

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

CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND DIVIDEND DECLARATION

HIGHLIGHTS FOR THE PERIOD

- USD Revenue increased by 7.2% to a record high USD242.8 million
- USD Earnings per share decreased by 4.2% to 13.6 cents
- ZAR Earnings per share increased by 8,0% to 251,0 cents
- USD Headline earnings per share increased by 2.1% to 14.5 cents
- ZAR Headline earnings per share increased by 15,1% to 267,7 cents
- Stable order book of USD288.3 million
- Healthy pipeline of USD535.3 million
- Dividend of 52,5 cents per share in ZAR terms declared, an increase from the 47,5 cents per share in 2022
- Cash generated from operating activities increased by 42.0% from USD25.0 million to USD35.5 million

REGULATORY REQUIREMENTS

The contents of the short form announcement are the responsibility of the Board of directors of Master Drilling. Master Drilling posts information that is important to investors on the main page of its website at [www.masterdrilling.com](http://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 annual financial statements for Master Drilling Group Limited (Registration number 2011/008265/06), for the period ended 31 December 2023, have been audited by BDO South Africa Incorporated, the Company's independent external auditors, whose unmodified audit report is available on: [www.masterdrilling.com](http://www.masterdrilling.com) and <https://senspdf.jse.co.za/documents/2024/JSE/ISSE/MDI/FY2023.pdf>

The annual financial statements 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 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, 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 2023, the Board on 25 March 2024 declared a gross dividend of 52,5 cents per share in ZAR terms payable to shareholders recorded in the Company's share register on 17 May 2024. 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 42,00000 cents per share in ZAR terms 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, 14 May 2024
Trading ex-dividend commences:	Wednesday, 15 May 2024
Record date:	Friday, 17 May 2024
Payment date:	Monday, 20 May 2024

Shares may not be dematerialized or re-materialized between Wednesday, 15 May 2024 and Friday 17 May 2024, both dates inclusive.

A gross dividend of 47,5 cents per share in ZAR terms relating to FY2022 was declared and paid during May 2023. 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 and paying this dividend.

#### COMMENTARY

##### About Master Drilling

Master Drilling was established in 1986 and listed on the Johannesburg Stock Exchange Limited in 2012. The Group delivers innovative drilling technologies and mining solutions 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 mining 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 year ended 31 December 2023, Danie Pretorius, Chief Executive Officer of Master Drilling, said:

"Master Drilling is pleased to report a resilient year in 2023, achieving a record high of USD 242.8 million in revenue, reflecting a 7.2% increase. This accomplishment comes against 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 cutting technologies progress well in line with expectations. We are steadfast in our vision of "making a difference" by enhancing safety, productivity, and cost-effectiveness in the sector.

Beyond our traditional 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 7.2% to USD242.8 million and operating profit decreased by 2.8% to USD33.8 million. These figures represent resilient results, despite uncertain market, economic and operating conditions experienced globally.

USD earnings per share (EPS) decreased 4.2% to 13.6 cents, and ZAR EPS increased 8,0% to 251,0 cents. USD headline earnings per share (HEPS) increased 2.1% to 14.5 cents, and ZAR HEPS increased 15,1% to 267,7 cents.

Net cash generated from operations amounted to USD35.5 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 USD34.7 million was applied as follows: 76% on expansion and 24% on sustaining the existing fleet.

Debt decreased from USD46.1 million to USD44.1 million and the gearing ratio, including cash, remained flat at 7.8%.

#### 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 2023 has been 0,5 indicating a significant improvement from 0.83 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 behavior-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.

Throughout the year, the Group implemented a rigorous program adhering to applicable ISO standards by reviewing existing protocols, implementing new hazard identification measures, and providing additional safety training for all employees. The Group therefore demonstrates its commitment to creating a safe work environment and has reduced the risk of accidents and injuries for its staff.

#### South America

Notwithstanding several operational challenges throughout this region, there were positive developments. Despite one specific loss-making project 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 being negotiated. In one of the countries, production saw a significant rebound, reaching its highest level in several years. Our operations in this region are also expanding their service offerings and expect to recover revenue to levels achieved prior to pre-restructuring 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 yet performing satisfactorily financially, we've 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 has paid off as we have secured a couple of new contracts across multiple mines. We're well positioned for continued growth, with a strong pipeline of opportunities on the back of the resurgence of the coal mining sector, 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 couple of 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 in 2023, 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.

#### Slim drilling

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 first half of 2024.

Finally, the Group is excited about its technology projects. Development of a robotic surface drilling machine was completed late in 2023 with operational testing started and operational work at a client expected to begin in April 2024. The Group started production with a newly developed robotic underground machine in late 2023.

#### 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 client's employees. The service offerings have been expanded outside the South African borders, with this expansion being pursued globally during 2024.

#### 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 will be operational in 2024, enhancing our deep-drilling capabilities. The completion of the first mobile slot borer further strengthens our portfolio.
  - **Exploration Drilling:** An industry leading 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 SBS (Shaft Boring System) is undergoing testing at our South African site, paving the way for a second-generation, larger diameter version.
    - **Tunnelling:** The MTB (TunnelPro Mobile Tunnel Borer) has completed its initial project with valuable learnings. This knowledge is being incorporated into a revised generation design, and a joint development agreement with a global leader in tunnel engineering.
    - **Non-Explosive Mining:** The tabular and narrow reef orebody borer system for a client on track for completion in 2024, offering a new approach to mineral extraction.
- **Digital Transformation:** We are actively implementing digital solutions to enhance safety, productivity, and overall project efficiency:
  - **A&R Group of companies:** The successful testing of our Scraper Winch Proximity Detection and Missing Person Locator products paves the way for wider industry adoption in 2024.
  - **Applied Vehicle Analysis:** 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, optimizing mineral recovery and information management throughout the mining lifecycle.

#### Operational equipment

The fleet consists of 136 raise bore, 50 slim drilling and 1 mobile tunnel boring rigs. The total raise boring fleet utilisation rate was around 72% while the slim drilling fleet utilisation was around 86%. The rate of new rigs coming on board will settle with a focus on larger units, which typically generate higher income.

#### Our people

We prioritize 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, recognizing 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 of 31 December 2023 totaled USD535.3 million, while the committed order book totaled USD288.3 million for 2024 and beyond. In the short to medium term, the sales pipeline is expected to stabilise and increase with further strategic 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.

Any investment decision by investors and/or shareholders should be based on consideration of the full announcement as available on [www.masterdrilling.com](http://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	AJ van Deventer
Chief Executive Officer	Chief Financial Officer

Sponsor  
Investec Bank Limited

REGISTERED AND CORPORATE OFFICE

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