

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2019 and 2018

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at June 30, 2019 and December 31, 2018

CONTENTS

	Page
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	3
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	4
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS	5
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	6-27

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

As at June 30, 2019 and December 31, 2018

	Note	June 30, 2019 US\$	December 31, 2018 US\$
Assets			
Non-current assets			
Property, plant and equipment	9	43,273,271	43,196,365
Right-of-use assets	10	642,115	-
Total non-current assets		43,915,386	43,196,365
Current assets			
Inventories	11	17,398,727	17,199,513
Prepayments		1,550,017	1,237,032
Trade and other receivables	12	28,185,221	19,061,758
Cash	13	3,218,475	4,617,083
Total current assets		50,352,440	42,115,386
Total assets		94,267,826	85,311,751
Equity and liabilities			
Equity			
Share capital		22,875,757	22,428,417
Share-based payment reserve		4,467,571	4,464,416
Retained earnings		38,374,424	34,365,745
Total equity		65,717,752	61,258,578
Liabilities			
Non-current liabilities			
Deferred tax liability	8(iv)	1,771,787	707,499
Loans payable	14	2,166,667	3,370,523
Lease liabilities		216,299	-
Total non-current liabilities		4,154,753	4,078,022
Current liabilities			
Trade and other payables	15	16,574,344	13,258,413
Loans payable	14	2,907,713	2,907,713
Lease liabilities		346,480	-
Taxes payable	8(ii)	3,873,784	2,886,000
Related party payables	17(iii)	693,000	923,025
Total current liabilities		24,395,321	19,975,151
Total equity and liabilities		94,267,826	85,311,751

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME (UNAUDITED)

For the three and six months ended June 30, 2019 and 2018

	Note	Three-month period ended June 30		Six-month period ended June 30	
		2019 US\$	2018 US\$	2019 US\$	2018 US\$
Revenue		27,786,540	27,280,406	49,913,763	51,532,603
Cost of sales	7	(18,883,753)	(18,904,302)	(34,635,081)	(35,621,193)
Gross profit		8,902,787	8,376,104	15,278,682	15,911,410
Selling, general and administrative expenses	7	(2,834,541)	(3,049,505)	(5,549,151)	(6,140,636)
Foreign exchange gain		88,898	296,972	348,982	191,001
Results from operating activities		6,157,144	5,623,571	10,078,513	9,961,775
Finance income		312	2,109	2,858	3,429
Finance costs		(129,713)	(127,947)	(266,772)	(242,474)
Income before taxation		6,027,743	5,497,733	9,814,599	9,722,730
Income tax expense	8(i)	(3,547,242)	(3,122,256)	(5,805,920)	(5,978,573)
Income and total comprehensive income for the period		2,480,501	2,375,477	4,008,679	3,744,157
Earnings per share					
Basic	20(i)	\$0.06	\$0.05	\$0.09	\$0.09
Diluted	20(ii)	\$0.06	\$0.05	\$0.09	\$0.08

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

For the six months ended June 30, 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 period	-	-	4,008,679	4,008,679
Exercise of stock options	447,340	(142,180)	-	305,160
Share-based payment expense	-	145,335	-	145,335
Balance at June 30, 2019	22,875,757	4,467,571	38,374,424	65,717,752
Balance at January 1, 2018	22,129,477	4,319,175	33,980,478	60,429,130
Adoption of IFRS 9 (Notes 3 and 11)	-	-	(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 period	-	-	3,744,157	3,744,157
Exercise of stock options	330,285	(124,709)	-	205,576
Share-based payment expense	-	207,702	-	207,702
Balance at June 30, 2018	22,459,762	4,402,168	37,506,790	64,368,720

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2019 and 2018

	June 30, 2019 US\$	June 30, 2018 US\$
Cash flows from operating activities		
Income before taxation	9,814,599	9,722,730
<i>Adjustments for:</i>		
Depreciation expense	3,634,073	3,132,608
Movement in expected lifetime credit losses	47,208	65,037
Change in provision for inventory obsolescence	78,932	138,304
Equity-settled share-based payment expense	145,335	207,702
Finance income	(2,858)	(3,429)
Finance costs	266,772	242,474
Unrealized foreign exchange gain	(293,375)	(99,235)
	13,690,686	13,406,191
Change in inventories	(278,146)	(450,587)
Change in prepayments	(388,164)	282,911
Change in trade and other receivables	(9,170,671)	(7,492,499)
Change in trade and other payables	3,669,363	4,516,127
Cash generated from operations	7,523,068	10,262,143
Finance income received	2,858	3,429
Finance costs paid	(247,424)	(282,963)
Income taxes paid	(3,753,848)	(3,689,678)
Net cash generated from operating activities	3,524,654	6,292,931
Investing activities		
Purchase of property, plant and equipment	(3,505,849)	(6,563,487)
Net cash used in investing activities	(3,505,849)	(6,563,487)
Financing activities		
Loans received	-	6,500,000
Loan repayments	(1,203,856)	(4,277,123)
Shares issued	305,160	205,576
Lease liabilities payments	(233,260)	-
Change in related party payables	(230,025)	-
Net cash (used in) / provided from financing activities	(1,361,981)	2,428,453
Effect of movement in exchange rates on cash	(55,432)	(91,766)
Net (decrease) / increase in cash	(1,398,608)	2,066,131
Cash at beginning of the period	4,617,083	5,691,742
Cash at end of the period	3,218,475	7,757,873

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 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 unaudited condensed interim consolidated financial statements of the Company for periods ended June 30, 2019 and 2018 comprise the interim 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”) and Geodrill Limited’s registered foreign Zambian operating entity, together referred to as the “Group”.

The Group is primarily a provider of mineral exploration drilling services. These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill on August 3, 2019.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2019 have been prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies as presented in Note 2 disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2018 except for the adoption of the new standard effective January 1, 2019 as described in Note 3. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) has been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited 2018 annual consolidated financial statements of the Company.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Critical accounting estimates and judgments

In preparing these unaudited condensed interim consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2018.

(e) Impairment testing

The current market capitalization of the company was considered to be an indicator of potential impairment of the carrying value of the Group’s property, plant and equipment as at June 30, 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 period.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended December 31, 2018, with the exception of the impact of certain new accounting standards or new interpretations issued by the IASB, which were effective from January 1, 2019.

a) Adoption of new and amended accounting pronouncements

IFRS 16 – Leases

The Group 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.

On transition, the Group 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 Group 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.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the Group 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%.

	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

4. DETERMINATION OF FAIR VALUES

A number of the Group'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 Group's basis of determining fair values of financial instruments:

(a) Trade and other receivables

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

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(b) Cash

Cash consists of cash at bank and cash on hand.

(c) Trade and other payables

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

(d) Loans payable

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

(e) Share-based payment transactions

The fair value of share 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, 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.

5. 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 Group 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. The Group has historically taken advantage of the wet season and has scheduled the third quarter for maintenance and rebuild programs for drill rigs and equipment.

6. SEGMENT REPORTING

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

For the three months ended June 30, 2019, four customers individually contributed 10% or more to the Company's revenue. One customer contributed 21%, one customer contributed 14%, one customer contributed 12% and one customer contributed 11%.

For the three months ended June 30, 2018, three customers individually contributed 10% or more to the Company's revenue. One customer contributed 15%, one customer contributed 14% and one customer contributed 13%.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2019 and 2018

6. SEGMENT REPORTING (CONTINUED)

For the six months ended June 30, 2019, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 21%, one customer contributed 15% and one customer contributed 11%.

For the six months ended June 30, 2018, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 20% and two customers contributed 13% each.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2019 and 2018

6. SEGMENT REPORTING (CONTINUED)

	Ghana (1)		Outside Ghana (1) (2)		Intra-group transaction		Total (3)	
	Three month period ended June 30,		Three month period ended June 30,		Three month period ended June 30,		Three month period ended June 30,	
	2019	2018	2019	2018	2019	2018	2019	2018
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	14,179	10,422	20,818	26,159	(7,210)	(9,301)	27,787	27,280
Other income	4,505	2,989	634	549	(5,139)	(3,538)	-	-
Cost of sales	(11,183)	(10,636)	(17,762)	(20,832)	10,061	12,564	(18,884)	(18,904)
Selling, general and administrative	(669)	(960)	(2,283)	(2,358)	117	269	(2,835)	(3,049)
Foreign exchange gain / (loss)	110	80	(21)	217	-	-	89	297
Results from operating activities	6,942	1,895	1,386	3,735	(2,171)	(6)	6,157	5,624
Finance income							-	2
Finance cost							(129)	(128)
Income tax							(3,547)	(3,122)
Income for the period							2,481	2,376
Capital expenditures	542	2,876	19,426	600	(18,599)	5	1,369	3,481
As at	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018			Jun 30, 2019	Dec 31, 2018
	US\$ '000	US\$ '000	US\$ '000	US\$ '000			US\$ '000	US\$ '000
Non-current assets	28,907	37,790	19,115	7,488			48,022	45,278
Intra group balances							(4,107)	(2,082)
Per statement of financial position							43,915	43,196
Total assets	59,133	63,520	88,342	85,890			147,475	149,410
Intra group balances							(53,207)	(64,098)
Per statement of financial position							94,268	85,312
Total liabilities	63,010	74,036	14,694	12,035			77,704	86,071
Intra group balances							(49,154)	(62,018)
Per statement of financial position							28,550	24,053

(1) In the Ghana segment, for the quarter ended June 30, 2018, the Group reclassified US\$2,391,443 from selling, general and administrative expenses to cost of sales. In the Outside Ghana segment, for the quarter ended June 30, 2018, the Group reclassified US\$1,965,152 from selling, general and administrative expenses to cost of sales.

(2) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, for the three month period ended June 30, 2019 was US\$7,772,695 (Three months ended June 30, 2018: US\$10,117,857).

(3) Income for the period equals the income for the period as disclosed in the condensed interim consolidated statements of comprehensive income.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2019 and 2018

6. SEGMENT REPORTING (CONTINUED)

	Ghana (1)		Outside Ghana (1) (2)		Intra-group transaction		Total (3)	
	Six month period ended June 30,		Six month period ended June 30,		Six month period ended June 30,		Six month period ended June 30,	
	2019	2018	2019	2018	2019	2018	2019	2018
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	25,039	17,515	39,125	51,604	(14,250)	(17,586)	49,914	51,533
Other income	6,717	6,670	928	1,599	(7,645)	(8,269)	-	-
Cost of sales	(21,092)	(20,150)	(33,240)	(39,346)	19,697	23,875	(34,635)	(35,621)
Selling, general and administrative expenses	(1,437)	(1,906)	(4,335)	(5,289)	223	1,053	(5,549)	(6,142)
Foreign exchange gain	398	58	(49)	133	-	-	349	191
Results from operating activities	9,625	2,187	2,429	8,701	(1,975)	(927)	10,079	9,961
Finance income							3	3
Finance cost							(267)	(242)
Income tax							(5,806)	(5,979)
Income for the period							4,009	3,743
Capital expenditures	2,504	6,241	19,600	755	(18,598)	(433)	3,506	6,563

(1) In the Ghana segment, for the six months ended June 30, 2018, the Group reclassified US\$4,413,688 from selling, general and administrative expenses to cost of sales. In the Outside Ghana segment, for the six months ended June 30, 2018, the Group reclassified US\$3,852,208 from selling, general and administrative expenses to cost of sales.

(2) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, for the six month period ended June 30, 2019 was US\$15,458,248 (June 30, 2018: US\$22,579,674).

(3) Income for the period equals the income for the period as disclosed in the condensed interim consolidated statements of comprehensive income.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

7. EXPENSES BY NATURE

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

	Three month period		Six month period	
	ended June 30,		ended June 30,	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
Expenses				
Wages and employee benefits	7,896,024	8,713,046	15,231,383	16,671,724
Drill rig expenses and fuel	7,535,102	6,400,228	12,667,736	11,824,325
External services, contractors and others	3,435,038	3,861,168	6,643,802	7,909,407
Depreciation	1,783,904	1,646,425	3,634,073	3,132,608
Repairs and maintenance	963,145	1,189,369	1,960,030	2,158,728
Allowance for doubtful accounts and expected lifetime credit recovery	105,081	143,571	47,208	65,037
	<u>21,718,294</u>	<u>21,953,807</u>	<u>40,184,232</u>	<u>41,761,829</u>

	Three month period		Six month period	
	ended June 30,		ended June 30,	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
Cost of sales	18,883,753	18,904,302 ⁽¹⁾	34,635,081	35,621,193 ⁽²⁾
Selling, general and administrative expenses	2,834,541	3,049,505 ⁽¹⁾	5,549,151	6,140,636 ⁽²⁾
	<u>21,718,294</u>	<u>21,953,807</u>	<u>40,184,232</u>	<u>41,761,829</u>

(1) For the three months ended June 30, 2018, the Group reclassified US\$4,356,595 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 Unaudited Consolidated Statement of Comprehensive Income only and has no effect on the other unaudited financial statements.

(2) For the six months ended June 30, 2018, the Group reclassified US\$8,265,896 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 Unaudited Consolidated Statement of Comprehensive Income only and has no effect on the other unaudited financial statements.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

8. TAXATION

(i) Income tax expense

	Three month period ended June 30,		Six month period ended June 30,	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Current tax expense (iii)	3,100,486	2,656,991	4,741,632	5,407,978
Deferred tax expense (iv)	446,756	465,265	1,064,288	570,595
	<u>3,547,242</u>	<u>3,122,256</u>	<u>5,805,920</u>	<u>5,978,573</u>

(ii) Taxes payable

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Jun. 30 US\$
2019	2,886,000	(3,753,848)	4,741,632	3,873,784

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Dec. 31 US\$
2018	2,519,065	(7,452,421)	7,819,356	2,886,000

(iii) Reconciliation of effective tax rate

	Three month period ended June 30,		Six month period ended June 30,	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Income before tax	6,027,743	5,497,733	9,814,599	9,722,730
Ghana corporate tax at 25%	1,506,936	1,374,433	2,453,650	2,430,683
Add:				
Effect of different rate tax countries	97,110	(841,236)	(258,816)	(1,253,710)
Under / (over) provision from previous year	-	335,672	(103,029)	211,803
Movement in temporary differences	401,410	199,180	640,079	335,672
Tax expense before withholding tax	2,005,456	1,068,049	2,731,884	1,724,448
	33.3%	19.4%	27.8%	17.7%
Add:				
Withholding tax	1,541,786	2,054,207	3,074,036	4,254,125
Total tax expense	<u>3,547,242</u>	<u>3,122,256</u>	<u>5,805,920</u>	<u>5,978,573</u>
Effective tax rate	58.8%	56.8%	59.2%	61.5%

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

8. TAXATION (CONTINUED)

(iii) Reconciliation of effective tax rate (continued)

During the period ended June 30, 2019, the Group recognized an over provision in tax payable in the amount of US\$103,029 (June 30, 2018: under provision of US\$211,803) reflecting the outcome of tax reviews in jurisdictions in which it operates.

(iv) Deferred tax liability

	June 30, 2019	December 31, 2018
	US\$	US\$
Balance at January 1	707,499	-
Charge for the period	1,064,288	707,499
Balance at end of the period	<u>1,771,787</u>	<u>707,499</u>

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	June 30, 2019	December 31, 2018
	US\$	US\$
Tax losses carried forward (1)	1,006,629	3,936,508
Provision for inventory obsolescence	107,834	86,637
Movement in expected lifetime credit losses	194,360	13,406
Allowance for doubtful accounts	53,167	194,360
Property, plant and equipment	(2,179,666)	(4,375,298)
Deferred tax asset not recognized (2)	(954,111)	(563,112)
Total	<u>(1,771,787)</u>	<u>(707,499)</u>

(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. During the period ended June 30, 2019, Geodrill Ghana Limited generated sufficient taxable profit against which all carried forward tax losses were utilized. Geodrill Ghana Limited's tax position is updated at the end of the year. These losses are available for a period of five years expiring on December 31, 2021.

The Group also has tax losses in Zambia available for a period of five years expiring during the years December 31, 2019 through December 31, 2023.

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

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

9. 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	-	-	-	-	3,505,849	3,505,849
Reclassifications from CWIP	271,630	458,964	3,250,298	-	(3,980,892)	-
Assets retired during the period	(55,648)	(66,641)	(883,289)	-	-	(1,005,578)
Balance at June 30, 2019	8,052,442	25,029,378	64,361,815	4,098,596	5,743,417	107,285,648
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	263,091	752,879	2,309,566	103,407	-	3,428,943
Assets retired during the period	(55,648)	(66,641)	(883,289)	-	-	(1,005,578)
Balance at June 30, 2019	6,303,356	20,793,481	34,610,889	2,304,651	-	64,012,377
Carrying amounts at June 30, 2019	1,749,086	4,235,897	29,750,926	1,793,945	5,743,417	43,273,271

(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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

9. 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in comprehensive income as follows:

	Three month period		Six month period	
	ended June 30,		ended June 30,	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
Cost of sales	1,732,530	1,598,463 ⁽¹⁾	3,325,494	3,037,418 ⁽²⁾
Selling, general and administrative expenses	190,940	47,962 ⁽¹⁾	308,579	95,190 ⁽²⁾
	<u>1,923,470</u>	<u>1,646,425</u>	<u>3,634,073</u>	<u>3,132,608</u>

(1) For the three months ended June 30, 2018, the Group reclassified US\$123,990 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 Unaudited Consolidated Statement of Comprehensive Income only and has no effect on the other unaudited financial statements.

(2) For the six months ended June 30, 2018, the Group reclassified US\$221,650 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 Unaudited Consolidated Statement of Comprehensive Income only and has no effect on the other unaudited financial statements.

As at June 30, 2019, property, plant and equipment with a carrying amount of US\$13,684,736 (December 31, 2018: US\$14,436,298) have been pledged as security for certain loans (Note 14).

10. 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	80,108
Movement in foreign exchange	(1,162)
Balance at June 30, 2019	847,245
Accumulated Depreciation	
Balance at December 31, 2018	-
Amount recognized on transition of IFRS 16	-
Balance at January 1, 2019	-
Charge for the period	205,130
Balance at June 30, 2019	205,130
Carrying amounts at June 30, 2019	642,115

The amount of depreciation recognized as expense in the three and six months ended June 30, 2019 was US\$104,262 and US\$205,130, respectively.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

11. INVENTORIES

	June 30, 2019	December 31, 2018
	US\$	US\$
Inventories on hand	17,596,136	17,133,638
Inventories in transit	313,581	471,640
Provision for obsolescence	(510,990)	(405,765)
	<u>17,398,727</u>	<u>17,199,513</u>

The amount of inventories recognized as expense in the three and six months ended June 30, 2019 was US\$9,254,496 and US\$15,385,431, respectively (three and six months ended June 30, 2018: US\$8,284,796 and US\$15,655,172, respectively). Inventory write downs in the three and six months ended June 30, 2019 amounted to a reversal of write down of US\$7,371 and a write down of US\$26,292, respectively (June 30, 2018: reversal of write down of US\$8,787 and a write down of US\$176,496, respectively).

12. TRADE AND OTHER RECEIVABLES

	June 30, 2019	December 31, 2018
	US\$	US\$
Trade receivables	28,912,264	20,005,224
Expected life time credit losses and allowance for doubtful accounts	(1,158,119)	(1,110,911)
Net trade receivables	27,754,145	18,894,313
Cash advances	40,763	50,751
Sundry receivables	390,313	116,694
	<u>28,185,221</u>	<u>19,061,758</u>

The movements in the expected lifetime credit losses and allowance for doubtful accounts is as follows:

	June 30, 2019	December 31, 2018
	US\$	US\$
Balance at January 1	1,110,911	217,845
Movement in expected lifetime credit losses in the period	142,540	20,296
Provisions made in the period	-	872,770
Receivables recovered in the period	(95,332)	-
Balance at end of period	<u>1,158,119</u>	<u>1,110,911</u>

Trade and other receivables are recorded at amortized cost. Bad debt recovery recorded on trade and other receivables during the period ended June 30, 2019 amounted to US\$95,332 (December 31, 2018: US\$Nil).

As at June 30, 2019, trade receivables with a carrying amount of US\$16,124,855 (December 31, 2018: US\$8,681,897) have been pledged as security for certain loans (Note 14).

The Group measures the loss allowance for trade receivables at an amount equal to expected lifetime credit losses. 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.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

13. CASH

	June 30, 2019	December 31, 2018
	US\$	US\$
Cash at bank	3,092,870	4,503,641
Cash on hand	125,605	113,442
	<u>3,218,475</u>	<u>4,617,083</u>

As at June 30, 2019, cash of US\$3,218,475 was available to the Group (December 31, 2018: US\$4,617,083).

14. LOANS PAYABLE

	June 30, 2019	December 31, 2018
	US\$	US\$
US\$6.5M Medium Term Loan (i)	4,333,333	5,416,667
US\$3.5M Revolving Line of Credit (ii)	500,000	500,000
Equipment Loan (iii)	241,047	361,569
Total	<u>5,074,380</u>	<u>6,278,236</u>
Current portion of loans	2,907,713	2,907,713
Non-current portion of loans	<u>2,166,667</u>	<u>3,370,523</u>

(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 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 Term Loan is secured by certain assets of the Group (Note 9 and Note 12). The US\$6.5M 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 Term Loan is 9.1%. The US\$6.5M Medium Term Loan is subject to, and as at June 30, 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 9 and Note 12). 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\$3.5M Revolving Credit Line is subject to, and as at June 30, 2019, the Group was in compliance with, normal course covenants. The Group has drawn US\$0.5M on December 14, 2018 on the US\$3.5M Revolving Line of Credit, which is due for repayment on December 31, 2019.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

14. LOANS PAYABLE (CONTINUED)

(iii) Equipment Loan

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

15. TRADE AND OTHER PAYABLES

	June 30, 2019	December 31, 2018
	US\$	US\$
Trade payables	8,600,618	6,321,261
Creditors and accrued expenses	5,395,366	4,439,756
VAT liability	2,578,360	2,497,396
	<hr/> 16,574,344	<hr/> 13,258,413

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

As at June 30, 2019 and December 31, 2018, the Group did not hold any financial assets at fair value through profit or loss, derivatives or available-for-sale financial assets.

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

There were no financial instruments classified as level 2 or 3 in the fair value hierarchy at June 30, 2019 and December 31, 2018.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

16. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial Instruments by Category

	Financial Assets US\$	Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
June 30, 2019				
Financial assets				
Trade and other receivables	28,185,221	-	28,185,221	28,185,221
Cash	3,218,475	-	3,218,475	3,218,475
	31,403,696	-	31,403,696	31,403,696
Financial liabilities				
Trade and other payables	-	13,995,984	13,995,984	13,995,984
Related party payables	-	693,000	693,000	693,000
Loans payable	-	5,074,380	5,074,380	5,074,380
Lease liabilities	-	562,779	562,779	562,779
	-	20,326,143	20,326,143	20,326,143
December 31, 2018				
Trade and other receivables	19,061,759	-	19,061,759	19,061,759
Cash	4,617,083	-	4,617,083	4,617,083
	23,678,842	-	23,678,842	23,678,842
Financial liabilities				
Trade and other payables	-	10,761,017	10,761,017	10,761,017
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,278,236	6,278,236	6,278,236
	-	17,962,278	17,962,278	17,962,278

17. 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%
Geo-Forage Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geo-Forage Mali SARL	Subsidiary	Mali	100%	100%
Geo-Forage Senegal SARL	Subsidiary	Senegal	100%	100%
Geodrill Limited in Zambia	Registered foreign operating entity	Zambia	100%	100%
Geodrill Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geodrill Mauritius Limited	Subsidiary	Mauritius	100%	100%
The Harper Family Settlement	Significant shareholder	Isle of Man	-	-

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties

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

The Harper Family Settlement owns 39.7% (December 31, 2018: 40.1%) of the issued share capital of Geodrill Limited. On September 30, 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 period ending June 30, 2019, the right-of-use assets relating to the properties above was US\$325,356 and the related lease liabilities were US\$317,499.

(ii) Key management personnel and directors' transactions

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

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

	Three month period		Six month period	
	ended June 30,		ended June 30,	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
Short-term benefits	907,280	1,761,642	1,859,553	2,372,705
Share-based payment arrangements	102,177	102,390	133,100	187,244
	1,009,457	1,864,032	1,992,653	2,559,949

(iii) Related party balances

The related party payable outstanding as at June 30, 2019 amounts to US\$693,000 (December 31, 2018: US\$923,025) as the Group repaid US\$230,025 for the six months ending June 30, 2019. The related party payable is to The Harper Family Settlement, is unsecured, interest free and is repayable on demand at the option of the lender.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

18. COMMITMENTS

As at June 30, 2019, the Group had no capital commitments (December 31, 2018: US\$NIL).

19. SHARE CAPITAL AND RESERVES

(i) Share capital

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

	June 30, 2019	December 31, 2018
Shares issued and fully paid	44,079,500	43,574,500
Shares reserved for share option plan	4,407,950	4,357,450
Total shares issued and reserved	48,487,450	47,931,950

Reconciliation of changes in issued shares

	June 30, 2019	December 31, 2018
Shares issued and reserved at January 1,	43,574,500	43,300,400
Stock options exercised	505,000	335,000
Share buy-back	-	(60,900)
Shares issued and reserved at end of period	44,079,500	43,574,500

All shares rank equally with regards to the Group'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 period ended June 30, 2019, the Company did not re-purchase any shares (December 31, 2018: 60,900 shares were repurchased 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 share option plan.

The share-based payment expense for the three and six month periods ended June 30, 2019 amounted to US\$114,412 and US\$145,334, respectively (June 30, 2018: US\$110,082 and US\$207,702, respectively) and was included in selling, general and administrative expenses in the Condensed Interim Consolidated Statements of Comprehensive Income

(iii) Retained earnings

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

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

20. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share for the three and six month period ended June 30, 2019 was based on the income attributable to ordinary shareholders of US\$2,480,501 (2018: US\$2,375,477) and US\$4,008,679 (2018: US\$3,744,157), respectively and on the weighted average number of ordinary shares outstanding of 43,914,167 (2018: 43,559,567) and 43,773,533 (2018: 43,458,433), respectively calculated as follows:

	Three month period ended June 30,		Six month period ended June 30,	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Income attributable to ordinary shareholders	2,480,501	2,375,477	4,008,679	3,744,157
Weighted average number of ordinary shares	Three month period ended June 30,		Six month period ended June 30,	
	2019 Shares	2018 Shares	2019 Shares	2018 Shares
Issued ordinary shares	43,914,167	43,559,567	43,773,533	43,458,433
Earnings per share	\$0.06	\$0.05	\$0.09	\$0.09

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three and six month period ended June 30, 2019 was based on the income attributable to ordinary shareholders of US\$2,480,501 (2018: US\$2,375,477) and US\$4,008,679 (2018: US\$3,744,157), respectively and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 44,575,028 (2018: 44,776,333) and 44,441,606 (2018: 44,732,880), respectively, calculated as follows:

	Three month period ended June 30,		Six month period ended June 30,	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Income attributable to ordinary shareholders	2,480,501	2,375,477	4,008,679	3,744,157
Weighted average number of ordinary shares - diluted	Three month period ended June 30,		Six month period ended June 30,	
	2019 Shares	2018 Shares	2019 Shares	2018 Shares
Weighted average number of ordinary shares - basic	43,914,167	43,559,567	43,773,533	43,458,433
Effect of share options in issue	660,861 ⁽¹⁾	1,216,766 ⁽²⁾	668,073 ⁽³⁾	1,274,447 ⁽⁴⁾
	44,575,028	44,776,333	44,441,606	44,732,880
Diluted earnings per share	\$0.06	\$0.05	\$0.09	\$0.08

(1) For the three months ended June 30, 2019, 1,706,600 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

(2) For the three months ended June 30, 2018, 2,206,600 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

(3) For the six months ended June 30, 2019, 1,706,600 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

(4) For the six months ended June 30, 2018, 2,206,600 options in issue were dilutive and had a \$0.01 effect on the calculation of the diluted earnings per share.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

21. DIVIDENDS

No dividends were paid in 2019 or 2018, and no dividends were declared through to August 6, 2019.

22. EQUITY-SETTLED SHARE-BASED PAYMENTS

Share Option Plan (“SOP”)

The Company has established a SOP, which is intended to aid in attracting, retaining and motivating the Group’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.

	June 30, 2019		December 31, 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 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	(505,000)	C\$0.81	(335,000)	C\$0.79
Balance ending	3,791,600	C\$1.52	3,931,600	C\$1.44

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2019 and 2018

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

The following table summarizes the options outstanding at June 30, 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	180,000	11 mos	180,000
Granted on March 14, 2016	C\$0.79	1,161,600	1 Yrs & 8 mos	1,161,600
Granted on June 30, 2016	C\$1.62	360,000	2 Yrs	360,000
Granted on May 12, 2017	C\$2.14	1,615,000	2 Yrs & 11 mos	1,615,000
Granted on May 16, 2018	C\$2.00	110,000	3 Yrs & 11 mos	110,000
Granted on May 15, 2019	C\$1.36	365,000	4 Yrs & 11 mos	365,000

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.

23. 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 6, Note 7 and Note 9. There was no impact to the financial position or net income as a result of the reclassification.