INTRODUCTION

This report on the combined historical financial information of the Geosearch Group of companies ("Geosearch group") performing exploration drilling services group in South Africa, Botswana and Mozambique which should be read in conjunction with the Circular to Unicorn Capital Partners Limited ("Unicorn") shareholders dated 11 March 2020 prepared in connection with the disposal of the Geosearch Group of companies. (For a list of these companies refer to note 1).

The combined historical financial information of the Geosearch group for the years ended 30 June 2019, 2018 and 2017 set out below has been prepared based on and more fully described in the basis of preparation set out in note 1 to the combined historical financial information of the Geosearch group.

The combined historical financial information of the Geosearch group was prepared in accordance with International Financial Reporting Standards (IFRS), and the requirements of the JSE Limited Listings Requirements and are the responsibility of the Directors of Unicorn.

The Independent Reporting Accountant's audit report on the combined historical financial information of the Geosearch group for the year ended 30 June 2019 and the Independent Reporting Accountant's review report on the combined historical financial information of the Geosearch group for the years ended 30 June 2018 and 2017 are included in Annexure 4A and Annexure 5B respectively to the Circular issued to shareholders of Unicorn on 11 March 2020.

Commentary

Strategic overview

Geosearch performs exploration drilling services in South Africa, Mozambique and Botswana. The industry was under severe pressure during 2017 due to depressed global commodity prices and an uncertain global growth outlook. There were very few long- term contracts available and drill rates were under significant pressure. Mozambique had no drilling contracts and kept the business going through a bush- clearing contract. South Africa had a single grade- control contract and in Botswana drilling activity was limited to a couple of small short- term jobs. Since then, however, things have improved.

The number of new contracts has increased in all three countries over the past three years up to June 2019 as confidence returned. Mozambique is maintaining good momentum and drilled the most meters ever during the 2019 financial year. South Africa was able to sustain operations while activity in Botswana exploded during 2019. This resulted in the growth of Revenue from R144 million in 2017 to R301 million in 2019.

The revenue growth mainly in Botswana should have been substantially higher for 2019 though. Botswana was awarded three major drilling contracts with a large client requiring a substantial ramp- up in infrastructure, personnel and investment in working capital.

Operational challenges faced mainly in Botswana resulted in no notable increase in the profit/loss from operations which increased from a loss of R4 million in 2017 to a small profit of R6 million during 2019.

During 2019 the Geosearch group disposed of a property to JEF Drill and Blast Proprietary Limited, a Subsidiary of Unicorn, which mainly resulted in the profit on disposal of assets amounting to R3 million.

Acquisition of Thebe Turnstone

During March 2019, Unicorn announced that Buenti Drilling Proprietary Limited ("Buenti Drilling"), a company that forms part of the Geosearch group, acquired the entire issued share capital of, and shareholder loan claims owing by, Thebe Turnstone Drilling Proprietary Limited ("Turnstone Drilling") for an aggregate consideration of R18 million. The transaction became effective on 26 June 2019.

Turnstone provides surface and underground drilling solutions and has an operational fleet of 17 surface exploration drill rigs, with various drilling range capacities and eight underground drill rigs. Turnstone has two long- term contracts in the Northern Cape and is expected to make a positive contribution during the next financial year. In addition to the contracts, the acquisition also provided us with desperately needed additional drill rigs and general mining equipment.

The acquisition resulted in a gain on bargain purchase of R 0.6 million during 2019.

Financial Position

Since 2017, non- current assets increased from R61 million to R66 million mainly as a result of the acquisition of additional drill rigs and R16 million assets acquired through the acquisition of Turnstone and normal depreciation charges.

Current assets increased from R56 million during 2017 to R82 million at the end of June 2019 mainly due to the increase in the number of contracts in Botswana.

External loans and borrowings increased from R nil during 2017 to R18 million at the end of 2019 due to the acquisition of Turnstone.

Loans from Unicorn to Geosearch group decreased from R255 million in 2017 to R31 million at the end of 2019 mainly due to conversion of shareholder loans into equity. This resulted in an increase in share capital over the period.

Geosearch Group

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June

Figures in R `000	Notes	Audited 2019	Reviewed 2018	Reviewed 2017
Revenue	7	301 323	148 318	144 677
Cost of sales		(245 032)	(104 223)	(117 692)
Gross profit / (loss)		**56 291**	**44 095**	**26 985**
Other income		44	777	389
Administrative expenses		(51 279)	(32 540)	(31 483)
Profit / (loss) from operating activities	8	**5 056**	**12 332**	**(4 109)**
Net (loss)/profit on disposal of assets		3 331	46	98
Gain on bargain purchase	26	620	-	-
Impairment of plant and equipment	12	-	-	(10 134)
Net impairment of trade receivables		1 369	(588)	(120)
Operating profit		**10 376**	**11 790**	**(14 265)**
Finance income	9	2 603	641	732
Finance costs	9	(4 593)	(2 130)	(4 071)
Profit / (loss) before tax		**8 386**	**10 301**	**(17 604)**
Income tax (expense) / credit	10	(2 482)	(2 733)	227
Profit/(loss) for the year		**5 904**	**7 568**	**(17 377)**
Profit/(loss) for the year attributable to:				
Owners of Parent		8 473	7 568	(17 377)
- continuing operations		8 473	7 568	(17 377)
- discontinued operations		-	-	-
Non- controlling interest		(2 569)	-	-
- continuing operations		(2 569)	-	-
- discontinued operations		-	-	-
		5 904	**7 568**	**(17 377)**

The notes set out on pages 8 to 39 are an integral part of the combined historical financial information.

Geosearch Group

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June

Figures in R `000	Notes	Audited 2019	Reviewed 2018	Reviewed 2017
Profit / (loss) for the year		5 904	7 568	(17 377)
Other comprehensive income net of tax				
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of foreign operations		(4 367)	532	(5 274)
Total other comprehensive income net of tax		**(4 367)**	**532**	**(5 274)**
Total comprehensive income / (loss) for the year		**1 537**	**8 100**	**(22 651)**
Comprehensive income / (loss) attributable to:				
Comprehensive income, attributable to owners of parent		1 537	8 100	(22 651)
- continuing operations		4 106	8 100	(22 651)
- discontinuing operations		-	-	-
Comprehensive income, attributable to non- controlling interests		-	-	-
- continuing operations		(2 569)	-	-
- discontinuing operations		-	-	-
		1 537	**8 100**	**(22 651)**

The notes set out on pages 8 to 39 are an integral part of the combined historical financial information.

Geosearch Group

Statement of Financial Position

As at 30 June

Figures in R `000	Notes	Audited 2019	Reviewed 2018	Reviewed 2017
Assets				
Non- current assets		**66 398**	**70 055**	**60 958**
Property, plant and equipment	12	58 244	60 533	49 212
Deferred tax assets	10	8 154	9 522	11 746
Current assets		**81 930**	**63 169**	**56 664**
Inventories	14	16 372	5 466	5 246
Trade and other receivables	15	47 160	41 942	29 880
Cash and cash equivalents	16	18 398	15 761	21 538
Total assets		**148 328**	**133 224**	**117 622**
Equity and liabilities				
Equity		**58 991**	**38 253**	**(161 847)**
Issued capital		319 694	327 524	135 524
(Accumulated loss) / retained income		(271 679)	(304 614)	(312 182)
Foreign currency translation reserves		10 976	15 343	14 811
Non- controlling interests		(26 691)	-	-
Total equity		**32 300**	**38 253**	**(161 847)**
Liabilities				
Non- current liabilities		**10 227**	**1 391**	**-**
Deferred tax liabilities	10	816	-	-
Finance lease obligations	18	632	1 391	-
Loans and borrowings	17	8 779	-	-
Current liabilities		**105 801**	**93 580**	**279 469**
Trade and other payables	19	49 603	18 466	16 002
Current tax liabilities	10	10 463	8 442	8 129
Finance lease obligations	18	759	759	-
Loans and borrowings	17	9 578	-	-
Loans from group companies	20	31 537	65 913	255 338
Bank overdraft	16	3 861	-	-
Total liabilities		**116 028**	**94 971**	**279 469**
Total equity and liabilities		**148 328**	**133 224**	**117 622**

The notes set out on pages 8 to 39 are an integral part of the combined historical financial information.

Geosearch Group

Statement of Changes in Equity

Figures in R `000	Share capital	Foreign currency translation reserve	(Accumulated loss) / retained income	Attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 March 2016	135 524	20 085	(294 805)	(139 196)	-	(139 196)
Changes in equity						
Loss for the year	-	-	(17 377)	(17 377)	-	(17 377)
Foreign currency translation differences for foreign operations	-	(5 274)	-	(5 274)		(5 274)
Total comprehensive income	-	(5 274)	(17 377)	(22 651)	-	(22 651)
Balance at 30 June 2017	**135 524**	**14 811**	**(312 182)**	**(161 847)**	**-**	**(161 847)**
Balance at 1 July 2017	135 524	14 811	(312 182)	(161 847)	-	(161 847)
Changes in equity						
Loss for the year	-	-	7 568	7 568	-	7 568
Foreign currency translation differences for foreign operations	-	532	-	532	-	532
Total comprehensive income/ loss for the year	-	532	7 568	8 100	-	8 100
Repurchase of shares	192 000	-	-	192 000	-	192 000
Balance at 30 June 2018	**327 524**	**15 343**	**(304 614)**	**38 253**	**-**	**38 253**
Balance at 1 July 2018	327 524	15 343	(304 614)	38 253	-	38 253
Changes in equity						
Profit for the year	-	-	8 475	8 475	(2 569)	5 906
Foreign currency translation differences for foreign operations		(4 367)		(4 367)		(4 367)
Total comprehensive income	-	(4 367)	8 475	4 108	(2 569)	1 539
Decrease through changes in ownership interests in subsidiaries that do not result in loss of control (note13.2)	-	-	24 122	24 122	(24 122)	-
Share buy back	(7 830)	-	-	(7 830)	-	(7 830)
Balance at 30 June 2019	**319 694**	**10 976**	**(272 017)**	**58 653**	**(26 691)**	**31 962**

The notes set out on pages 8 to 39 are an integral part of the combined historical financial information.

Geosearch Group

Statement of Cash Flows

For the year ended 30 June

Figures in R `000	Notes	Audited 2019	Reviewed 2018	Reviewed 2017
Net cash flows from operating activities	21.1	**25 187**	**9 786**	**20 197**
Interest paid		(1 028)	(2 130)	(1 507)
Income taxes paid	21.3	(1 329)	(267)	(1 871)
Net cash flows from operating activities		**22 830**	**7 389**	**16 819**
Cash flows (used in) / from investing activities				
Interest received		1 797	641	732
Proceeds from sales of property, plant and equipment		913	209	32 369
Purchase of property, plant and equipment	12	(14 103)	(14 870)	(6 431)
Acquisition of subsidiary, net of cash acquired	26	1 323		-
Cash flows (used in) / from investing activities		**(10 070)**	**(14 020)**	**26 670**
Cash flows (used in) / from financing activities				
Repurchase of shares		(8 651)	-	-
Repayment of finance lease liabilities		(759)	(127)	-
Loans received from group companies		(4 182)	1 946	(32 562)
Cash flows (used in) / from financing activities		**(13 592)**	**1 819**	**(32 562)**
Net (decrease) / increase in cash and cash equivalents before effect of exchange rate changes		**(832)**	**(4 812)**	**10 927**
Cash and cash equivalents at beginning of the year		15 761	20 589	11 421
Exchange losses on cash and cash equivalents		(392)	(16)	(810)
Cash and cash equivalents at end of the year	**16**	**14 537**	**15 761**	**21 538**

The notes set out on pages 8 to 39 are an integral part of the combined historical financial information.

1. Accounting framework

Description of the business

The combined historical financial information of the Geosearch group ("Combined historical financial information") consists of Unicorn's exploration drilling services subsidiaries, representing the activities, assets and liabilities of the underlying businesses.

The Geosearch operations were historically conducted through separate legal entities; the combination of these group is referred to as the Geosearch group in the combined historical financial information.

The Geosearch group historically did not exist as a reporting group and no separate consolidated financial statements were therefore prepared for the Geosearch group. For the purpose of presenting the historical performance of the Geosearch group for the proposed disposal of the Geosearch group by Unicorn, combined historical financial information for the years ended 30 June 2019, 2018 and 2017, has been prepared.

The following companies form part of the Geosearch group:

Company	Nature of operations	Unicorn's direct/ indirect statutory shareholding as at 30 June 2019	Unicorn's direct/ indirect statutory shareholding as at 30 June 2018	Unicorn's direct/ indirect statutory shareholding as at 30 June 2017
Geosearch Proprietary Limited	Head office operations of the Geosearch operations	100%	100%	100%
Buenti Drilling Proprietary Limited	South African exploration drilling company	50.25%	50.25%	50.25%
Thebe Turnstone Drilling Proprietary Limited	Exploration drilling in the Northern Cape province of South Africa	50.25%	0.00%	0.00%
Myna Projects Proprietary Limited	Exploration drilling in Botswana	100%	100%	100%
Aqua Terra Limitada	Exploration drilling in Mozambique	100%	100%	100%
Sentula Mining Mauritius Limited	Providing support services to operations in Mozambique	100%	100%	100%
Sentula Mining Services Mauritius Limited	Providing support services to operations in Mozambique	100%	100%	100%

In terms of the proposed disposal, Unicorn will dispose of 51% of its shareholding and shareholder claims in the Geosearch group. These entities have historically been under common control of Unicorn and common management and the economic activities of these entities are bound together.

These entities (collectively the Group or the Geosearch group) represent the reporting entity of the combined historical financial information. Thebe Turnstone Drilling Proprietary Limited acquired by Buenti Drilling Proprietary Limited effective on 26 June 2019, has been accounted for as business combinations in the combined historical financial information on that date.
Refer to note 26.

2. Basis of preparation

(i) IFRS compliance

The Geosearch group did not historically constitute a combined legal group. The combined historical financial information of the Geosearch group is prepared by aggregating the historical financial information of the entities listed above as at and for the years ended 30 June 2019, 2018 and 2017 (the Reporting Periods).

The combined historical financial information of the Geosearch group is presented in accordance with, and complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and effective at the time of preparing the combined historical financial information of the Geosearch group, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the JSE Listings Requirements.

Basis of preparation continued...

The combined historical financial information is prepared using the historical cost basis except for the revaluation of certain financial instruments which are measured at fair- value.

IFRS does not specifically provide guidance for the preparation of combined historical financial information, and accordingly in preparing the combined historical financial information, certain accounting conventions commonly used in the preparation of combined historical financial information for inclusion in circulars, have been applied in accordance with IAS 8, which are discussed in more detail below.

The combined historical financial information has consequently been prepared as a combination of the historic financial information recognised in the Unicorn combined financial statements related to the Geosearch group.

The combined historical financial information for the years ended 30 June 2019, 2018 and 2017, has been prepared for the purpose of presenting, as far as practically possible, the financial position, results of group and cash flows of the Geosearch group on a standalone basis.

The combined historical financial information is presented in South African Rand (ZAR), rounded to thousands.

The combined historical financial information was authorised for issue by the board of directors of Unicorn on 11 March 2020.

Separate company historical financial information has not been prepared due to the Geosearch group not constituting a combined legal group for the historical reporting periods.

(ii) Limitations inherent to combined historical financial information

As the combined historical financial information of the Geosearch group has been prepared on a combined basis, they may not be indicative of the future performance of the Geosearch group and do not necessarily reflect what its results of group, financial position and cash flows would have been had the Geosearch group operated as an independent entity during the periods presented.

(iii) Basis of combination

The following principles were applied in the preparation of the combined historical financial information:

Equity

Share capital and earnings per share

As the Geosearch group did not historically constitute a combined legal group, the share capital and retained earnings of the combined entities were aggregated by adding all the share capital of the individual entities and accounting for consolidation entries relating to levels below Unicorn.

The information on earnings per share for the Geosearch group pursuant to IAS 33 has not been presented, as no capital structure has been presented in the combined historical financial information.

Other reserves

Other reserves have been separately presented and comprise the aggregated foreign currency translation reserves of the entities included in the combined historical financial information of the Geosearch group. This category of equity has been separately presented because it will be recycled to profit and loss in future periods.

Allocation of central costs

All entities within the Geosearch group performed their own management and corporate functions and operated independently from the Unicorn Group. Accordingly, all corporate expenses (including payroll, finance, legal, rent etc.) and management fees have been historically recognised in the statutory financial statements of the entities comprising the Geosearch group.

Intercompany and related party transactions and balances

Basis of preparation continued...

Transactions and balances with Unicorn and Unicorn Group companies have been disclosed as related party transactions and balances in the combined historical financial information. All intergroup transactions, balances and unrealised gains and losses on transactions between entities comprising the Geosearch group are eliminated.

Directors' remuneration has been excluded due to the Geosearch group not constituting a combined legal group for the historical Reporting Periods and not having a separate board of directors.

Segments

Segment reporting has not been included in the combined historical financial information because the Geosearch group equity and debt instruments are not currently or planned to be traded on a public market in the future.

Income statement presentation

The group has disclosed a mixed nature of presentation for its income statement, as it opted to specifically present the impairments and loss on disposal of assets on the face of the income statement.

Functional and presentation currency

Transactions included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which they operate (the functional currency). The combined financial statements are presented in South African rand, which is the presentation currency and functional currency of the majority of the operations within the group.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The use of estimates and judgements are disclosed in note 6.

Going concern

The Group's current liabilities exceeds the current assets by R23.9 million (2018 : R 30.4 million) (2017 : R 222.8 million).
The loans from Group companies included in current liabilities amounting to R 31.5 million (2018 : R65.9 million) (2017:R255.3 million) have been fully subordinated for the next 12 months.

The directors and management have prepared a one year cash flow forecast based on reasonable and supportable assumptions. The forecast indicates that the company is expected to trade profitably and generate sufficient cash flows to enable it to settle its obligations in the normal course of business.

The company continues to enjoy the full support of its shareholders.
On the basis of the current financial projections and facilities available to the company, the directors and management have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and should be able to generate future profits.

Accordingly, the financial statements have been prepared on the going concern basis. The basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities, contingent obligations and commitments will occur in the ordinary course of business

Basis of preparation continued...

Subsequent events

The Unicorn consolidated financial statements, from which these combined historical financial information was derived, were authorised for issue on 30 September 2019.

Subsequent events have been considered from 30 June 2019 up to the date that the combined historical financial information was authorised for issuance.

Refer to note 28.

3. Restatement of comparative information

Prior years financial information was not restated as a result of the changes in the group's accounting policies due to the adoption of IFRS 9 and IFRS 15.

4. Recent accounting developments

4.1 New, amended and revised standards adopted by the group during the 2019 financial year

The group has applied the following new, amended and revised standards, for the first time for the annual reporting period commencing on 1 July 2018:

- IFRS 9: Financial instruments; and
- IFRS 15: Revenue from contracts with customers.

The adoption of the IFRS 9 and IFRS 15 amendments resulted in a change in accounting policy as disclosed in note 28, but did not have a significant impact on the current period or prior period.

4.2 New, amended and revised standards not yet adopted by the group

New standards, amendments to standards and interpretations to existing standards that are not effective and have not been early adopted by the group.

The following standards, amendments and interpretations have been published but are not effective for 30 June 2019 and the group has not early adopted them:

- IFRS 16: Leases – A new standard that replaces IAS 17: Leases. This standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

  The group has reviewed the lease arrangements over the last year in light of the new lease accounting rules in IFRS 16.

  As at 30 June 2019, the group has non- cancellable operating lease commitments of R6.5 million as disclosed in 22.2.

  Approximately R1,5m of these commitments relate to short- term leases and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

  The group expects to recognise right- of- use assets of approximately R6,9 million as at 1 July 2019 and lease liabilities of R6,9 million (after considering any adjustments for prepayments and accrued lease payments). The groups does not foresee any implications effecting deferred tax assets or deferred tax liabilities. Overall net assets will remain the same and net current assets will be R2 million lower due to the presentation of a portion of the liability as current.

  The group expects that net profit after tax will decrease by approximately R0,3 million for June 2020 as a result of adopting the new rules.

  The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements.

  The group will apply the standard from 1 July 2019 and intends to apply the simplified transition approach. The comparative amounts for the year prior to first time adoption will not be restated.

- IFRIC 23: Uncertainty over income tax treatments – The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The standard becomes effective for year ends commencing on or after 1 January 2019. Management will assess the existing models against the specific guidance in the interpretation and consider the impact on income tax accounting. Management does not foresee that this amendment will have an impact on the financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable transactions.

5. Group accounting policies

Accounting policies are included in the relevant notes to the combined historical financial statements. The accounting policies below are applied throughout the financial statements.

5.1 Basis of consolidation

5.1.1 Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has a right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The combined historical financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. The results and cash flows of subsidiaries are included from the date that control commences until the date that control ceases. Intergroup transactions and balances between group companies are eliminated in full. The accounting policies of the subsidiaries are in line with the policies adopted by the group.

The acquisition method is used to account for business combinations in the group as disclosed in note 26.

With the acquisition of a non- controlling interest, the transactions are accounted for with the owners in their capacity and therefore no goodwill is recognised as a result of such transactions. The adjustments to non- controlling interest are based on a proportionate amount of the net assets of the subsidiary.

Transactions with non- controlling interest that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net asset of the subsidiary is recorded in equity. Gains or losses on disposals to non- controlling interests are also recorded in equity.

Losses applicable to the non- controlling interests in a subsidiary are allocated to the non- controlling interests even if doing so causes the non- controlling interests to have a deficit balance.

Intercompany transactions and balances between group companies are eliminated on consolidation.

5.2 Foreign currency

5.2.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Foreign currency differences resulting from the settlement of such transactions and from the translation at year- end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

5.2.2 Foreign operations

The results and the financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position are translated at the closing rate at the reporting date;
- income and expenses for each income statement account are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income and presented as a separate component of equity (in the foreign currency translation reserve).

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised in other comprehensive income and presented in the foreign currency translation reserve.

Group accounting policies continued...

5.3 Impairment of non- financial assets

The carrying amount of the group's assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash- generating unit exceeds its recoverable amount. Assets with an indefinite useful life are not subject to amortisation and is tested annually for impairment.

The recoverable amount of an asset or cash- generating unit is the greater of its value in use and its fair value less the cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre- tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash- generating unit to which the asset belongs.

Other non- financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash- generating unit.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash- generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash- generating unit, and then to reduce the carrying amounts of the other assets in the cash- generating unit on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

Impairment charges are disclosed separately on the Statement of profit or loss.

6. Critical accounting estimates and judgements

The group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in the notes as follows:

- Useful lives and impairment assessment of property, plant and equipment – note 12.
- Inventories – note 14.
- Trade and other receivables – note 15.
- Income taxes – note 10.

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017

7. Revenue

The Geosearch operations derive its' revenue from exploration drilling.

Rendering of services	283 785	144 219	138 261
Rental income	17 538	4 099	6 416
Total revenue	**301 323**	**148 318**	**144 677**

The companies within the Geosearch group are diversified and not exposed to concentration risk.

Accounting policy

The Group generates revenue for the rendering of exploration services at an agreed transaction price billed on a monthly basis, based on the services rendered which is measured and signed off by both parties on a monthly basis.

In terms of IFRS 15, revenue is recognised at the point when control over goods and services are transferred to customers. Revenue for services provided are recognised on a monthly basis for actual services performed, measured and as approved and authorised by the customer.

Revenue is recognised at the agreed transaction price when or as the performance obligation is satisfied by transferring the goods or services to its customers.

The group does not adjust the promised amount of consideration for the effects of financing at contract inception as the customer pays for goods and services within 90 days.

Exploration drilling revenue is based on metres drilled and the customer receives the benefit as these services are completed.

Previously in terms of IAS 18, revenue from sale of services was measured at the fair value of the consideration received or receivable. The group only recognised revenue when the amount of revenue was measured and when it was probable that future economic benefits would flow to the group. The invoiced values of goods sold and services rendered excludes value added tax, discounts and other non- operating income.

8. Profit / (loss) from operating activities

Income			
Profit on disposal of plant and equipment	3 331	46	98
Bad debts recovered	2 944	-	-
Unrealised foreign exchange gains	3	1 919	3 335
Realised foreign exchange gains	277	-	-
Expenses			
Bad debts written off	136	430	3 125
Depreciation	10 674	5 829	16 418
Realised foreign exchange losses	-	2 082	3 125
Impairment of plant and equipment	-	-	10 134
Scrapping of assets	772	78	135
Auditors remuneration - fees	772	783	753
Personnel expenses			
- Salaries and wages	109 883	53 810	58 904

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017

Profit / (loss) from operating activities continued...

Accounting policy

Short- term employee benefits

The cost of all short- term employee benefits is recognised during the year in which the employee renders the related service. The accruals for employee entitlements to remuneration and annual leave represent the amount which the group has a present obligation to pay as a result of the employee's services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current remuneration rates.

9. Finance income/expense

Finance income			
Financial institutions	19	641	709
Interest received from related parties	806	-	-
Debtors	1 778	-	-
Other	-	-	23
Total finance income	**2 603**	**641**	**732**
Finance costs			
Finance lease obligations	212	78	-
External loans	352	-	-
Group loan liabilities	1 016	-	2 564
South African Revenue Services	5	-	1 369
Botswana Revenue Services	2 192	1 965	-
Bank overdraft	429	79	-
Suppliers	349	-	-
Other	38	8	138
Total finance costs	**4 593**	**2 130**	**4 071**
Net finance expense	**(1 990)**	**(1 489)**	**(3 339)**

Accounting policy

Finance income comprises interest income received on funds invested that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

10. Taxation

Current tax	**1 114**	**509**	**(227)**
Current year	-	(2)	-
Prior year adjustment	-	-	(1 598)
Foreign withholding tax - current	1 114	511	1 371
Securities transfer tax	**-**	**-**	**-**
Deferred tax	**1 368**	**2 224**	**-**
Originating and reversing temporary differences	1 368	2 224	-
Taxation	**2 482**	**2 733**	**(227)**

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017
Taxation continued...			
Reconciliation of effective tax rate			
(Loss) / profit before tax from operations	8 386	10 301	(17 604)
Taxation	(2 482)	(2 733)	227
Profit from continuing operations	**5 904**	**7 568**	**(17 377)**
Income tax calculated at 28.0%	2 348	2 884	(4 929)
Tax effect of			
Non deductible expenses	1 915	-	126
Assessed losses utilised	(9 042)	(663)	(784)
Non taxable income	(173)	-	-
Prior year adjustment	-	-	(1 607)
Foreign withholding tax	1 114	511	1 371
Foreign deferred tax asset/liability not recognised	-	-	4 010
Foreign tax rate difference	-	-	1 485
Current year losses and temporary difference for which no deferred tax asset was recognised	6 321	-	-
Income tax expense recognised in profit	**2 483**	**2 732**	**(328)**
Effective tax rate	29.61%	26.52%	1.86%

The tax rate used for the 2019 reconciliation above is the corporate tax rate of 28% (2018: 28%) payable by corporate entities in South Africa on taxable profits under law in that jurisdiction.

Deferred tax			
Balance at the beginning of the year	9 522	11 746	11 746
Movement for the year	(1 368)	(2 224)	-
- Originating temporary differences	(1 368)	(2 224)	-
Acquired through business combination	(816)	-	-
Balance at the end of the year	**7 338**	**9 522**	**11 746**

The analysis of deferred tax assets and deferred tax liabilities is as follows:			
Deferred tax assets:			
- Deferred tax assets to be recovered after more than 12 months	8 154	9 522	11 746
Deferred tax liabilities:			
- Deferred tax liability to be settled within 12 months	(816)	-	-
Net deferred tax assets	**7 338**	**9 522**	**11 746**

Figures in R `000

Taxation continued...

Reconciliation of deferred tax movements

	Accelerated wear and tear	Foreign exchange movement	Provisions	Tax loss	Total
Opening balance at 1 July 2018	-	-	9 522	-	**9 522**
(Charged) / credited to profit or loss	-	-	(1 368)	-	**(1 368)**
Acquisition of subsidiary	(816)	-	-	-	**(816)**
Closing balance at 30 June 2019	**(816)**	**-**	**8 154**	**-**	**7 338**
Opening balance at 1 July 2017	-	-	11 746	-	**11 746**
(Charged) / credited to profit or loss	-	-	(2 224)	-	**(2 224)**
Closing balance at 30 June 2018	**-**	**-**	**9 522**	**-**	**9 522**
Opening balance at 1 July 2017	(3 294)	8 978	3 891	2 171	**11 746**
(Charged) / credited to profit or loss	3 294	(8 978)	7 855	(2 171)	-
Closing balance at 30 June 2017	**-**	**-**	**11 746**	**-**	**11 746**

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets are expected to realise through profits.

Due to historical losses in operating subsidiaries the group is not significantly exposed to uncertain tax positions. Additional deferred tax assets are only raised if certainty exists that these assets will realise within the next year. Historical deferred tax assets in Geosearch amounting to R8,2 million (2018: R9,5 million and 2017:R 11,8 million) respectively, are expected to realise through taxable income in the foreseeable future. Deferred tax assets have not been fully raised on assessed losses in these subsidiaries. The unrecognised portion of assessed losses in these companies is first reduced with taxable income generated. Additional deferred tax assets are only raised if certainty exists that these assets will realise within the next year.

Current income tax calculations are performed on a prudent basis resulting in the group not being significantly exposed to uncertain tax positions. Historical tax disputes have been fully provided for in the results.

Unrecognised deferred tax

Deferred tax assets have not been recognised in respect of tax losses amounting to R94,6 million (2018: R111,5 million and 2017: R130 million) as it is not probable that future profit will be available against which the group can utilise the benefits therefrom in the foreseeable future.

Accounting policy

Income tax comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity or other comprehensive income.

Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities that affect neither the accounting nor taxable profit; and
- impairments relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Figures in R `000

Taxation continued...

A deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the temporary differences when they reverse based on the laws that have been enacted or substantively been enacted by the reporting date.

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable entity; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis; or
- to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

The group provides for disputes with revenue authorities based on assessments issued by the authorities including interest and penalties once the disputes arise.

Critical accounting estimates and judgements

The group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the income tax expense in the period in which such determination is made.

11. Headline earnings per share

Headline and diluted earnings/(loss) per share (cents)	**0.46**	**0.65**	**(0.62)**
Shares in issue at the end of the year	1 167 564	1 167 564	1 167 564
Shares held by subsidiary	(5 554)	(5 554)	(5 554)
Shares in issue at the end of the year	1 162 010	1 162 010	1 162 010
Weighted average shares in issue at the end of the year excluding treasury shares	1 162 010	1 162 010	1 162 010

Headline earnings per share has been calculated in accordance with the SAICA circular 4/2018 entitled ‘Headline Earnings’ which forms part of the Listings Requirements of the JSE Limited.

Unicorn Capital Partners Limited's number of shares in issue have been used to calculate headline earnings.

The following adjustments are made to arrive at the headline profit/(loss):

Net profit\(loss) for the year attributable to the equity holders of the parent:	8 473	7 568	(17 377)
Net profit on disposal of plant and equipment	(3 331)	(46)	(98)
Scrapping of assets	772	78	135
Tax effect on scrapping of assets	-	-	-
Gain on bargain purchase	(620)	-	-
Impairment of plant and equipment	-	-	10 134
Total non- controlling interest effects of adjustments	-	-	-
Earnings used in the calculation of headline earnings per share	**5 294**	**7 600**	**(7 206)**

Figures in R `000

Headline earnings per share continued...

Accounting policy

Earnings per share is derived by dividing attributable earnings by the weighted average number of shares. Appropriate adjustments are made in calculating headline earnings per share.

12. Property, plant and equipment

Reconciliation for the year ended - 30 June 2019	Land and buildings	Plant and equipment	Motor vehicles	Furniture, fittings and equipment	Total
Balance at 1 July 2018					
At cost	34 465	285 126	26 067	592	**346 250**
Accumulated depreciation	(9 221)	(254 620)	(21 354)	(522)	**(285 717)**
Net book value	**25 244**	**30 506**	**4 713**	**70**	**60 533**
Movements for the year ended - 30 June 2019					
Additions	-	10 009	4 094	-	**14 103**
Acquired through business combinations	1 400	14 374	514	4	**16 292**
Depreciation	(257)	(8 418)	(1 971)	(28)	**(10 674)**
Disposals	(19 949)	(465)	(167)	(1)	**(20 582)**
Scrapping of assets	-	(755)	(17)	-	**(772)**
Foreign currency translation	(228)	(485)	57		**(656)**
Property, plant and equipment at the end of year	**6 210**	**44 766**	**7 223**	**45**	**58 244**
Closing balance at 30 June 2019					
At cost	12 086	309 019	30 425	613	**352 143**
Accumulated depreciation	(5 876)	(264 253)	(23 202)	(568)	**(293 899)**
Net book value	**6 210**	**44 766**	**7 223**	**45**	**58 244**

Figures in R `000

Property, plant and equipment continued...

Reconciliation for the year ended - 30 June 2018	**Land and buildings**	**Plant and equipment**	**Motor vehicles**	**Furniture, fittings and equipment**	**Total**
Balance at 1 July 2017					
At cost	33 951	272 061	25 885	593	**332 490**
Accumulated depreciation	(9 112)	(252 374)	(21 299)	(493)	**(283 278)**
Net book value	**24 839**	**19 687**	**4 586**	**100**	**49 212**
Movements for the year ended - 30 June 2018					
Additions	-	15 806	1 341	-	**17 147**
Depreciation	204	(4 612)	(1 391)	(30)	**(5 829)**
Disposals	-	(120)	(43)	-	**(163)**
Scrapping of assets	-	(673)	(44)	-	**(717)**
Foreign currency translation	201	418	264	-	**883**
Property, plant and equipment at the end of year	**25 244**	**30 506**	**4 713**	**70**	**60 533**
Closing balance at 30 June 2018					
At cost	34 465	285 126	26 067	592	**346 250**
Accumulated depreciation	(9 221)	(254 620)	(21 354)	(522)	**(285 717)**
Net book value	**25 244**	**30 506**	**4 713**	**70**	**60 533**
Reconciliation for the year ended - 30 June 2017					
Balance as at 30 June 2016					
At cost	75 742	288 516	26 916	883	**392 057**
Accumulated depreciation	(8 276)	(257 478)	(21 926)	(824)	**(288 504)**
Net book value	**67 466**	**31 038**	**4 990**	**59**	**103 553**
Movements for the year ended - 30 June 2017					
Additions	-	4 846	1 585	-	**6 431**
Depreciation	(1 743)	(13 167)	(1 480)	(28)	**(16 418)**
Impairment loss recognised in profit or loss	(10 134)	-	-	-	**(10 134)**
Disposals	(30 596)	(1 757)	(20)	103	**(32 270)**
Scrapping of assets	-	(74)	(29)	(32)	**(135)**
Foreign currency translation	(154)	(1 199)	(460)	(2)	**(1 815)**
Property, plant and equipment at the end of year	**24 839**	**19 687**	**4 586**	**100**	**49 212**
Closing Balance as at 30 June 2017					
At cost	33 951	272 061	25 885	593	**332 490**
Accumulated depreciation	(9 112)	(252 374)	(21 299)	(493)	**(283 278)**
Net book value	**24 839**	**19 687**	**4 586**	**100**	**49 212**

Property, plant and equipment continued...

Accounting policy

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self- constructed assets includes the cost of materials and direct labour and any costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and depreciated separately.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are presented on the face of the statement of profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that future economic benefits within the part will flow to the group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day- to- day servicing of the property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a systematic basis over the estimated useful lives of each part of an item of property, plant and equipment (except assets depreciated using the units of production method), since this most clearly reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. If it is reasonably certain that the group will obtain ownership by the end of the lease term, the assets are depreciated over their useful life. Land is not depreciated.

Residual value is the amount that the entity could recover for the asset at the reporting date if the asset was already of the age and in the condition that it will be in when the entity expects to dispose of it. The estimated residual value is based on similar assets that have reached the end of their useful lives at the date that the estimate has been made. If the residual value of an asset increases to an amount equal to or in excess of the asset's carry value, then the asset's depreciation charge will be zero. Depreciation will resume when the asset's residual value falls below the asset's carrying value.

A change in the useful life, in the unit of production method or in the residual value of an asset will result in a change in estimate and will only be applied prospectively.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	50 years
• plant and equipment	
- exploration drill rigs	5 – 9 years
- other assets	3 – 5 years
• motor vehicles	5 years
• furniture, fittings and equipment	3 – 10 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Figures in R `000

Property, plant and equipment continued...

Critical accounting estimates and judgements

As described above, the estimated useful lives of property, plant and equipment are reassessed at the end of each annual reporting period. The group depreciates/amortises its assets over their estimated useful lives, as disclosed in the above accounting policy. The actual lives of these assets can vary depending on a variety of factors, including technological innovation and maintenance programmes. Changes in estimates can result in variations in the carrying value and amounts charged to profit or loss in specific periods.

Property, plant and equipment is considered for impairment if there are impairment indicators indicating that an impairment may be necessary. In reaching such a decision the economic viability of the asset itself or where it is a component of a larger economic unit, the viability of that unit itself and other indicators are considered.

If an indication of a possible impairment exists for an economic unit of assets, the future cash flows expected to be generated by the assets are projected, taking into account the expected return of these assets over the expected useful lives. The present value of these cash flows is determined by using an appropriate discount rate. If the present value compared to the current net asset value is lower, the assets are impaired to the present value.

If an indication of a possible impairment exists for an individual asset due to its condition or technological innovation, the individual asset is assessed for impairment based on the future use of the asset. Individual assets are impaired to a carrying value with reference to a similar asset being disposed of in the open market.

13. Investment in subsidiary, joint venture or associate

13.1 Information on subsidiaries

a) Details of the group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Nature of business	Issued share capital	Effective Interest 2019	Effective Interest 2018	Effective interest 2017
Geosearch Proprietary Limited					
- Buenti Drilling Proprietary Limited	A	4000	50.25%	50.25%	50.25%
- Thebe Turnstone Drilling Proprietary Limited	A	800	50.25%	0.00%	0.00%
- Myna Projects Proprietary Limited	A	4	100.00%	100.00%	100.00%
- Aqua Terra LOA	A	250 000	100.00%	100.00%	100.00%
Sentula Mining Mauritius Limited	B				
Sentula Mining Services Mauritius Limited	B				

A - Exploration drilling

B - Investment holding companies

Restrictions

There are no significant restrictions on the subsidiaries to transfer funds to Unicorn in the form of cash dividends, or to repay loans and advances made by Unicorn.

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017

Investment in subsidiary, joint venture or associate continued...

13.2 Information on subsidiaries with material non- controlling interest

During January 2019, Geosearch entered into an empowerment partnership resulting in a non- controlling interest in Buenti Drilling Proprietary Limited.

	June 2019
Summarised balance sheet	
Non- current assets	7 039
Current assets	15 681
Total assets	**22 720**
Non- current liabilities	(67 433)
Current liabilities	(8 937)
Total liabilities	**(76 370)**
Equity attributable to owners of the company	**(53 650)**
Non- controlling interest	26 691
Summarised income statement	
Revenue	60 815
Loss for the year	(1 060)
Total comprehensive loss allocated to non- controlling interest	(2 569)
Summarised cash flows	
Cash outflow from operating activities	(1 433)
Cash outflow from investing activities	(3 011)
Net cash outflow	**(4 444)**

The information above is disclosed before intercompany eliminations.

14. Inventories

	2019	2018	2017
Consumables and spares	16 372	5 466	5 246
The cost of inventories recognised as an expense and included in cost of sales amounted to:	61 699	38 577	33 498

There were no inventory write- offs during the year under review.

Accounting policy

Inventories are consumables and spares held in the ordinary course of business consumed in the exploration drilling process.

Inventories are measured at the lower of cost and net realisable value using the first- in first- out method. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Critical accounting estimates and judgements

The group reviews the net realisable value of, and demand for, its inventory on a quarterly basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include the timing and success of future technological innovations, competitor actions, supplier prices and economic trends.

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017

15. Trade and other receivables

Trade receivables	33 731	29 756	13 231
Trade receivables impairment	(1 937)	(1 369)	(781)
Trade receivables - net of impairment	31 794	28 387	12 450
Related party trade receivables	35	8 703	4 423
Other receivables	7 897	4 852	10 554
Prepaid expenses	1 079	1 123	4 182
Other receivables	6 818	3 729	6 372
	39 726	**41 942**	**27 427**
Value added tax	7 434	-	2 453
Total trade and other receivables	**47 160**	**41 942**	**29 880**

Movements in impairment of trade and other receivables are as follows:

At the beginning of the year	1 369	781	661
Impairment raised	-	1 369	120
Acquired through acquisition	1 937	-	-
Impairment loss derecognition	(1 369)	(781)	-
At end of year	**1 937**	**1 369**	**781**

During 2019, the external trade receivables of Buenti were pledged as security to Standard Bank for the overdraft facility referred to in note 16.

The group’s exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 25.

16. Cash and cash equivalents

Cash on hand	441	300	128
Balances with banks	17 957	15 461	21 410
Cash and cash equivalents included in current assets	**18 398**	**15 761**	**21 538**
Bank overdrafts	(3 861)	-	-
Net cash and cash equivalents	**14 537**	**15 761**	**21 538**

The Standard bank overdraft facility is secured as follows:

Buenti Drilling – R5 million facility secured by:
A guarantee limited to R5 million by Unicorn; unrestricted cession of book debts; a negative pledge; and unrestricted cession of contract monies.

Accounting policy relating to notes 15 and 16

Financial assets are recognised in the statement of financial position when the group has become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are set off and the net amount presented in the statement of financial position, when the group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets
The following financial assets are applicable to the group:

- cash; and
- a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017

Cash and cash equivalents continued...

All the financial assets of the group are recognised at amortised costs.

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

Trade receivables are measured at initial recognition at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, less allowance for expected credit losses. A simplified approach is applied to trade receivables in calculating expected credit losses. Instead of tracking changes in credit risk, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. A provision matrix was established that is based on the company's historical credit loss experience, adjusted for forward- looking factors specific to the debtors and the economic environment.

Trade and other receivables are classified as debt instruments and loan commitments at amortised cost.

Up to 30 June 2018, trade receivables were initially recognised at fair value plus transaction costs that are directly attributable to the acquisition. They were subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables was established when there was objective evidence that the company would not be able to collect all amounts due according to the original terms of the receivables."

Trade and other receivables were classified as loans and receivables up to 30 June 2018.

Cash and cash equivalents form part of financial assets and include cash on hand, deposits held on call with banks, other short- term highly liquid investments with original maturities immediately available and bank overdrafts. Bank overdrafts held at the same financial institution are set off against favourable bank balances reflected in current assets.

These balances are initially recognised at fair value taking into account transaction costs and subsequently measured at amortised cost, using the effective interest method.

All short- term cash investments are invested with a major financial institution in order to manage credit risk.

17. Loans and borrowings

Thebe Mineral Resources	18 357	-	-
Non- current portion of loans and borrowings	8 779	-	-
Current portion of loans and borrowings	9 578	-	-
	18 357	**-**	**-**
Thebe Mineral Resources	**18 357**	**-**	**-**

The loan forms part of the Thebe Turnstone Drilling acquisition. The loan is repayable on 24 equal monthly instalments and bears interest at a rate of 15%. The final date of repayment is 30 May 2021.

The repayment terms of the loan are as follows:

	Principal	Interest	Total
Year ending:			
- 30 June 2020	9 578	2 095	11 673
- 30 June 2021	8 779	659	9 438
	18 357	**2 754**	**21 111**

The group's exposure to interest rate risk and sensitivity analysis for loans and borrowings are disclosed in note 25.

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017

18. Finance lease obligations

Minimum lease payments due			
- Within one year	882	971	-
- in second to fifth year inclusive	667	1 548	-
	1 549	**2 519**	**-**
Less: Future finance charges on finance lease liabilities	(158)	(369)	-
Present value of finance lease liabilities	**1 391**	**2 150**	**-**
- Epiroc Financial Solutions AB	1 391	**2 150**	-
The present value of finance lease liabilities is as follows:			
- Within one year	759	759	-
- in second to fifth year inclusive	632	1 391	-
	1 391	**2 150**	**-**
Non- current portion of finance lease obligation	632	1 391	-
Current portion of finance lease obligation	759	758	-
	1 391	**2 149**	**-**

Interest rates are linked to a variable rate at the contract date. All leases have fixed repayment terms.

The group obligations under Epiroc Financial Solutions AB lease is secured by the lessor's title of the financial asset, which has a carrying amount of R1,8 million (June 2018: R2,6 million). The lease term is three years and the effective borrowing rate is 11.75% (June 2018: 11.75%). The final repayment date is 30 April 2021.

Accounting policy

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are analysed between capital and interest.

19. Trade and other payables

Trade creditors	34 912	12 400	8 820
Related party trade payables	126	85	3 640
Other payables	8 188	3 477	994
- Accrual for salary related payments	6 165	1 842	2 318
- Other	2 023	1 635	(1 324)
	43 226	**15 962**	**13 454**
Accrual for employee incentives and leave pay	6 212	2 144	2 548
Value added tax	165	360	-
Total trade and other payables	**49 603**	**18 466**	**16 002**

Accounting policy relating to notes 18 and 19.

Financial liabilities are recognised in the statement of financial position when the group has become a party to the contractual provisions of the instruments.

Financial liabilities are classified according to the substance of the contractual arrangement entered into and the purpose for which the asset was acquired and include the following:

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017

Trade and other payables continued...

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest- bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest while the liability is outstanding.

Trade payables and other short- term monetary financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

20. Loans from group companies

Unicorn Capital Partners Limited	31 537	65 913	255 338
	31 537	**65 913**	**255 338**
Non- current liabilities	-	-	-
Current liabilities	31 537	65 913	255 338
	31 537	**65 913**	**255 338**

The loan is unsecured and there are no fixed repayment terms.

Unicorn Capital makes funds available to Geosearch to fund working capital requirements. The effective average interest rate applicable to the working capital funding is prime. There are no fixed repayment terms.

Unicorn Capital Partners has subordinated the loan for each of the financial years as per the table above for the benefit of the creditors of Geosearch, both present and future, of its claims against the company. The subordination agreement is effective for the next twelve months.

21. Cash flow information

21.1 Cash flows from operating activities

Loss / (profit) for the year	**5 904**	**7 568**	**(17 377)**
Adjustments for:			
Income tax expense	2 482	2 733	(227)
Finance income	(2 603)	(641)	(732)
Finance costs	4 592	2 130	4 071
Depreciation expense	10 674	5 829	16 418
Profit on disposal of plant and equipment	(3 331)	(46)	(98)
Impairment of plant and equipment	-	-	10 134
Scrapping of assets	772	717	135
Bargain purchase on acquisition	(620)	-	-
Impairment of trade receivables	-	1 369	-
Cash flows form/(utilised in) operating activities before changes in working capital in provisions	17 870	19 659	12 324
Change in inventories	(10 964)	302	8
Change in trade and other receivables	(9 295)	(5 878)	1 715
Change in trade and other payables	27 576	(4 297)	6 150
Net cash flows from operations	**25 187**	**9 786**	**20 197**

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017

Cash flow information continued...

21.2 Net debt reconciliation

Net cash/ debt is represented by the following items on the statement of financial position:

	Audited 2019	Reviewed 2018	Reviewed 2017
Cash and cash equivalents (excluding bank overdraft)	18 398	15 761	21 538
Borrowings repayable within one year (including bank overdraft)	(45 735)	(66 672)	(255 338)
Borrowings repayable after one year	(9 411)	(1 391)	-
Net debt	**(36 748)**	**(52 302)**	**(233 800)**
Cash and cash equivalents	18 398	15 761	21 538
Gross debt - variable interest rates	(55 146)	(68 063)	(255 338)
Net debt	**(36 748)**	**(52 302)**	**(233 800)**

Analysis in movement in net cash/debt:

	Cash and cash equivalents	Finance leases	Loans and borrowings	Total
Net debt as at 30 June 2016	11 421	-	(289 616)	(278 195)
Cashflows	10 927	-	-	10 927
Repayments	-	-	32 562	32 562
Interest capitalised	-	-	(2 564)	(2 564)
Foreign exchange adjustments	(810)	-	-	(810)
Net debt as at 30 June 2017	21 538	-	(259 618)	(238 080)
Cashflows	(4 812)	-	-	(4 812)
Proceeds of share issue	-	-	192 000	192 000
Conversion of loan to equity	-	-	3 484	3 484
Repayments	-	127	-	127
Advances	-	(2 277)	(1 946)	(4 223)
Foreign exchange adjustments	(16)	-	-	(16)
Net debt as at 30 June 2018	**16 710**	**(2 150)**	**(66 080)**	**(51 520)**
Cashflows	(832)	-	-	(832)
Repayments	-	759	4 182	4 941
Loan acquired through acquisition	-	-	(18 004)	(18 004)
Interest capitalised	-	-	(1 369)	(1 369)
Related party settlements	-	-	31 210	31 210
Foreign exchange adjustments	(392)	-	-	(392)
Net debt as at 30 June 2019	**15 486**	**(1 391)**	**(50 061)**	**(35 966)**

21.3 Income tax paid

	Audited 2019	Reviewed 2018	Reviewed 2017
Balance at the beginning of the year	8 442	8 129	10 667
Amounts recognised in profit or loss	1 114	509	(227)
Interest and penalties	2 198	-	-
Effect of movement in foreign exchange	38	72	(441)
Balance at the end of the year	(10 463)	(8 442)	(8 129)
	1 329	268	1 870

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017

22. Commitments

22.1 Capital commitments

Capital expenditure authorised by the directors not contracted for in respect of			
- New replacement	18 017	21 579	-
- New expansion	-	-	10 058
- Refurbishment	9 892	-	2 250

The capital expenditure will be financed through vehicle asset finance, vendor finance and working capital.

22.2 Operating lease commitments

The group leases various offices under non- cancellable operating leases expiring within 3 to 5 years. Geosearch also leases a number of motor vehicles expiring within 2 to 5 years. The lease agreements are entered into on market- related terms and conditions and are subject to annual market- related escalation rates. Property lease agreements are subject to a lease extension option.

Commitments for minimum lease payments are payable as follows:			
- within one year	3 392	1 851	2 299
- later than one but not later than five years	3 127	612	761
	6 519	**2 463**	**3 060**

Accounting policy

Payments made under operating leases are recognised as an expense on a straight- line basis over the period of the lease.

23. Contingent liabilities

To the best of our knowledge and belief there are no other contingent liabilities to third parties not set out or referred to in this report which may materially affect the financial position of the group.

Accounting policy

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the group;
- or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised as liabilities.

24. Contingent assets

To the best of our knowledge and belief there are no other contingent assets not set out or referred to in this report which may materially affect the financial position of the group.

Accounting policy

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the group. Contingent assets are not recognised as assets.

Figures in R `000		Audited 2019	Reviewed 2018	Reviewed 2017

25. Financial risk management

25.1 Risk management activities

In the normal course of its operations, Geosearch's subsidiaries are exposed to currency, interest rate, liquidity and credit risk. This note describes the group's objectives, policies and processes for managing those risks and methods used to measure them. In order to manage these risks, the group has developed a comprehensive risk management process to facilitate control and monitoring. The Board has overall responsibility for the determination of the group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to Geosearch's executive directors and subsidiary finance functions. Each operating subsidiary has a chief financial officer and a chief executive officer who monitor and manage the financial risks relating to the operations of the operating subsidiary. Geosearch's executive directors, through representation on the boards of the subsidiaries and monthly meeting with management of subsidiaries, assist in monitoring and addressing these risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

25.2 Credit risk

Credit risk is the risk of financial loss to the subsidiaries if a customer or a counterparty fails to meet its contractual obligations. Subsidiaries are mainly exposed to credit risk from credit sales and this risk is mitigated by dealing with creditworthy counterparties and a few major clients. It is our individual subsidiaries policy to assess the credit risk of new customers before entering into a contract and this is monitored on an ongoing basis.

The group has a banking relationship with Standard Bank. Standard Bank is deemed to be a credible financial institutions and their financial stability does not pose a threat to the group.

There has been no significant changes to the credit risk management policies since the prior reporting period.

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

Trade receivables	15	31 794	28 387	12 450
Related party trade receivables	15	35	8 703 -	4 423
Other receivables	15	7 897	4 852	10 554
Trade and other receivables		39 726	41 942	27 427
Cash and cash equivalents	16	18 398	15 761	21 538
		66 234	**57 703**	**48 965**

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of geographic region was:

South Africa	12 344	24 180	8 573
Botswana	11 513	1 737	1 794
Mozambique	15 774	14 512	8 952
Other African countries	95	1 513	8 108
	39 726	**41 942**	**27 427**

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

Mining houses	28 987	26 069	10 979
Mining subcontractors	2 807	5 161	8 090
Related party trade receivables	35	8 703	4 423
Other	7 897	2 009	3 935
	39 726	**41 942**	**27 427**

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017

Financial risk management continued...

The ageing of trade receivables at the reporting date per operating segment was:

Current	28 029	28 295	13 829
More than 30 days past due	990	-	1 585
More than 60 days past due	35	7 154	-
More than 120 days past due	2 775	1 641	1 459
	31 829	**37 090**	**16 873**

Impairment of trade and other receivables

IFRS 9 - Financial Instruments is applied when calculating the loss allowance recognised for all trade receivables, which is reviewed at the end of each reporting period. Furthermore, overdue trade receivables that have no expectation of recovery are written off.

In accordance with IFRS 9, the group applies the simplified approach in determining the loss allowance for trade and other receivables. This loss allowance is determined as the lifetime expected credit losses on trade receivables.

These lifetime expected credit losses are estimated using a provision matrix, which is presented below

The provision matrix has been developed based on the payment profiles of sales over a 36 month period before 1 July 2018 and the historical credit losses experienced within this period. The historic loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Forward looking information utilised mainly consisted of the physical volume of mining production Index movement subsequent to year end, and other general macro- economic factors.

Due to the adoption of IFRS 9, these estimation techniques have been applied for the first time in the current financial period. Previously, trade receivables were only impaired when there was evidence of non- recoverability. The impairment was based on the difference between the carrying amount and the present value of the expected future cash flows.

The loss allowance as at 30 June 2019 (on adoption of IFRS 9 on 1 July 2018) was determined as follows:

Expected credit loss rates:

Year ended 30 June 2019	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Gross carrying amount - trade receivables	28 029	990	35	2 775	**31 829**
Expected credit losses	-	-	-	-	-
Expected credit loss percentage	0.00%	0.00%	0.00%	0.00%	**0.00%**
Net carrying amount - trade receivables	**28 029**	**990**	**35**	**2 775**	**31 829**

In determining the recoverability of prepayments and other receivables, the group considers any change in the credit quality of the receivables from the date credit was initially granted up to the reporting date and there has been no significant increase in the credit risk. Consequently, there is no expected credit losses and hence no material provision for impairments has been raised.

25.3 Foreign exchange risk

Geosearch group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Botswana Pula. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities in foreign operations.

Foreign exchange risk also arises when subsidiaries entities enter into transactions denominated in a currency other than the functional currency.

The group is not exposed to currency risk on purchases made on plant and equipment globally. These assets are purchased locally denominated in South African rand.

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017

Financial risk management continued...

Through Geosearch, Unicorn has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Geosearch's foreign operations is managed primarily through these operations holding cash denominated in the relevant foreign currency.

The group's exposure to foreign currency risk at the end of the reporting period, expressed in South African Rand, was as follows:

	USD*	BWP**
30 June 2019		
Trade receivables	15 154	5 032
Cash and cash equivalents	13 884	1 783
Gross balance sheet recognised	**29 038**	**6 815**
30 June 2018		
Trade receivables	11 181	2 517
Cash and cash equivalents	13 924	1 709
Trade payables	1 700	697
Gross balance sheet recognised	**26 805**	**4 923**
30 June 2017		
Trade receivables	5 921	1 525
Cash and cash equivalents	9 689	4 183
Trade payables	477	1 566
Gross balance sheet recognised	**16 087**	**7 274**

* - This column discloses the USD exposure of foreign operations translated to ZAR.

** - This column discloses the BWP exposure of foreign operations translated to ZAR.

The following significant exchange rates applied during the year:

30 June 2019	Average rate	Reporting spot rate
1 USD = ZAR	14,58	14,08
1 BWP = ZAR	1,35	1,32
30 June 2018		
1 USD = ZAR	13,28	13,73
1 BWP = ZAR	1,30	1,30
30 June 2017		
1 USD = ZAR	12,89	13,05
1 BWP = ZAR	1,26	1,28

A 10 percent strengthening of the rand against the following currencies at 30 June 2019 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.

The analysis is performed on the same basis for 2018 and 2017.

	2019	2018	2017
Equity			
USD	(5 859)	(13 251)	(10 010)
BWP	(3 653)	9 978	(56)

Figures in R `000	Audited 2019	Reviewed 2018	Reviewed 2017

Financial risk management continued...

Profit or loss			
USD	2 608	(812)	(445)
BWP	(2 704)	(457)	(469)

A 10 percent weakening of the rand against the above currencies at 30 June 2019 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

25.4 Interest rate risk

At the reporting date the interest rate profile of the group's interest- bearing financial instruments was:

Financial assets	**17 957**	**15 461**	**21 410**
- Funds held at financial institutions	17 957	15 461	21 410
Financial liabilities	**(27 312)**	**(2 150)**	**-**
Non- current liabilities			
- Loans and borrowings	(8 779)	-	-
- Finance lease obligations	(632)	(1 391)	-
Current liabilities			
- Loans and borrowings	(9 578)	-	-
- Finance lease obligations	(759)	(759)	-
- Loans from group company	(3 703)	-	-
- Bank overdraft	(3 861)	-	-
Net financial liabilities	**(9 355)**	**13 311**	**21 410**

Subsidiaries are exposed to interest rate risk from borrowings at variable rates. Fluctuations in interest rates impact on the value of the short- term investments and financing activities giving rise to interest rate risk. In the ordinary course of business, subsidiaries receive cash proceeds from its operations and are required to fund working capital and capital expenditure requirements. Geosearch considers on a monthly basis, whether surplus funds generated by subsidiaries should be withdrawn from the subsidiaries for the repayment of loans owing to Geosearch or whether these funds should be re- invested in the subsidiary's operations.
The interest bearing intergroup loans have been included in the table above.

The group does not hedge against interest risk.

Contractual arrangement for committed borrowing facilities are maintained with two banking counterparts to meet the company's funding requirements.

Cash flow sensitivity analysis for variable rate instruments

A sensitivity analysis is performed by assuming that the amount of the assets and liabilities outstanding at the reporting date was outstanding for the whole year. A 200 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonable and possible change in interest rates.

Figures in R `000

25.5 Liquidity risk

Liquidity risk arises from management of working capital and the finance charges and principal repayments on debt instruments at subsidiary level. It is the risk that the individual subsidiaries will encounter difficulty in meeting its financial obligations as they fall due. The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowings facilities by continuously monitoring forecast and actual cash flows of our subsidiaries.

The following tables detail the group's remaining contractual maturity for its non- derivative financial liabilities. These tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay.

Year ended 30 June 2019	**Weighted average effective interest rate**	**Less than one month**	**One to three months**	**Three months to one year**	**One to five years**	**Total**
Thebe Mineral Resources loan	15.00%	798	2 394	6 385	8 779	18 356
Finance leases	11.74%	77	227	578	667	1 549
Bank overdraft	12.75%	-	-	3 861	-	3 861
Trade and other payables	0.00%	20 244	14 749	8 233	-	43 226
Loans from group companies	12.44%	-	-	31 537	-	31 537
Year ended 30 June 2018						
Finance leases	12.29%	84	249	638	1 548	2 519
Trade and other payables	0.00%	5 931	6 193	3 838	-	15 962
Loans from group companies	0.00%	-	-	65 913	-	65 913
Year ended 30 June 2017						
Trade and other payables	0.00%	8 414	2 313	2 727	-	13 454
Loans from group companies	0.00%	-	-	255 338	-	255 338

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Figures in R `000

25.6 Fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values as market- related rates are charged on financial assets and financial liabilities.

25.7 Capital management

The Geosearch group manages its capital structure on a standalone ring- fenced basis. Debt capacity at company level is evaluated on a monthly basis to ensure that the company will be able to continue as a going concern.

The capital structure of the Geosearch group consists of debt, which includes loans to/from Unicorn, cash and cash equivalents, liabilities and equity, comprising issued share capital, reserve and retained earnings as disclosed.

26. Business combinations

26.1 Details of acquisition

Buenti Drilling acquired the entire issued share capital of, and shareholder loan claims owing by, Thebe Turnstone Drilling for an aggregate consideration of R18 million.

The effective date of the transaction was 28 June 2019.

The total purchase consideration in respect of the Transaction is R18 million, which shall be apportioned and allocated as follows:

- R1 shall be allocated to the shares in Thebe Turnstone Drilling acquired by Buenti Drilling pursuant to the transaction; and
- R18 million, which represents the book value of the loan claims on 28 February 2018, shall be allocated to the shareholder loan claims acquired by Buenti Drilling pursuant to the transaction

The purchase consideration is payable by Buenti Drilling to TMR in twenty- four monthly instalments, the first of which is due and payable on the month end following the effective date.

The outstanding purchase consideration earns interest at a rate of 15% per annum compounded monthly in arrears.

26.2 Assets acquired and liabilities recognised at the date of acquisition

Thebe Turnstone Drilling (R'000)	**Total**
Non- current assets	
Property, plant and equipment	16 293
Current assets	
Current inventories	122
Trade and other current receivables	4 785
Cash and cash equivalents	1 324
Non- current liabilities	
Deferred tax liabilities	(816)
Current liabilities	
Trade and other current payables	(3 083)
Assets acquired and liabilities recognised at the date of acquisition	**18 625**
Purchase price funded through loan	**(18 005)**
Gain on bargain purchase	**620**

Figures in R `000

Business combinations continued...

Accounting policy

Subsidiaries

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition- related costs are expensed as incurred.

27. Related parties

Subsidiary related party transactions and balances

For the year ended 30 June 2019	Capital Expenditure	Revenue	Expenses	Finance income\ expense	Amounts owed to/(from)
Unicorn Capital Partners Limited	-	-	2 628	1 016	-
JEF Drill and Blast Proprietary Limited	(23 000)	(1 106)	-	-	-
Nkomati Anthracite Proprietary Limited	-	(8 733)	-	(806)	-
Ritchie Crane Hire Proprietary Limited	-	(147)	368	-	(126)
Sentula Coal Proprietary Limited	-	(360)	-	-	35
	(23 000)	(10 346)	2 996	210	(91)
For the year ended 30 June 2018					
Unicorn Capital Partners Limited		-	1 242	-	135
JEF Drill and Blast Proprietary Limited		(2 451)	-	-	5 997
Nkomati Anthracite Proprietary Limited		(2 089)	-	-	1 635
Ritchie Crane Hire Proprietary Limited		-	368	-	817
Sentula Coal Proprietary Limited		(360)	-	-	1 035
		(4 900)	1 610	-	9 619
For the year ended 30 June 2017					
Unicorn Capital Partners Limited		-	2 882	2 563	(2 927)
Benicon Opencast Proprietary Limited		(1 451)	-	-	-
Benicon Sales Proprietary Limited		(486)	22	-	-
Classic Challenge Trading Proprietary Limited		(1 101)	-	-	-
JEF Drill and Blast Proprietary Limited		(4 234)	-	-	3 197
Nkomati Anthracite Proprietary Limited		-	-	-	11
Ritchie Crane Hire Proprietary Limited		(2 102)	276	-	1 078
Sentula Coal Proprietary Limited		-	-	-	(126)
Shanike Investments		-	-	-	(450)
		(9 374)	3 180	2 563	783

28. Events after the reporting date

Subsequent to year end Geosearch’ s main client in Botswana, Debswana was not able to accommodate 24 hour drilling operations at its mines as required by the contracts, impacting the profitability of these contracts.

By mutual agreement with Debswana, all except one contract with one rig being deployed on the contract, were terminated by the end of January 2019.

Total revenue generated from contracts in Botswana for the year ended 30 June 2019 amounted to R105 million without significantly contributing to gross profit.

The Group is in the process of redeploying assets and equipment utilised in Botswana operations to profitable operations in South Africa.

The directors are not aware of any subsequent events that occurred between the year end and date of authorisation of the historical financial information that require any adjustments or additional disclosure to the combined historical financial information.

29. Change in accounting policies

The group adopted IFRS 9 - Financial Instruments (IFRS 9) and IFRS 15 - Revenue from contracts with customers (IFRS 15) with a transition date of 1 July 2018 which resulted in a change of accounting policy for financial instruments and revenue recognition.

IFRS 15 - Revenue

The group has applied IFRS 15 - Revenue from contract with customers with effect 1 July 2018. IFRS 15: Revenue from Contracts with Customers replaces IAS 11: Construction Contracts, IAS 18: Revenue recognition and related interpretations. The group has applied the five-step approach introduced in IFRS 15 to recognise revenue.

The group generates revenue from the rendering of drilling services billed on a monthly basis. Previously in terms of IAS 18, revenue from the rendering of services was recognised on a percentage completion basis on a monthly basis. Under IFRS 15, revenue is recognised at the point when control over goods and services are transferred to customers. Revenue on services provided over a period of time will be recognised according to the group’s progress on transferring promised services to customers. Services performed, as approved by the customer, are billed on a monthly basis for actual services performed during the month.

The adoption of this new standard has not had a material impact on the financial statements from a quantitive perspective. The disclosure of revenue has been enhanced to introduce the new disclosure requirements of IFRS 15 and to provide the users with comprehensive information about the nature, amount and timing of the revenue.

IFRS 9 - Financial instruments

The group has adopted IFRS 9: Financial instruments with effect from 1 July 2018. The requirements of IFRS 9 represent a significant change from IAS 39: Financial Instruments: Recognition and Measurement.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

• *Fair value of financial assets and liabilities*

Current assets and liabilities carrying value is determined to approximate fair value due to their short- term nature at the end of each reporting period. The non- current borrowings are held at amortised cost based on the underlying interest rate at prime plus a margin.

• *Reclassifications of financial instruments on adoption of IFRS 9*

Figures in R `000

Change in accounting policies continued...

The following table sets out the changes in the measurement categories for each class of the group and company's financial assets and financial liabilities as at 1 July 2018.

Financial assets	Measurement category under IAS 39	Measurement category under IFRS 9	Original carrying amount	New carrying amount
Trade and other receivables excluding non- financial assets (Note 15)	Loans and receivables	At amortised cost	41 942	41 942
Cash and cash equivalents (Note 16)	Loans and receivables	At amortised cost	15 761	15 761
Total financial assets			**57 703**	**57 703**

Financial liabilities	Measurement category under IAS 39	Measurement category under IFRS 9	Original carrying amount	New carrying amount
Finance lease obligation (Note 18)	At amortised cost	At amortised cost	2 150	2 150
Trade and other payables excluding non- financial liabilities (Note 19)	At amortised cost	At amortised cost	15 962	15 962
Total financial liabilities			**18 112**	**18 112**

The reclassifications of the financial instruments on adoption of IFRS 9 did not result in any changes to measurements.

• *Expected credit losses*

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ’expected credit loss’ model. The new model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI. This results in credit losses being recognised earlier than previously recognised under IAS 39. An assessment was performed to determine the expected credit loss of financial assets. The group’s principal financial assets mainly relate to trade receivables with its customers. The majority of the group’s sales relate to services rendered on a monthly basis, the majority of which are short cycled receivables that are settled between 7 and 90 days. The group’s customers are mainly with large international or privately- owned mining houses or other recognised entities. Historically, the group has not suffered significant credit losses due to the non- payment of trade receivables. In instances where customers have been unable to settle their outstanding receivable, appropriate allowance have been made in respect of the outstanding receivables immediately upon identifications of a potential credit issue.

A significant increase in credit risk assessment is performed qualitatively by reference to the subsidiary's cash flow and liquid asset portion. The risk that the subsidiary will default on an on- demand loan depends on whether it has sufficient cash or other liquid assets to repay the loan immediately, resulting in the risk of default being assessed as either low (possibly close to 0%) or high (possibly close to 100%).

A loan is considered to be credit impaired if it meets the definition of a defaulted loan.

The group has also adopted consequential amendments to IAS 1: Presentation of Financial Statements which requires an impairment of financial assets to be presented in a separate line in the statement of profit or loss and OCI. Previously the impairment of trade receivables was included in administrative expenses.

30. Directors remuneration

June 2019	Basic	Allowances	Bonus	Vested 2016 long term grant	Total
JC Badenhorst*	3 545	140	1 580	1 367	6 632
JC Lemmer*	2 760	51	1 236	1 074	5 121
VJ Thenga	548	2	43	-	593
A Van Wijk	1 669	232	-	-	1 901
M Schmidt	1 213	-	350	-	1 563
E Thompson	1 487	-	219	-	1 706
	11 222	**425**	**3 428**	**2 441**	**17 516**

Figures in R `000

Directors remuneration continued...

June 2018	Basic	Allowances	Bonus	Vested 2016 long term grant	Total
JC Badenhorst*	3 360	140	-	-	3 500
JC Lemmer*	2 627	51	-	-	2 678
VJ Thenga	484	-	38	-	522
A Van Wijk	1 607	206	258	-	2 071
M Schmidt	900	2	359	-	1 261
E Thompson	2 258	-	-	-	2 258
	11 236	**399**	**655**	**-**	**12 290**

June 2017	Basic	Allowances	Bonus	Vested 2016 long term grant	Total
JC Badenhorst*	3 200	132	-	-	3 332
JC Lemmer*	2 514	48	-	-	2 562
VJ Thenga	311	27	48	-	386
A Van Wijk	1 130	472	-	-	1 602
M Schmidt	747	-	30	-	777
E Thompson	2 423	-	-	-	2 423
	10 325	**679**	**78**	**-**	**11 082**

** - These directors are paid by Unicorn Capital Partners Limited*