

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

(unaudited)
(in United States dollars)

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

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

As at September 30, 2019 and December 31, 2018

| | Note | September 30, 2019 US\$ | December 31, 2018 US\$ |
|--------------------------------------|---------|-------------------------------|------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 42,222,531 | 43,196,365 |
| Right-of-use assets | 10 | 555,648 | - |
| Total non-current assets | | 42,778,179 | 43,196,365 |
| Current assets | | | |
| Inventories | 11 | 16,861,656 | 17,199,513 |
| Prepayments | | 1,866,855 | 1,237,032 |
| Trade and other receivables | 12 | 21,589,283 | 19,061,758 |
| Cash | 13 | 8,618,603 | 4,617,083 |
| Total current assets | | 48,936,397 | 42,115,386 |
| Total assets | | 91,714,576 | 85,311,751 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | | 23,101,711 | 22,428,417 |
| Share-based payment reserve | | 4,374,062 | 4,464,416 |
| Retained earnings | | 39,199,945 | 34,365,745 |
| Total equity | | 66,675,718 | 61,258,578 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Deferred tax liability | 8(iv) | 2,007,035 | 707,499 |
| Loans payable | 14 | 1,625,000 | 3,370,523 |
| Lease liabilities | | 127,932 | - |
| Total non-current liabilities | | 3,759,967 | 4,078,022 |
| Current liabilities | | | |
| Trade and other payables | 15 | 13,728,587 | 13,258,413 |
| Loans payable | 14 | 2,847,451 | 2,907,713 |
| Lease liabilities | | 366,753 | - |
| Taxes payable | 8(ii) | 3,886,100 | 2,886,000 |
| Related party payables | 17(iii) | 450,000 | 923,025 |
| Total current liabilities | | 21,278,891 | 19,975,151 |
| Total equity and liabilities | | 91,714,576 | 85,311,751 |

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

For the three and nine months ended September 30, 2019 and 2018

| | Note | Three-month period ended September 30 | | Nine-month period ended September 30 | |
|---|--------|--|--------------------|---|-------------------|
| | | 2019 US\$ | 2018 US\$ | 2019 US\$ | 2018 US\$ |
| Revenue | | 20,292,260 | 16,610,160 | 70,206,023 | 68,142,763 |
| Cost of sales | 7 | (15,710,090) | (15,391,609) | (50,345,171) | (51,012,802) |
| Gross profit | | 4,582,170 | 1,218,551 | 19,860,852 | 17,129,961 |
| Selling, general and administrative expenses | 7 | (2,067,079) | (3,958,010) | (7,616,230) | (10,098,646) |
| Foreign exchange gain | | 118,490 | 84,254 | 467,472 | 275,255 |
| Results from operating activities | | 2,633,581 | (2,655,205) | 12,712,094 | 7,306,570 |
| Finance income | | 108 | 3,429 | 2,966 | 6,858 |
| Finance costs | | (115,940) | (149,174) | (382,712) | (391,648) |
| Income / (loss) before taxation | | 2,517,749 | (2,800,950) | 12,332,348 | 6,921,780 |
| Income tax expense | 8(i) | (1,692,228) | (667,072) | (7,498,148) | (6,645,645) |
| Income / (loss) and total comprehensive income / (loss) for the period | | 825,521 | (3,468,022) | 4,834,200 | 276,135 |
| Earnings / (loss) per share | | | | | |
| Basic | 20(i) | \$0.02 | (\$0.08) | \$0.11 | \$0.01 |
| Diluted | 20(ii) | \$0.02 | (\$0.08) | \$0.11 | \$0.01 |

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

For the nine months ended September 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 | - | - | 4,834,200 | 4,834,200 |
| Exercise of stock options | 673,294 | (235,688) | - | 437,606 |
| Share-based payment expense | - | 145,334 | - | 145,334 |
| Balance at September 30, 2019 | 23,101,711 | 4,374,062 | 39,199,945 | 66,675,718 |
| 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 period | - | - | 276,135 | 276,135 |
| Share buy-back and cancellation (Note 19) | (31,345) | - | (59,133) | (90,478) |
| Exercise of stock options | 330,285 | (124,709) | - | 205,576 |
| Share-based payment expense | - | 239,004 | - | 239,004 |
| Balance at September 30, 2018 | 22,428,417 | 4,433,470 | 33,979,635 | 60,841,522 |

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2019 and 2018

| | September 30, 2019 US\$ | September 30, 2018 US\$ |
|--|-------------------------------|-------------------------------|
| Cash flows from operating activities | | |
| Income before taxation | 12,332,348 | 6,921,780 |
| <i>Adjustments for:</i> | | |
| Depreciation expense | 5,495,914 | 4,819,982 |
| Movement in expected lifetime credit losses | 100,725 | 154,728 |
| Provision for doubtful accounts | - | 777,438 |
| Change in provision for inventory obsolescence | 194,940 | 302,683 |
| Equity-settled share-based payment expense | 145,334 | 239,004 |
| Finance income | (2,966) | (6,858) |
| Finance costs | 382,712 | 391,648 |
| Unrealized foreign exchange gain | (335,352) | (192,133) |
| Loss on disposal of plant, property and equipment | 42,807 | - |
| | 18,356,462 | 13,408,272 |
| Change in inventories | 142,917 | (1,136,897) |
| Change in prepayments | (705,002) | 276,042 |
| Change in trade and other receivables | (2,628,250) | (254,488) |
| Change in trade and other payables | 943,143 | 3,142,647 |
| Cash generated from operations | 16,109,270 | 15,435,576 |
| Finance income received | 2,966 | 6,858 |
| Finance costs paid | (353,630) | (433,131) |
| Income taxes paid | (5,198,512) | (6,329,563) |
| Net cash generated from operating activities | 10,560,094 | 8,679,740 |
| Investing activities | | |
| Purchase of property, plant and equipment | (4,250,411) | (8,777,032) |
| Net cash used in investing activities | (4,250,411) | (8,777,032) |
| Financing activities | | |
| Loan repayments | (1,805,785) | (4,879,051) |
| Lease liabilities payments | (335,861) | - |
| Related party payables repayments | (473,025) | - |
| Shares issued | 437,606 | 205,576 |
| Loans received | - | 6,500,000 |
| Share buy-back | - | (90,478) |
| Net cash (used in) / provided from financing activities | (2,177,065) | 1,736,047 |
| Effect of movement in exchange rates on cash | (131,098) | (83,122) |
| Net increase in cash | 4,001,520 | 1,555,633 |
| Cash at beginning of the period | 4,617,083 | 5,691,742 |
| Cash at end of the period | 8,618,603 | 7,247,375 |

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 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 September 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”), Geodrill Limited’s registered foreign Zambian operating entity and Geodrill Cote d’Ivoire SARL’s registered foreign Burkina Faso 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 November 11, 2019.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 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.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

2. BASIS OF PREPARATION (CONTINUED)

(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 September 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.

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.

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For the three and nine months ended September 30, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 – Leases (continued)

(ii) Lease payments

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

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 |

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

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.

(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.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

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 September 30, 2019, three customers individually contributed 10% or more to the Company's revenue. One customer contributed 19%, one customer contributed 12% and one customer contributed 11%.

For the three months ended September 30, 2018, two customers individually contributed 10% or more to the Group's revenue. One customer contributed 21% and one customer contributed 12%.

For the nine months ended September 30, 2019, two customers individually contributed 10% or more to the Group's revenue. One customer contributed 21% and one customer contributed 11%.

For the nine months ended September 30, 2018, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 18%, one customer contributed 15% and one customer contributed 11%.

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

For the three and nine months ended September 30, 2019 and 2018

6. SEGMENT REPORTING (CONTINUED)

| | Ghana (1) | | Outside Ghana (1) (2) | | Intra-group transaction | | Total (3) | |
|--|--|---------------------|--|---------------------|--|------------|--|---------------------|
| | Three month period ended September 30, | | Three month period ended September 30, | | Three month period ended September 30, | | Three month period ended September 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 | 10,633 | 8,490 | 12,106 | 14,807 | (2,447) | (6,687) | 20,292 | 16,610 |
| Other income | 168 | 1,242 | 328 | 266 | (496) | (1,508) | - | - |
| Cost of sales | (7,273) | (9,475) | (11,395) | (14,189) | 2,958 | 8,272 | (15,710) | (15,392) |
| Selling, general and administrative | (400) | (1,505) | (1,841) | (2,691) | 174 | 238 | (2,067) | (3,958) |
| Foreign exchange gain | 13 | 28 | 106 | 57 | - | - | 119 | 85 |
| Results from operating activities | 3,141 | (1,220) | (696) | (1,750) | 189 | 315 | 2,634 | (2,655) |
| Finance income | | | | | | | - | 3 |
| Finance cost | | | | | | | (116) | (149) |
| Income tax | | | | | | | (1,692) | (667) |
| Income / (loss) for the period | | | | | | | 826 | (3,468) |
| Capital expenditures | 600 | 1,902 | 2,266 | 303 | (2,122) | - | 744 | 2,205 |
| As at | Sep 30, 2019 | Dec 31, 2018 | Sep 30, 2019 | Dec 31, 2018 | | | Sep 30, 2019 | Dec 31, 2018 |
| | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | | | US\$ '000 | US\$ '000 |
| Non-current assets | 28,233 | 37,790 | 18,472 | 7,488 | | | 46,705 | 45,278 |
| Intra group balances | | | | | | | (3,927) | (2,082) |
| Per statement of financial position | | | | | | | 42,778 | 43,196 |
| Total assets | 53,824 | 63,520 | 83,703 | 85,890 | | | 137,527 | 149,410 |
| Intra group balances | | | | | | | (45,812) | (64,098) |
| Per statement of financial position | | | | | | | 91,715 | 85,312 |
| Total liabilities | 55,788 | 74,036 | 10,997 | 12,035 | | | 66,785 | 86,071 |
| Intra group balances | | | | | | | (41,746) | (62,018) |
| Per statement of financial position | | | | | | | 25,039 | 24,053 |

(1) In the Ghana segment, for the quarter ended September 30, 2018, the Group reclassified US\$2,187,022 from selling, general and administrative expenses to cost of sales. In the Outside Ghana segment, for the quarter ended September 30, 2018, the Group reclassified US\$1,741,580 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 September 30, 2019 was US\$582,175 (Three months ended September 30, 2018: US\$4,009,086).

(3) Income / (loss) 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 nine months ended September 30, 2019 and 2018

6. SEGMENT REPORTING (CONTINUED)

| | Ghana (1) | | Outside Ghana (1) (2) | | Intra-group transaction | | Total (3) | |
|--|--|--------------|--|--------------|--|--------------|--|--------------|
| | Nine month period ended September 30, | | Nine month period ended September 30, | | Nine month period ended September 30, | | Nine month period ended September 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 | 35,672 | 26,005 | 51,231 | 66,411 | (16,697) | (24,273) | 70,206 | 68,143 |
| Other income | 6,885 | 7,912 | 1,257 | 1,865 | (8,142) | (9,777) | - | - |
| Cost of sales | (28,365) | (29,625) | (44,635) | (53,535) | 22,655 | 32,147 | (50,345) | (51,013) |
| Selling, general and administrative expenses | (1,837) | (3,411) | (6,176) | (7,980) | 397 | 1,293 | (7,616) | (10,098) |
| Foreign exchange gain | 411 | 85 | 56 | 190 | - | - | 467 | 275 |
| Results from operating activities | 12,766 | 966 | 1,733 | 6,951 | (1,787) | (610) | 12,712 | 7,307 |
| Finance income | | | | | | | 3 | 7 |
| Finance cost | | | | | | | (383) | (392) |
| Income tax | | | | | | | (7,498) | (6,646) |
| Income for the period | | | | | | | 4,834 | 276 |
| Capital expenditures | 3,104 | 8,152 | 21,866 | 1,058 | (20,720) | (433) | 4,250 | 8,777 |

(1) In the Ghana segment, for the nine months ended September 30, 2018, the Group reclassified US\$6,600,710 from selling, general and administrative expenses to cost of sales. In the Outside Ghana segment, for the nine months ended September 30, 2018, the Group reclassified US\$5,593,788 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 nine month period ended September 30, 2019 was US\$16,040,423 (September 30, 2018: US\$26,888,760).

(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 nine months ended September 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 | | Nine month period | |
|---|---------------------|-------------------|---------------------|-------------------|
| | ended September 30, | | ended September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| | US\$ | US\$ | US\$ | US\$ |
| Expenses | | | | |
| Wages and employee benefits | 6,576,290 | 7,663,702 | 21,807,674 | 24,776,151 |
| Drill rig expenses and fuel | 5,377,991 | 4,041,125 | 18,045,726 | 15,659,573 |
| External services, contractors and others | 3,167,213 | 3,699,097 | 9,811,015 | 11,373,655 |
| Depreciation | 1,861,841 | 1,687,374 | 5,495,914 | 4,819,982 |
| Repairs and maintenance | 740,317 | 1,391,192 | 2,700,347 | 3,549,921 |
| Allowance for doubtful accounts and expected lifetime credit recovery | 53,517 | 867,129 | 100,725 | 932,166 |
| | <u>17,777,169</u> | <u>19,349,619</u> | <u>57,961,401</u> | <u>61,111,448</u> |

| | Three month period | | Nine month period | |
|--|---------------------|---------------------------|---------------------|---------------------------|
| | ended September 30, | | ended September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| | US\$ | US\$ | US\$ | US\$ |
| Cost of sales | 15,710,090 | 15,391,609 ⁽¹⁾ | 50,345,171 | 51,012,802 ⁽²⁾ |
| Selling, general and administrative expenses | 2,067,079 | 3,958,010 ⁽¹⁾ | 7,616,230 | 10,098,646 ⁽²⁾ |
| | <u>17,777,169</u> | <u>19,349,619</u> | <u>57,961,401</u> | <u>61,111,448</u> |

⁽¹⁾ For the three months ended September 30, 2018, the Group reclassified US\$3,928,602 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 nine months ended September 30, 2018, the Group reclassified US\$12,194,498 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.

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For the three and nine months ended September 30, 2019 and 2018

8. TAXATION

(i) Income tax expense

| | Three month period ended September 30, | | Nine month period ended September 30, | |
|--|---|--------------|--|--------------|
| | 2019 US\$ | 2018 US\$ | 2019 US\$ | 2018 US\$ |
| Current tax expense (iii) | 1,456,980 | 909,785 | 6,198,612 | 6,317,763 |
| Deferred tax expense / (recovery) (iv) | 235,248 | (242,713) | 1,299,536 | 327,882 |
| | 1,692,228 | 667,072 | 7,498,148 | 6,645,645 |

(ii) Taxes payable

| | Balance at Jan. 1 US\$ | Payments during the period US\$ | Charge for the period US\$ | Balance at Sep. 30 US\$ |
|------|------------------------------|--|----------------------------------|-------------------------------|
| 2019 | 2,886,000 | (5,198,512) | 6,198,612 | 3,886,100 |

| | 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 September 30, | | Nine month period ended September 30, | |
|--|---|--------------|--|--------------|
| | 2019 US\$ | 2018 US\$ | 2019 US\$ | 2018 US\$ |
| Income before tax | 2,517,749 | (2,800,920) | 12,332,348 | 6,921,810 |
| Ghana corporate tax at 25% | 629,437 | (700,230) | 3,083,087 | 1,730,453 |
| Add: | | | | |
| Effect of different rate tax countries | 414,255 | 351,624 | 155,440 | (907,515) |
| Under / (over) provision from previous year | 5,954 | - | (97,075) | 335,672 |
| Movement in temporary differences | 296,436 | 129,660 | 936,515 | 341,463 |
| Tax expense/ (recovery) before withholding tax | 1,346,082 | (218,946) | 4,077,967 | 1,500,073 |
| | 53.5% | (7.8)% | 33.1% | 21.7% |
| Add: | | | | |
| Withholding tax | 346,146 | 886,018 | 3,420,182 | 5,145,572 |
| Total tax expense | 1,692,228 | 667,072 | 7,498,149 | 6,645,645 |
| Effective tax rate | 67.2% | 23.8% | 60.8% | 96.0% |

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8. TAXATION (CONTINUED)

(iii) Reconciliation of effective tax rate (continued)

During the nine month period ended September 30, 2019, the Group recognized an over provision in tax payable in the amount of US\$97,075 (September 30, 2018: under provision of US\$335,672) reflecting the outcome of tax reviews in jurisdictions in which it operates.

(iv) Deferred tax liability

| | September 30, 2019 | December 31, 2018 |
|------------------------------|---------------------------|--------------------------|
| | US\$ | US\$ |
| Balance at January 1 | 707,499 | - |
| Charge for the period | 1,299,536 | 707,499 |
| Balance at end of the period | <u>2,007,035</u> | <u>707,499</u> |

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | September 30, 2019 | December 31, 2018 |
|---|---------------------------|--------------------------|
| | US\$ | US\$ |
| Tax losses carried forward (1) | 872,471 | 3,936,508 |
| Provision for inventory obsolescence | 121,013 | 86,637 |
| Movement in expected lifetime credit losses | 52,355 | 13,406 |
| Allowance for doubtful accounts | - | 194,360 |
| Property, plant and equipment | (2,464,023) | (4,375,298) |
| Deferred tax asset not recognized (2) | (588,851) | (563,112) |
| Total | <u>(2,007,035)</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 September 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.

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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 | - | - | - | - | 4,250,411 | 4,250,411 |
| Reclassifications from CWIP | 379,655 | 556,453 | 3,595,602 | 39,845 | (4,571,555) | - |
| Assets retired during the period | (335,258) | (92,341) | (1,248,426) | (42,807) | - | (1,718,832) |
| Balance at September 30, 2019 | 7,880,857 | 25,101,167 | 64,341,982 | 4,095,634 | 5,897,316 | 107,316,956 |
| 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 | 399,782 | 1,087,900 | 3,538,849 | 154,907 | - | 5,181,438 |
| Assets retired during the period | (335,258) | (92,341) | (1,248,426) | - | - | (1,676,025) |
| Balance at September 30, 2019 | 6,160,437 | 21,102,802 | 35,475,035 | 2,356,151 | - | 65,094,425 |
| Carrying amounts at September 30, 2019 | 1,720,420 | 3,998,365 | 28,866,947 | 1,739,483 | 5,897,316 | 42,222,531 |

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

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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.

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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in comprehensive income as follows:

| | Three month period ended | | Nine month period ended September | |
|--|--------------------------|--------------------------|-----------------------------------|--------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | US\$ | US\$ | US\$ | US\$ |
| Cost of sales | 1,709,886 | 1,640,881 ⁽¹⁾ | 5,035,380 | 4,678,299 ⁽²⁾ |
| Selling, general and administrative expenses | 151,955 | 46,493 ⁽¹⁾ | 460,534 | 141,683 ⁽²⁾ |
| | 1,861,841 | 1,687,374 | 5,495,914 | 4,819,982 |

(1) For the three months ended September 30, 2018, the Group reclassified US\$114,935 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 nine months ended September 30, 2018, the Group reclassified US\$336,612 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 September 30, 2019, property, plant and equipment with a carrying amount of US\$13,322,258 (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 | 110,833 |
| Movement in foreign exchange | (9,008) |
| Balance at September 30, 2019 | 870,124 |
| Accumulated Depreciation | |
| Balance at December 31, 2018 | - |
| Amount recognized on transition of IFRS 16 | - |
| Balance at January 1, 2019 | - |
| Charge for the period | 314,476 |
| Balance at September 30, 2019 | 314,476 |
| Carrying amounts at September 30, 2019 | 555,648 |

The amount of depreciation recognized as expense in the three and nine months ended September 30, 2019 was US\$109,346 and US\$314,476, respectively.

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11. INVENTORIES

| | September 30, 2019 | December 31, 2018 |
|----------------------------|---------------------------|--------------------------|
| | US\$ | US\$ |
| Inventories on hand | 17,132,942 | 17,133,638 |
| Inventories in transit | 355,711 | 471,640 |
| Provision for obsolescence | (626,997) | (405,765) |
| | <u>16,861,656</u> | <u>17,199,513</u> |

The amount of inventories recognized as an expense in the three and nine months ended September 30, 2019 was US\$6,419,526 and US\$21,804,958, respectively (three and nine months ended September 30, 2018: US\$5,330,221 and US\$18,814,156, respectively). Inventory write downs in the three and nine months ended September 30, 2019 amounted to a write down of US\$NIL and US\$26,292, respectively (September 30, 2018: write down of US\$207,910 and US\$384,406, respectively).

12. TRADE AND OTHER RECEIVABLES

| | September 30, 2019 | December 31, 2018 |
|--|---------------------------|--------------------------|
| | US\$ | US\$ |
| Trade receivables | 21,742,361 | 20,005,224 |
| Expected life time credit losses and allowance for doubtful accounts | (434,196) | (1,110,911) |
| Net trade receivables | 21,308,165 | 18,894,313 |
| Cash advances | 53,509 | 50,751 |
| Sundry receivables | 227,609 | 116,694 |
| | <u>21,589,283</u> | <u>19,061,758</u> |

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

| | September 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 | 196,057 | 20,296 |
| Provisions made in the period | - | 872,770 |
| Receivables recovered in the period | (95,332) | - |
| Amounts written off in the period | (777,440) | - |
| Balance at end of period | <u>434,196</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 September 30, 2019 amounted to US\$95,332 (December 31, 2018: US\$Nil).

As at September 30, 2019, trade receivables with a carrying amount of US\$11,378,456 (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.

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13. CASH

| | September 30, 2019 | December 31, 2018 |
|--------------|---------------------------|--------------------------|
| | US\$ | US\$ |
| Cash at bank | 8,524,282 | 4,503,641 |
| Cash on hand | 94,321 | 113,442 |
| | <u>8,618,603</u> | <u>4,617,083</u> |

As at September 30, 2019, cash of US\$8,618,603 was available to the Group (December 31, 2018: US\$4,617,083).

14. LOANS PAYABLE

| | September 30, 2019 | December 31, 2018 |
|--|---------------------------|--------------------------|
| | US\$ | US\$ |
| US\$6.5M Medium Term Loan (i) | 3,791,667 | 5,416,667 |
| US\$3.5M Revolving Line of Credit (ii) | 500,000 | 500,000 |
| Equipment Loan (iii) | 180,784 | 361,569 |
| Total | <u>4,472,451</u> | <u>6,278,236</u> |
| Current portion of loans | 2,847,451 | 2,907,713 |
| Non-current portion of loans | <u>1,625,000</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 September 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 September 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.

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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

| | September 30, 2019 | December 31, 2018 |
|--------------------------------|---------------------------|--------------------------|
| | US\$ | US\$ |
| Trade payables | 6,672,953 | 6,321,261 |
| Creditors and accrued expenses | 5,305,760 | 4,439,756 |
| VAT liability | 1,749,874 | 2,497,396 |
| | <hr/> 13,728,587 | <hr/> 13,258,413 |

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

As at September 30, 2019 and December 31, 2018, the Group did not hold any 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.

Financial assets at fair value through profit or loss are valued using quoted market prices.

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

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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% |
| 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 39.5% (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 September 30, 2019, the right-of-use assets relating to the properties above was US\$260,285 and the related lease liabilities were US\$248,499.

(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.

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17. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Key management personnel and directors' transactions (continued)

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

| | Three month period ended September 30, | | Nine month period ended September 30, | |
|----------------------------------|---|---------|--|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| | US\$ | US\$ | US\$ | US\$ |
| Short-term benefits | 893,116 | 608,275 | 2,759,428 | 2,980,981 |
| Share-based payment arrangements | - | 27,508 | 145,334 | 214,752 |
| | 893,116 | 635,783 | 2,904,762 | 3,195,733 |

(iii) Related party balances

The related party payable outstanding as at September 30, 2019 amounts to US\$450,000 (December 31, 2018: US\$923,025) as the Group repaid US\$473,025 in the nine months ending September 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.

18. COMMITMENTS

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

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19. SHARE CAPITAL AND RESERVES

(i) Share capital

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

| Share capital | September 30, 2019 | December 31, 2018 |
|---|---------------------------|--------------------------|
| Shares issued and fully paid | 44,295,400 | 43,574,500 |
| Shares reserved for share option plan | 4,429,540 | 4,357,450 |
| Total shares issued and reserved | 48,724,940 | 47,931,950 |

Reconciliation of changes in issued shares

| | September 30, 2019 | December 31, 2018 |
|---------------------------------------|---------------------------|--------------------------|
| Shares issued at January 1, | 43,574,500 | 43,300,400 |
| Stock options exercised | 720,900 | 335,000 |
| Share buy-back | - | (60,900) |
| Shares issued at end of period | 44,295,400 | 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 September 30, 2019, the Company did not buy-back 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 nine month periods ended September 30, 2019 amounted to US\$nil and US\$145,334, respectively (September 30, 2018: US\$31,302 and US\$239,004, 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.

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20. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings / (loss) per share for the three and nine month period ended September 30, 2019 was based on the income attributable to ordinary shareholders of US\$825,521 (2018: loss of US\$ 3,468,022) and US\$4,834,200 (2018: US\$ 276,135), respectively and on the weighted average number of ordinary shares outstanding of 44,191,666 (2018: 43,617,589) and 43,914,822 (2018: 43,512,133), respectively calculated as follows:

| | Three month period ended September 30, | | Nine month period ended September 30, | |
|---|---|---------------|--|---------------|
| | 2019 US\$ | 2018 US\$ | 2019 US\$ | 2018 US\$ |
| Income / (loss) attributable to ordinary shareholders | 825,521 | (3,468,022) | 4,834,200 | 276,135 |
| Weighted average number of ordinary shares | Three month period ended September 30, | | Nine month period ended September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| | Shares | Shares | Shares | Shares |
| Issued ordinary shares | 44,191,666 | 43,617,589 | 43,914,822 | 43,512,133 |
| Earnings / (loss) per share | \$0.02 | (\$0.08) | \$0.11 | \$0.01 |

(ii) Diluted earnings per share

The calculation of diluted earnings / (loss) per share for the three and nine month period ended September 30, 2019 was based on the income attributable to ordinary shareholders of US\$825,521 (2018: loss of US\$3,468,022) and US\$4,834,200 (2018: US\$276,135), respectively and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 44,880,910 (2018: 43,617,589) and 44,529,007 (2018: 44,719,001), respectively, calculated as follows:

| | Three month period ended September 30, | | Nine month period ended September 30, | |
|---|---|------------------|--|--------------------------|
| | 2019 US\$ | 2018 US\$ | 2019 US\$ | 2018 US\$ |
| Income / (loss) attributable to ordinary shareholders | 825,521 | (3,468,022) | 4,834,200 | 276,135 |
| Weighted average number of ordinary shares - diluted | Three month period ended September 30, | | Nine month period ended September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| | Shares | Shares | Shares | Shares |
| Weighted average number of ordinary shares - basic | 44,191,666 | 43,617,589 | 43,914,822 | 43,512,133 |
| Effect of share options in issue | 689,244 ⁽¹⁾ | 0 ⁽²⁾ | 614,185 ⁽³⁾ | 1,206,868 ⁽⁴⁾ |
| | 44,880,910 | 43,617,589 | 44,529,007 | 44,719,001 |
| Diluted earnings / (loss) per share | \$0.02 | (\$0.08) | \$0.11 | \$0.01 |

(1) For the three months ended September 30, 2019, 1,820,700 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 September 30, 2018, as there is a loss attributable to ordinary shareholders, share options in issue are anti-dilutive and are not included in the calculation of the diluted loss per share

(3) For the nine months ended September 30, 2019, 1,490,700 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

(4) For the nine months ended September 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.

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21. DIVIDENDS

No dividends were paid in 2019 or 2018, and no dividends were declared through to November 11, 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.

| | September 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 August 9, 2019 | (185,000) | C\$0.81 | | |
| Exercised September 11, 2019 | (30,900) | 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 | (720,900) | C\$0.81 | (335,000) | C\$0.79 |
| Forfeited September 2, 2019 | (70,000) | C\$1.88 | | |
| Total Forfeited | (70,000) | C\$1.88 | | |
| Balance ending | 3,505,700 | C\$1.55 | 3,931,600 | C\$1.44 |

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

The following table summarizes the options outstanding at September 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 | 150,000 | 11 mos | 150,000 |
| Granted on March 14, 2016 | C\$0.79 | 995,700 | 1 Yrs & 8 mos | 995,700 |
| Granted on June 30, 2016 | C\$1.62 | 330,000 | 2 Yrs | 330,000 |
| Granted on May 12, 2017 | C\$2.14 | 1,595,000 | 2 Yrs & 11 mos | 1,595,000 |
| Granted on May 16, 2018 | C\$2.00 | 90,000 | 3 Yrs & 11 mos | 90,000 |
| Granted on May 15, 2019 | C\$1.36 | 345,000 | 4 Yrs & 11 mos | 345,000 |

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.