GEODRILL LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(in United States dollars)

GEODRILL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

CONTENTS

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents

Deloitte.

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Canada

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Geodrill Limited

Opinion

We have audited the consolidated financial statements of Geodrill Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bernardi.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
March 4, 2019

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 and 2017

	Note	December 31, 2018 US$	December 31, 2017 US$
Assets			
Non-current assets			
Property, plant and equipment	10	43,196,365	39,282,180
Total non-current assets		**43,196,365**	**39,282,180**
Current assets			
Inventories	11	17,199,513	16,985,124
Prepayments		1,237,032	1,287,039
Trade and other receivables	12	19,061,758	17,660,607
Cash	13	4,617,083	5,691,742
Total current assets		**42,115,386**	**41,624,512**
Total assets		**85,311,751**	**80,906,692**
Equity and liabilities			
Equity			
Share capital		22,428,417	22,129,477
Share-based payment reserve		4,464,416	4,319,175
Retained earnings		34,365,745	33,980,478
Total equity		**61,258,578**	**60,429,130**
Liabilities			
Non-current liabilities			
Deferred tax liability	9(iv)	707,499	-
Loans payable	14	3,370,523	2,361,569
Total non-current liabilities		**4,078,022**	**2,361,569**
Current liabilities			
Trade and other payables	15	13,258,413	12,276,257
Loans payable	14	2,907,713	2,397,646
Taxes payable	9(ii)	2,886,000	2,519,065
Related party payables	19(iii)	923,025	923,025
Total current liabilities		**19,975,151**	**18,115,993**
Total equity and liabilities		**85,311,751**	**80,906,692**

Approved by the Board of Directors

"signed"
John Bingham
Chairman of the Board

"signed"
Ron Sellwood
Chairman of the Audit Committee

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2018 and 2017

	Note	December 31, 2018 US$	December 31, 2017 US$
Revenue		88,539,126	82,613,781
Cost of sales	*8*	(49,910,027)	(49,076,359)
Gross profit		**38,629,099**	**33,537,422**
Selling, general and administrative expenses	*8*	(29,342,272)	(24,134,721)
Foreign exchange gain / (loss)		420,354	(385,853)
Results from operating activities		**9,707,181**	**9,016,848**
Finance income		9,919	1,978
Finance costs		(528,000)	(515,890)
Income before taxation		**9,189,100**	**8,502,936**
Income tax expense	*9(i)*	(8,526,855)	(4,012,712)
Income and total comprehensive income for the year		**662,245**	**4,490,224**
Earnings per share			
Basic	*22(i)*	$0.02	$0.10
Diluted	*22(ii)*	$0.01	$0.10

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2018 and 2017

	Share Capital US$	Share-based Payment Reserve US$	Retained Earnings US$	Total Equity US$
Balance at January 1, 2018	22,129,477	4,319,175	33,980,478	60,429,130
Adoption of IFRS 9 (Notes 4 and 12)	-	-	(217,845)	(217,845)
Balance at January 1, 2018 (restated)	22,129,477	4,319,175	33,762,633	60,211,285
Income and total comprehensive income for the year	-	-	662,245	662,245
Share buy-back and cancellation (Note 21)	(31,345)	-	(59,133)	(90,478)
Exercise of stock options	330,285	(124,709)	-	205,576
Share-based payment expense	-	269,950	-	269,950
Balance at December 31, 2018	**22,428,417**	**4,464,416**	**34,365,745**	**61,258,578**
Balance at January 1, 2017	21,671,076	3,991,245	29,490,254	55,152,575
Income and total comprehensive income for the year	-	-	4,490,224	4,490,224
Exercise of stock options	458,401	(222,706)	-	235,695
Share-based payment expense	-	550,636	-	550,636
Balance at December 31, 2017	**22,129,477**	**4,319,175**	**33,980,478**	**60,429,130**

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017

	December 31, 2018 US$	December 31, 2017 US$
Cash flows from operating activities		
Income before taxation	9,189,100	8,502,936
Adjustments for:		
Depreciation expense	6,580,413	6,653,870
Movement in expected lifetime credit losses	20,296	-
Provision for doubtful accounts	872,770	-
Change in provision for inventory obsolescence	395,471	496,954
Equity-settled share-based payment expense	269,950	550,636
Finance income	(9,919)	(1,978)
Finance costs	528,000	515,890
Unrealized foreign exchange (gain) / loss	(346,562)	155,785
	17,499,518	**16,874,093**
Change in inventories	(609,860)	(1,693,893)
Change in prepayments	50,007	(1,098,504)
Change in trade and other receivables	(2,512,063)	(4,612,691)
Change in trade and other payables	1,442,890	1,320,243
Cash generated from operations	15,870,493	10,789,248
Finance income received	9,919	1,978
Finance costs paid	(568,380)	(492,227)
Income taxes paid	(7,452,421)	(4,184,968)
Net cash generated from operating activities	**7,859,611**	**6,114,031**
Investing activities		
Purchase of property, plant and equipment	(10,494,598)	(10,625,181)
Net cash used in investing activities	**(10,494,598)**	**(10,625,181)**
Financing activities		
Loan repayments	(5,480,979)	(3,564,794)
Loans received	7,000,000	3,973,137
Share buy-back	(90,478)	-
Shares issued	205,576	235,695
Net cash generated from financing activities	**1,634,119**	**644,038**
Effect of movement in exchange rates on cash	**(73,791)**	**230,068**
Net decrease in cash	**(1,074,659)**	**(3,637,044)**
Cash at beginning of the year	5,691,742	9,328,786
Cash at end of the year	**4,617,083**	**5,691,742**

1. GENERAL INFORMATION

Geodrill Limited (the "Company" or "Geodrill") is a company registered and domiciled in the Isle of Man. The address of the Company's registered office is Ragnall House, 18 Peel Road, Douglas, Isle of Man, IM1 4LZ. The audited consolidated financial statements of the Company for the years ended December 31, 2018 and 2017 comprise the financial statements of the Company and its wholly owned subsidiaries, Geodrill Ghana Limited, Geotool Limited, Geo-Forage BF SARL, Geo-Forage Cote d'Ivoire SARL, Geo-Forage Mali SARL, Geo-Forage Senegal SARL, Geodrill Mauritius Limited, Geodrill Cote d'Ivoire SARL, D.S.I. Services Limited ("DSI") and Geodrill Limited's registered foreign Zambian operating entity, together referred to as the "Group".

The Company is primarily a provider of mineral exploration drilling services. These audited consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill on March 2, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) using the accounting policies Geodrill adopted in its annual consolidated financial statements as at and for the year ended December 31, 2018. The financial statements are prepared on a going concern basis.

b. Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except where otherwise stated.

c. Functional and presentation currency

The consolidated financial statements are presented in United States dollars which is the Company's functional and presentation currency.

d. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Consistent accounting policies and the same reporting period are used for all Group entities.

(ii) Transactions eliminated on consolidation

Intra-Group balances, unrealized intercompany gains and losses, transactions and dividends are eliminated in preparing the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments

(i) Recognition

Financial assets and financial liabilities are recognized in the Statement of Financial Position when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the Statement of Comprehensive Income.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss' (“FVTPL”), financial assets ‘at fair value through other comprehensive income' (“FVTOCI”), and financial assets at ‘amortized cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Subsequent to initial recognition, the treatment of financial assets depends on their classification. Those recognized as FVTPL and FVTOCI are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognized in the Statement of Comprehensive Income. Financial assets at amortized cost are measured at amortized cost using the effective interest method, less impairment.

Financial liabilities are classified as either financial liabilities “at FVTPL” or financial liabilities at “amortized cost”.

Subsequent to initial recognition, the treatment of financial liabilities depends on their classification. Those recognized as FVTPL are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognized in the Statement of Comprehensive Income. Financial liabilities at amortized cost are measured at amortized cost using the effective interest method.

(ii) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows or the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities are derecognized when, and only when, the Company’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the Statement of Comprehensive Income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

(iii) Measurement

The Company applies a hierarchy to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques using significant observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices), or valuations that are based on quoted prices for similar instruments; and

Level 3: Valuation techniques using significant inputs that are not based on observable market data (unobservable inputs).The fair values of financial instruments are determined using market prices for quoted instruments and widely accepted valuation techniques for other instruments. Valuation techniques include discounted cash flows, standard valuation models based on market parameters, dealer quotes for similar instruments and expert valuations.

When fair values of unquoted instruments cannot be measured with sufficient reliability, such instruments are carried at cost less impairments, if applicable.

Trade and other receivables, Cash, Trade and other payables, Related party payables and Loans payable are all measured at amortized cost.

Further information relating to the fair values of financial instruments is provided in notes 5 and 17.

(iv) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(v) Offsetting

Financial assets and liabilities are set off and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(vi) Share capital

Proceeds from the issue of ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

(vii) Compound financial instruments

From time to time the Company may issue compound financial instruments such as convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Any directly attributable transaction costs are allocated to the liability and equity component in the proportion of their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, and gains and losses related to the financial liability, are recognized in the Statement of Comprehensive Income. On conversion, the financial liability is reclassified to equity.

(viii) Trade receivables

Trade receivables are initially stated at their fair value. The carrying amounts for accounts receivable are net of allowances for doubtful accounts. The Company recognizes lifetime expected credit losses ("ECL") for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

f. Leases

(i) Classification

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are stated as assets of the Company at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease obligation. Finance costs are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic interest charge on the remaining balance of the obligations for each accounting period.

Leases where significant portions of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Leases (continued)

(ii) Lease payments

Payments made under operating leases are charged to comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place. Minimum lease payments made under finance leases are apportioned between finance expense and a reduction of the outstanding lease liability.

g. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at acquisition or construction cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and, for qualifying assets, capitalized borrowing costs. The cost of self-constructed assets includes the cost of materials and direct labor, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial time to ready for their intended use or sale, are included in the cost of those assets, until such time as the assets are available for their intended use. All other borrowing costs are recognized in net earnings in the period in which they are incurred.

(iii) Subsequent costs

The cost of overhauls and of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day maintenance, repair and servicing expenditures incurred on property, plant and equipment are recognized in the Statement of Comprehensive Income, as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Property, plant and equipment (continued)

(iv) Depreciation

Depreciation is recognized in comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Assets leased under a finance lease are depreciated over the shorter of their useful lives and the term of the lease. Land and capital work in progress are not depreciated. The estimated useful lives of major classes of depreciable property, plant and equipment are:

Motor vehicles	5 years
Plant and equipment	5 years
Leasehold improvements	over the term of the lease
Buildings	15 years
Drill rigs	10 years
Drill rig components	5 years

Depreciation methods, useful lives and residual values of property plant and equipment are reassessed at each reporting date. The useful lives of these assets and residual values can vary depending on a variety of factors, including technological innovation and maintenance programs. Changes in estimates can result in significant variations in the carrying value and amounts charged, on account of depreciation, to profit or loss in specific periods.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from disposal with the carrying amounts of property, plant and equipment, and are recognized in the Statement of Comprehensive Income.

(v) Impairment

The Company's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the respective asset's or cash-generating unit's recoverable amount is estimated.

The current economic conditions in the drilling industry were considered to be an indicator of potential impairment of the carrying value of the Company's property, plant and equipment as at December 31, 2018. The outcome of the analysis was such that the expected net recoverable amount exceeded the carrying value of the property, plant and equipment and, accordingly, no impairment loss was recognized in the period.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amounts. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups.

The recoverable amount of the asset or cash-generating unit is based on the higher of value-in-use and fair value less costs to sell. The value-in-use calculation requires an estimation of the future cash flows expected to arise from the asset or cash-generating unit and a pre-tax discount rate in order to calculate the present value. Fair values less costs to sell are based on recent market transactions where available and, where not available, appropriate valuation models are used. An impairment loss is recognized immediately in the Statement of Comprehensive Income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Property, plant and equipment (continued)

At the end of each reporting period, the Company assesses whether there is any indication that an impairment loss recognized in prior periods for an asset or cash-generating unit may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of the asset or cash-generating unit. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Comprehensive Income.

h. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of spare parts is based on the first-in first-out principle and includes expenditures incurred in acquiring/building the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

Inventory is assessed on a per unit basis to determine whether indicators exist which would lead to a downward revision in the net realizable value of inventory. This assessment is performed at each reporting date.

i. Employee benefits

(i) <u>Defined contribution plans</u>

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution schemes are recognized as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

(ii) <u>Short-term benefits</u>

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Employee benefits (continued)

(iii) Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in share based payments reserve, over the period that the employees unconditionally become entitled to the awards. Estimations are made at the end of each reporting period of the number of instruments which will eventually vest. The impact of any revision is recognized in the Statement of Comprehensive Income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

j. Income tax

Income tax expense comprises current and deferred tax expenses.

Current tax and deferred tax are recognized in comprehensive income except to the extent that they relate to items recognized directly in other comprehensive income or equity. Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k. Dividends

Dividends payable/receivable are recognized in the period in which the dividend is appropriately authorized.

l. Revenue – drilling revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control of a product or service to a customer using the five step approach in the revenue framework in IFRS 15. The Company provides drillings services to its customers. Drilling revenue is recognized as revenue when the outcome of the drilling can be estimated reliably to the actual chargeable meters drilled. Such services are recognised as a performance obligation is satisfied at points in time when the drilling service has met the performance obligations under IFRS 15. Payment for drilling services is not due from the customer until the drilling service has been performed and invoiced. Revenue from the provision of services in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Revenue – drilling revenue (continued)

The outcome can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the drilling service rendered will flow to the Company;
- the work performed of the drilling service at the end of the reporting period can be measured reliably and has been agreed with the customer; and
- the costs incurred for and to complete the drilling can be measured reliably.

m. Finance income

Finance income comprises interest income on funds invested or held in bank accounts. Interest income is recognized in the Statement of Comprehensive Income using the effective interest method.

n. Finance costs

Finance costs comprise interest expense on borrowings, including all financing arrangements.

o. Foreign exchange

Monetary assets and liabilities denominated in foreign currencies have been translated into United States dollars using the reporting date exchange rate, with realized and unrealized gains and losses included in the determination of profit and loss. Revenues and expenses denominated in foreign currencies are translated at the average exchange rate for the period which approximate date of transaction exchange rates.

p. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

q. Post balance sheet events

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the period under consideration and the effect is material.

r. Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential shares, which currently comprise stock options granted to employees and directors.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Estimates

a. Depreciation of property, plant and equipment

Property, plant and equipment are often used in demanding environments and may be subject to accelerated depreciation. Management considers the reasonableness of useful lives and whether known factors reduce or extend the lives of certain assets. This is accomplished by assessing the changing business conditions, examining the level of expenditures required for additional improvements, observing the patterns of gains or losses on disposition, and considering the various components of the assets.

b. Share-based payment transactions

The fair value of share-based payment transactions is based on certain assumptions determined by management. The main areas of estimate relate to the determination of the risk free interest rate, stock price volatility and the forfeiture rate.

c. Net realizable value of inventory

Management reviews inventories at each reporting period to determine whether indicators exist which would lead to a downward revision in the net realizable value of the inventory. Management's estimate of net realizable value of such inventories is based primarily on sales price and current market conditions.

d. Allowance for doubtful accounts

The Company always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

e. Income tax

Tax interpretations, regulations and legislation in the various countries in which the Company operates are subject to change and management uncertainty. Current income tax expense is based on tax currently payable or current withholding tax rates in countries in which the Company operates. In addition, deferred income tax liabilities are assessed by management at the end of the reporting period and are measured at the tax rates that are expected to be applied to the temporary differences when they reverse. The sufficiency of estimated future taxable income is also assessed by management in the context of the recognition of deferred tax assets attributable to unused tax losses.

The amount recognized as accrued liabilities is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Company assesses its liabilities at each reporting period, based upon the best information available, relevant to the tax laws and other appropriate requirements.

(ii) Judgments

a. Assessment of impairment of property, plant and equipment

The Company tests at each reporting period whether there are indicators of impairment with respect to its property, plant and equipment, in accordance with the accounting policy stated in Note 2g(v). If such indicators are identified, the recoverable amounts of each cash-generating unit have been determined based on value-in-use calculations. These determinations require the use of judgment.

Where indicators of impairment exist, the Company tests impairment based on the discounted cash flows related to each cash generating unit. The value-in-use determination is sensitive to changes in cash flow assumptions and the discount rate applied. No impairment charge has been recognized in the periods presented.

b. Functional currency

The Company applied judgment in determining the functional currency of the Company. Functional currency was determined based on the currency that mainly influences sales prices, labor, material and other costs of providing services.

4. NEW AND FUTURE ACCOUNTING STANDARDS

a. Adoption of new and amended accounting pronouncements

IFRS 9 – Financial instruments

In the current year, the Company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Company has elected not to restate comparatives and has provided an adjustment to the opening balance of its' retained earnings recognizing the cumulative effect of applying IFRS 9. This has resulted in a charge of US$217,845 against the opening balance of retained earnings.

4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)

a. Adoption of new and amended accounting pronouncements (continued)

IFRS 9 – Financial instruments (continued)

IFRS 9 introduced new requirements for:
1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

Specifically, IFRS 9 requires the Company to recognize a loss allowance for expected credit losses on:
1) Debt investments measured subsequently at amortized cost or at FVTOCI;
2) Lease receivables;
3) Trade receivables and contract assets; and
4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

IFRS 15 - Revenue from Contracts with Customers

In the current year the Company has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. The Company has chosen to apply IFRS 15 to the current year only and has retained its' prior period figures as allowed by the standard. IFRS 15 Appendix B16 includes a practical expedient for recognizing revenue, stating that "*if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the entity may recognize revenue in the amount to which the entity has a right to invoice*", as such, there has been no change in the way the Company recognizes revenue.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however, the Standard does not prohibit an entity from using alternative descriptions in the Statement of Financial Position. The Company has adopted the terminology used in IFRS 15 to describe such balances. As at December 31, 2018, the Company had no contract assets or contract liabilities.

4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)

b. Accounting pronouncements issued but not yet effective

IFRS 16 – Leases

The Company is currently evaluating the impact of this standard on its consolidated financial statements. The Company will adopt IFRS 16 for the annual period beginning January 1, 2019 and expects to apply the standard on a retrospective basis using certain available transitional provisions. Under this approach the 2018 comparative period will not be restated, and the Company will recognize the cumulative effect of applying IFRS 16 by measuring a right-to-use asset equal to the lease liability as at January 1, 2019. In the case of fully prepaid leases, the Company expects to recognize a right-to-use asset equal to the prepaid lease.

As at January 1, 2019, the Company expects to recognize a material right-to-use asset, lease liability, and a reduction to prepayments. The Company does not expect any adjustment to opening retained earnings.

5. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The following sets out the Company's basis of determining fair values:

a. Trade and other receivables

The fair value of trade and other receivables approximates their carrying value due to their short term nature.

b. Cash

Cash consists of cash at bank and cash on hand. The fair value of cash approximates their carrying values due to their short term nature.

c. Trade and other payables

The fair value of trade and other payables approximates their carrying values, due to their short term nature.

d. Loans payable

The fair value of the loans payable approximates their carrying value.

5. DETERMINATION OF FAIR VALUES (CONTINUED)

e. Share-based payment transactions

The fair value of stock options is measured using the Black-Scholes model. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility, expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, expected forfeiture rates and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

6. SEASONALITY OF OPERATIONS

The operations have tended to exhibit a seasonal pattern. The first and fourth quarters are affected due to shutdown of exploration activities, often for extended periods over the holiday season. The second quarter is typically affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week. The wet season occurs (in some geographical areas where the Company operates, particularly in Burkina Faso and Mali) normally in the third quarter, but in the recent years the global weather pattern has become somewhat erratic. In the third quarter of 2018, the Company was impacted by the wet season. The Company has historically taken advantage of the wet season and has scheduled the third quarter for maintenance and rebuild programs for drill rigs and equipment.

7. SEGMENT REPORTING

Segmented information is presented in respect of the Company's operating segments. The primary format (operating segments) is based on the Company's management and internal reporting structure, which is submitted to the Chief Executive Officer (CEO) who is the Chief Operating Decision Maker. The Company's results and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly non-operating income, financing cost, taxation and corporate assets and liabilities which are managed centrally. The operating segments are based on geographical segments categorized as Ghana and Outside Ghana.

7. SEGMENT REPORTING (CONTINUED)

	Ghana		Outside Ghana (1)		Intra-group		Total (2)	
	2018 US$ '000	2017 US$ '000	2018 US$ '000	2017 US$ '000	2018 US$ '000	2017 US$ '000	2018 US$ '000	2017 US$ '000 (Note 8)
Revenue	35,509	35,673	82,196	76,758	(29,166)	(29,817)	88,539	82,614
Other income	9,884	6,448	2,196	-	(12,080)	(6,448)	-	-
Cost of sales	(30,753)	(28,389)	(59,050)	(56,966)	39,894	36,279	(49,909)	(49,076)
Selling, general and administrative	(12,864)	(10,831)	(17,440)	(14,309)	961	1,005	(29,343)	(24,135)
Foreign exchange gain / (loss)	203	(81)	217	(305)	-	-	420	(386)
Results from operating activities	**1,979**	**2,820**	**8,119**	**5,178**	**(391)**	**1,019**	**9,707**	**9,017**
Finance income							10	2
Finance costs							(528)	(516)
Income tax expense							(8,527)	(4,013)
Income for the year							**662**	**4,490**
Capital expenditures	**9,685**	**11,458**	**1,243**	**5,440**	**(433)**	**(6,273)**	**10,495**	**10,625**

As at	2018 US$ '000	2017 US$ '000	2018 US$ '000	2017 US$ '000	2018 US$ '000	2017 US$ '000
Non-current assets	**37,790**	**34,433**	**7,488**	**7,678**	**45,278**	**42,111**
Intra group balances					(2,082)	(2,829)
Per statement of financial position					**43,196**	**39,282**
Total assets	**63,520**	**59,070**	**85,890**	**87,746**	**149,410**	**146,816**
Intra group balances					(64,098)	(65,909)
Per statement of financial position					**85,312**	**80,907**
Total liabilities	**74,036**	**69,851**	**12,035**	**13,662**	**86,071**	**83,513**
Intra group balances					(62,018)	(63,035)
Per statement of financial position					**24,053**	**20,478**

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, was US$33,437,353 (December 31, 2017: US$22,878,158).

(2) Segment results equals the income for the year as disclosed in the Consolidated Statements of Comprehensive Income.

8. EXPENSES BY NATURE

The Company presents certain expenses in the Consolidated Statements of Comprehensive Income by function. The following table presents those expenses by nature:

	2018 US$	2017 US$
Expenses		
Wages and employee benefits	32,217,133	27,471,787
Drill rig expenses and fuel	19,682,431	21,219,231
External services, contractors and other	15,162,867	14,370,790
Depreciation	6,580,413	6,653,870
Repairs and maintenance	4,716,388	3,495,402
Allowance for doubtful accounts and expected lifetime credit losses	893,067	-
	79,252,299	73,211,080

	2018 US$	2017 US$
Cost of sales	49,910,027	49,076,359
Selling, general and administrative expenses	29,342,272	24,134,721
	79,252,299	73,211,080

9. TAXATION

(i) Income tax expense

	2018 US$	2017 US$
Current tax expense (iii)	7,819,356	4,012,712
Deferred tax expense (iv)	707,499	-
	8,526,855	4,012,712

(ii) Taxes payable

	Balance at Jan. 1 US$	Payments during the year US$	Charge for the year US$	Balance at Dec. 31 US$
2018	2,519,065	(7,452,421)	7,819,356	2,886,000
2017	2,691,321	(4,184,968)	4,012,712	2,519,065

Tax liabilities for Ghana up to and including the 2012 year of assessment have been agreed with the tax authorities in Ghana. The Company's remaining tax position is, however, subject to agreement with the tax authorities in the various tax jurisdictions in which it operates. In 2018, the Company completed its required investment for its tax holiday status in Ivory Coast.

9. TAXATION (CONTINUED)

(iii) Reconciliation of effective tax rate

	2018 US$	2017 US$
Income before tax	9,189,100	8,502,936
Ghana corporate tax at 25%	2,297,275	2,125,734
Add:		
Effect of different rate tax countries	(1,205,714)	(855,456)
Movement in temporary differences	335,672	(402,504)
Under provision from prior year	488,215	156,420
Tax expense before withholding tax	1,915,448	1,024,194
	20.8%	12.0%
Add:		
Withholding tax	6,611,407	2,988,518
Total tax expense	8,526,855	4,012,712
Effective tax rate	92.8%	47.2%

During the year ended December 31, 2018, the Company recognized an under provision in tax payable in the amount of US$488,215 (2017: under provision of US$156,420) reflecting the outcome of a review by the tax authorities in jurisdictions in which it operates.

(iv) Deferred tax liability

	December 31, 2018 US$	December 31, 2017 US$
Balance at January 1	-	-
Charge for the year	707,499	-
Balance at end of the year	707,499	-

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2018 US$	2017 US$
Tax losses carried forward (1)	3,936,508	4,533,445
Provision for inventory obsolescence	86,637	101,431
Movement in expected lifetime losses	194,360	-
Allowance for doubtful debts	13,406	-
Property, plant and equipment	(4,375,298)	(4,074,338)
Deferred tax asset not recognized (2)	(563,112)	(560,538)
Total	(707,499)	-

(1) Effective January 1, 2016, the Ghana Revenue Authority introduced the Income Tax Act 2015 (Act 896). This had the impact of transferring unutilized capital cost allowances to losses carried forward. These losses will be available for a period of five years expiring on December 31, 2021.
The Group also has tax losses in Zambia available for a period of five years expiring during the years December 31, 2019 through December 31, 2023.

(2) The deferred tax asset has not been recognized in the financial statements because it is not probable that future taxable profit will be available against which the Group can utilize the related tax benefits.

10. PROPERTY, PLANT AND EQUIPMENT

2018	Motor Vehicles US$	Plant & Equipment US$	Drill Rigs (1) US$	Land & Leasehold Improvements US$	Capital Work in Progress (CWIP) US$	Total US$
Cost						
Balance at January 1, 2018	7,054,991	22,667,804	58,170,767	3,738,630	4,928,751	96,560,943
Additions	-	-	-	-	10,494,598	10,494,598
Reclassifications from CWIP	781,469	2,485,918	5,577,536	359,966	(9,204,889)	-
Assets retired during the year	-	(516,667)	(1,753,497)	-	-	(2,270,164)
Balance at December 31, 2018	**7,836,460**	**24,637,055**	**61,994,806**	**4,098,596**	**6,218,460**	**104,785,377**
Accumulated Depreciation						
Balance at January 1, 2018	5,625,731	19,236,680	30,416,062	2,000,290	-	57,278,763
Charge for the year	470,182	1,387,230	4,522,047	200,954	-	6,580,413
Assets retired during the year	-	(516,667)	(1,753,497)	-	-	(2,270,164)
Balance at December 31, 2018	**6,095,913**	**20,107,243**	**33,184,612**	**2,201,244**	**-**	**61,589,012**
Carrying amounts at December 31, 2018	**1,740,547**	**4,529,812**	**28,810,194**	**1,897,352**	**6,218,460**	**43,196,365**

(1) Drill rigs include drill rigs components and rebuilds which are depreciated at the appropriate rates in accordance with the Group's accounting policies.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2017	**Motor Vehicles US$**	**Plant & Equipment US$**	**Drill Rigs (1) US$**	**Land & Leasehold Improvements US$**	**Capital Work in Progress (CWIP) US$**	**Total US$**
Cost						
Balance at January 1, 2017	6,090,060	21,570,436	53,825,304	2,264,200	4,406,133	88,156,133
Additions	-	-	-	-	10,625,181	10,625,181
Reclassifications from CWIP	971,506	1,789,853	6,007,298	1,474,430	(10,243,087)	-
Reclassifications from inventory	-	-	-	-	140,524	140,524
Assets retired during the year	(6,575)	(692,485)	(1,661,835)	-	-	(2,360,895)
Balance at December 31, 2017	**7,054,991**	**22,667,804**	**58,170,767**	**3,738,630**	**4,928,751**	**96,560,943**
Accumulated Depreciation						
Balance at January 1, 2017	5,370,116	18,260,905	27,694,185	1,660,582	-	52,985,788
Charge for the year	262,190	1,668,260	4,383,712	339,708	-	6,653,870
Assets retired during the year	(6,575)	(692,485)	(1,661,835)	-	-	(2,360,895)
Balance at December 31, 2017	**5,625,731**	**19,236,680**	**30,416,062**	**2,000,290**	**-**	**57,278,763**
Carrying amounts at December 31, 2017	**1,429,260**	**3,431,124**	**27,754,705**	**1,738,340**	**4,928,751**	**39,282,180**

(1) Drill rigs include drill rigs components and rebuilds which are depreciated at the appropriate rates in accordance with the Group's accounting policies.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in the Statement of Comprehensive Income as follows:

	2018 US$	2017 US$
Cost of sales	5,909,277	6,051,972
Selling, general and administrative expenses	671,136	601,898
	6,580,413	6,653,870

As at December 31, 2018, property, plant and equipment with a carrying amount of US$14,436,298 (December 31, 2017: US$9,443,314) has been pledged as security for certain loans (note 14).

11. INVENTORIES

	2018 US$	2017 US$
Inventories on hand	17,133,638	16,740,071
Inventories in transit	471,640	672,894
Provision for obsolescence	(405,765)	(427,841)
	17,199,513	16,985,124

The amount of inventories recognized as expense for the year is US$24,501,547 (2017: US$24,876,766). Inventory write downs in the year amounted to US$417,546 (2017: US$323,451).

As at December 31, 2018, inventories with a carrying amount of US$Nil (December 31, 2017: US$3,151,436) have been pledged as security for certain loans (note 14).

12. TRADE AND OTHER RECEIVABLES

	2018 US$	2017 US$
Trade receivables	20,005,224	17,395,556
Allowance for doubtful accounts	(1,110,911)	-
Net trade receivables	18,894,313	17,395,556
Cash advances	50,751	27,600
Sundry receivables	116,694	237,451
	19,061,758	17,660,607

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

The movements in the allowance for doubtful accounts is as follows:

	2018 US$	2017 US$
Balance at January 1	-	-
Adoption of IFRS 9	217,845	-
Balance at January 1	217,845	-
Movement in expected lifetime credit losses in the year	20,296	-
Provisions made in the year	872,770	547,456
Receivables recovered / recoverable in the year	-	(547,456)
Balance at end of the year	1,110,911	-

Trade and other receivables are recorded at amortized cost. Bad debt recovery recorded on trade and other receivables during the year ended December 31, 2018 amounted to US$Nil (December 31, 2017: US$547,456). The Company's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 18(i).

As at December 31, 2018, trade receivables with a carrying amount of US$8,681,897 (December 31, 2017: US$Nil) have been pledged as security for certain loans (note 14).

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

13. CASH

	2018 US$	2017 US$
Cash at bank	4,503,641	5,463,413
Cash on hand	113,442	228,329
	4,617,083	5,691,742

Bank balances denominated in currencies other than the Company's functional currency are detailed in note 18iii(a).

As at December 31, 2018, cash of US$4,617,083 was available to the Company (December 2017: US$5,691,742)

14. LOANS PAYABLE

	2018 US$	**2017 US$**
US$6.5M Medium Term Loan (i)	5,416,667	-
US$3.5M Revolving Line of Credit (ii)	500,000	-
Equipment Loan (iii)	361,569	602,615
US$5M Term Loan (iv)	-	2,156,600
US$2M Credit Line (v)	-	2,000,000
US$1M Credit Line (vi)	-	-
Total	6,278,236	4,759,215
Current portion of loans	2,907,713	2,397,646
Non-current portion of loans	3,370,523	2,361,569

(i) US$6.5M Medium Term Loan

On April 24, 2018, the Company entered into a Medium Term Loan with Ecobank Ghana Limited. The Medium Term Loan in the amount of US$6.5 million (the "US$6.5M Medium Term Loan") is for a period of 3 years. Principal is repaid in 12 equal quarterly instalments required to satisfy the principal over the term of the loan commencing three months after the initial disbursement date. Interest is payable monthly in arrears. The US$6.5M Medium Term Loan bears interest at a rate of 8.5% per annum and is subject to periodic review in line with market conditions. The US$6.5M Medium Term Loan is secured by certain assets of the Company (Note 10 and Note 12). The US$6.5M Medium Term Loan may be repaid prior to maturity by the Company without penalty or other costs other than interest accrued to the date of such repayment. The effective interest rate of the US$6.5M Medium Term Loan is 9.1%. The US$6.5M Medium Term Loan is subject to, and as at December 31, 2018, the Company was in compliance with, normal course covenants.

(ii) US$3.5M Revolving Line of Credit

On April 24, 2018, the Company entered into a Revolving Line of Credit with Ecobank Ghana Limited. The Revolving Line of Credit in the amount of US$3.5 million (the "US$3.5M Revolving Line of Credit") is available for a period of one year, repayable interest only monthly and principal amount at maturity, bears interest at a rate of 8.5% per annum on any utilized portion and is subject to periodic review in line with market conditions. The US$3.5M Revolving Line of Credit is secured by certain assets of the Company (Note 10 and Note 12). The US$3.5M Revolving Line of Credit may be repaid prior to maturity by the Company without penalty or other costs other than interest accrued to the date of such repayment. As at December 31, 2018, the Company had drawn US$0.5M on the US$3.5M Revolving Line of Credit. The US$3.5M Revolving Credit Line is subject to, and as at December 31, 2018, the Company was in compliance with, normal course covenants.

(iii) Equipment Loan

On March 6, 2017, the Company entered into a Supply of Goods and Services Contract ("Equipment Loan") with Sandvik Canada Inc. ("Sandvik") relating to the purchase of two drill rigs with a total purchase price of US$0.9 million. The Equipment Loan required a down payment and the repayment of the balance over a period of 36 months with payments being made once a quarter. The Equipment Loan bears interest at 7.7% per annum, includes an arrangement fee and stipulates that the final title to the rigs will only pass once the purchase price has been paid in full. All other risks and rewards of ownership lie with the Company. The effective interest rate of the Equipment Loan is 7.93%.

14. LOANS PAYABLE (CONTINUED)

(iv) US$5M Term Loan

On December 18, 2015, the Company entered into a term loan with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US$5 million (the "US$5M Term Loan"). The US$5M Term Loan was for a period of two years, repayable interest only for 120 days, and thereafter, repayable interest and principal quarterly in six equal amounts required to satisfy the principal over the term of the loan. The US$5M Term Loan beared interest at a rate of 10.5% per annum and was subject to periodic review in line with money market conditions. The US$5M Term Loan was secured by certain assets of the Company (note 10). The US$5M Term Loan was able to be repaid prior to maturity by the Company without penalty, bonus or other costs other than interest accrued to the date of such repayment. On January 27, 2016, the Company and Zenith Bank (Ghana) Limited agreed to extend the tenor and repayment term of the US$5M Term Loan. The US$5M Term Loan was for a period of three years to December 18, 2018, repayable interest only for 120 days, and thereafter repayable interest and principal quarterly in ten equal amounts required to satisfy the principal over the term of the loan. The effective interest rate of the US$5M Term Loan was 11.6%. The US$5M Term Loan was fully repaid on May 10, 2018 and the US$5M Term Loan was retired.

(v) US$2M Credit Line

On October 23, 2017, the Company entered into a credit line agreement with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US$2 million (the "US$2M Credit Line"). The US$2M Credit Line was for a period of two years from the date of the first drawdown, being November 22, 2017, repayable interest only quarterly and principal amount at maturity, bears interest at a rate of 10.5% per annum on any utilized portion, was subject to periodic review in line with money market conditions and bore interest at a rate of 0.25% per quarter on any unutilized portion. The US$2M Credit Line was secured by certain assets of the Company (note 10). The US$2M Credit Line was able to be repaid prior to maturity by the Company without penalty, bonus or other costs other than interest accrued to the date of such payment. The US$2M drawdown on the US$2M Credit Line was fully repaid on May 10, 2018 and the US$2M Credit Line was retired.

(vi) US$1M Credit Line

On October 23, 2017, the Company entered into a credit line agreement with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US$1 million (the "US$1M Credit Line"). The US$1M Credit Line was for a period of 2 years from the date of the first drawdown, repayable interest and principal amount quarterly, bore interest at a rate of 10.5% per annum on any utilized portion, was subject to periodic review in line with money market conditions and bore interest at a rate of 0.25% per quarter on any unutilized portion. The US$1M Credit Line was secured by certain assets of the Company (note 10). The US$1M Credit Line was able to be repaid prior to maturity by the Company without penalty, bonus or other costs other than interest accrued to the date of such payment. The US$1M Credit Line was subject to normal course non-financial covenants. No amounts were drawn down on the US$1M Credit Line and the US$1M Credit Line was retired on May 10, 2018.

15. TRADE AND OTHER PAYABLES

	2018 US$	2017 US$
Trade payables	6,321,261	6,852,151
Creditors and accrued expenses	4,439,756	4,633,526
VAT liability	2,497,396	790,580
	13,258,413	12,276,257

Trade and other payables denominated in currencies other than the Company's functional currency are detailed in note 18iii(a).

16. EMPLOYEE BENEFIT OBLIGATIONS

Defined Contribution Plans

(i) *Social Security*

The Company contributes to various social security plans. Under the plans, the Company makes contributions into government funds. The amounts contributed during the year were US$96,112 (2017: US$62,922). The Company's obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities if due but not paid.

(ii) Provident Fund

The Company contributes for certain staff to a provident fund plan. The amounts contributed during the year were US$48,151 (2017: US$47,583). The Company's obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities if due but not paid.

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

As at December 31, 2018 and 2017, the Company did not hold any financial assets at fair value through profit or loss or fair value through other comprehensive income.

The carrying values of cash, trade and other receivables, trade and other payables and related party payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of loans payable approximates their fair value as the fixed rate loans have been acquired recently and their carrying value continues to reflect fair value.

There were no financial instruments classified as level 2 or 3 in the fair value hierarchy at December 31, 2018 and 2017.

17. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial Instruments by Category

	Financial Assets US$	Financial Liabilities US$	Carrying Amount US$	Total Fair Value US$
December 31, 2018				
Financial assets				
Trade and other receivables	19,061,759	-	19,061,759	19,061,759
Cash	4,617,083	-	4,617,083	4,617,083
	23,678,842	-	23,678,842	23,678,842
Financial liabilities				
Trade and other payables	-	10,761,017	10,761,017	10,761,017
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,278,236	6,278,236	6,278,236
	-	17,962,278	17,962,278	17,962,278
December 31, 2017				
Financial assets				
Trade and other receivables	17,660,607	-	17,660,607	17,660,607
Cash	5,691,742	-	5,691,742	5,691,742
	23,352,349	-	23,352,349	23,352,349
Financial liabilities				
Trade and other payables	-	11,485,677	11,485,677	11,485,677
Related party payables	-	923,025	923,025	923,025
Loans payable	-	4,759,215	4,759,215	4,759,215
	-	17,167,917	17,167,917	17,167,917

18. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for managing risk, methods used to measure the risks and the Company’s management of capital.

Risk management framework

The Board of directors has overall responsibility for the oversight of the Company’s risk management framework.

The Company’s management team is responsible for developing and monitoring the Company’s risk management policies. The team meets periodically to discuss corporate plans, evaluate progress reports and establish action plans to be taken. The day-to-day implementation of risk management rests with the CEO.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash.

Trade and other receivables

The Company's exposure to credit risk is minimized as customers are given 30 to 60 day credit periods for services rendered. New clients are approved by the CEO and trade receivables are monitored closely by the CEO.

For the year ended December 31, 2018, three customers individually contributed 10% or more to the Company's revenue. Those customers contributed 15%, 14% and 11%, respectively.

For the year ended December 31, 2017, one customer individually contributed 10% or more to the Company's revenue. That customer contributed 15%.

Exposure to credit risks

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	**2017**
	US$	**US$**
Trade and other receivables	19,061,758	17,660,607
Cash	4,617,083	5,691,742
	23,678,841	23,352,349

The maximum exposure to credit risk for trade and other receivables at the reporting dates by type was:

	2018	**2017**
	US$	**US$**
Mining and exploration companies	18,894,313	17,395,556
Others	167,445	265,051
	19,061,758	17,660,607

The ageing of trade receivables due from mining and exploration companies at the reporting dates was:

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

	2018 US$	2017 US$
Less than 30 days	5,868,225	5,362,985
31 - 60 days	7,014,854	6,838,674
61 - 90 days	3,270,075	3,460,659
91 days and greater	2,741,159	1,733,238
	18,894,313	17,395,556

The maximum exposure to credit risk for trade and other receivables, net of the bad debt provision, at the reporting dates by segment was:

	2018 US$	2017 US$
Ghana	9,107,754	7,221,629
Outside Ghana	9,954,004	10,438,978
	19,061,758	17,660,607

(ii) Liquidity risk

Liquidity risk is the risk that the Company either does not have sufficient financial resources available to meet all of its obligations and commitments as they fall due, or can access them only at excessive cost. The Company's approach to managing liquidity is to ensure that it will maintain adequate liquidity to meet its liabilities when due by monitoring and scheduling cash in bank movements and reinvesting profits earned.

The Company's obligation and principal repayments on its financial liabilities are presented in the following table:

	Total US$	Within One Year US$	From One to Three Years US$
December 31, 2018			
Non-derivative financial liability			
Trade and other payables	13,258,413	13,258,413	-
Related party payables	923,025	923,025	-
Loans payable	6,278,236	2,907,713	3,370,523
Balance at December 31, 2018	20,459,674	17,089,151	3,370,523
December 31, 2017			
Non-derivative financial liability			
Trade and other payables	12,276,257	12,276,257	-
Related party payables	923,025	923,025	-
Loans payable	4,759,215	2,397,646	2,361,569
Balance at December 31, 2017	17,958,497	15,596,928	2,361,569

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns. Management regularly monitors the level of market risk and considers appropriate strategies to mitigate those risks. Sensitivity analysis relating to key market risks has been provided below.

(a) Foreign currency risk

The Company is exposed to currency risk on cash, trade receivables, trade payables and taxes payable that are denominated in currencies other than the functional currency. The other currencies in which these transactions are denominated are EURO, Ghana Cedis (GH¢), Great British Pound (GBP), Central African Franc (CFA), Australian Dollar (AUD), Canadian Dollar (CAD) and Zambian Kwacha (ZMW).

The Company's exposure to foreign currency risk was as follows based on foreign currency amounts.

December 31, 2018

	EURO	GH¢	GBP	CFA	AUD	CAD	ZMW
Cash	2,145	126,830	26,841	848,542	21,881	100,483	4,172
Trade receivables	-	-	-	2,146,295,670	-	-	-
Trade payables	(480,903)	(5,085,430)	(100,239)	(657,149,715)	(2,734,887)	(791,798)	(53,555)
Taxes payable	-	-	-	(36,660,408)	-	-	-
Gross exposure	(478,758)	(4,958,600)	(73,398)	1,453,334,089	(2,713,006)	(691,315)	(49,383)

December 31, 2017

	EURO	GH¢	GBP	CFA	AUD	CAD	ZMW
Cash	18,545	635,793	6,706	895,077,961	2,170	16,632	24,685
Trade receivables	-	-	-	2,981,870,550	-	-	-
Trade payables	(1,515,337)	(3,174,155)	(70,998)	(633,120,307)	(3,082,032)	(449,917)	(8,503)
Taxes payable	-	-	-	(479,084,113)	-	-	-
Gross exposure	(1,496,792)	(2,538,362)	(64,292)	2,764,744,092	(3,079,862)	(433,285)	16,182

The following significant exchange rates applied during the years:

	2018		2017	
US$1=	**Year end Rate**	**Average Rate**	**Year end Rate**	**Average Rate**
EURO	0.8737	0.8471	0.8347	0.8870
GH¢	4.8471	4.6669	4.5235	4.3796
GBP	0.7851	0.7496	0.7411	0.7767
CFA	573.0901	555.6681	547.5247	581.5742
AUD	1.4174	1.3385	1.2809	1.3049
CAD	1.3630	1.2956	1.2551	1.2980
ZMW	11.8973	10.4236	9.9764	9.4935

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(a) Foreign currency risk (continued)

Sensitivity analysis on currency risks

The following table shows the effect of a strengthening or weakening US$ against all other currencies on equity and profit or loss. This sensitivity analysis indicates the potential impact on equity and profit or loss based upon the foreign currency exposures, (see "foreign currency risk" above) and it does not represent actual or future gains or losses. The sensitivity analysis is based on a change of 10% in the closing exchange rate per currency recorded in the course of the respective financial year.

A strengthening/weakening of the US$, by the rates shown in the table, against the following currencies would have increased/decreased equity and profit and loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

As at December 31,	2018			2017		
	% Change	Profit or Loss impact before tax US$	Equity US$	% Change	Profit or Loss impact before tax US$	Equity US$
EURO	±10	±54,797	±54,797	±10	±179,321	±179,321
GH¢	±10	±102,300	±102,300	±10	±56,115	±56,115
GBP	±10	±9,349	±9,349	±10	±8,675	±8,675
CFA	±10	±258,348	±258,348	±10	±504,953	±504,953
AUD	±10	±191,407	±191,407	±10	±240,445	±240,445
CAD	±10	±50,720	±50,720	±10	±34,522	±34,522
ZMW	±10	±415	±415	±10	±162	±162

(b) Interest rate risk

The Company is exposed to interest rate risk on its bank balances and loans.

Profile

At the reporting dates, the interest rate profiles of the Company's interest-bearing financial instruments were:

	2018 US$	2017 US$
Variable rate instruments		
Bank balances	4,617,083	5,691,742
Fixed rate instruments		
Loans	6,278,236	4,759,215

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(b) Interest rate risk (continued)

Sensitivity analysis for variable rate instruments

A change of 200 basis points in the interest rate at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018 and 2017.

As at December 31,		**2018**			**2017**	
	% Change	Profit or Loss impact before tax US$	Equity US$	% Change	Profit or Loss impact before tax US$	Equity US$
Bank balances	±2%	±92,342	±92,342	±2%	±113,835	±113,835

(iv) Capital management

The Company manages its capital structure and makes adjustments to it to effectively support the Company's operations. In the definition of capital the Company includes, as disclosed on its Consolidated Statement of Financial Position: share capital, retained earnings, reserves and loans.

The Company's capital at December 31, 2018 and 2017 is as follows:

Capital Management	**2018 US$**	**2017 US$**
Loans payable	6,278,236	4,759,215
Share capital	22,428,417	22,129,477
Share-based payment reserve	4,464,416	4,319,175
Retained earnings	34,365,745	33,980,478
	67,536,814	65,188,345

19. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest 2018	2017
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
D.S.I. Services Limited	Subsidiary	British Virgin Islands	100%	100%
Geotool Limited	Subsidiary	British Virgin Islands	100%	100%
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	100%
Geo-Forage Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geo-Forage Mali SARL	Subsidiary	Mali	100%	100%
Geo-Forage Senegal SARL	Subsidiary	Senegal	100%	100%
Geodrill Limited in Zambia	Registered foreign operating entity	Zambia	100%	100%
Geodrill Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	N/A
Geodrill Mauritius Limited	Subsidiary	Mauritius	100%	N/A
The Harper Family Settlement	Significant shareholder	Isle of Man	-	-

(i) Transactions with related parties

Transactions with companies within the Company have been eliminated on consolidation.

The Harper Family Settlement owns 40.1% (December 31, 2017: 40.4%) of the issued share capital of Geodrill Limited.

On October 1, 2015, Geodrill Ghana Limited entered into lease agreements with The Harper Family Settlement for the Anwiankwanta property and for the Accra property, both for a five year term at rates consistent with those determined pursuant to the October 1, 2014 rent review. The material terms of the five year lease agreements include: (i) the annual rent payable shall be reviewed on an upward only basis every two years; and (ii) only Geodrill Ghana Limited can terminate the leases by giving twelve months' notice. On October 1, 2016, in conjunction with the rent review, Geodrill Ghana Limited agreed to the increase in rent for the Anwiankwanta property to US$186,000 per annum and the increase in rent for the Accra property to US$78,000 per annum. It was also agreed that all future rent increases will be based on USA inflation data. On August 17, 2018, the lease agreements were updated to arrange for appropriate property damage and liability insurance but all other terms and conditions remained unchanged. On October 1, 2018, in conjunction with the rent review, Geodrill Ghana Limited agreed to the increase in rent for the Anwiankwanta property to US$194,000 per annum and the increase in rent for the Accra property to US$82,000 per annum.

The Company has paid fees to Clearwater Fiduciary Services Limited during the year ended December 31, 2018 of US$19,058 (2017: US$15,507). One of the directors of Clearwater Fiduciary Services Limited is also a director of Geodrill Limited.

The Company has paid fees to MS Risk during the year ended December 31, 2018 of US$10,181 (2017: US$Nil). One of the directors of MS Risk is also a director of Geodrill Limited.

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

Future operating lease commitments related to the properties are:

	2018 US$	2017 US$
Payable within one year	276,000	264,000
Payable between 1 and 5 years	207,000	462,000
Total	483,000	726,000

During the year ended December 31, 2018, lease payments amounted to US$269,000 (2017: US$264,000).

(ii) Key management personnel and directors' transactions

The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of the family of key personnel and any entity over which key management exercises control. The key management personnel have been identified as directors of the Company and other management staff. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Company.

Key management personnel and directors' compensation for the year comprised:

	2018 US$	2017 US$
Short-term benefits	3,585,138	2,880,439
Share-based payment arrangements	241,947	481,780
	3,827,085	3,362,219

(iii) Related party balances

The related party payable outstanding as at December 31, 2018 amounts to US$923,025 (December 31, 2017: US$923,025). The related party payable to The Harper Family Settlement is unsecured, interest free and is repayable on demand at the option of the lender.

20. COMMITMENTS

(i) Lease commitments

Future operating lease commitments related to the properties are:

	2018 US$	2017 US$
Payable within one year	366,300	296,400
Payable between 1 and 5 years	297,000	466,800
Total	663,300	763,200

(ii) Capital commitments

As at December 31, 2018, the Company had no capital commitments (December 31, 2017: US$825,000).

21. SHARE CAPITAL AND RESERVES

(i) Share capital

Shares have no par value and the number of authorized shares is unlimited.

Share capital

	2018	2017
Shares issued and fully paid	43,574,500	43,300,400
Shares reserved for stock option plan	4,357,450	4,330,040
Total shares issued and reserved	47,931,950	47,630,440

Reconciliation of changes in issued shares

	2018	2017
Shares issued and reserved at January 1,	43,300,400	42,932,900
Stock options exercised	335,000	367,500
Share buy-back	(60,900)	-
Shares issued and reserved at December 31,	43,574,500	43,300,400

All shares rank equally with regards to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholders' meetings of the Company.

During the year ended December 31, 2018, the Company re-purchased and cancelled 60,900 shares at an average price of C$1.94.

(ii) Share-based payment reserve

The share-based payment reserve is comprised of the equity portion of the share-based payment transaction as per the Company's stock option plan.

The share based payment expense for the year of US$269,950 (2017: US$550,636) was included in selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income.

21. SHARE CAPITAL AND RESERVES (CONTINUED)

(iii) Retained earnings

This represents the residual of cumulative profits that are available for distribution to shareholders.

22. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2018 was based on the income attributable to ordinary shareholders of US$662,245 (2017: US$4,490,224), and on the weighted average number of ordinary shares outstanding of 43,527,853 (2017: 43,214,427) calculated as follows:

	2018 US$	2017 US$
Income attributable to ordinary shareholders	662,245	4,490,224

Weighted average number of ordinary shares

	2018 Shares	2017 Shares
Issued ordinary shares	43,527,853	43,214,427
Earnings per share	$0.02	$0.10

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2018 was based on the income attributable to ordinary shareholders of US$662,245 (2017: US$4,490,224), and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 44,676,536 (2017: 44,735,560), calculated as follows:

	2018 US$	2017 US$
Income attributable to ordinary shareholders	662,245	4,490,224

Weighted average number of ordinary shares - diluted

	2018 Shares	2017 Shares
Weighted average number of ordinary shares - basic	43,527,853	43,214,427
Effect of stock options in issue	1,148,683 (1)	1,521,133
	44,676,536	44,735,560
Diluted earnings per share	$0.01	$0.10

(1) For the year ended December 31, 2018, 2,206,600 options in issue were dilutive and did have an effect of $0.01 on the calculation of the diluted earnings per share.

(2) For the year ended December 31, 2017, 4,156,600 options in issue were dilutive but did not have an effect on the calculation of the diluted earnings per share.

23. DIVIDENDS

No dividends were paid in 2018 or 2017, nor were dividends declared through to March 2, 2019.

24. EQUITY-SETTLED SHARE-BASED PAYMENTS

Stock Option Plan ("SOP")

The Company has established a SOP, which is intended to aid in attracting, retaining and motivating the Company's employees, directors, consultants and advisors through the granting of stock options.

The maximum aggregate number of Ordinary Shares reserved for issuance pursuant to the SOP shall not exceed 10% of the total number of Ordinary Shares then outstanding. The maximum number of Ordinary Shares reserved for issuance pursuant to the SOP and any other security-based compensation arrangements of the company is 10% of the total number of Ordinary Shares then outstanding.

	2018		2017	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	4,156,600	C$1.38	2,909,100	C$0.88
Granted May 15, 2018	110,000	C$2.00		
Granted May 12, 2017			1,615,000	C$2.14
Total Granted	110,000	C$2.00	1,615,000	C$2.14
Exercised January 15, 2018	(24,500)	C$0.81		
Exercised March 8, 2018	(90,000)	C$0.72		
Exercised March 8, 2018	(5,500)	C$0.81		
Exercised March 15, 2018	(35,000)	C$0.81		
Exercised March 19, 2018	(15,000)	C$0.81		
Exercised May 9, 2018	(45,000)	C$0.81		
Exercised May 11, 2018	(15,000)	C$0.81		
Exercised May 14, 2018	(105,000)	C$0.81		
Exercised January 5, 2017			(247,500)	C$0.74
Exercised April 28, 2017			(26,100)	C$1.62
Exercised May 2, 2017			(18,900)	C$1.62
Exercised November 17, 2017			(30,000)	C$0.66
Exercised December 6, 2017			(45,000)	C$0.81
Total Exercised	(335,000)	C$0.79	(367,500)	C$0.85
Balance ending	3,931,600	C$1.44	4,156,600	C$1.38

The following table summarizes the options outstanding at December 31, 2018:

Options	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
Granted on May 22, 2014	C$0.84	325,000	5 mos	325,000
Granted on May 19, 2015	C$0.51	210,000	1 Yr & 5 mos	210,000
Granted on March 14, 2016	C$0.79	1,311,600	2 Yrs & 2 mos	1,311,600
Granted on June 30, 2016	C$1.62	360,000	2 Yrs & 6 mos	360,000
Granted on May 12, 2017	C$2.14	1,615,000	3 Yrs & 5 mos	1,120,000
Granted on May 15, 2018	C$2.00	110,000	4 Yrs & 5 mos	110,000

24. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

Stock Option Plan ("SOP") (continued)

The fair values of options granted were calculated using the Black-Scholes option pricing model with the following assumptions:

Granted on	May 22, 2014	May 19, 2015	March 14, 2016	June 30, 2016	May 12, 2017	May 15, 2018
Risk free interest rate	1.37%	1.10%	1.10%	0.57%	1.04%	1.04%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Stock price volatility	55%	111%	46%	52%	50%	40%
Expected life of options	5 years	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	30%	30%	30%	30%	30%	30%

Where relevant, the expected life used in the model used to determine the accounting value attributable to the options has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on historical share price volatility over relevant periods.