

GEODRILL[®]

2019 Annual Report

GEODRILL®

April 9, 2020

Dear Geodrill Shareholders,

2019 was a year in which Geodrill was able to demonstrate its resilience and leadership in the face of adversity, ending the year on solid footing. Now, with the strongest gold price in 7 years, driven by the ongoing recovery in the global mining industry and the resulting uptick in exploration spending, Geodrill is well positioned to thrive in the coming year and beyond.

Late in the year, a militant attack killed two Geodrill employees and curtailed the drilling activities of one of our clients. Again, Geodrill would like to formally express its sincere sympathies to families of all of those affected and reiterate our firm support of Burkina Faso's security forces.

Unable to redeploy our rigs as a result of security concerns, the Company's annual revenue was negatively impacted, albeit only modestly. That we were able to withstand the financial impact of this type of event is a testament to the strength of our business model, the strong client and industry relationships we have diligently fostered and the winning reputation we have worked tirelessly to maintain.

Now, stoked by a strong gold price, the outlook for the global mining industry is optimistic, with increased rig utilization and better pricing resulting in a strong operating environment that we are poised to take advantage of.

Geodrill's fleet of 67 high efficiency rigs in West Africa and our highly trained employees are equipped with the training and skills they need to provide our top-tier mining clients with seamless, gold-standard service. And with three full-service workshops and a drill rod manufacturing plant near our operating territories to provide our clients with rapid response to service issues, they know they can count on Geodrill to meet their drilling needs. It is this dedication to our offering of quality that resonates with our clients, from junior miners to top tier bellwethers.

In today's market it is difficult to make bold predictions of what is to come. The current pandemic of the Coronavirus (COVID-19) could have an adverse impact on global economic conditions. Nobody foresaw the scale of what the world has become. The markets ride the rollercoaster on an hourly basis, front line health workers are risking their lives, our education system, indeed every-day life, paralysed and nobody knows what a new normal will look like. In light of this global challenge, Geodrill has prepared for an adverse impact on our operations, the operations of our suppliers, contractors and service providers by remaining prudent with our capital. Additionally, we have heightened awareness around the COVID-19 virus to prevent its spread, stepped up screening and surveillance of employees, banned non-essential travel, instituted clear self-quarantine measures where applicable and increased hygiene awareness and facilities across its operations. Our efforts have the single purpose - to protect employees, customers, their families and our host communities.

Amid the global swirl, Geodrill remains committed to deliver on our strategy of operational excellence and capital discipline. In keeping with our strategy, we will remain value-conscious in these uncertain times, allocating capital to opportunities for value-creating growth and increased profitability.

A sincere thank you to our shareholders for their ongoing support, our board of directors for their instinctive and seasoned guidance and our valued employees for their continued dedication.

Sincerely,

"Dave Harper"

Dave Harper
President and Chief Executive Officer

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

(in United States dollars)

CONTENTS

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

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents

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



Independent auditor's report

To the Shareholders of Geodrill Limited

Our opinion

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

What we have audited

The Company's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Comparative information

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

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



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

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

Other information

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

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

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

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

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

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

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

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



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

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

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

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



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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 29, 2020

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and 2018

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

Approved by the Board of Directors

"signed"

 John Bingham
 Chairman of the Board

"signed"

 Ron Sellwood
 Chairman of the Audit Committee

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

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

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

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

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

1. GENERAL INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments

(i) Recognition

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

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

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

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

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

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

(ii) Derecognition

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

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

(iii) Measurement

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

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

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

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

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

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

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

(iv) Amortized cost measurement

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

(v) Offsetting

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

(vi) Share capital

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

(vii) Compound financial instruments

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

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

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

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

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

(viii) Trade receivables

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

f. Property, plant and equipment

(i) Recognition and measurement

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

(ii) Borrowing costs

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Property, plant and equipment (continued)

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

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

(v) Impairment

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

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

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Property, plant and equipment (continued)

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

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

g. Inventories

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

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

h. Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Employee benefits (continued)

(iii) Share-based payment transactions

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

i. Income tax

Income tax expense comprises current and deferred tax expenses.

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

j. Dividends

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

k. Revenue – drilling revenue

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Revenue – drilling revenue (continued)

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

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

l. Finance income

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

m. Finance costs

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

n. Foreign exchange

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

o. Provisions

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

p. Post balance sheet events

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

q. Earnings per share

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(i) Estimates

a. Depreciation of property, plant and equipment

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

b. Share-based payment transactions

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

c. Net realizable value of inventory

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

d. Allowance for doubtful accounts

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

e. Income tax

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

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

(ii) Judgments

a. Assessment of impairment of property, plant and equipment

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

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

b. Functional currency

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

4. NEW AND FUTURE ACCOUNTING STANDARDS

Adoption of new and amended accounting pronouncements

IFRS 16 – Leases

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

4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)

IFRS 16 – Leases (continued)

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

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

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

(i) Classification

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

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

(ii) Lease payments

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

Adjustments recognized on adoption of IFRS 16

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

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

4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)

IFRS 16 – Leases (continued)

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

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

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

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

5. DETERMINATION OF FAIR VALUES

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

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

a. Trade and other receivables

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

b. Cash

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

c. Trade and other payables

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

5. DETERMINATION OF FAIR VALUES (CONTINUED)

d. Loans payable

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

e. Share-based payment transactions

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

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

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

6. SEASONALITY OF OPERATIONS

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

7. SEGMENT REPORTING

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

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

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

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

8. EXPENSES BY NATURE

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

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

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

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

9. TAXATION

(i) Income tax expense

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

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

9. TAXATION (CONTINUED)

(ii) Taxes payable

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

(iii) Reconciliation of effective tax rate

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

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

(iv) Deferred tax liability

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

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

9. TAXATION (CONTINUED)

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

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

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

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

11. RIGHT-OF-USE ASSETS

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

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

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

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

13. INVENTORIES

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

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

14. TRADE AND OTHER RECEIVABLES

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

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

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

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

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

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

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

15. CASH

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

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

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

16. LOANS PAYABLE

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

(i) US\$6.5M Medium Term Loan

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

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

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

(iii) Equipment Loan

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

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

17. TRADE AND OTHER PAYABLES

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

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

18. EMPLOYEE BENEFIT OBLIGATIONS

Defined Contribution Plans

(i) *Social Security*

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

(ii) *Provident Fund*

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

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying values of cash, trade and other receivables, trade and other payables and related party payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of loans payable approximates their fair value as the fixed rate loans have been acquired recently and their carrying value continues to reflect fair value. The fair value of financial assets held at fair value through profit and loss are measured using quoted market prices.

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

20. FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

(i) Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is minimized as customers are given 30 to 60 day credit periods for services rendered.

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

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

Exposure to credit risks

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

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

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

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

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

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

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

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk

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

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

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

(iii) Market risk

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(a) Foreign currency risk

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

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

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

The following significant exchange rates applied during the years:

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(a) Foreign currency risk (continued)

Sensitivity analysis on currency risks

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

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

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

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

(b) Interest rate risk

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

Profile

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

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

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

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(b) Interest rate risk (continued)

Sensitivity analysis for variable rate instruments

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

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

(iv) Capital management

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

The Group's capital at December 31, 2019 and 2018 is as follows:

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

(c) Equity price risk

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

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

21. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2019	2018
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
D.S.I. Services Limited	Subsidiary	British Virgin Islands	100%	100%
D.S.I. Services (IOM) Limited	Subsidiary	Isle of Man	100%	-
Geotool Limited	Subsidiary	British Virgin Islands	100%	100%
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	100%
Geodrill BF SARL	Registered foreign operating entity	Cote d'Ivoire	100%	-
Geo-Forage Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geo-Forage Mali SARL	Subsidiary	Mali	100%	100%
Geo-Forage Senegal SARL	Subsidiary	Senegal	100%	100%
Geodrill Limited Zambia	Registered foreign operating entity	Zambia	100%	100%
Geodrill Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geodrill Mauritius Limited	Subsidiary	Mauritius	100%	100%
The Harper Family Settlement	Significant shareholder	Isle of Man	-	-

(i) Transactions with related parties

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

The Harper Family Settlement owns 39.3% (December 31, 2018: 40.1%) of the issued share capital of Geodrill Limited.

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

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

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

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

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

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Key management personnel and directors' transactions

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

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

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

(iii) Related party payables

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

22. COMMITMENTS

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

23. SHARE CAPITAL AND RESERVES

(i) Share capital

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

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

Reconciliation of changes in issued shares

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

23. SHARE CAPITAL AND RESERVES (CONTINUED)

(i) Share capital (continued)

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

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

(ii) Share-based payment reserve

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

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

(iii) Retained earnings

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

24. EARNINGS PER SHARE

(i) Basic earnings per share

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

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

Weighted average number of ordinary shares

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

24. EARNINGS PER SHARE (CONTINUED)

(ii) Diluted earnings per share

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

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

Weighted average number of ordinary shares - diluted

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

Diluted earnings per share	\$0.09	\$0.01
----------------------------	--------	--------

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

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

25. DIVIDENDS

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

26. EQUITY-SETTLED SHARE-BASED PAYMENTS

Stock Option Plan (“SOP”)

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

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

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

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

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

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

Stock Option Plan (“SOP”) (continued)

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

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

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

27. CONTINGENCY

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

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

28. COMPARATIVE INFORMATION

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

GEODRILL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

This MD&A should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2019 and 2018 and notes thereto.

This MD&A is dated February 29, 2020. Disclosure contained in this document is current to that date unless otherwise stated.

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

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

FORWARD-LOOKING INFORMATION

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

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

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

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

Corporate Overview

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

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

The state-of-the-art workshops and supply bases at Anwiankwanta, Ghana, at Ouagadougou, Burkina Faso, at Bouake, Cote d’Ivoire, at Bamako, Mali and at Chingola, Zambia provide centralized locations for storage of inventory, equipment and supplies, which in turn minimizes trucking, shipping and supply costs and allows the rigs and inventory to be mobilized to drill sites with minimal delay.

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

Business Strategy

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

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

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

continually renewed as the respective drilling program of the client has progressed through various phases.

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

Market Participants and Geodrill's Client Base

The Company's client base is predominately in Ghana, Burkina Faso, Cote d'Ivoire and Mali.

Management's plans include continuing to add new clients in West Africa where gold is the primary mineral and adding new clients in the African Copperbelt where copper is the primary mineral. The Company will, however, take advantage of opportunities in other minerals, including lithium, iron ore, manganese, uranium, phosphate and energy. In addition, the proximity to countries such as Senegal, Mauritania, Liberia, Sierra Leone, Nigeria and Cameroon positions the Company favorably in its ability to service these markets as well, if it so chooses. The Company's drilling focus is still predominately on gold

and is still predominately in Ghana, Burkina Faso, Cote d'Ivoire and Mali, however, the Company has also been drilling for copper in Zambia.

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

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

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

OUTSTANDING SECURITIES AS OF FEBRUARY 29, 2020

The Company is authorized to issue an unlimited number of Ordinary Shares. As of February 29, 2020, the Company has the following securities outstanding:

Number of Ordinary Shares	44,475,400
Number of Options	<u>3,325,700</u>
Diluted	<u>47,791,100</u>

From January 1, 2019 to February 29, 2020, 900,900 shares were issued as a result of options being exercised and 2,200 shares were repurchased and cancelled under the Company's Normal Course Issuer Bid. The Company also issued 365,000 options and 70,000 options were forfeited during the period.

OVERALL PERFORMANCE

The Company generated revenue of US\$87.4M for 2019, a decrease of US\$1.1M or 1% when compared to US\$88.5M for 2018. The Company's revenue decreased as a result of reduced revenue in Q4 2019. In Q4 2019, the Company was impacted by a militant attack in Burkina Faso. The attack resulted in the fatality of two of the Company's employees and significantly impacted operations in Burkina Faso. Throughout the remainder of the quarter, the Company focused on the safety and security of its personnel and the safe-guarding of its equipment. One of the Company's clients in Burkina Faso suspended all exploration activities throughout the quarter which resulted in a decline in revenue as the Company was unable to have the rigs it committed to that client restart drilling nor was the Company able to redeploy these rigs to other clients due to the ongoing security situation in that area of Burkina Faso. In addition to the impact of Q4 2019, the Company drilled less meters and had a different mix of meters drilled in 2019 compared to 2018. Meters drilled in 2019 totaled 1,070,112 which is a decrease of 7% when compared to 1,154,062 meters drilled in 2018. Total meters drilled decreased by 7% compared to 2018, however, revenue only decreased by 1% as a result of the change in the mix of meters drilled.

The gross profit for 2019 was US\$22.2M, being 25% of revenue compared to a gross profit of US\$22.5M, being 25% of revenue for 2018. The gross profit decrease is a result of the decrease in revenue of US\$1.1M set off against the decrease in cost of sales of US\$0.9M. See "Supplementary Disclosure – Non IFRS Measures" on page 15.

EBITDA (as defined herein) for 2019 was US\$20.0M, being 23% of revenue compared to US\$16.3M, being 18% of revenue for 2018. See "Supplementary Disclosure – Non-IFRS Measures" on page 15.

The EBIT (as defined herein) for 2019 was US\$12.6M, compared to EBIT of US\$9.7M, for 2018. See "Supplementary Disclosure - Non - IFRS Measures" on page 15.

The net income for 2019 was US\$3.9M or US\$0.09 per Ordinary Share (US\$0.09 per Ordinary Share diluted), compared to US\$0.7M for 2018 or US\$0.02 per Ordinary Share (US\$0.01 per Ordinary Share diluted).

RESULTS OF OPERATIONS

SELECTED FINANCIAL INFORMATION

(in US\$ 000s)	Fiscal Year Ended			% Change	% Change
	2019	2018	2017	2019 vs 2018	2018 vs 2017
Revenue	87,408	88,539	82,614	(1%)	7%
Cost of Sales	(65,221)	(66,071) ⁽¹⁾	(61,204) ⁽²⁾	(1%)	8%
<i>Cost of Sales (%)</i>	75%	75%	74%		
Gross Profit	22,187	22,468	21,410	(1%)	5%
<i>Gross Profit Margin (%)</i>	25%	25%	26%		
Selling, General and Administrative Expenses	(9,886)	(13,181) ⁽¹⁾	(12,008) ⁽²⁾	(25%)	10%
<i>Selling, General and Administrative Expenses (%)</i>	11%	15%	15%		
Foreign Exchange Gain / (Loss)	474	420	(385)		
Other Loss	(142)	-	-		
Profit from Operating Activities	12,633	9,707	9,017	30%	8%
<i>Profit from Operating Activities (%)</i>	14%	11%	11%		
Finance Income	3	10	2		
EBIT*	12,635	9,717	9,019	30%	8%
<i>EBIT (%)</i>	14%	11%	11%		
Finance Cost	(485)	(528)	(516)		
<i>Finance Cost (%)</i>	1%	1%	1%		
Profit Before Taxation	12,151	9,189	8,503	32%	8%
<i>Profit Before Taxation (%)</i>	14%	10%	10%		
Income Tax Expense	(8,274)	(8,527)	(4,013)		
<i>Income Tax Expense (%)</i>	9%	10%	5%		
Net Income	3,876	662	4,490	485%	(85%)
<i>Net Income (%)</i>	4%	1%	5%		
EBITDA **	20,017	16,297	15,673	23%	4%
<i>EBITDA (%)</i>	23%	18%	19%		
Meters Drilled	1,070,112	1,154,062	975,754	(7%)	18%
Income Per Share					
Basic	0.09	0.02	0.10		
Diluted	0.09	0.01	0.10		
Total Assets	86,741	85,312	80,907	2%	5%
Total Long - Term Liabilities	4,582	4,078	2,362	12%	73%
Cash Dividend Declared	Nil	Nil	Nil		

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

(2) For the year ended December 31, 2017, to conform to the presentation adopted in the current year, the Company reclassified US\$12,126,603 from selling, general and administrative expenses to cost of sales. This reclassification had no impact on the net income or earnings per share for the current or prior periods presented as the reclassification relates to the Consolidated Statement of Comprehensive Income only and has no effect on the other financial statements.

*EBIT = Earnings before interest and taxes.

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

See "Supplementary Disclosure - Non-IFRS Measures" on page 15.

FISCAL 2019 COMPARED TO FISCAL 2018

Revenue

The Company recorded revenue of US\$87.4M for 2019, compared to US\$88.5M for 2018, representing a decrease of 1%. The Company had decreased revenue as the Company drilled less meters and had a different mix of meters drilled in 2019 compared to 2018. Meters drilled in 2019 totaled 1,070,112 which is a decrease of 7% when compared to 1,154,062 meters drilled in 2018. Total meters drilled decreased by 7% compared to 2018, however, revenue only decreased by 1% as a result of the change in the mix of meters drilled.

Cost of Sales and Gross Profit

Cost of Sales for 2019 was US\$65.2M, compared to US\$66.1M for 2018, being a decrease of US\$0.9M. For 2018, to conform to the presentation adopted in the current year, the Company reclassified US\$16.2M to cost of sales from selling, general and administrative expenses. This reclassification had no impact on the net income or earnings per share for the current or prior periods presented as the reclassification relates to the Consolidated Statement of Comprehensive Income only and has no effect on the other financial statements.

The gross profit for 2019 was US\$22.2M, compared to a gross profit of US\$22.5M for 2018, being a decrease of US\$0.3M. The gross profit percentage for 2019 and 2018 was 25%.

The decrease in cost of sales for 2019 as compared to 2018 of US\$0.9M reflects the following:

- Wages, employee benefits, external services, contractors and other expenses decreased by US\$2.5M due to less workers being employed throughout the Company and less services being required in conjunction with less meters being drilled.
- Drill rig expenses and fuel costs increased by US\$2.4M despite less meters being drilled as the Company drilled more reverse circulation meters.
- Repairs and maintenance decreased by US\$1.1M as less repairs were completed on the Company's drill rigs and plant and equipment.
- Depreciation expense increased by US\$0.3M as a result of significant additions in the previous years to the Company's property, plant and equipment.

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

SG&A expenses for 2019 was US\$9.9M, compared to US\$13.2M for 2018, being a decrease of US\$3.3M. For 2018, to conform to the presentation adopted in the current year, the Company reclassified US\$16.2M from selling, general and administrative expenses to cost of sales.

The decrease in SG&A expenses of US\$3.3M for 2019 compared to 2018 reflects the following:

- Wages, employee benefits, external services, contractors and other expenses decreased by US\$2.8M associated with less wages and less external services being required in 2019 and the reduction of rental expense due to the recording of the lease liabilities on January 1, 2019.
- Provision for doubtful accounts decreased by US\$0.9M due to a provision of US\$0.9M being made in 2018 against a specific trade receivable, no such provision was required for 2019.

- Repairs and maintenance decreased by US\$0.1M as less repairs were completed on the Company's motor vehicles.
- Depreciation expense increased by US\$0.5M as a result of additional depreciation on the right-of-use assets.

Income from Operating Activities

Income from operating activities (after cost of sales, SG&A expenses and foreign exchange gain or loss) for 2019 was US\$12.6M, compared to US\$9.7M in 2018.

EBITDA Margin (see "Supplementary Disclosure – Non-IFRS Measures" on page 15)

EBITDA margin for 2019 was 23% compared to 18% for 2018.

EBIT Margin (see "Supplementary Disclosure – Non-IFRS Measures" on page 15)

EBIT margin for 2019 was 14% compared to an EBIT margin of 11% for 2018.

Depreciation

Depreciation of property, plant and equipment for 2019 was US\$7.4M (US\$6.7M in cost of sales and US\$0.7M in SG&A) for 2019 compared to US\$6.6M (US\$6.4M in cost of sales and US\$0.2M in SG&A) for 2018.

Income Tax Expense

Income tax expense for 2019 was US\$8.3M compared to income tax expense of US\$8.5M for 2018. The current tax expense was US\$5.6M comprised of withholding tax on revenue of US\$3.8M and tax expense on taxable income of US\$1.8M. In addition to the current tax expense the 2019 tax expense includes an amount of US\$2.7M relating to deferred taxes primarily relating to the utilization of the tax loss carry forwards in 2019. Overall for 2019 the effective tax rate was 68% versus 93% for 2018.

Net income

The net income for 2019 was US\$3.9M, or US\$0.09 per Ordinary Share (US\$0.09 per Ordinary Share diluted), compared to US\$0.7M for 2018, or US\$0.02 per Ordinary Share (US\$0.01 per Ordinary Share diluted).

SELECTED FINANCIAL INFORMATION

(in US\$ 000s)	Fourth Quarter Ended		% Change
	2019	2018	2019 vs 2018
Revenue	17,202	20,396	(16%)
Cost of Sales	(14,876)	(15,058) ⁽¹⁾	(1%)
<i>Cost of Sales (%)</i>	86%	74%	
Gross Profit	2,326	5,338	(56%)
<i>Gross Profit Margin (%)</i>	14%	26%	
Selling, General and Administrative Expenses	(2,270)	(3,082) ⁽¹⁾	(26%)
<i>Selling, General and Administrative Expenses (%)</i>	13%	15%	
Foreign Exchange Gain	7	145	
Other Loss	(142)	-	
(Loss) / Profit from Operating Activities	(79)	2,401	(103%)
<i>(Loss) / Profit from Operating Activities (%)</i>	(0%)	12%	
Finance Income	-	2	
EBIT*	(79)	2,403	(103%)
<i>EBIT (%)</i>	(0%)	12%	
Finance Cost	(103)	(136)	
<i>Finance Cost (%)</i>	1%	1%	
(Loss) / Profit Before Taxation	(182)	2,267	(108%)
<i>Profit Before Taxation (%)</i>	(1%)	11%	
Income Tax Expense	(776)	(1,881)	(59%)
<i>Income Tax Expense (%)</i>	5%	9%	
Net (Loss) / Income	(958)	386	(348%)
<i>Net Income (%)</i>	(6%)	2%	
EBITDA **	1,807	4,163	(57%)
<i>EBITDA (%)</i>	11%	20%	
Meters Drilled	244,613	248,288	(1%)
(Loss) / Income Per Share			
Basic	(0.02)	0.01	
Diluted	(0.02)	0.01	
Total Assets	86,741	85,312	2%
Total Long - Term Liabilities	4,582	4,078	12%
Cash Dividend Declared	NIL	NIL	

(1) For the quarter ended December 31, 2018, to conform to the presentation adopted in the current year, the Company reclassified US\$4,008,870 from selling, general and administrative expenses to cost of sales. This reclassification had no impact on the net income or earnings per share for the current or prior periods presented as the reclassification relates to the Consolidated Statement of Comprehensive Income only and has no effect on the other financial statements.

*EBIT = Earnings before interest and taxes.

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

See "Supplementary Disclosure - Non-IFRS Measures" on page 15.

FOURTH QUARTER ENDED DECEMBER 31, 2019 COMPARED TO FOURTH QUARTER ENDED DECEMBER 31, 2018

Revenue

The Company recorded revenue for the fourth quarter ended December 31, 2019 of US\$17.2M, compared to US\$20.4M for the fourth quarter ended December 31, 2018, representing a decrease of US\$3.2M or 16%. During the quarter, in early November, the Company was impacted by a militant attack in Burkina Faso. The attack resulted in the fatality of two of the Company's employees and significantly impacted operations in Burkina Faso. Throughout the remainder of the quarter, the Company focused on the safety and security of its personnel and the safe-guarding of its equipment. One of the Company's clients in Burkina Faso suspended all exploration activities throughout the quarter which resulted in a decline in revenue as the Company was unable to have the rigs it committed to that client restart drilling nor was the Company able to redeploy these rigs to other clients due to the ongoing security situation in that area of Burkina Faso.

Cost of Sales and Gross Profit

Cost of Sales for the fourth quarter of 2019 was US\$14.9M, compared to US\$15.1M for the fourth quarter of 2018, being a decrease of US\$0.2M. For the fourth quarter of 2018, to conform to the presentation adopted in the current year, the Company reclassified US\$4.0M to cost of sales from selling, general and administrative expenses. This reclassification had no impact on the net income or earnings per share for the current or prior periods presented as the reclassification relates to the Consolidated Statement of Comprehensive Income only and has no effect on the other financial statements.

The gross profit for the fourth quarter ended December 31, 2019 was US\$2.3M, compared to a gross profit of US\$5.3M for the fourth quarter ended December 31, 2018, being a decrease of US\$3.0M. The gross profit percentage for the fourth quarter ended December 31, 2019 was 14% compared to 26% for fourth quarter ended December 31, 2018. The decline in the gross profit percentage for the fourth quarter of 2019 compared to the fourth quarter of 2018 from 26% to 14% was primarily the result of less revenue without a corresponding decrease in cost of sales. Throughout the remainder of the quarter, the Company focused on the safety and security of its personnel and the safe-guarding of its equipment. One of the Company's clients in Burkina Faso suspended all exploration activities throughout the quarter which resulted in a decline in revenue as the Company was unable to have the rigs it committed to that client restart drilling and was not able to redeploy these rigs to other clients due to the ongoing security situation in that area of Burkina Faso.

The decrease in cost of sales for the fourth quarter ended December 31, 2019 as compared to the fourth quarter ended December 31, 2018 of US\$0.2M reflects the following:

- Drill rig expenses and fuel costs increased by US\$0.3M. The reason that drill rig expenses and fuel costs increased by US\$0.3M was mainly due to lower than expected drill rig expenses and fuel costs in Q4 2018 as in Q4 2018 the Company was able to reverse some previously accrued Value Added Tax ("VAT") provisions resulting in a credit to drill rig expenses and fuel of US\$0.7M in Q4 2018.
- Wages, employee benefits, external services, contractors and other expenses decreased by US\$0.2M due to lower wages as a result of less employees being required and lower salary costs due to reduced amounts of overtime for employees that worked in Q4 2019 versus Q4 2018.

- Repairs and maintenance decreased by US\$0.3M as less repairs were completed on the Company's drill rigs and plant and equipment in Q4 2019 versus Q4 2018.

Selling, General and Administrative (“SG&A”) Expenses

SG&A expenses for the fourth quarter ended December 31, 2019 were US\$2.3M, compared to US\$3.1M for the fourth quarter ended December 31, 2018, or a decrease of US\$0.8M.

The decrease in SG&A expenses of US\$0.8M for the fourth quarter ended December 31, 2019, compared to the fourth quarter ended December 31, 2018 reflects the following:

- Wages, employee benefits, external services, contractors and other expenses decreased by US\$0.8M associated with less wages and less external services being required in Q4 2019 and the reduction of rental expense due to the recording of the lease liabilities on January 1, 2019.

Income from Operating Activities

Income from operating activities (after cost of sales, SG&A expenses and foreign exchange gain or loss) for the fourth quarter ended December 31, 2019 was US\$0.1M, compared to US\$2.4M for the fourth quarter ended December 31, 2018.

EBITDA Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 15)

EBITDA margin for the fourth quarter ended December 31 2019 was 11% compared to 20% for the fourth quarter ended December 31, 2018.

EBIT Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 15)

There was no EBIT margin for the fourth quarter ended December 31, 2019 compared to 12% for the fourth quarter ended December 31, 2018.

Depreciation

Depreciation of property, plant and equipment for the fourth quarter ended December 31, 2019 was US\$1.9M (US\$1.7M in cost of sales and US\$0.2M in SG&A) compared to US\$1.8M (US\$1.6M in cost of sales and US\$0.2M in SG&A) for the fourth quarter ended December 31, 2018.

Income Tax Expense

Income tax expense for the fourth quarter ended December 31, 2019 was US\$0.8M compared to income tax expense of US\$1.9M for the fourth quarter ended December 31, 2018. The current tax recovery was US\$0.6M comprised of a tax recovery on taxable losses of US\$1.0M offset by withholding tax on revenue of US\$0.4M. In addition to the current tax recovery, the fourth quarter 2019 tax expense includes an amount of US\$1.4M relating to deferred taxes primarily relating to the utilization of the tax loss carry forwards in the fourth quarter of 2019.

Net Loss

Net loss was US\$(1.0)M for the fourth quarter ended December 31, 2019, or US\$(0.02) per Ordinary Share (US\$(0.02) per Ordinary Share diluted), compared to net income of US\$0.4M for the fourth quarter ended December 31, 2018, or US\$0.01 per Ordinary Share (US\$0.01 per Ordinary Share diluted).

SUMMARY OF QUARTERLY RESULTS

(in US\$ 000s)	2019				2018			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	17,202	20,292	27,787	22,127	20,396	16,610	27,280	24,252
Revenue (Decrease) / Increase %	(15%)	(27%)	26%	8%	23%	(39%)	12%	18%
Gross Profit	2,326	4,582	8,903	6,376	5,338 ⁽¹⁾	1,218 ⁽¹⁾	8,376 ⁽¹⁾	7,535 ⁽¹⁾
Gross Margin (%)	14%	23%	32%	29%	26%	7%	31%	31%
Net (Loss) / Earnings	(958)	826	2,481	1,528	386	(3,468)	2,376	1,369
Per Share - Basic	(0.02)	0.02	0.06	0.04	0.02	(0.08)	0.05	0.03
Per Share - Diluted	(0.02)	0.02	0.06	0.03	0.01	(0.08)	0.05	0.03

(1) The Company reclassified amounts from selling, general and administrative expenses to cost of sales to conform to the presentation adopted in the current year.

The Company's revenue of US\$17.2M represents a decrease on a quarter over quarter basis by US\$3.1M or 15% for the fourth quarter ended December 31, 2019 compared to the third quarter ended September 30, 2019. During the quarter, in early November, the Company was impacted by a militant attack in Burkina Faso. The attack resulted in the fatality of two of the Company's employees and significantly impacted operations in Burkina Faso. Throughout the remainder of the quarter, the Company focused on the safety and security of its personnel and the safe-guarding of its equipment. One of the Company's clients in Burkina Faso suspended all exploration activities throughout the quarter which resulted in a decline in revenue as the Company was unable to have the rigs it committed to that client restart drilling and was not able to redeploy these rigs to other clients due to the ongoing security situation in that area of Burkina Faso. The Company was able to generate gross profit of US\$2.3M in the current quarter. On a quarter to quarter basis, the Company's revenue decreased by US\$3.2M compared to the fourth quarter ended December 31, 2018.

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

Effect of Exchange Rate Movements

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

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

SELECTED INFORMATION FROM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in US\$ 000s)	Fiscal year end		Fourth quarter end	
	2019	2018	2019	2018
Net Cash generated from operating activities	14,657	7,860	4,097	(820)
Net Cash used in investing activities	(5,388)	(10,495)	(1,138)	(1,718)
Net Cash (used in) / provided from financing activities	(3,275)	1,634	(1,098)	(102)
Effect of movement in exchange rates on cash	(53)	(74)	78	10
Net increase / (decrease) in cash	5,941	(1,075)	1,939	(2,630)

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As at December 31, 2019, the Company had cash of US\$10.6M and US\$3.5M still available on the US\$3.5M Revolving Line of Credit. As at December 31, 2019, the Company had loans payable of US\$3.4M. Since the Company has loans payable, the Company continues to monitor its cash and its capital spending in conjunction with the loans that need to be repaid.

FISCAL 2019

Operating Activities

In 2019, the Company generated net cash from operating activities of US\$14.7M, as compared to generating net cash from operating activities of US\$7.9M in 2018. The Company realized profit before taxation of US\$12.2M for 2019, plus, the changes in non-cash items and changes in working capital items increased cash by US\$2.5M, resulting in cash generated from operations of US\$14.7M.

Investing Activities

In 2019, the Company's net investment in property, plant and equipment was US\$5.4M compared to US\$10.5M in 2018. The Company continues reinvent and upgrade its fleet in order to maintain a modern fleet of drill rigs and related equipment. The Company understands the importance of this and has significantly invested in its property, plant and equipment. Plant and equipment additions in 2019 included costs associated with rebuilding existing drill rigs and related equipment, new light vehicles and costs associated with completing certain sites at client premises.

Financing Activities

In 2019, the Company used net cash of US\$3.3M relating to financing activities. The Company repaid loans in the amount of US\$2.9M, paid lease liabilities of US\$0.4M, paid related party balances of US\$0.5M and received US\$0.5M from the exercise of stock options. In 2018, the Company increased its loans by US\$7.0M as a result of entering into the new Ecobank loan, repaid loans of US\$5.5M relating to the old Zenith loans, paid US\$0.1M relating to the Company's share buy-backs and received US\$0.2M from the exercise of stock options.

FOURTH QUARTER ENDED DECEMBER 31, 2019

Operating Activities

The Company realized loss before taxation of US\$0.2M for the fourth quarter of 2019 but the impact of changes in non-cash items and changes in working capital items increased cash by US\$4.3M resulting in US\$4.1M cash being generated in operations in the fourth quarter of 2019, compared to no cash being used or generated from operating activities in the fourth quarter of 2018.

Investing Activities

In the fourth quarter of 2019, the Company's investment in property, plant and equipment was US\$1.1M compared to US\$1.7M in the fourth quarter of 2018. The Company continues to believe that one of the Company's greatest attributes is its ability to maintain a modern fleet of drill rigs and related equipment. The Company understands the importance of this and has significantly invested in its property, plant and equipment. Plant and equipment additions in the fourth quarter of 2019 included costs associated with rebuilding existing drill rigs and related equipment, new light vehicles and costs associated with completing certain sites at client premises.

Financing Activities

During the fourth quarter of 2019, the Company used cash of US\$1.1M in its financing activities. The Company repaid loans in the amount of US\$1.1M, paid lease liabilities of US\$0.1M and received US\$0.1M from the exercise of stock options. In the fourth quarter of 2018, the Company used cash of US\$0.1M in its financing activities. The Company increased its loans by US\$0.5M and made loan repayments of US\$0.6M.

Contractual Obligations

Contractual Obligations in US\$	Payments Due by			
	Total	2020	2021	2022
Loans ⁽¹⁾	3,700,000	2,600,000	1,100,000	-
Lease liabilities ⁽²⁾	405,000	320,000	60,000	25,000
Total Contractual Obligations	4,105,000	2,920,000	1,160,000	25,000

(1) Loans refer to the US\$6.5M Medium Term Loan and the Equipment Loan, including the related interest.

(2) The lease liabilities relate to the lease payments for the two real estate properties, as fully disclosed under "Transactions with Related Parties". In addition, the lease liabilities includes amounts for other operating sites.

Contractual obligations will be funded in the short-term by cash as at December 31, 2019 of US\$10.6M, cash flow generated from operations, and the US\$3.5M amount still available on the US\$3.5M Revolving Line of Credit.

OUTLOOK

The Company is continuing to see a recovery in the mineral drilling sector as evidenced by the Company generating more than US\$80M in revenue in each of the last three years. The Company is optimistic that the recovery will continue throughout 2020. The Company is well positioned for 2020 as at December 31, 2019, the Company had 67 drill rigs, of which 62 drill rigs were available for operation and five drill rigs were in the workshop.

SUPPLEMENTARY DISCLOSURE - NON-IFRS MEASURES

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

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

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

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

(US\$ 000s)	Year ended		Three months ended	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Total comprehensive income / (loss)	3,876	662	(958)	386
Add: Income taxes	8,274	8,527	776	1,881
Add: Finance costs	485	528	103	136
Earnings Before Interest and Taxes (EBIT)	12,635	9,717	(79)	2,403
Add: Depreciation & Amortization	7,382	6,580	1,886	1,760
Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)	20,017	16,297	1,807	4,163

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO") of the Company are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The CEO and the CFO have designed such DC&P, or caused them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. As at December 31, 2019, the CEO and CFO evaluated the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P were effective as at December 31, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There were no changes in the Company's internal control over financial reporting during the period beginning on January 1, 2019 and ending on December 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

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

Risks Related to the Business and the Industry

Political Instability

The Company's drilling activities are in West Africa (Ghana, Burkina Faso, Cote d'Ivoire and Mali) and Zambia. Conducting business in West Africa and Zambia presents political and economic risks including, but not limited to, terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labour unrest. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business. Business may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production and exploration activities, currency remittance, income taxes, environmental legislation, land use, land claims of local people, water use and safety. The effect of these factors cannot be accurately predicted, however, the Company keeps abreast of all political issues and is prepared to act accordingly. In early November, the Company was impacted by a militant attack in Burkina Faso. The attack resulted in the fatality of two of the Company's employees and significantly impacted operations in Burkina Faso. Throughout the remainder of the quarter, the Company focused on the safety and security of its personnel and the safe-guarding of its equipment. One of the Company's clients in Burkina Faso suspended all exploration activities throughout the quarter which resulted in a decline in revenue as the Company was unable to have the rigs it committed to that client restart drilling and was not able to redeploy these rigs to other clients due to the ongoing security situation in that area of Burkina Faso.

Tax Risk

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

in these countries or an unfavorable interpretation of the current tax legislation could have a material adverse effect on the profitability of the Company.

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

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

Credit Risk

The Company provides credit to its clients in the normal course of its operations. In the past the Company had noticed that certain accounts were taking longer to pay and certain accounts were having difficulty paying and therefore the Company needed to provide for certain accounts. The Company has continued working with larger clients and as at December 31, 2019, 21% of the trade accounts receivable are aged over 91 days. The Company's normal credit terms are 30 days.

Foreign Currency Exposure

The Company receives the majority of its revenues in US dollars. In January 2020, the Bank of Ghana granted approval for the Company to issue and receive fifty percent of its payments in US dollars. The approval is valid up to December 31, 2020. If the Company has significant cash and receivables in Ghana Cedi it may be exposed to currency fluctuations between the US Dollar and the Ghana Cedi. The Company also has significant amounts of CFA relating to operating in certain French West African countries. Although the exchange rate of the CFA is linked to the EURO and it has been fairly stable in the past, there can be no assurance that it will continue to be stable. In addition, there is also a significant part of the Company's foreign exchange exposure to the Australian dollar and Euro in relation to international purchases. As a result, the Company is exposed to currency fluctuations and exchange rate risks. Currency fluctuations and exchange rate risks between the value of the US dollar and the value of certain foreign currencies may increase the cost of the Company's operations and could adversely affect financial results.

Cyber Crime

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

In addition to this, on an annual basis the Company has a third party perform a vulnerability assessment on its network.

Inability to Sustain Revenue Levels

The Company recorded revenue of US\$87.4M in 2019, US\$88.5M in 2018 and US\$82.6M in 2017. The Company's ability to increase or sustain its revenue will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, commodity prices, the ability of mining companies to raise financing and the global demand for materials. In addition, the Company is subject to a variety of business risks generally associated with growing companies. The Company is not currently contemplating adding a significant number of rigs but will continue to explore geographic expansion. Expanding into other jurisdictions could place significant strain on the Company's management personnel and the Company may need to recruit additional personnel to service these jurisdictions.

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

Business Interruptions

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

Uncertain Legal and Regulatory Frameworks

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

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

Cyclical Downturns

The Company's business is highly dependent upon the levels of mineral exploration, development and production activity by mining companies in West Africa. In recent years, certain countries in West Africa such as Ghana, Burkina Faso, Cote d'Ivoire and Mali have seen an increase in mining and exploration primarily focused on gold. In 2016 to 2019, the drilling industry in West Africa began to recover resulting in increased demand for the Company's services. In 2018, the Company achieved record revenues of US\$88.5M and in 2019 the Company recorded similar revenues of US\$87.4M. Although the Company has seen a rebound in its activities, there is no guarantee that this trend will continue due to the cyclical nature of the industry.

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

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

Competition

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

A significant portion of the drilling services business is a result of being awarded contracts through a competitive tender process. It is possible that the Company may lose potential new contracts to competitors if it is unable to demonstrate reliable performance, technical competence and competitive pricing as part of the tender process or if mining companies elect not to undertake a competitive tender

process, or the Company does not continue to provide a premium service as compared to other competitors, to its existing client base which would cause it to lose its reputation in the market place.

Local Content

The Group has drilling activities currently in Ghana, Burkina Faso, Cote d'Ivoire, Mali and Zambia. The Company has always considered the local communities and districts in which it operates and has specifically hired local workers and supported local community initiatives. In 2019, approximately 95% of the Company's workforce was local to the countries in which it operated. In certain jurisdictions in which the Company operates, there are discussions regarding granting contracts to companies that are locally owned or a percentage of the company is locally owned. As the Company is a publicly listed entity, if local ownership content requirements become mandated, this may affect the way the Company operates or is structured in certain jurisdictions in which it operates.

Substance requirements

The Company is incorporated in the Isle of Man and certain of the Company's other subsidiaries are incorporated in other countries where, similar to the Isle of Man, there has been an increased focus on substance requirements. The Company maintains its head office in the Isle of Man and has a local director and corporate secretary based in the Isle of Man. The Company conducts at least half of its board meetings in and from the Isle of Man and the Company will also hold its 2020 Annual General Meeting in the Isle of Man. The Company has reviewed the necessary requirements and has concluded that it is directed and managed in and from the Isle of Man, there is adequate physical presence in the Isle of Man, there is adequate proportionate expenditure and there are core income generating activities conducted in the Isle of Man and therefore has determined that it fulfils the relevant substance requirements however there is always a risk that the authorities will dispute the Company's conclusions. The Company has also reviewed and has concluded that it meets the substance requirements for its Mauritius subsidiary. The Company is currently reviewing the substance requirements for its subsidiaries incorporated in the British Virgin Islands, one of which falls within the applicable categories and one which does not.

International Expansion and Instability

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

Environment, Labor and Health and Safety Requirements and Related Considerations

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

Company operates could adversely affect the Company's ability to retain client contracts and win new business.

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

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

Geographic Expansion

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

Global Financial Condition

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

Concentration of Currency

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

Dependence on Certain Key Personnel

The success of the Company was, and is currently, largely dependent on the performance of senior management and, in particular, Dave Harper, Terry Burling, Greg Borsk, Greig Rodger and Stephan Rodrigue. The senior management group is also supported by numerous drilling supervisors, HSE personnel and other management employees to manage its immediate operations as well as the

obligations of running a public company. The loss of the senior management personnel would likely have a materially adverse effect on the Company's business and prospects. Additionally, there is no assurance that the Company can maintain the services of its other management or its key drillers required to operate the business. The Company does not maintain key person insurance on the lives of any of its senior management.

Debt Level

In response to the need to finance capital equipment and general corporate expenditures including working capital needs, the Company has needed to borrow funds. As a result, the Company has loans payable outstanding. With loans payable outstanding and the required payments, the Company will need to monitor its cash on hand, and its investing activities in response to the level of debt and scheduled loan repayments. The debt requires repayments of principal and interest of approximately US\$2.3M in 2020 and US\$1.1M in 2021. The Company has in the past been able to repay debt from cash on hand and cash flow generated from operations, however, there is no certainty that the Company will continue to generate positive cash flow from operations. As at December 31, 2019, the Company had US\$10.6M of cash and an unutilized amount of US\$3.5M on the US\$3.5M Revolving Line of Credit.

Sensitivity to General Economic Conditions

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

Dependence on Customers with Capital Raising Challenges

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

Specialized Skills and Cost of Labor Increases

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

Increased Cost of Sourcing Consumables and Drilling Equipment

When bidding on a drilling contract, the cost of consumables (including fuel) is a key consideration in deciding upon the pricing of a contract. A material increase in the cost of consumables (including fuel) could result in materially higher costs and could materially reduce the Company's financial performance, financial condition, cash flows and growth prospects. Although the Company mitigates the risk of sourcing

and pricing of consumables by keeping an inventory and having the capacity to fabricate certain consumable equipment, such as RC drill pipe and RC wire-line drill subs, there remains a risk that the pricing and availability of certain other consumables such as fuel could have a material negative effect on the Company's operations. Additionally, the delay or inability of suppliers to supply key manufacturing inputs, such as steel and other raw materials, may delay manufacturing certain consumables such as RC drill pipe and RC wire-line drill subs, that may have an adverse effect on the operations and the financial position of the Company's business.

Client Contracts

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

Operational Risks and Liability

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

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

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

Risk to the Company's Reputation

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

Insurance Limits

The Company maintains, to a limited extent, fixed property, motor and general liability insurance. The Company does not insure all of its drill rigs nor its goods in transit, as management has determined that

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

Supply of Consumables

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

Risks due to Foreign Incorporation

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

Equity Market Risks

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

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

The Harper Family Settlement and Dave Harper holds or controls, directly or indirectly, 17,683,500 Ordinary Shares representing approximately 39.8% of the Company's issued Ordinary Shares. As a result, The Harper Family Settlement and Dave Harper have the ability to influence the Company's strategic direction and policies, including any sale of all or substantially all of its assets, the election and composition of the Board of Directors, the amendment of the Company's Memorandum and Articles of Association and the declaration of dividends. The foregoing ability to influence the control and direction of the Company could adversely affect investors' perception of the Company's corporate governance and reduce its attractiveness as a target for potential take-over bids and business combinations, and correspondingly affect its share price.

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

Dilution

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

Lack of Dividend Payments

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

FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying values of cash, trade and other receivables, trade and other payables and related party payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of loans payable approximates their fair value as the fixed rate loans have been acquired recently and their carrying value continues to reflect fair value. The fair value of financial assets held at fair value through profit and loss are measured using quoted market prices.

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

FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

The Group's management team is responsible for developing and monitoring the Group's risk management policies. The team meets periodically to discuss corporate plans, evaluate progress reports

and establish action plans to be taken. The day-to-day implementation of the Board's decisions rests with the CEO.

(i) Credit risk

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

Trade and other receivables

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

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

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

Exposure to credit risks

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

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

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

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

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

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

(ii) Liquidity risk

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

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

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

(iii) Market risk

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

(a) Foreign currency risk

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

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

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

The following significant exchange rates applied during the years:

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

Sensitivity analysis on currency risks

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

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

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

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

(b) Interest rate risk

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

Profile

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

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

Sensitivity analysis for variable rate instruments

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

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

(iv) Capital management

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

The Group's capital at December 31, 2019 and 2018 is as follows:

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

(c) Equity price risk

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

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

RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2019	2018
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
D.S.I. Services Limited	Subsidiary	British Virgin Islands	100%	100%
D.S.I. Services (IOM) Limited	Subsidiary	Isle of Man	100%	-
Geotool Limited	Subsidiary	British Virgin Islands	100%	100%
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	100%
Geodrill BF SARL	Registered foreign operating entity	Cote d'Ivoire	100%	-
Geo-Forage Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geo-Forage Mali SARL	Subsidiary	Mali	100%	100%
Geo-Forage Senegal SARL	Subsidiary	Senegal	100%	100%
Geodrill Limited Zambia	Registered foreign operating entity	Zambia	100%	100%
Geodrill Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geodrill Mauritius Limited	Subsidiary	Mauritius	100%	100%
The Harper Family Settlement	Significant shareholder	Isle of Man	-	-

(i) Transactions with related parties

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

The Harper Family Settlement owns 39.3% (December 31, 2018: 40.1%) of the issued share capital of Geodrill Limited.

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

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

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

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

(ii) Key management personnel and directors' transactions

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

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

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

(iii) Related party balances

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

SIGNIFICANT ACCOUNTING POLICIES

The Company's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies are described in the audited financial statements for the years ended December 31, 2019 and 2018.

NEW AND FUTURE ACCOUNTING STANDARDS

a. Adoption of new and amended accounting pronouncements

IFRS 16 – Leases

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

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

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

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

(i) Classification

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

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

(ii) Lease payments

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

Adjustments recognized on adoption of IFRS 16

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

	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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values are described in the Company's audited consolidated financial statements for the years ended December 31, 2019 and 2018.

Additional Information

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