REPORT TO SHAREHOLDERS

UNAUDITED INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

SALIENT FEATURES FOR THE PERIOD

- Revenue in USD up 25.4% from 57.4 million to 72.0 million
- Profit in USD increased 97.8% from 4.6 million to 9.1 million
- Headline earnings per share in USD up 87.5% from 3.2 cents to 6.0 cents
- Headline earnings per share in ZAR up 63,6% from 53,3 cents to 87,2 cents
- Basic earnings per share in USD up 87.5% from 3.2 cents to 6.0 cents
- Basic earnings per share in ZAR up 63,6% from 53,3 cents to 87,2 cents
- Net cash from operating activities increased 0.9% from USD11.1 million to USD11.2 million
- Revenue pipeline of USD601.6 million
- Committed order book of USD232.0 million
- No dividend for the current period
- Decisive and effective action taken in response to Covid-19 pandemic

CONTENTS

COMMENTARY

ABOUT MASTER DRILLING

Master Drilling was established in 1986 and listed on the Johannesburg Stock Exchange in 2012. The company delivers innovative drilling technologies and has built trusted partner relationships with blue-chip major and mid-tier companies in the mining, hydro-electric energy, civil engineering and construction sectors across various commodities worldwide for over 30 years. The Master Drilling business model of providing drilling solutions to clients through tailor-made designs coupled with a flexible support and logistics chain, makes it the preferred drilling, mine safety and innovative, data-driven solutions partner throughout the lifecycle of projects from exploration to production and capital stages.

Commenting on the results for the six months to end June 2021, Danie Pretorius, CEO of Master Drilling, said:

"We have seen an increased demand for our services in 2021 as a result of the uptick in commodity prices and an increased capital spend by our clients. Master Drilling has seized the opportunity presented by this trend and continued on its growth strategy including the acquisition of interests in two businesses that complement our offering.

We have made significant progress in expanding our geographical footprint by securing new contracts in West Africa, Australia, Russia, Europe, and North America. The expansion has also ensured that we continued to increase our exposure to commodities experiencing significant upswing thereby driving increased mining activity.

Technology remains a key differentiator for Master Drilling, and we continue to support our customers with solutions that address changing conditions and constantly evolving trends. As we capitalise on themes such as the Internet of Things (IOT) and innovation, we have also acquired stakes in AVA Solutions and the A&R Group, companies that address the need for innovation in the mining industry. Both of these companies provide digital offerings that seek to enhance and improve mining safety while optimising operations.

Whilst the full impact of the pandemic across our value chain remains unclear, we continue to drive diversification across regions, commodities, currencies and industries with an eye on the long term without compromising the management of short-term risks and headwinds associated with the pandemic over the remainder of the year."

FINANCIAL OVERVIEW

Revenue increased 25.4% to USD72.0 million with operating profit up 60.3% to USD11.8 million. The increase in revenue was mainly due to the impact of higher commodity prices following the global outbreak of Covid-19 during the previous financial year.

During the current reporting period, the Group received approximately USD6.2 million as an advance payment on a contract to be executed over a number of years. Refer to the consolidated statement of financial position for the long-term portion and note 6 of the notes to the interim results for short-term position of the contract liability.

USD basic earnings per share (EPS) increased 87.5% to 6.0 cents, and ZAR EPS by 63,6% to 87,2 cents compared to the same period last year. USD headline earnings per share (HEPS) increased 87.5% to 6.0 cents, and ZAR HEPS by 63,6% to 87,2 cents compared to the same period last year.

Net cash generated remained flat with an increase of USD0.1 million to USD11.2 million, while debtor days remained constant amid weak economic conditions. Master Drilling will continue to manage debtors actively to ensure robust conversion to cash. Cash resources continue to be managed prudently to cater for emerging opportunities that require specific design, planning and investment.

During the reporting period, 34% of the Master Drilling capital spend was on capacity expansion with the remaining 66% allocated towards maintenance capital.

As at 30 June 2021, the Group owed USD36.6 million on the ABSA facility.

OPERATIONAL OVERVIEW

Following a significant contraction last year caused by Covid-19, global economic output is expected to expand in 2021 and to moderate between 3 - 4%, due in part to the vaccine rollout and growing optimism. Growth is therefore driven by renewed focus on infrastructure spend, clean and alternative energy and population demand and optimism. China is forecast to grow by 8% in 2021, while other markets may see a 'W' recovery cycle with difficulties as a result of the knock-on impact of the various Covid-19 waves.

As a business that generates USD revenues off an emerging currency cost base, the Group benefits from emerging currency weakness.

Safety and response to Covid-19

We have seen an increase in Covid-19 infections in some countries where we operate especially in India. Although Master Drilling put measures in place to prepare for expected Covid-19 infection waves, this has had an impact on logistics. Master Drilling is fully committed to playing its part in limiting the spread of Covid-19 across the 23 countries in which we operate, including those that are most severely impacted by the pandemic.

Master Drilling has adequate headroom in terms of liquidity with stringent, proactive measures implemented across the business to manage costs, as well as optimise working capital and capital expenditure, with a stronger focus on cash flow generation during these uncertain times. As at the date of finalising these results, these measures had limited the impact of lost productivity, and the business continues to operate at satisfactory levels. Management is confident that business can continue to operate successfully in the current environment.

South America

South America has seen increased market activity since the beginning of 2021. The uptick was primarily driven by the global increase in commodity prices. Though continuous risks around Covid-19 and geopolitical uncertainty remain, we expect a solid performance in South America over the next two years.

Brazil saw a strong H1 2021, exceeding its target profitability levels. In addition, during June we were awarded the AngloGold Ashanti Raisebore contract for another three years. Research has indicated that there are several new mining projects that should come online in the medium-term that can potentially utilize our XXXL machines.

Chile, the biggest copper producing country in the world, has capitalised on the strong copper price. The market dictates more of a turnkey solution approach and our Master Drilling Chile and Besalco Construction Joint Venture was awarded a contract with Chuquicamata (Codelco). Further increase in the value of the contract may occur in H2 2021.

Appropriate right sizing in the region occurred in 2019 and 2020 and with the uptick in the market in 2021, we have started reaping the benefits of these changes. Peru has seen its strongest half year performance since 2018. These results are driven by additional work at Volcan. Also, strong cost control and reduction in people per operating rig assist the profitability of the business. Peru's mining sector could be its engine of economic recovery, but this will require collaboration between the State and the private sector.

Central and North America

Our operations in North America are established and we continue to position Master Drilling as a differentiated competitor.

In Canada, we have finalised the contract negotiations and have received the purchase order and executed contract for Glencore's Raglan Mine. Drilling of the first three surface raises will commence in January 2022. In addition, Raglan Mine has reached out to us to provide pricing for an additional underground raise.

In the United States we continue to work hard to secure contractor's licenses across each state to drive the new business pipeline, with the initial focus primarily on mining-rich Nevada.

Mexico, like the other countries in the region, had a positive start to the year. Our machine utilisation has increased to 85% with several new projects expected to commence. Further, we have recently mobilised for a satellite contract in Nicaragua.

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

Africa

Africa is currently the largest contributor in terms of revenue and profits and the region delivered good performance during the period. We have several rigs deployed across key projects.

As indicated last year, we continue to pursue aggressive expansion into West Africa with a specific focus on gold producers.

Covid-19 had a moderate effect on operations compared with most other regions in 2021. The pandemic did, however, adversely affect the logistical side of the business with various delays experienced in mobilising equipment to site and clearing by the necessary authorities. It also affected the rotation of the expatriate crews which has now normalised.

The operations in Ghana experienced some challenges with logistics and safety aspects.

Operations in Mali for Barrick will see a marginal uptick in revenue due to a bigger machine being mobilised to the site. We moved work on the ventilation shafts to August 2021 with drilling set to begin in October 2021. Stable revenue is expected in this country.

Kibali (Barrick), in the DRC, continued its satisfactory performance with our long-term project.

Master Drilling is currently looking at growth areas in East Africa and we are confident that our marketing efforts should see return by the end of 2021. We have received requests from Burkina Faso and Sierra Leone and we are currently awaiting the outcome of bids submitted.

With the platinum outlook expected to move back into surplus, we have seen that in Zimbabwe a PGM-rich market, particularly in the Great Dyke, has become attractive to us. We have secured a contract with Zimplats and have submitted further proposals and await feedback on work in H2 2021.

Although Zambia's operations were put into care and maintenance, we submitted a tender that could see two machines utilised in H2 2021.

Botswana offer opportunities and a long-term contract on the Khoemacau Copper-Silver Project has been secured.

The South African mining sector still provides isolated opportunities; it is shrinking in overall terms and new capital expenditure in the sector is not forthcoming. With cost pressures rising and 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.

Scandinavia

After a slow start to the year, operations have started to gain momentum towards the second half of Q2 2021, with several delayed projects receiving the green light to proceed. Since the last report we established at the Lökjesvatnet Hydroelectric project in Norway and completed the pilot drilling.

Boliden approved the start of the second ventilation at Rävlinden Mine, after suspending the project start date to H2 2021.

We have commenced construction at the Haga project in Gothenburg, which will be our first major infrastructure project in this metropolitan area.

India

Our operations in India are performing well in terms of efficiencies and revenues supported by a stable contract. The Vedanta Limited contract was successfully renegotiated for a further three years.

Other Regions

At 2020 year end, we highlighted our interest in growing our presence in Australia, Russia, and central Asia, with a focus on raise boring.

Our Russian business partner agreement is in place, and we have executed our first project and are now mobilising for a second project in Russia. Opportunities in Kazakhstan and neighbouring states are also being actively worked on.

Operations in Australia have started on a contract, and we are actively building a pipeline of new projects. Our continuous drive to improve profit margins will support sustainable, long-term business activities across the region and we believe that our compelling offering will lead to renewed business opportunities post Covid-19. In the short term, given the current pressures from the pandemic as well as political and social issues, the Group will focus on cash generation, cash security and optimisation.

Technology

Technological innovation and development remain part of Master Drilling's strategic pillars for the company's long-term success. Artificial intelligence and big data are driving changes around mining activities to enable cost reductions and improve safety. To be sustainable, we need to position ourselves as an innovation partner with our clients to equip them for a future world of work that will encourage further developments in autonomous mining methods. An opportunity focused on technology value-add for the mining sector was executed with the acquisition of an interest in AVA Solutions.

A clear example of Master Drilling's technological advantage during the period was the setting of a world record by successfully drilling a 1 382-metre raise-bore pilot hole at Northam's Zondereinde mine by using our own ground-breaking directional drilling technology and machinery.

Our Mobile Tunnel Borer (MTB) continues to receive keen interest and we have been awarded a contract with Anglo American in South Africa that will come online in Q3 of 2021.

We remain committed to developing and delivering solutions such as the Shaft Boring System (SBS) to assist clients in meeting their efficiency targets and economic goals.

We are further involved in four development projects (all in different stages of development) to establish non-explosive mining methods, products and services for our contracted clients.

Skills development

One of our major challenges in achieving targeted top line growth is attracting the right people into the organisation. Therefore, our focus has been on running projects that are fit-for-purpose, ensuring that the right number of people with the appropriate skills are working on a project at any given time. We have analysed the business with a five-to-10-year horizon and have subsequently established a formal two-to-five-year programme that kicked off in January 2020.

This programme is focused on workforce management and involves training to ensure resources stay aligned to business requirements. Our aim is to keep good engineering skills in-house and use a geographically diverse footprint to move resources between regions as required.

Ensuring that we have the right skills in place does not only mean we invest in internal training and external resourcing but also actively create the skills required. As such, we are giving our support to the South African government's YES programme.

OUTLOOK AND PROSPECTS

Our quick response to the Covid-19 pandemic has ensured that the Group remained financially sound and profitable during these unprecedented times.

Whilst it is still too early to assess the full impact of the pandemic on our business, we believe that our diversified profile, combined with a continued focus on cash and capital management as well as safety, has positioned Master Drilling to emerge from this cycle ready to take advantage of opportunities.

In the short term, the improvement in commodity prices including gold, PGMs, iron ore, copper and polymetals, together with the weaker emerging market currencies, should further assist the Group for the remainder of the year.

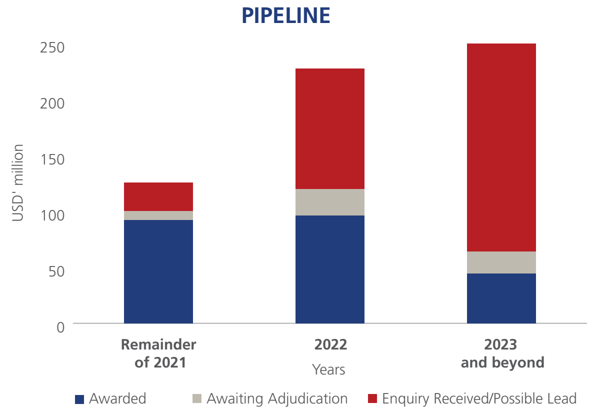
In the longer term, our strategy to diversify across regions, commodities, currencies, and industries will stand us in good stead.

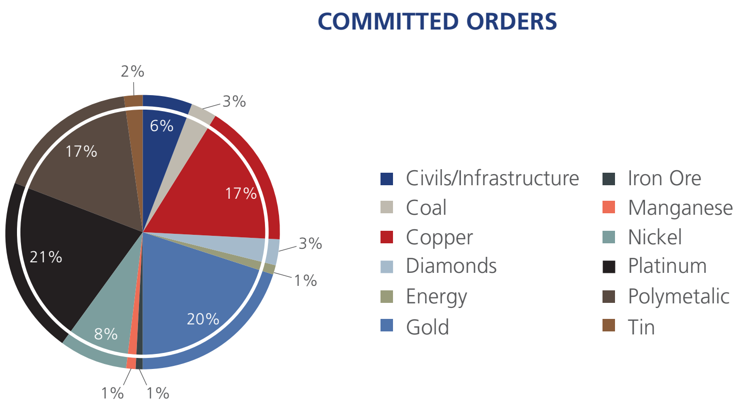
NATURE OF BUSINESS

Master Drilling Group Limited through its operating subsidiary companies provide specialised drilling services to blue-chip major and mid-tier companies in the mining, civil engineering, infrastructure and hydro-electric energy sectors, across a number of commodities and geographies. Master Drilling is the global leader in the raise bore drilling services industry.

PIPELINE AND COMMITTED ORDERS

As at 30 June 2021 our sales pipeline totalled USD601.6 million (2020: USD281.4 million) while the committed order book totalled USD232.0 million (2020: USD144.6 million) for the remainder of 2021 and beyond, spread as follows:

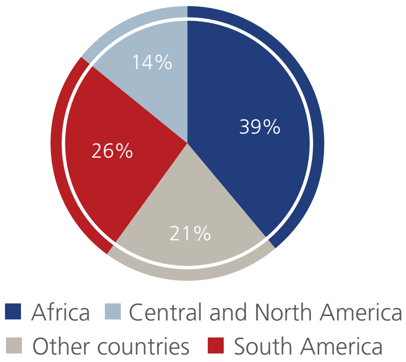




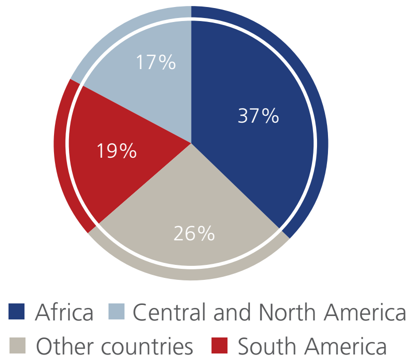
REVENUE

The following graphs reflect the Group's combined revenue for financial periods ended 30 June:

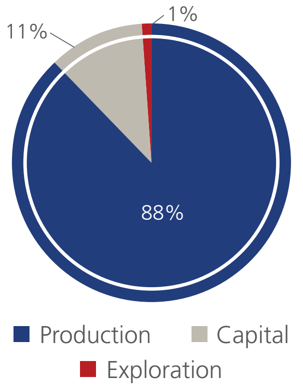
REVENUE BY GEOGRAPHICAL AREA JUNE 2021



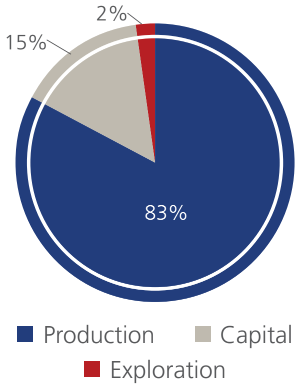
REVENUE BY GEOGRAPHICAL AREA JUNE 2020



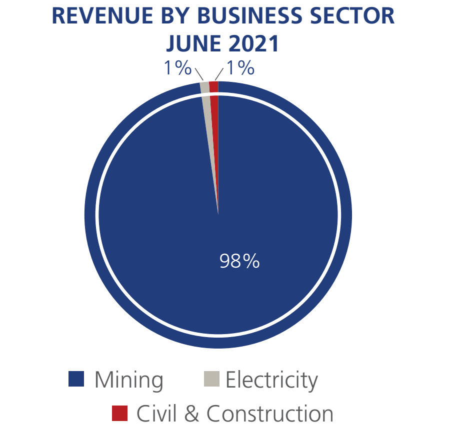
REVENUE BY MINING ACTIVITY JUNE 2021

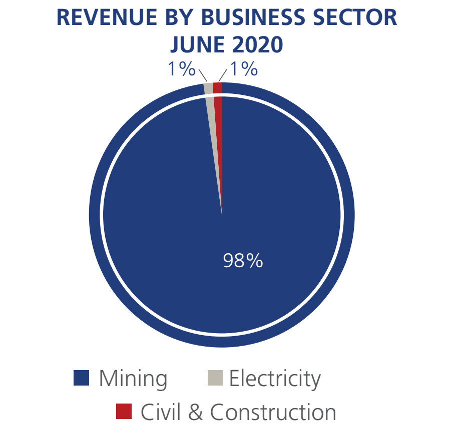


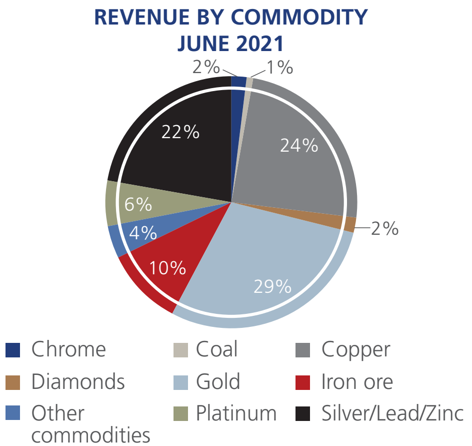
REVENUE BY MINING ACTIVITY JUNE 2020

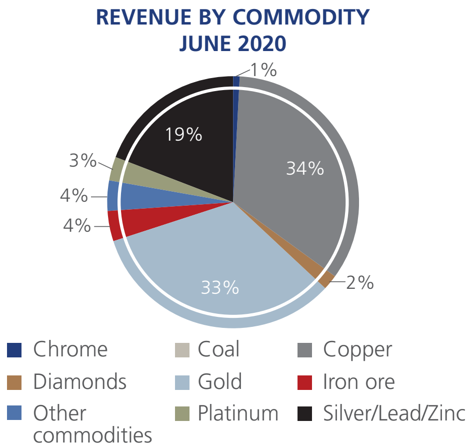


COMMENTARY continued









ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

The condensed unaudited consolidated interim financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting, International Financial Reporting Standards, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act, (Act No 71 of 2008), as amended and the Listings Requirements of the JSE Limited. The condensed unaudited consolidated interim 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 audited consolidated annual financial statements for the year ended 31 December 2020.

Impact of accounting standards to be applied in future periods

There are a few standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2020. The Group performed an analysis of these standards and interpretations and concluded that these will not have a significant impact on the financial statements once adopted.

The condensed unaudited consolidated interim 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 Jean van Deventer CA(SA), the Group's chief financial officer.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

The Group 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.

a. the investor has power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities;

b. the investor has exposure, or rights to variable returns from its involvement with the investee; and

c. the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group measures 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.

Property, plant and equipment and intangibles

a. *Intangibles*

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.

Computer software are initially measured at cost and subsequently at cost less any accumulated amortisation and accumulated impairment losses.

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

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

b. *Property, plant and equipment*

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

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

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.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year based on the economic, market and operating environment conditions. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset. Depreciation is recognised on a straight-line basis or units of production method as appropriate, to write down the cost less estimated residual values of the property, plant and equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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 condensed unaudited consolidated interim financial statements are presented in USD (the "presentation currency"). Management believes that USD is more useful to the users of the consolidated 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.

ISSUED CAPITAL

There were no movement in share capital since 31 December 2020.

OPERATING SEGMENTS

There were no changes made to the operating segments from those disclosed at 31 December 2020..

EVENTS SUBSEQUENT TO REPORTING PERIOD

There have been no significant events subsequent to 30 June 2021 which require adjustment or additional disclosure to interim results, except for the acquisition of approximately 25% of the A&R Group within the African segment for approximately ZAR78,6 million.

DIVIDENDS

In view of currently prevailing global volatility and uncertain economic conditions the Board deems it advisable that cash resources should be protected, and thus resolved not to declare an interim dividend in respect of this interim reporting period. The Board remains committed to consider the continuation of the Company's dividend history in future financial periods, once circumstances permit.

BOARD OF DIRECTORS

The following changes were made to the Board since the previous reporting period:

Octavia Matshidiso Matloa	Retired by rotation in accordance with the Companies' Memorandum of Incorporation at the Companies' Annual General Meeting held on 14 June 2021
Mamokete Ramathe	Appointment effective 26 July 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note(s)	Unaudited six months ended Jun 2021 USD	Audited year ended Dec 2020 USD
Assets			
Non-current assets			
Property, plant and equipment	3	**153 661 323**	156 281 876
Intangibles and goodwill	4	**3 365 863**	3 448 922
Financial assets		**5 289 197**	5 303 058
Deferred tax asset		**2 706 369**	1 651 701
Investment in associate		**479 315**	–
		165 502 067	166 685 557
Current assets			
Inventories		**24 171 780**	24 627 227
Related-party loans		**142 401**	105 377
Trade and other receivables	5	**45 428 597**	43 842 104
Current tax receivable		**2 296 108**	2 687 120
Derivative financial instrument		**12 995**	18 959
Cash and cash equivalents		**22 027 319**	24 790 077
		94 079 200	96 070 864
Non-current assets held for sale		**–**	2 381 810
		94 079 200	98 452 674
Total assets		**259 581 267**	265 138 231
Equity and liabilities			
Equity			
Share capital		**149 259 486**	149 259 486
Reserves		**(114 638 850)**	(100 641 125)
Retained income		**126 878 451**	117 773 867
		161 499 087	166 392 228
Non-controlling interest		**9 775 716**	9 757 161
		171 274 803	176 149 389
Liabilities			
Non-current liabilities			
Interest bearing borrowings		**987 439**	27 083 992
Lease obligations		**2 957 485**	3 589 672
Instalment sale obligations		**202 115**	282 920
Contract liability		**5 897 734**	–
Deferred tax liability		**9 473 131**	9 405 537
		19 517 904	40 362 121
Current liabilities			
Interest bearing borrowings		**36 549 647**	15 021 835
Lease obligations		**502 812**	357 885
Instalment sale obligations		**495 852**	533 576
Related party loans		**174 339**	183 950
Current tax payable		**5 480 307**	5 614 795
Trade and other payables	6	**25 585 603**	26 914 680
Cash and cash equivalents		**–**	–
		68 788 560	48 626 721
Total liabilities		**88 306 464**	88 988 842
Total equity and liabilities		**259 581 267**	265 138 231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	**Unaudited six months ended Jun 2021 USD**	Unaudited six months ended Jun 2020 USD	Unaudited six months ended Jun 2019 USD	Audited year ended Dec 2020 USD
Revenue	10	**72 008 940**	57 411 890	69 959 103	123 141 882
Cost of sales		**(50 211 860)**	(40 254 566)	(45 719 345)	(95 175 065)
Gross profit	10	**21 797 080**	17 157 324	24 239 758	27 966 817
Other operating income		**984 000**	1 032 303	925 638	2 348 058
Other operating expenses		**(11 009 040)**	(10 847 428)	(13 378 730)	(18 004 684)
Operating profit		**11 772 040**	7 342 199	11 786 666	12 310 191
Investment revenue		**185 842**	221 840	246 683	272 565
Finance costs		**(1 098 492)**	(1 798 531)	(1 815 631)	(2 964 742)
Movement of expected credit losses allowances		**(380 933)**	–	–	(1 194 200)
Gain on bargain purchase		**–**	–	–	592 916
Loss on disposal of investment in associate		**–**	–	–	(1 378 542)
Share of loss from equity accounted investment		**(87 312)**	(151 276)	(72 013)	(151 276)
Profit before taxation		**10 391 145**	5 614 230	10 145 705	7 486 912
Taxation		**(1 268 006)**	(1 057 905)	(1 882 695)	(4 279 745)
Profit for the period		**9 123 139**	4 556 325	8 263 010	3 207 167
Other comprehensive income that will subsequently be classifiable to profit and loss:					
Exchange differences on translating foreign operations		**(14 063 214)**	(20 085 198)	7 776 064	(2 225 307)
Other comprehensive income/(loss) for the period net of taxation		**(14 063 214)**	(20 085 198)	7 776 064	(2 225 307)
Total comprehensive income		**(4 940 075)**	(15 528 873)	16 039 074	981 860
Profit attributable to:		**9 123 139**	4 556 325	8 263 010	3 207 167
Owners of the parent		**9 104 584**	4 773 624	8 205 429	3 336 421
Non-controlling interest		**18 555**	(217 299)	57 582	(129 254)
Total comprehensive income attributable to:		**(4 940 075)**	(15 528 873)	16 039 074	981 860
Owners of the parent		**(4 958 630)**	(15 311 574)	15 981 492	1 111 114
Non-controlling interest		**18 555**	(217 299)	57 582	(129 254)
Earnings per share (USD)	7				
Basic earnings per share (cents)		**6.0**	3.2	5.4	2.2
Diluted earnings per share (USD)	7				
Diluted basic earnings per share (cents)		**6.0**	3.2	5.4	2.2
Earnings per share (ZAR)					
Basic earnings per share (cents)		**87,2**	53,3	76,7	36.3
Diluted earnings per share (ZAR)					
Diluted basic earnings per share (cents)		**87,2**	53,3	76,7	36.3

Master Drilling Group Limited included 2019's interim comparative figures. It is important to note that these comparative figures are not restated and are included merely for ease of reference to the users of the financial statements to compare the pre-Covid period with the post-Covid period.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD	Share capital	Equity due to change in control of interests	Foreign currency translation reserve	Transaction between equity holders
Balance as at 31 December 2019	148 703 721	(58 264 013)	(41 897 821)	1 611 385
Share-based payments	–	–	–	–
Total comprehensive income for the period	–	–	(20 085 198)	–
Total changes	–	–	(20 085 198)	–
Balance as at 30 June 2020	148 703 721	(58 264 013)	(61 983 019)	1 611 385
Share-based payments	–	–	–	–
Issue of share capital	555 765	–	–	–
Dividends declared by subsidiaries	–	–	–	–
Contribution from non-controlling partner	–	–	–	–
Total comprehensive income for the period	–	–	17 859 891	–
Total changes	–	–	17 859 891	–
Balance as at 31 December 2020	149 259 486	(58 264 013)	(44 123 128)	1 611 385
Share-based payments	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**(14 063 214)**	**–**
Dividends to shareholders	**–**	**–**	**–**	**–**
Total changes	**–**	**–**	**(14 063 214)**	**–**
Balance as at 30 June 2021	**149 259 486**	**(58 264 013)**	**(58 186 342)**	**1 611 385**

Share-based payments reserve	Total reserve	Retained income	Attributable to owners of the parent	Non-controlling interest	Total Shareholders' equity
575 623	(97 974 826)	114 437 446	165 166 341	9 964 308	175 130 649
56 948	56 948	–	56 948	–	56 948
–	(20 085 198)	4 773 624	(15 311 574)	(217 299)	(15 528 873)
56 948	(20 028 250)	4 773 624	(15 254 626)	(217 299)	(15 471 925)
632 571	(118 003 076)	119 211 070	149 911 715	9 747 009	159 658 724
5 626	5 626	–	5 626	–	5 626
(503 566)	(503 566)	–	52 199	–	52 199
–	–	–	–	(77 893)	(77 893)
–	–	–	–	–	–
–	17 859 891	(1 437 203)	16 422 688	88 045	16 510 733
(497 940)	17 361 951	(1 437 203)	16 480 513	10 152	16 490 665
134 631	(100 641 125)	117 773 867	166 392 228	9 757 161	176 149 389
65 489	**65 489**	**–**	**65 489**	**–**	**65 489**
–	**(14 063 214)**	**9 104 584**	**(4 958 630)**	**18 555**	**(4 940 075)**
–	**–**	**–**	**–**	**–**	**–**
65 489	**(13 997 725)**	**9 104 584**	**(4 893 141)**	**18 555**	**(4 874 586)**
200 120	**(114 638 850)**	**126 878 451**	**161 499 087**	**9 775 716**	**171 274 803**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note(s)	**Unaudited six months ended Jun 2021 USD**	Unaudited six months ended Jun 2020 USD
Cash flows from operating activities			
Cash generated from operations	8	**15 037 971**	15 031 175
Interest income		**185 842**	221 840
Finance costs		**(1 098 492)**	(1 798 531)
Tax paid		**(2 910 902)**	(2 389 667)
Net cash from operating activities		**11 214 419**	11 064 817
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4 975 107)**	(2 468 803)
Sale of property, plant and equipment		**54 818**	122 802
Financial assets movement		**–**	(137 737)
Acquisition of subsidiaries		**–**	(1 773 791)
Investment in associate		**(625 184)**	–
Net cash from investing activities		**(5 545 473)**	(4 257 529)
Cash flows from financing activities			
Repayment of financial liabilities		**(6 368 741)**	(5 998 148)
Repayment of leases		**(570 004)**	(75 770)
Related party loan movement		**(46 635)**	(43 376)
Dividends paid		**–**	–
Net cash from financing activities		**(6 985 380)**	(6 117 294)
Total cash movement for the period		**(1 316 434)**	689 994
Cash at the beginning of the period		**24 790 077**	19 507 205
Effect of exchange rate movement on cash balances		**(1 446 324)**	(726 044)
Total cash at end of the period		**22 027 319**	19 471 155

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Jun 2021 **USD**	**Cost**	**Accumulated depreciation and impairment losses**	**Carrying value**
Land and buildings	**2 908 659**	**(985 393)**	**1 923 266**
Right of use assets: Land and buildings	**4 751 162**	**(1 575 837)**	**3 175 325**
Instalment sale: Plant and machinery	**7 359 408**	**(1 994 469)**	**5 364 939**
Plant and machinery	**196 302 983**	**(57 118 484)**	**139 184 499**
Assets under construction	**706 379**	**(2 566)**	**703 813**
Furniture and fittings	**1 704 923**	**(464 893)**	**1 240 030**
Motor vehicles	**4 822 936**	**(3 076 642)**	**1 746 294**
IT equipment	**841 046**	**(517 889)**	**323 157**
Total	**219 397 497**	**(65 736 173)**	**153 661 323**

Dec 2020 USD	Cost	Accumulated depreciation and impairment	Carrying value
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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.1 Reconciliation of property, plant and equipment

Jun 2021 **USD**	**Opening balance**	**Additions**	**Exchange difference on consolidation of foreign subsidiaries**	**Assets acquired through business combination**
Land and buildings	**2 085 861**	**81 591**	**(205 264)**	**–**
Right of use assets: Land and buildings	**3 703 062**	**–**	**(173 042)**	**–**
Instalment sale: Plant and machinery	**5 700 146**	**–**	**(125 816)**	**–**
Plant and machinery	**140 279 999**	**4 685 163**	**(2 362 641)**	**–**
Assets under construction	**942 741**	**107 134**	**(105 723)**	**–**
Furniture and fittings	**1 254 129**	**3 224**	**(1 311)**	**–**
Motor vehicles	**1 955 209**	**90 198**	**(75 694)**	**–**
IT equipment	**360 729**	**4 652**	**(4 758)**	**–**
Total	**156 281 876**	**4 971 962**	**(3 054 248)**	**–**

Dec 2020 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries	Assets acquired through business combination
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)	1 414 730
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)	1 414 730

Security

Moveable assets to the value of ZAR1,2 billion (USD82.6 million) of the South African subsidiaries have been bonded to Absa Capital as security for an interest-bearing loan.

Reclassifications and transfers (to)/from inventory/assets held for sale derecognition of assets	Disposals	Depreciation	Impairment of property, plant and equipment	Total
–	**(35 785)**	**(3 137)**	**–**	**1 923 266**
–	**–**	**(354 696)**	**–**	**3 175 325**
–	**–**	**(209 391)**	**–**	**5 364 939**
240 339	**–**	**(3 658 361)**	**–**	**139 184 499**
(240 339)	**–**	**–**	**–**	**703 813**
–	**–**	**(16 012)**	**–**	**1 240 030**
–	**(17 579)**	**(205 840)**	**–**	**1 746 294**
–	**(1 454)**	**(36 012)**	**–**	**323 157**
–	**(54 818)**	**(4 483 449)**	**–**	**153 661 323**

Reclassifications and transfers (to)/from inventory/assets held for sale derecognition of assets	Disposals	Depreciation	Impairment of property, plant and equipment	Total
(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
7 970 401	(662 945)	(7 488 559)	(337 970)	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
(266 590)	(1 013 834)	(9 306 000)	(337 970)	156 281 876

4. INTANGIBLE ASSETS

4.1 Goodwill

	Jun 2021 USD	Dec 2020 USD
Goodwill recognised from value chain business combinations	**2 342 668**	2 324 063
Goodwill recognised from drilling operations business combinations	**573 494**	537 499
Goodwill recognised from business combinations	**2 916 162**	2 861 562

4.2 Intangible assets

Jun 2021 USD	**Cost**	**Accumulated amortisation and impairment losses**	**Carrying value**
Computer software	**2 092 923**	**(1 840 939)**	**251 984**
Patents	**197 717**	**–**	**197 717**
Total	**2 290 640**	**(1 840 939)**	**449 701**

Dec 2020 USD	Cost	Accumulated amortisation and impairment losses	Carrying value
Computer software	2 187 543	(1 802 665)	384 878
Patents	202 482	–	202 482
Total	2 390 025	(1 802 665)	587 360

Jun 2021 USD	**Opening balance**	**Additions**	**Exchange difference on consolidation of foreign subsidiaries**
Computer software	384 878	3 145	(62 884)
Patents	202 482	–	(4 765)
	587 360	3 145	(67 649)

Dec 2020 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Computer software	550 856	52 670	(64 284)
Patents	212 182	–	(9 700)
	763 038	52 670	(73 984)

Assets acquired through business combination	Reclassifications and transfers (to)/from inventory/assets held for sale	Disposals	Amortisation	Impairment of fixed assets	Total
–	–	–	(73 155)	–	251 984
–	–	–	–	–	197 717
–	–	–	(73 155)	–	449 701

Assets acquired through business combination	Reclassifications and transfers (to)/from inventory/assets held for sale	Disposals	Amortisation	Impairment of fixed assets	Total
–	–	–	(154 364)	–	384 878
–	–	–	–	–	202 482
–	–	–	(154 364)	–	587 360

5. TRADE AND OTHER RECEIVABLES

	Jun 2021 USD	Dec 2020 USD
Trade receivables	**36 980 774**	34 757 137
Trade receivables – Normal (Gross)	**41 035 759**	38 488 814
Impairment allowance of trade receivables	**(4 054 985)**	(3 731 677)
Trade receivables – Retention (Gross)	**1 354 356**	2 521 142
Loans to employees	**97 535**	119 967
Prepaid expenses	**1 506 963**	1 033 205
Deposits	**241 271**	240 719
Indirect taxes	**4 010 912**	3 824 954
Other receivables	**1 236 788**	1 344 980
	45 428 597	43 842 104
Trade receivables of South African subsidiaries have been ceded to Absa Capital as security for interest-bearing loan.		
The movement in expected credit losses is presented below		
Balance 1 January	**3 731 677**	2 795 329
Exchange differences on translation of foreign operations	**(57 625)**	(257 852)
Amounts written off	**–**	–
Allowance for doubtful debts (reversed)/provided for	**380 933**	1 194 200
	4 054 985	3 731 677

Expected credit losses matrix:

Current	**0,10% to 3.25%**	0,10% to 3.25%
30 days	**0,20% to 3.50%**	0,20% to 3.50%
31 to 60 days	**3,21% to 3.95%**	3,21% to 3.95%
61 to 90 days	**3,57% to 4.45%**	3,57% to 4.45%
90 + days	**4,12% to 4.85%**	4,12% to 4.85%

The carrying amount in USD of trade and other receivables are denominated in the following currencies:

	USD	USD
United States Dollar (USD)	**18 808 732**	14 892 558
South African Rands (ZAR)	**6 350 918**	6 489 979
Brazilian Reals (BRL)	**4 561 602**	3 279 495
Swedish Krona (SEK)	**1 253 829**	1 307 457
Chilean Peso (CLP)	**5 551 375**	5 297 898
Peruvian Nuevo Sol (PEN)	**876 772**	1 058 815
CFA Franc BCEAO (XOF)	**753 137**	708 394
Chinese Yuan Renminbi (CNY)	**272 572**	46 331
Guatemalan Quetzal (GTQ)	**27 257**	8 030
Australian Dollar (AUD)	**1 203 287**	2 151 360
Turkish Lira (TRY)	**10 111**	9 758
Colombian Peso (COP)	**35 003**	33 781
Botswana Pula (BWP)	**72 343**	808 659
Canadian Dollar (CAD)	**2 680 630**	3 911 745
Indian Rupee (INR)	**2 971 030**	3 837 844
	45 428 597	43 842 104

6. TRADE AND OTHER PAYABLES

	Jun 2021 USD	Dec 2020 USD
Trade payables	**14 147 177**	14 301 951
Income received in advance	**1 350 682**	782 505
Contract liability	**420 418**	–
Indirect taxes	**2 441 831**	4 485 337
Leave pay accruals	**1 625 223**	1 855 028
Business combination consideration payable	**1 214 434**	1 172 463
Employee related	**3 363 001**	3 264 537
Other accruals	**1 022 837**	1 052 859
	25 585 603	26 901 528

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

7. EARNINGS PER SHARE

	Jun 2021 USD	Jun 2020 USD	Jun 2019 USD	Dec 2020 USD
Reconciliation between earnings and headline earnings				
Basic earnings for the year	**9 123 139**	4 556 325	8 263 010	3 207 167
Deduct:				
Non-controlling interest	**(18 555)**	217 299	(57 581)	129 254
Attributable to owners of the parent	**9 104 584**	4 773 624	8 205 429	3 336 421
Gain on disposal of property, plant and equipment	**–**	(22 448)	(3 183)	(287 516)
Loss on disposal of investment in associate	**–**	–	–	1 378 542
Gain on bargain purchase	**–**	–	–	(592 916)
Tax effect on (gain)/loss on disposal of property, plant and equipment and impairments	**–**	5 221	679	80 505
Headline earnings for the year	**9 104 584**	4 756 397	8 202 925	3 915 036
Earnings per share (USD cents)	**6.0**	3.2	5.4	2.2
Diluted earnings per share (USD cents)	**6.0**	3.2	5.4	2.2
Headline earnings per share (USD cents)	**6.0**	3.2	5.4	2.6
Diluted headline earnings per share (USD cents)	**6.0**	3.1	5.4	2.6
Dividends per share (ZAR cents)	**–**	–	–	–
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	**151 262 777**	150 592 777	150 592 777	150 759 818
Effect of dilutive potential ordinary shares – employee share options (*)	**–**	1 080 000	1 530 000	–
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	**151 262 777**	151 672 777	152 122 777	150 759 818

(*) None of the share options were considered dilutive in the current year.

Master Drilling Group Limited included 2019's interim comparative figures. It is important to note that these comparative figures are not restated and are included merely for ease of reference to the users of the financial statements to compare the pre-Covid period with the post-Covid period.

8. CASH GENERATED FROM OPERATIONS

	Jun 2021 USD	Jun 2020 USD
Profit before taxation	**10 391 145**	5 532 214
Adjustments for:		
Depreciation and amortisation	**4 556 604**	3 600 633
Derivative Movement	**5 964**	(103 989)
Share of loss from equity accounted investment	**87 312**	201 277
Translation effect of foreign operations	**(525 507)**	880 081
Share-based payment – equity settled	**65 489**	56 948
Movement in expected credit losses allowance	**380 933**	–
(Profit)/Loss on sale of assets	**–**	(22 448)
Interest received	**(185 842)**	(221 840)
Finance costs	**1 098 492**	1 798 531
Changes in working capital:		
Inventories	**584 003**	1 016 676
Trade and other receivables	**(3 071 706)**	9 952 176
Trade and other payables	**1 651 084**	(7 659 084)
	15 037 971	15 031 175

9. CAPITAL COMMITMENTS

	Jun 2021 USD	Dec 2020 USD
Capital expenditure authorised by the directors and contracted for within 12 months. Capital expenditure will be funded through cash generated from operations.	**7 393 092**	61 213

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

10. SEGMENT REPORTING

10.1 Mining activity

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

	Jun 2021 USD	Jun 2020 USD	Jun 2019 USD	Dec 2020 USD
Sales revenue by stage of mining activity				
Exploration	**423 269**	857 192	1 057 846	6 621 232
Capital	**8 037 628**	9 042 913	7 742 586	11 872 468
Production	**63 548 043**	47 511 785	61 158 671	104 648 182
	72 008 940	57 411 890	69 959 103	123 141 882
Gross profit by stage of mining activity				
Exploration	**138 000**	324 406	456 179	1 503 751
Capital	**2 888 120**	3 127 817	3 052 221	2 696 362
Production	**18 770 960**	13 623 085	20 731 358	23 766 704
	21 797 080	17 075 308	24 239 758	27 966 817

The chief decision maker of the Group is the chief executive officer. The chief executive officer, under the direct supervision of the resident board, manages the activities of the Group concomitant to the inherent risks facing these activities. It is for this reason that the activities are separated between exploration, capital and production stage drilling. The equipment and related liabilities of the Group can be used at multiple stages and therefore cannot be presented per activity.

10.2 Geographical segments

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

	Jun 2021 USD	Jun 2020 USD	Jun 2019 USD	Dec 2020 USD
Sales revenue by geographical market				
Africa	**27 930 589**	21 395 644	22 475 361	48 058 729
Central and North America	**10 111 416**	9 865 999	10 038 271	22 301 560
Other countries (*)	**15 034 285**	15 212 085	13 794 133	27 089 653
South America	**18 932 650**	10 938 162	23 651 338	25 691 940
	72 008 940	57 411 890	69 959 103	123 141 882
Gross profit by geographical market				
Africa	**9 748 095**	9 437 033	11 642 371	13 630 563
Central and North America	**1 225 830**	(1 232 337)	36 342	4 739 832
Other countries (*)	**3 155 658**	6 419 458	4 071 668	6 792 132
South America	**7 667 497**	2 533 170	8 489 377	2 804 290
	21 797 080	17 157 324	24 239 758	27 966 817

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

	Jun 2021 USD	Jun 2020 USD	Jun 2019 USD	Dec 2020 USD
Depreciation and amortisation by geographical market				
Africa	**1 716 834**	1 686 224	1 678 705	3 165 507
Central and North America	**350 076**	353 099	297 899	2 189 081
Other countries (*)	**1 031 606**	606 033	605 732	1 519 382
South America	**1 458 088**	955 277	1 042 336	2 586 394
	4 556 604	3 600 633	3 624 672	9 460 364

	Jun 2021 USD	Jun 2020 USD	Jun 2019 USD	Dec 2020 USD
Investment revenue by geographical market				
Africa	**95 250**	194 268	87 675	262 944
Central and North America	**–**	–	774	–
Other countries (*)	**61 489**	14 194	93 349	9 621
South America	**29 103**	13 378	64 885	–
	185 842	221 840	221 840	272 565

	Jun 2021 USD	Jun 2020 USD	Jun 2019 USD	Dec 2020 USD
Finance cost by geographical market				
Africa	**706 945**	787 107	817 493	1 228 859
Central and North America	**232 010**	362 151	330 172	684 751
Other countries (*)	**78 850**	232 929	267 729	218 411
South America	**80 687**	416 344	400 237	832 721
	1 098 492	1 798 531	1 798 531	2 964 742

	Jun 2021 USD	Jun 2020 USD	Jun 2019 USD	Dec 2020 USD
Taxation by geographical market				
Africa	**357 233**	228 016	789 211	(1 017 013)
Central and North America	**61 293**	25 917	31 335	1 460 907
Other countries (*)	**533 044**	410 830	696 162	2 338 323
South America	**316 436**	393 142	365 987	1 697 528
	1 268 006	1 057 905	1 882 695	4 479 745

(*) Other countries include operations in Scandinavia, Turkey, Australia and India.

Master Drilling Group Limited included 2019's interim comparative figures. It is important to note that these comparative figures are not restated and it is included merely for ease of reference to the users of the financial statements to compare the pre-Covid period with the post-Covid period.

CORPORATE INFORMATION

MASTER DRILLING GROUP LIMITED

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

REGISTERED AND CORPORATE OFFICE

4 Bosman Street
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South Africa

DIRECTORS

Executive

Daniël (Danie) Coenraad Pretorius	Chief executive officer and founder
André Jean van Deventer	Financial director and chief financial officer
Barend Jacobus (Koos) Jordaan	Technical director
Gareth (Gary) Robert Sheppard	Chief operating officer
Fred George Dixon	Alternate director

Non-executive

Hendrik Roux van der Merwe	Chairman and independent non-executive
Andries Willem Brink	Independent non-executive
Akhter Alli Deshmukh	Independent non-executive
Hendrik Johannes Faul	Independent non-executive
Mamokete Ramathe	Independent non-executive
Shane Trevor Ferguson	Non-executive

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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 "investment and multimedia" tab on the main page. The information is updated regularly and investors should visit the website to obtain important information about Master Drilling.

NOTES

MASTER DRILLING

www.masterdrilling.com