

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2020 and 2019

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at March 31, 2020 and December 31, 2019

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

As at March 31, 2020 and December 31, 2019

	<i>Note</i>	March 31, 2020 US\$	December 31, 2019 US\$
Assets			
Non-current assets			
Property, plant and equipment	9	41,109,517	41,698,227
Right-of-use assets	10	375,757	460,285
Total non-current assets		41,485,274	42,158,512
Current assets			
Financial assets at fair value through profit or loss	11	459,795	428,787
Inventories	12	18,133,619	17,660,278
Prepayments		667,069	598,510
Trade and other receivables	13	20,593,202	15,315,453
Cash	14	5,813,713	10,558,184
Total current assets		45,667,398	44,561,212
Total assets		87,152,672	86,719,724
Equity and liabilities			
Equity			
Share capital		23,234,085	23,204,469
Share-based payment reserve		4,397,335	4,351,899
Retained earnings		38,348,035	38,242,108
Total equity		65,979,455	65,798,476
Liabilities			
Non-current liabilities			
Deferred tax liability	8(iv)	3,104,961	3,383,765
Loans payable	15	541,667	1,083,333
Lease liabilities		93,741	115,375
Total non-current liabilities		3,740,369	4,582,473
Current liabilities			
Trade and other payables	16	13,071,027	11,588,931
Loans payable	15	2,226,928	2,287,190
Lease liabilities		257,040	323,088
Taxes payable	8(ii)	1,427,853	1,689,566
Related party payables	18(iii)	450,000	450,000
Total current liabilities		17,432,848	16,338,775
Total equity and liabilities		87,152,672	86,719,724

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

For the three months ended March 31, 2020 and 2019

	Note	March 31, 2020 US\$	March 31, 2019 US\$
Revenue		18,003,326	22,127,223
Cost of sales	7	(14,888,056)	(15,751,328)
Gross profit		3,115,270	6,375,895
Selling, general and administrative expenses	7	(2,738,289)	(2,714,610)
Foreign exchange gain		189,618	260,084
Other losses	11	(57,706)	-
Results from operating activities		508,893	3,921,369
Finance income		166	2,546
Finance costs		(70,179)	(137,059)
Income before taxation		438,880	3,786,856
Income tax expense	8(i)	(321,838)	(2,258,678)
Income and total comprehensive income for the period		117,042	1,528,178
Income per share			
Basic	21(i)	\$0.00	\$0.04
Diluted	21(ii)	\$0.00	\$0.03

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

For the three months ended March 31, 2020 and 2019

	Share Capital US\$	Share- based Payment Reserve US\$	Retained Earnings US\$	Total Equity US\$
Balance at January 1, 2020	23,204,469	4,351,899	38,242,108	65,798,476
Income and total comprehensive income for the period	-	-	117,042	117,042
Share buy-back and cancellation	(7,730)	-	(11,115)	(18,845)
Exercise of stock options	37,346	(14,031)	-	23,315
Share-based payment expense	-	59,467	-	59,467
Balance at March 31, 2020	23,234,085	4,397,335	38,348,035	65,979,455
Balance at January 1, 2019	22,428,417	4,464,416	34,365,745	61,258,578
Income and total comprehensive income for the period	-	-	1,528,178	1,528,178
Exercise of stock options	276,608	(80,516)	-	196,092
Share-based payment expense	-	30,923	-	30,923
Balance at March 31, 2019	22,705,025	4,414,823	35,893,923	63,013,771

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2020 and 2019

	March 31, 2020 US\$	March 31, 2019 US\$
Cash flows from operating activities		
Income before taxation	438,880	3,786,856
<i>Adjustments for:</i>		
Depreciation expense	1,705,848	1,850,168
Movement in expected lifetime credit losses	7,290	(57,873)
Change in provision for inventory obsolescence	52,945	40,948
Equity-settled share-based payment expense	59,467	30,923
Finance income	(166)	(2,546)
Finance costs	70,179	137,059
Fair value losses on current financial assets at fair value through profit and loss	57,706	-
Unrealized foreign exchange gain	(101,089)	(230,282)
	2,291,060	5,555,253
Change in financial assets at fair value through profit and loss	(88,713)	-
Change in inventories	(526,286)	(535,500)
Change in prepayments	(93,161)	8,278
Change in trade and other receivables	(5,285,037)	(1,223,627)
Change in trade and other payables	1,320,341	16,987
Cash generated from operations	(2,381,796)	3,821,391
Finance income received	166	2,546
Finance costs paid	(64,508)	(127,982)
Income taxes paid	(862,355)	(1,458,217)
Net cash (used in) / generated from operating activities	(3,308,493)	2,237,738
Investing activities		
Purchase of property, plant and equipment	(658,294)	(2,135,565)
Net cash used in investing activities	(658,294)	(2,135,565)
Financing activities		
Loan repayments	(601,928)	(601,929)
Shares issued on options exercised	23,315	196,092
Lease liabilities payments	(91,608)	(123,071)
Share buy-back	(18,845)	-
Change in related party payables	-	(230,025)
Net cash used in financing activities	(689,066)	(758,933)
Effect of movement in exchange rates on cash	(88,618)	(36,002)
Net decrease in cash	(4,744,471)	(692,762)
Cash at beginning of the period	10,558,184	4,617,083
Cash at end of the period	5,813,713	3,924,321

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2020 and 2019

1. GENERAL INFORMATION

Geodrill Limited (the “Company” or “Geodrill”) is a company registered and domiciled in the Isle of Man. The address of the Company’s registered office is Ragnall House, 18 Peel Road, Douglas, Isle of Man, IM1 4LZ. The unaudited condensed interim consolidated financial statements of the Company for the periods ended March 31, 2020 and 2019 comprise the interim financial statements of the Company and its wholly owned subsidiaries, Geodrill Ghana Limited, Geotool Limited, Geo-Forage BF SARL, Geo-Forage Cote d’Ivoire SARL, Geo-Forage Mali SARL, Geo-Forage Senegal SARL, Geodrill Mauritius Limited, Geodrill Cote d’Ivoire SARL, D.S.I. Services Limited (“DSI”), D.S.I. Services (IOM) Limited (“DSI IOM”), Geodrill 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 Group is primarily a provider of mineral exploration drilling services. These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill on May 12, 2020.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 have been prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies as presented in Note 2 disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2019. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) has been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited 2019 annual consolidated financial statements of the Company.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Critical accounting estimates and judgments

In preparing these unaudited condensed interim consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2019, except for those noted below:

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus (“COVID-19”). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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2. BASIS OF PREPARATION (CONTINUED)

(d) Critical accounting estimates and judgments (continued)

The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by Management in the preparation of its financial results.

(e) Impairment testing

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 March 31, 2020. The outcome of the analysis was such that the expected net recoverable amount exceeded the carrying value of the property, plant and equipment and, accordingly, no impairment loss was recognized in the period.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended December 31, 2019.

4. DETERMINATION OF FAIR VALUES

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

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

(a) Trade and other receivables

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

(b) Cash

Cash consists of cash at bank and cash on hand.

(c) Trade and other payables

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

(d) Loans payable

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

GEODRILL LIMITED

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For the three months ended March 31, 2020 and 2019

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(e) Share-based payment transactions

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

(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.

5. SEASONALITY OF OPERATIONS

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

6. SEGMENT REPORTING

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 three months ended March 31, 2020, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 29%, one customer contributed 24% and one customer contributed 10%.

For the three months ended March 31, 2019, four customers individually contributed 10% or more to the Group's revenue. One customer contributed 20%, one customer contributed 17%, one customer contributed 16% and one customer contributed 10%.

GEODRILL LIMITED
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7. EXPENSES BY NATURE

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

	March 31, 2020	March 31, 2019
	US\$	US\$
Expenses		
Wages and employee benefits	6,941,222	7,335,360
Drill rig expenses and fuel	4,549,772	5,132,634
External services, contractors and others	3,538,989	3,208,764
Depreciation	1,705,848	1,850,168
Repairs and maintenance	881,991	996,885
Allowance for doubtful accounts and expected lifetime credit recovery	8,523	(57,873)
	<u>17,626,345</u>	<u>18,465,938</u>

	March 31, 2020	March 31, 2019
	US\$	US\$
Cost of sales	14,888,056	15,751,328
Selling, general and administrative expenses	2,738,289	2,714,610
	<u>17,626,345</u>	<u>18,465,938</u>

8. TAXATION

(i) Income tax expense

	March 31, 2020	March 31, 2019
	US\$	US\$
Current tax expense (iii)	600,642	1,641,146
Deferred tax (recovery) / expense (iv)	(278,804)	617,532
	<u>321,838</u>	<u>2,258,678</u>

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8. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Mar. 31 US\$
2020	1,689,566	(862,355)	600,642	1,427,853
	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Dec. 31 US\$
2019	2,886,000	(6,794,529)	5,598,095	1,689,566

(iii) Reconciliation of effective tax rate

	March 31, 2020 US\$	March 31, 2019 US\$
Income before tax	438,880	3,786,856
Ghana corporate tax at 25%	109,720	946,714
Add:		
Effect of different rate tax countries	(414,703)	(355,926)
Adjustments for current tax of prior years	-	(103,029)
Tax effect of amounts that are not deductible in calculating taxable income	53,247	238,669
Tax (recovery) / expense before withholding tax	(251,736) (57.4)%	726,428 19.2%
Add:		
Withholding tax	573,574	1,532,250
Total tax expense	321,838	2,258,678
Effective tax rate	73.3%	59.6%

During the period ended March 31, 2020, the Group recognized an over provision in tax payable in the amount of US\$nil (March 31, 2019: over provision of US\$103,029) reflecting the outcome of tax reviews in jurisdictions in which it operates.

GEODRILL LIMITED
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8. TAXATION (CONTINUED)

(iv) Deferred tax liability

	March 31, 2020	December 31, 2019
	US\$	US\$
Balance at January 1	3,383,765	707,499
(Recovery) / expense for the period	(278,804)	2,676,266
Balance at end of the period	<u>3,104,961</u>	<u>3,383,765</u>

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	March 31, 2020	December 31, 2019
	US\$	US\$
Tax losses carried forward (1)	1,382,271	833,708
Provision for inventory obsolescence	150,585	140,659
Movement in expected lifetime credit losses	12,526	33,684
Property, plant and equipment	(3,744,298)	(3,498,072)
Deferred tax asset not recognized (2)	(906,045)	(893,744)
Total	<u>(3,104,961)</u>	<u>(3,383,765)</u>

(1) The Group has tax losses in Ghana available for a period of five years expiring on December 31, 2025.

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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2020 and 2019

9. PROPERTY, PLANT AND EQUIPMENT

2020	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, 2020	8,153,967	26,098,680	64,487,594	5,165,301	4,517,783	108,423,325
Additions	-	-	-	-	1,010,787	1,010,787
Reclassifications from CWIP	47,881	188,547	339,039	62,150	(637,617)	-
Assets retired during the period	-	(47,036)	(234,094)	-	-	(281,130)
Balance at March 31, 2020	8,201,848	26,240,191	64,592,539	5,227,451	4,890,953	109,152,982
Accumulated Depreciation						
Balance at January 1, 2020	6,305,651	21,505,127	36,464,660	2,449,660	-	66,725,098
Charge for the period	159,431	448,135	896,779	95,152	-	1,599,497
Assets retired during the period	-	(47,036)	(234,094)	-	-	(281,130)
Balance at March 31, 2020	6,465,082	21,906,226	37,127,345	2,544,812	-	68,043,465
Carrying amounts at March 31, 2020	1,736,766	4,333,965	27,465,194	2,682,639	4,890,953	41,109,517

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

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2020 and 2019

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 year	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.

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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in comprehensive income as follows:

	March 31, 2020	March 31, 2019
	US\$	US\$
Cost of sales	1,510,396	1,732,530
Selling, general and administrative expenses	89,101	16,770
	<u>1,599,497</u>	<u>1,749,300</u>

As at March 31, 2020, property, plant and equipment with a carrying amount of US\$12,398,163 (December 31, 2019: US\$14,023,221) have been pledged as security for certain loans (Note 15).

10. RIGHT-OF-USE ASSETS

	March 31, 2020	December 31, 2019
	US\$	US\$
Cost		
Balance at January 1,	880,749	768,299
Additions	24,602	117,234
Movement in foreign exchange	(2,779)	(4,784)
Balance at the end of the period	<u>902,572</u>	<u>880,749</u>
Accumulated Depreciation		
Balance at January 1,	420,464	-
Charge for the period	106,351	420,464
Balance at the end of the period	<u>526,815</u>	<u>420,464</u>
Carrying amounts at the end of the period	<u>375,757</u>	<u>460,285</u>

The amount of depreciation recognized as an expense in the period ended March 31, 2020 was US\$106,351 (2019: US\$100,868).

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11. 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 FVTPL include the following:

	March 31, 2020	December 31, 2019
	US\$	US\$
Non-current assets		
Listed equity securities	459,795	428,787
	<u>459,795</u>	<u>428,787</u>

During the three months ended March 31, 2020 the Group received an additional US\$88,714 of listed equity securities (March 31, 2019: US\$ Nil) and realized a loss on FVTPL of US\$57,706 (March 31, 2019: US\$ Nil).

12. INVENTORIES

	March 31, 2020	December 31, 2019
	US\$	US\$
Inventories on hand	18,293,936	17,896,565
Inventories in transit	566,149	482,864
Provision for obsolescence	(726,466)	(719,151)
	<u>18,133,619</u>	<u>17,660,278</u>

The amount of inventories recognized as expense in the three months ended March 31, 2020 is US\$6,197,407, (March 31, 2019: US\$6,761,035). Inventory write downs in the three months ended March 31, 2020 amounted to US\$45,630 (March 31, 2019: reversal of write downs of US\$33,663).

13. TRADE AND OTHER RECEIVABLES

	March 31, 2020	December 31, 2019
	US\$	US\$
Trade receivables	20,725,275	14,964,141
Expected lifetime credit losses	(311,174)	(303,884)
Net trade receivables	20,414,101	14,660,257
Cash advances	22,090	98,924
Sundry receivables	157,011	556,272
	<u>20,593,202</u>	<u>15,315,453</u>

As at March 31, 2020, trade receivables with a carrying amount of US\$5,297,069 (December 31, 2019: US\$6,144,830) have been pledged as security for certain loans (Note 15).

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13. TRADE AND OTHER RECEIVABLES (CONTINUED)

The movements in the expected lifetime credit losses is as follows:

	March 31, 2020	December 31, 2019
	US\$	US\$
Balance at January 1	303,884	1,110,911
Movement in expected lifetime credit losses in the period	7,290	(29,588)
Amounts written off in the period	-	(777,439)
Balance at end of period	311,174	303,884

Trade and other receivables are recorded at amortized cost. Bad debt recovery recorded on trade and other receivables during the period ended March 31, 2020 amounted to US\$Nil (December 31, 2019: US\$Nil).

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

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

14. CASH

	March 31, 2020	December 31, 2019
	US\$	US\$
Cash at bank	5,660,265	10,456,335
Cash on hand	153,448	101,849
Total	5,813,713	10,558,184

As at March 31, 2020, cash of US\$5,813,713 was available to the Group (December 31, 2019: US\$10,558,184).

15. LOANS PAYABLE

	March 31, 2020	December 31, 2019
	US\$	US\$
US\$6.5M Medium Term Loan (i)	2,708,333	3,250,000
US\$3.5M Revolving Line of Credit (ii)	-	-
Equipment Loan (iii)	60,262	120,523
Total	2,768,595	3,370,523
Current portion of loans	2,226,928	2,287,190
Non-current portion of loans	541,667	1,083,333

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15. LOANS PAYABLE (CONTINUED)

(i) US\$6.5M Medium Term Loan

On April 24, 2018, the Group entered into a Medium Term Loan with Ecobank Ghana Limited. The Medium Term Loan in the amount of US\$6.5 million (the “US\$6.5M Medium Term Loan”) matures on April 30, 2021. Principal is repaid in 12 equal quarterly instalments required to satisfy the principal over the term of the loan commencing on July 31, 2018. Interest is payable monthly in arrears. The US\$6.5M Term Loan bears interest at a rate of 8.5% per annum and is subject to periodic review in line with market conditions. The US\$6.5M Term Loan is secured by certain assets of the Group (Note 9 and Note 13). The US\$6.5M Term Loan may be repaid prior to maturity by the Group without penalty or other costs other than interest accrued to the date of such repayment. The effective interest rate of the US\$6.5M Term Loan is 9.1%. The US\$6.5M Medium Term Loan is subject to, and as at March 31, 2020, 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. The Revolving Line of Credit in the amount of US\$3.5 million (the “US\$3.5M Revolving Line of Credit”) matures on April 30, 2020, repayable interest only monthly and principal one year after initial drawdown, bears interest at a rate of 8.5% per annum on any utilized portion and is subject to periodic review in line with market conditions. The US\$3.5M Revolving Line of Credit is secured by certain assets of the Group (Note 9 and Note 13). 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 March 31, 2020. The US\$3.5M Revolving Line of Credit is subject to, and as at March 31, 2020, the Group was in compliance with normal course covenants.

(iii) Equipment Loan

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

16. TRADE AND OTHER PAYABLES

	March 31, 2020	December 31, 2019
	US\$	US\$
Trade payables	6,013,779	5,491,743
Creditors and accrued expenses	5,434,599	4,902,974
VAT liability	1,622,649	1,194,214
	13,071,027	11,588,931

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17. 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 March 31, 2020 and December 31, 2019.

18. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2020	2019
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%	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%	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	-	-

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18. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties

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

The Harper Family Settlement owns 39.3% (December 31, 2019: 39.3%) of the issued share capital of Geodrill Limited. On September 30, 2015, Geodrill Ghana Limited entered into lease agreements with The Harper Family Settlement for the Anwiankwanta property and for the Accra property, both for a five year term at rates consistent with those determined pursuant to the October 1, 2014 rent review. The material terms of the five year lease agreements include: (i) the annual rent payable shall be reviewed on an upward only basis every two years; and (ii) only Geodrill Ghana Limited can terminate the leases by giving twelve months' notice. On October 1, 2016, in conjunction with the rent review, Geodrill Ghana Limited agreed to the increase in rent for the Anwiankwanta property to US\$186,000 per annum and the increase in rent for the Accra property to US\$78,000 per annum. It was also agreed that all future rent increases will be based on USA inflation data. On August 17, 2018, the lease agreements were updated to arrange for appropriate property damage and liability insurance but all other terms and conditions remained unchanged. On October 1, 2018, in conjunction with the rent review, Geodrill Ghana Limited agreed to the increase in rent for the Anwiankwanta property to US\$194,000 per annum and the increase in rent for the Accra property to US\$82,000 per annum.

For the period ending March 31, 2020, the right-of-use assets relating to the properties above was US\$130,142 (December 31, 2019: US\$195,214) and the related lease liabilities were US\$110,499 (December 31, 2019: US\$179,499).

(ii) Key management personnel and directors' transactions

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

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

	March 31, 2020	March 31, 2019
	US\$	US\$
Short-term benefits	921,294	952,273
Share-based payment arrangements	59,467	30,923
	<u>980,761</u>	<u>983,196</u>

(iii) Related party balances

The related party payables balance payable to The Harper Family Settlement as at March 31, 2020 amounts to US\$450,000 (December 31, 2019: US\$450,000). The related party payables balance is unsecured, interest free and is repayable on demand at the option of The Harper Family Settlement.

19. COMMITMENTS

As at March 31, 2020, the Group had no capital commitments (December 31, 2019: US\$NIL).

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20. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital	March 31, 2020	December 31, 2019
Shares issued and fully paid	44,475,600	44,430,400
Shares reserved for share option plan	4,447,560	4,443,040
Total shares issued and reserved	48,923,160	48,873,440

Reconciliation of changes in issued shares

	March 31, 2020	December 31, 2019
Shares issued at January 1,	44,430,400	43,574,500
Stock options exercised	60,000	855,900
Share buy-back	(14,800)	-
Shares issued at end of period	44,475,600	44,430,400

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

During the period ended March 31, 2020, the Company re-purchased and canceled 14,800 shares at an average price of C\$1.68 (for the year ended December 31, 2019, no shares were repurchased and cancelled).

(ii) Share-based payment reserve

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

The share-based payment expense for the period ended March 31, 2020 amounted to US\$59,467 (March 31, 2019: US\$30,923) and was included in selling, general and administrative expenses in the Condensed Interim Consolidated Statements of Comprehensive Income.

(iii) Retained earnings

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

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21. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share for the three month period ended March 31, 2020 was based on the income attributable to ordinary shareholders of US\$117,043 (2019: US\$1,528,178) and on the weighted average number of ordinary shares outstanding of 44,453,900 (2019: 43,629,500) calculated as follows:

	March 31, 2020	March 31, 2019
	US\$	US\$
Income attributable to ordinary shareholders	117,043	1,528,178
<hr/>		
Weighted average number of ordinary shares		
	March 31, 2020	March 31, 2019
	Shares	Shares
Issued ordinary shares	44,453,900	43,629,500
<hr/>		
Earnings per share	\$0.00	\$0.04

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three month period ended March 31, 2020 was based on the income attributable to ordinary shareholders of US\$117,042 (2019: US\$1,528,178) and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 45,007,331 (2019: 44,499,366), calculated as follows:

	March 31, 2020	March 31, 2019
	US\$	US\$
Income attributable to ordinary shareholders	117,042	1,528,178
<hr/>		
Weighted average number of ordinary shares - diluted		
	March 31, 2020	March 31, 2019
	Shares	Shares
Weighted average number of ordinary shares - basic	44,453,900	43,629,500
Effect of share options in issue	553,431 ⁽¹⁾	869,866 ⁽²⁾
<hr/>		
	45,007,331	44,499,366
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Diluted earnings per share	\$0.00	\$0.03

(1) For the three months ended March 31, 2020, 1,295,700 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 three months ended March 31, 2019, 1,536,600 options in issue were dilutive and did have an effect of \$0.01 on the calculation of the diluted earnings per share.

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22. DIVIDENDS

No dividends were paid in 2020 or 2019, and no dividends were declared through to May 12, 2020.

23. EQUITY-SETTLED SHARE-BASED PAYMENTS

Share Option Plan (“SOP”)

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

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

	March 31, 2020		December 31, 2019	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	3,370,700	C\$1.58	3,931,600	C\$1.44
Granted March 9, 2020	750,000	C\$1.71		
Granted May 15, 2019			365,000	C\$1.36
Total Granted	750,000	C\$1.71	365,000	C\$1.36
Exercised February 13, 2020	(45,000)	C\$0.51		
Exercised March 31, 2020	(15,000)	C\$0.51		
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
Total Exercised	(60,000)	C\$0.51	(855,900)	C\$0.80
Forfeited September 2, 2019			(70,000)	C\$1.88
Total Forfeited	-		(70,000)	C\$1.88
Balance ending	4,060,700	C\$1.62	3,370,700	C\$1.58

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

The following table summarizes the options outstanding at March 31, 2020:

Options	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
Granted on May 19, 2015	C\$0.51	90,000	2 mos	90,000
Granted on March 14, 2016	C\$0.79	860,700	1 Yr	860,700
Granted on June 30, 2016	C\$1.62	330,000	1 Yr & 3 mos	330,000
Granted on May 12, 2017	C\$2.14	1,595,000	2 Yrs & 2 mos	1,595,000
Granted on May 16, 2018	C\$2.00	90,000	3 Yrs & 2 mos	90,000
Granted on May 15, 2019	C\$1.36	345,000	4 Yrs & 2 mos	345,000
Granted on March 9, 2020	C\$1.71	750,000	5 Yrs	150,000

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

Granted on	May 19, 2015	March 14, 2016	June 30, 2016	May 12, 2017	May 16, 2018	May 15, 2019	March 9, 2020
Risk free interest rate	1.10%	1.10%	0.57%	1.04%	1.04%	1.54%	0.53%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Stock price volatility	111%	46%	52%	50%	40%	42%	43%
Expected life of options	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	30%	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.

24. 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, submitted its official response letter and continues to disagree with their conclusion and believes it is without merit. Geodrill 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.

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25. SUBSEQUENT EVENT

On April 6, 2020, the Group repaid the final amount on the Equipment Loan resulting in the fulfilment of all of its obligations under the Equipment Loan.

On April 29, 2020, the Group renewed the undrawn US\$3.5M Revolving Line of Credit maturing on April 30, 2020 for a further term of one year, maturing on April 30, 2021. The interest rate for the undrawn US\$3.5M Revolving Line of Credit has been reduced from 8.5% to 7.5% whereas all other terms and conditions remain unchanged and are disclosed in Note 15 (ii).