



REPORT TO SHAREHOLDERS

UNAUDITED INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS FOR THE PERIOD

- ZAR Revenue up by 15.4% assisted by a weaker ZAR
- US\$ Gross profit margin increased by 1.6% from 38.9% to 40.5%
- US\$ Profit after tax margin increased by 0.8% from 17.2% to 18.0%
- US\$ Headline earnings per share remained constant at 6.3 cents
- ZAR Headline earnings per share increased by 30.1% from 75,0 cents to 97,6 cents
- Acquisition of Bergteamet Latin America SpA's assets and operations in Chile
- Steady increase in order book to US\$ 209 million

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COMMENTARY

FINANCIAL OVERVIEW

The 2016 year had a slow start for Master Drilling. Delayed access to sites, postponement of the start-up of projects, poor ground conditions and economic fluctuations were the factors that contributed to the initial underperformance, especially in the first quarter. Fortunately, better performance during the second quarter indicated an uplift due to the improvement in the mining industry. Our diversification across regions, commodities, currencies and industries remains the key success factors of the business.

The results in US\$ compared to the corresponding period in 2015 are as follow:

- Revenue down by 10.8%
- Gross profit margin of 40.5%, up by 1.6%
- Operating profit margin of 24.9%, down by 1.0%
- Profit after tax margin at 18.0%, improvement of 0.8%

ABOUT MASTER DRILLING GROUP LIMITED

Master Drilling was established in 1986 and listed on the Johannesburg Stock Exchange during the latter part of 2012. Master Drilling provides specialized drilling services to blue-chip, major and mid-tier companies in the mining, civil engineering and building construction sectors. Drilling services are provided across a range of drilling activities that include exploration, production and capital stage drilling in various commodities.

Master Drilling is a global business with operations in Africa, Asia, Europe, Latin America and North America.

The first half of 2016 saw the acquisition of Bergteamet Latin America SpA's assets and operations in Chile. The Master Drilling business in Brazil secured the 5-year extension of a key contract at Anglo Gold Ashanti. The successful award of Sierra Leone and Tanzania contracts supports our diversification strategy for Africa. In the USA we were awarded a first contract for blind shaft boring.

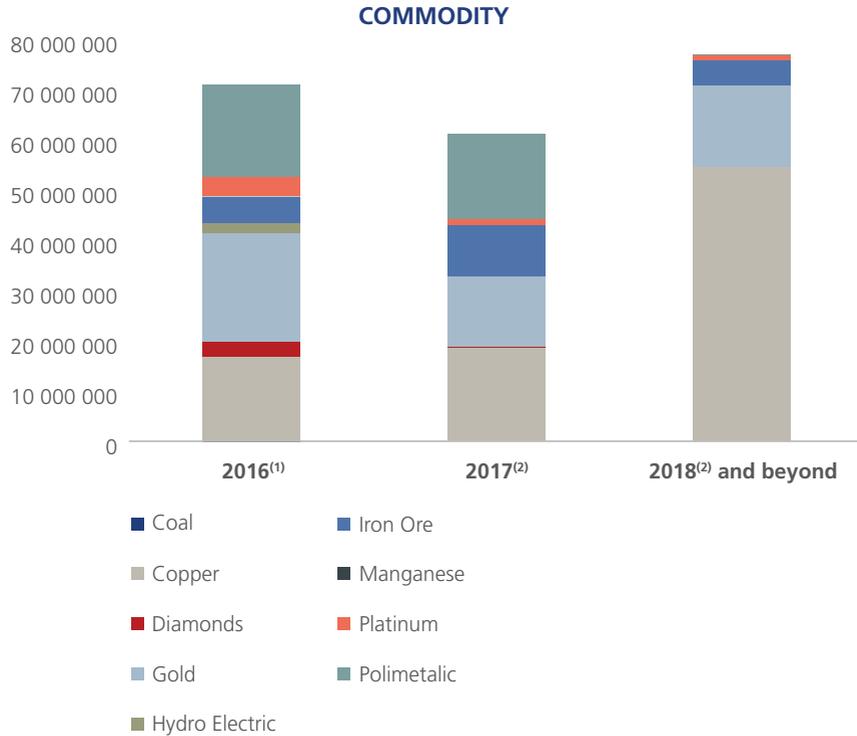
Revenue is down in both Mexico and Africa as a result of projects start-up delays and lower utilization of equipment. The exploration business is still impacted by lower iron ore prices.

We added 4 raise bore machines, contributing 4.4% growth in revenue, the fleet now consists of 102 raise boring and 49 slim drilling rigs.

Strong margins were maintained during these difficult times. This, together with the ramp-up during the second quarter, indicates higher utilization of equipment and improved financial performance during the second half of the year.

COMMITTED ORDERS

As at 30 June 2016 our committed order book totalled US\$208 916 631 for the second half of 2016 and beyond, spread as follows:



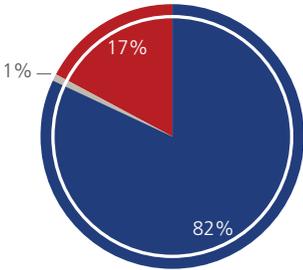
Note: (1) These are committed orders for the second half of the year from 1 July 2016 to 31 December 2016.

(2) This includes assumptions of continuation of current customer projects, based on past experience.

REVENUE

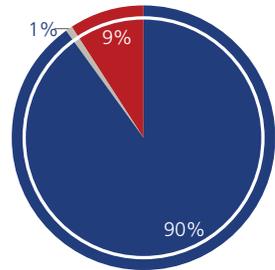
The following graphs reflect the group's combined revenue for reporting periods of six months to 30 June:

**JUNE 2016
REVENUE BY MINING ACTIVITY**



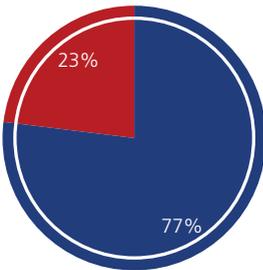
■ Production ■ Exploration
■ Capital

**JUNE 2016
REVENUE BY BUSINESS SECTOR**



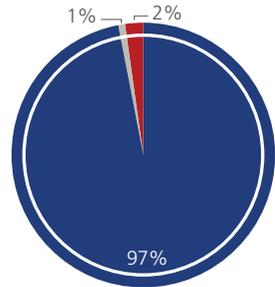
■ Mining ■ Civil ■ Energy

**JUNE 2015
REVENUE BY MINING ACTIVITY**



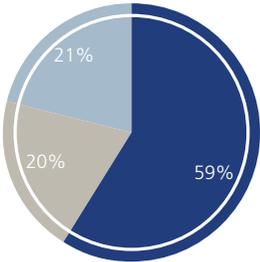
■ Production ■ Exploration
■ Capital

**JUNE 2015
REVENUE BY BUSINESS SECTOR**



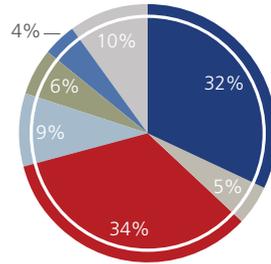
■ Mining ■ Civil ■ Energy

**JUNE 2016
REVENUE BY GEOGRAPHICAL AREA**



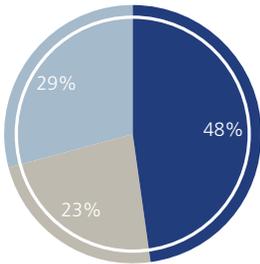
■ Latin America ■ Africa
■ Other countries ■ South Africa

**JUNE 2016
REVENUE BY COMMODITY**



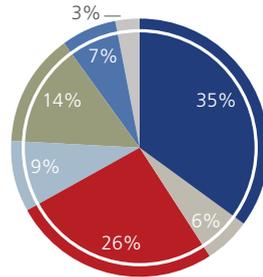
■ Gold ■ Platinum ■ Copper ■ Polymetallic
■ Iron Ore ■ Other commodities ■ Other

**JUNE 2015
REVENUE BY GEOGRAPHICAL AREA**



■ Latin America ■ Africa
■ Other countries ■ South Africa

**JUNE 2015
REVENUE BY COMMODITY**



■ Gold ■ Platinum ■ Copper ■ Polymetallic
■ Iron Ore ■ Other commodities ■ Other

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

of the Master Drilling Group for the six months ended 30 June 2016

ACCOUNTING POLICIES – BASIS OF PREPARATION

The condensed consolidated unaudited interim financial statements of Master Drilling Group Limited have been prepared on the historical cost basis, except for certain financial instruments that are stated at fair value. The group financial statements for the six months ended 30 June 2016 have been prepared in compliance with IAS 34: Interim Financial Reporting, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and presented in accordance with the minimum content, including disclosures, prepared in accordance with the JSE Limited Listings Requirements and the requirements of the South African Companies Act, 2008 (as amended).

The group's accounting policies used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2015.

The unaudited financial statements for the six months ended 30 June 2016 have been prepared by the corporate reporting staff of Master Drilling Group Limited, headed by Elzaan Swanepoel (CA(SA)), the group's Management Accountant. This process was supervised by André Jean van Deventer (CA(SA)), the group's Financial Director.

GOING CONCERN

Based on the information available to it, the Board of Directors believes that the group remains a going concern.

ISSUED CAPITAL

There has been no change to the issued capital since 31 December 2015.

OPERATING SEGMENTS

There are no changes to the operating segments from those disclosed at 31 December 2015.

See note 7.

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the group's entities are measured using the currency of the primary environment in which the entity operates, i.e. "functional currency". The condensed consolidated unaudited interim financial statements are presented in US\$ (the "presentation currency"). Management believes that presentation in US\$ 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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note(s)	Unaudited six months ended Jun 2016 USD	Audited year ended Dec 2015 USD
Assets			
Non-current assets			
Property, plant and equipment	1	98 586 114	89 532 466
Intangible assets		3 043 042	2 612 584
Deferred tax asset		1 028 715	1 124 233
Financial assets		9 991 715	9 159 284
Investment in associate		5 643 973	5 467 740
		118 293 559	107 896 307
Current assets			
Inventories		26 986 975	19 574 979
Related-party loans		180 166	35 755
Trade and other receivables	2	35 839 019	30 572 822
Cash and cash equivalents		19 972 385	22 496 770
		82 978 545	72 680 326
Total assets		201 272 104	180 576 633
Equity and liabilities			
Equity			
Share capital		146 607 965	146 607 965
Reserves		(93 190 617)	(97 883 624)
Retained income		62 601 426	53 231 728
		116 018 774	101 956 069
Non-controlling interest		16 626 536	16 309 067
		132 645 310	118 265 136
Liabilities			
Non-current liabilities			
Interest-bearing borrowings		22 504 992	19 096 633
Finance lease obligations		2 324 043	2 957 153
Share-based payment liability		196 745	706 681
Deferred tax liability		8 632 943	7 387 853
		33 658 723	30 148 320
Current liabilities			
Interest-bearing borrowings		9 185 708	8 417 589
Finance lease obligations		2 589 184	2 941 002
Related party loans		41 907	41 317
Current tax payable		5 349 004	5 195 800
Trade and other payables	3	17 802 268	15 567 469
		34 968 071	32 163 177
Total liabilities		68 626 794	62 311 497
Total equity and liabilities		201 272 104	180 576 633

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended Jun 2016	Unaudited six months ended Jun 2015	Audited year ended Dec 2015
Note(s)	USD	USD	USD
Revenue	53 808 765	60 300 461	119 867 646
Cost of sales	(31 997 953)	(36 816 661)	(71 989 042)
Gross profit	21 810 812	23 483 800	47 878 604
Other operating income	516 516	829 956	1 037 888
Other operating expenses	(8 914 143)	(8 675 566)	(19 336 260)
Operating profit	13 413 185	15 638 190	29 580 232
Investment revenue	398 053	474 483	806 556
Finance costs	(1 276 002)	(744 204)	(1 710 539)
Share of profit from equity accounted investment	176 233	-	134 575
Profit before taxation	12 711 469	15 368 469	28 810 824
Taxation	(3 024 302)	(4 991 656)	(7 695 925)
Profit for the year	9 687 167	10 376 813	21 114 899
Other comprehensive income/(loss) that will subsequently be classifiable to profit and loss:			
Exchange differences on translating foreign operations	4 599 036	(5 300 056)	(18 378 247)
Other comprehensive income/(loss) for the year net of taxation	4 599 036	(5 300 056)	(18 378 247)
Total comprehensive income	14 286 203	5 076 757	2 736 652
Profit attributable to:	9 687 167	10 376 813	21 114 899
Owners of the parent	9 369 698	9 310 508	19 966 151
Non-controlling interest	317 469	1 066 305	1 148 748
Total comprehensive income attributable to:	14 286 203	5 076 757	2 736 652
Owners of the parent	13 968 734	4 010 452	1 587 904
Non-controlling interest	317 469	1 066 305	1 148 748
Earnings per share (USD)	4		
Basic earnings per share (cents)	6.3	6.3	13.5
Headline earnings per share (cents)	6.3	6.3	13.8
Diluted earnings per share (USD)	4		
Diluted basic earnings per share (cents)	6.2	6.2	13.3
Diluted headline earnings per share (cents)	6.2	6.2	13.6
Earnings per share (ZAR)			
Basic earnings per share (cents)	97,4	74,8	172,0
Headline earnings per share (cents)	97,6	75,0	175,9
Diluted earnings per share (ZAR)			
Diluted basic earnings per share (cents)	95,7	73,7	169,3
Diluted headline earnings per share (cents)	95,9	73,8	173,2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD	Share capital	Equity due to change in control of interests	Foreign currency translation reserve
Balance as at 30 June 2015	146 607 965	(58 264 013)	(26 913 887)
Share-based payments	–	–	–
Dividends declared by subsidiaries	–	–	–
Total comprehensive income for the year	–	–	(13 078 191)
Total changes	–	–	(13 078 191)
Balance as at 31 December 2015	146 607 965	(58 264 013)	(39 992 078)
Share-based payments	–	–	–
Total comprehensive income for the year	–	–	4 599 036
Total changes	–	–	4 599 036
Balance as at 30 June 2016	146 607 965	(58 264 013)	(35 393 042)

Share-based payments reserve	Total reserves	Retained income	Attributable to owners of the parent	Non-controlling interest	Total Shareholders' equity
309 973	(84 867 927)	42 576 085	104 316 123	16 540 847	120 856 970
62 494	62 494	–	62 494	–	62 494
–	–	–	–	(314 223)	(314 223)
–	(13 078 191)	10 655 643	(2 422 548)	82 443	(2 340 105)
62 494	(13 015 697)	10 655 643	(2 360 054)	(231 780)	(2 591 834)
372 467	(97 883 624)	53 231 728	101 956 069	16 309 067	118 265 136
93 971	93 971	–	93 971	–	93 971
–	4 599 036	9 369 698	13 968 734	317 469	14 286 203
93 971	4 693 007	9 369 698	14 062 705	317 469	14 380 174
466 438	(93 190 617)	62 601 426	116 018 774	16 626 536	132 645 310

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note(s)	Unaudited six months ended Jun 2016 USD	Unaudited six months ended Jun 2015 USD
Cash flows from operating activities			
Cash generated from operations	5.1	4 391 721	23 958 288
Interest income		398 053	474 483
Finance costs		(1 276 002)	(744 204)
Tax paid		(1 362 779)	(3 405 221)
Net cash from operating activities		2 150 993	20 283 346
Cash flows from investing activities			
Purchase of property, plant and equipment		(7 330 531)	(16 220 124)
Sale of property, plant and equipment		800 868	56 438
Acquisition of subsidiary	5.2	(1 543 451)	–
Net cash from investing activities		(8 073 114)	(16 163 686)
Cash flows from financing activities			
Proceeds/(Repayment) of financial liabilities		4 176 478	1 509 328
Repayment of financial leases		(984 928)	(2 625 382)
Related party loan movement		(143 821)	(1 079 546)
Net cash from financing activities		3 047 729	(2 195 600)
Total cash movement for the period		(2 874 392)	1 924 060
Cash at the beginning of the period		22 496 770	12 477 082
Effect of exchange rate movement on cash balances		350 007	(781 753)
Total cash at end of the period		19 972 385	13 619 389

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. PROPERTY, PLANT AND EQUIPMENT

Jun 2016 USD	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and buildings	3 762 948	(46 309)	3 716 639
Plant and machinery	94 853 164	(28 248 430)	66 604 734
Assets under construction	5 625 607	–	5 625 607
Furniture and fittings	1 323 968	(387 466)	936 502
Motor vehicles	2 514 222	(1 066 281)	1 447 941
Office equipment	284 721	(53 284)	231 437
IT equipment	655 404	(373 721)	281 683
Finance lease: Plant and equipment	23 075 565	(4 715 610)	18 359 955
Computer software	2 211 746	(1 059 630)	1 152 116
Patents	229 500	–	229 500
Total	134 536 845	(35 950 731)	98 586 114

Dec 2015 USD	Cost	Accumulated depreciation and impairment losses	Carrying value
Land and buildings	3 611 305	(38 641)	3 572 664
Plant and machinery	84 071 033	(25 120 600)	58 950 433
Assets under construction	5 505 621	–	5 505 621
Furniture and fittings	1 148 103	(360 892)	787 211
Motor vehicles	2 669 126	(985 579)	1 683 547
Office equipment	53 264	(43 439)	9 825
IT equipment	564 286	(314 746)	249 540
Finance lease: Plant and equipment	21 737 224	(4 256 153)	17 481 071
Computer software	1 877 368	(814 314)	1 063 054
Patents	229 500	–	229 500
Total	121 466 830	(31 934 364)	89 532 466

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

1.1 Reconciliation of property, plant and equipment

Jun 2016 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Land and buildings	3 572 664	–	149 052
Plant and machinery	58 950 433	6 936 749	2 391 354
Assets under construction	5 505 621	1 004 226	12 774
Furniture and fittings	787 211	171 320	15 780
Motor vehicles	1 683 547	189 618	16 174
Office equipment	9 825	216 518	5 622
IT equipment	249 540	70 086	8 152
Finance lease: Plant and equipment	17 481 071	940 738	688 195
Computer software	1 063 054	244 039	51 064
Patents	229 500	–	–
	89 532 466	9 773 294	3 338 167

Dec 2015 USD	Opening balance	Additions	Exchange difference on consolidation of foreign subsidiaries
Land and buildings	3 894 241	261 581	(536 993)
Plant and machinery	55 996 007	15 893 937	(7 364 009)
Assets under construction	7 943 681	609 798	(27 296)
Furniture and fittings	815 069	72 054	(48 375)
Motor vehicles	1 993 290	471 266	(270 120)
Office equipment	27 757	1 794	(13 022)
IT equipment	277 218	102 035	(32 662)
Finance lease: Plant and equipment	21 996 857	429 247	(3 567 469)
Computer software	1 437 735	325 481	(211 809)
Patents	–	229 500	–
	94 381 855	18 396 693	(12 071 755)

Reclassifications and transfer to inventory	Disposals	Depreciation	Total
–	–	(5 077)	3 716 639
700 110	(216 286)	(2 157 626)	66 604 734
(897 014)	–	–	5 625 607
–	(17 535)	(20 274)	936 502
–	(329 549)	(111 849)	1 447 941
–	–	(528)	231 437
–	(2 236)	(43 859)	281 683
26 837	(210 492)	(566 394)	18 359 955
–	(1 661)	(204 380)	1 152 116
–	–	–	229 500
(170 067)	(777 759)	(3 109 987)	98 586 114

Reclassifications and transfer to inventory	Disposals	Depreciation	Total
–	(26 545)	(19 620)	3 572 664
435 994	(529 625)	(5 481 871)	58 950 433
(3 020 562)	–	–	5 505 621
–	(8 999)	(42 538)	787 211
116 537	(323 726)	(303 700)	1 683 547
–	–	(6 704)	9 825
(138)	(5 024)	(91 889)	249 540
(116 537)	(12 049)	(1 248 978)	17 481 071
–	–	(488 353)	1 063 054
–	–	–	229 500
(2 584 706)	(905 968)	(7 683 653)	89 532 466

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

2. TRADE AND OTHER RECEIVABLES

	Unaudited six months ended Jun 2016 USD	Audited year ended Dec 2015 USD
Trade receivables	29 029 001	24 157 869
Loans to employees	185 286	89 298
Pre-payments	2 539 447	2 534 712
Deposits	99 302	106 733
Indirect taxes	1 320 031	521 086
Sundry	2 665 952	3 163 124
	35 839 019	30 572 822
Trade and other receivables past due but not impaired		
The ageing of amounts past due but not impaired is as follows:		
Outstanding on normal cycle terms	16 561 553	16 947 349
1 month past due	4 673 229	3 109 214
2 months past due	2 878 302	1 719 700
3 months past due	5 539 589	3 018 405
Allowance for doubtful debts	(623 672)	(636 799)
	29 029 001	24 157 869
<i>Trade receivables of South African subsidiaries have been ceded to ABSA Capital as security for interest-bearing loan</i>		
The movement in allowance for doubtful debts is presented below		
Balance 1 January	636 799	1 590 191
Exchange differences on translation of foreign operations	38 812	(440 887)
Amounts written off	–	(578 880)
Allowance for doubtful debts	(51 939)	66 375
	623 672	636 799
The carrying amount in USD of trade and other receivables are denominated in the following currencies:		
United States Dollar (USD)	16 766 894	16 520 399
South African Rands (ZAR)	4 856 254	3 563 917
Brazilian Reals (BRL)	2 601 479	3 794 977
Mexican Peso (MXN)	213 889	37 902
Chilean Peso (CLP)	6 641 840	3 643 250
Peruvian Nuevo Sol (PEN)	343 746	1 271 413
Chinese Yuan Renminbi (CNY)	144 369	148 753
Guatemalan Quetzal (GTQ)	249 952	476 351
Zambian Kwacha (ZMW)	2 025 633	–
Colombian Peso (CLP)	1 825 131	946 076
Euro (EUR)	169 832	169 784
	35 839 019	30 572 822

3. TRADE AND OTHER PAYABLES

	Unaudited six months ended Jun 2016 USD	Audited year ended Dec 2015 USD
Trade payables	9 925 659	7 839 195
Income received in advance	–	517 570
Indirect taxes	768 545	2 850 274
Leave pay accruals	2 015 141	1 306 196
Other accruals	5 092 923	3 054 234
	17 802 268	15 567 469

4. EARNINGS PER SHARE

	Unaudited six months ended Jun 2016 USD	Unaudited six months ended Jun 2015 USD	Audited year ended Dec 2015 USD
Reconciliation between earnings and headline earnings			
Basic earnings for the year	9 687 167	10 376 813	21 114 899
<i>Deduct:</i>			
Non-controlling interest	(317 469)	(1 066 305)	(1 148 748)
Attributable to owners of the parent	9 369 698	9 310 508	19 966 151
Loss on disposal of fixed assets	23 109	24 059	677 898
Tax effect on loss on disposal of fixed assets	(6 470)	(5 198)	(217 524)
Headline earnings for the year	9 386 337	9 329 369	20 426 525
Earnings per share (cents)	6.3	6.3	13.5
Diluted earnings per share (cents)	6.2	6.2	13.3
Headline earnings per share (cents)	6.3	6.3	13.8
Diluted headline earnings per share (cents)	6.2	6.2	13.6
Net asset value per share (cents)	89.5	81.5	79.8
Tangible net asset value per share (cents)	87.4	79.8	78.0
Dividends per share (cents)	–	–	–
Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share and headline earnings per share	148 265 491	148 265 491	148 265 491
Effect of dilutive potential ordinary shares – employee share options	2 676 268	2 327 286	2 379 656
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	150 941 759	150 592 777	150 645 147

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

5. NOTES TO THE STATEMENT OF CASH FLOWS

	Unaudited six months ended Jun 2016 USD	Unaudited six months ended Jun 2015 USD
5.1 Cash generated from operations		
Profit before taxation	12 711 469	15 368 469
Adjustments for:		
Depreciation and amortisation	3 109 987	3 413 288
Share of profit from equity accounted investments	(176 233)	–
Translation effect of foreign operations	(452 183)	(80 845)
Share-based payment – equity settled	93 971	102 109
Share-based payment – liability	(509 936)	262 036
Loss on sale of assets	23 109	24 059
Interest received	(398 053)	(434 483)
Finance costs	1 276 002	744 204
Changes in working capital:		
Inventories	(7 045 149)	3 264 640
Trade and other receivables	(5 153 376)	(241 201)
Trade and other payables	912 113	1 576 012
	4 391 721	23 958 288
5.2 Acquisition of subsidiary		
The fair value of assets and liabilities assumed at date of acquisition was:		
Assets		
Property, plant and equipment	2 442 763	–
Current tax receivable	125 292	–
Cash on hand	105 549	–
Net Working capital	(1 013 085)	–
Total assets and liabilities acquired	1 660 519	–
Less: Non-controlling interests' portion of assets and liabilities acquired	–	–
Group's share of total assets and liabilities acquired	1 660 519	–
Goodwill at acquisition	430 458	–
Total consideration	2 090 977	–
Consideration payable	(441 977)	–
Cash and cash equivalents on hand at acquisition	(105 549)	–
Net cash (inflow)/outflow on acquisition of subsidiaries	1 543 451	–

6. CAPITAL COMMITMENTS

	Unaudited six months ended Jun 2016 USD	Audited year ended Dec 2015 USD
Capital expenditure authorised by the directors and contracted for within 12 months. Capital expenditure will be funded through cash generated from operations.	4 709 195	6 974 023

7. SEGMENT REPORTING

	Unaudited six months ended Jun 2016 USD	Unaudited six months ended Jun 2015 USD	Audited year ended Dec 2015 USD
7.1 Mining activity			
The following table shows the distribution of the group's combined sales by mining activity, regardless of where the goods were produced:			
Sales revenue by stage of mining activity			
Exploration	316 288	–	1 664 074
Capital	8 995 132	13 901 317	11 804 595
Production	44 497 345	46 399 144	106 398 977
	53 808 765	60 300 461	119 867 646
Gross profit by stage of mining activity			
Exploration	131 801	–	779 248
Capital	2 758 394	5 465 803	4 984 392
Production	18 920 617	18 017 997	42 114 964
	21 810 812	23 483 800	47 878 604

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

7 SEGMENT REPORTING continued

	Unaudited six months ended 30 June 2016 USD	Unaudited six months ended 30 June 2015 USD	Audited year ended Dec 2015 USD
7.2 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			
Sales revenue by geographical market			
Africa	10 485 839	13 683 945	27 087 779
Latin America	31 964 638	29 002 433	61 844 572
Other Countries	–	221 935	207 734
South Africa	11 358 288	17 392 148	30 727 561
	53 808 765	60 300 461	119 867 646
Gross profit by geographical market			
Africa	6 392 095	6 792 731	14 232 105
Latin America	11 223 866	9 419 710	16 594 674
Other Countries	(6 835)	290 448	1 010 347
South Africa	4 201 686	6 980 911	16 041 478
	21 810 812	23 493 800	47 878 604

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

SUBSEQUENT TO THE REPORTING PERIOD

There have been no significant events subsequent to 30 June 2016 which require adjustment or additional disclosure to these interim results.

DIVIDENDS

The anticipated investment in capital projects require the reservation of resources to fund our strategic expansion. Based on this, and taking into account continuing uncertain economic conditions globally, particularly for the mining industry, the Board resolved not to declare a dividend in respect of this reporting period.

OUTLOOK AND PROSPECTS

We are experiencing a change in the market with increased enquiries and project evaluations taking place. Diversification across countries, commodities, industries and currencies remains the foundation of our business. We have achieved strategic expansion of our footprint in Africa and the project in the USA, the first step for the blind shaft boring development, becomes operational during the second half of this year.

We have invested in and extended our team to support the growth of our business and have allocated resources to the Bergteamet Europe AB office with the anticipated exercising of our option to buy out the remaining 60% shareholding.

Cash resources continue to be stringently managed to cater for emerging opportunities that require specific design, planning and investment. Continuous improvement in our technology and methods remains the cornerstone in providing our clients with the one-stop solution that they require to stay ahead in their market. Mechanisation, the key issue our mining clients are facing, supports our focus as our business is already well positioned for this with the technologically advanced methods we use. Comprehensive training plans were established to increase the skill level of key employees in the group.

The condensed consolidated unaudited financial statements of Master Drilling Group Limited were approved by the Board of Directors on 5 September 2016 and signed off on its behalf by DC Pretorius.

On behalf of the board



DC Pretorius

Chief Executive Officer
Fochville

5 September 2016

CORPORATE INFORMATION

MASTER DRILLING GROUP LIMITED

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

REGISTERED AND CORPORATE OFFICE

4 Bosman Street
PO Box 902
Fochville, 2515
South Africa

DIRECTORS

Executive

Daniël (Danie) Coenraad Pretorius
André Jean van Deventer
Barend Jacobus (Koos) Jordaan
Gareth (Gary) Robert Sheppard #

Chief executive officer and founder
Financial director and chief financial officer
Technical director
Chief operating officer

Non-executive

Hendrik Roux Van Der Merwe
Akhter Alli Deshmukh
Jacques Pierre de Wet
Johan Louis Botha
Shane Trevor Ferguson
Christopher Gerald O'Neill
Fred George Dixon
Resident in Peru

Chairman and independent non-executive
Independent non-executive
Independent non-executive
Independent non-executive
Non-executive
Alternate director
Alternate director

COMPANY SECRETARY

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CORPORATE INFORMATION continued

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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 “investors” 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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