

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

AUDITED CONDENSED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND DIVIDEND DECLARATION

HIGHLIGHTS FOR THE PERIOD

- USD Revenue increased by 31.7% to USD226.4 million
- USD Earnings per share increased by 7.6% to 14.2 cents
- ZAR Earnings per share increased by 19,0% to 232,5 cents
- USD Headline earnings per share increased by 10.1% to 14.2 cents
- ZAR Headline earnings per share increased by 21,9% to 232,5 cents
- Stable order book of USD265.4 million
- Healthy pipeline of USD567.9 million
- Dividend of ZAR47,5 cents per share declared increased from the ZAR32,5 cents per share from 2021
- Cash generated from operating activities amounted to USD25.0 million

REGULATORY REQUIREMENTS

The contents of the short form announcement are the responsibility of the Board of directors of Master Drilling. The information in the short-form announcement is a summary of the full announcement available on Master Drilling's website. Master Drilling posts information that is important to investors on the main page of its website at www.masterdrilling.com and under the "investors" tab on the main page. The information is updated regularly and investors should visit the website to obtain important information about Master Drilling.

The full announcement can also be accessed online at
<https://senspdf.jse.co.za/documents/2023/JSE/ISSE/MDI/FY2022.pdf>

The consolidated annual financial statements for Master Drilling Group Limited (Registration number 2011/008265/06), for the period ended 31 December 2022, have been audited by BDO South Africa Incorporated, the Company's independent external auditors, whose unmodified audit report, including the key audit matters, can be found on pages 6 to 10 of the consolidated annual financial statements 2022, which are available on: www.masterdrilling.com

The information in this announcement has been extracted from the condensed audited consolidated annual financial statements as 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 Andre Jean van Deventer CA(SA), the Group's chief financial officer.

DIVIDEND

Since listing in 2012, the Company has delivered on its key strategic objectives, as set out in its listing prospectus. This, coupled with significant ongoing cash generation, now enables the Company to strike a balance between continued investment in capital projects to support the Company's further growth and enhancing returns to shareholders through the payment of appropriate dividends. Thus, in respect of the financial year ended 31 December 2022, the Board on 27 March 2023 declared a gross dividend of ZAR47,5 cents per share payable to shareholders recorded in the company's share register on 19 May 2023. This dividend represents a 5 times earnings cover which is in line with the desired level indicated in its listing prospectus, of a 4 to 5 times earnings cover.

The dividend is payable from distributable reserves and where subject to dividend withholding tax of 20%, a net dividend of ZAR38,00000 cents per share to shareholders will be payable after such dividend withholding tax.

The number of shares in issue at date of declaration amounts to 151 362 777 and the Company's tax reference number is 9797/433/15/9.

In order to comply with the requirements of Strate, the following details are provided:

Last date to trade cum dividend: Tuesday, 16 May 2023

Trading ex dividend commences: Wednesday, 17 May 2023

Record date: Friday, 19 May 2023

Payment date: Monday, 22 May 2023

Shares may not be dematerialised or re-materialised between Wednesday, 17 May 2023 and Friday 19 May 2023, both dates inclusive.

A dividend of 32,5 cents per share in ZAR terms relating to FY2021 was declared and paid during June 2022. Any dividend unclaimed after a period of three years from the date on which the same has been declared to be payable shall be forfeited and revert to the Company.

There are no arrangements under which future dividends are waived or agreed to be waived.

The Company complies with the requirements of the Companies Act in terms of satisfying the solvency and liquidity test when declaring this dividend.

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 mining solutions. 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 mining services to clients through tailor-made designs, coupled with a flexible support and logistics chain, makes it the preferred partner throughout the lifecycle of projects.

Commenting on the results for the year ended 31 December 2022, Danie Pretorius, Chief Executive Officer of Master Drilling, said:

"Master Drilling is grateful to announce that we had a stellar year in 2022. Revenue is up by 32% to a record high of USD226.4 million and cash generated from the business was USD25.0 million This is on the back of higher utilisation and investment in new business ventures. We must thank our clients and business partners for their continued support.

Our continued focus capital discipline has resulted in increased returns.

There was a renewed focus on technology development, and we have seen some of our new technologies maturing and making an impact on the way mining is conducted. We believe in our vision of "making a difference" and we are going to stay the course, to make the industry safer, more productive, and cost-effective.

Apart from our cutting and drilling technologies, we have also invested in asset-light business ventures in the digital space. Master Drilling has further invested in businesses that provide proximity detection solutions and integrated data and resource management systems for mining. These business ventures have contributed to the bottom line and have also opened up new opportunities for the Group. These actions will ensure that the Group remains relevant and maintains its standing as a leading innovator.

Master Drilling has been able to leverage its relationships with clients and partners, as well as its international footprint, to grow the business. The importance of building sound relationships has provided us with the foundation to offer more turnkey solutions to our clients and has seen the business metamorphose into a more holistic contractor.

Looking forward, the Company is optimistic about the future. Analysts are referring to a "super-

cycle" in the mining industry that is being driven by the energy transition. We will, however, ensure that we remain responsible and focus on our cost control, capital allocation and operational excellence."

Financial Overview

Revenue increased 32% to USD226.4 million and operating profit grew 26% to USD35.1 million. These figures represent record results, achieved despite uncertain market and operating conditions experienced globally.

USD earnings per share (EPS) increased 7.6% to 14.2 cents, and ZAR EPS increased 19,0% to 232,5 cents. USD headline earnings per share (HEPS) increased 10.1% to 14.2 cents, and ZAR HEPS increased 21,9% to 232,5 cents.

Net cash generated from operations amounted to USD25.0 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 USD24.4 million was applied as follows: 63% on expansion and 37% on sustaining the existing fleet.

Debt increased from USD32.1 million to USD46.1 million and the gearing ratio, including cash, increased from 5.8% to 8.2% in the 2022 fiscal year.

Operational Overview

Globally, Master Drilling's operations experienced a profitable year, demonstrating the benefits of significant capex investment over the past 10 years.

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 2022 has been 0,83 indicating a significant improvement from 1,65 on our path to zero harm. This was achieved in a period where we employed many new employees which can potentially increase risk. Through a focus on behaviour-based training and growing a high-performance culture, we have been able to drive compliance with policies and procedures. Our priority remains to remove people out of harm's way through innovative engineering solutions.

South America

South America delivered a strong performance despite several political headwinds for miners in the region.

Brazil's performance for the year was satisfactory. We commenced a flagship shaft project that will keep one XXL machine busy for most of 2023. We will continue to service our current client base in the region and focus on efficiencies and further automating our operations. We have also deployed one remote-operated raise bore machine at one of our client's operations. We are actively looking for new mining projects and exploring other drilling opportunities.

Chile had its best performing year of the past several years. Contracts with Codelco performed well and we have seen high levels of utilisation during the year.

The Master Drilling Besalco Consortium is performing well with a record year of production. We expect to expand the Consortium and obtain more contracts from Codelco and other miners in the region. We are developing a new-generation blind hole machine to be deployed in Chile during the next year. These machines are technologically superior to those available through other companies and we believe they will have a major impact on the market.

In Peru, we were awarded several new contracts in 2022. This is a result of very good operational performance over the past few years. We have seen strong growth from Peru together with better profitability. Bigger raise boring equipment has been mobilised to the region to service the need of our clients for bigger ventilation shafts. We are actively pursuing other opportunities in neighbouring countries such as Ecuador and Colombia.

Central and North America

The market for raise boring and exploration drilling activities in North America was buoyant in 2022. Our management team there is already working on tenders for the current year as well as long-term drilling contracts.

The Canadian contracts are advancing well. During the previous year, we were awarded a new contract and started mobilising equipment towards the end of last year. The remote locations present logistical challenges; however, we are well positioned to meet these. We have established a solid base in Canada and are well positioned to capitalise on increasing opportunities.

We continue with our efforts to secure contractors' licences across each relevant state in the USA. Doing this will assist in driving our new business pipelines, focusing primarily on mining-rich Nevada and also Arizona.

Mexico had a fair performance in 2022. For the first time ever, we were able to enter into one of the biggest mining groups in Mexico. We saw several new contracts being awarded in the latter part of the year, which is setting the business up for a good start in 2023. Additional machines have been deployed to projects in satellite countries such as Nicaragua. We continue to work on our operational efficiencies to reduce overall costs.

The Master Drilling Mexico business in partnership with A&R Engineering and Mining Services and related companies, a subsidiary of the Group, has delivered its first project in this region.

Africa

Africa remains the key area for the Group, and we are aggressively pursuing further opportunities in this market.

In Ghana, we are strategically placed to service existing and potential contracts in the Western African region.

In the DRC, we continued our satisfactory performance with our long-term project. We have a strong working relationship with the client, with additional opportunities for work on the copper, nickel and cobalt mines. Further growth opportunities are in the pipeline in this region.

Stable revenue is expected in Mali and the current client is regarded as a strategic partner of Master Drilling.

We mobilised two additional machines to Sierra Leone towards the end of 2022, to start a new project at the beginning of 2023, and believe this area will be a long-term contributor.

We mobilised two machines to Tanzania in 2022, and our outlook is positive for this country's operations.

Zimbabwe's projects concluded at the end of 2022, and we are currently pursuing new opportunities in this platinum-rich country.

We remain optimistic about opportunities in Zambia and are staying close to the developments in the country.

In Botswana, we are progressing well with a long-term contract at one of the copper mines.

The South African operations have maintained steady growth. With two XXXL machines busy on long-term contracts with a key client, the medium-term outlook is very positive.

Master Drilling will continue to support its loyal domestic clients although growth will likely remain subdued.

We remain committed to further expansion into other African countries that meet our investment criteria.

Scandinavia

Master Drilling Europe has stabilised well during 2022 and showed decent returns. The flagship TELT project in Europe has finally started and we are performing on schedule. This project is key to providing ventilation through four 500m shafts to the high-speed train between France and Italy. We are expanding our business in Iberia with additional equipment mobilised to the region. Our shaft construction projects in Stockholm are performing well and we will continue investing in similar projects. We see great opportunities in the region in the years to come.

India

The Indian operations are performing well, in line with expectations. We will continue to seek additional projects within India and the surrounding areas.

Other regions

Master Drilling is growing its presence in Australia and Central Asia, with a focus on consolidation in the marketplace and organic growth.

Growth in Australia was promising for the year. We were fortunate to work for some of the largest mining houses in the country. We continue to actively market our offering for additional projects in this region.

We are staying close to emerging mining countries and are confident of further geographical growth in 2023.

Technology

Technological innovation is a key priority for Master Drilling to support clients to move down the cost curve, optimise their operations and increase safety.

Given our mining clients' challenges, we have identified three technology focus areas in order to develop a growth strategy and diversify the business: shaft sinking, tunnelling and non-explosive mining.

In order to spread our risk and lighten funding requirements, partnered (Master Sinkers) with the Industrial Development Corporation (IDC) with a view to pursuing a promising business case. During 2022, Master Sinkers continued to design, manufacture, and assemble the shaft boring system. Master Sinkers are currently engaging with the market to seek the best possible project to implement the technology in a phased approach. It is envisaged that the shaft boring machine will be commissioned H2 2023 during the test sink of a 50m deep shaft in South African hard rock. We are positioning ourselves as a specialised mining contractor, as opposed to a mainstream one.

During 2022 the application of the Mobile Tunnel Borer for the construction of the Sandsloot Exploration Decline at Mogalakwena Mine for Anglo American progressed well during which key performance indicators were met. It is planned to complete the turnkey scope during 2023. The technology looks very promising while a steep learning curve is being experienced with associated mining specific interactions. A 2nd generation Mobile Tunnel Borer design is progressing well and will be completed and considered for further development during 2023. From our experience gained it has become evident that alternative non-explosive tunnelling technologies would be required for specific tunnelling application needs not addressed by the Mobile Tunnel Borer, and that will be considered in future for further development.

Non-explosives mining is still an uncharted area, and we are looking to provide solutions for clients that are not bound by the requirement of explosives approvals, while at the same time shielding

personnel against hazards by offering the flexibility to operate remotely. We have engaged with four different clients where we are able to develop these technologies and provide bespoke solutions that cater to their specific needs. By doing so, we hope to build relationships with these clients in a phased approach thereby ensuring gradual progress and minimising large exposure or risk. All these projects are progressing well.

These technologies all relate to providing a safer, higher productivity, cost-competitive and efficient solution.

Operational equipment

The fleet consists of 140 raise bore, 38 slim drilling and 1 mobile tunnel boring rigs. The total raise boring fleet utilisation rate was around 77% while the slim drilling fleet utilisation was around 67%. The rate of new rigs coming on board will settle with a focus on larger units, which typically generate higher income.

Our people

We believe that a motivated and engaged workforce creates a sustainable, competitive advantage for our business and benefits society. We are committed to attracting, developing and retaining the best people, providing a safe working environment for them and creating a winning culture that embraces their diversity and celebrates their contribution.

As at 31 December 2022, Master Drilling Group, together with its joint ventures, employs a total of 2 892 employees. This headcount includes the incorporation of Hall Core Holdings (Pty) Ltd (237) and A&R Engineering and Mining Services (Pty) Ltd and related companies (436) personnel due to the acquisition of the businesses. There was a total increase in headcount movement of 709 from the corresponding previous period in 2021.

We continuously drive and strive to embed our RAISE values to ultimately create and foster a culture where all employees can thrive and grow. It is imperative to improve our working environment to one where employees feel:

- Respected
- Accountable
- Innovative
- Safe
- Efficient

Human capital strategy

We have recently developed a human capital strategy, which is currently in the implementation phase. The focus areas are:

- to attract the best people; and
- to create a high-performance culture in which our employees are engaged, motivated and equipped to support the achievement of our group strategy.

The core elements and objectives of our human capital strategy are:

- a positive and safe working environment that encourages a sense of well-being in our employees;
- leadership development and creating strong teams;
- growth opportunities that enable our employees to be leaders, and our leaders to grow and excel;
- rewards for and recognition of outstanding performance and stewardship; and
- succession planning by building junior and middle management talent pipelines.

Creating an ethical culture

The Master Drilling Group's code of ethics is made available and explained to all employees as part of their induction. Our code of ethics provides employees with information about the core principles

of the Group, including legal compliance, ethical dealings, labour practices, human rights, and gender and race diversity. We recognise the right of employees to freedom of association, organisation and collective bargaining. As part of the process of monitoring our ethics, we have an independent, anonymous whistle-blower hotline. This allows anyone to report illegal or unethical behaviour, including mismanagement, discrimination, harassment, vandalism, corruption, violence and theft. The whistle-blower hotline is available to both national and international callers. Hotline activities are reported to the Social, Ethics and Sustainability Committee, Audit Committee, Risk Committee and the Board.

The above continues to be a strong focus area as part of our ESG strategic pillar.

The B-BBEE skills development initiatives for the South African entities were once again successfully co-ordinated and financed via Master Drilling Training Services. The B-BBEE certification for Master Drilling Exploration was finalised with a Level 1 rating being achieved. Master Drilling South Africa was also finalised, and an improved Level 3 rating was achieved.

PIPELINE AND COMMITTED ORDERS

As at 31 December 2022 our pipeline totalled USD567.9 million while the committed order book totalled USD265.4 million for 2023 and beyond.

OUTLOOK AND PROSPECTS

Despite global uncertainty, we are confident that Master Drilling will perform well because of its long-term contracts, diversified footprint, proactive capital management and service orientation. The fleet utilisation is now moving towards the required benchmark of 75%. Capital Management remains a top priority. The Group's diversification across regions, commodities, currencies, and industries proved to be a key factor in this and will remain a key part of Master Drilling's strategy.

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

The pipeline as at 31 December 2022 totalled USD501.1 million, while the committed order book totalled USD199.6 million for 2023 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.

We will continue to invest in our people, and we have started to employ best practice in a number of areas within human capital that will ensure that we are an employer of choice and attract the best of the best in the industry.

There is an evolving commitment and enhanced contribution to all matters relating to ESG. This is not just the right thing to do, it will also support the industry objective and ensure that Master Drilling remains sustainable into the future.

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

Ultimately, our strategic focus remains the same. We want to make a difference in the lives of our employees and our clients. We challenge the status quo and want to ensure we address the challenges of safety, cost and productivity in the way we work. Our 2023 focus will be on building a sustainable, diversified and scalable business through organic and acquisitive growth as well as formal partnerships and alliances.

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.

Any investment decision by investors and/or shareholders should be based on consideration of the full announcement as available on www.masterdrilling.com. The full announcement is also available at the Company's registered office (for inspection, at no charge, during office hours on any business day).

For and on behalf of the Board

DC Pretorius
Chief Executive Officer

AJ van Deventer
Chief Financial Officer

Sponsor
Investec Bank Limited

REGISTERED AND CORPORATE OFFICE

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