**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 | 3,325,700 |
| Diluted | 47,791,100 |

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 2019 | 2018 | 2017 | % Change 2019 vs 2018 | % Change 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%** |
| *Cost of Sales (%)* | 75% | 75% | 74% | | |
| **Gross Profit** | **22,187** | **22,468** | **21,410** | **(1%)** | **5%** |
| *Gross Profit Margin (%)* | 25% | 25% | 26% | | |
| **Selling, General and Administrative Expenses** | **(9,886)** | **(13,181)** (1) | **(12,008)** (2) | **(25%)** | **10%** |
| *Selling, General and Administrative Expenses (%)* | 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%** |
| *Profit from Operating Activities (%)* | 14% | 11% | 11% | | |
| **Finance Income** | **3** | **10** | **2** | | |
| **EBIT*** | **12,635** | **9,717** | **9,019** | **30%** | **8%** |
| *EBIT (%)* | 14% | 11% | 11% | | |
| **Finance Cost** | **(485)** | **(528)** | **(516)** | | |
| *Finance Cost (%)* | 1% | 1% | 1% | | |
| **Profit Before Taxation** | **12,151** | **9,189** | **8,503** | **32%** | **8%** |
| *Profit Before Taxation (%)* | 14% | 10% | 10% | | |
| **Income Tax Expense** | **(8,274)** | **(8,527)** | **(4,013)** | | |
| *Income Tax Expense (%)* | 9% | 10% | 5% | | |
| **Net Income** | **3,876** | **662** | **4,490** | **485%** | **(85%)** |
| *Net Income (%)* | 4% | 1% | 5% | | |
| **EBITDA **** | **20,017** | **16,297** | **15,673** | **23%** | **4%** |
| *EBITDA (%)* | 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

| | Fourth Quarter Ended | | % Change |
|---|---|---|---|
| **(in US$ 000s)** | **2019** | **2018** | **2019 vs 2018** |
| **Revenue** | **17,202** | **20,396** | **(16%)** |
| **Cost of Sales** | **(14,876)** | **(15,058)** (1) | **(1%)** |
| *Cost of Sales (%)* | 86% | 74% | |
| **Gross Profit** | **2,326** | **5,338** | **(56%)** |
| *Gross Profit Margin (%)* | 14% | 26% | |
| **Selling, General and Administrative Expenses** | **(2,270)** | **(3,082)** (1) | **(26%)** |
| *Selling, General and Administrative Expenses (%)* | 13% | 15% | |
| **Foreign Exchange Gain** | **7** | **145** | |
| **Other Loss** | **(142)** | **-** | |
| **(Loss) / Profit from Operating Activities** | **(79)** | **2,401** | **(103%)** |
| *(Loss) / Profit from Operating Activities (%)* | (0%) | 12% | |
| **Finance Income** | **-** | **2** | |
| **EBIT*** | **(79)** | **2,403** | **(103%)** |
| *EBIT (%)* | (0%) | 12% | |
| **Finance Cost** | **(103)** | **(136)** | |
| *Finance Cost (%)* | 1% | 1% | |
| **(Loss) / Profit Before Taxation** | **(182)** | **2,267** | **(108%)** |
| *Profit Before Taxation (%)* | (1%) | 11% | |
| **Income Tax Expense** | **(776)** | **(1,881)** | **(59%)** |
| *Income Tax Expense (%)* | 5% | 9% | |
| **Net (Loss) / Income** | **(958)** | **386** | **(348%)** |
| *Net Income (%)* | (6%) | 2% | |
| **EBITDA **** | **1,807** | **4,163** | **(57%)** |
| *EBITDA (%)* | 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

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **(in US$ 000s)** | **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**

| | Fiscal year end | | Fourth quarter end | |
|---|---|---|---|---|
| (in US$ 000s) | 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 liablities (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

| | Year ended | | Three months ended | |
|---|---|---|---|---|
| **(US$ 000s)** | **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 is 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<br>US$ | 2018<br>US$ |
|---|---|---|
| Trade and other receivables | 15,315,453 | 19,061,758 |
| Cash | 10,558,184 | 4,617,083 |
| | 25,873,637 | 23,678,841 |

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

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

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

| | 2019<br>US$ | 2018<br>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 |
| | 14,660,257 | 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<br>US$ | Within<br>One Year<br>US$ | Greater than<br>One Year<br>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:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| US$1= | 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.

| 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 |

### 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<br>US$ | 2018<br>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<br>US$ | 2018<br>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) <u>Classification</u>

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) <u>Lease payments</u>

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.