MASTER DRILLING

REPORT TO SHAREHOLDERS

UNAUDITED INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

SALIENT FEATURES FOR THE PERIOD

- Revenue in USD up 17.3% from 108.2 million to 127.0 million
- Profit in USD decreased 75.1% from 14.6 million to 3.6 million
- Headline earnings per share in USD down 3.2% from 9.3 cents to 9.0 cents
- Headline earnings per share in ZAR down 0,5% from 169,5 cents to 168,6 cents
- Basic earnings per share in USD down 78.7% from 9.4 cents to 2.0 cents
- Basic earnings per share in ZAR down 78,1% from 171,3 cents to 37,5 cents
- Net asset value per share in USD up 8.0% from 125 cents to 135 cents
- Net cash from operating activities increased 119.8% from USD12.6 million to USD27.7 million
- Revenue pipeline of USD599.6 million
- Committed order book of USD271.4 million
- In line with the Company's past practice the Board did not declare an interim dividend and will consider an appropriate dividend at year-end
- Dividend of 52,5 cents per share in ZAR terms relating to FY2023 was paid during May 2024

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COMMENTARY

ABOUT MASTER DRILLING

Master Drilling was established in 1986 and listed on the Johannesburg Stock Exchange Limited (JSE) in 2012. The Group delivers innovative drilling technologies and services. Master Drilling has built trusted partner relationships with blue-chip and mid-tier clients in the mining, hydro-electric energy, civil, engineering, as well as construction sectors worldwide. The Company is exposed to various key commodities that ensure its sustainability. The Master Drilling business model of providing drilling solutions and services to clients through tailor-made designs, coupled with a flexible support and logistics chain, makes it the preferred partner throughout the life cycle of projects.

Commenting on the results for the six months ended 30 June 2024, Danie Pretorius, Chief Executive Officer of Master Drilling, said:

"Master Drilling is pleased to report a resilient first six months of 2024, achieving USD127.0 million in revenue, reflecting a 17.3% increase compared to the same period in the prior year. This accomplishment comes amidst a backdrop of global market and economic uncertainty.

While profitability faced some pressure, we are grateful for the continued support of our valued clients and business partners. Our commitment to capital discipline continues to deliver positive returns.

Master Drilling remains dedicated to technological advancements. We are proud to witness our new drilling and cutting technologies maturing and impacting the mining industry. We are steadfast in our vision of "making a difference" by enhancing safety, productivity, and cost-effectiveness in the sector.

Beyond our core technologies, we have strategically invested in asset-light digital ventures. These initiatives encompass proximity detection solutions and integrated data, and resource management systems specifically designed for mining operations. These ventures have not only contributed to our financial performance but have also opened doors to exciting new opportunities for the Group, ensuring continued relevance and solidifying our position as a leading innovator.

Master Drilling has capitalized on its established client and partner relationships, along with our global presence, to achieve business growth. We recognize the value of fostering strong relationships, which has empowered us to deliver a wider range of turnkey solutions to our clients. This approach has transformed Master Drilling into a more comprehensive contractor.

The Company remains optimistic about the future. However, we will continue to prioritize responsible practices with a focus on cost control, capital allocation, and operational excellence."

FINANCIAL OVERVIEW

Revenue increased 17.3% to USD127.0 million and operating profit decreased by 62.5% to USD8.0 million due to impairment losses recognised on reverse circulation and mobile tunnelboring equipment. These figures represent resilient results, despite uncertain market, economic and operating conditions experienced globally.

The impairment of property, plant and equipment is the main driver in an overall decrease in profit after taxation of 75.1% to USD3.6 million.

USD earnings per share (EPS) decreased 78.7% to 2.0 cents, and ZAR EPS decreased 78,1% to 37,5 cents. USD headline earnings per share (HEPS) decreased 3.2% to 9.0 cents, and ZAR HEPS decreased 0,5% to 168,6 cents.

Net cash generated from operations amounted to USD27.7 million. Cash resources continue to be managed carefully to cater for emerging opportunities that require specific design, planning, and investment.

Master Drilling's total capital spend of USD19.7 million was applied as follows: 55% on expansion and 45% on sustaining the existing fleet.

Debt increased from USD44.1 million to USD46.0 million and the gearing ratio, including cash, decreased slightly from 6.9% to 6.8% in the first six months of the 2024 fiscal year.

OPERATIONAL OVERVIEW

Safety and response to risk

The Group has an extensive risk management program, and this is made visible through a collaborative platform. Progress on the implementation of mitigation measures is tracked and significant business risk is escalated to the executive team and Board. A group of internal auditors provides assurance that actions are followed through and have the desired effect.

Our Lost Time Injury Frequency Rate for 2024 increased to 0.84 because of 4 Lost Time Injuries which occurred in the first half of the year. Detailed investigations were conducted into the incidents and specific entities were identified for further safety intervention plans. Key initiatives such as behavior-based safety, a revised learning and development strategy and observational safety will be maintained for the remainder of 2024 along with the intervention plans per area. Our priority remains to move people out of harm’s way through innovative engineering solutions.

Throughout the year, the Group implemented a rigorous programme adhering to applicable ISO standards by reviewing existing protocols, implementing new hazard identification measures, and providing focusing on the upskilling and re-skilling of individuals within the organization.

South America

Notwithstanding several operational challenges throughout this region, there were positive developments. Despite identified loss making projects having a negative impact on financial performance, machine utilization rose across the board. Key projects with important clients continued to move forward, with negotiations underway for extensions and new contracts. In one of the countries, production saw a significant rebound, reaching its highest level in several years. This region is also expanding its service offerings and expects to recover revenue to pre-restructuring levels that occurred in the current and previous years.

Central and North America

This year has been a productive and successful one for us in the region. Despite not performing soundly financially speaking, we have obtained key permits allowing us to expand our service offerings not only in this region but potentially to neighboring regions. Our intensive investment in marketing by visiting several potential clients in the area paid off as we have secured a couple of new contracts across multiple mines. We are well positioned for continued growth, with a strong pipeline of opportunities and with an anticipated increase in pricing requests expected from clients in this region.

Africa

Africa has been a stronghold for the Group in the past few years and the current year was no exception. The Group continues to see Africa as a key market for growth and is actively looking for new business opportunities. The Group has a strong presence in several African countries with ongoing projects and good client relationships. The Group is aware of the risks in the mining sector in this region but will continue to support its loyal clients and is also optimistic about future opportunities in other African countries.

Rest of the World

This region performed well so far in 2024, exceeding expectations on profitability. This was achieved through efficient use of staff, cost-control measures, and successful project execution. Business is expanding into other areas. New contracts were secured to provide multiple machines and services for growing clients. Additionally, a challenging project is being used to develop innovative drilling methods that might result in additional service offerings by the Group in the future. The long-term contract within this region is performing in line with expectations.

Slim drilling

This business update highlights activity across various drilling and exploration services. In the platinum mining sector, dewatering operations have been paused due to cost-cutting measures. The freed-up equipment is available for deployment on new projects. Drilling operations have also begun at a new client with two newer technological machines, and satisfactory penetration rates have been achieved thus far. These operations are expected to ramp up in the second half of 2024.

Finally, the Group is excited about its technology projects. The underground robotic machine has been successfully deployed and is currently undergoing performance evaluation. All indications' looks very good and the possibility to approve the building of the second underground robotic machines.

For the Surface, drilling the robotic rig, Desert Elephant Hydraulic commissioning completed during July 2024. Robot interface programming is planned for the latter part of August 2024. Hard drill testing will be conducted beginning September 2024. Progress is satisfactory and in time for upcoming proposals.

Other mining services

The Group's other mining service companies are currently out-performing expectations, with its strong focus on improving a safe working environment for our clients' employees. The service offerings have been expanded outside the South African borders with the potential to further expand globally, being persuaded during 2024 and beyond.

Technology

Master Drilling is committed to continuous technological advancement as a key driver of client value and market competitiveness. To achieve this, we have implemented a focused strategy that leverages targeted investments across our various divisions:

- **Diversification and Profitability**: We are actively expanding our service offerings with innovative solutions designed to address specific client needs. This includes the development of:
  - **Raise Boring**: Additional XXL capacity rigs, including RD8 and RD7 1000 models, will be operational in 2024, enhancing our deep-drilling capabilities. The completion of the first LP 100 mobile slot borer further strengthens our portfolio.
  - **Exploration Drilling**: The industry-leading RUCDR rig has been successfully deployed in South Africa, demonstrating our commitment to robotic solutions. Furthermore, the development of a robotic surface core drilling rig for deep-hole applications is progressing steadily.
  - **New Technologies:**
    - **Shaft Sinking**: The Shaft Boring System is undergoing testing at our South African site, paving the way for a second-generation, larger diameter version.
    - **Tunnelling**: The low-profile MTB has completed its initial project with valuable learnings. This knowledge is being incorporated into a revised Generation 1 Mark 4 design, and a Joint Development Agreement with CRCHI, a global leader in tunnel engineering, is propelling the development of a next-generation tunnel borer.
    - **Non-Explosive Mining**: The tabular and narrow reef orebody borer system for African Rainbow Minerals is on track for completion in 2024, offering an innovative approach to mineral extraction.
- **Digital Transformation**: We are actively implementing digital solutions to enhance safety, productivity, and overall project efficiency:
  - **A&R Company:** The successful testing of our Scraper Winch Proximity Detection and Missing Person Locator products paves the way for wider industry adoption in 2024.
  - **AVA Company**: We are developing an integrated, OEM-independent underground fleet management solution, while continuing global expansion of our established surface solution.

By investing in these cutting-edge technologies, Master Drilling is positioned to deliver safer, more productive, and cost-competitive solutions for our global client base, optimising mineral recovery and information management throughout the mining lifecycle.

Operational equipment

The fleet consists of 140 raise bore, 48 slim drilling and one mobile tunnel boring rigs. The total raise boring fleet utilisation rate was around 75% while the slim drilling fleet utilisation was around 25%. The rate of new rigs coming on board will settle with a focus on larger units, which typically generate higher income.

Impairment of property, plant and equipment

Shaft Reverse Circulation Equipment

The Shaft Reverse Circulation Equipment in the Group's North and Central American operations is currently not utilised due to a decline in the relevant market. The Group has therefore provided for impairment losses on this equipment while it looks to market the equipment elsewhere in the world.

Mobile Tunnel Boring Machine

The Group has furthermore provided for an impairment loss on the Mobile Tunnel Boring Machine as no formal agreement is currently in place to project future cash flows, due to uncertainty over commodity prices within the machine's target industry.

Our people

We prioritise building a highly motivated and engaged workforce. This commitment fuels our competitive advantage and delivers long-term value to our stakeholders. We actively attract, develop, and retain top talent by fostering a safe and inclusive work environment. We celebrate the unique perspectives and contributions of our diverse workforce, recognising that this synergy drives winning results.

Our commitment to fostering a thriving culture is unwavering. We continuously strive to refine our practices and ensure all employees feel valued, empowered, and equipped to excel.

Creating an ethical culture

At Master Drilling Group, fostering a culture of ethical conduct is paramount. We believe in conducting business with the utmost integrity and transparency, and this commitment is reflected in our comprehensive code of ethics.

This code, provided to all employees during onboarding, serves as a foundational document outlining the Group's core principles.

OUTLOOK AND PROSPECTS

Even in the face of global uncertainty, Master Drilling is confident in its ability to perform well. This confidence stems from several factors. First, our long-term contracts provide a stable foundation for our business. Second, we have deliberately diversified our footprint across various regions, commodities, currencies, and industries. This strategic approach mitigates risk and positions us for success in a complex global environment. Proactive capital management is another key strength, ensuring we efficiently allocate resources to maximize returns. Finally, our unwavering service orientation keeps client needs at the forefront of everything we do.

Currently, we are actively working to optimize our fleet utilization, targeting a benchmark of 75%. Prudent capital management remains a core principle that guides our decisions. Our diversification strategy, encompassing regions, commodities, currencies, and industries, has proven its worth and will continue to be a central pillar of our growth plan.

The pipeline as at 30 June 2024 totalled USD599.6 million, while the committed order book totalled USD271.4 million for the remainder of 2024 and beyond. In the short to medium term, the sales pipeline is expected to stabilise and increase with further tactical acquisitions and joint ventures supporting performance.

Looking towards the future, Master Drilling prioritizes both safety and innovation. We are strong advocates for utilizing advanced, mechanized equipment, which aligns perfectly with the industry's growing focus on automation and remote operations. This commitment to cutting-edge technology positions us competitively within this evolving landscape. Furthermore, we actively explore opportunities to expand beyond traditional drilling, with potential applications for artificial intelligence being a key area of interest.

Investing in our people is another cornerstone of our success. We are committed to attracting and retaining top talent by fostering a positive work environment and implementing best practices in human capital management. Finally, Master Drilling takes Environmental, Social, and Governance initiatives very seriously. We believe that strong practices not only align with our values but also ensure long-term sustainability for our company and contribute positively to broader industry goals.

NATURE OF BUSINESS

Master Drilling Group Limited through its operating subsidiary companies provides 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.

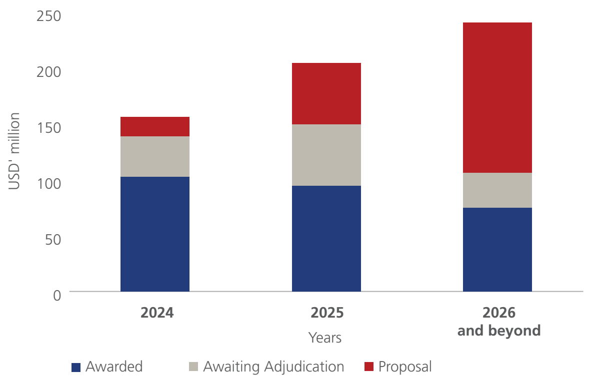
PIPELINE AND COMMITTED ORDERS

As at 30 June 2024 our sales pipeline totalled USD599.6 million (2023: USD517.1 million) while the committed order book totalled USD271.4 million (2022: USD276.3 million) for the remainder of 2024 and beyond, spread as follows:

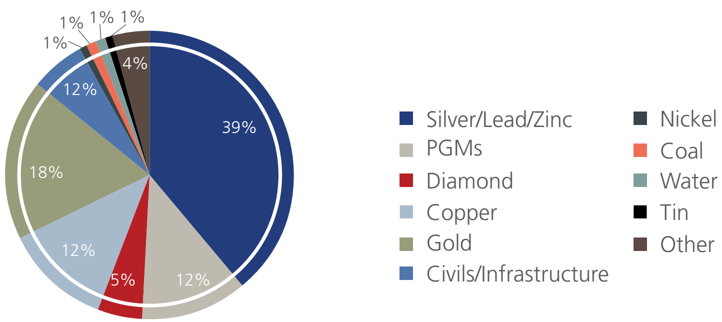
REVENUE

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

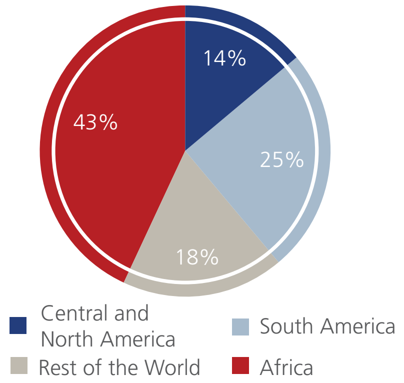
PIPELINE



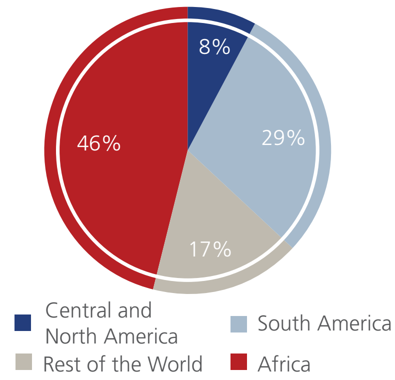
AWARDED ORDERS



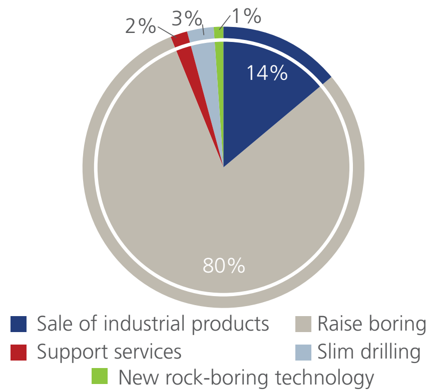
REVENUE BY GEOGRAPHICAL AREA JUNE 2024



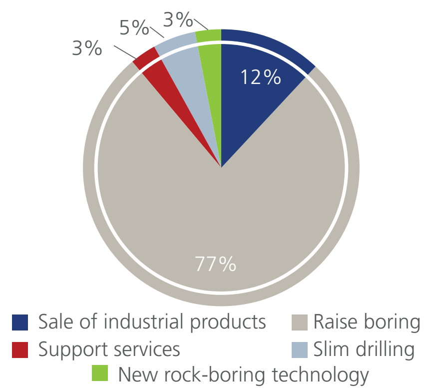
REVENUE BY GEOGRAPHICAL AREA JUNE 2023



REVENUE BY ACTIVITY JUNE 2024

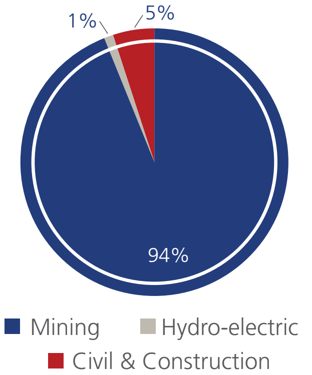


REVENUE BY ACTIVITY JUNE 2023

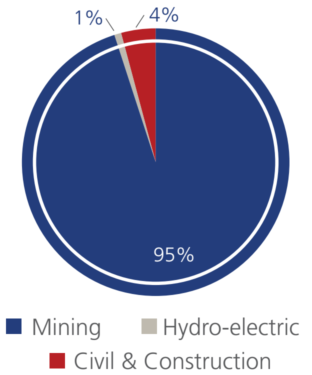


COMMENTARY continued

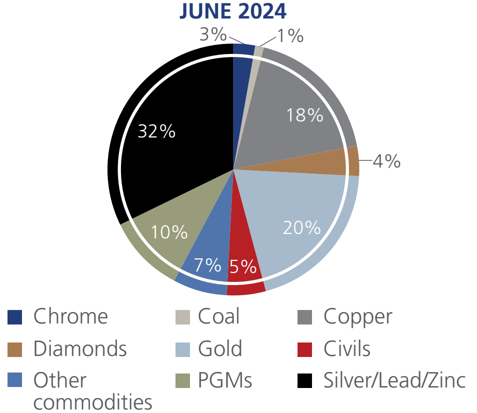
REVENUE BY BUSINESS SECTOR JUNE 2024



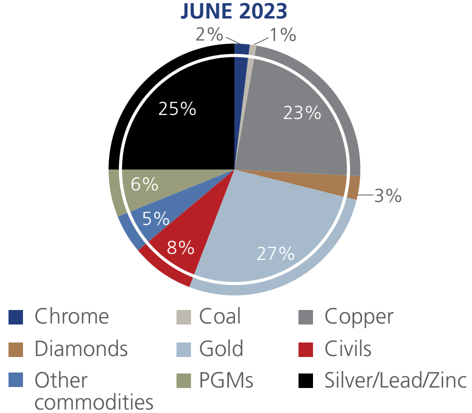
REVENUE BY BUSINESS SECTOR JUNE 2023



REVENUE BY COMMODITY JUNE 2024



REVENUE BY COMMODITY JUNE 2023



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note(s)	**Unaudited six months ended Jun 2024 USD**	Audited year ended Dec 2023 USD
Assets			
Non-current assets			
Property, plant and equipment	3	**158 107 853**	165 493 018
Intangibles and goodwill	4	**20 746 465**	21 079 664
Financial assets		**5 463 445**	5 196 817
Deferred tax asset		**3 955 886**	3 350 729
Related party loans		**3 507 982**	3 623 467
Investment in joint venture		**4 349 355**	4 469 712
Investment in associates	14	**1 840 761**	958 496
		197 971 747	204 171 903
Current assets			
Inventories		**52 261 836**	48 106 842
Related party loans		**1 793 820**	726 464
Trade and other receivables	5	**72 305 495**	76 367 261
Current tax receivable		**4 457 039**	4 319 829
Derivative financial instruments		**233 886**	326 327
Cash and cash equivalents		**32 124 688**	27 851 965
		163 176 764	157 698 688
Total assets		**361 148 511**	361 870 591
Equity and liabilities			
Equity			
Share capital	6	**148 859 482**	149 470 175
Reserves		**(133 043 997)**	(129 762 649)
Retained income		**163 750 376**	165 166 453
		179 565 862	184 873 979
Non-controlling interest		**24 437 274**	24 110 007
		204 003 136	208 983 986
Liabilities			
Non-current liabilities			
Interest bearing borrowings		**41 469 111**	39 508 019
Lease liabilities		**3 817 389**	5 153 677
Instalment sales liabilities		**344 007**	61 160
Contract liability		**2 916 925**	4 782 670
Provisions		**1 231 325**	1 288 163
Put option liability for non-controlling interest		**6 822 116**	7 074 250
Deferred tax liability		**8 946 838**	9 922 984
		65 547 711	67 790 923
Current liabilities			
Interest bearing borrowings		**4 515 635**	4 572 533
Lease liabilities		**1 064 488**	601 775
Instalment sales liabilities		**1 040 851**	1 339 205
Related party loans		**1 965 073**	1 894 998
Current tax payable		**7 610 795**	6 920 411
Trade and other payables	7	**69 419 515**	63 770 049
Derivative financial instruments		**486 042**	576 164
Provisions		**1 055 071**	1 145 024
Contract liability		**2 655 224**	2 506 961
Put option liability for non-controlling interest		**1 784 971**	1 768 562
		91 597 665	85 095 682
Total liabilities		**157 145 376**	152 886 605
Total equity and liabilities		**361 148 511**	361 870 591

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	Unaudited six months ended Jun 2024 USD	Unaudited six months ended Jun 2023 USD	Audited year ended Dec 2023 USD
Revenue	11	126 976 920	108 204 076	242 797 541
Cost of sales		(89 504 082)	(75 308 799)	(172 138 604)
Gross profit		37 472 838	32 895 277	70 658 937
Other operating income		1 302 091	2 978 039	3 109 686
Other operating expenses		(18 536 789)	(13 639 582)	(37 993 230)
Impairment of property, plant and equipment	3	(13 330 889)	–	(2 227 106)
Movement of expected credit loss allowances		1 071 061	(983 862)	289 139
Operating profit		7 978 312	21 249 872	33 837 426
Investment income		645 915	64 333	1 402 578
Finance costs		(2 800 957)	(1 935 102)	(5 804 895)
Fair value adjustment		(16 972)	–	(22 989)
Share of (loss)/profit from equity accounted investments		(522)	765 844	753 445
Profit before taxation		5 805 776	20 144 947	30 165 565
Taxation		(2 174 370)	(5 581 063)	(7 867 907)
Profit for the period		3 631 406	14 563 884	22 297 658
Other comprehensive loss that will subsequently be classified to profit and loss:				
Exchange differences on translating foreign operations		(3 287 854)	(7 112 443)	(5 844 900)
Other comprehensive loss for the year net of taxation		(3 287 854)	(7 112 443)	(5 844 900)
Total comprehensive (loss)/income		343 552	7 451 441	16 452 758
Profit attributable to:		3 631 406	14 563 884	22 297 658
Owners of the parent		2 956 879	14 244 775	20 582 171
Non-controlling interest		674 527	319 109	1 715 487
Total comprehensive (loss)/income attributable to:		343 552	7 451 441	16 452 758
Owners of the parent		(330 975)	7 132 332	14 737 271
Non-controlling interest		674 527	319 109	1 715 487
Earnings per share (USD)	8			
Basic earnings per share (cents)		2.0	9.4	13.6
Diluted earnings per share (USD)	8			
Diluted basic earnings per share (cents)		2.0	9.4	13.6
Earnings per share (ZAR)				
Basic earnings per share (cents)		37.5	171.3	251.0
Diluted earnings per share (ZAR)				
Diluted basic earnings per share (cents)		37.5	171.3	251.0

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note(s)	Unaudited six months ended Jun 2024 USD	Unaudited six months ended Jun 2023 USD
Cash flows from operating activities			
Cash generated from operations	8	32 876 550	19 718 948
Interest received		437 750	53 774
Finance costs		(1 490 094)	(1 698 531)
Tax paid		(4 164 577)	(5 488 274)
Net cash from operating activities		27 659 629	12 585 917
Cash flows from investing activities			
Purchase of property, plant and equipment		(19 690 550)	(11 219 114)
Sale of property, plant and equipment		–	346 540
Investment in associate	14	(721 552)	–
Advances to related parties		(492 979)	(45 123)
Proceeds from related parties		858 306	74 335
Net cash from investing activities		(20 046 775)	(10 843 362)
Cash flows from financing activities			
Receipt from financial liabilities		4 423 671	–
Repayment of financial liabilities		(2 124 575)	(3 772 919)
Repayment of capital portion of lease liabilities		(123 099)	(212 267)
Repayment of capital portion of instalment sales agreements		(649 614)	(192 005)
Advances from related parties		1 316 687	73 536
Repayment of related parties		(649 407)	(38 993)
Share buy back	6	(610 693)	–
Dividends paid to shareholders		(4 372 955)	(3 714 914)
Net cash from financing activities		(2 789 985)	(7 857 562)
Total cash movement for the period		4 822 869	(6 115 007)
Cash at the beginning of the period		27 851 966	30 669 450
Effect of exchange rate movement on cash balances		(550 147)	(1 272 649)
Total cash at end of the period		32 124 688	23 281 794

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD	Share capital	Equity arising on formation of the Group [1]	Foreign currency translation reserve [2]	Transaction between equity holders [3]	Share-based payments reserve	Total reserve	Retained income	Attributable to owners of the parent	Non-controlling interest	Total Shareholders' equity
Balance as at 1 January 2022	149 259 486	(58 264 013)	(53 801 180)	1 611 385	134 631	(110 319 177)	137 593 905	176 534 214	9 834 821	186 369 035
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	(973 062)	(973 062)
Non-controlling equity contribution	–	–	–	–	–	–	559 560	559 560	537 616	1 097 176
Acquisition of subsidiary	–	–	–	–	–	–	–	–	12 978 543	12 978 543
Put option liability for non-controlling interest	–	–	–	–	–	–	(8 819 715)	(8 819 715)	–	(8 819 715)
Issue of share capital for options exercised	105 844	–	–	–	(45 664)	(45 664)	–	60 180	–	60 180
Dividends to shareholders	–	–	–	–	–	–	(3 051 413)	(3 051 413)	–	(3 051 413)
Total comprehensive income for the year	–	–	(13 686 597)	–	–	(13 686 597)	21 425 568	7 738 971	682 485	8 421 456
Total changes	105 844	–	(13 686 597)	–	(45 664)	(13 732 261)	10 114 000	(3 512 417)	13 225 582	9 713 165
Balance as at 31 December 2022	149 365 330	(58 264 013)	(67 487 777)	1 611 385	88 967	(124 051 438)	147 707 905	173 021 797	23 060 403	196 082 200
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	(665 883)	(665 883)
Non-controlling equity contribution	–	–	–	–	–	–	–	–	–	–
Share-based payment	–	–	–	–	(13 636)	(13 636)	–	(13 636)	–	(13 636)
Put option liability for non-controlling interest	–	–	–	–	–	–	591 291	591 291	–	591 291
Issue of share capital for options exercised	104 845	–	–	–	(31 944)	(31 944)	–	72 901	–	72 901
Dividends to shareholders	–	–	–	–	–	–	(3 714 914)	(3 714 914)	–	(3 714 914)
Total comprehensive income for the year	–	–	(5 665 631)	–	–	(5 665 631)	20 582 171	14 916 540	1 715 487	16 632 027
Total changes	104 845	–	(5 665 631)	–	(45 580)	(5 711 211)	17 458 548	11 852 182	1 049 604	12 901 786
Balance as at 31 December 2023	**149 470 175**	**(58 264 013)**	**(73 153 408)**	**1 611 385**	**43 387**	**(129 762 649)**	**165 166 453**	**184 873 979**	**24 110 007**	**208 983 986**
Dividends declared by subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(347 260)**	**(347 260)**
Share buy backs	**(610 693)**	**–**	**–**	**–**	**–**	**–**	**–**	**(610 693)**	**–**	**(610 693)**
Share-based payment	**–**	**–**	**–**	**–**	**6 506**	**6 506**	**–**	**6 506**	**–**	**6 506**
Total comprehensive income for the period	**–**	**–**	**(3 287 854)**	**–**	**–**	**(3 287 854)**	**2 956 879**	**(330 975)**	**674 527**	**343 552**
Dividends to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(4 372 955)**	**(4 372 955)**	**–**	**(4 372 955)**
Total changes	**(610 693)**	**–**	**(3 287 854)**	**–**	**6 506**	**(3 281 348)**	**(1 416 076)**	**(5 308 117)**	**327 267**	**(4 980 850)**
Balance as at 30 June 2024	**148 859 482**	**(58 264 013)**	**(76 441 262)**	**1 611 385**	**49 893**	**(133 043 997)**	**163 750 376**	**179 565 862**	**24 437 274**	**204 003 136**

[1] *Equity arising on formation of the Group – Equity that arose with the formation of the Group on the initial Johannesburg Stock Exchange Listing.*

[2] *Foreign currency translation reserve – Equity that arose as a result consolidation subsidiaries that have a different currency to that of the Group's reporting currency.*

[3] *Transactions between equity holders – Equity that arose due to transactions between different equity holders with the formation of the Group.*

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

The unaudited consolidated interim financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting, IFRS Accounting Standards 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 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 2023.

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 2023. The Group performed an analysis of these standards and interpretations and concluded that these were not applicable to the Group.

The 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.

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Software licence agreements are acquired by the Group and have an indefinite useful life and is thus not depreciated as the Group's plan and ability is to renew and maintain the software licence indefinitely. It is expected that the software licence agreements will generate revenue for the Group for an unlimited period of time. Software licence agreements are carried at cost less accumulated impairment losses. Software licence agreements 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.

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.

ACCOUNTING POLICIES continued

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 assessed and concluded that the Group remains a going concern.

ISSUED CAPITAL

Changes made to share capital since 31 December 2023 relate to the buyback of shares as disclosed in note 6.

OPERATING SEGMENTS

There have been no changes to the operating segments as previously reported. Refer to note 12.

EVENTS SUBSEQUENT TO REPORTING PERIOD

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.

DIVIDENDS

In line with the Company's past practice the Board did not declare an interim dividend and will consider an appropriate dividend at year-end.

Dividend of 52,5 cents per share in ZAR terms relating to FY2023 was paid during May 2024.

BOARD OF DIRECTORS

There were no changes made to the Board since the previous reporting period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Jun 2024 USD	**Cost**	**Accumulated depreciation and impairment losses**	**Carrying value**
Land and buildings	**1 481 601**	**(747 061)**	**734 540**
Right of use assets: Land and buildings	**5 804 674**	**(2 361 816)**	**3 442 858**
Instalment sale: Plant and machinery	**30 500**	**(17 792)**	**12 708**
Plant and machinery	**192 003 986**	**(57 572 106)**	**134 431 880**
Assets under construction	**15 476 117**	**–**	**15 476 117**
Furniture and fittings	**1 905 202**	**(1 423 515)**	**481 686**
Motor vehicles	**7 748 179**	**(4 675 530)**	**3 072 649**
Right of use assets: Motor Vehicles	**251 893**	**(239 608)**	**12 285**
IT equipment	**1 334 366**	**(891 232)**	**443 134**
Total	**226 036 517**	**(67 928 660)**	**158 107 858**

Dec 2023 USD	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and buildings	1 557 091	(701 374)	855 717
Right of use assets: Land and buildings	6 712 984	(2 092 537)	4 620 447
Instalment sale: Plant and machinery	713 469	(512 534)	200 935
Plant and machinery	204 911 205	(61 356 564)	143 554 641
Assets under construction	12 781 073	–	12 781 073
Furniture and fittings	1 880 631	(1 661 355)	219 276
Motor vehicles	7 210 466	(4 374 611)	2 835 855
Right of use assets: Motor Vehicles	248 241	(188 510)	59 731
IT equipment	1 044 595	(679 252)	365 343
Total	237 059 755	(71 566 737)	165 493 018

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.1 Reconciliation of property, plant and equipment

USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries	Re-measurement	Disposals	Depreciation	Impairment/ Scrapping	Reclassification from assets under construction to plant and machinery	Total
Land and buildings	**855 717**	**–**	**(39 005)**	**–**	**–**	**(82 174)**	**–**	**–**	**734 538**
Right of use assets: Land and buildings	**4 620 447**	**–**	**45 397**	**134 804**	**–**	**(1 357 790)**	**–**	**–**	**3 442 858**
Instalment sale: Plant and machinery	**200 935**	**–**	**(139 403)**	**–**	**–**	**(48 824)**	**–**	**–**	**12 708**
Plant and machinery	**143 554 641**	**15 298 266**	**(4 831 485)**	**–**	**–**	**(6 380 294)**	**(13 209 248)**	**–**	**134 431 880**
Assets under construction	**12 781 073**	**2 926 578**	**(231 534)**	**–**	**–**	**–**	**–**	**–**	**15 476 117**
Furniture and fittings	**219 276**	**450 296**	**(162 283)**	**–**	**–**	**(25 603)**	**–**	**–**	**481 686**
Motor vehicles	**2 835 855**	**675 549**	**87 913**	**–**	**–**	**(526 670)**	**–**	**–**	**3 072 647**
Right of use assets: Motor Vehicles	**59 731**	**–**	**222**	**–**	**–**	**(47 667)**	**–**	**–**	**12 286**
IT equipment	**365 343**	**338 545**	**(53 014)**	**–**	**–**	**(86 100)**	**(121 641)**	**–**	**443 133**
Total	**165 493 018**	**19 689 234**	**(5 323 192)**	**134 804**	**–**	**(8 555 122)**	**(13 330 889)**	**–**	**158 107 853**

USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries	Reclassifications between different categories	Disposals	Depreciation	Impairment/ Scrapping	Reclassification from assets under construction to plant and machinery	Total
Land and buildings	3 113 133	73 719	(231 419)	–	(1 975 371)	(124 345)	–	–	855 717
Right of use assets: Land and buildings	5 467 169	30 438	(237 387)	–	–	(639 773)	–	–	4 620 447
Instalment sale: Plant and machinery	2 396 110	–	188 085	(1 896 622)	(395 627)	(91 011)	–	–	200 935
Plant and machinery	134 078 989	23 630 155	(2 235 024)	1 896 622	(392 869)	(11 567 785)	(2 202 834)	347 387	143 554 641
Assets under construction	4 653 016	8 449 904	25 540	–	–	–	–	(347 387)	12 781 073
Furniture and fittings	316 841	234 895	12 496	–	(307 679)	(37 277)	–	–	219 276
Motor vehicles	1 766 532	2 081 974	170 674	–	(193 511)	(989 814)	–	–	2 835 855
Right of use assets: Motor Vehicles	85 079	–	(6 239)	–	–	(19 109)	–	–	59 731
IT equipment	397 688	155 540	(33 498)	–	(17 909)	(136 478)	–	–	365 343
	152 274 557	34 656 625	(2 346 772)	–	(3 282 966)	(13 605 592)	(2 202 834)	–	165 493 018

Security

Moveable assets to the value of ZAR1,8 billion (USD96.1 million at 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 SEK40.8 million (USD3.9 million at closing rate) of the European entity have been pledged to Swedbank as security for an interest bearing loan (Refer to note 12).

Impairment

During the current reporting period, an impairment loss (USD7.8 million) was recognized on the Group's Mobile Tunnel Borer included in plant and machinery as no formal agreement is currently in place to project future cash flows, due to uncertainty over commodity prices within the machine's target industry.

This impairment reflects a decline in the asset's recoverable amount, which is the estimated future cash flows expected to be generated from the asset. A discounted cash flow based on management's best estimate determined that the asset's expected future cash flows will not be sufficient to cover its current carrying value.

4. INTANGIBLE ASSETS

		Jun 2024 USD	Dec 2023 USD
Goodwill	4.1	**2 966 436**	3 037 017
Intangible assets	4.2	**17 780 029**	18 042 647
		20 746 465	21 079 664

4.1 Goodwill

	Jun 2024 USD	Dec 2023 USD
Goodwill recognised from value chain business combinations	**2 051 415**	2 085 808
Goodwill recognised from raisebore business combinations	**409 095**	435 146
Goodwill recognised from software support services	**505 926**	516 063
Goodwill recognised from business combinations	**2 966 436**	3 037 017

Jun 2024 USD	**Opening balance**	**Additions**	**Exchange difference on consolidation of foreign subsidiaries**	**Total**
Goodwill recognised from value chain business combinations	**2 085 808**	**–**	**(34 393)**	**2 051 415**
Goodwill recognised from raisebore business combinations	**435 146**	**–**	**(26 051)**	**409 095**
Goodwill recognised from software support services	**516 063**	**–**	**(10 137)**	**505 926**
Goodwill recognised from business combinations	**3 037 017**	**–**	**(70 581)**	**2 966 436**

Dec 2023 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries	Total
Goodwill recognised from value chain business combinations	2 162 370	–	(76 562)	2 085 808
Goodwill recognised from raisebore business combinations	445 038	–	(9 892)	435 146
Goodwill recognised from software support services	555 622	–	(39 559)	516 063
Goodwill recognised from business combinations	3 163 030	–	(126 013)	3 037 017

4.2 Intangible assets

Jun 2024 USD	**Cost**	**Accumulated amortisation and impairment losses**	**Carrying value**
Computer software	**975 460**	**(845 024)**	**130 436**
Software licence agreements	**6 501 289**	**–**	**6 501 289**
Contractual client relationship	**11 346 668**	**(1 160 455)**	**10 186 213**
Patents	**962 092**	**–**	**962 092**
Total	**19 785 509**	**(2 005 479)**	**17 780 030**

Dec 2023 USD	Cost	Accumulated amortisation and impairment losses	Carrying value
Computer software	1 199 464	(1 027 375)	172 089
Software licence agreements	6 441 475	–	6 441 475
Contractual client relationship	11 429 125	(953 289)	10 475 836
Patents	953 247	–	953 247
Total	20 023 311	(1 980 664)	18 042 647

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

4. INTANGIBLE ASSETS (continued)

4.2 Intangible assets (continued)

Jun 2024 USD	**Opening balance**	**Additions**	**Exchange difference on consolidation of foreign subsidiaries**	**Assets acquired through business combination**	**Disposal**	**Deemed disposal on obtaining control**	**Amortisation**	**Impairment of intangible assets**	**Total**
Computer software	**172 089**	**1 316**	**(3 597)**	**–**	**–**	**–**	**(39 373)**	**–**	**130 435**
Software licence agreements	**6 441 475**	**–**	**59 814**	**–**	**–**	**–**	**–**	**–**	**6 501 289**
Contractual client relationship	**10 475 836**	**–**	**86 111**	**–**	**–**	**–**	**(375 734)**	**–**	**10 186 213**
Patents	**953 247**	**–**	**8 845**	**–**	**–**	**–**	**–**	**–**	**962 092**
	18 042 647	**1 316**	**151 173**	**–**	**–**	**–**	**(415 107)**	**–**	**17 780 028**

Dec 2023 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries	Assets acquired through business combination	Disposal	Deemed disposal on obtaining control	Amortisation	Impairment of intangible assets	Total
Computer software	246 593	11 099	(2 350)	–	–	–	(58 981)	(24 272)	172 089
Software licence agreements	6 942 368	2 930	(503 823)	–	–	–	–	–	6 441 475
Contractual client relationship	12 116 481	–	(878 153)	–		–	(762 492)		10 475 836
Patents	963 864	58 609	(69 226)	–	–	–	–	–	953 247
	20 269 306	72 638	(1 453 552)	–	–	–	(821 473)	(24 272)	18 042 647

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

5. TRADE AND OTHER RECEIVABLES

	Jun 2024 USD	Dec 2023 USD
Trade receivables	**55 929 819**	61 086 302
Trade receivables – Normal (Gross)	**57 673 322**	63 667 158
Trade receivables – Retention (Gross)	**1 759 958**	1 854 961
Expected credit loss allowance of trade receivables	**(3 503 461)**	(4 445 817)
Contract asset	**5 620 425**	4 536 722
Loans to employees	**184 066**	194 562
Prepaid expenses	**6 108 148**	6 943 248
Deposits	**258 455**	320 125
Indirect taxes	**2 584 700**	2 007 357
Other receivables	**1 619 882**	1 278 945
	72 305 495	76 367 261
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	**4 445 817**	4 806 060
Exchange differences on translation of foreign operations	**128 705**	480 022
Expected credit loss adjustment on business combination	**–**	–
Reversal of credit losses recognised previously	**(1 547 852)**	(1 226 395)
Amounts written off	**–**	(551 126)
Allowance for credit losses recognised	**476 791**	937 256
	3 503 461	4 445 817
Gross trade receivables per region:		
Africa	**23 018 458**	26 488 577
Central and North America	**8 114 522**	8 215 083
Rest of the World	**5 712 630**	5 797 141
South America	**22 587 670**	25 031 318
	59 433 280	65 532 119

5. TRADE AND OTHER RECEIVABLES (continued)

	Jun 2024	Dec 2023
Expected credit losses matrix:		
AFRICA		
Current	**3.62% to 4.20%**	3.62% to 4.20%
30 days	**3.72% to 4.30%**	3.72% to 4.30%
31 to 60 days	**3.97% to 4.55%**	3.97% to 4.55%
61 to 90 days	**3.97% to 4.55%**	3.97% to 4.55%
90 + days	**4.47% to 5.05%**	4.47% to 5.05%
REST OF THE WORLD		
Current	**2.35% to 3.41%**	2.35% to 3.41%
30 days	**2.45% to 3.51%**	2.45% to 3.51%
31 to 60 days	**2.65% to 2.70%**	2.65% to 2.70%
61 to 90 days	**2.65% to 2.70%**	2.65% to 2.70%
90 + days	**2.90% to 3.20%**	2.90% to 3.20%
CENTRAL AND NORTH AMERICA		
Current	**0.00% to 2.47%**	0.00% to 2.47%
30 days	**0.10% to 2.67%**	0.10% to 2.67%
31 to 60 days	**0.35% to 2.99%**	0.35% to 2.99%
61 to 90 days	**0.35% to 2.99%**	0.35% to 2.99%
90 + days	**0.85% to 3.94%**	0.85% to 3.94%
SOUTH AMERICA		
Current	**3.31% to 3.51%**	3.31% to 3.51%
30 days	**3.41% to 3.65%**	3.41% to 3.65%
31 to 60 days	**3.66% to 3.99%**	3.66% to 3.99%
61 to 90 days	**4.16% to 4.31%**	4.16% to 4.31%
90 + days	**4.33% to 4.58%**	4.33% to 4.58%

	Jun 2024 USD	Dec 2023 USD
The carrying amount in USD of trade and other receivables are denominated in the following currencies:		
Australian Dollar	**225 150**	347 833
Brazilian Real	**4 533 205**	3 721 250
Botswana Pula	**16 815**	18 253
Canadian Dollar	**3 203 040**	3 773 360
Chilean Peso	**14 504 383**	18 006 942
Chinese Yuan	**393 272**	573 164
Colombian Peso	**1 309**	1 600
Euro	**2 646**	5 744
Ghanaian Cedi	**409 673**	889 390
Quatemalan Quetzales	**46 551**	10 057
Indian Rupee	**4 499 187**	4 437 217
Peruvian Sol	**1 051 159**	860 953
Swedish Krona	**2 786 089**	2 516 073
United States Dollar	**25 840 096**	28 999 403
South African Rand	**14 470 932**	11 515 006
Zambian Kwacha	**321 987**	691 016
	72 305 494	76 367 261

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

6. SHARE CAPITAL

Authorised	2024 Number of shares	Value USD	2023 Number of shares	Value USD
Ordinary no par value shares	500 000 000		500 000 000	
Reconciliation of number of shares issued:				
Balance at the beginning of the period	151 477 777	149 470 175	151 362 777	149 365 330
Share options exercised	-	-	115 000	104 845
Share buy backs	(935 194)	(610 963)	-	-
Balance at the end of the period	150 542 583	148 859 212	151 477 777	149 470 175

During the year Master Drilling Group undertook a share buyback in line with its Memorandum of Incorporation to the value of USD610 963 (935 194 shares) at an average price of ZAR11,96 in 3 different tranches as per the table below:

Number of shares	Average price (ZAR)
69 043	11.57
85 125	11.93
781 026	12.00

7. TRADE AND OTHER PAYABLES

	Jun 2024 USD	Dec 2023 USD
Trade payables	45 049 983	39 048 646
Accruals	5 746 993	6 780 857
Indirect taxes	3 551 434	4 344 654
Leave pay accruals	4 296 530	3 028 456
Consideration payable	2 464 541	2 455 588
Employee related	6 681 386	6 276 423
Other payables	1 628 648	1 835 425
	69 419 515	63 770 049

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

8. EARNINGS PER SHARE

	Jun 2024 Gross USD	Jun 2024 Nett USD	Jun 2023 Gross USD	Jun 2023 Nett USD	Dec 2023 Gross USD	Dec 2023 Net USD
Reconciliation between earnings and headline earnings						
Profit for the period	3 631 406	3 631 406	14 563 884	14 563 884	22 297 658	22 297 658
Deduct:						
Non-controlling interest	–	(674 527)	–	(319 109)	–	(1 715 487)
Basic earnings/(loss) for the year	3 631 406	2 956 879	14 563 884	14 244 775	22 297 658	20 582 171
Gain on disposal of property, plant and equipment	(177 225)	(130 484)	(131 280)	(93 306)	(283 485)	(136 653)
Loss/(Gain) on disposal of property, plant and equipment from equity accounted investments	–	–	–	–	–	–
Impairment of property, plant and equipment	13 330 889	10 749 549	–	–	2 202 834	1 506 277
Impairment of intangibles	–	–	–	–	24 272	24 272
Headline earnings for the year	16 785 070	13 575 944	14 432 604	14 151 469	24 241 279	21 976 067
(Loss)/Earnings per share (USD)		2.0		9.4		13.6
Diluted (loss)/earnings per share (USD)		2.0		9.4		13.6
Headline earnings per share (USD cents)		9.0		9.3		14.5
Diluted headline earnings per share (USD cents)		9.0		9.3		14.5
Dividends per share (ZAR cents)		52.5		47.5		47.5
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		151 435 816		151 362 777		151 512 667
Effect of dilutive potential ordinary shares – employee share options		478 585		51 319		17 290
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		151 914 401		151 414 096		151 529 957

9. CASH GENERATED FROM OPERATIONS

	Jun 2024 USD	Jun 2023 USD
Profit before taxation	5 805 776	20 144 947
Adjustments for:		
Depreciation and amortisation	8 970 229	7 261 256
Impairment of property, plant and equipment	13 330 889	–
Share-based payment expense	(6 506)	–
Fair value adjustment on derivatives	16 972	24 356
Loss/(Profit) from equity accounted investments	522	(765 844)
Unrealised foreign exchange movements	(185 175)	(385 747)
Put option for non-controlling interest expense	470 850	(847 885)
Gain on disposal of fixed assets	(177 225)	(118 834)
Movement in expected credit loss allowance	(1 071 061)	983 862
Movement in allowance for obsolete inventory	379 363	71 446
Interest received	(645 915)	(64 333)
Movement in provisions	(146 790)	(586 449)
Derivative financial instrument settled in cash	–	5 463
Finance costs	2 800 957	1 935 102
Changes in working capital:		
Inventories	(618 401)	(1 827 146)
Trade and other receivables	2 000 723	(1 128 087)
Trade and other payables	4 185 246	(797 404)
Contract liability	(2 233 904)	(4 185 755)
	32 876 550	19 718 948

10. CAPITAL COMMITMENTS

	Jun 2024 USD	Dec 2023 USD
Capital expenditure authorised by the directors and contracted for within 12 months. Capital expenditure will be funded through cash generated from operations.	8 962 556	10 420 709

11. REVENUE

	Jun 2024 USD	Jun 2023 USD	Dec 2023 USD
Revenue from contracts with customers			
Rendering of services	**109 351 578**	95 553 481	208 839 091
Sale of goods	**17 625 342**	12 650 595	33 958 450
	126 976 920	108 204 076	242 797 541
Disaggregation of revenue from contracts with customers			
The Group disaggregates revenue from customers as follows:			
Rendering of services	**109 351 578**	95 553 481	208 839 091
Sale of goods	**17 625 342**	12 650 595	33 958 450
	126 976 920	108 204 076	242 797 541
Timing of revenue recognition			
Over time			
Rendering of services	**109 351 578**	95 553 481	208 839 091
At a point in time			
Sale of goods	**17 625 342**	12 650 595	33 958 450

Refer to note 12 – Segment Reporting for disaggregation of revenue by stage of mining activity and geographical area.

12. SEGMENT REPORTING

12.1 Activity

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

	Jun 2024 USD	Jun 2023 USD	Dec 2023 USD
Sales revenue by activity			
Sale of industrial products	**17 625 342**	12 650 595	33 958 450
Raise boring	**101 013 338**	83 907 432	177 134 224
Support services	**3 109 613**	3 476 876	18 009 488
Slim drilling	**4 405 242**	5 208 170	10 599 275
New rock-boring technology	**823 385**	2 961 003	3 096 104
	126 976 920	108 204 076	242 797 541
Gross profit by activity	**–**		
Sale of industrial products	**5 730 144**	3 923 264	11 584 344
Raise boring	**29 325 360**	25 669 232	48 958 912
Support services	**706 104**	1 385 414	2 472 104
Slim drilling	**1 394 517**	855 086	4 148 896
New rock-boring technology	**316 713**	1 062 281	1 267 575
	37 472 838	32 895 277	68 431 831

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 as disclosed above. The equipment and related liabilities of the Group can be used at multiple stages and therefore cannot be presented per activity.

There we no changes made to the segments compared to the previous reporting period.

12.2 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 2024 USD	Jun 2023 USD	Dec 2023 USD
Sales revenue by geographical market			
Africa	**54 093 599**	49 603 468	104 587 856
Central and North America	**17 764 579**	8 880 382	30 866 028
Rest of the World(*)	**23 089 243**	17 933 837	37 528 777
South America	**32 029 499**	31 786 389	69 814 880
	126 976 920	108 204 076	242 797 541
Gross profit by geographical market			
Africa	**22 969 511**	20 230 601	33 296 079
Central and North America	**425 907**	916 618	5 062 782
Rest of the World(*)	**8 747 013**	6 238 628	9 724 038
South America	**5 330 407**	5 509 430	20 348 932
	37 472 838	32 895 277	68 431 831

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

12. SEGMENT REPORTING (continued)

12.2 Geographical segments (continued)

	Jun 2024 USD	Jun 2023 USD	Dec 2023 USD
Depreciation and amortisation by geographical market			
Africa	**4 124 347**	3 505 387	7 436 024
Central and North America	**1 493 945**	1 135 677	2 667 220
Rest of the World(*)	**2 026 728**	1 448 438	3 491 538
South America	**1 325 209**	1 171 754	3 059 389
	8 970 229	7 261 256	16 654 171

	Jun 2024 USD	Jun 2023 USD	Dec 2023 USD
Investment revenue by geographical market			
Africa	**557 376**	33 881	1 076 324
Central and North America	**–**	–	–
Rest of the World(*)	**41 554**	28 136	200 872
South America	**46 985**	2 316	125 382
	645 915	64 333	1 402 578

	Jun 2024 USD	Jun 2023 USD	Dec 2023 USD
Finance cost by geographical market			
Africa	**1 234 455**	1 375 430	2 436 784
Central and North America	**885 238**	192 371	2 004 017
Rest of the World(*)	**18 587**	6 995	59 163
South America	**662 677**	360 306	1 304 931
	2 800 957	1 935 102	5 804 895

	Jun 2024 USD	Jun 2023 USD	Dec 2023 USD
Taxation by geographical market			
Africa	**609 590**	2 693 039	2 830 539
Central and North America	**191 685**	111 574	(820 727)
Rest of the World(*)	**1 012 349**	2 037 805	3 862 111
South America	**360 746**	738 645	1 995 984
	2 174 370	5 581 063	7 867 907

(*) Rest of the World include operations in Scandinavia, Australia and India.

13. FAIR VALUE

June 2024

USD

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised (all amounts in USD as at 30 June):

	Level 1	Level 2	Level 3	Total
Investment in equity instruments	**74 252**	**–**	**–**	**74 252**
Derivative financial instrument	**–**	**233 886**	**–**	**233 886**
Derivative financial instrument	**–**	**(486 042)**	**–**	**(486 042)**
Put option for non-controlling interest	**–**	**8 607 087**	**–**	**8 607 087**

December 2023

USD

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised (all amounts in USD as at 31 December):

	Level 1	Level 2	Level 3	Total
Investment in equity instruments	75 084	–	–	75 084
Derivative financial instrument	–	326 327	–	326 327
Derivative financial instrument	–	(576 164)	–	(576 164)
Put option for non-controlling interest	–	8 842 812	–	8 842 812

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

14. INVESTMENT IN ASSOCIATES

	Note(s)	Jun 2024 USD	Dec 2023 USD
Investment in associate – Applied Vehicle Analysis (Pty) Ltd	14.1	**1 131 182**	958 496
Investment in associate – Hall Core Arabia Ltd	14.2	**709 579**	–
		1 840 761	958 496

14.1 Investment in associate – Applied Vehicle Analysis (Pty) Ltd

The Group performed an assessment of control and concluded that it does not have control of AVA as the definition of control has not been satisfied.

The financial year-end of AVA is 28 February. This was the reporting date established when that company was incorporated, and a change of reporting date is not possible at this stage. For the purpose of applying the equity method of accounting, the financial information of AVA up to 30 June and 31 December respectively have been used in preparing the Group's consolidated financial statements. Appropriate adjustments were made for fair value adjustments at acquisition and differences in accounting policies and effects of significant transactions up to 30 June 31 December respectively.

The table below summarises and also reconciles the statement of comprehensive income's financial information as at 30 June and 31 December respectively.

	Jun 2024 USD	Dec 2023 USD
Cumulative reconciliation:		
Investment at cost	**1 293 975**	1 293 975
Foreign exchange differences	**(42 967)**	(61 388)
Share of loss from associate	**(119 826)**	(274 091)
Total investment	**1 131 182**	958 496
Carrying amount of the investment is as follow:		
Carrying amount as at 1 January	**958 496**	790 777
Foreign exchange differences	**18 421**	(3 796)
Share of profit from associate	**154 265**	171 515
Carrying amount	**1 131 182**	958 496
Loan to associate	**84 647**	161 404

	Jun 2024 USD	Dec 2023 USD
Revenue	**1 377 318**	3 500 637
Profit from continuing operations	**385 663**	428 788
Total comprehensive profit	**385 663**	428 788
Group's share of total comprehensive profit	**154 265**	171 515
Dividends received from associate	**–**	–

14. INVESTMENT IN ASSOCIATES (continued)

14.1 Investment in associate – Applied Vehicle Analysis (Pty) Ltd (continued)

	Jun 2024 USD	Dec 2023 USD
Non-current assets	**52 027**	6 546
Current assets	**919 275**	990 028
Non-current liabilities	**(831 103)**	(817 467)
Current liabilities	**(568 859)**	(543 888)
Net assets	**(428 660)**	(364 781)
Group's share of net assets	**(171 464)**	(145 912)
Goodwill	**1 148 381**	932 893
Share of profit from associate	**154 265**	171 515
Investment in associate	**1 131 182**	958 496

14.2 Investment in associate – Hall Core Arabia Ltd

The Group purchased a 22.5% equity interest in Hall Core Arabia Ltd ("HCA"), incorporated in Kingdom of Saudi Arabia, for USD 0.7 million. HCA is a specialist in exploration drilling and is currently primarily operating with the Rest of the World segment of the Group. This investment is aligned with the Group's strategy to diversify its services and invest in businesses in different regions and services.

The Group performed an assessment of control and concluded that it does not have control of HCI as the definition of control has not been satisfied.

The table below summarises and also reconciles the statement of comprehensive income's financial information as at 30 June and 31 December respectively.

	Jun 2024 USD	Dec 2023 USD
Cumulative reconciliation:		
Investment at cost	**–**	–
Additions	**721 552**	–
Foreign exchange differences	**–**	–
Share of loss from associate	**(11 973)**	–
Total investment	**709 579**	–
Carrying amount of the investment is as follow:		
Carrying amount as at 1 January	**–**	–
Additions	**721 552**	
Foreign exchange differences	**–**	–
Share of loss from associate	**(11 973)**	–
Carrying amount	**709 579**	–
Loan to associate	**–**	–

14. INVESTMENT IN ASSOCIATES (continued)

14.2 Investment in associate – Hall Core Arabia Ltd (continued)

	Jun 2024 USD	Dec 2023 USD
Revenue	–	–
Loss from continuing operations	(53 213)	–
Total comprehensive loss	**(53 213)**	–
Group's share of total comprehensive loss	**(11 973)**	–
Dividends received from associate	**–**	–
Non-current assets	1 573 152	–
Current assets	662 992	–
Non-current liabilities	(3 755 503)	–
Current liabilities	(353 669)	–
Net assets	**(1 873 028)**	–
Group's share of net assets	**(421 431)**	–
Goodwill	**1 142 983**	–
Share of loss from associate	**(11 973)**	–
Investment in associate	**709 579**	–

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

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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
Fred George Dixon	Alternate director
Gareth Robert Sheppard	Alternate director

Non-executive

Hendrik Roux van der Merwe	Chairman and independent non-executive
Andries Willem Brink	Independent non-executive (also the lead independent director)
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.

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