GEODRILL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

This MD&A should be read in conjunction with the comparative audited annual consolidated financial statements for the year ended December 31, 2013 and notes thereto.

This MD&A is dated March 3, 2014. Disclosure contained in this document is current to that date unless otherwise stated.

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

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

FORWARD-LOOKING INFORMATION

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

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

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

that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

Corporate Overview

Geodrill operates a fleet of multipurpose, core and air-core drill rigs. The multipurpose rigs can perform both reverse circulation ("RC") and diamond core ("Core") drilling and can switch from one to the other with little effort or downtime. Multipurpose rigs provide clients with the efficiency and high productivity of RC drilling and the depth and accuracy of Core drilling without the need to have two different drill rigs on site.

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

The state-of-the-art workshop and supply base at Anwiankwanta, near Kumasi, Ghana, and the state-of-the-art workshop and supply base at Ouagadougou, Burkina Faso, provides centralized locations for repair and storage of equipment and supplies, which in turn minimizes trucking, shipping and supply costs and allows the rigs to be mobilized to drill sites with minimal delay.

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

Business Strategy

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

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

- **Business Development**: The Company continually improves its operation including the following recent and ongoing developments:

    - Increase in our geographic footprint in West Africa to include five countries, as the Company has maintained its strong presence in both Ghana and Burkina Faso and has recently operated in Niger, Guinea and has re-entered Cote d'Ivoire;

    - Expansion of drilling for other minerals, as the Company has successfully completed contracts to drill for iron ore, uranium and manganese; and

    - Securing of a US$5 million Credit Line in 2013 to assist the Company with managing working capital and debt repayments.

- **A Young and Modern Fleet of Drill Rigs and World Class Workshops:** The Company has accumulated modern state-of-the-art drilling rigs, and established centrally located world class workshops to promote client satisfaction through reliable operational performance. In addition, within the workshop in Ghana, is a manufacturing facility with the capacity to produce ancillary

equipment such as RC drill rods and RC wire-line drill subs in-house, reducing downtime and reliance on suppliers for these items.

- **Establishing, building and maintaining long-standing relationships with customers:** The Company has strong client relationships. Typically a longer term client relationship of the Company originally commenced as a short term drill contract won under competitive bidding process, which has been continually renewed as the respective drilling program of the client has progressed through various phases.

- **Support of well established international and local vendors:** The Company has maintained long standing relationships with international vendors in Australia, Europe, North America and China and has also been supported in West African countries by local branches of these suppliers and other local suppliers.

- **Local Knowledge**: The Company's West African market knowledge, expertise and experience have enabled Geodrill to further develop the local networks required to support its operations.

- **Presence in West Africa:** The Company is able to mobilize drill rigs and associated ancillary equipment within a few days of a request by a client. The well-resourced, centrally located workshops further reduces downtime, as the Company can fairly quickly reach most of its current customer sites. Increase in our geographic footprint in West Africa to include five countries, as the Company has maintained its strong presence in both Ghana and Burkina Faso and has recently entered Niger, Guinea and has re-entered Cote d'Ivoire.

- **An Active and Experienced Management:** Geodrill is led by Dave Harper, President and Chief Executive Officer, Terry Burling, Chief Operating Officer and Greg Borsk, Chief Financial Officer. This group is also supported by: Stephen Rodrigue, Business Development Manager and Don Seguin, HSE & Training Manager.

- **A Skilled and Dedicated Workforce:** A favorable compensation and benefits package, coupled with the Company's track record of quality hiring and commitment to frequent, relevant continuous training programs for both permanent and contract employees, has reduced unplanned workforce turnover even during robust mining cycles. This has also increased efficiency and productivity, ensuring the availability and continuity of a skilled labor force.

- **Maintaining a high level of safety standards to protect its people and the environment:** The Company's Health, Safety and Environmental ("HSE") Group oversees the design, implementation, monitoring and evaluation of the Company's HSE standards, which standards are generally considered to be stringent standards for drilling firms globally and are higher than what is currently required in all local markets in which Geodrill currently operates. Every aspect of Geodrill's operations is designed to meet the highest HSE standards and includes induction meetings, at least one safety meeting per work site, including non-exploration work sites, regular safety audits and detailed investigations of incidents and accidents.

- **Commitment to Excellence:** Geodrill is committed to being a company of the highest standard in every aspect of its business operations. This is the framework used by the Company to guide its personnel towards the Company's goals and to be the customer-preferred partner in providing world class drilling services in West Africa.

Market Participants and Geodrill's Client Base

West Africa has become the scene of intense competition amongst international mining companies as West Africa hosts some of the largest remaining undeveloped mineral deposits in the world, containing gold, iron ore and bauxite. The drilling services provided by Geodrill can be applied to both precious and base metals.

The Company's client base is predominately in Ghana and Burkina Faso. For 2013, Burkina Faso, Niger, Cote d'Ivoire and Guinea collectively accounted for 62% of the Company's revenue, whereas Ghana accounted for 38% of the Company's revenue compared to 55% for Burkina Faso, Niger and Cote d'Ivoire collectively in 2012 and 45% for Ghana.

Management's plans include continuing to take advantage of opportunities in other minerals, including iron ore, manganese, uranium and phosphate which may not follow the same economic cycles as precious metals. In addition, the proximity of Ghana to countries such as Senegal, Mali, Mauritania, Liberia, Sierra Leone, the Democratic Republic of the Congo, Nigeria, Cameroon and Togo positions the Company favorably in its ability to service these markets as well, if it so chooses. The Company's drilling focus is still predominately on gold and is still predominately in Ghana and Burkina Faso; however, the Company has recently successfully diversified into drilling for other minerals and has increased its footprint in West Africa.

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

There are three customers who individually contributed 10% or more to the Company's revenue for 2013. One customer contributed 16%, one customer contributed 15% and one customer contributed 13%.

OUTSTANDING SECURITIES AS OF MARCH 3, 2014

The Company is authorized to issue an unlimited number of Ordinary Shares. As of March 3, 2014 the Company has the following securities outstanding:

Number of Ordinary Shares	42,512,000
Number of Options	2,790,000
Fully Diluted	45,302,000

From January 1, 2013 to March 3, 2014, a total of 360,000 options were issued and 180,000 options were forfeited.

OVERALL PERFORMANCE

Revenue Per Country

Location	Fiscal 2013 US$ 000's	%	Fiscal 2012 US$ 000's	%	Fiscal 2011 US$ 000's	%
Burkina Faso and other	22,999 (1)	62%	35,934 (2)	55%	30,633	44%
Ghana	14,213	38%	29,652	45%	39,515	56%
	37,212	100%	65,586	100%	70,148	100%

(1) Included in Burkina Faso and other is Niger, Cote d'Ivoire and Guinea.
(2) Included in Burkina Faso and other is Niger and Cote d'Ivoire.

Meters Drilled Per Country

Location	Fiscal 2013	%	Fiscal 2012	%	Fiscal 2011	%
Burkina Faso and other	269,748 (1)	69%	559,302 (2)	68%	455,326	49%
Ghana	123,574	31%	260,184	32%	467,145	51%
	393,322	100%	819,486	100%	922,471	100%

(1) Included in Burkina Faso and other is Niger, Cote d'Ivoire and Guinea.
(2) Included in Burkina Faso and other is Niger and Cote d'Ivoire.

The Company generated revenue of US$37.2M in 2013, a decrease of 43% when compared to US$65.6M in 2012. The Company was affected by the industry wide slowdown in drilling activities. In general, there continues to be pressure on early stage exploration companies as financing from the capital markets continues to be challenging and there is also pressure on producing companies as they continue to need to manage their exploration costs in light of increasing costs on the production side of their business. Specifically, the Company's revenue decreased as certain customers' jobs came to an end that were not immediately replaced and certain continuing customers significantly reduced the number of drill rigs operating on their sites. The wet season (which occurs in some geographical areas where the Company operates, particularly Burkina Faso) affected the third quarter revenue. As similar to 2012, no air core meters were drilled in the 3rd quarter of 2013. Meters drilled for 2013 totaled 393,322 which is a decrease of 52% when compared to 819,486 meters drilled in 2012.

The gross profit for 2013 was US$11.9M, being 32% of revenue compared to a gross profit of US$25.9M, being 39% of revenue for 2012. The gross profit decrease reflects the decrease in revenue of US$28.4M with a decrease in cost of sales of US$14.4M. In reaction to the slowdown, the Company was able to significantly reduce certain discretionary expenses such as drill rigs expenses and fuel, employee benefits and external services and repairs and maintenance. However, included in costs of sales, the Company has certain fixed costs such as depreciation that are not related to revenue. In 2013, depreciation expense included in cost of sales was US$8.0M, representing 31% of total cost of sales. See "Supplementary Disclosure – Non IFRS Measures" on page 18.

EBITDA (as defined herein) for 2013 was US$7.2M, being 19% of revenue compared to US$13.6M, being 21% of revenue for 2012. See "Supplementary Disclosure – Non-IFRS Measures" on page 18.

The EBIT (as defined herein) for 2013 was a loss before interest and taxes of US$(2.4)M, compared to EBIT of US$5.6M, for 2012. See "Supplementary Disclosure - Non - IFRS Measures" on page 18.

The net loss for 2013 was US$(4.9)M or US$(0.12) per Ordinary Share (US$(0.12) per Ordinary Share fully diluted), compared to net earnings of US$3.2M for 2012 or US$0.08 per Ordinary Share (US$0.08 per Ordinary Share fully diluted).

SELECTED FINANCIAL INFORMATION

(in US$ 000's)	Fiscal Year Ended 2013	2012	2011	% Change 2013 vs 2012	% Change 2012 v 2011
Revenue	**37,212**	**65,586**	**70,149**	**(43%)**	**(7%)**
Cost of Sales	**25,358**	**39,734**	**32,093**	**(36%)**	**24%**
Cost of Sales (%)	68%	61%	46%		
Gross Profit	**11,854**	**25,852**	**38,056**	**(54%)**	**(32%)**
Gross Profit Margin (%)	32%	39%	54%		
Selling, General and Administrative Expenses	**14,289**	**19,806**	**19,537**	**(28%)**	**1%**
Selling, General and Administrative Expenses (%)	38%	30%	28%		
Foreign Exchange Gain (Loss)	**39**	**(483)**	**(451)**		
Foreign Exchange Gain(%)	0%	(1%)	(1%)		
(Loss) Profit from Operating Activities	**(2,396)**	**5,563**	**18,068**	**(143%)**	**(69%)**
(Loss) Profit from Operating Activities (%)	(6%)	8%	26%		
Finance Income	**3**	**9**	**24**		
Finance Income (%)	0%	0%	0%		
EBIT*	**(2,393)**	**5,572**	**18,092**	**(143%)**	**(69%)**
EBIT (%)	(6%)	8%	26%		
Finance Cost	**1,114**	**898**	**142**		
Finance Cost (%)	3%	1%	0%		
(Loss) Profit Before Taxation	**(3,507)**	**4,674**	**17,950**	**(175%)**	**(74%)**
(Loss) Profit Before Taxation (%)	(9%)	7%	26%		
Income Tax Expense	**1,401**	**1,468**	**5,537**		
Income Tax Expense (%)	4%	2%	8%		
Net (Loss) earnings	**(4,908)**	**3,206**	**12,413**	**(253%)**	**(74%)**
Net (Loss) Earnings (%)	(13%)	5%	18%		
EBITDA **	**7,232**	**13,549**	**24,728**	**(47%)**	**(45%)**
EBITDA (%)	19%	21%	35%		
Meters Drilled	**393,322**	**819,486**	**922,471**	**(52%)**	**(11%)**
(Loss) earnings Per Share					
Basic	**(0.12)**	**0.08**	**0.29**		
Diluted	**(0.12)**	**0.08**	**0.28**		
Total Assets	**68,962**	**88,021**	**73,775**	**(22%)**	**19%**
Total Long - Term Liabilities	**2,481**	**8,767**	**5,347**	**(72%)**	**64%**
Cash Dividend Declared	**NIL**	**NIL**	**NIL**		

*EBIT = Earnings before interest and taxes.

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

See "Supplementary Disclosure - Non-IFRS Measures" on page 18.

RESULTS OF OPERATIONS

FISCAL 2013 COMPARED TO FISCAL 2012

Revenue

The Company recorded revenue of US$37.2M for 2013, as compared to US$65.6M for 2012, representing a decrease of 43%. The decrease in revenue is primarily attributable to the number of meters drilled decreasing from 819,486 meters in 2012 to 393,322 in 2013. The total meters drilled decreased by 52% for 2013 compared to 2012. The percentage of meters drilled for 2013 can be broken down as to 57% RC, 22% Core and 21% air core as compared to 42% RC, 16% Core and 42% air core for 2012. In 2013 compared to 2012, the Company's revenue decreased as certain jobs came to an end that were not immediately replaced and certain continuing customers have significantly reduced the number of drill rigs operating on their sites. The decrease in revenue in 2013 reflects the industry wide slowdown as many of Geodrill's competitors are also experiencing decreasing revenue.

Cost of Sales and Gross Profit

The gross profit for 2013 was US$11.9M, compared to a gross profit of US$25.9M for 2012, being a decrease of US$14M. The gross profit percentage for 2013 was 32% compared to 39% for 2012.

The decrease in cost of sales for 2013 as compared to 2012 of US$14.4M reflects the following:

- Drill rig expenses and fuel decreased by US$9.8M in conjunction with the decrease in revenue and the decrease in meters drilled.
- Employees benefits, external services and contractors expenses decreased by US$4.8M due to fewer workers and less services being required in conjunction with the decrease in revenue and the decrease in meters drilled.
- Repairs and maintenance decreased by US$1.1M associated with less repairs to the Company's fleet.
- Depreciation expense increased by US$1.4M as property, plant and equipment that was added in 2012 has had a full year of depreciation in 2013.

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

SG&A expenses were US$14.3M for 2013, compared to US$19.8M for 2012, being a decrease of US$5.5M.

The decrease in SG&A expenses for 2013 as compared to 2012 of US$5.5M reflects the following:

- Employee benefits, external services and contractors expenses decreased by US$6.4M due to a reduction in staff during the year and less services being required.
- Bad debt expense and the allowance for doubtful accounts increased by US$1.0M relating to the write off of specific trade receivables and the increase in the allowance for doubtful accounts for certain trade receivables.

Foreign Exchange Gain

The Company realized a foreign exchange gain in 2013 of US$0.04M compared to a foreign exchange loss of US$0.5M in 2012. The foreign exchange gain and foreign exchange loss are the result of fluctuations in the US Dollar against the Australian Dollar, the British Pound, the Euro, the Canadian Dollar, the Ghana Cedi and the Central African Franc.

Loss from Operating Activities

Loss from operating activities (after cost of sales, SG&A expenses and foreign exchange gain or loss) for 2013 was a loss of US$(2.4)M, as compared to a profit of US$5.6M in 2012.

EBITDA Margin (see "Supplementary Disclosure – Non-IFRS Measures" on page 18)

EBITDA margin for 2013 was 19% compared to 21% for 2012. See "Supplementary Disclosure - Non - IFRS Measures" on page 18.

EBIT Margin (see "Supplementary Disclosure – Non-IFRS Measures" on page 18)

EBIT margin for 2013 was negative (6%) compared to 8% for 2012. See Supplementary Disclosure - "Non-IFRS Measures" on page 18.

Depreciation

Depreciation of property, plant and equipment was US$9.6M (US$8.0M in cost of sales and US$1.6M in SG&A) for 2013 compared to US$8.0M (US$6.6M in cost of sales and US$1.4M in SG&A) for 2012.

Income Tax Expense

Income tax expense was US$1.4M for 2013 compared to income tax expense of US$1.5M for 2012. The income tax expense of US$1.4M is comprised of current taxes of US$2.9M offset by a deferred tax recovery of US$1.5M. Although the Group recorded an overall net loss of US$4.9M in 2013, the Group realized a current tax expense of US$1.9M on withholding tax on revenue earned outside of Ghana and US$1.0M as a result of the tax audit in Ghana for the years 2010, 2011 and 2012. The Company's corporate tax rate in Ghana is 25%. In addition to corporate tax in Ghana, the Company pays withholding tax on revenues in certain countries in which it provides drilling services.

Net Loss

The net loss was US$(4.9)M, for 2013, or US$(0.12) per Ordinary Share (US$(0.12) per Ordinary Share fully diluted), compared to net earnings of US$3.2M, for 2012, or US$0.08 per Ordinary Share (US$0.08 per Ordinary Share fully diluted).

FISCAL 2012 COMPARED TO FISCAL 2011

Revenue

The Company recorded revenue of US$65.6M for 2012, as compared to US$70.1M in 2011, representing a decrease of 7%. The decrease in revenue is primarily attributable to the number of meters drilled decreasing from 922,471 meters in 2011 to 819,486 meters in 2012. The revenue decrease in 2012 occurred in the second half of the year, in both the 3rd quarter and 4th quarter of 2012 as opposed to the 1st quarter and 2nd quarter of 2012, which actually both increased over the comparable 1st and 2nd

quarters in 2011. The decrease in revenue in the 2nd half of 2012 was start of the industry wide slowdown as many of Geodrill's competitors also started to experience decreasing revenue during this period.

Cost of Sales and Gross Profit

The gross profit for 2012 was US$25.9M, as compared to a gross profit of US$38.1M for 2011, being a decrease of US$12.2M or 32%. The gross profit percentage for 2012 was 39% compared to 54% for 2011. The decrease in the gross profit reflects the decrease in revenue and the increase in cost of sales.

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

SG&A expenses were US$19.8M for 2012, compared to US$19.5M for 2011. The total SG&A expensed for 2012 as compared to 2011 remained relatively consistent.

Net Earnings

Net earnings were US$3.2M, being 5% of revenue for 2012, or US$0.08 per Ordinary Share (US$0.08 per Ordinary Share fully diluted), compared to US$12.41M, being 18% of revenue, for 2011, or US$0.29 per Ordinary Share (US$0.28 per Ordinary Share fully diluted).

SELECTED FINANCIAL INFORMATION - FOURTH QUARTERS

(in US$ 000's)	Fourth Quarter Ended 2013	2012	% Change 2013 vs 2012
Revenue	**3,559**	**12,921**	**(72%)**
Cost of Sales	**5,488**	**7,113**	**(23%)**
Cost of Sales (%)	154%	55%	
Gross (Loss) Profit	**(1,929)**	**5,808**	**(133%)**
Gross (Loss) Profit Margin (%)	(54%)	45%	
Selling, General and Administrative Expenses	**2,234**	**4,939**	**(55%)**
Selling, General and Administrative Expenses (%)	63%	38%	
Foreign Exchange Loss	**189**	**8**	
Foreign Exchange Loss (%)	5%	0%	
(Loss) Profit from Operating Activities	**(4,352)**	**861**	**(605%)**
(Loss) Profit from Operating Activities (%)	(122%)	7%	
Finance Income	**1**	**3**	
Finance Income (%)	0%	0%	
EBIT*	**(4,351)**	**864**	**(604%)**
EBIT (%)	(122%)	7%	
Finance Cost	**242**	**400**	
Finance Cost (%)	7%	3%	
(Loss) Profit Before Taxation	**(4,593)**	**464**	
(Loss) Profit Before Taxation (%)	(129%)	4%	
Income Tax Expense (Recovery)	**1,055**	**(524)**	
Income Tax (Recovery) Expense (%)	30%	(4%)	
Net (Loss) Earnings	**(5,648)**	**988**	**(672%)**
Net (Loss) Earnings (%)	(159%)	8%	
**EBITDA ** **	**(1,890)**	**3,275**	**(158%)**
EBITDA (%)	(53%)	25%	
Meters Drilled	**41,416**	**129,487**	**(68%)**
(Loss) Earnings Per Share			
Basic	**(0.13)**	**0.02**	
Diluted	**(0.13)**	**0.02**	
Total Assets	**68,962**	**88,021**	**(22%)**
Total Long - Term Liabilities	**2,481**	**8,767**	**(72%)**
Cash Dividend Declared	**NIL**	**NIL**	

*EBIT = Earnings before interest and taxes

**EBITDA = Earning before interest, tax, depreciation and amortization

See "Supplementary Disclosure - Non-IFRS Measures" on page 18

FOURTH QUARTER DECEMBER 31, 2013 COMPARED TO FOURTH QUARTER DECEMBER 31, 2012

Revenue

The Company recorded revenue of US$3.6M for the 4th quarter ended December 31, 2013, as compared to US$12.9M for the 4th quarter ended December 31, 2012, representing a decrease of 72%. The decrease in revenue is primarily attributable to the number of meters drilled decreasing from 129,487 meters in the 4th quarter ended December 31, 2012 to 41,416 in the 4th quarter ended December 31, 2013. In the 4th quarter ended December 31, 2013 compared to the 4th quarter ended December 31, 2012 the Company's revenue decreased as certain jobs came to an end that were not immediately replaced. The decrease in revenue in the 4th quarter ended December 31, 2013 reflected an industry wide slowdown as many of Geodrill's competitors also experienced decreasing revenue during this period.

Cost of Sales and Gross Loss

The gross loss for the 4th quarter ended December 31, 2013 was US$(1.9)M, as compared to a gross profit of US$5.8M for the 4th quarter ended December 31, 2012, being a decrease of US$7.7M. The gross profit percentage loss for the 4th quarter ended December 31, 2013 was (54)% compared to 45% for 4th quarter ended December 31, 2012. Included in cost of sales was US$0.6M relating to inventory revaluations and stock take adjustments in conjunction with the year end inventory count. Also included in cost of sales is depreciation of US$2.1M.

The decrease in cost of sales for 4th quarter ended December 31, 2013 as compared to 4th quarter ended December 31, 2012 of US$1.6M reflects the following:

- Drill rig expenses and fuel decreased by US$1.5M in conjunction with the decrease in revenue and the decrease in meters drilled.

- Employee benefits, external services and contractors expenses and repairs and maintenance decreased by US$0.2M due to fewer workers being required in conjunction with the decrease in revenue and the decrease in meters drilled and less services and repairs being required.

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

SG&A expenses for the 4th quarter ended December 31, 2013 were US$2.2M, compared to US$4.9M for the 4th quarter ended December 31, 2012, or a reduction of US$2.7M.

The decrease in SG&A expenses of US$2.7M for the 4th quarter ended December 31, 2013 as compared to the 4th quarter ended December 31, 2012 reflects the following:

- Employee benefits, external services and contractors expenses decreased by US$3.1M due to a reduction in staff and contractors during the quarter.

- Bad debt expense and the allowance for doubtful accounts increased by US$0.5M relating to the write off of trade receivables the increase in the allowance for doubtful accounts.

Foreign Exchange Loss

The Company realized a foreign exchange loss of US$0.2M in the 4th quarter ended December 31 2013. The exchange gain or loss is the result of fluctuations in the US Dollar against the Australian Dollar, the British Pound, the Euro, the Canadian Dollar, the Ghana Cedi and the Central African Franc.

(Loss) Profit from Operating Activities

Loss from operating activities (after cost of sales, SG&A expenses and foreign exchange gain or loss) for the 4th quarter ended December 31, 2013 was a loss of US$(4.4)M, as compared to a profit of US$0.9M in the 4th quarter ended December 31, 2012.

EBITDA Margin (see "Supplementary Disclosure – Non-IFRS Measures" on page 18)

EBITDA margin for the 4th quarter ended December 31 2013, was (53)% compared to 25% for the 4th quarter ended December 31, 2012. See "Supplementary Disclosure - Non - IFRS Measures" on page 18.

EBIT Margin (see "Supplementary Disclosure – Non-IFRS Measures" on page 18)

EBIT margin for the 4th quarter ended December 31, 2013 was (122)% compared to 7% for the 4th quarter ended December 31, 2012. See Supplementary Disclosure - "Non-IFRS Measures" on page 18.

Depreciation

Depreciation of property, plant and equipment was US$2.5M (US$2.1 M in cost of sales and US$0.4M in SG&A) for the 4th quarter ended December 31, 2013 compared to US$2.4M (US$2.0M in cost of sales and US$0.4M in SG&A) for the 4th quarter ended December 31, 2012.

Income Tax Expense

Income tax expense was US$1.1M for the 4th quarter ended December 31, 2013 compared to an income tax recovery of US$0.5M for the 4th quarter ended December 31, 2012. The income tax expense of US$1.1M is comprised of current taxes of US$1.1M. Although the Group recorded an overall net loss of US$5.6M in the 4th quarter ended December 31, 2013, the Group realized a current tax expense of US$1.1M as a result of the completion of the tax audit of Geodrill Ghana Limited for the years 2010, 2011 and 2012. The Company's corporate tax rate in Ghana is 25%. In addition to corporate tax in Ghana, the Company pays withholding tax on revenues in certain countries in which it provides drilling services.

Net Loss

Net loss was US$(5.6)M for the 4th quarter ended December 31, 2013, or US$(0.13) per Ordinary Share (US$(0.13) per Ordinary Share fully diluted), compared to net earnings of US$1M for the 4th quarter ended December 31, 2012, or US$0.02 per Ordinary Share (US$0.02 per Ordinary Share fully diluted).

SUMMARY OF QUARTERLY RESULTS

(in US$ 000's)	2013				2012			
	Dec-31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	3,559	4,031	14,590	15,032	12,921	10,146	20,860	21,659
Revenue Increase (Decrease) %	*(12%)*	*(72%)*	*(3%)*	*16%*	*27%*	*(51%)*	*(4%)*	*4%*
Gross (Loss) Profit	(1,929)	(613)	8,005	6,391	5,808	(990)	9,512	11,523
Gross Margin (%)	*(54%)*	*(15%)*	*55%*	*43%*	*45%*	*(10%)*	*46%*	*53%*
Net (loss) Earnings	(5,649)	(3,512)	2,830	1,423	988	(4,994)	2,781	4,429
Per Share - Basic	(0.13)	(0.08)	0.07	0.03	0.02	(0.12)	0.07	0.10
Per Share - Diluted	(0.13)	(0.08)	0.07	0.03	0.02	(0.12)	0.06	0.10

The Company's revenue decreased on a quarter over quarter basis by US$0.5M for the 4th quarter ended December 31, 2013 compared to the 3rd quarter ended September 30, 2013. On a quarter to quarter basis, the Company's revenue decreased by US$9.4M compared to the 4th quarter ended December 31, 2012. The Company continues to believe that there is an industry wide slowdown in drilling activities as there is pressure on early stage exploration companies as financing from the capital markets continues to be challenging and there is also pressure on producing companies as they continue to need to manage their exploration costs in light of increasing costs on the production side of their business. The Company had certain jobs come to an end without being immediately replaced and customers reduced the number of drill rigs operating at their sites and have parked certain rigs. The Company believes that the slowdown in drilling activity will continue into 2014 and as such the Company continues to actively bid on new jobs and has continued to take steps to control costs, monitor its workforce and is managing its capital expenditures.

The Company's operations have tended to exhibit a seasonal pattern whereby the second quarter is typically affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week over the Easter holidays. For 2013, the Easter shut-down straddled the first quarter of 2013 and the second quarter of 2013. The wet season occurs (in some geographical areas where the company operates, particularly in Burkina Faso) normally in the third quarter, but in the recent years the global weather pattern has become somewhat erratic. The wet season affected the Company's drilling operations and revenue as companies slowed operations during this time. The Company has historically taken advantage of the wet season and has scheduled the third quarter for maintenance and rebuild programs for drill rigs and equipment. In the 3rd quarter of 2013 the Company has continued with repairs and maintenance but at a slower rate than previous quarters. The fourth quarter was also affected, due to the shutdown of exploration activities, often for extended periods over the holiday season (Christmas and New Year's of up to two weeks over the period).

Effect of Exchange Rate Movements

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

The Company's revenue is invoiced in US Dollars. The Company's purchases are in Australian Dollars, US Dollars, Euros, Canadian Dollars and local currencies. Other local expenses include purchases and wages which are paid in the local currency. During 2013, the Company realized a foreign exchange gain of

US$0.04M, compared to a foreign exchange loss of US$0.50M in 2012 predominately as a result of fluctuations in the US Dollar against foreign and local currencies.

SELECTED INFORMATION FROM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal year end		Fourth quarter end	
(in US$ 000's)	2013	2012	2013	2012
Net Cash generated (used in) from operating activities	2,787	16,478	(140)	1,901
Net Cash used in investing activities	(1,534)	(22,814)	(141)	(4,887)
Net Cash (used in) provided from financing activities	(5,652)	5,637	(923)	(1,140)
Effect of movement in exchange rates on cash and cash equivalents	46	96	56	(7)
Net decrease in cash and cash equivalents	(4,353)	(603)	(1,148)	(4,133)

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As at December 31, 2013 the Company had cash and cash equivalents equal to US$3.2M. As at December 31, 2013 the Company had loans payable of US$6.6M compared to loans payable of US$12.2M as at December 31, 2012. The decrease in the loans payable amount relates to quarterly principal repayments on the Term loan and Equipment loans of US$6.4M, offset by the drawdown of US$0.7M on the credit line. Since the Company has a loans payable amount, the Company continues to monitor its cash and cash equivalents and its capital spending in response to the industry wide slowdown for drilling activities and in conjunction with the loans that need to be repaid. As at March 3, 2014, the Company has drawn down US$1.6M on the credit line.

FOURTH QUARTER ENDED DECEMBER 31, 2013

Operating Activities

In the 4th quarter of 2013, the Company used cash in operating activities of US$0.1M, as compared to generating net cash from operating activities of US$1.9M in the 4th quarter of 2012. The Company realized a loss before taxation of US$(4.6)M for the 4th quarter of 2013 but the impact of changes in non-cash items and changes in working capital items generated cash of US$4.5M resulting in cash used in operations of US$0.1M.

Investing Activities

In the 4th quarter of 2013, the Company's investment in property, plant and equipment was US$0.1M compared to US$4.9M in the 4th quarter of 2012. Plant and equipment addition in the 4th quarter of 2013 mainly included the costs associated with rebuilding existing drill rigs and related equipment.

Financing Activities

During the 4th quarter of 2013, the Company used cash of US$1.6M relating to the quarterly principal repayments on loans offset by a draw down on the credit line of US$0.7M compared to using US$1.1M in the 4th quarter of 2012, relating to the quarterly principal repayment on loans.

FISCAL 2013

Operating Activities

In 2013, the Company generated net cash from operating activities of US$3.4M, as compared to generating net cash from operating activities of US$16.5M in 2012. The Company realized a loss before taxation of US$(3.5)M for 2013, however the impact of changes in non-cash items and changes in working capital items generated cash of US$6.3M, resulting in operating cash flow of US$2.8M.

Investing Activities

In 2013, the Company's investment in property, plant and equipment was US$1.5M compared to US$22.8M in 2012. Plant and equipment expenditures in 2013 mainly included the costs associated with rebuilding existing drill rigs and related equipment.

Financing Activities

In 2013, the Company used cash of US$6.4M relating to the quarterly principal repayments on loans offset by a draw down of US$0.7M on the credit line compared to receiving net cash of US$5.6M in 2012 related to net proceeds of US$10M from the Zenith less repayment of the Zenith Term Loan of US$1.1M less the cash used to repay the Silverwood Ventures Loan of US$3.3M plus US$0.1M related to the issuance of shares in exchange for stock options exercised.

Contractual Obligations

Contractual Obligations in US$	Payments Due by					
	Total	2014	2015	2016	2017	2018
Operating Leases [1]	656,000	272,000	222,000	72,000	72,000	18,000
Purchase Obligations [2]	1,250,000	1,250,000	N/A	N/A	N/A	N/A
Loans [3]	7,065,450	5,865,200	1,200,250	N/A	N/A	N/A
Total Contractual Obligations	**8,971,450**	**7,387,200**	**1,422,250**	**72,000**	**72,000**	**18,000**

(1) The operating leases relate to the lease payments for the two real estate properties, as fully disclosed under "Transactions with Related Parties". The annual rent payable shall be reviewed on an upward only basis every two years depending on the average price of two firms of real estate valuators/surveyors or real estate agents. The amount for 2015 represents nine months only as the initial lease term expires on September 30, 2015. In addition, the operating leases includes an amount for a site in Burkina Faso.

(2) The purchase obligations refer to the purchase of an additional drill rig and spare rig parts that is currently on hold.

(3) Loans refer to the Zenith Term Loan, the Sandvik Equipment Loans and the Credit line, including the related interest.

Contractual obligations will be funded in the short-term by cash and cash equivalents as at December 31, 2013 of US$3.2M, cash generated from operations and the US$3.4M available on the Credit Line.

OUTLOOK

The Company continues to believe that there is an industry wide slowdown in drilling activities as there is pressure on early stage exploration companies as financing from the capital markets continues to be challenging and there is also pressure on producing companies as they continue to need to manage their exploration costs in light of increasing costs on the production side of their business. The Company had certain jobs come to an end without being immediately replaced and certain customers reduced the number of drill rigs operating at their sites and have parked certain rigs. The Company believes that the slowdown in drilling activity will continue in 2014 and, as such, the Company continues to actively bid on new jobs and continues to take steps to control costs, monitor its workforce and is managing its capital expenditures. As at December 31, 2013 the Company had 33 drill rigs that were available for operation,

four drill rigs in the workshop and one drill rig on hold with the manufacturer. The Company's drill rig fleet available for operation or planned to be available for operation is noted below:

Make - Model	Type	Available for Operation as at Mar 31, 2013 No. of Rigs		Available for Operation as at Jun 30, 2013 No. of Rigs		Available for Operation as at Sep 30, 2013 No. of Rigs		Available for Operation as at Dec 31, 2013 No. of Rigs		Planned to be available for Operation by By Dec 31, 2014 No of Rigs	
UDR - 650	Multi-Purpose	2	1x2003 1x1993	2	1x2003 1x1993	2	1x2003 1x1993	2	1x2003 1x1993	2	1x2003 1x1993
UDR - KL900	Multi-Purpose	2	1x2007 1x2003	2	1x2007 1x2003	2	1x2007 1x2003	2	1x2007 1x2003	4	1x2007 1x2003 1X1998 1x1999
Sandvik - DE820	Multi-Purpose	4	1x2010 3x2008	4	1x2010 3x2008	4	1x2010 3x2008	2	1x2010 1x2008	4	1x2010 3x2008
Sandvik - DE810	Multi-Purpose	6	6x2012	6	6x2012	6	6x2012	6	6x2012	6	6x2012
EDM - 2000	Multi-Purpose	3	3x2011	3	3x2011	3	3x2011	3	3x2011	3	3x2011
Austex - X900	Multi-Purpose	5	3x2011 2x 2012	5	3x2011 2x 2012	5	3x2011 2x 2012	5	3x2011 2x 2012	6	3x2011 3x 2012
Sandvik - DE710	Core	8	2x2011 5x2010 1x2009	8	2x2011 5x2010 1x2009	8	2x2011 5x2010 1x2009	8	2x2011 5x2010 1x2009	8	2x2011 5x2010 1x2009
Austex - X300	Aircore	4	1x2011 2x2012 1x2010	4	1x2011 2x2012 1x2010	4	1x2011 2x2012 1x2010	5	2x2011 2x2012 1x2010	5	2x2011 2x2012 1x2010
Total Drill Rigs Available for Operation		**34**		**34**		**34**		**33**		38	

	As at Mar 31, 2013		As at Jun 30, 2013		As at Sep 30, 2013		As at Dec 31, 2013	
	No. of Rigs	Type	No. of Rigs	Type	No. of Rigs	Type	No. of Rigs	Type
Available for Operation	22 8 4	Multi-Purpose Core Only Air core	22 8 4	Multi-Purpose Core Only Air core	22 8 4	Multi-Purpose Core Only Air core	20 8 5	Multi-Purpose Core Only Air core
TOTAL AVAILABLE FOR OPERATION	34		34		34		33	
In transit								
Total in Transit								
In W/Shop	2 1	Multi-Purpose Air core	2 1	Multi-Purpose Aircore	2 1	Multi-Purpose Aircore	4	Multi-Purpose
Total in W/Shop	3		3		3		4	
Manufacturing on hold	2	Multi-Purpose	2	Multi-Purpose	1	Multi-Purpose	1	Multi-Purpose
Total Manufacturing on hold	2		2		1		1	
TOTAL DRILL RIGS	39		39		38		38	

Split								
Multi-Purpose	26		26		25		25	
Core Only	8		8		8		8	
Air Core	5		5		5		5	
TOTAL	39		39		38		38	

SUPPLEMENTARY DISCLOSURE - NON-IFRS MEASURES

EBIT is defined as Earnings before Interest and Taxes and EBITDA is defined as Earnings before Interest, Taxes, Depreciation and Amortization. The definitions are used in this MD&A as measures of financial performance. The Company believes EBIT and EBITDA are useful to investors because they are frequently used by securities analysts, investors and other interested parties to evaluate companies in the same industry. Management believes that EBITDA is an important indicator of the Group's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt, and fund any future capital expenditures and uses the metric for this purpose. However, EBIT and EBITDA are not measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. EBIT and EBITDA should not be viewed in isolation and do not purport to be alternatives to net income or gross profit as indicators of operating performance or cash flows from operating activities as a measure of liquidity. EBIT and EBITDA do not have standardized meanings prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies. Also, EBIT and EBITDA should not be construed as alternatives to other financial measures determined in accordance with IFRS.

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

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

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

	Twelve months ended		Three months ended	
(US$ 000's)	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
(Loss) Profit from Operating Activities	(2,396)	5,563	(4,352)	862
Add: Finance Income	3	9	1	3
Earnings Before Interest and Taxes (EBIT)	**(2,393)**	**5,572**	**(4,351)**	**865**
Add: Depreciation & Amortization	9,625	7,977	2,461	2,410
Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)	**7,232**	**13,549**	**(1,890)**	**3,275**

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO") of the Company are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The CEO and the CFO have designed such DC&P, or caused them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. As at December 31, 2013, the CEO and CFO evaluated the design and operation of the Company's DC&P.

Based on that evaluation, the CEO and CFO concluded that the Company's DC&P were effective as at December 31, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There were no changes in the Company's internal control over financial reporting during the period beginning on January 1, 2013 and ended on December 31, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

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

Risks Related to the Business and the Industry

Debt level

In response to the need to finance general corporate expenditures including working capital needs, the Company has needed to borrow funds. As a result, the Company has loans payable outstanding. Historically, the Company has reinvested cash generated from operations into property, plant and equipment. With loans payable outstanding and the required payments, the Company will need to monitor its cash on hand, and its operating activities in response to the level of debt and scheduled repayments. The debt requires repayments of principal and interest of approximately of US$5.9M in 2014 and then US$1.2M in 2015.

Dependence on customers with capital raising challenges

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

Competition

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

erosion of the Company's competitive position could have a material adverse effect on the Company's business, results of operations, financial condition and growth prospects.

A significant portion of the drilling services business is a result of being awarded contracts through a competitive tender process. It is possible that the Company may lose potential new contracts to competitors if it is unable to demonstrate reliable performance, technical competence and competitive pricing as part of the tender process or if mining companies elect not to undertake a competitive tender process, or does not continue to provide a premium service as compared to other competitors, to its existing client base which would cause it to lose its reputation in the market place.

Cyclical Downturns

The Company's business is highly dependent upon the levels of mineral exploration, development and production activity by mining companies in West Africa. A reduction in exploration, development and production activities has caused a decline in the demand for drill rigs and drilling services, which has had a material adverse effect on the Company's business, financial position, resulting operations and prospects. The Company was affected by the industry wide slowdown in drilling activities. In general, there continues to be pressure on early stage exploration companies as financing from the capital markets continues to be challenging and there is also pressure on producing companies as they continue to need to manage their exploration costs in light of increasing costs on the production side of their business. Specifically, the Company's revenue decreased as certain customers' jobs came to an end that were not immediately replaced and certain continuing customers significantly reduced the number of drill rigs operating on their sites.

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

Industry experience indicates that prevailing and projected prices of commodities are major influences on the Company's clients' activity levels and planned expenditures. Gold prices are currently at levels well above historical averages. Strong commodities market conditions have led to an increased supply of drill rigs to the market. In the event of a sustained decrease in demand, the market may be oversupplied with drill rigs, which may result in downward pressure on drilling service providers' margins and drilling operations. In addition, historically when commodity prices fall below certain levels, it is not uncommon for mining and exploration expenditures to decline in the following 12 month period. There is a risk that a significant, sustained fall in commodity prices could substantially reduce future mining expenditures, particularly in relation to exploration and production, leading to a decline in demand for the drilling services offered by the Company which may have a material adverse effect and impact on the Company's business, financial position, results of operations and prospects.

Revenues and EBITDA

The Company does not provide financial guidance. The Company has generated positive EBITDA in the past, however, in 2013 the EBITDA decreased compared to 2012 and in 2012 the EBITDA decreased compared to 2011. There can be no assurance that the Company will generate positive EBITDA in the future.

Global Financial Condition

Global financial conditions have been subject to increased volatility in recent years and numerous financial institutions have either gone into insolvency or have received capital bail-outs or other relief from governmental authorities. These factors may impact the ability of the Company and its clients to obtain equity or debt financing in the future on terms that are favorable. Worldwide economic conditions, in particular, economic conditions of countries such as the United States and China, influence the activity in the mining industry which in turn has an effect on the demand for the drilling services provided by Geodrill. Although there have been numerous indications of economic recovery in recent years, if increased levels of volatility and market turmoil continue, the Company's results of operations could be adversely impacted and the trading price of the Ordinary Shares could be adversely affected.

Foreign Currency Exposure

The Company receives the majority of its revenues in U.S. dollars. In Ghana, the Company receives a portion of its revenues in U.S dollars and a portion in Ghanaian Cedi. In February 2014, the Bank of Ghana implemented revised rules on the operation of foreign exchange accounts and foreign currency accounts that requires all transactions in Ghana to be conducted in Ghana Cedi. This will impact 2014 and future years as the Company may be receiving more receipts from customers in Ghanaian Cedi as opposed to U.S. dollars. The Company does have significant operations and expenditures in Ghana that are payable in Ghana Cedi so an implicit foreign currency hedge for the Ghanaian Cedi is in place. The new foreign exchange rules may also affect the Company's future borrowings in Ghana which are currently denominated in U.S. dollars. As it is still early in the process of implementing the revised rules, the Company is investigating the impact of any changes of having all transactions to be conducted in Ghana in Cedi. In addition, there is also a significant part of the Company's foreign exchange exposure to the Australian dollars in relation to international purchases. As a result, the Company is exposed to currency fluctuations and exchange rate risks. Currency fluctuations and exchange rate risks between the value of the U.S. dollar and the value of the Australian dollar may increase the cost of the Company's operations and could adversely affect financial results.

Concentration of Currency

The Company receives the majority of its revenues in U.S. dollars and as result, the majority of the Company's cash and cash equivalent are in U.S. dollars. To facilitate the payment of certain international suppliers and expenses, the Company holds the majority of its cash and cash equivalent in U.S. dollars in jurisdictions where it can efficiently transfer funds to international suppliers. There can be no assurance that in the future, the Company will be able to continue to hold the majority of its cash and cash equivalents in U.S. dollars.

Dependence on Certain Key Personnel

The success of the Company was, and is currently, largely dependent on the performance of management and, in particular, Dave Harper, Terry Burling and Greg Borsk. The group is also supported

by Stephan Rodrigue, Business Development Manager and Don Seguin, HSE & Training Manager, to manage its immediate operations as well as the obligations of running a public company. The loss of the services of these persons would likely have a materially adverse effect on the Company's business and prospects. Additionally, there is no assurance that the Company can maintain the services of its management or its key drillers required to operate the business. The Company does not maintain key person insurance on the lives of any of its key personnel.

Sensitivity to General Economic Conditions

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

Political Instability

The Company's drilling activities are in West Africa, currently in Ghana, Burkina Faso and Cote d'Ivoire. Conducting business in West Africa presents political and economic risks including, but not limited to, terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labor unrest. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business. Business may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production and exploration activities, currency remittance, income taxes, environmental legislation, land use, land claims of local people, water use and safety. The effect of these factors cannot be accurately predicted, however, the Company keeps abreast of all political issues and is prepared to act accordingly.

Specialized Skills and Cost of Labor Increases

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

Increased Cost of Sourcing Consumables and Drilling Equipment

When bidding on a drilling contract, the cost of consumables (including fuel) is a key consideration in deciding upon the pricing of a contract. A material increase in the cost of consumables (including fuel) could result in materially higher costs and could materially reduce the Company's financial performance, financial condition, cash flows and growth prospects. Although the Company mitigates the risk of sourcing and pricing of consumables by keeping an inventory and having the capacity to fabricate certain consumable equipment, such as RC drill pipe and RC wire-line drill subs, there remains a risk that the pricing and availability of certain other consumables such as fuel could have a material negative effect on the Company's operations. Additionally, the delay or inability of suppliers to supply key manufacturing inputs, such as steel and other raw materials, may delay manufacturing certain consumables such as RC drill pipe and RC wire-line drill subs, that may have an adverse effect on the operations and the financial position of the Company's business.

Inability to Sustain revenue levels

The Company's revenue decreased in 2013 compared to 2012, and decreased in 2012 compared to 2011. The Company's ability to maintain or sustain its revenue will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, commodity prices, the ability of mining companies to raise financing and the global demand for materials. In addition, the Company is subject to a variety of business risks generally associated with growing companies. The Company is not currently contemplating adding a significant number of rigs but will continue to explore geographic expansion. Expanding into other West Africa jurisdictions could place significant strain on the Company's management personnel and the Company may need to recruit additional personnel to service these jurisdictions.

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

Client Contracts

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

International Expansion and Instability

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

Operational Risks and Liability

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

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

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

Business Interruptions

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

Risk to the Company's Reputation

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

Environment, Labor and Health and Safety Requirements and Related Considerations

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

The Company is subject to the labor laws and regulations of the various countries in which it operates. Although none of the Company's employees are currently unionized, there is the potential that some or all of its employees may become unionized in the future. There can be no assurance that the Company

will not experience labor problems in the future, such as prolonged work stoppages due to labor strikes, which may have an adverse effect on its results of operations and financial conditions.

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

Insurance Limits

The Company maintains, to a limited extent, fixed property, motor and general liability insurance. The Company does not insure all of its drill rigs nor its goods in transit, as management has determined that the cost of the premiums outweigh the benefits at this time. Regarding the insurance that the Company does have, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company. The Company does not carry business interruption insurance or key man insurance and, as such, any such interruption or loss would have an adverse effect on the financial position of the Company. To the extent that Geodrill incurs losses not covered by its insurance policies, the funds available for operations will be reduced.

Uncertain Legal and Regulatory Frameworks

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

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

Tax Risk

The Company has organized its group structure and its operations in part based on certain assumptions about various tax laws including, among others, income tax and withholding tax, foreign currency and

capital repatriation laws and other relevant laws of a variety of jurisdictions. While the Company believes that such assumptions are correct, there can be no assurance that foreign taxing or other authorities will reach the same conclusion. If such assumptions are incorrect, or if such jurisdictions were to change or modify such laws or the current interpretation thereof, the Company may suffer adverse tax and financial consequences. Geodrill is an Isle of Man company with drilling activities currently in Ghana, Burkina Faso, and Cote d'Ivoire. The Group has subsidiaries incorporated in the British Virgin Islands, Ghana, Burkina Faso, Mali and Senegal. There is a risk in which the countries where Geodrill operates may change their current tax regime with little prior notice or that the tax authorities in these jurisdictions may attempt to claim tax on the global revenues of the Company. A change to the tax regimes in these countries or an unfavorable interpretation of the current tax legislation could have a material adverse effect on the profitability of the Company.

Credit Risk

The Company provides credit to its clients in the normal course of its operations. The Company had bad debts and an allowance for doubtful accounts of US$1.3M for 2013. The Company has noticed that certain accounts are taking longer to pay and certain accounts are having difficulty paying. As at December 31, 2013, 7% of the trade accounts receivable are aged over 91 days.

One major client represents 32% of the trade accounts receivable as at December 31, 2013. One other major client represents 21%, and one other client represents 12%. The remaining clients represented less than 10% each. Credit risk also arises from cash and cash equivalents with banks. This risk is limited, as it is spread over various countries and banking institutions.

Geographic Expansion

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

Supply of Consumables

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

Risks due to Foreign Incorporation

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

Equity Market Risks

There is a risk associated with any investment in the Ordinary Shares. The market price of securities such as the Ordinary Shares of the Company are affected by numerous factors including, but not limited to, general market conditions, actual or anticipated fluctuations in the Company's results of operations, changes in estimates of future results of operations by the Company or securities analysts, risks

identified in this section and other factors. In addition, the financial markets have experienced significant price and volume fluctuations that have sometimes been unrelated to the operating performance of the issuers or the industries in which they operate.

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

The Harper Family Settlement and Dave Harper holds or controls, directly or indirectly, 17,623,500 Ordinary Shares representing approximately 41.5% of the Company's issued Ordinary Shares. As a result, The Harper Family Settlement and Dave Harper have the ability to influence the Company's strategic direction and policies, including any sale of all or substantially all of its assets, the election and composition of the Board of Directors, the amendment of the Company's Memorandum and Articles of Association and the declaration of dividends. The foregoing ability to influence the control and direction of the Company could adversely affect investors' perception of the Company's corporate governance and reduce its attractiveness as a target for potential take-over bids and business combinations, and correspondingly affect its share price.

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

Dilution

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

Lack of Dividend Payments

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

FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Loans and Receivables US$	Other Financial Liabilities US$	Carrying Amount US$	Total Fair Value US$
December 31, 2013				
Financial assets				
Trade and other receivables	3,678,383	-	3,678,383	3,678,383
Cash and cash equivalents	3,209,080	-	3,209,080	3,209,080
	6,887,463	-	6,887,463	6,887,463
Financial liabilities				
Trade payables, creditors and accrued expenses	-	3,630,258	3,630,258	3,630,258
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,562,289	6,562,289	6,562,289
	-	11,115,572	11,115,572	11,115,572
December 31, 2012				
Financial assets				
Trade and other receivables	8,386,243	-	8,386,243	8,386,243
Cash and cash equivalents	7,562,174	-	7,562,174	7,562,174
	15,948,417	-	15,948,417	15,948,417
Financial liabilities				
Trade payables, creditors and accrued expenses	-	9,503,097	9,503,097	9,503,097
Related party payables	-	923,025	923,025	923,025
Loans payable	-	12,228,824	12,228,824	12,228,824
	-	22,654,946	22,654,946	22,654,946

FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

(i) Credit risk

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

Trade and other receivables

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

For the year ended December 31, 2013, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 16%, one customer contributed 15% and one customer contributed 13%.

For the year ended December 31, 2012, four customers individually contributed 10% or more to the Group's revenue. One customer contributed 28%, one customer contributed 16%, one customer contributed 13% and one customer contributed 11%.

Exposure to credit risks

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

	2013 US$	2012 US$
Trade and other receivables	3,678,383	8,386,243
Cash and cash equivalents	3,209,080	7,562,174
	6,887,463	15,948,417

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

	2013 US$	2012 US$
Mining and exploration companies	3,483,950	8,071,791
Others	194,433	314,452
	3,678,383	8,386,243

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

	2013 US$	2012 US$
Less than 30 days	1,716,144	2,822,908
31 - 60 days	1,395,001	3,703,931
61 - 90 days	124,668	576,402
91 + days	248,137	968,550
	3,483,950	8,071,791

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

	2013 US$	2012 US$
Ghana	912,482	4,101,420
Outside Ghana	2,765,901	4,284,823
	3,678,383	8,386,243

(ii) Liquidity risk

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

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

	Total US$	Within One Year US$	Within Two to Three Years US$
December 31, 2013			
Non-derivative financial liability			
Trade and other payables	3,677,897	3,677,897	-
Related party payables	923,025	923,025	-
Loans payable	6,514,650	5,445,085	1,069,565
Balance at December 31, 2013	11,115,572	10,046,007	1,069,565
December 31, 2012			
Non-derivative financial liability			
Trade and other payables	9,565,235	9,565,235	-
Related party payables	923,025	923,025	-
Loans payable	12,166,686	6,328,592	5,838,094
Balance at December 31, 2012	22,654,946	16,816,852	5,838,094

(iii) Market risk

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

(a) Foreign currency risk

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

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

December 31, 2013	EURO	GH¢	GBP	CFA	AUD	CAD
Cash and cash equivalents	370	868,263	7,285	131,897,895	16,982	30,827
Trade payables	-	(510,950)	(7,813)	(130,571,309)	(357,768)	(117,287)
Gross exposure	370	357,313	(528)	1,326,586	(340,786)	(86,460)

December 31, 2012	EURO	GH¢	GBP	CFA	AUD	CAD
Cash and cash equivalents	30,980	279,807	60,919	150,303,680	19,092	8,721
Trade payables	(679,838)	(1,471,542)	(3,595)	-	(3,377,028)	(403,246)
Gross exposure	(648,858)	(1,191,735)	57,324	150,303,680	(3,357,936)	(394,525)

The following significant exchange rates applied during the years:

	2013		2012	
US$1=	Reporting Rate	Average Rate	Reporting Rate	Average Rate
EURO	0.7263	0.7532	0.7565	0.7781
GH¢	2.3595	2.0518	1.9040	1.8373
GBP	0.6064	0.6401	0.6185	0.6310
CFA	476.6420	494.1110	495.3500	496.7710
AUD	1.1268	1.0370	0.9640	0.9658
CAD	1.0694	1.0303	0.9966	0.9996

Sensitivity analysis on currency risks

The following table shows the effect of a strengthening or weakening US$ against all other currencies on equity and profit or loss. This sensitivity analysis indicates the potential impact on equity and profit or loss based upon the foreign currency exposures, (see "foreign currency risk" above) and it does not represent actual or future gains or losses. The sensitivity analysis is based on a change of 200 basis points in the closing exchange rate per currency recorded in the course of the respective financial year.

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

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

As at December 31,	2013			2012		
	% Change	Profit or Loss impact before tax US$	Equity US$	% Change	Profit or Loss impact before tax US$	Equity US$
EURO	±2	±10	±10	±2	±16,678	±16,678
GH¢	±2	±3,029	±2,899	±2	±12,973	±12,973
GBP	±2	±17	±17	±2	±1,816	±1,816
CFA	±2	±56	±56	±2	±6,051	±6,051
AUD	±2	±6,049	±6,049	±2	±69,537	±69,537
CAD	±2	±1,617	±1,617	±2	±7,894	±7,894

(b) Interest rate risk

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

Profile

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

	2013 US$	2012 US$
Variable rate instruments		
Bank balances	3,044,465	7,246,669
Fixed rate instruments		
Loans	6,514,650	12,166,686

Sensitivity analysis for variable rate instruments

A change of 200 basis points in the interest rate at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013 and 2012.

	2013			2012		
	% Change	Profit or Loss impact before tax US$	Equity US$	% Change	Profit or Loss impact before tax US$	Equity US$
Bank balances	±2%	±60,889	±60,889	±2%	±144,933	±144,933

(iv) Capital management

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

The Group's capital at December 31, 2013 and 2012 is as follows:

Capital Management	**2013 US$**	**2012 US$**
Loans payable	6,562,289	12,228,824
Share capital	21,150,866	21,150,866
Share-based payment reserve	3,537,446	3,085,787
Retained earnings	31,030,118	35,937,836
	62,280,719	72,403,313

			Ownership Interest	
Related party	**Relationship**	**Country of Incorporation**	**2013**	**2012**
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
D.S.I. Services Limited	Subsidiary	British Virgin Islands	100%	100%
Geotool Limited	Subsidiary	British Virgin Islands	100%	100%
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	100%
Geo-Forage Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geo-Forage Mali SARL	Subsidiary	Mali	100%	-
Transtraders Limited	Related party	Isle of Man	-	-
Harper Family Settlement	Significant indirect shareholder	Isle of Man	-	-

(i) Transactions with related parties

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

Transtraders Limited ("TTL") is a company which is owned by Clearwater Nominees Limited and Clearwater Registrars Limited which shares are held on behalf of the Harper Family Settlement which also owns 41.2% (December 31, 2012: 41.2%) of the issued share capital of Geodrill Limited.

Geodrill Ghana Limited originally entered into an agreement with the Harper Family Settlement to lease the Anwiankwanta property for US$112,000 per annum and the Accra property for US$48,000 per annum. The material terms of the five year lease agreement include: (i) the annual rent payable shall be reviewed on an upward only basis every two years based on the average price of two firms of real estate valuators/surveyors or real estate agents; (ii) at the end of the original five year lease term, Geodrill Ghana Limited shall have the option to renew the lease for an additional five year term with similar rent and conditions; and (iii) either party may terminate the lease agreement provided they give the other party 12 months' notice.

On October 1, 2012 in conjunction with the rent review, Geodrill Ghana Limited agreed to increase the rent for the Anwiankwanta property to US$140,000 per annum and the rent for the Accra property to

US$60,000 per annum for a period of two years effective October 1, 2012. The rent for these properties will be reviewed again on October 1, 2014.

Future operating lease commitments related to the properties are:

	2013 **US$**	**2012** **US$**
Payable within one year	200,000	200,000
Payable between 1 and 5 years	150,000	350,000
Total	350,000	550,000

During the year ended December 31, 2013 lease payments amounted to US$200,000 (2012: US$170,000).

(ii) Key management personnel and directors' transactions

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

The Group previously paid management fees to Kingston Management (Isle of Man) Ltd. which was also the licensed and regulated fiduciary service provider of the Harper Family Settlement up to May 31, 2013. Throughout 2012, two of the directors of Kingston Management (Isle of Man) Ltd. were also directors of Geodrill. Management fees paid during the year ended December 31, 2013 amounted to US$Nil (2012: US$68,784). One of the directors of Geodrill resigned from Kingston Management (Isle of Man) Ltd on January 31, 2013 and the other director resigned on February 28, 2013.

The Group previously paid management fees to City Trust Limited. One of the directors of City Trust Limited was also a director of Geodrill up to December 21, 2012, when that director resigned from City Trust Limited. Management fees paid during the year ended December 31, 2013 amounted to US$Nil (2012: US$7,746).

The Group previously paid consulting fees to MS Risk Limited. Two of the directors of MS Risk Limited are also directors of Geodrill Limited. Consulting fees paid during year ended December 31, 2013 amounted to US$Nil (2012: US$58,616).

Effective May 10, 2013 Clearwater Fiduciary Services Limited was appointed as the licensed and regulated fiduciary service provider to DSI Services Limited and Geotool Limited. From May 31, 2013, Clearwater Fiduciary Services Limited replaced City Trust as registered agent of Geodrill. One of the directors of Clearwater Fiduciary Services is also a director of Geodrill. Fees paid to Clearwater Fiduciary Services Limited for the year *ended December 31, 2013 amounted to US$Nil.*

The Group sold an item of plant and equipment to an officer of the company for US$8,544. No gain or loss was recognized on the sale.

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

	2013 US$	2012 US$
Short-term benefits	1,927,142	1,720,243
Share-based payment arrangements	451,659	1,076,833
	2,378,801	2,797,076

(iii) Related party balances

The aggregate value of related party balances outstanding at each year end were as follows:

Balances outstanding as at,

	Type	2013 US$	2012 US$
Transtraders Limited:			
Payable	Line of credit	923,025	923,025
Total		923,025	923,025

The intercompany payable to Transtraders Limited is unsecured and is interest free. Transactions with companies within the Group have been eliminated on consolidation.

SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements for the years ended December 31, 2013 and 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Consistent accounting policies and the same reporting period are used for all Group entities.

(ii) Structured entities

A structured entity ("SE") is consolidated if, based on evaluation of the substance of its relationship with the Group and the SE's risks and rewards, the Group concludes that it controls the SE.

(iii) Transactions eliminated on consolidation

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

e. Financial instruments

(i) Recognition

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

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

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Subsequent to initial recognition, the treatment of financial assets depends on their classification. Those recognized as FVTPL are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in comprehensive income. AFS financial assets are recognized in the consolidated statement of financial position at fair value with unrealized gains and losses recognized as other comprehensive income until the investment is derecognized or impaired, at which time gains and losses are recognized in, or reclassified to, comprehensive income. Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest rate method, less impairment.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Subsequent to initial recognition, the treatment of financial liabilities depends on their classification. Those recognized as FVTPL are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in comprehensive income. Other financial liabilities are measured at amortized cost using the effective interest rate method.

(ii) Derecognition

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

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

(iii) Classification

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

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

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

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

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

Further information relating to the fair values of financial instruments is provided in notes 5 and 18.

(iv) Amortized cost measurement

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

(v) Offsetting

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

Income and expenses on financial instruments are presented on a net basis when permitted by accounting standards.

(vi) Share capital

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

(vii) Compound financial instruments

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

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

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

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

Interest, and gains and losses related to the financial liability, are recognized in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognized on conversion.

(viii) Trade receivables

Trade receivables are initially stated at their fair value. The carrying amounts for accounts receivable are net of allowances for doubtful accounts. The Group evaluates the recoverability of trade receivables on the specific risks associated with the customer and other relevant information. Individual trade receivables are only written off when management deems them not collectible.

f. Leases

(i) Classification

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

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

(ii) Lease payments

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

g. Property, plant and equipment

(i) Recognition and measurement

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Motor vehicles	3 years
Plant and equipment	5 years
Leasehold improvements	over the term of the lease
Drill rigs	10 years
Drill rig components	5 years

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

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

Impairment

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amounts. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups.

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

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

h. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of spare parts is based on the first-in first-out principle and includes expenditures incurred in acquiring/building the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses. Inventory is assessed on a per unit basis to determine whether indicators exist which would lead to a downward revision in the net realizable value of inventory. This assessment is performed at each reporting date.

i. Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

(iii) Share-based payment transactions

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

j. Income tax

Income tax expense comprises current and deferred tax expenses.

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

k. Dividends

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

l. Revenue – drilling revenue

Revenue from the provision of services in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Drilling revenue is recognized as revenue when the outcome of the drilling can be estimated reliably to the actual chargeable meters drilled.
The outcome can be estimated reliably when all the following conditions are satisfied:

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

m. Finance income

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

n. Finance costs

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

o. Foreign exchange

The consolidated financial statements of the Group have been translated into United States dollars using the exchange rates at each balance sheet date for assets and liabilities and at an average exchange rate for the year for revenue and expenses. Realized and unrealized transaction gains on short-term receivables and payables denominated in a currency other than the functional currency are included in profit or loss.

p. Provisions

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

q. Post balance sheet events

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

r. Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding

during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential shares, which currently comprise share options granted to employees and directors.

NEW AND FUTURE ACCOUNTING STANDARDS

a. Adoption of new and amended accounting pronouncements

IFRS 12 – Disclosure of interests in other entities

IFRS 12, "Disclosure of interests in other entities" (IFRS 12) requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities commonly referred to as special purpose vehicles or variable interest entities. The Group adopted the standard effective January 1, 2013 and has included these enhanced disclosures within the Group's consolidated financial statements.

IFRS 13 – Fair value measurement

IFRS 13, "Fair value measurement" (IFRS 13) clarifies the definition of fair value, requires disclosures for fair value measurement, and sets out a single framework for measuring fair value. IFRS 13 provides guidance on fair value in a single standard, replacing the existing guidance on measuring and disclosing fair value which is dispersed among several standards. The Group adopted the standard effective January 1, 2013. The adoption did not have a significant impact on the Group's consolidated financial statements.

Amendment to IAS 16 – Property, plant and equipment

Paragraph 8 of IAS 16, "Property, plant and equipment" was amended requiring entities to recognize items such as spare parts, stand-by equipment and servicing equipment as Property, plant and equipment when they meet the definition of property, plant and equipment; otherwise, such items are classified as inventory. The Group elected early adoption of the standard in 2012. The impact in 2013 on the Group was a reclassification of $587,953 out of inventory and into property, plant and equipment (2012; $2,833,934 out of inventory and into property, plant and equipment).

b) Accounting pronouncements issued but not yet effective

IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB in November 2009 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In December 2011, the IASB issued amendments to IFRS 9 that also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 which was originally limited to companies that chose to apply IFRS 9 prior to 2012. Alternatively, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. In November 2013, the IASB issued amendments to IFRS 9 deferring the mandatory effective date until the IFRS 9 project is closer to completion. The Group is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

IFRS 10 – Consolidated financial statements

IFRS 10, "Consolidated financial statements" (IFRS 10) was amended by the IASB in October 2012. The amendments introduce an exception for investment entities to the principle that all subsidiaries are consolidated. The amendments define an investment entity and require an investment entity to measure subsidiaries at fair value through profit or loss in accordance with IFRS 9, "Financial instruments" or IAS 39, "Financial instruments: recognition and measurement". The amendments to IFRS 10 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

IFRS 12 – Disclosure of interests in other entities

IFRS 12, "Disclosure of interests in other entities" (IFRS 12) was amended by the IASB in October 2012. The amendments add disclosure requirements for investment entities as defined in IFRS 10, "Consolidated financial statements". The amendments to IFRS 12 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

IAS 27 – Separate financial statements

IAS 27, "Separate financial statements" (IAS 27) was amended by the IASB in October 2012. The amendments require an investment entity to measure its investments in subsidiaries at fair value through profit or loss when it presents separate financial statements. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2014. The Group determined that this standard is not applicable to the consolidated financial statements.

IAS 32 – Financial instruments: presentation

IAS 32, "Financial instruments: presentation" (IAS 32) was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

IAS 36 – Impairment of assets

IAS 36, "Impairment of assets" (IAS 36) was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognised or reversed during the period and additional disclosures about the measurement of the

recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

IAS 39 - Financial instruments: recognition and measurement

IAS 39, "Financial instruments: recognition and measurement" (IAS 39) was amended by the IASB in June 2013. The amendments clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

IFRIC 21 – *Levies*

IFRIC 21 – *Levies* was issued in May 2013 and is an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation clarifies the obligating event that gives rise to a liability to pay a levy. IFRIC 21 is effective for periods beginning on or after January 1, 2014. The Group is currently evaluating the impact of this interpretation on its financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(i) Estimates

a. Depreciation of property, plant and equipment

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

b. Share-based payment transactions

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

c. Inventory provision

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

d. Allowance for doubtful accounts

Management reviews trade receivables at each reporting period to determine whether indicators exist which would lead to a downward revision in the net realizable value of the trade receivables. Management's estimate of net realizable value of such trade receivables is based primarily on the ageing of the receivables.

e. Income tax

Tax interpretations, regulations and legislations in the various countries in which the Group operates are subject to change and management uncertainty. Current income tax expense is based on tax currently payable or current withholding tax rates in countries in which the group operates. In addition, deferred income tax liabilities are assessed by management at the end of the reporting period and are measured at the tax rates that are expected to be applied to the temporary differences when they reverse.

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

(ii) Judgements

a. Assessment of impairment of property, plant and equipment

The Group tests at each reporting period whether property, plant and equipment have suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of each cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

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

b. **Functional currency**

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

Additional Information

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