

GEODRILL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Management's discussion and analysis ("MD&A") is a review of the operations, the liquidity and the results of operations and capital resources of Geodrill Limited ("Geodrill", the "Company" or the "Group"). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion contains forward-looking information. Please see "Forward-Looking Information" for a discussion of the risks, uncertainties and assumptions relating to this MD&A.

This MD&A should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2018 and 2017 and notes thereto.

This MD&A is dated March 4, 2019. Disclosure contained in this document is current to that date unless otherwise stated.

Additional information relating to Geodrill, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com.

All references to "US\$" are to United States dollars and all references to "CDN\$" are to Canadian dollars.

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its subsidiaries, future growth, results of operations, capital needs, performance, business prospects and opportunities. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes" or variations (including negative variations) of such words or by the use of words or phrases that state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking information is based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in such forward-looking information, there may be other factors that may cause actions, events or results to differ from those anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize or should assumptions underlying such forward-looking information prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking information contained in this MD&A.

Forward-looking information contained herein is made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ

materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

Corporate Overview

Geodrill operates a fleet of Multi-Purpose, Core, Air-Core, Grade Control and Underground drill rigs. The multi-purpose rigs can perform both reverse circulation (“RC”) and diamond core (“Core”) drilling and can switch from one to the other with little effort or downtime. Multi-purpose rigs provide clients with the efficiency and high productivity of RC drilling and the depth and accuracy of Core drilling without the need to have two different drill rigs on site.

The Company’s rigs and support equipment also incorporate a fleet of boosters and auxiliary compressors, which enable Geodrill to achieve high-quality sampling and operations to greater depths.

The state-of-the-art workshops and supply bases at Anwiankwanta, near Kumasi, Ghana, at Ouagadougou, Burkina Faso, at Bouake, Cote d’Ivoire and at Bamako, Mali provide centralized locations for storage of inventory, equipment and supplies, which in turn minimizes trucking, shipping and supply costs and allows the rigs and inventory to be mobilized to drill sites with minimal delay. The Company has leased a plot of land consisting of a warehouse, workshop and offices in Chingola, Zambia. The Company uses its Zambian facility to support its drilling activity in Zambia and as a base to expand into the African Copperbelt.

An experienced management team and workforce, a modern fleet of drill rigs and state-of-the-art workshops and supply bases have contributed to Geodrill’s reputation as a results-oriented drilling company that strives to achieve greater drilling depths and provide better quality samples than its competitors in the shortest possible time, safely and in a cost-effective and environmentally conscious manner.

Business Strategy

The Company competes with other drilling companies on the basis of price, accuracy, reliability and experience in the marketplace. The Company’s competitors consist of both large public companies as well as small local operators.

Management believes that the Company has a number of attributes that result in competitive advantages including:

- **Business Development:** The Company continually improves its operations including the following recent and ongoing developments:
 - Maintaining of the Company’s geographic footprint as the Company has maintained its strong presence in West Africa in four primary countries being Ghana, Burkina Faso, Cote d’Ivoire and Mali, and the Company is operating in the African Copperbelt in Zambia.
- **A Modern Fleet of Drill Rigs and World Class Workshops:** The Company has accumulated modern state-of-the-art drilling rigs, and established centrally located world class workshops to promote client satisfaction through reliable operational performance. In addition, within the workshop in Ghana is a manufacturing facility with the capacity to produce ancillary equipment such as RC drill rods and RC wire-line drill subs in-house, reducing downtime and reliance on suppliers for these items.
- **Establishing, building and maintaining long-standing relationships with customers:** The Company has strong client relationships. Typically, a longer term client relationship for the Company originally

commenced as a short term drill contract won under a competitive bidding process, which has been continually renewed as the respective drilling program of the client has progressed through various phases.

- **Support of well-established international and local vendors:** The Company has maintained long standing relationships with international vendors in Australia, Europe, North America and China and has also been supported in West Africa and Zambia by local branches of these suppliers and other local suppliers.
- **Local Knowledge:** The Company's West African market knowledge, expertise and experience have enabled Geodrill to further develop the local networks required to support its operations.
- **Presence in West Africa and the African Copperbelt:** The Company is able to mobilize drill rigs and associated ancillary equipment within a few days of a request by a client. The well-resourced, centrally located workshops further reduce downtime, as the Company can fairly quickly reach most of its current customer sites.
- **An Active and Experienced Management Team:** Geodrill is led by Dave Harper, President and Chief Executive Officer, Terry Burling, Chief Operating Officer, Greg Borsk, Chief Financial Officer and Greig Rodger, Executive General Manager. This group is also supported by: Stephan Rodrigue, Business Development Manager and Don Seguin, Health, Safety and Environmental ("HSE") Manager.
- **A Skilled and Dedicated Workforce:** A favorable compensation and benefits package, coupled with the Company's track record of quality hiring and commitment to frequent, relevant continuous training programs for both permanent and contract employees, has reduced unplanned workforce turnover even during robust mining cycles. This has also increased efficiency and productivity, ensuring the availability and continuity of a skilled labor force.
- **Maintaining a high level of safety standards to protect its people and the environment:** The Company's HSE Group oversees the design, implementation, monitoring and evaluation of the Company's HSE standards, which standards are generally considered to be stringent standards for drilling firms globally and are higher than what is currently required in all local markets in which Geodrill currently operates. Every aspect of Geodrill's operations is designed to meet the highest HSE standards and includes induction meetings, at least one safety meeting per work site, including non-exploration work sites, regular safety audits and detailed investigations of incidents.
- **Commitment to Excellence:** Geodrill is committed to being a company of the highest standard in every aspect of its business operations. This is the framework used by the Company to guide its personnel towards the Company's goals and to be the customer-preferred partner in providing world class drilling services in West Africa and the African Copperbelt.

Market Participants and Geodrill's Client Base

The Company's client base is predominately in Ghana, Burkina Faso, Cote d'Ivoire and Mali. For 2018, Ghana accounted for 40% of the Company's revenue and Burkina Faso, Cote d'Ivoire, Mali and Zambia collectively accounted for 60% of the Company's revenue, compared to Ghana accounting for 43% and Burkina Faso, Cote d'Ivoire, Mali and Zambia collectively accounting for 57% in 2017.

Management's plans include continuing to add new clients in West Africa where gold is the primary mineral and adding new clients in the African Copperbelt where copper is the primary mineral. The

Company will, however, take advantage of opportunities in other minerals, including lithium, iron ore, manganese, uranium, phosphate and energy. In addition, the proximity to countries such as Senegal, Mauritania, Liberia, Sierra Leone, Nigeria and Cameroon positions the Company favorably in its ability to service these markets as well, if it so chooses. The Company's drilling focus is still predominately on gold and is still predominately in Ghana, Burkina Faso, Cote d'Ivoire and Mali, however, the Company has also been drilling for copper in Zambia.

The signing of a drilling contract and the actual commencement of drilling do not always happen simultaneously, and in numerous situations there may be a two to three month interval between the signing of an agreement and the commencement of drilling. In addition, given the short-term nature of drilling contracts, there can be no assurance that any contract that the Company currently has will be extended or renewed on terms favorable to the Company. In the event that any of its current contracts are not extended or renewed on favorable terms, or replaced with new contracts, this could have a significant impact on the Company's operations.

For the year ended December 31, 2018, three customers individually contributed 10% or more to the Group'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 Group's revenue. That customer contributed 15%.

OUTSTANDING SECURITIES AS OF MARCH 4, 2019

The Company is authorized to issue an unlimited number of Ordinary Shares. As of March 4, 2019, the Company has the following securities outstanding:

Number of Ordinary Shares	43,574,500
Number of Options	<u>3,931,600</u>
Diluted	<u>47,506,100</u>

From January 1, 2018 to March 4, 2019, a total of 110,000 options were issued and 335,000 options were exercised. The Company implemented its Normal Course Issuer Bid ("NCIB") on June 5, 2018 and from June 5, 2018 to March 4, 2019 a total of 60,900 shares were repurchased and cancelled under the NCIB.

OVERALL PERFORMANCE

Revenue Per Country

Location	Fiscal 2018		Fiscal 2017		Fiscal 2016	
	US\$ 000s	%	US\$ 000s	%	US\$ 000s	%
Ghana	35,509	40%	35,687	43%	30,799	42%
Burkina Faso and other ⁽¹⁾	53,030	60%	46,927	57%	42,551	58%
	88,539	100%	82,614	100%	73,350	100%

⁽¹⁾ Included in Burkina Faso and other is Burkina Faso, Cote d'Ivoire, Mali and Zambia.

Meters Drilled Per Country

Location	Fiscal 2018		Fiscal 2017		Fiscal 2016	
		%		%		%
Ghana	468,420	41%	357,493	37%	345,791	34%
Burkina Faso and other ⁽¹⁾	685,642	59%	618,261	63%	661,758	66%
	1,154,062	100%	975,754	100%	1,007,549	100%

⁽¹⁾ Included in Burkina Faso and other is Burkina Faso, Cote d'Ivoire, Mali and Zambia.

The Company generated revenue of US\$88.5M for 2018, an increase of US\$5.9M or 7% when compared to US\$82.6M for 2017. The Company was able to increase its revenue as the Company drilled more meters and had a different mix of meters drilled in 2018 compared to 2017. Meters drilled in 2018 totaled 1,154,062 which is an increase of 18% when compared to 975,754 meters drilled in 2017. Total meters drilled increased by 18% compared to 2017, however, revenue only increased by 7% as a result of the changes in to type of meters drilled and meter pricing. In 2018, the Company drilled more reverse circulation, grade control and air core meters versus 2017 and less surface core meters. Reverse Circulation, grade control and air core meters are priced lower than surface core meters. Furthermore, increased competition in West Africa has led to pressure on pricing. While the Company has operated in West Africa for 20 years and has invested a significant amount of capital into its drill fleet operating in the region with advantages in the form of experience in the market place, accuracy, reliability and safety, pricing still remains a key factor in the awarding of contracts.

The gross profit for 2018 was US\$38.6M, being 44% of revenue compared to a gross profit of US\$33.5M, being 41% of revenue for 2017. The gross profit increase is a result of the increase in revenue of US\$5.9M set off against the increase in cost of sales of US\$0.8M. See "Supplementary Disclosure – Non IFRS Measures" on page 19 and page 20.

EBITDA (as defined herein) for 2018 was US\$16.3M, being 18% of revenue compared to US\$15.7M, being 18% of revenue for 2017. See "Supplementary Disclosure – Non-IFRS Measures" on page 19 and page 20.

The EBIT (as defined herein) for 2018 was US\$9.7M, compared to EBIT of US\$9.0M, for 2017. See "Supplementary Disclosure - Non - IFRS Measures" on page 19 and page 20.

The net income for 2018 was US\$0.7M or US\$0.02 per Ordinary Share (US\$0.01 per Ordinary Share diluted), compared to US\$4.5M for 2017 or US\$0.10 per Ordinary Share (US\$0.10 per Ordinary Share diluted).

RESULTS OF OPERATIONS

SELECTED FINANCIAL INFORMATION

(in US\$ 000s)	<u>Fiscal Year Ended</u>			<u>% Change</u>	<u>% Change</u>
	2018	2017	2016	2018 vs 2017	2017 vs 2016
Revenue	88,539	82,614	73,350	7%	13%
Cost of Sales	49,910	49,077	43,870	2%	12%
<i>Cost of Sales (%)</i>	56%	59%	60%		
Gross Profit	38,629	33,537	29,480	15%	14%
<i>Gross Profit Margin (%)</i>	44%	41%	40%		
Selling, General and Administrative Expenses	29,342	24,135	17,648	22%	37%
<i>Selling, General and Administrative Expenses (%)</i>	33%	29%	24%		
Foreign Exchange Gain / (Loss)	420	(385)	(187)		
Profit from Operating Activities	9,707	9,017	11,645	8%	(23%)
<i>Profit from Operating Activities (%)</i>	11%	11%	16%		
Finance Income	10	2	2		
EBIT*	9,717	9,019	11,647	8%	(23%)
<i>EBIT (%)</i>	11%	11%	16%		
Finance Cost	528	516	615		
<i>Finance Cost (%)</i>	1%	1%	1%		
Profit Before Taxation	9,189	8,503	11,032	8%	(23%)
<i>Profit Before Taxation (%)</i>	10%	10%	15%		
Income Tax Expense	8,527	4,013	3,962		
<i>Income Tax Expense (%)</i>	10%	5%	5%		
Net Income	662	4,490	7,070	(85%)	(36%)
<i>Net Income (%)</i>	1%	5%	10%		
EBITDA **	16,297	15,673	19,182	4%	(18%)
<i>EBITDA (%)</i>	18%	19%	26%		
Meters Drilled	1,154,062	975,754	1,007,549	18%	(3%)
Income Per Share					
Basic	0.02	0.10	0.17		
Diluted	0.01	0.10	0.16		
Total Assets	85,312	80,907	73,664	5%	10%
Total Long - Term Liabilities	4,078	2,362	2,157	73%	10%
Cash Dividend Declared	Nil	Nil	Nil		

*EBIT = Earnings before interest and taxes.

**EBITDA = Earnings before interest, taxes, depreciation and amortization.

See "Supplementary Disclosure - Non-IFRS Measures" on page 19 and page 20.

FISCAL 2018 COMPARED TO FISCAL 2017

Revenue

The Company recorded revenue of US\$88.5M for 2018, compared to US\$82.6M for 2017, representing an increase of 7%. The increase in revenue is largely attributable to the strong demand for the Company's services. The Company has continued to make significant additions to property, plant and equipment in 2017 and 2018. In 2017, the Company had invested approximately US\$10.6M in property, plant and equipment and in 2018 the Company has invested approximately US\$10.5M in property, plant and equipment which has resulted in the Company increasing its total rig fleet to 64 rigs as at December 31, 2018. In addition to significantly expanding its rig fleet, the Company has also been successful in expanding its client base to include a mix of majors, intermediates and juniors which has contributed to the increase in overall drilling activity and a well balanced mix of drilling services. The total meters drilled increased by 18% for 2018 compared to 2017. The percentage of meters drilled for 2018 and 2017 can be broken down as follows:

Meter Type Percentages	Fiscal 2018	Fiscal 2017
Reverse circulation	41%	38%
Grade control	29%	24%
Surface core	14%	25%
Air core	13%	12%
Underground core	3%	0%
Water bore	0%	1%
	100%	100%

Cost of Sales and Gross Profit

Cost of Sales for 2018 was US\$49.9M, compared to US\$49.1M for 2017, being an increase of US\$0.8M.

The increase in cost of sales for 2018 as compared to 2017 of US\$0.8M reflects the following:

- Drill rig expenses and fuel costs decreased by US\$1.5M. The reason that drill rig expenses and fuel costs decreased by US\$1.5M despite drilling more meters in 2018 versus 2017 relates to the fact the Company drilled more reverse circulation, grade control and air core meters in 2018 versus 2017 and less surface core meter in 2018 versus 2017. Drill rig expenses are lower for reverse circulation, grade control and air core meters versus surface core meters. In addition, the 2018 fuel expense was lower compared to the 2017 fuel expense as the Company was able to utilize the six DE 740 rigs it purchased in 2017 throughout 2018. Utilizing the DE 740 rigs resulted in less fuel expense required to drill a similar amount of surface core meters in 2018 compared to 2017. In 2017 certain jobs in Mali and Burkina Faso had just started in the fourth quarter and required a significant amount of consumables. This resulted in an increased upfront drill rig expense that was recorded in 2017 in anticipation of drilling that continued into 2018.
- Wages, employee benefits, external services, contractors and other expenses increased by US\$1.8M due to more workers being employed throughout the Company. In addition to more workers, certain promotions and pay increases for certain local staff came into effect in 2018 and are reflected in the 2018 wages and employee benefits expenses.

- Repairs and maintenance increased by US\$0.7M as more repairs were completed on the Company's drill rigs and plant and equipment.
- Depreciation expense decreased by US\$0.2M relating to a greater proportion of the Company's drill rigs and plant and equipment being fully depreciated.

The gross profit for 2018 was US\$38.6M, compared to a gross profit of US\$33.5M for 2017, being an increase of US\$5.1M. The gross profit percentage for 2018 was 44% compared to 41% for 2017.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses for 2018 was US\$29.3M, compared to US\$24.1M for 2017, being an increase of US\$5.2M.

The increase in SG&A expenses of US\$5.2M for 2018 compared to 2017 reflects the following:

- Wages, employee benefits, external services, contractors and other expenses increased by US\$3.7M. The increase reflects the additional services undertaken by the Company to support the increased level of activity the Company has been experiencing. The Company believes that increasing its workforce and ensuring its workshop and stores are fully staffed and spending on health and safety, training, systems and support employees will better position the Company as it continues to grow. In addition to more workers, certain promotions and pay increases for certain local staff came into effect in 2018 and are reflected in the 2018 wages and employee benefits expenses.
- Provision for doubtful accounts increased by US\$0.9M due to provisions being made in the year against specific trade receivables in the amount of US\$0.9M.
- Repairs and maintenance increased by US\$0.5M as more repairs were completed on the Company's motor vehicles.
- Depreciation expense increased by US\$0.1M as a result of additions to the Company's motor vehicle fleet throughout 2018.

Income from Operating Activities

Income from operating activities (after cost of sales, SG&A expenses and foreign exchange gain or loss) for 2018 was US\$9.7M, compared to US\$9.0M in 2017.

EBITDA Margin (see "Supplementary Disclosure – Non-IFRS Measures" on page 19 and page 20)

EBITDA margin for 2018 was 18% compared to 19% for 2017.

EBIT Margin (see "Supplementary Disclosure – Non-IFRS Measures" on page 19 and page 20)

EBIT margin for 2018 was 11% compared to an EBIT margin of 10% for 2017.

Depreciation

Depreciation of property, plant and equipment for 2018 was US\$6.6M (US\$5.9M in cost of sales and US\$0.7M in SG&A) for 2018 compared to US\$6.7M (US\$6.1M in cost of sales and US\$0.6M in SG&A) for 2017.

Income Tax Expense

Income tax expense for 2018 was US\$8.5M compared to income tax expense of US\$4.0M for 2017. This is a significant increase and relates to increased activity levels in 2018 in certain countries in which the Company operates and certain changes to withholding tax rates in those countries. The 2018 current income tax expense from withholding tax on revenue amounted to US\$6.1M, the current tax expense relating to tax on taxable income amounted to US\$1.2M, the deferred tax expense amounted to US\$0.7M, and tax expense relating to withholding tax on intercompany dividends and other transactions amounted to US\$0.5M. The majority of the increase in tax expense related to withholding tax on revenues. The Company pays withholding tax on revenues in certain countries in which it provides drilling services. In addition to being extremely busy in both Burkina Faso and Mali in 2018, effective January 1, 2018, the withholding tax in Burkina Faso increased from 10% to 20%. This resulted in the Company paying withholding tax on revenue from Burkina Faso and Mali of US\$6.1M in 2018 versus only US\$2.3M in 2017. The Company also incurred a tax expense relating to tax on taxable income of US\$1.2M in 2018. Approximately US\$0.9M of the current tax expense was incurred in Q1 2018, prior to the Company completing its required investment for its tax holiday in Ivory Coast. The 2018 tax expense includes an amount of US\$0.7M as a deferred tax expense relating to tax values been greater than tax losses. In 2017, the Company did not need to record a deferred tax liability.

Net income

The net income for 2018 was US\$0.7M, or US\$0.02 per Ordinary Share (US\$0.01 per Ordinary Share diluted), compared to US\$4.5M for 2017, or US\$0.10 per Ordinary Share (US\$0.10 per Ordinary Share diluted).

SELECTED FINANCIAL INFORMATION - FOURTH QUARTERS

(in US\$ 000s)	Fourth Quarter Ended		% Change
	2018	2017	2018 vs 2017
Revenue	20,396	20,609	(1%)
Cost of Sales	11,091	13,549	(18%)
<i>Cost of Sales (%)</i>	54%	66%	
Gross Profit	9,305	7,060	32%
<i>Gross Profit Margin (%)</i>	46%	34%	
Selling, General and Administrative Expenses	7,049	6,214	13%
<i>Selling, General and Administrative Expenses (%)</i>	35%	30%	
Foreign Exchange Gain / (Loss)	145	(46)	
Profit from Operating Activities	2,401	800	200%
<i>Profit from Operating Activities (%)</i>	12%	4%	
Finance Income	2	1	
EBIT*	2,403	801	200%
<i>EBIT (%)</i>	12%	4%	
Finance Cost	136	116	
<i>Finance Cost (%)</i>	1%	1%	
Profit Before Taxation	2,267	685	231%
<i>Profit Before Taxation (%)</i>	11%	3%	
Income Tax Expense	1,881	1,198	
<i>Income Tax Expense (%)</i>	9%	6%	
Net Income / (Loss)	386	(513)	175%
<i>Net Income / (Loss) (%)</i>	2%	(2%)	
EBITDA **	4,163	2,342	78%
<i>EBITDA (%)</i>	20%	11%	
Meters Drilled	248,288	238,687	4%
Net Income / (Loss) Per Share			
Basic	0.01	(0.01)	
Diluted	0.01	(0.01)	
Total Assets	85,312	80,907	5%
Total Long - Term Liabilities	4,078	2,362	73%
Cash Dividend Declared	Nil	NIL	

*EBIT = Earnings before interest and taxes.

**EBITDA = Earnings before interest, tax, depreciation and amortization.

See "Supplementary Disclosure - Non-IFRS Measures" on page 19 and page 20.

FOURTH QUARTER ENDED DECEMBER 31, 2018 COMPARED TO FOURTH QUARTER ENDED DECEMBER 31, 2017

Revenue

The Company recorded revenue for the fourth quarter ended December 31, 2018 of US\$20.4M, compared to US\$20.6M for the fourth quarter ended December 31, 2017, representing a decrease of US\$0.2M or 1%. Although revenue decreased, meters drilled increased by 4%, as the contributing factor for the decrease in revenue was the mix of meters drilled. In the fourth quarter of 2018, the Company drilled more Grade control meters and less surface core meters than it did in the fourth quarter of 2017. Surface core meters are the most expensive meters to drill, therefore, the higher priced surface core meters drilled results in higher revenue per meter in Q4 2017.

Meter Type Percentages	Fourth Quarter ended	
	Dec 31 2018	Dec 31 2017
Reverse circulation	38%	51%
Grade control	36%	18%
Surface core	16%	20%
Air core	5%	11%
Underground core	5%	0%
	100%	100%

Cost of Sales and Gross Profit

Cost of Sales for the fourth quarter of 2018 was US\$11.1M, compared to US\$13.5M for the fourth quarter of 2017, being a decrease of US\$2.4M.

The decrease in cost of sales for the fourth quarter ended December 31, 2018 as compared to the fourth quarter ended December 31, 2017 of US\$2.5M reflects the following:

- Drill rig expenses and fuel costs decreased by US\$2.2M. The reason that drill rig expenses and fuel costs decreased by US\$2.2M despite drilling slightly more meters in Q4 2018 versus Q4 2017 relates to the fact the Company drilled less surface core meters than it did in Q4 2017 and surface core meters are the most expensive meters to drill. In the fourth quarter of 2018, the Company was able to reverse some previously accrued Value Added Tax (“VAT”) provisions resulting in a credit to drill rig expenses and fuel of US\$0.7M. In addition, due to improving conditions in Mali and Burkina Faso in late 2017, the Company had numerous multi-rig programs start in Q4 2017 that required a significant amount of consumables. As a consequence, the Company absorbed significant non-recurring costs such as mobilization, importation, clearing, customs, set-up and inventory tooling costs of approximately US\$1.0M in Q4 2017.
- Wages, employee benefits, external services, contractors and other expenses decreased by US\$0.7M. During the quarter, less workers were required as a result of the slow Q3 2018 quarter and the gradual ramp up in Q4 2018 which resulted in a reduction of US\$0.4M compared to Q4 2017. In addition, less external services and contractors were required which resulted in a reduction of US\$0.3M.

- Repairs and maintenance increased by US\$0.3M as more repairs were completed on the Company's drill rigs and plant and equipment.
- Depreciation expense increased by US\$0.1M relating to the large amount of investment in the Company's drill rigs and plant and equipment now being depreciated.

The gross profit for the fourth quarter ended December 31, 2018 was US\$9.3M, compared to a gross profit of US\$7.1M for the fourth quarter ended December 31, 2017, being an increase of US\$2.2M. The gross profit percentage for the fourth quarter ended December 31, 2018 was 46% compared to 34% for fourth quarter ended December 31, 2017.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses for the fourth quarter ended December 31, 2018 were US\$7.0M, compared to US\$6.2M for the fourth quarter ended December 31, 2017, or an increase of US\$0.8M.

The increase in SG&A expenses of US\$0.8M for the fourth quarter ended December 31, 2018, compared to the fourth quarter ended December 31, 2017 reflects the following:

- Wages, employee benefits, external services, contractors and other expenses increased by US\$0.1M. The increase reflects the additional services undertaken by the Company to support the increased level of activity the Company has been experiencing.
- Provision for doubtful accounts increased by US\$0.5M due to a recovery of a specific trade receivable for the amount of US\$0.5M being recorded in the fourth quarter of 2017.
- Repairs and maintenance increased by US\$0.2M as more repairs were completed on the Company's motor vehicles.

Income from Operating Activities

Income from operating activities (after cost of sales, SG&A expenses and foreign exchange gain or loss) for the fourth quarter ended December 31, 2018 was US\$2.4 M, compared to US\$0.8M for the fourth quarter ended December 31, 2017.

EBITDA Margin (see "Supplementary Disclosure – Non-IFRS Measures" on page 19 and page 20)

EBITDA margin for the fourth quarter ended December 31 2018 was 20% compared to 11% for the fourth quarter ended December 31, 2017.

EBIT Margin (see "Supplementary Disclosure – Non-IFRS Measures" on page 19 and page 20)

EBIT margin for the fourth quarter ended December 31, 2018 was 12% compared to 4% for the fourth quarter ended December 31, 2017.

Depreciation

Depreciation of property, plant and equipment for the fourth quarter ended December 31, 2018 was US\$1.8M (US\$1.6M in cost of sales and US\$0.2M in SG&A) compared to US\$1.5M (US\$1.4M in cost of sales and US\$0.1M in SG&A) for the fourth quarter ended December 31, 2017.

Income Tax Expense

Income tax expense for the fourth quarter ended December 31, 2018 was US\$1.9M compared to income tax expense of US\$1.2M for the fourth quarter ended December 31, 2017. The current tax expense for the fourth quarter ended December 31, 2018 was comprised of withholding tax on revenue of US\$1.4M, current tax expense on taxable income of US\$0.1M and deferred tax expense of US\$0.4M.

Net Income

Net Income was US\$0.4M for the fourth quarter ended December 31, 2018, or US\$0.01 per Ordinary Share (US\$0.01 per Ordinary Share diluted), compared to a net loss of US\$0.5M for the fourth quarter ended December 31, 2017, or US\$(0.01) per Ordinary Share (US\$(0.01) per Ordinary Share diluted).

SUMMARY OF QUARTERLY RESULTS

(in US\$ 000s)	2018				2017			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	20,396	16,610	27,280	24,252	20,609	20,832	22,621	18,553
Revenue Increase / (Decrease) %	23%	(39%)	12%	18%	(1%)	(8%)	22%	(10%)
Gross Profit	9,305	5,147	12,733	11,445	7,060	9,722	9,540	7,216
Gross Margin (%)	46%	31%	47%	47%	34%	47%	42%	39%
Net Earnings / (Loss)	386	(3,468)	2,376	1,369	(513)	2,608	2,115	279
Per Share - Basic	0.02	(0.08)	0.06	0.03	(0.01)	0.06	0.05	0.01
Per Share - Diluted	0.01	(0.08)	0.05	0.03	(0.01)	0.06	0.05	0.01

The Company's revenue increased on a quarter over quarter basis by US\$3.8M or 23% for the fourth quarter ended December 31, 2018 compared to the third quarter ended September 30, 2018. This is the result of the revenue returning to normal levels after the wet season. In Q3 2018, the Company was severely affected by the wet season as revenue declined by 39% from Q2 2018 to Q3 2018 and recovered by 23% from Q3 2018 to Q4 2018. Despite Q3 2018, the Company has been able to earn revenue averaging approximately US\$22.1M over the last four quarters. The Company was also able to generate gross profit averaging approximately US\$9.7M over the last four quarters. On a quarter to quarter basis, the Company's revenue was fairly consistent, decreasing by US\$0.2M compared to the fourth quarter ended December 31, 2017.

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.

Effect of Exchange Rate Movements

The Company's receipts and disbursements are denominated in US Dollars and local currencies. The Company's main exposure to exchange rate fluctuations arises from certain capital costs, wage costs and purchases denominated in other currencies.

The Company's revenue is invoiced in US Dollars and local currencies. The Company's purchases are in Australian Dollars, US Dollars, Euros, Canadian Dollars and local currencies. Other local expenses include purchases and wages which are paid in the local currency.

SELECTED INFORMATION FROM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in US\$ 000s)	Fiscal year end		Fourth quarter end	
	2018	2017	2018	2017
Net cash generated from / (used in) operating activities	7,860	6,114	(820)	(5)
Net cash used in investing activities	(10,495)	(10,625)	(1,718)	(2,072)
Net cash provided from / (used in) financing activities	1,634	644	(102)	(21)
Effect of movement in exchange rates on cash	(74)	230	10	(8)
Net decrease in cash	(1,075)	(3,637)	(2,630)	(2,106)

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As at December 31, 2018, the Company had cash of US\$4.6M and US\$3.0M still available on the US\$3.5M Revolving Line of Credit. As at December 31, 2018, the Company had loans payable of US\$6.3M. Since the Company has loans payable, the Company continues to monitor its cash and its capital spending in conjunction with the loans that need to be repaid. As at March 2, 2019, the Company had drawn down US\$0.5M on the US\$3.5M Revolving Line of Credit.

FISCAL 2018

Operating Activities

In 2018, the Company generated net cash from operating activities of US\$7.9M, as compared to generating net cash from operating activities of US\$6.1M in 2017. The Company realized profit before taxation of US\$9.2M for 2018, however, the changes in non-cash items and changes in working capital items reduced cash by US\$1.3M, resulting in cash generated from operations of US\$7.9M.

Investing Activities

In 2018, the Company's net investment in property, plant and equipment was US\$10.5M compared to US\$10.6M in 2017. The Company continues to grow and believes that one of the Company's greatest attributes is its ability to maintain a modern fleet of drill rigs and related equipment. The Company understands the importance of this and has significantly invested in its property, plant and equipment. Plant and equipment additions in 2018 included costs associated with rebuilding existing drill rigs and related equipment, new light vehicles and costs associated with completing certain sites at client premises. The Company continues to balance the need to grow and reinvest in its property, plant and equipment while ensuring there is enough cash to satisfy the debt repayments as they come due.

Financing Activities

In 2018, the Company generated net cash of US\$1.6M relating to financing activities. The Company increased its loans by US\$7.0M as a result of entering into the new Ecobank loan, repaid loans of US\$5.5M relating to the old Zenith loans, paid US\$0.1M relating to the Company's share buy-backs and received US\$0.2M from the exercise of stock options. In 2017, the Company generated net cash of US\$0.6M relating to financing activities. The Company increased its loans by US\$4.0M, repaid loans in the amount of US\$3.6M and received US\$0.2M from the exercise of stock options.

FOURTH QUARTER ENDED DECEMBER 31, 2018

Operating Activities

The Company realized income before taxation of US\$2.3M for the fourth quarter of 2018 but the impact of changes in non-cash items and changes in working capital items decreased cash of US\$3.1M resulting in US\$0.8M cash being used in operations in the fourth quarter of 2018, compared to no cash being used or generated from operating activities in the fourth quarter of 2017.

Investing Activities

In the fourth quarter of 2018, the Company's investment in property, plant and equipment was US\$1.7M compared to US\$2.1M in the fourth quarter of 2017. The Company continues to grow and believes that one of the Company's greatest attributes is its ability to maintain a modern fleet of drill rigs and related equipment. The Company understands the importance of this and has significantly invested in its property, plant and equipment. Plant and equipment additions in the fourth quarter of 2018 included costs associated with rebuilding existing drill rigs and related equipment, new light vehicles and costs associated with completing certain sites at client premises.

Financing Activities

During the fourth quarter of 2018, the Company used cash of US\$0.1M in its financing activities. The Company increased its loans by US\$0.5M and made by loan repayments of US\$0.6M. In the fourth quarter of 2017, the Company did not use any cash in its financing activities, as the amount of US\$2.1M related to loan repayments was offset by a drawdown of US\$2.0M on the \$2M Credit Line and an amount of US\$0.1M received from the exercise of stock options.

Contractual Obligations

Contractual Obligations in US\$	Payments Due by			
	Total	2019	2020	2021
Operating Leases ⁽¹⁾	520,000	300,000	200,000	20,000
Loans ⁽²⁾	6,400,000	3,000,000	2,300,000	1,100,000
Total Contractual Obligations	6,920,000	3,300,000	2,500,000	1,120,000

(1) The operating leases relate to the lease payments for the two real estate properties, as fully disclosed under "Transactions with Related Parties". The annual rent payable shall be reviewed on an upward only basis every two years based on USA inflation data. In addition, the operating leases includes amounts for other operating sites.

(2) Loans refer to the US\$6.5M Medium Term Loan, the US\$3.5M Revolving Line of Credit and the Equipment Loan, including the related interest.

Contractual obligations will be funded in the short-term by cash as at December 31, 2018 of US\$4.6M, cash flow generated from operations, and the US\$3.0M amount still available on the US\$3.5M Revolving Line of Credit.

OUTLOOK

The Company is continuing to see a recovery in the mineral drilling sector as evidenced by the increase in revenue and meters drilled and is optimistic that the recovery will continue throughout 2019. In addition, although meter pricing remains competitive in the industry, the Company is witnessing prices beginning to stabilize.

As at December 31, 2018, the Company had 64 drill rigs, of which 59 drill rigs were available for operation and five drill rigs were in the workshop.

The Company's drill rig fleet available for operation or planned to be available for operation is noted below:

Make - Model	Type	Available for Operation as at Mar 31, 2018		Available for Operation as at Jun 30, 2018		Available for Operation as at Sep 30, 2018		Available for Operation as at Dec 31, 2018		Planned to be available for Operation as at Dec 31, 2019	
		No. of Rigs		No. of Rigs		No. of Rigs		No. of Rigs		No. of Rigs	
UDR - 650	Multi-Purpose	2	1x1996 1x2003	2	1x1996 1x2003	2	1x1996 1x2003	2	1x1996 1x2003	2	1x1996 1x2003
UDR - KL900	Multi-Purpose	3	1x1998 1x1999 1x2003	3	1x1998 1x1999 1x2003	3	1x1998 1x1999 1x2003	3	1x1998 1x1999 1x2003	3	1x1998 1x1999 1x2003
Sandvik - DE840	Multi-Purpose									1	1x2008
Sandvik - DE820	Multi-Purpose	5	1x2007 4x2008	5	1x2007 4x2008	4	1x2007 3x2008	4	1x2007 3x2008	5	1x2007 4x2008
Sandvik - DE810	Multi-Purpose	8	1x2010 7x2012	8	1x2010 7x2012	8	1x2010 7x2012	8	1x2010 7x2012	8	1x2010 7x2012
EDM - 2000	Multi-Purpose	4	2x2010 1x2011 1x2017	4	2x2010 1x2011 1x2017	4	2x2010 1x2011 1x2017	4	2x2010 1x2011 1x2017	5	3x2010 1x2011 1x2017
Austex - X900	Multi-Purpose	8	4x2011 1x2012 1x2016 2x2017	8	4x2011 1x2012 1x2016 2x2017	8	4x2011 1x2012 1x2016 2x2017	8	4x2011 1x2012 1x2016 2x2017	8	4x2011 1x2012 1x2016 2x2017
UDR - 200	Core	1	1x2008	1	1x2008	1	1x2008	1	1x2008	1	1x2008
Sandvik - DE710	Core	9	2x2008 1x2009 6x2010	9	2x2008 1x2009 6x2010	9	2x2008 1x2009 6x2010	9	2x2008 1x2009 6x2010	9	2x2008 1x2009 6x2010
Sandvik - DE740	Core	6	2x2008 1x2009 1x2011 2x2012	8	3x2008 1x2009 2x2011 2x2012	8	3x2008 1x2009 2x2011 2x2012	8	3x2008 1x2009 2x2011 2x2012	8	3x2008 1x2009 2x2011 2x2012
Austex - X300	Aircore Grade Control	6	2x2010 3x2011 1x2016	6	2x2010 3x2011 1x2016	6	2x2010 3x2011 1x2016	6	2x2010 3x2011 1x2016	7	2x2010 3x2011 1x2016 1x2018
Austex - X350	RC Grade Control	1	1x2016	1	1x2016	1	1x2016	1	1x2016	1	1x2016
Schramm - GT450	RC / Grade Control									1	1x2013
Boart Longyear - LM90	Underground	3	1x2017 2x2018	5	1x2017 4x2018	5	1x2017 4x2018	5	1x2017 4x2018	5	1x2017 4x2018
Total Drill Rigs Available for Operation		56		60		59		59		64	

	As at Mar 31, 2018		As at Jun 30, 2018		As at Sep 30, 2018		As at Dec 31, 2018	
	No. of Rigs	Type	No. of Rigs	Type	No. of Rigs	Type	No. of Rigs	Type
Available for Operation	30	Multi-Purpose	30	Multi-Purpose	29	Multi-Purpose	29	Multi-Purpose
	16	Core Only	18	Core Only	18	Core Only	18	Core Only
	6	Air core / grade control	6	Air core / grade control	6	Air core / grade control	6	Air core / grade control
	1	RC Grade Control	1	RC Grade Control	1	RC Grade Control	1	RC Grade Control
	3	Underground	5	Grade control	5	Underground	5	Underground
TOTAL AVAILABLE FOR OPERATION	56		60		59		59	
In W/Shop	2	Core Only	1	Multi-Purpose	2	Multi-Purpose	3	Multi-Purpose
	1	Grade control	1	Air core / grade control	1	Air core / grade control	1	Air core / grade control
	1	Multi-Purpose					1	RC Grade Control
Total in W/Shop	4		2		3		5	
Manufacturing - in production								
Total Manufacturing								
In transit	2	Underground						
Total in transit	2							
TOTAL DRILL RIGS	62		62		62		64	
Split								
Multi-Purpose	31		31		31		32	
Core Only	18		18		18		18	
Air Core / grade control	7		7		7		7	
RC Grade Control	1		1		1		2	
Underground	5		5		5		5	
TOTAL	62		62		62		64	

SUPPLEMENTARY DISCLOSURE - NON-IFRS MEASURES

EBIT is defined as Earnings before Interest and Taxes and EBITDA is defined as Earnings before Interest, Taxes, Depreciation and Amortization. The definitions are used in this MD&A as measures of financial performance. The Company believes EBIT and EBITDA are useful to investors because they are frequently used by securities analysts, investors and other interested parties to evaluate companies in the same industry. However, EBIT and EBITDA are not measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. EBIT and EBITDA should not be viewed in isolation and do not purport to be alternatives to net income or gross profit as indicators of operating performance or cash flows from operating activities as a measure of liquidity. EBIT and EBITDA do not have standardized meanings prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies. Also, EBIT and EBITDA should not be construed as alternatives to other financial measures determined in accordance with IFRS.

Additionally, EBIT and EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not consider certain cash requirements such as capital expenditures, contractual commitments, interest payments, tax payments and debt service requirements.

Gross profit margin is defined as gross profit as a percentage of revenue. Gross profit margin does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies.

The following table is a reconciliation of Geodrill's results from operations to EBIT and EBITDA

(US\$ 000s)	Year ended		Three months ended	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Profit from Operating Activities	9,707	9,017	2,401	800
Add: Finance Income	10	2	2	1
Earnings Before Interest and Taxes (EBIT)	9,717	9,019	2,403	801
Add: Depreciation & Amortization	6,580	6,654	1,759	1,541
Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)	16,297	15,673	4,162	2,342

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO") of the Company are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The CEO and the CFO have designed such DC&P, or caused them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. As at December 31, 2018, the CEO and CFO evaluated the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P were effective as at December 31, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its consolidated financial statements in accordance with IFRS.

There were no changes in the Company's internal control over financial reporting during the period beginning on January 1, 2018 and ending on December 31, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

The following discussion outlines certain relevant risk factors according to the Company's business and industry within which it operates. These risks are not the only risks facing the Company. Additional risks and uncertainties presently not known to the Company may also impair the operations and could potentially affect the Company.

Risks Related to the Business and the Industry

Cyclical Downturns

The Company's business is highly dependent upon the levels of mineral exploration, development and production activity by mining companies in West Africa. In recent years, a reduction in exploration, development and production activities has caused a decline in the demand for drill rigs and drilling services, which has had a material adverse effect on the Company's business, financial position, resulting operations and prospects. Between 2013 and 2015, the Company was affected by the industry wide slowdown in drilling activities. In 2016 and 2017, the drilling industry began to recover resulting in increased demand for the Company's services. In 2018, the Company achieved record revenues of US\$88.5M. Although the Company has seen a rebound in its activities, there is no guarantee that this trend will continue due to the cyclical nature of the industry.

The operations and financial results of Geodrill may be materially adversely affected by declines in the price of gold and other commodities. The prices of gold and other commodities fluctuate widely and are affected by numerous factors beyond Geodrill's control, such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the United States dollar and foreign currencies, global and regional supply and demand and the political and economic conditions of major metals-producing countries throughout the world. The price of gold and other commodities has fluctuated widely in the past, and future serious price declines could cause continued exploration, development of and commercial production by Geodrill's clients to be impracticable. In such event, the operational and financial results from drilling operations would suffer.

Industry experience indicates that prevailing and projected prices of commodities are major influences on the Company's clients' activity levels and planned expenditures. In the past, strong commodities market conditions have led to an increased supply of drill rigs to the market. In the event of a sustained decrease in demand for drilling activities, the market may be oversupplied with drill rigs, which may result in downward pressure on drilling service providers' margins and drilling operations. In addition, historically when commodity prices fall below certain levels, it is not uncommon for mining and exploration expenditures to decline in the following twelve month period. There is a risk that a significant, sustained fall in commodity prices could substantially reduce future mining expenditures, particularly in relation to exploration and production, leading to a decline in demand for the drilling services offered by the Company which may have a material adverse effect and impact on the Company's business, financial position, results of operations and prospects.

Competition

The Company faces considerable competition from several large drilling services companies and a number of smaller regional competitors. Some of the Company's competitors have been in the drilling services industry for a longer period of time and have substantially greater financial and other resources than the Company. This may mean that they are perceived as being able to offer a greater range of services at more competitive prices than the Company. In addition, new and current competitors willing to provide services at a lower cost will likely continue to occur as demand for drilling services in the West African mining market tightens. Increased competition in the drilling services market may adversely affect the Company's current market share, profitability and growth opportunities. Any erosion of the Company's competitive position could have a material adverse effect on the Company's business, results of operations, financial condition and growth prospects.

A significant portion of the drilling services business is a result of being awarded contracts through a competitive tender process. It is possible that the Company may lose potential new contracts to competitors if it is unable to demonstrate reliable performance, technical competence and competitive pricing as part of the tender process or if mining companies elect not to undertake a competitive tender process, or the Company does not continue to provide a premium service as compared to other competitors, to its existing client base which would cause it to lose its reputation in the market place.

Global Financial Condition

Global financial conditions may impact the ability of the Company and its clients to obtain equity or debt financing in the future on terms that are favorable. Worldwide economic conditions, in particular, economic conditions of countries such as the United States and China, influence the activity in the mining industry which in turn has an effect on the demand for the drilling services provided by Geodrill. Increased levels of volatility and market turmoil could adversely affect the Company's results of operations and the trading price of the Ordinary Shares.

Foreign Currency Exposure

The Company receives the majority of its revenues in US dollars. In January 2018, the Bank of Ghana granted approval for the Company to issue and receive payments in US dollars. The approval is valid up to December 31, 2019. If the Company has significant cash and receivables in Ghana Cedi it may be exposed to currency fluctuations between the US Dollar and the Ghana Cedi. The Company also has significant amounts of CFA relating to operating in certain French West African countries. Although the exchange rate of the CFA has been fairly stable in the past, there can be no assurance that it will continue to be stable. In addition, there is also a significant part of the Company's foreign exchange exposure to the Australian dollar and Euro in relation to international purchases. As a result, the Company is exposed to currency fluctuations and exchange rate risks. Currency fluctuations and exchange rate risks between the value of the US dollar and the value of certain foreign currencies may increase the cost of the Company's operations and could adversely affect financial results.

Concentration of Currency

The Company receives the majority of its revenues in US dollars and as result, the majority of the Company's cash is in US dollars. To facilitate the payment of certain international suppliers and expenses, the Company holds the majority of its cash in US dollars in jurisdictions where it can efficiently transfer funds to international suppliers. There can be no assurance that in the future, the Company will be able to continue to hold the majority of its cash in US dollars. The Company also has significant amounts of CFA relating to operating in certain French West African countries. Although the exchange rate of the CFA has been fairly stable in the past, there can be no assurance that it will continue to be stable.

Dependence on Certain Key Personnel

The success of the Company was, and is currently, largely dependent on the performance of senior management and, in particular, Dave Harper, Terry Burling, Greg Borsk, Greig Rodger and Stephan Rodrigue. The senior management group is also supported by numerous drilling supervisors, HSE personnel and other management employees to manage its immediate operations as well as the obligations of running a public company. The loss of the services senior management personnel would likely have a materially adverse effect on the Company's business and prospects. Additionally, there is no assurance that the Company can maintain the services of its other management or its key drillers required to operate the business. The Company does not maintain key person insurance on the lives of any of its senior management.

Political Instability

The Company's drilling activities are in West Africa (Ghana, Burkina Faso, Cote d'Ivoire and Mali) and Zambia. Conducting business in West Africa and Zambia presents political and economic risks including, but not limited to, terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labour unrest. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business. Business may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production and exploration activities, currency remittance, income taxes, environmental legislation, land use, land claims of local people, water use and safety. The effect of these factors cannot be accurately predicted, however, the Company keeps abreast of all political issues and is prepared to act accordingly.

Debt Level

In response to the need to finance general corporate expenditures including working capital needs, in the past the Company has needed to borrow funds. As a result, the Company has loans payable outstanding. With loans payable outstanding and the required payments, the Company will need to monitor its cash on hand, and its investing activities in response to the level of debt and scheduled loan repayments. The debt requires repayments of principal and interest of approximately US\$3.0M in 2019, US\$2.3M in 2020 and US\$1.1M in 2021. The Company has in the past been able to repay debt from cash on hand and cash flow generated from operations, however, there is no certainty that the Company will continue to generate positive cash flow from operations. As at December 31, 2018, the Company had US\$4.6M of cash and an unutilized amount of US\$3.0M on the US\$3.5M Revolving Line of Credit.

Revenues and EBITDA

The Company does not provide financial guidance. In 2018, the Company's revenue increased to US\$88.5M and it reported EBITDA of US\$16.3M. The Company has generated positive EBITDA in the past, however, there can be no assurance that the Company will be able to increase its EBITDA or will be able to generate positive EBITDA in the future.

Sensitivity to General Economic Conditions

The operating and financial performance of the Company is influenced by a variety of international and country-specific general economic and business conditions (including inflation, interest rates and exchange rates), access to debt and capital markets, as well as monetary and regulatory policies. A deterioration in domestic or international general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could have a material adverse effect on the financial performance, financial position and condition, cash flows, distributions, share price and growth prospects of the Company.

Dependence on Customers with Capital Raising Challenges

From time to time, the Company may be dependent on customers for a significant portion of revenue and net income who, due to their relative size, could be challenged to attract funding to achieve their business plans. Should a number of our customers face serious capital raising constraints, there can be no guarantee that the Company will be able to secure sufficient replacement customers, potentially leading to future reduced revenue and income levels. Consequently, the Company continues to work to expand its client base to mitigate its exposure to customers with capital raising challenges.

Cyber Crime

Cyber Crime is now recognized as one of the biggest threats to global businesses. The agile nature of business, along with remote working technology, has left more companies open to the risk of cyber-attacks. These crimes range from the malicious, perhaps politically or ideologically motivated through to data or financial theft which may be orchestrated by the amateur hacker or by organized crime. Failure to identify and address these threats would leave the Company vulnerable to a cyber attack. The Company continually updates its hardware and software to the highest standard to protect it against cyber crime. In addition to this, on an annual basis the Company has a third party perform a vulnerability assessment on its network.

Specialized Skills and Cost of Labor Increases

The Company may not be able to recruit or retain drillers and other key personnel who meet the Company's high standards. A failure by the Company to retain qualified drillers or attract and train new qualified drillers could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Increased Cost of Sourcing Consumables and Drilling Equipment

When bidding on a drilling contract, the cost of consumables (including fuel) is a key consideration in deciding upon the pricing of a contract. A material increase in the cost of consumables (including fuel) could result in materially higher costs and could materially reduce the Company's financial performance, financial condition, cash flows and growth prospects. Although the Company mitigates the risk of sourcing and pricing of consumables by keeping an inventory and having the capacity to fabricate certain consumable equipment, such as RC drill pipe and RC wire-line drill subs, there remains a risk that the pricing and availability of certain other consumables such as fuel could have a material negative effect on the Company's operations. Additionally, the delay or inability of suppliers to supply key manufacturing inputs, such as steel and other raw materials, may delay manufacturing certain consumables such as RC drill pipe and RC wire-line drill subs, that may have an adverse effect on the operations and the financial position of the Company's business.

Inability to Sustain Revenue Levels

The Company's revenue increased in 2018 to US\$88.5M from US\$82.6M in 2017. The Company's ability to increase or sustain its revenue will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, commodity prices, the ability of mining companies to raise financing and the global demand for materials. In addition, the Company is subject to a variety of business risks generally associated with growing companies. The Company is not currently contemplating adding a significant number of rigs but will continue to explore geographic expansion. Expanding into other West Africa jurisdictions could place significant strain on the Company's management personnel and the Company may need to recruit additional personnel to service these jurisdictions.

There can be no assurance that the Company will be able to increase or sustain its revenue or that such increased revenue, if achieved, will result in profitable operations, that it will be able to attract and retain sufficient management personnel necessary. The failure to accomplish any of the foregoing could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects. Further, as the Company increases its geographical footprint, it may need to expand its operations base or establish a new operations base in order to continue to maintain its fleet of drill rigs.

There is no assurance that the Company will be able to secure additional real estate leases at all or on commercial terms acceptable to the Company.

Client Contracts

The Company's drilling client contracts are typically based on meters to drill and range for a term of one month to one year and can be cancelled by the client on short or no notice in certain circumstances with limited or no amounts payable to the Company. The short duration of contract periods, typical for the drilling industry, does not provide any certainty of long term cash flows. There is a risk that existing contracts may not be renewed or replaced and that the drill rigs may not be able to be placed with alternative clients. The failure to renew or replace some or all of these existing contracts and cancellation of existing contracts could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

International Expansion and Instability

Expansion internationally entails additional political and economic risk. Some of the countries and areas that the Company may target for expansion could be undergoing industrialization and urbanization and do not have the economic, political or social stability that many developed nations now possess. Other countries have experienced political or economic instability in the past and may be subject to risks beyond the Company's control, such as war or civil disturbances, political, social and economic instability, corruption, nationalization, terrorism, expropriation without fair compensation or cancellation of contract rights, significant changes in government policies, breakdown of the rule of law and regulations and new tariffs, taxes and other barriers, changes in mining or investment policies or shifts in political attitude that may adversely affect the business. There has been an emergence of a trend by some governments to increase their participation, through increased taxation, expropriation, or otherwise. This could negatively impact the level of foreign investment in mining and exploration activities and thus drilling demand in these regions. Such events could result in reductions in revenue and transition costs as equipment is shifted to other locations.

Operational Risks and Liability

Risks associated with drilling include, in the case of employees, personal injury and loss of life and, in the case of the Company, damage and destruction to property, equipment, release of hazardous substances to the environment, including potential environmental liabilities associated with the Company's fuel storage activities, and interruption or suspension of drill site operation due to unsafe drill operations. The occurrence of any of these events may have an adverse effect on the Company, including financial loss, key personnel loss, legal proceedings and damage to the Company's reputation.

In addition, poor or failed internal processes, people or systems, along with external events could negatively impact the Company's operational and financial performance. The risk of this loss, known as operational risk, is present in all aspects of the business of the Company, including, but not limited to, business disruptions, drill rig failures, theft and fraud, damage to assets, employee safety, regulatory compliance issues and business integration issues.

Advances in exploration, development and production technology which could reduce the demand for drilling services may have an adverse impact on the financial performance of the Company.

Business Interruptions

Business interruptions may result from a variety of factors, including regulatory intervention, delays in necessary approvals and permits, health and safety issues or supply bottlenecks and seasonal or extraordinary weather conditions. In addition, the Company operates in geographic locations which are prone to political risks and natural or other disasters. Further, logistical risks such as road conditions, ground conditions and political interference may affect the Company's ability to quickly mobilize or demobilize its drill rigs. The occurrence of business interruptions or conditions could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Risk to the Company's Reputation

Risks to the reputation of the Company, including any negative publicity, whether true or not, could cause a decline in the Company's customer base and have a material adverse impact on the Company's financial performance, financial condition, cash flows and growth prospects. All risks have an impact on reputation and, as such, reputational risk cannot be managed in isolation from other types of risk. Every employee and representative of the Company is charged with upholding its strong reputation by complying with all applicable policies, legislation and regulations as well as creating positive experiences with the Company's customers, stakeholders and the public.

Environment, Labor and Health and Safety Requirements and Related Considerations

The drilling services industry is regulated by environmental and health and safety regulations. To the extent that the Company fails to comply with laws and regulations, it could lose client contracts and be subject to suspension of operations or other penalties. In addition, accidents at the sites at which the Company operates could adversely affect the Company's ability to retain client contracts and win new business.

The Company is subject to the labour laws and regulations of the various countries in which it operates. Although none of the Company's employees are currently unionized, there is the potential that some or all of its employees may become unionized in the future. There can be no assurance that the Company will not experience labour problems in the future, such as prolonged work stoppages due to labour strikes, which may have an adverse effect on its results of operations and financial conditions.

Clients are required to hold certain permits and approvals in order for the Company to conduct operations. Clients are generally responsible for obtaining the environmental permits necessary for drilling. There is no assurance that clients will be able to renew or obtain the permits or approvals which are required for the drilling services the Company provides to them, in the time frame anticipated or at all. Any failure to renew, maintain or obtain the required permits or approvals may result in interruption or delay to operations and may have an adverse impact on the Company's business, financial position, results of operations and prospects. In addition, clients rely on concessions, licenses and permits to conduct their activities. Any modification or revocation of these concessions, licenses or permits could result in a decrease in demand for the services of the Company or in contracts with clients being terminated.

Insurance Limits

The Company maintains, to a limited extent, fixed property, motor and general liability insurance. The Company does not insure all of its drill rigs nor its goods in transit, as management has determined that the cost of the premiums outweigh the benefits at this time. Regarding the insurance that the Company

does have, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company. The Company does not carry business interruption insurance or key man insurance and, as such, any such interruption or loss would have an adverse effect on the financial position of the Company. To the extent that Geodrill incurs losses not covered by its insurance policies, the funds available for operations will be reduced.

Uncertain Legal and Regulatory Frameworks

The Company's business and operations are potentially subject to the uncertain legal and regulatory frameworks in the countries in which it operates. Laws, regulations and local rules governing business entities in these countries may change and are often subject to a number of possibly conflicting interpretations by business entities, government departments and the courts. Laws and regulations may be promulgated and overseen by different government entities or departments, which may be national, regional or municipal and these entities may differ in their interpretation and enforcement of the laws and regulations. The business, financial condition, profitability and results of operations of the Company could potentially be adversely affected by changes in and uncertainty surrounding governmental policies, in particular with respect to business laws and regulations, licenses and permits, taxation, exchange control regulations, labor laws and expropriation.

Given the uncertain legal and regulatory framework in Zambia and some of the West African countries in which the Company operates or may operate in the future, there is a risk that the necessary licenses, permits, certificates, consents and authorizations to implement or conduct operations may not be obtained by either the client or the Company under conditions or within time frames that make such operations viable and that changes to applicable laws, regulations or the governing authorities may result in additional material expenditure or time delays.

Tax Risk

The Company has organized its group structure and its operations in part based on certain assumptions about various tax laws including, among others, income tax and withholding tax, foreign currency and capital repatriation laws and other relevant laws of a variety of jurisdictions. While the Company believes that such assumptions are correct, there can be no assurance that foreign taxing or other authorities will reach the same conclusion. If such assumptions are incorrect, or if such jurisdictions were to change or modify such laws or the current interpretation thereof, the Company may suffer adverse tax and financial consequences. The Group has drilling activities currently in Ghana, Burkina Faso, Cote d'Ivoire, Mali and Zambia. The Group has subsidiaries or branches in the British Virgin Islands, Ghana, Burkina Faso, Cote d'Ivoire, Mali, Senegal, Zambia, and Mauritius. There is a risk in which the countries where Geodrill operates may change their current tax regime with little prior notice or that the tax authorities in these jurisdictions may attempt to claim tax on the global revenues of the Company. A change to the tax regimes in these countries or an unfavorable interpretation of the current tax legislation could have a material adverse effect on the profitability of the Company.

Credit Risk

The Company provides credit to its clients in the normal course of its operations. In the past the Company had noticed that certain accounts were taking longer to pay and certain accounts were having difficulty paying and therefore the Company needed to provide for certain accounts. The Company has continued working with larger clients and as at December 31, 2018, only 19% of the trade accounts receivable are aged over 91 days.

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

Geographic Expansion

Expansion into new African jurisdictions also brings additional geographic and currency risk. There is a risk that the operations, assets, employees or repatriation of revenues could be impaired by factors specific to the regions into which Geodrill may choose to expand.

Supply of Consumables

The Company's operations could place pressure on the ability of its vendors to manufacture and deliver to the Company consumables used in its drilling activities. Any negative impact on the ability of the vendors to deliver their products may constrain the Company's ability to increase its capacity and increase or maintain revenue and profitability.

Risks due to Foreign Incorporation

The Company is incorporated under and governed by the laws of the Isle of Man and consequently shareholders may not have the same rights and protections as they would have under provincial or federal corporate law in Canada. There can be no assurance that shareholder rights and remedies available under the corporate law of the Isle of Man will be enforceable in Canada through Canadian courts or that any orders of the courts of the Isle of Man made under such corporate law will be enforceable in Canada.

Equity Market Risks

There is a risk associated with any investment in the Ordinary Shares. The market price of securities such as the Ordinary Shares of the Company are affected by numerous factors including, but not limited to, general market conditions, actual or anticipated fluctuations in the Company's results of operations, changes in estimates of future results of operations by the Company or securities analysts, risks identified in this section and other factors. In addition, the financial markets have experienced significant price and volume fluctuations that have sometimes been unrelated to the operating performance of the issuers or the industries in which they operate.

The Influence of Existing Shareholders and Future Sales by The Harper Family Settlement and Dave Harper

The Harper Family Settlement and Dave Harper holds or controls, directly or indirectly, 17,683,500 Ordinary Shares representing approximately 40.6% of the Company's issued Ordinary Shares. As a result, The Harper Family Settlement and Dave Harper have the ability to influence the Company's strategic direction and policies, including any sale of all or substantially all of its assets, the election and composition of the Board of Directors, the amendment of the Company's Memorandum and Articles of Association and the declaration of dividends. The foregoing ability to influence the control and direction of the Company could adversely affect investors' perception of the Company's corporate governance and reduce its attractiveness as a target for potential take-over bids and business combinations, and correspondingly affect its share price.

Sales of a large number of Ordinary Shares by The Harper Family Settlement or Dave Harper in the public markets, or the potential for such sales, could decrease the trading price of the Ordinary Shares and could impair Geodrill's ability to raise capital through future sales of Ordinary Shares.

Dilution

The Company may raise additional funds in the future by issuing equity securities. Holders of Ordinary Shares will have no pre-emptive rights in connection with such further issues. Additional Ordinary Shares may be issued by the Company in connection with the exercise of options. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Ordinary Shares.

Lack of Dividend Payments

Geodrill does not pay dividends other than a real estate dividend in 2010, issued in connection with the IPO reorganization of the Company, no dividends on the Ordinary Shares have been paid to date. Payment of any future dividends will be at the discretion of the Board of Directors after taking into account many factors, including Geodrill's earnings, operating results, financial condition, current and anticipated cash needs and restrictions in financing agreements.

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, derivatives or available-for-sale financial assets.

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.

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
	<u>23,678,842</u>	<u>-</u>	<u>23,678,842</u>	<u>23,678,842</u>
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
	<u>-</u>	<u>17,962,278</u>	<u>17,962,278</u>	<u>17,962,278</u>
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
	<u>23,352,349</u>	<u>-</u>	<u>23,352,349</u>	<u>23,352,349</u>
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
	<u>-</u>	<u>17,167,917</u>	<u>17,167,917</u>	<u>17,167,917</u>

FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

The Board of directors has overall responsibility for the oversight of the Group's risk management framework.

The Group's management team is responsible for developing and monitoring the Group'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 the Board's decisions rests with the CEO.

(i) Credit risk

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

Trade and other receivables

The Group'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 Group'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 Group'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 US\$	2017 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 US\$	2017 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:

	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 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 Group 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 Group'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 Group'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	13,997,383	13,997,383	-
Related party payables	923,025	923,025	-
Loans payable	6,278,236	2,907,713	3,370,523
Balance at December 31, 2018	21,198,644	17,828,121	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

(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 Group'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 Group 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 Group's exposure to foreign currency risk was as follows based on foreign currency amounts.

	EURO	GH¢	GBP	CFA	AUD	CAD	ZMW
December 31, 2018							
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)

	EURO	GH¢	GBP	CFA	AUD	CAD	ZMW
December 31, 2017							
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:

US\$1=	2018		2017	
	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

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.

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

Profile

At the reporting dates, the interest rate profiles of the Group'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

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 Group manages its capital structure and makes adjustments to it to effectively support the Group's operations. In the definition of capital the Group includes, as disclosed on its consolidated statement of financial position: share capital, retained earnings, reserves and loans.

The Group'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

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 Group 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 Group 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 Group 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.

Future operating lease commitments related to the properties are:

	2018	2017
	US\$	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 Group'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 Group 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 Group.

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

	2018	2017
	US\$	US\$
Short-term benefits	3,585,138	2,880,439
Share-based payment arrangements	241,947	481,780
Total	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.

SIGNIFICANT ACCOUNTING POLICIES

The Company's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies are described in the audited financial statements for the years ended December 31, 2018 and 2017.

NEW AND FUTURE ACCOUNTING STANDARDS

a. Adoption of new and amended accounting pronouncements

IFRS 9 – Financial instruments

In the current period the Company has applied IFRS 9. The Company has chosen to apply IFRS 9 to the current period only and has retained its' prior period figures as allowed by the standard. The Company 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.

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 Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. Additionally, the Group 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 Group 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 Group 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 Group 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 period the Company has applied IFRS 15. The Company has chosen to apply IFRS 15 to the current period 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.

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 new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The Company does not expect to adopt IFRS 16 early. Management expects to recognize lease liabilities and right-of-use assets in respect of operating leases previously expensed.

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.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values are described in the Company's audited consolidated financial statements for the years ended December 31, 2018 and 2017.

Additional Information

Additional information relating to Geodrill, including the Company's Annual Information Form can be found on SEDAR at www.sedar.com.