.94% to 3.00%
31 to 60 days	3.21% to 3.95%	3.19% to 3.25%
61 to 90 days	3.57% to 4.45%	3.69% to 3.95%
90+ days	4.12% to 4.85%	4.05% to 4.15%
The carrying amounts in USD of trade and other receivables are denominated in the following currencies:		
United States Dollar (USD)	14 892 558	17 537 778
South African Rand (ZAR)	6 489 979	7 580 681
Brazilian Real (BRL)	3 279 495	3 074 568
Mexican Peso (MXN)	–	73 741
Chilean Peso (CLP)	5 297 898	6 273 167
Peruvian Nuevo Sol (PEN)	1 058 815	986 710
CFA Franc BCEAO (XOF)	708 394	2 308
Chinese Yuan Renminbi (CNY)	46 331	627 776
Guatemalan Quetzal (GTQ)	8 030	7 520
Zambian Kwacha (ZMW)	–	1 739 911
Turkish Lira (TRY)	9 758	–
Colombian Peso (COP)	33 781	433 218
Euro (EUR)	–	844 022
Botswana Pula (BWP)	808 659	–
Swedish Krona (SEK)	1 307 457	2 020 375
Australian Dollar (AUD)	2 151 360	1 158
Canadian Dollar (CAD)	3 911 745	6 143 964
Indian Rupee (INR)	3 837 844	3 387 599
	43 842 104	50 734 496

CONDENSED CONSOLIDATED
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6. TRADE AND OTHER PAYABLES

	2020 USD	2019 USD
Trade payables	14 301 951	13 643 509
Income received in advance	782 505	134 884
Indirect taxes	4 485 337	1 678 789
Leave pay accruals	1 855 028	2 147 816
Onerous contracts	–	535 377
Business combination consideration payable	1 172 463	1 228 602
Employee-related	3 264 537	3 454 042
Other accruals	1 052 859	4 078 509
	26 914 680	26 901 528

7. TAXATION

7.1 Taxation

	2020 USD	2019 USD
Current		
Normal taxation	1 858 983	4 627 926
Current taxation	2 826 825	5 339 878
Over-provision	(967 842)	(711 952)
Deferred taxation: temporary differences	2 420 762	(1 013 648)
	4 279 745	3 614 278
Reconciliation of the tax expense		
Accounting profit	7 486 912	18 995 848
Tax at the applicable tax rate	5 324 189	6 452 941
(Over)/under provision	(967 842)	(711 952)
Exempt income	(204 190)	(3 639 763)
Non-deductible expenses – fines and penalties	34 969	153 707
Assessed loss not recognised	1 494 723	1 799 081
Utilisation of assessed loss previously not recognised	(1 402 104)	(439 736)
Taxation per statement of profit or loss and other comprehensive income	4 279 745	3 614 278

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

The total unrecognised estimated loss as at 31 December 2020 is USD7 950 226 (2019: USD5 532 824).

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*

7. TAXATION *continued*

7.1 Taxation *continued*

	2020 USD	2019 USD
Normal taxation charge/(benefit) per entity within the Group		
Bergteamet Latin America SpA	(254 834)	41 308
Bergteamet Raiseboring Europe AB	540 593	299 104
DCP Properties SAC	–	35 002
Drilling Technical Services Proprietary Limited	285 472	–
Drilling Technical Services SAC	–	(102 719)
Master Drilling Proprietary Limited	(408 333)	516 700
Master Drilling Australia Limited	–	123
Master Drilling Changzhou Co Limited	126 121	54 440
Master Drilling Chile SA	–	589 238
Master Drilling Colombia SAS	–	94 078
Master Drilling do Brasil Ltda	321 544	336 339
Master Drilling Exploration Proprietary Limited	157 586	221 912
Master Drilling Ghana Limited	340 184	–
Master Drilling Guatemala SA	–	358
Master Drilling India Limited	1 235 337	172 106
Master Drilling International Limited	(1 565 768)	–
Master Drilling Madencilik Ve Ticaret Limited Sirketi	1 427	9 049
Master Drilling Malta Limited	(410 110)	869 489
Master Drilling Mexico SA	–	769 522
Master Drilling Peru SAC	115 098	–
Master Drilling RDC sprl	452 173	201 178
Master Drilling Training Services Proprietary Limited	–	3 499
Master Drilling USA LLC	502 822	(336 307)
Master Drilling Zambia Limited	–	758 343
MD Botswana Proprietary Limited	116 902	–
MD Drilling Services Tanzania SARL	–	223
MD Katanga Drilling Company SAS	294 230	94 941
MD Training Services Proprietary Limited	8 539	–
	1 858 983	4 627 926

CONDENSED CONSOLIDATED
ANNUAL FINANCIAL STATEMENTS

8. EARNINGS PER SHARE

	2020 USD	2019 USD
Reconciliation between earnings and headline earnings		
Basic earnings for the year	3 207 167	15 381 570
<i>Deduct:</i>		
Non-controlling interest	129 254	(118 434)
Attributable to owners of the Parent	3 336 421	15 263 136
Gain on disposal of property, plant and equipment	(287 516)	(16 076)
Loss on disposal of investment in associate	1 378 542	–
Gain on bargain purchase	(592 916)	–
Impairment of plant and equipment	–	384 717
Tax effect on (gain)/loss on disposal of property, plant and equipment and impairments	80 505	(103 553)
Headline earnings for the year	3 915 036	15 528 224
Earnings per share (cents)	2.2	10.1
Diluted earnings per share (cents)	2.2	10.1
Headline earnings per share (cents)	2.6	10.3
Diluted headline earnings per share (cents)	2.6	10.2
Dividends per share (cents)	–	26.0
Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share and headline earnings per share	150 759 818	150 592 777
Effect of dilutive potential ordinary shares – employee share options*	–	1 080 000
Weighted average number of ordinary shares at the end of the year for the purpose of diluted basic earnings per share and diluted headline earnings per share	150 759 818	151 672 777

* None of the share options were considered dilutive in the current year. The total number of share options in issue is disclosed in note 31 of the full consolidated annual financial statements.

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*

9. CASH GENERATED FROM OPERATIONS

9.1 Cash generated from operations

	2020 USD	2019 USD
Profit before taxation	7 486 912	18 995 848
Adjustments for:		
Depreciation and amortisation	9 460 634	7 429 791
Fair value adjustment on derivatives	272 742	242 365
Impairment	–	384 717
Gain on bargain purchase	(592 916)	–
Share of (profit)/loss from equity-accounted investment	–	(10 529)
Translation effect of foreign operations	2 010 453	(329 027)
Exchange rate differences – interest-bearing borrowings	1 027 199	–
Share-based payment – equity-settled	62 574	(140 289)
Loss on disposal of investment in associate	1 378 542	–
Gain on disposal of fixed assets	(287 516)	(16 076)
Movement in expected credit loss allowance	1 194 200	–
Movement in allowance for obsolete inventory	(233 381)	–
Dividends received	(262 944)	(947 439)
Interest received	(220 478)	(192 393)
Finance costs	2 964 742	4 601 505
Changes in working capital:		
Inventories	2 164 097	(2 068 032)
Trade and other receivables	4 562 923	(2 554 649)
Trade and other payables	(1 372 869)	(1 788 493)
	29 614 914	23 607 299

9.2 Tax paid

	2020 USD	2019 USD
Reported as at 1 January	2 943 562	3 385 537
Acquired through business combination	2 320	–
Current tax for the period recognised in profit and loss	1 858 983	4 627 926
Exchange effect on consolidation of foreign subsidiaries	303 736	52 912
Balance at the end of the period	(2 927 676)	(2 943 562)
	2 180 925	5 122 813

9.3 Net cash flow on business combination

On 19 March 2020, the Group fulfilled all the conditions of the agreement, and acquired Geoserve Exploration Proprietary Limited, a wholly-owned subsidiary within the African segment. The purchase consideration payable amounted to ZAR100 and assumed the bank overdraft facility and certain liabilities of the acquiree.

The gain on bargain purchase amount represents a value on acquisition after a detailed purchase price allocation was performed on the drilling equipment based on where the fair value was considered.

In terms of the contractual agreement with the previous shareholders, contingent consideration would have been payable if specific predefined conditions were met as at 31 December 2020. Based on the assessment of these predefined conditions, not all the conditions were satisfied and contingent consideration is estimated at a value of USDnil.

CONDENSED CONSOLIDATED
ANNUAL FINANCIAL STATEMENTS

9. CASH GENERATED FROM OPERATIONS *continued*

9.3 Net cash flow on business combination *continued*

The carrying amounts of assets and liabilities assumed at the date of acquisition were:

	2020 USD	2019 USD
Assets		
Property, plant and equipment	1 414 730	–
Liabilities		
Current tax payable	(2 320)	–
Working capital		
Trade and other receivables	904 261	–
Inventory	350 022	–
Trade and other payables	(1 132 176)	–
Cash and other equivalents	(941 595)	–
Total assets and liabilities acquired	592 922	–
Group's share of total assets and liabilities acquired	592 922	–
Gain on bargain purchase	(592 916)	–
Total consideration	6	–
Cash and cash equivalents on hand	941 595	–
Consideration paid	6	–
Net cash outflow on acquisition of subsidiary	941 601	–
Turnover since acquisition date included in the consolidated results for the year	4 609 955	–
Profit after tax since acquisition date included in the consolidated results for the year	926 554	–
Group turnover since acquisition date included in the consolidated results for the year	90 168 581	–
Group profit after tax since acquisition date included in the consolidated results for the year	1 207 167	–

10. CAPITAL COMMITMENTS

	2020 USD	2019 USD
Capital expenditure authorised by the directors and contracted for within 12 months		
Capital expenditure will be funded through cash generated from operations	61 213	1 568 610

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*

11. SEGMENT REPORTING

11.1 Mining activity

The following table shows the distribution of the Group's combined sales by mining activity, regardless of where the goods were produced:

	2020 USD	2019 USD
Sales revenue by stage of mining activity		
Exploration	6 621 232	3 819 938
Capital	11 872 468	22 157 343
Production	104 648 182	122 350 571
	123 141 882	148 327 852
Gross profit by stage of mining activity		
Exploration	1 503 751	1 080 308
Capital	2 696 362	8 560 898
Production	23 766 704	34 487 384
	27 966 817	44 128 590

The Chief Operating Decision-maker of the Group is the Chief Executive Officer. Information reported to the Group's Chief Operating Decision-maker for purposes of resource allocation and assessment of segment performance is focused on geographical areas. Each reportable segment derives its revenues from services rendered. The accounting policies of the reportable segments are the same as the Group's accounting policies.

11.2 Geographical segments

Although the Group's major operating divisions are managed on a geographical area basis, they operate in four principal geographical areas of the world.

	2020 USD	2019 USD
Sales revenue by geographical market		
Africa	48 058 729	49 637 943
Central and North America	22 301 560	27 039 051
Other countries	27 089 653	22 433 946
South America	25 691 940	49 216 912
	123 141 882	148 327 852
Gross profit by geographical market		
Africa	13 630 563	19 390 419
Central and North America	4 739 832	(220 295)
Other countries	6 792 132	12 526 964
South America	2 804 290	12 431 502
	27 966 817	44 128 590

The gross profit percentages vary based on drilling ground conditions, competition in the markets and the mix of in-country and foreign cost.

CONDENSED CONSOLIDATED
ANNUAL FINANCIAL STATEMENTS

11. SEGMENT REPORTING *continued*

11.2 Geographical segments *continued*

	2020 USD	2019 USD
Depreciation by geographical market		
Africa	3 165 507	2 977 680
Central and North America	2 189 081	899 843
Other countries	1 519 382	1 435 168
South America	2 586 394	2 117 875
	9 460 364	7 430 566
Investment revenue by geographical market		
Africa	262 944	998 164
Central and North America	–	–
Other countries	9 621	72 932
South America	–	68 735
	272 565	1 139 831
Finance cost by geographical market		
Africa	1 228 859	1 477 449
Central and North America	684 751	1 452 643
Other countries	218 411	262 303
South America	832 721	1 409 111
	2 964 742	4 601 506
Taxation by geographical market		
Africa	(1 017 013)	3 162 005
Central and North America	1 460 907	(1 239 819)
Other countries	2 338 323	428 749
South America	1 697 528	1 263 343
	4 479 745	3 614 278
Total assets by geographical market		
Africa*	89 204 947	83 656 785
Central and North America	46 031 792	48 759 985
Other countries	62 990 707	48 628 929
South America**	66 910 785	95 185 622
Total assets as per statement of financial position	265 138 231	276 231 321
Total liabilities by geographical market		
Africa	31 412 364	36 583 796
Central and North America	21 511 840	27 038 214
Other countries	12 093 814	11 732 594
South America	23 970 824	25 746 068
Total liabilities as per statement of financial position	88 988 842	101 100 672

* Assets in Africa includes the investment in associate.

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

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS *continued*

12. SUBSEQUENT EVENTS

In January 2021, after the end of the 2020 financial year, the Group fulfilled all the conditions and acquired a 40% interest in Applied Vehicle Analysis Proprietary Limited. The purchase consideration payable amounted to ZAR8,0 million.

In view of current 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 considering the continuation of the Company's dividend history in future financial periods, once circumstances permit.

The directors are not aware of any other matters or circumstances arising since the reporting date to the date of this report, not otherwise dealt with in this report.

- SHAREHOLDER INFORMATION -

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ANALYSIS OF SHAREHOLDING

	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
SIZE OF HOLDINGS				
1 – 1 000	1 455	60.8	342 360	0.2
1 001 – 10 000	696	29.1	2 454 657	1.6
10 001 – 100 000	173	7.2	5 774 326	3.8
100 001 – 1 000 000	48	2.0	18 975 264	12.6
1 000 000+	20	0.9	123 716 170	81.8
Total	2 392	100.0	151 262 777	100.0
SHAREHOLDER TYPE				
Public shareholders	2 378	99.4	63 355 947	42.0
Non-public shareholders				
Directors' indirect holdings	11	0.5	85 497 569	56.5
Directors' direct holdings	4	0.1	2 409 261	1.5
Total	2 392	100.0	151 262 777	100.0

According to the share register of the Company, the following fund managers other than directors are registered as holding in excess of 5% of the issued share capital of the Company:

	Number of shares	% of shares in issue
Kagiso Asset Management	19 784 484	13.1
Abax Investments	9 421 359	6.2
Ninety One	8 967 043	5.9
Total	38 172 886	25.2

According to the share register of the Company, the following beneficial shareholders other than directors are registered as holding in excess of 5% of the issued share capital of the Company:

	Number of shares	% of shares in issue
Barrange Proprietary Limited	43 696 650	28.9
MDG Equity Holdings Proprietary Limited	38 954 436	25.8
Ninety One	8 837 456	5.8
Total	91 488 542	60.5

Stock exchange information as at 31 December

	2020	2019
JSE share code: MDI		
Market price (ZAR cents) – high	1 049	1 225
– low	500	910
– closing	750	1 028
Shares traded	18 919 051	21 571 390

NOTICE OF ANNUAL GENERAL MEETING



MASTER DRILLING GROUP LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 2011/008265/06

JSE share code: MDI | ISIN: ZAE000171948

(Master Drilling or the Company)

Notice is hereby given in terms of section 62(1) read with section 63(2)(a) of the South African Companies Act (Act 71 of 2008), as amended (Companies Act), that the ninth Annual General Meeting of Master Drilling (the Annual General Meeting) will be held (subject to any adjournment, postponement or cancellation thereof) by means of electronic participation only as permitted by the JSE Listings Requirements, and in terms of the provisions of the Companies Act and the Company's Memorandum of Incorporation on Monday, 14 June 2021 at 09:00 to transact the business as stated herein including to consider and, if deemed fit, pass, with or without modification, the resolutions as set out in this notice.

The Company together with its share transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare) shall host the Annual General Meeting on an interactive electronic platform (by means of Microsoft Teams) in order to facilitate remote participation by shareholders. Computershare shall also act as meeting scrutineer. Full details concerning how the meeting will be held through electronic communication are provided in this notice.

FORM OF NOTICE AND PROXY

This form of notice and proxy have been approved by the Board of Directors of Master Drilling (the Board or the directors) and are signed on its behalf by Mr HR van der Merwe, Chairman, on 28 April 2021.

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

- The consideration of the annual financial statements for the period ended 31 December 2020;
- The appointment of the external auditor;
- The election of an alternate director and re-election of certain other directors retiring by rotation;
- The reappointment of certain members of the Audit Committee;
- The granting of authority to directors to allot and issue ordinary shares;
- The granting of authority to directors to issue shares for cash;
- The granting of authority to the Company to acquire its own shares;
- The approval of non-executive directors' fees;
- Non-binding vote on the approval of the Company's remuneration policy;
- Non-binding vote on the approval of the report on the implementation of the Company's remuneration policy;
- The granting of authority to the directors to commit the Company to providing financial assistance; and
- To transact such other business as may be transacted at an Annual General Meeting of shareholders.

ADMINISTRATION: SHAREHOLDERS' DIARY

Financial year-end		31 December 2020
Annual results 2020	Published on or about	23 March 2021
2020 Integrated Report	Published on or about	28 April 2021
Annual General Meeting 2021	09:00	14 June 2021
Interim results 2021	Published on or about	31 August 2021

IMPORTANT INFORMATION REGARDING ATTENDING THE ANNUAL GENERAL MEETING

Attending the Annual General Meeting

Shareholders who have dematerialised their shares in the Company (other than those shareholders whose shareholding is recorded in their own name in the sub-register maintained by their Central Securities Depository Participant (CSDP)) and who wish to participate in and vote at the Annual General Meeting to be held on Monday, 14 June 2021 in person, will need to request their CSDP or broker to provide them with the necessary authority in terms of the custody agreement entered into between them and the CSDP or broker.

NOTICE OF ANNUAL GENERAL MEETING *continued*

Voting rights

The Companies Act provides that any shareholder present at the meeting, whether in person or by duly appointed proxy, and entitled to exercise voting rights has: (a) if voting is by a show of hands, one vote, irrespective of the number of voting rights that shareholder would otherwise be entitled to; and (b) should voting be taken by way of a poll, one vote for every share held.

As the Annual General Meeting will cater for electronic participation only, it will not be desirable nor practical for voting to take place by way of a show of hands. Accordingly, the Chairman has determined that all voting will be by way of a poll.

Annual reports

Should you wish to receive printed copies of the Master Drilling 2020 Integrated Report, please complete a request by means of the form on the Company website at www.masterdrilling.com or by email from companysecretary@masterdrilling.com.

Identification

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

Record dates, proxies and voting

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

- The record date for the purposes of receiving notice of the Annual General Meeting (being the date on which a shareholder must be registered in the Company's register of shareholders in

order to receive notice of the Annual General Meeting), shall be the close of business on Friday, 16 April 2021 (notice record date);

- The record date for the purposes of participating in and voting at the Annual General Meeting (being the date on which a shareholder must be registered in the Company's register of shareholders in order to participate in and vote at the Annual General Meeting), shall be the close of business on Friday, 4 June 2021 (voting record date);
- The last day to trade for purposes of participating in and voting at the Annual General Meeting shall be the close of business on Tuesday, 1 June 2021; and
- The date by which forms of proxy for the Annual General Meeting are requested to be lodged is, for administrative purposes, 09:00 on Thursday, 10 June 2021. Any forms of proxy not lodged by this date must be submitted to the Chairman of the Annual General Meeting immediately prior to the commencement of the meeting. The Chairman may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with the proxy notes, provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.

PARTICIPATION BY ELECTRONIC MEANS

Shareholders who wish to participate electronically at the Annual General Meeting are requested to contact Computershare on proxy@computershare.co.za; or alternatively contact their office on +27 11 370 5000 as soon as possible, but in any event, for administrative purposes only, by no later than 09:00 on Thursday, 10 June 2021. This will not in any way, however, affect the rights of shareholders to register for the Annual General Meeting after this date, provided that only those shareholders who are fully verified (as required in

terms of section 63(1) of the Companies Act) and subsequently registered at the commencement of the Annual General Meeting, will be allowed to participate in and vote by electronic means. Shareholders wishing to vote shall be assisted by Computershare where required and only through means of submitting their vote on the appropriate voting form issued by Computershare at the request of the shareholder for purposes of voting at the Annual General Meeting.

Shareholders are strongly encouraged to submit their votes by proxy before the Annual General Meeting. If dematerialised shareholders without "own name" registration wish to participate in the Annual General Meeting, they should instruct their CSDP or broker to issue them with the necessary letter of representation to participate remotely in the Annual General Meeting in person, in the manner stipulated in their respective custody agreements. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature.

Aside from the costs incurred by the Company as a result of the hosting of the Annual General Meeting by way of a remote interactive electronic platform, which shareholders can choose to access, shareholders will be liable for their own network charges in relation to electronic participation at the Annual General Meeting. Any such charges will not be for the account of Master Drilling and/or Computershare. Neither Master Drilling nor Computershare can be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such Shareholder from participating at the Annual General Meeting.

VOTING BY PROXY

Voting remotely through the electronic participation platform will not be allowed or possible, other than by submitting voting papers obtained from

Computershare in the manner provided above. Shareholders are, however, reminded that they are still able to vote normally through proxy submission, despite deciding to so participate either electronically or not at all in the Annual General Meeting. Shareholders are strongly encouraged to submit votes by proxy in advance of the Annual General Meeting.

Completed proxy forms should be delivered by email at proxy@computershare.co.za or by post to, Computershare, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (Private Bag X9000, Saxonwold, 2132) before the person(s) so empowered seeks to exercise any right granted to it under such instrument and are requested to be lodged timeously so as to be received, for administrative purposes, by 09:00 on Thursday, 10 June 2021.

The Chairman may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with the proxy notes, provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.

Proxy forms delivered on the day of the meeting must be delivered by email to the Company at proxy@computershare.co.za with a copy thereof to the Company Secretary of the Company at Companysecretary@masterdrilling.com to be received by both of them before the person so empowered seeks to exercise any right granted to it under such instrument.

ORDINARY BUSINESS Consideration of the annual financial statements and reports

"The consolidated audited annual financial statements of the Company, together with the auditor's, Audit and Social, Ethics and Sustainability Committees' and the directors' reports for the year ended 31 December 2020 will be presented to shareholders for

consideration as required in terms of section 30(3)(d) of the Companies Act and are available on the Company's website at www.masterdrilling.com. Shareholders are reminded to obtain their own copies at www.masterdrilling.com so as to be able to follow any discussion.

1. Ordinary resolution number 1: Appointment of the auditor

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

2. Ordinary resolutions Numbers 2.1 to 2.4: Re-election of non-executive directors retiring by rotation and resolution not to fill any vacancies resulting from any of the proposed directors not being re-elected

2.1 "Resolved that Mr HR van der Merwe, who retires by rotation at this Annual General Meeting, and who is available for re-election, is re-elected as a non-executive director of the Company."

As required by clause 25.8 of the Company's Memorandum of Incorporation, the non-conflicted members of the Board and of its Nominations Committee recommend Mr van der Merwe's re-election based on their assessment of his eligibility, taking into account his past performance and contribution.

Mr van der Merwe's curriculum vitae appears on page 64 of the 2020 Integrated Report, available at www.masterdrilling.com.

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

As required by clause 25.8 of the Company's Memorandum of

Incorporation, the non-conflicted members of the Board and of its Nominations Committee recommend Mr Brink's re-election based on their assessment of his eligibility, taking into account his past performance and contribution.

Mr Brink's curriculum vitae appears on page 64 of the 2020 Integrated Report, available at www.masterdrilling.com.

2.3 "Resolved that Ms OM Matloa, who retires by rotation at this Annual General Meeting, and who is available for re-election, is re-elected as a non-executive director of the Company."

As required by clause 25.8 of the Company's Memorandum of Incorporation, the non-conflicted members of the Board and the members of its Nominations Committee do NOT RECOMMEND Ms Matloa's re-election, based on their assessment of her eligibility, taking into account that her past performance and contribution in the form of her approach and conduct at Board and Board committee meetings, rendered the meetings unwieldy, unproductive and frustrating to other participants.

Ms Matloa's curriculum vitae appears on page 64 of the 2020 Integrated Report, available at www.masterdrilling.com.

2.4 "Resolved, in the event that any of the directors proposed in ordinary resolutions 2.1 to 2.3 not being re-elected as non-executive directors, resulting in a vacancy on the Board, NOT to fill such vacancy by way of a shareholder resolution at this Annual General Meeting or any adjournment thereof."

As required by clause 25.7.5 of the Company's Memorandum of Incorporation, an express resolution is required not to fill any vacancies arising at this Annual General

NOTICE OF ANNUAL GENERAL MEETING *continued*

Meeting occasioned by the offices of the director/s retiring by rotation not being filled.

The Board of Directors through its Nominations Committee is in the process of considering suitable candidates for appointment as non-executive directors in accordance with the provisions of the Companies Act and in pursuance of the Company's diversity policy.

3. Ordinary resolution number 3: *Election of Mr FG Dixon as alternate director to Mr GR Sheppard

"Resolved that Mr FG Dixon is elected as an alternate director to Mr GR Sheppard."

**Explanatory note:*

Although the Company has since 23 September 2015 reflected Mr Dixon as an alternate executive director, Mr Dixon was omitted to be put up for election by shareholders. As Mr Dixon has, however, never been called upon to act as an alternate director, this omission has not in any way affected the operation of the Board or any resolutions passed by the Board. Furthermore, no fees for services as an alternate director were paid to Mr Dixon in that period. The Board recommends that shareholders now elect Mr Dixon as an alternate director. The Board and its Nominations Committee recommend Mr Dixon's election as an alternate director, based on their assessment of his eligibility, taking into account his past performance and contribution as an executive of the Company.

Mr Dixon's curriculum vitae contains the following:

Eddie Dixon

Chief Operating Officer – Exploration

MDip (Civil Eng), MBA

Appointed: September 2015

Joined Master Drilling in 2007

4. Ordinary resolutions numbers 4.1 to 4.4: Election of members of the Audit Committee

4.1 Election of Mr AW Brink as a member of the Audit Committee

"Subject to the passing of ordinary resolution 2.2, resolved that Mr AW Brink is elected as a member of the Audit Committee, from the conclusion of the Annual General Meeting at which this resolution is passed until the conclusion of the next Annual General Meeting of the Company."

Mr Brink's curriculum vitae appears on page 64 of the 2020 Integrated Report, available at www.masterdrilling.com.

4.2 Election of Mr ST Ferguson as a member of the Audit Committee

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

Mr Ferguson's curriculum vitae appears on page 64 of the 2020 Integrated Report, available at www.masterdrilling.com.

4.3 Election of Mr AA Deshmukh as a member of the Audit Committee

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

Mr Deshmukh's curriculum vitae appears on page 64 of the 2020 Integrated Report, available at www.masterdrilling.com.

4.4 Election of Ms OM Matloa as a member of the Audit Committee

"Subject to the passing of ordinary resolution 2.3, resolved that Ms OM Matloa is elected as a member of the Audit Committee, from the conclusion of the Annual General Meeting at which this resolution is passed until the conclusion of the next Annual General Meeting of the Company."

Ms Matloa's curriculum vitae appears on page 64 of the 2020 Integrated Report, available at www.masterdrilling.com.

5. Ordinary resolution number 5: General authority to directors to allot and issue ordinary shares

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

Ordinary resolution number 5 is to seek a general authority and approval for the directors to allot and issue ordinary shares, up to a maximum of 5% of the ordinary shares of the Company in issue from time to time, in order to enable the Company to take advantage of business opportunities which might arise in the future. Pursuant to the Memorandum of Incorporation, this general authority shall be valid only until the next Annual General Meeting of the Company, at which time it may be submitted for renewal.

6. Ordinary resolution number 6: General authority to directors to issue for cash, in respect of those ordinary shares which the directors are authorised to allot and issue in terms of ordinary resolution number 5

"Resolved that, subject to ordinary resolution number 5 being passed, the directors are authorised, in accordance with the JSE Listings Requirements, to allot and issue for cash, on such terms and conditions as they may deem fit, all or any of the ordinary shares of no par value each (ordinary shares) in the authorised but unissued share capital of the Company which they shall have been

authorised to allot and issue in terms of ordinary resolution number 5, subject to the following conditions:

6.1 This authority shall be limited to a maximum number of 7 529 639 shares (being 5% of the issued ordinary shares in the share capital of the Company, excluding treasury shares, as at the date of the notice convening the Annual General Meeting at which this ordinary resolution number 6 is to be proposed, being Monday, 14 June 2021);

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

6.3 An announcement, in compliance with section 11.22 of the Listings Requirements of the JSE Limited, shall be published after any issue representing, on a cumulative basis within the year contemplated in paragraph 6.2 above, 5% (7 529 639) of the number of ordinary shares in issue prior to the issue concerned excluding treasury shares.

6.4 In the event of a sub-division or consolidation of issued shares during the period contemplated in paragraph 6.2 above, this authority must be adjusted accordingly to represent the same allocation ratio.

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

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

Any equity securities already issued under the authority during the period contemplated in paragraph 6.2 above, must be deducted from such number in paragraph 6.1 above.

The purpose of ordinary resolution number 6 is that the directors consider it advantageous to have the authority to issue ordinary shares for cash in order to enable the Company to take advantage of any business opportunity which might arise in the future.

It should be noted that this authority relates only to those ordinary shares which the directors are authorised to issue in terms of ordinary resolution number 5 and is not intended to (nor does it) grant the directors authority to issue ordinary shares over and above the ordinary shares which the directors are authorised to issue in terms of ordinary resolution number 6.

In terms of the JSE Listings Requirements, a 75% majority of the votes cast by shareholders present in person or represented by proxy at the Annual General Meeting is required for the approval of ordinary resolution number 6.

7. Ordinary resolution number 7: Approval of the Master Drilling remuneration policy

"To consider and approve the remuneration policy as contained in the remuneration report of the Company on pages 72 to 80 of the 2020 Integrated Report, available at www.masterdrilling.com (excluding the remuneration of directors for their services as directors and members of the Board and Board committees) in terms of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)."

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

8. Ordinary resolution number 8: Report on the implementation of the Master Drilling remuneration policy

"To consider and approve the implementation of the Master Drilling remuneration policy, details of which are set out in the remuneration report of the Company on pages 72 to 80 of the 2020 Integrated Report, available at www.masterdrilling.com in terms of the King IV™."

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

SPECIAL BUSINESS

For special resolutions numbers 1 to 3 (inclusive) to be adopted, at least 75% of the voting rights exercised on the applicable special resolution must be exercised in favour thereof.

9. Special resolution number 1: Acquisition of the Company's own shares

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

- Any such acquisition of shares shall be effected through the order book operated by the JSE Limited trading system or on the open market of any other stock exchange on which the shares are or may be listed, subject to



NOTICE OF ANNUAL GENERAL MEETING *continued*

the approval of the JSE Limited and of the relevant other stock exchange, as applicable, in either event without any prior understanding or arrangement between the Company and the counterparty;

- This approval shall be valid only until the next Annual General Meeting of the Company, or for 15 months from the date of passing of this resolution, whichever period is shorter;
- Shares issued by the Company may not be acquired at a price greater than 10% above the weighted average market price of the Company's shares for the five business days immediately preceding the date of the acquisition being effected;
- The Company only appoints one agent to effect any acquisitions on its behalf;
- The Board has resolved to authorise the acquisition and that the Company and its subsidiaries shall satisfy the solvency and liquidity test immediately after the acquisition and that since the test was done there have been no material changes to the financial position of the Group;
- The Company may not, in any one financial year, acquire in excess of 5% of the Company's issued ordinary share capital as at the date of passing of this resolution;
- An announcement containing details of such acquisitions shall be published as soon as the Company and/or the subsidiaries, collectively, shall have acquired ordinary shares issued by the Company constituting, on a cumulative basis, not less than 3% of the number of ordinary shares in the Company in issue as at the date of this approval; and an announcement containing details of such acquisitions will be published in respect of each subsequent acquisition by either the Company and/or the subsidiaries, collectively, of ordinary shares issued by the Company, constituting, on a cumulative basis, not less than 3% of the number of ordinary shares in the Company in issue as at the date of this approval;

- The acquisition of shares by the Company or its subsidiaries may not be effected during a prohibited period, as defined in the JSE Listings Requirements, unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been submitted in writing to the JSE prior to the commencement of the prohibited period;
- The Company's subsidiaries shall not be entitled to acquire ordinary shares issued by the Company if the acquisition of shares will result in them holding, on a cumulative basis, more than 10% of the number of ordinary shares in issue in the Company; and
- The shares acquired by the Company's subsidiaries shall not carry with them any voting rights."

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

The directors believe that the Company should retain the flexibility to take action if future acquisitions of its shares were considered desirable and in the best interests of the Company and its shareholders.

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

- The Company and the Group would be able in the ordinary course of business to pay its debts for a period of 12 months after the repurchase;
- The assets of the Company and the Group would be in excess of the liabilities of the Company and the

Group for a period of 12 months after the repurchase. For this purpose, the assets and liabilities would be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements; and

- The ordinary capital and reserves of the Company and the Group would be adequate for ordinary business purposes for a period of 12 months after the date of the notice issued in respect of the Annual General Meeting and the working capital of the Company and the Group would be adequate in the ordinary course of business for a period of 12 months after the date of the repurchase.

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

In terms of section 11.26 of the JSE Listings Requirements, the following information is disclosed in the 2020 Integrated Report, available at www.masterdrilling.com:

- Directors and management – pages 64 and 65;
- Major shareholders – page 112;
- Material change statement – page 120;
- Directors' interest in securities – page 80; and
- Share capital of the Company – page 112.

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

"Resolved as special resolution number 2, in terms of section 66(9) of the Companies Act, that the *remuneration, as set out in the table below, to be paid to non-executive directors for their services as directors of the Company (with effect from 1 July 2021), as recommended by the Remuneration Committee and the Board to the shareholders at the Annual General Meeting, is hereby approved, as well as payment of such value added tax as may be attributable to non-executive directors' fees payable by the Company."

Note:

The Board has recommended a 6% increase in the fees paid to non-executive directors, taking into account that there was no increase in the previous year.

The recommended fees to take effect from 1 July 2021 are set out more fully below. The annual basic remuneration is an annual fee payable in four equal quarterly amounts. The remuneration reflected below for meeting attendance is payable quarterly per meeting/s attended:

	ZAR
Annual basic remuneration, to be paid quarterly	
Non-executive Chairman of the Board	424 000
Non-executive member of the Board, including Lead Independent Director	106 000
Fees per meeting attended by the members of the Board and of the Board committees, to be paid quarterly	
Chairman of the Board	92 220
Non-executive member of the Board	31 800
Chairman of the Audit Committee	31 800
Chairman of the Risk Committee	31 800
Chairperson of the Social, Ethics and Sustainability Committee	21 200
Chairman of the Corporate Governance Committee	21 200
Chairman of the Remuneration Committee	26 500
Chairman of the Nominations Committee	22 260
Member of the Audit Committee	22 260
Member of the Risk Committee	22 260
Member of the Social, Ethics and Sustainability Committee	12 720
Member of the Corporate Governance Committee	6 360
Member of the Remuneration Committee	10 600
Member of the Nominations Committee	9 540

* The table above reflects a 6% increase for 2020. The directors' fees comprise a fixed annual portion as annual basic remuneration and a portion based on attendance at Board and committee meetings.

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING *continued*

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

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

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

RESPONSIBILITY

The directors whose names appear on pages 64 and 65 of the 2020 Integrated Report, available at www.masterdrilling.com, collectively and individually accept full responsibility for the accuracy of the information given in this notice and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the JSE Listings Requirements.

NO MATERIAL CHANGES

Other than the facts and developments reported on in the 2020 Integrated Report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice.

By order of the Board



Hennie van der Merwe
Chairman of the Board

28 April 2021

FORM OF PROXY



MASTER DRILLING GROUP LIMITED

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

FORM OF PROXY FOR MASTER DRILLING SHAREHOLDERS

To be completed by certificated shareholders or those dematerialised shareholders of the Company who have selected "own name" registration. For use at the Annual General Meeting of Master Drilling to be held by electronic participation at 09:00 on Monday, 14 June 2021 and at any adjournment thereof.

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

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

of (address):

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

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

Please indicate with an "X" in the appropriate spaces how votes are to be cast

	FOR	AGAINST	ABSTAIN
Ordinary resolution number 1: Appointment of BDO South Africa Incorporated as external auditor			
Ordinary resolution number 2.1: Re-election of Mr HR van der Merwe as a non-executive director			
Ordinary resolution number 2.2: Re-election of Mr AW Brink as a non-executive director			
Ordinary resolution number 2.3: Re-election of Ms OM Matloa as a non-executive director (NOT RECOMMENDED)			
Ordinary resolution number 2.4: Resolution NOT to fill any vacancies resulting from any of the proposed directors not being re-elected			
Ordinary resolution number 3: Election of Mr FG Dixon as an alternate director to Mr GR Sheppard			
Ordinary resolution number 4.1: Election of Mr AW Brink as a member of the Audit Committee of the Company			
Ordinary resolution number 4.2: Election of Mr ST Ferguson as a member of the Audit Committee of the Company			
Ordinary resolution number 4.3: Election of Mr AA Deshmukh as a member of the Audit Committee of the Company			
Ordinary resolution number 4.4: Election of Ms OM Matloa as a member of the Audit Committee of the Company (NOT recommended by the Board and the Nominations Committee)			
Ordinary resolution number 5: General authority to directors to allot and issue ordinary shares			
Ordinary resolution number 6: General authority to directors to issue for cash, those ordinary shares placed under the control of the directors in terms of the ordinary resolution number 5			
Ordinary resolution number 7: Approval of the Master Drilling remuneration policy			
Ordinary resolution number 8: Approval of implementation report on the Master Drilling remuneration policy			
Special resolution number 1: Acquisition of the Company's own shares			
Special resolution number 2: Non-executive directors' fees			
Special resolution number 3: Approval to grant financial assistance in terms of sections 44 and 45 of the Companies Act			

Signed at _____ on _____ 2021

Name of shareholder/joint holders signature/s

Assisted by me (if applicable)

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

(In block letters and authority to be attached – refer to note 7 on page 122).



NOTES TO THE FORM OF PROXY

1. This form of proxy should only be used by certificated shareholders or shareholders who have dematerialised their shares with "own name" registration.
2. All other shareholders who have dematerialised their shares through a CSDP or a broker, and wish to participate at the Annual General Meeting, must arrange with such CSDP or broker to provide them with the necessary written authorisation to attend the Annual General Meeting or, should they not wish to attend, the shareholders must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder may insert the name(s) of one or more proxies, none of whom need to be a shareholder of the Company, in the space provided, with or without deleting the phrase "the Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the Chairman of the Annual General Meeting.
4. A shareholder's instruction on the form of proxy must be indicated by the insertion of a number of shares in the appropriate space provided, or an "X" if the shareholder wishes to vote all the shares. Failure to comply with the above will be deemed to authorise the Chairman of the Annual General Meeting, if the Chairman is the authorised proxy, to vote in favour of the resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable, but the total of the votes cast, together with any abstentions recorded, may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
5. Forms of proxy must be completed and lodged at or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited (Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold 2132, South Africa), or emailed to proxy@computershare.co.za to be received by the transfer secretaries by no later than 09:00 on Thursday, 10 June 2021, provided that any form of proxy not delivered to the transfer secretaries by this time may be sent to the Chairman of the Annual General Meeting at any time before the appointed proxy exercises any shareholder rights at the Annual General Meeting, subject to the transfer secretaries verifying the form of proxy and proof of identification before shareholder rights are exercised.
6. The completion and lodging of this form of proxy shall not preclude the shareholder from attending, speaking and voting at the Annual General Meeting to the exclusion of any proxy appointed in terms hereof.
7. Should this form of proxy not be completed and/or received in accordance with these notes, the Chairman of the Annual General Meeting may accept or reject it, provided that, in the case of acceptance, the Chairman is satisfied as to the manner in which the shareholder's votes are to be recorded.
8. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairman of the Annual General Meeting.
9. The Chairman shall be entitled to reject the authority of a person signing this form of proxy:
 - 9.1. under a power of attorney; or
 - 9.2. on behalf of a company or on behalf of another entity, unless that person's power of attorney or authority has been deposited and registered by the transfer secretaries at the address stated herein before the time fixed for commencement of the Annual General Meeting.
10. Where shares are held jointly, all joint holders are required to sign the form of proxy. When there are joint registered holders of any shares, any one of such persons may vote at the Annual General Meeting in respect of such shares as if he/she is solely entitled thereto, but, if more than one of such joint holders be present or represented at any Annual General Meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder, in whose name any shares stand, shall be deemed joint holders thereof.
11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
12. Any alterations of or correction to this form of proxy must be initialled by the signatory(ies).
13. It is the intent that all voting at the Annual General Meeting will take place by way of a poll.
14. On a poll, every shareholder participating electronically or represented by proxy shall have one vote for every share held by such shareholder.

DEFINITIONS AND GLOSSARY

GLOSSARY

AI	Artificial intelligence
B-BBEE	Broad-based black economic empowerment
Board	The Board of Directors of Master Drilling Group Limited
Companies Act	The South African Companies Act (Act 71 of 2008)
COVID-19	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CSDP	Central Securities Depository Participant
CSI	Corporate social investment
CSR	Corporate social responsibility
DRC	Democratic Republic of Congo
ESG	Environmental, social and governance
HR	Human resources
IAS	International Accounting Standards
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
<IR Framework>	The International Integrated Reporting Council Framework
ISO	International Organisation for Standardisation
ISO 9001	ISO Quality Management System
ISO 31000	Risk management framework
IT	Information technology
JSE	Johannesburg Stock Exchange Limited
King IV™	King Report on Corporate Governance™ for South Africa, 2016
KPI	Key performance indicator

Latin America and Colombia	Includes Mexico, Guatemala, Chile, Peru, Argentina and Brazil
LTI	Long-term Incentive Scheme
LTIFR	Lost-time injury frequency rate
Master Drilling or the Company	Master Drilling Group Limited
MD	Master Drilling
MDX	Master Drilling Exploration Proprietary Limited
MTB	Mobile Tunnel Borer
Other countries	Includes Ireland, Malta, China and Saudi Arabia
PGMs	Platinum group metals
R&D	Research and development
Remco	Remuneration Committee
Rest of Africa	Includes Mali, Burkina Faso, the Democratic Republic of Congo, Zambia, Botswana and Zimbabwe
ROA	Return on asset
SBS	Shaft Boring System
SETA	Sector Education and Training Authority
SHEQ	Safety, health, environment and quality
SOS	Share option scheme
SPR	Special performance reward
STI	Short-term Incentive Scheme
TB	Tuberculosis
TGP	Total gross package
UN SDGs	UN Sustainable Development Goals
USD	United States Dollar
WACC	Weighted average cost of capital
ZAR	South African Rand



DEFINITIONS AND GLOSSARY *continued*

OPERATIONAL DEFINITIONS

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

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



DEFINITIONS AND GLOSSARY *continued*

FINANCIAL DEFINITIONS

ARPOR	Average revenue per operating rig
EBITDA	Earnings before interest, tax, depreciation and amortisation
ROCE	Return on capital employed = $\frac{\text{Earnings before interest and tax}}{\text{(Total assets – current liabilities)}}$

CORPORATE INFORMATION

MASTER DRILLING GROUP LIMITED

Registration number: 2011/008265/06
Incorporated in the Republic of South Africa
JSE share code: MDI | ISIN: ZAE000171948
LEI: 37890095B2AFC611E529

Registered and corporate office

4 Bosman Street, Fochville, 2515, South Africa
PO Box 902, Fochville, 2515, South Africa

DIRECTORS

Executive

Daniël (Danie) Coenraad Pretorius	<i>Chief Executive Officer and founder</i>
André Jean van Deventer	<i>Financial Director and Chief Financial Officer</i>
Barend Jacobus (Koos) Jordaan	<i>Executive Director</i>
Gareth (Gary) Robert Sheppard*	<i>Chief Operating Officer – Americas</i>

* Resident in United States of America.

Non-executive

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

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Andrew Colin Beaven
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SHAREHOLDERS' DIARY

Financial year-end	31 December 2020
Annual results 2020	Published on 23 March 2021
2020 Integrated Report	Published on 28 April 2021
Annual General Meeting 2021	14 June 2021
Interim results 2021	Published on or about 14 September 2021

JSE SPONSOR

Investec Bank Limited
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Master Drilling posts information that is important to investors on the main page of its website at www.masterdrilling.com and under "the investors" tab on the main page. The information is updated regularly and investors should visit the website to obtain important information about Master Drilling.



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