

GEODRILL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

(in United States dollars)

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3-6
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	7
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	9
CONSOLIDATED STATEMENTS OF CASH FLOWS	10
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	11-45

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents

1. GENERAL INFORMATION.....	11
2. SIGNIFICANT ACCOUNTING POLICIES	11
3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS.....	19
4. NEW AND FUTURE ACCOUNTING STANDARDS.....	20
5. DETERMINATION OF FAIR VALUES.....	22
6. SEASONALITY OF OPERATIONS.....	23
7. SEGMENT REPORTING	23
8. EXPENSES BY NATURE	24
9. TAXATION	24
10. PROPERTY, PLANT AND EQUIPMENT.....	27
11. RIGHT-OF-USE ASSETS.....	29
12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS.....	30
13. INVENTORIES.....	30
14. TRADE AND OTHER RECEIVABLES.....	30
15. CASH	31
16. LOANS PAYABLE.....	32
17. TRADE AND OTHER PAYABLES.....	33
18. EMPLOYEE BENEFIT OBLIGATIONS.....	33
19. FAIR VALUES OF FINANCIAL INSTRUMENTS.....	33
20. FINANCIAL RISK MANAGEMENT	34
21. RELATED PARTY TRANSACTIONS	40
22. COMMITMENTS	41
23. SHARE CAPITAL AND RESERVES	41
24. EARNINGS PER SHARE.....	42
25. DIVIDENDS.....	43
26. EQUITY-SETTLED SHARE-BASED PAYMENTS.....	44
27. CONTINGENCY.....	45
28. COMPARATIVE INFORMATION.....	45



Independent auditor's report

To the Shareholders of Geodrill Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Geodrill Limited and its subsidiaries (together, the Company) as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2018 excluding the reclassification adjustments described in notes 8 and 10, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 4, 2019.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



As part of our audit of the consolidated financial statements for the year ended December 31, 2019, we also audited the reclassification adjustments described in notes 8 and 10. In our opinion, the adjustments described in notes 8 and 10 are appropriate and have been properly applied.

We were not engaged to audit, review or apply any procedures to the consolidated financial statements of the Company for the year ended December 31, 2018 other than with respect to the reclassification adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2018 taken as a whole.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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



Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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



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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael Eric Clarke.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 29, 2020

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019 and 2018

	Note	December 31, 2019 US\$	December 31, 2018 US\$
Assets			
Non-current assets			
Property, plant and equipment	10	41,698,227	43,196,365
Right-of-use assets	11	460,285	-
Total non-current assets		42,158,512	43,196,365
Current assets			
Financial assets at fair value through profit or loss	12	428,787	-
Inventories	13	17,660,278	17,199,513
Prepayments		598,510	1,237,032
Trade and other receivables	14	15,315,453	19,061,758
Cash	15	10,558,184	4,617,083
Total current assets		44,561,212	42,115,386
Total assets		86,719,724	85,311,751
Equity and liabilities			
Equity			
Share capital	23	23,204,469	22,428,417
Share-based payment reserve		4,351,899	4,464,416
Retained earnings		38,242,108	34,365,745
Total equity		65,798,476	61,258,578
Liabilities			
Non-current liabilities			
Deferred tax liability	9(iv)	3,383,765	707,499
Loans payable	16	1,083,333	3,370,523
Lease liabilities		115,375	-
Total non-current liabilities		4,582,473	4,078,022
Current liabilities			
Trade and other payables	17	11,588,931	13,258,413
Loans payable	16	2,287,190	2,907,713
Lease liabilities		323,088	-
Taxes payable	9(ii)	1,689,566	2,886,000
Related party payables	21(iii)	450,000	923,025
Total current liabilities		16,338,775	19,975,151
Total equity and liabilities		86,719,724	85,311,751

Approved by the Board of Directors

"signed" _____

John Bingham

Chairman of the Board

"signed" _____

Ron Sellwood

Chairman of the Audit Committee

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018

	Note	December 31, 2019 US\$	December 31, 2018 US\$
Revenue		87,407,835	88,539,126
Cost of sales	8	(65,221,195)	(66,071,456)
Gross profit		22,186,640	22,467,670
Selling, general and administrative expenses	8	(9,885,776)	(13,180,843)
Foreign exchange gain		474,323	420,354
Other losses	12	(142,003)	-
Results from operating activities		12,633,184	9,707,181
Finance income		2,966	9,919
Finance costs		(485,426)	(528,000)
Income before taxation		12,150,724	9,189,100
Income tax expense	9(i)	(8,274,361)	(8,526,855)
Income and total comprehensive income for the year		3,876,363	662,245
Earnings per share			
Basic	24(i)	\$0.09	\$0.02
Diluted	24(ii)	\$0.09	\$0.01

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2019 and 2018

	Share Capital US\$	Share- based Payment Reserve US\$	Retained Earnings US\$	Total Equity US\$
Balance at January 1, 2019	22,428,417	4,464,416	34,365,745	61,258,578
Income and total comprehensive income for the year	-	-	3,876,363	3,876,363
Exercise of stock options	776,052	(257,852)	-	518,200
Share-based payment expense	-	145,335	-	145,335
Balance at December 31, 2019	23,204,469	4,351,899	38,242,108	65,798,476
Balance at January 1, 2018	22,129,477	4,319,175	33,980,478	60,429,130
Adoption of IFRS 9	-	-	(217,845)	(217,845)
Balance at January 1, 2018 (restated)	22,129,477	4,319,175	33,762,633	60,211,285
Income and total comprehensive income for the year	-	-	662,245	662,245
Share buy-back and cancellation	(31,345)	-	(59,133)	(90,478)
Exercise of stock options	330,285	(124,709)	-	205,576
Share-based payment expense	-	269,950	-	269,950
Balance at December 31, 2018	22,428,417	4,464,416	34,365,745	61,258,578

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

	December 31, 2019 US\$	December 31, 2018 US\$
Cash flows from operating activities		
Income before taxation	12,150,724	9,189,100
<i>Adjustments for:</i>		
Depreciation expense	7,381,454	6,580,413
Movement in expected lifetime credit losses	(29,588)	893,066
Change in provision for inventory obsolescence	298,964	395,471
Equity-settled share-based payment expense	145,335	269,950
Finance income	(2,966)	(9,919)
Finance costs	485,426	528,000
Fair value losses on current financial assets at fair value through profit and loss	142,003	-
Unrealized foreign exchange gain	(420,226)	(346,562)
	20,151,126	17,499,519
Change in financial assets at fair value through profit and loss	(570,790)	-
Change in inventories	(759,729)	(609,860)
Change in prepayments	563,343	50,007
Change in trade and other receivables	3,775,893	(2,512,063)
Change in trade and other payables	(1,263,795)	1,442,890
Cash generated from operations	21,896,048	15,870,493
Finance income received	2,966	9,919
Finance costs paid	(447,149)	(568,380)
Income taxes paid	(6,794,529)	(7,452,421)
Net cash generated from operating activities	14,657,336	7,859,611
Investing activities		
Purchase of property, plant and equipment	(5,387,644)	(10,494,598)
Net cash used in investing activities	(5,387,644)	(10,494,598)
Financing activities		
Loan repayments	(2,907,713)	(5,480,979)
Lease liabilities payments	(412,709)	-
Related party payables repayments	(473,025)	-
Shares issued on options exercised	518,200	205,576
Loans received	-	7,000,000
Share buy-back	-	(90,478)
Net cash (used in) / provided from financing activities	(3,275,247)	1,634,119
Effect of movement in exchange rates on cash	(53,344)	(73,791)
Net increase / (decrease) in cash	5,941,101	(1,074,659)
Cash at beginning of the year	4,617,083	5,691,742
Cash at end of the year	10,558,184	4,617,083

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

1. GENERAL INFORMATION

Geodrill Limited (the “Company” or “Geodrill”) is a company registered and domiciled in the Isle of Man. The address of the Company’s registered office is Ragnall House, 18 Peel Road, Douglas, Isle of Man, IM1 4LZ. The audited consolidated financial statements of the Company for the years ended December 31, 2019 and 2018 comprise the financial statements of the Company and its wholly owned subsidiaries, Geodrill Ghana Limited, Geotool Limited, Geo-Forage BF SARL, Geo-Forage Cote d’Ivoire SARL, Geo-Forage Mali SARL, Geo-Forage Senegal SARL, Geodrill Mauritius Limited, Geodrill Cote d’Ivoire SARL, D.S.I. Services Limited (“DSI”), D.S.I. Services (IOM) Limited (“DSI IOM”), Geodrill Zambia Limited being Geodrill Limited’s registered foreign Zambian operating entity and Geodrill BF SARL being Geodrill Cote d’Ivoire SARL’s registered foreign Burkina Faso operating entity, collectively referred to as the “Group”.

The Company is primarily a provider of mineral exploration drilling services. These audited consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill on February 29, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB) using the accounting policies Geodrill adopted in its annual consolidated financial statements as at and for the year ended December 31, 2019. The financial statements are prepared on a going concern basis.

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments

(i) Recognition

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

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

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

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

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

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

(ii) Derecognition

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

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

(iii) Measurement

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

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

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

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

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

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

Further information relating to the fair values of financial instruments is provided in notes 5 and 19.

(iv) Amortized cost measurement

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

(v) Offsetting

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

(vi) Share capital

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

(vii) Compound financial instruments

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

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

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

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

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

(viii) Trade receivables

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

f. Property, plant and equipment

(i) Recognition and measurement

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

(ii) Borrowing costs

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Property, plant and equipment (continued)

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

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

(v) Impairment

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

The Company's market capitalization is currently below the Company's net book value which is considered to be an indicator of potential impairment of the carrying value of the Company's property, plant and equipment as at December 31, 2019. The outcome of the analysis was such that the expected net recoverable amount exceeded the carrying value of the property, plant and equipment and, accordingly, no impairment loss was recognized in the year.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amounts. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups. Due to the integrated nature of operations and re-deployment of drill rigs between countries, property, plant and equipment is tested as a single cash generating unit.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Property, plant and equipment (continued)

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

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

g. Inventories

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

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

h. Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Employee benefits (continued)

(iii) Share-based payment transactions

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

i. Income tax

Income tax expense comprises current and deferred tax expenses.

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

j. Dividends

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

k. Revenue – drilling revenue

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Revenue – drilling revenue (continued)

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

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

l. Finance income

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

m. Finance costs

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

n. Foreign exchange

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

o. Provisions

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

p. Post balance sheet events

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

q. Earnings per share

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(i) Estimates

a. Depreciation of property, plant and equipment

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

b. Share-based payment transactions

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

c. Net realizable value of inventory

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

d. Allowance for doubtful accounts

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

e. Income tax

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

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

(ii) Judgments

a. Assessment of impairment of property, plant and equipment

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

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

b. Functional currency

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

4. NEW AND FUTURE ACCOUNTING STANDARDS

Adoption of new and amended accounting pronouncements

IFRS 16 – Leases

The Company has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening Statement of Financial Position on January 1, 2019.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)

IFRS 16 – Leases (continued)

On transition, the Company has opted to apply the following practical expedients:

- 1) Used a single discount rate to the portfolio of operating leases
- 2) Opted not to apply IFRS 16 to operating leases for which the lease term ends within 12 months of the date of initial application.

As the opening balances have not been restated, the 2018 balance are classified and measured as follows:

(i) Classification

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

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

(ii) Lease payments

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

Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 8%.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)

IFRS 16 – Leases (continued)

	January 1, 2019 US\$
Operating lease commitments disclosed as at December 31, 2018	663,600
Discounted using the lessee's incremental borrowing rate at the date of initial application	608,314
Add: Additional lease liabilities recognized as at December 31, 2018	89,536
(Less): short-term leases recognized on a straight-line basis as expense	(4,800)
Lease liabilities recognized as at January 1, 2019	693,050
Of which are:	
Current lease liabilities	332,969
Non-current lease liabilities	360,081
	693,050

The right-of-use assets of US\$768,299 were measured at the amount equal to the lease liabilities of US\$693,050, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the Statement of Financial Position as at December 31, 2018 of US\$75,249. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	January 1, 2019 US\$
Properties	768,299
Total right-of-use assets	768,299

5. DETERMINATION OF FAIR VALUES

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

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

a. Trade and other receivables

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

b. Cash

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

c. Trade and other payables

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

5. DETERMINATION OF FAIR VALUES (CONTINUED)

d. Loans payable

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

e. Share-based payment transactions

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

f. Financial assets held at fair value through profit and loss

Financial assets held at fair value through profit and loss consist of listed equity securities and their fair value is measured using quoted market prices.

6. SEASONALITY OF OPERATIONS

The operations have tended to exhibit a seasonal pattern. The first and fourth quarters are affected due to shutdown of exploration activities, often for extended periods over the holiday season. The second quarter is typically affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week. The wet season occurs (in some geographical areas where the Company operates, particularly in Burkina Faso and Mali) normally in the third quarter, but in the recent years the global weather pattern has become somewhat erratic. In the third quarter of 2019, the Company was impacted by the wet season. The Company has historically taken advantage of the wet season and has scheduled the third quarter for maintenance and rebuild programs for drill rigs and equipment.

7. SEGMENT REPORTING

The primary format of operating segments is based on the Company's management and internal reporting structure, which is submitted to the Chief Executive Officer (CEO) who is the Chief Operating Decision Maker. Due to the integrated nature of the Company's operations and re-deployment of drill rigs within Africa, the Company maintains only one operating segment.

For the year ended December 31, 2019, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 19% and two customers contributed 11%.

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

8. EXPENSES BY NATURE

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

	2019	2018
	US\$	US\$
Expenses		
Wages and employee benefits	28,632,386	31,432,639
Drill rig expenses and fuel	22,469,382	20,097,050
External services, contractors and others	13,075,268	15,532,743
Depreciation	7,381,454	6,580,414
Repairs and maintenance	3,578,069	4,716,386
Expected lifetime credit (recovery) / losses	(29,588)	893,067
	<u>75,106,971</u>	<u>79,252,299</u>

	2019	2018
	US\$	US\$
Cost of sales	65,221,195	66,071,456 ⁽¹⁾
Selling, general and administrative expenses	9,885,776	13,180,843 ⁽¹⁾
	<u>75,106,971</u>	<u>79,252,299</u>

⁽¹⁾ For the year ended December 31, 2018, the Group reclassified US\$16,161,429 from selling, general and administrative expenses to cost of sales. This reclassification had no impact on the net income or earnings per share for the current or prior periods presented as the reclassification relates to the Consolidated Statement of Comprehensive Income only and has no effect on the other financial statements.

9. TAXATION

(i) Income tax expense

	2019	2018
	US\$	US\$
Current tax expense (iii)	5,598,095	7,819,356
Deferred tax expense (iv)	2,676,266	707,499
	<u>8,274,361</u>	<u>8,526,855</u>

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

9. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US\$	Payments during the year US\$	Charge for the year US\$	Balance at Dec. 31 US\$
2019	2,886,000	(6,794,529)	5,598,095	1,689,566
2018	2,519,065	(7,452,421)	7,819,356	2,886,000

(iii) Reconciliation of effective tax rate

	2019 US\$	2018 US\$
Income before tax	12,150,724	9,189,100
Ghana corporate tax at 25%	3,037,681	2,297,275
Add:		
Effect of different rate tax countries	720,011	(1,205,714)
Adjustments for current tax of prior years	(97,075)	488,215
Tax effect of amounts that are not deductible in calculating taxable income	826,748	335,672
Tax expense before withholding tax	4,487,365	1,915,448
	36.9%	20.8%
Add:		
Withholding tax	3,786,996	6,611,407
Total tax expense	8,274,361	8,526,855
Effective tax rate	68.1%	92.8%

During the year ended December 31, 2019, the Group recognized an over provision in tax payable in the amount of US\$97,075 (2018: under provision of US\$488,215) reflecting the outcome of a review by the tax authorities in jurisdictions in which it operates.

(iv) Deferred tax liability

	2019 US\$	2018 US\$
Balance at January 1	707,499	-
Charge for the year	2,676,266	707,499
Balance at end of the year	3,383,765	707,499

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

9. TAXATION (CONTINUED)

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2019	2018
	US\$	US\$
Tax losses carried forward (1)	833,708	3,936,508
Provision for inventory obsolescence	140,659	86,637
Movement in expected lifetime credit losses	33,684	207,766
Property, plant and equipment	(3,498,072)	(4,375,298)
Deferred tax asset not recognized (2)	(893,744)	(563,112)
Total	(3,383,765)	(707,499)

(1) Effective January 1, 2016, the Ghana Revenue Authority introduced the Income Tax Act 2015 (Act 896). This had the impact of transferring unutilized capital cost allowances to losses carried forward. These losses which were available for a period of five years expiring on December 31, 2021 were fully utilized during the year.

The Group also has tax losses in Zambia available for a period of five years expiring during the years December 31, 2020 through December 31, 2024.

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

10. PROPERTY, PLANT AND EQUIPMENT

2019	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Land & Leasehold Improvements US\$	Capital Work in Progress (CWIP) US\$	Total US\$
Cost						
Balance at January 1, 2019	7,836,460	24,637,055	61,994,806	4,098,596	6,218,460	104,785,377
Additions	-	-	-	-	5,462,852	5,462,852
Reclassifications from CWIP	651,765	1,559,466	3,885,593	1,066,705	(7,163,529)	-
Assets retired during the year	(334,258)	(97,841)	(1,392,805)	-	-	(1,824,904)
Balance at December 31, 2019	8,153,967	26,098,680	64,487,594	5,165,301	4,517,783	108,423,325
Accumulated Depreciation						
Balance at January 1, 2019	6,095,913	20,107,243	33,184,612	2,201,244	-	61,589,012
Charge for the period	543,996	1,495,725	4,672,853	248,416	-	6,960,990
Assets retired during the year	(334,258)	(97,841)	(1,392,805)	-	-	(1,824,904)
Balance at December 31, 2019	6,305,651	21,505,127	36,464,660	2,449,660	-	66,725,098
Carrying amounts at December 31, 2019	1,848,316	4,593,553	28,022,934	2,715,641	4,517,783	41,698,227

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2019	2018
	US\$	US\$
Cost of sales	6,712,573	6,391,258 ⁽¹⁾
Selling, general and administrative expenses	248,417	189,155 ⁽¹⁾
	<u>6,960,990</u>	<u>6,580,413</u>

⁽¹⁾ For the year ended December 31, 2018, the Group reclassified US\$481,981 in depreciation expense from selling, general and administrative expenses to cost of sales. This reclassification had no impact on the net income or earnings per share for the current or prior periods presented as the reclassification relates to the Consolidated Statement of Comprehensive Income only and has no effect on the other financial statements.

As at December 31, 2019, property, plant and equipment with a carrying amount of US\$12,856,211 (December 31, 2018: US\$14,436,298) has been pledged as security for certain loans (note 16).

11. RIGHT-OF-USE ASSETS

	Right-of-use Assets Leased Properties US\$
Cost	
Balance at December 31, 2018	-
Amount recognized on transition of IFRS 16	768,299
Balance at January 1, 2019	768,299
Additions	117,234
Movement in foreign exchange	(4,784)
Balance at December 31, 2019	880,749
Accumulated Depreciation	
Balance at December 31, 2018	-
Amount recognized on transition of IFRS 16	-
Balance at January 1, 2019	-
Charge for the year	420,464
Balance at December 31, 2019	420,464
Carrying amounts at December 31, 2019	460,285

The amount of depreciation recognized as expense in the year ended December 31, 2019 was US\$420,464.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies equity investments that are held for trading as financial assets at fair value through profit or loss (FVTPL). Financial assets mandatorily measured at FVPL include the following:

	2019	2018
	US\$	US\$
Current assets		
Listed equity securities	428,787	-
	<u>428,787</u>	<u>-</u>

During the year the Group realized a loss on FVTPL of US\$142,003 (2018: US\$ Nil).

13. INVENTORIES

	2019	2018
	US\$	US\$
Inventories on hand	17,896,565	17,133,638
Inventories in transit	482,864	471,640
Provision for obsolescence	(719,151)	(405,765)
	<u>17,660,278</u>	<u>17,199,513</u>

The amount of inventories recognized as expense for the year is US\$28,851,717 (2018: US\$28,182,036). Inventory write downs in the year amounted to US\$14,422 (2018: US\$417,546).

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	US\$	US\$
Trade receivables	14,964,141	20,005,224
Expected life time credit losses	(303,884)	(1,110,911)
Net trade receivables	14,660,257	18,894,313
Cash advances	98,924	50,751
Sundry receivables	556,272	116,694
	<u>15,315,453</u>	<u>19,061,758</u>

As at December 31, 2019, trade receivables with a carrying amount of US\$6,144,830 (December 31, 2018: US\$8,681,897) have been pledged as security for certain loans (note 16).

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

The movements in the expected life time credit losses is as follows:

	2019	2018
	US\$	US\$
Balance at January 1	1,110,911	217,845
Movement in expected lifetime credit losses in the year	(29,588)	20,296
Specific provisions made in the year	-	872,770
Amounts written off in the year	(777,439)	-
Balance at end of year	303,884	1,110,911

Trade and other receivables are recorded at amortized cost. Bad debt recovery recorded on trade and other receivables during the year ended December 31, 2019 amounted to US\$Nil (December 31, 2018: US\$Nil). The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 20(i).

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

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

15. CASH

	2019	2018
	US\$	US\$
Cash at bank	10,456,335	4,503,641
Cash on hand	101,849	113,442
	10,558,184	4,617,083

As at December 31, 2019, cash of US\$10,558,184 was available to the Group (December 31, 2018: US\$4,617,083).

Bank balances denominated in currencies other than the Group's functional currency are detailed in note 20iii(a).

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

16. LOANS PAYABLE

	2019	2018
	US\$	US\$
US\$6.5M Medium Term Loan (i)	3,250,000	5,416,667
US\$3.5M Revolving Line of Credit (ii)	-	500,000
Equipment Loan (iii)	120,523	361,569
Total	3,370,523	6,278,236
Current portion of loans	2,287,190	2,907,713
Non-current portion of loans	1,083,333	3,370,523

(i) US\$6.5M Medium Term Loan

On April 24, 2018, the Group entered into a Medium Term Loan with Ecobank Ghana Limited. The Medium Term Loan in the amount of US\$6.5 million (the “US\$6.5M Medium Term Loan”) matures on April 30, 2021. Principal is repaid in 12 equal quarterly instalments required to satisfy the principal over the term of the loan commencing on July 31, 2018. Interest is payable monthly in arrears. The US\$6.5M Medium Term Loan bears interest at a rate of 8.5% per annum and is subject to periodic review in line with market conditions. The US\$6.5M Medium Term Loan is secured by certain assets of the Group (Note 10 and Note 14). The US\$6.5M Medium Term Loan may be repaid prior to maturity by the Group without penalty or other costs other than interest accrued to the date of such repayment. The effective interest rate of the US\$6.5M Medium Term Loan is 9.1%. The US\$6.5M Medium Term Loan is subject to, and as at December 31, 2019, the Group was in compliance with normal course covenants.

(ii) US\$3.5M Revolving Line of Credit

On April 23, 2019, the Group entered into a new Revolving Line of Credit with Ecobank Ghana Limited maturing on April 30, 2020. The Revolving Line of Credit in the amount of US\$3.5 million (the “US\$3.5M Revolving Line of Credit”) repayable interest only monthly and principal one year after initial drawdown, bears interest at a rate of 8.5% per annum on any utilized portion and is subject to periodic review in line with market conditions. The US\$3.5M Revolving Line of Credit is secured by certain assets of the Group (Note 10 and Note 14). The US\$3.5M Revolving Line of Credit may be repaid prior to maturity by the Group without penalty or other costs other than interest accrued to the date of such repayment. The US\$0.5M drawdown on the US\$3.5M Revolving Line of Credit was fully repaid on December 31, 2019 and resulting in a NIL balance drawn on the US\$3.5M Revolving Line of Credit as at December 31, 2019. The US\$3.5M Revolving Line of Credit is subject to, and as at December 31, 2019, the Group was in compliance with normal course covenants.

(iii) Equipment Loan

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

17. TRADE AND OTHER PAYABLES

	2019	2018
	US\$	US\$
Trade payables	5,491,743	6,321,261
Other creditors and accrued expenses	4,902,974	4,439,756
VAT liability	1,194,214	2,497,396
	<hr/> 11,588,931	<hr/> 13,258,413

Trade and other payables denominated in currencies other than the Group's functional currency are detailed in note 20iii(a).

18. EMPLOYEE BENEFIT OBLIGATIONS

Defined Contribution Plans

(i) *Social Security*

The Group contributes to various social security plans. Under the plans, the Group makes contributions into government funds. The amounts contributed during the year were US\$84,518 (2018: US\$96,112). The Group's obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities if due but not paid.

(ii) *Provident Fund*

The Group contributes for certain staff to a provident fund plan. The amounts contributed during the year were US\$25,227 (2018: US\$48,151). The Group's obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities if due but not paid.

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

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. The fair value of financial assets held at fair value through profit and loss are measured using quoted market prices.

There were no financial instruments classified as level 2 or 3 in the fair value hierarchy at December 31, 2019 and 2018.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

20. 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 risk management 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.

As at December 31, 2019, three customers individually contributed 10% or more to the Group's trade receivables. Those customers all contributed 13% each.

As at December 31, 2018, four customers individually contributed 10% or more to the Group's trade receivables. Two customers each contributed 12% and two customers each contributed 11%.

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:

	2019	2018
	US\$	US\$
Trade and other receivables	15,315,453	19,061,758
Cash	10,558,184	4,617,083
	<hr/> 25,873,637	<hr/> 23,678,841

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

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

	2019	2018
	US\$	US\$
Mining and exploration companies	14,660,257	18,894,313
Others	655,196	167,445
	<hr/> 15,315,453	<hr/> 19,061,758

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

	2019	2018
	US\$	US\$
Less than 30 days	3,867,220	5,868,225
31 - 60 days	4,740,423	7,014,854
61 - 90 days	2,908,234	3,270,075
91 days and greater	3,144,380	2,741,159
	<hr/> 14,660,257	<hr/> 18,894,313

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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\$	Greater than One Year US\$
December 31, 2019			
Non-derivative financial liability			
Trade and other payables	10,394,717	10,394,717	-
Related party payables	450,000	450,000	-
Loans payable	3,370,523	2,287,190	1,083,333
Lease liabilities	438,463	323,088	115,375
Balance at December 31, 2019	<u>14,653,703</u>	<u>13,454,995</u>	<u>1,198,708</u>
December 31, 2018			
Non-derivative financial liability			
Trade and other payables	10,761,017	10,761,017	-
Related party payables	923,025	923,025	-
Loans payable	6,278,236	2,907,713	3,370,523
Balance at December 31, 2018	<u>17,962,278</u>	<u>14,591,755</u>	<u>3,370,523</u>

(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.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(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¢), the 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.

December 31, 2019							
	EURO	GH¢	GBP	CFA	AUD	CAD	ZMW
Cash	4,912	637,338	4,860	1,514,693,621	94,991	49,656	237,030
Financial assets at fair value through profit and loss	-	-	278,819	-	90,264	-	-
Trade receivables	-	-	-	3,286,417,630	-	-	-
Trade payables	(515,388)	(2,837,560)	(30,017)	(674,632,654)	(2,008,911)	(207,644)	(655,366)
Taxes payable	-	-	-	(507,934,381)	-	-	-
Gross exposure	(510,476)	(2,200,222)	253,662	3,618,544,216	(1,823,656)	(157,988)	(418,336)
December 31, 2018							
	EURO	GH¢	GBP	CFA	AUD	CAD	ZMW
Cash	2,145	126,830	26,841	848,542	21,881	100,483	4,172
Trade receivables	-	-	-	2,146,295,670	-	-	-
Trade payables	(480,903)	(5,085,430)	(100,239)	(657,149,715)	(2,734,887)	(791,798)	(53,555)
Taxes payable	-	-	-	(36,660,408)	-	-	-
Gross exposure	(478,758)	(4,958,600)	(73,398)	1,453,334,089	(2,713,006)	(691,315)	(49,383)

The following significant exchange rates applied during the years:

US\$1=	2019		2018	
	Reporting Rate	Average Rate	Reporting Rate	Average Rate
EURO	0.8915	0.8931	0.8737	0.8471
GH¢	5.6878	5.3404	4.8471	4.6669
GBP	0.7583	0.7833	0.7851	0.7496
CFA	584.8143	585.8560	573.0901	555.6681
AUD	1.4257	1.4380	1.4174	1.3385
CAD	1.3016	1.3266	1.3630	1.2956
ZMW	14.0394	12.8761	11.8973	10.4236

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(a) Foreign currency risk (continued)

Sensitivity analysis on currency risks

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

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

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

	As at December 31, 2019			2018		
	% Change	Profit or Loss impact before tax US\$	Equity US\$	% Change	Profit or Loss impact before tax US\$	Equity US\$
EURO	±10	±57,260	±57,260	±10	±54,797	±54,797
GH¢	±10	±38,683	±38,683	±10	±102,300	±102,300
GBP	±10	±33,451	±33,451	±10	±9,349	±9,349
CFA	±10	±618,751	±618,751	±10	±258,348	±258,348
AUD	±10	±127,913	±127,913	±10	±191,407	±191,407
CAD	±10	±12,138	±12,138	±10	±50,720	±50,720
ZMW	±10	±2,980	±2,980	±10	±415	±415

(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:

	2019 US\$	2018 US\$
Variable rate instruments		
Bank balances	10,456,335	4,503,641
Fixed rate instruments		
Loans	3,370,523	6,278,236

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(b) Interest rate risk (continued)

Sensitivity analysis for variable rate instruments

A change of 200 basis points in the interest rate at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019 and 2018.

As at December 31,	2019			2018		
	% Change	Profit or Loss impact before tax US\$	Equity US\$	% Change	Profit or Loss impact before tax US\$	Equity US\$
Bank balances	±2%	±209,127	±209,127	±2%	±90,073	±90,073

(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, 2019 and 2018 is as follows:

Capital Management	2019 US\$	2018 US\$
Loans payable	3,370,523	6,278,236
Share capital	23,204,469	22,428,417
Share-based payment reserve	4,351,899	4,464,416
Retained earnings	38,242,108	34,365,745
	69,168,999	67,536,814

(c) Equity price risk

The Group holds equity investments and is exposed to equity price risk. The equity investments are held for sale and not held for strategic purposes.

If equity prices had been 10% higher or lower and all other variables were held constant, the Groups equity and profit or loss for the year ended December 31, 2019 would increase/decrease by US\$42,879 (2018: US\$Nil).

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

21. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2019	2018
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
D.S.I. Services Limited	Subsidiary	British Virgin Islands	100%	100%
D.S.I. Services (IOM) Limited	Subsidiary	Isle of Man	100%	-
Geotool Limited	Subsidiary	British Virgin Islands	100%	100%
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	100%
Geodrill BF SARL	Registered foreign operating entity	Cote d'Ivoire	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 Zambia	Registered foreign operating entity	Zambia	100%	100%
Geodrill Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geodrill Mauritius Limited	Subsidiary	Mauritius	100%	100%
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 39.3% (December 31, 2018: 40.1%) 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.

For the year ending December 31, 2019, the right-of-use assets relating to the properties above was US\$195,214 and the related lease liabilities were US\$179,499.

The Group has paid fees to Clearwater Fiduciary Services Limited during the year ended December 31, 2019 of US\$13,873 (2018: US\$13,893). One of the directors of Clearwater Fiduciary Services Limited is also a director of Geodrill Limited.

The Group has paid fees to MS Risk Limited during the year ended December 31, 2019 of US\$NIL (2018: US\$10,181). One of the directors of MS Risk Limited is also a director of Geodrill Limited.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Key management personnel and directors' transactions

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

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

	2019	2018
	US\$	US\$
Short-term benefits	3,996,681	3,585,138
Share-based payment arrangements	145,334	241,947
	<u>4,142,015</u>	<u>3,827,085</u>

(iii) Related party payables

The related party payables balance payable to The Harper Family Settlement as at December 31, 2019 amounts to US\$450,000 (December 31, 2018: US\$923,025). The related party payables balance is unsecured, interest free and is repayable on demand at the option of The Harper Family Settlement.

22. COMMITMENTS

As at December 31, 2019 and December 31, 2018, the Group had no capital commitments.

23. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital	2019	2018
Shares issued and fully paid	44,430,400	43,574,500
Shares reserved for share option plan	4,443,040	4,357,450
Total shares issued and reserved	<u>48,873,440</u>	<u>47,931,950</u>

Reconciliation of changes in issued shares

	2019	2018
Shares issued at January 1,	43,574,500	43,300,400
Stock options exercised	855,900	335,000
Share buy-back	-	(60,900)
Shares issued at end of year	<u>44,430,400</u>	<u>43,574,500</u>

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

23. SHARE CAPITAL AND RESERVES (CONTINUED)

(i) Share capital (continued)

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

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

(ii) Share-based payment reserve

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

The share based payment expense for the year of US\$145,334 (2018: US\$269,950) was included in selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income.

(iii) Retained earnings

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

24. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2019 was based on the income attributable to ordinary shareholders of US\$3,876,363 (2018: US\$662,245), and on the weighted average number of ordinary shares outstanding of 44,016,667 (2018: 43,527,853) calculated as follows:

	2019	2018
	US\$	US\$
Income attributable to ordinary shareholders	3,876,363	662,245

Weighted average number of ordinary shares

	2019	2018
	Shares	Shares
Issued ordinary shares	44,016,667	43,527,853
Earnings per share	\$0.09	\$0.02

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

24. EARNINGS PER SHARE (CONTINUED)

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2019 was based on the income attributable to ordinary shareholders of US\$3,876,363 (2018: US\$662,245), and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 44,555,265 (2018: 44,676,530), calculated as follows:

	2019	2018
	US\$	US\$
Income attributable to ordinary shareholders	3,876,363	662,245

Weighted average number of ordinary shares - diluted

	2019	2018
	Shares	Shares
Weighted average number of ordinary shares - basic	44,016,667	43,527,853
Effect of share options in issue	538,598 ⁽¹⁾	1,148,683 ⁽²⁾
	<u>44,555,265</u>	<u>44,676,536</u>

Diluted earnings per share	\$0.09	\$0.01
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(1) For the year ended December 31, 2019, 1,355,700 options in issue were dilutive and were included in the calculation of the diluted earnings per share, however, they did not have an effect on the diluted earnings per share amount.

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

25. DIVIDENDS

No dividends were paid in 2019 or 2018, nor were dividends declared through to February 29, 2020.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

26. EQUITY-SETTLED SHARE-BASED PAYMENTS

Stock Option Plan (“SOP”)

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

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

	2019		2018	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	3,931,600	C\$1.44	4,156,600	C\$1.38
Granted May 15, 2019	365,000	C\$1.36	-	-
Granted May 16, 2018	-	-	110,000	C\$2.00
Total Granted	365,000	C\$1.36	110,000	C\$2.00
Exercised March 11, 2019	(45,000)	C\$0.84		
Exercised March 12, 2019	(45,000)	C\$0.84		
Exercised March 14, 2019	(25,000)	C\$0.84		
Exercised March 18, 2019	(150,000)	C\$0.84		
Exercised March 19, 2019	(30,000)	C\$0.84		
Exercised March 21, 2019	(15,000)	C\$0.84		
Exercised May 15, 2019	(15,000)	C\$0.84		
Exercised June 13, 2019	(30,000)	C\$0.51		
Exercised June 13, 2019	(15,000)	C\$0.79		
Exercised June 21, 2019	(135,000)	C\$0.79		
Exercised August 9, 2019	(185,000)	C\$0.81		
Exercised September 11, 2019	(30,900)	C\$0.79		
Exercised December 16, 2019	(135,000)	C\$0.79		
Exercised January 15, 2018			(24,500)	C\$0.81
Exercised March 8, 2018			(90,000)	C\$0.72
Exercised March 8, 2018			(5,500)	C\$0.81
Exercised March 15, 2018			(35,000)	C\$0.81
Exercised March 19, 2018			(15,000)	C\$0.81
Exercised May 9, 2018			(45,000)	C\$0.81
Exercised May 11, 2018			(15,000)	C\$0.81
Exercised May 14, 2018			(105,000)	C\$0.81
Total Exercised	(855,900)	C\$0.80	(335,000)	C\$0.79
Forfeited September 2, 2019	(70,000)	C\$1.88		
Total Forfeited	(70,000)	C\$1.88		
Balance ending	3,370,700	C\$1.58	3,931,600	C\$1.44

The following table summarizes the options outstanding at December 31, 2019:

Options	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
Granted on May 19, 2015	C\$0.51	150,000	5 mos	150,000
Granted on March 14, 2016	C\$0.79	860,700	1 Yrs & 3 mos	860,700
Granted on June 30, 2016	C\$1.62	330,000	1 Yr & 6 mos	330,000
Granted on May 12, 2017	C\$2.14	1,595,000	2 Yrs & 5 mos	1,595,000
Granted on May 16, 2018	C\$2.00	90,000	3 Yrs & 5 mos	90,000
Granted on May 15, 2019	C\$1.36	345,000	4 Yrs & 5 mos	345,000

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

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

Stock Option Plan (“SOP”) (continued)

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

Granted on	May 19, 2015	March 14, 2016	June 30, 2016	May 12, 2017	May 16, 2018	May 15, 2019
Risk free interest rate	1.10%	1.10%	0.57%	1.04%	1.04%	1.54%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Stock price volatility	111%	46%	52%	50%	40%	42%
Expected life of options	5 years	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	30%	30%	30%	30%	30%	30%

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

27. CONTINGENCY

On December 20, 2019, the Burkina Faso Tax Authority’s Head of Taxpayers Management Department (“BFTA”) made an assessment on Geodrill Limited claiming tax and penalties of \$17.9 million (10,460,774,574 CFA) for the years 2016 through 2018. For the years of assessment, the BFTA has assessed that Geodrill Limited had a permanent establishment in Burkina Faso and was subject to taxes, penalties and interest provided in Burkina Faso’s tax legislation. Geodrill Limited maintains that it did not have a permanent establishment in Burkina Faso in the years of assessment and operated in Burkina Faso as a non-resident tax payer. As a non-resident tax payer, Geodrill Limited was subject to a withholding tax on a percentage of its revenue as it was not registered with the BFTA and had never obtained a unique financial identification number. During the years 2016 and 2017, Geodrill Limited was subject to a non-resident ten percent (10%) withholding tax and during the year 2018, Geodrill Limited was subject to a twenty percent (20%) non-resident withholding tax. The non-resident withholding tax is paid to the Director General of taxes directly from Geodrill Limited’s clients on Geodrill Limited’s behalf.

Geodrill has reviewed the BFTA assessment and disagrees with their conclusion and believes it is without merit. Geodrill Limited maintains that it does not have a permanent establishment in Burkina Faso and believes it was appropriately taxed for the years 2016 – 2018 through the non-resident withholding tax system.

28. COMPARATIVE INFORMATION

Certain of the comparative information has been reclassified to conform to the presentation adopted in the current year. The impact of the reclassification on selling, general and administrative and cost of sales is disclosed in Note 8 and Note 10. There was no impact to the financial position or net income as a result of the reclassification.