

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

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

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/2024/JSE/ISSE/MDI/HY2024.pdf>

The information in this announcement has been extracted from the unaudited consolidated interim 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.

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 67.6% to USD6.9 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, 53 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 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.

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
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REGISTERED AND CORPORATE OFFICE

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27 August 2024