

# **GEODRILL<sup>®</sup>**

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2014 Annual Report



# LETTER TO SHAREHOLDERS

2014 was another challenging year for the mining industry. Beset by continued uncertainty over the resource economy, and a resurgence in the U.S. dollar, investors continued to retreat from commodities. The tough conditions forced many companies to batten down the hatches. Capital budgets were cut, exploration declined and mines were closed.

Despite that turbulence, Geodrill was able to not only persevere but we continued to stride forward. We won new customers and secured contracts with senior miners. Our financial strength improved throughout the year as we continued to deliver high calibre drilling services, underpinned by a fleet of high performance rigs, operated by experienced and highly trained staff.

Our rig fleet sets us apart from our competition; our multi-purpose rigs not only deliver superior performance, they provide the flexibility of performing both Reverse Circulation and Core drilling. That translates to lower costs and higher productivity for our customers, and it is a factor that makes us one of the most cost-effective drillers in West Africa. So does our ability to control our own supply chain. We have a full-service workshop at the centre of our operating territory which includes our own drill rod manufacturing plant. That provides us with the capabilities to provide rapid response service to our rigs.

Most central to our core is our passion for drilling. We understand drilling, and have built our reputation on the back of decades of in-depth experience. Our commitment to ensuring the highest training standards has yielded a skilled local workforce with low turnover.

It is these factors that make us the company we are: mission-oriented, moving quickly to meet requirements, operating lean and delivering optimal results.

Of course, mining is cyclical; it always has been and always will be. Preparation and planning are critical to long-term success in this type of environment. Our rigs, expertise and experience are key to achieving our competitive advantage. Our flexibility and efficiency positions us well to respond to changing and sometimes volatile market conditions. When markets contract, we are resilient; when they expand, we are ready.

We have shown what we can do over the last four years since going public in 2010. We have grown our assets, and increased our drill rigs from 18 to 39. We have diversified what we drill for, adding uranium, manganese and iron ore to our experience. Lastly, we have also expanded geographically, most recently moving into the African copper belt, a strategic move we expect to yield results in 2015. Today we are in operating in five countries, maintaining our strong presence in Ghana and Burkina Faso, and are continuing to build our presence in Côte d'Ivoire and Mali.

Subsequent to the year end, investors worldwide have shown renewed interest in gold and optimism in precious metals prices. Should this confidence carry over to exploration, we are well positioned to benefit.

Of course, while signs are pointing to a tentative recovery for mining and exploration, no one can predict the future. However, I am confident in our ability to capture further market share and grow our leadership position in West Africa.

Success in the mineral drilling business takes both strength and courage of conviction. With that, I thank both our shareholders and Board of Directors for the ongoing support they have provided over the last year. I would also like to thank our most important asset, our employees, whose dedication and hard work is inspiring. I look forward to reporting on our progress as 2015 continues.

Sincerely,



**DAVE HARPER**  
President and Chief Executive Officer



**GEODRILL LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended December 31, 2014 and 2013

(in United States dollars)

**GEODRILL LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
*For the years ended December 31, 2014 and 2013*

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**GEODRILL LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
*For the years ended December 31, 2014 and 2013*

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Geodrill Limited

We have audited the accompanying consolidated financial statements of Geodrill Limited, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Geodrill Limited as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants

February 27, 2015

**GEODRILL LIMITED**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at December 31, 2014 and 2013

	Note	December 31, 2014 US\$	December 31, 2013 US\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	39,351,500	46,564,647
<b>Total non-current assets</b>		<b>39,351,500</b>	<b>46,564,647</b>
<b>Current assets</b>			
Inventories	11	13,246,176	14,604,912
Prepayments		1,213,725	904,838
Trade and other receivables	12	5,409,798	3,678,383
Cash	13	5,196,763	3,209,080
<b>Total current assets</b>		<b>25,066,462</b>	<b>22,397,213</b>
<b>Total assets</b>		<b>64,417,962</b>	<b>68,961,860</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		21,150,866	21,150,866
Share-based payment reserve		3,684,707	3,537,446
Retained earnings		24,328,791	31,030,118
<b>Total equity</b>		<b>49,164,364</b>	<b>55,718,430</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	9(iv)	-	1,411,215
Loans payable	14	900,219	1,069,565
<b>Total non-current liabilities</b>		<b>900,219</b>	<b>2,480,780</b>
<b>Current liabilities</b>			
Trade and other payables	15	6,562,712	4,101,401
Loans payable	14	6,464,346	5,445,085
Taxes payable	9(ii)	403,296	293,139
Related party payables	19(iii)	923,025	923,025
<b>Total current liabilities</b>		<b>14,353,379</b>	<b>10,762,650</b>
<b>Total equity and liabilities</b>		<b>64,417,962</b>	<b>68,961,860</b>

Approved by the Board of Directors

"signed"  
 \_\_\_\_\_  
 John Bingham  
 Chairman of the Board

"signed"  
 \_\_\_\_\_  
 Ron Sellwood  
 Chairman of the Audit Committee

**GEODRILL LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

*For the years ended December 31, 2014 and 2013*

	Note	December 31, 2014 US\$	December 31, 2013 US\$
Revenue		35,595,489	37,211,800
Cost of sales	8	(28,772,130)	(25,357,620)
<b>Gross profit</b>		<b>6,823,359</b>	<b>11,854,180</b>
Selling, general and administrative expenses	8	(12,808,496)	(14,289,178)
Foreign exchange (loss) / gain		(6,058)	39,234
<b>Results from operating activities</b>		<b>(5,991,195)</b>	<b>(2,395,764)</b>
Other income	12	391,270	-
Finance income		2,884	3,251
Finance costs		(837,895)	(1,113,985)
<b>Loss before taxation</b>		<b>(6,434,936)</b>	<b>(3,506,498)</b>
Income tax expense	9(i)	(266,391)	(1,401,220)
<b>Loss for the year</b>		<b>(6,701,327)</b>	<b>(4,907,718)</b>
<b>Total comprehensive loss for the year</b>		<b>(6,701,327)</b>	<b>(4,907,718)</b>
<b>Loss per share</b>			
Basic	22(i)	\$(0.16)	\$(0.12)
Diluted	22(ii)	\$(0.16)	\$(0.12)

**GEODRILL LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
*For the years ended December 31, 2014 and 2013*

	Share Capital US\$	Share- based Payment Reserve US\$	Retained Earnings US\$	Total Equity US\$
Balance at January 1, 2014	21,150,866	3,537,446	31,030,118	55,718,430
Loss for the year	-	-	(6,701,327)	(6,701,327)
Share-based payment expense	-	147,261	-	147,261
<b>Balance at December 31, 2014</b>	<b>21,150,866</b>	<b>3,684,707</b>	<b>24,328,791</b>	<b>49,164,364</b>
Balance at January 1, 2013	21,150,866	3,085,787	35,937,836	60,174,489
Loss for the year	-	-	(4,907,718)	(4,907,718)
Share-based payment expense	-	451,659	-	451,659
<b>Balance at December 31, 2013</b>	<b>21,150,866</b>	<b>3,537,446</b>	<b>31,030,118</b>	<b>55,718,430</b>

**GEODRILL LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*For the years ended December 31, 2014 and 2013*

	December 31, 2014 US\$	December 31, 2013 US\$
<b>Cash flows from operating activities</b>		
Loss before taxation	(6,434,936)	(3,506,498)
<i>Adjustments for:</i>		
Depreciation expense	9,125,130	9,625,025
(Decrease) / increase in allowance for doubtful accounts	(202,801)	718,776
Provision for inventory obsolescence	(96,253)	(223,714)
Equity-settled share-based payment expense	147,261	451,659
Finance income	(2,884)	(3,251)
Finance costs	837,895	1,113,985
Insurance proceeds received	(391,270)	-
Unrealized foreign exchange gain	(97,900)	(85,675)
	<b>2,884,242</b>	<b>8,090,307</b>
Change in inventories	1,356,760	1,575,890
Change in prepayments	(308,887)	22,883
Change in trade and other receivables	(1,528,614)	3,989,084
Change in trade and other payables	2,406,394	(7,069,295)
Cash generated from operations	4,809,895	6,608,869
Finance income received	2,884	3,251
Finance costs paid	(789,034)	(1,130,471)
Income taxes paid	(1,567,449)	(2,695,161)
<b>Net cash generated from operating activities</b>	<b>2,456,296</b>	<b>2,786,488</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,813,754)	(1,542,531)
Proceeds from sale of property, plant and equipment	-	8,544
Insurance proceeds received	391,270	-
<b>Net cash used in investing activities</b>	<b>(1,422,484)</b>	<b>(1,533,987)</b>
<b>Financing activities</b>		
Loans received	6,295,000	700,000
Loan repayments	(5,445,085)	(6,352,036)
<b>Net cash provided from / (used in) financing activities</b>	<b>849,915</b>	<b>(5,652,036)</b>
<b>Effect of movement in exchange rates on cash</b>	<b>103,956</b>	<b>46,441</b>
<b>Net increase / (decrease) in cash</b>	<b>1,987,683</b>	<b>(4,353,094)</b>
Cash at beginning of the year	3,209,080	7,562,174
<b>Cash at end of the year</b>	<b>5,196,763</b>	<b>3,209,080</b>

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2014 and 2013*

**1. GENERAL INFORMATION**

Geodrill Limited (“the company” or “Geodrill”) is a company registered and domiciled in the Isle of Man. The address of the company’s registered office is Ragnall House, 18 Peel Road, Douglas, Isle of Man, IM1 4LZ. The consolidated financial statements of the company for the years ended December 31, 2014 and 2013 comprise the financial statements of the company and its wholly owned subsidiaries, Geodrill Ghana Limited, Geotool Limited, Geo-Forage BF SARL, Geo-Forage Cote d’Ivoire SARL, Geo-Forage Mali SARL, Geo-Forage Senegal SARL, Geo-Forage DRC SARL, D.S.I. Services Limited (“DSI”) and Geodrill Limited’s registered foreign Zambian operating entity, together referred to as the “Group”.

The Group is primarily a provider of mineral exploration drilling services. These consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill Limited on February 27, 2015.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a. Statement of compliance**

The consolidated financial statements 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 company’s and its subsidiaries’ 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) Transactions eliminated on consolidation

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

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2014 and 2013*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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 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.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2014 and 2013*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e. Financial instruments (continued)**

(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 17.

(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.



**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2014 and 2013*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e. Financial instruments (continued)**

(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.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2014 and 2013*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f. Leases (continued)**

(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

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2014 and 2013*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**g. Property, plant and equipment (continued)**

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.

(iv) 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.

The current economic conditions in the drilling industry were considered to be an indicator of potential impairment of the carrying value of the company's property, plant and equipment as at December 31, 2014. The outcome of the test was such that the expected net recoverable amount exceeded the carrying value of the property, plant and equipment and, accordingly, no impairment loss was recognized in the period.

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 value-in-use. 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.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2014 and 2013*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**h. Inventories (continued)**

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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 has been agreed with the customer; 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**

Foreign currency amounts 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

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

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

**(i) Estimates**

**a. Depreciation of property, plant and equipment**

Property, plant and equipment 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 determined by management. The main areas of estimate relate to the determination of the risk free interest rate, stock price volatility and the forfeiture rate.

**c. 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.

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**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**

**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 legislation 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) Judgments**

**a. Assessment of impairment of property, plant and equipment**

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

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, labor, material and other costs of providing services.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2014 and 2013*

**4. NEW AND FUTURE ACCOUNTING STANDARDS**

**a. Adoption of new and amended accounting pronouncements**

**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 Group adopted these amending standards effective January 1, 2014. The Group is not an investment entity as defined by IFRS 10, therefore these amendments were not applicable to the consolidated 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 Group adopted these amending standards effective January 1, 2014. The Group is not an investment entity as defined by IFRS 10, therefore these amendments were not applicable to the consolidated 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 adopted these amending standards effective January 1, 2014. The Group is not an investment entity as defined by IFRS 10, therefore these amendments were 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 amendments clarify 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 Group adopted these amending standards effective January 1, 2014. The adoption of these amendments did not have any impact on the consolidated financial statements.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2014 and 2013*

**4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)**

**a. Adoption of new and amended accounting pronouncements (continued)**

**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 Group adopted these amending standards effective January 1, 2014. The adoption of these amendments did not have any impact on the consolidated 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 Group adopted these amending standards effective January 1, 2014. The adoption of these amendments did not have any impact on the consolidated 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 adopted the interpretation effective January 1, 2014. The adoption did not have a material impact on the consolidated financial statements.

**b. Accounting pronouncements issued but not yet effective**

**IAS 1 – Presentation of Financial Statements**

IAS 1, "Presentation of Financial Statements" (IAS 1) was amended by the IASB on December 18, 2014. The amendments to existing IAS 1 requirements relate to materiality; order of the notes; subtotals; accounting policies; and disaggregation. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the consolidated financial statements.

**GEODRILL LIMITED**  
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**4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)**

**b. Accounting pronouncements issued but not yet effective (continued)**

**IAS 16 – Property, Plant and Equipment**

IAS 16, “Property, Plant, and Equipment” (IAS 16) was amended by the IASB on May 12, 2014. The amendments to IAS 16 clarify that the use of revenue-based methods to determine the depreciation of an asset is not appropriate. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the consolidated financial statements.

**IAS 19 – Employee Benefits**

IAS 19, “Employee Benefits” (IAS 19) was amended by the IASB on November 13, 2013. The amendments provide additional guidance to IAS 19 Employee Benefits on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have an impact on the consolidated financial statements.

IAS 19 was further amended on July 30, 2014. These amendments to IAS 19 clarify the application of the requirements of IAS 19 on determination of the discount rate to a regional market consisting of multiple countries sharing the same currency. These amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the consolidated financial statements.

**IAS 24 – Related Party Disclosures**

IAS 24, “Related Party Disclosures” (IAS 24) was amended by the IASB on December 12, 2013. The amendments clarify the identification and disclosure requirements for related party transactions when key management personnel services are provided by a management entity. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have an impact on the consolidated financial statements.

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**4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)**

**b. Accounting pronouncements issued but not yet effective (continued)**

**IAS 38 – Intangible Assets**

IAS 38, "Intangible Assets" (IAS 38) was amended by the IASB on May 12, 2014. The amendments to IAS 38 clarify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the consolidated financial statements.

**IFRS 2 – Share-Based Payments**

IFRS 2, "Share-Based Payments" (IFRS 2) was amended by the IASB on December 12, 2013. The amendments clarify the definition of vesting conditions. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have an impact on the consolidated financial statements.

**IFRS 3 – Business Combinations**

IFRS 3, "Business Combinations" (IFRS 3) was amended by the IASB on December 12, 2013. The amendments clarify the accounting for contingent consideration in a business combination and modify the scope exception for joint ventures to exclude the formation of all types of joint arrangements and clarify that the scope exception applies only to the financial statements of the joint arrangement itself. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have an impact on the consolidated financial statements.

**IFRS 8 – Operating Segments**

IFRS 8, "Operating Segments" (IFRS 8) was amended by the IASB on December 12, 2013. The amendments add a disclosure requirement for the aggregation of operating segments and clarify the reconciliation of the total reportable segments' assets to the entity's assets. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have an impact on the consolidated financial statements.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2014 and 2013*

**4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)**

**b. Accounting pronouncements issued but not yet effective (continued)**

**IFRS 9 – Financial instruments**

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 utilizes 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. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Group is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

**IFRS 11 – Joint Arrangements**

IFRS 11, "Joint Arrangements" (IFRS 11) was amended by the IASB on May 6, 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have an impact on the consolidated financial statements.

**IFRS 13 – Fair Value Measurement**

IFRS 13, "Fair Value Measurement" (IFRS 13) was amended by the IASB on December 12, 2013. The amendments clarify that the portfolio exception applies to all contracts within the scope of IAS 39, "Financial Instruments: Recognition and Measurement" or IFRS 9, "Financial Instruments", regardless of whether they are financial assets or financial liabilities. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have a material impact on the consolidated financial statements.

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**4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)**

**b. Accounting pronouncements issued but not yet effective (continued)**

**IFRS 15 - Revenue from Contracts with Customers**

IFRS 15, "Revenue from Contracts and Customers" (IFRS 15) was issued by the IASB on May 28, 2014, and will replace IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017. The Group is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

**5. DETERMINATION OF FAIR VALUES**

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

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

**a. Trade and other receivables**

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

**b. Cash**

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

**c. Trade and other payables**

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

**d. Loans payable**

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

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**5. DETERMINATION OF FAIR VALUES (CONTINUED)**

**e. Other financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated using the present value of future principal and interest cash flows, discounted at the market rates of interest at the reporting date or by using recent arm's-length market transactions. Instruments with maturity periods of 6 months or less such as trade and other payables, and related party payables, are not discounted as their carrying values approximate their fair values.

**f. Share-based payment transactions**

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

**6. SEASONALITY OF OPERATIONS**

The Group's operations have tended to exhibit a seasonal pattern. The first and fourth quarters are affected due to shutdown of exploration activities, often for extended periods over the holiday season. The second quarter is typically affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week over the Easter holidays. In 2014, Easter occurred in the second quarter whereas, 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 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 third quarter of 2014, the company continued to drill throughout the wet season.

**7. SEGMENT REPORTING**

Segmented information is presented in respect of the Group's operating segments. The primary format (operating segments) is based on the Group's management and internal reporting structure, which is submitted to the Chief Executive Officer (CEO) who is the Chief Operating Decision Maker. The Group's results and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly non-operating income, financing cost, taxation and corporate assets and liabilities which are managed centrally. The operating segments are based on geographical segments categorized as Ghana and Outside Ghana.

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**7. SEGMENT REPORTING (CONTINUED)**

	Ghana		Outside Ghana (1)		Intra-group transaction		Total (2)	
	2014 US\$ '000	2013 US\$ '000	2014 US\$ '000	2013 US\$ '000	2014 US\$ '000	2013 US\$ '000	2014 US\$ '000	2013 US\$ '000
Revenue	15,783	19,608	28,946	31,839	(9,134)	(14,235)	35,595	37,212
Cost of sales	(22,950)	(19,737)	(23,865)	(21,213)	18,043	15,592	(28,772)	(25,358)
Selling, general and administrative	(7,795)	(8,215)	(5,378)	(6,979)	365	905	(12,808)	(14,289)
Foreign exchange (loss) / gain	(135)	(135)	129	174	-	-	(6)	39
<b>Results from operating activities</b>	<b>(15,097)</b>	<b>(8,479)</b>	<b>(168)</b>	<b>3,821</b>	<b>9,274</b>	<b>2,262</b>	<b>(5,991)</b>	<b>(2,396)</b>
Other income	8,510	-	139	-	(8,258)	-	391	-
Finance income	3	3	-	-	-	-	3	3
Finance cost	(785)	(980)	(53)	(133)	-	-	(838)	(1,113)
<b>Segment results</b>	<b>(7,369)</b>	<b>(9,456)</b>	<b>(82)</b>	<b>3,688</b>	<b>1,016</b>	<b>2,262</b>	<b>(6,435)</b>	<b>(3,506)</b>
<b>Capital expenditures</b>	<b>1,279</b>	<b>1,534</b>	<b>535</b>	<b>-</b>			<b>1,814</b>	<b>1,534</b>
<b>As at</b>	<b>Dec 31, 2014 US\$ '000</b>	<b>Dec 31, 2013 US\$ '000</b>	<b>Dec 31, 2014 US\$ '000</b>	<b>Dec 31, 2013 US\$ '000</b>			<b>Dec 31, 2014 US\$ '000</b>	<b>Dec 31, 2013 US\$ '000</b>
<b>Non-current assets</b>	<b>43,602</b>	<b>52,462</b>	<b>1,027</b>	<b>382</b>			<b>44,629</b>	<b>52,844</b>
Intra group balances							(5,277)	(6,279)
Per statement of financial position							<b>39,352</b>	<b>46,565</b>
<b>Total assets</b>	<b>63,687</b>	<b>70,755</b>	<b>70,190</b>	<b>70,373</b>			133,877	141,128
Intra group balances							(69,459)	(72,166)
Per statement of financial position							<b>64,418</b>	<b>68,962</b>
<b>Total liabilities</b>	<b>72,211</b>	<b>73,324</b>	<b>7,209</b>	<b>5,784</b>			79,420	79,108
Intra group balances							(64,166)	(65,865)
Per statement of financial position							<b>15,254</b>	<b>13,243</b>

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man was US\$17,273,161 (2013: US\$21,255,210).

(2) Segment results equals the loss before taxation as disclosed in the consolidated statements of comprehensive loss.

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**8. EXPENSES BY NATURE**

The Group presents certain expenses in the consolidated statements of comprehensive loss by function. The following table presents those expenses by nature:

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
<b>Expenses</b>		
Drill rig expenses and fuel	11,602,665	8,759,690
Employee benefits	12,641,835	12,965,098
External services and contractors	6,718,823	6,062,611
Depreciation	9,125,130	9,625,025
Repairs and maintenance	1,509,011	958,972
Bad debt (recovery) / expense	(16,838)	1,275,402
	<u>41,580,626</u>	<u>39,646,798</u>

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Cost of sales	28,772,130	25,357,620
Selling, general and administrative expenses	12,808,496	14,289,178
	<u>41,580,626</u>	<u>39,646,798</u>

**9. TAXATION**

**(i) Income tax expense**

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Current tax expense (iii)	1,677,606	2,918,563
Deferred tax recovery (iv)	(1,411,215)	(1,517,343)
	<u>266,391</u>	<u>1,401,220</u>

Current tax expense reflects taxes associated with the Group's drilling activities in the year outside Ghana. Deferred tax expense relates to the origination and reversals of temporary differences in relation to Ghanaian corporate tax.



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**9. TAXATION (CONTINUED)**

**(ii) Taxes payable**

	Balance at Jan. 1 US\$	Tax asset utilized US\$	Payments during the period US\$	Charge for the period US\$	Balance at Dec. 31 US\$
2014	293,139	-	(1,567,449)	1,677,606	403,296

	Balance at Jan. 1 US\$	Tax asset utilized US\$	Payments during the year US\$	Charge for the year US\$	Balance at Dec. 31 US\$
2013	601,935	(532,198)	(2,695,161)	2,918,563	293,139

Tax liabilities for Ghana up to and including the 2012 year of assessment have been agreed with the tax authorities in Ghana. The Group's remaining tax position is, however, subject to agreement with the tax authorities in the various tax jurisdictions, in which it operates.

**(iii) Reconciliation of effective tax rate**

	2014 US\$	2013 US\$
Loss before tax	(6,434,936)	(3,506,498)
Add: Loss before tax subject to no corporate tax	(933,588)	(5,948,908)
Loss before tax subject to corporate tax in Ghana	(7,368,524)	(9,455,406)
Ghana corporate tax at 25%	(1,842,131)	(2,363,852)
Add:		
Withholding tax on revenue outside Ghana	1,677,606	1,871,544
Movement of temporary differences in Ghana	430,916	846,508
Impact of Ghana tax reassessment in 2013	-	1,047,019
Total tax expense	266,391	1,401,220
Effective tax rate	(4.1)%	(40.0)%

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**9. TAXATION (CONTINUED)**

**(iv) Deferred tax liabilities**

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Balance at January 1	1,411,215	2,928,558
Recovery for the year	(1,411,215)	(1,517,343)
<b>Balance at end of year</b>	<b>-</b>	<b>1,411,215</b>

**(v) Recognized deferred tax assets and liabilities**

Deferred tax liabilities are attributable to the following:

	<b>2014</b>		
	<b>Asset</b>	<b>Liability</b>	<b>Net</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Property, plant and equipment	(12,719)	-	(12,719)
Provision for inventory obsolescence	(159,507)	-	(159,507)
Allowance for doubtful debts	(143,003)	-	(143,003)
Deferred tax asset not recognized	315,229	-	315,229
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

  

	<b>2013</b>		
	<b>Asset</b>	<b>Liability</b>	<b>Net</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Property, plant and equipment	-	1,803,503	1,803,503
Provision for inventory obsolescence	(198,585)	-	(198,585)
Allowance for doubtful accounts	(193,703)	-	(193,703)
<b>Total</b>	<b>(392,288)</b>	<b>1,803,503</b>	<b>1,411,215</b>

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

**(vi) Tax audit**

In 2013, the Ghana Revenue Authority completed the tax audit of Geodrill Ghana Limited for the years 2010, 2011 and 2012. As a result of the tax audit, in 2013, changes in estimates resulted in a current income tax expense of US\$1,047,019 related to the years ended 2010, 2011 and 2012.

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**10. PROPERTY, PLANT AND EQUIPMENT**

2014	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Land & Leasehold Improvements US\$	Capital Work in Progress (CWIP) US\$	Total US\$
<b>Cost</b>						
Balance at January 1, 2014	5,572,804	19,485,315	50,884,356	2,004,715	4,217,580	82,164,770
Additions	-	-	389,559	203,984	1,220,211	1,813,754
Reclassifications from CWIP	-	844,627	2,160,326	6,098	(3,011,051)	-
Reclassifications from inventory	-	-	-	-	98,229	98,229
Assets retired during the year	(224,821)	(408,713)	(2,516,642)	-	-	(3,150,176)
<b>Balance at December 31, 2014</b>	<b>5,347,983</b>	<b>19,921,229</b>	<b>50,917,599</b>	<b>2,214,797</b>	<b>2,524,969</b>	<b>80,926,577</b>
<b>Accumulated Depreciation</b>						
Balance at January 1, 2014	4,836,588	11,161,120	18,972,332	630,083	-	35,600,123
Charge for the year	626,586	3,051,169	5,076,677	370,698	-	9,125,130
Assets retired during the year	(224,821)	(408,713)	(2,516,642)	-	-	(3,150,176)
<b>Balance at December 31, 2014</b>	<b>5,238,353</b>	<b>13,803,576</b>	<b>21,532,367</b>	<b>1,000,781</b>	<b>-</b>	<b>41,575,077</b>
<b>Carrying amounts at December 31, 2014</b>	<b>109,630</b>	<b>6,117,653</b>	<b>29,385,232</b>	<b>1,214,016</b>	<b>2,524,969</b>	<b>39,351,500</b>

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

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**10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<b>2013</b>	<b>Motor Vehicles US\$</b>	<b>Plant &amp; Equipment US\$</b>	<b>Drill Rigs (1) US\$</b>	<b>Land &amp; Leasehold Improvements US\$</b>	<b>Capital Work in Progress (CWIP) US\$</b>	<b>Total US\$</b>
<b>Cost</b>						
Balance at January 1, 2013	5,572,804	19,569,605	50,711,160	1,838,981	3,453,792	81,146,342
Additions	-	-	-	-	1,542,531	1,542,531
Disposal	-	(8,544)	-	-	-	(8,544)
Reclassifications from CWIP	-	720,445	480,517	165,734	(1,366,696)	-
Reclassifications from inventory	-	-	-	-	587,953	587,953
Assets retired during the year	-	(796,191)	(307,321)	-	-	(1,103,512)
<b>Balance at December 31, 2013</b>	<b>5,572,804</b>	<b>19,485,315</b>	<b>50,884,356</b>	<b>2,004,715</b>	<b>4,217,580</b>	<b>82,164,770</b>
<b>Accumulated Depreciation</b>						
Balance at January 1, 2013	3,570,908	8,947,346	14,322,110	238,246	-	27,078,610
Charge for the year	1,265,680	3,009,965	4,957,543	391,837	-	9,625,025
Assets retired during the year	-	(796,191)	(307,321)	-	-	(1,103,512)
<b>Balance at December 31, 2013</b>	<b>4,836,588</b>	<b>11,161,120</b>	<b>18,972,332</b>	<b>630,083</b>	<b>-</b>	<b>35,600,123</b>
<b>Carrying amounts</b>						
<b>at December 31, 2013</b>	<b>736,216</b>	<b>8,324,195</b>	<b>31,912,024</b>	<b>1,374,632</b>	<b>4,217,580</b>	<b>46,564,647</b>

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

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**10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Depreciation has been charged in comprehensive loss as follows:

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Cost of sales	8,127,847	7,967,508
Selling, general and administrative expenses	997,283	1,657,517
	<u>9,125,130</u>	<u>9,625,025</u>

As at December 31, 2014, property, plant and equipment with a carrying amount of US\$24,003,471 (December 31, 2013: US\$27,724,561) and inventories with a carrying amount of US\$4,513,637 (December 31, 2013: US\$6,126,573) have been pledged as security for certain loans (note 14).

**11. INVENTORIES**

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Inventories on hand	13,033,554	14,853,239
Inventories in transit	850,652	485,956
Provision for obsolescence	(638,030)	(734,283)
	<u>13,246,176</u>	<u>14,604,912</u>

The amount of inventories recognized as expense for the year is US\$12,536,840 (2013: US\$9,530,238). Inventory write downs in the year amounted to US\$352,119 (2013: US\$337,863).

**12. TRADE AND OTHER RECEIVABLES**

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Trade receivables	6,124,206	4,509,963
Allowance for doubtful accounts	(823,212)	(1,026,013)
Net trade receivables	5,300,994	3,483,950
Cash advances	34,361	82,278
Sundry receivables	74,443	112,155
	<u>5,409,798</u>	<u>3,678,383</u>

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**12. TRADE AND OTHER RECEIVABLES (CONTINUED)**

The movements in the allowance for doubtful accounts is as follows:

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Balance at January 1	1,026,013	307,237
Provisions made in the year	63,946	1,270,169
Receivables collected in the year	(80,784)	-
Receivables written off during the year as uncollectible	(185,963)	(551,394)
<b>Balance at end of year</b>	<b>823,212</b>	<b>1,026,013</b>

Trade and other receivables are recorded at amortized cost. Bad debt recovery recorded on trade and other receivables during the year ended December 31, 2014 amounted to US\$16,838 (December 31, 2013: US\$551,394). The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 18(i).

An amount of US\$391,270 was received by the Group during the year as payment on the insurance proceeds in respect of a damaged drill rig, and has been included as other income in the statements of comprehensive loss.

**13. CASH**

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Cash at bank	5,131,663	3,044,465
Cash on hand	65,100	164,615
<b>Total</b>	<b>5,196,763</b>	<b>3,209,080</b>

Bank balances denominated in currencies other than the Group's functional currency are detailed in note 18iii(a).

As at December 31, 2014, cash of US\$5,196,763 was available to the Group (December 2013: US\$3,209,080)

**14. LOANS PAYABLE**

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
US\$5M Credit Line (i)	5,000,000	700,000
US\$2M Term Loan (ii)	1,995,000	-
Equipment Loans (iii)	369,565	1,847,825
US\$10M Term Loan (iv)	-	3,966,825
US\$2M Credit Line (v)	-	-
<b>Total</b>	<b>7,364,565</b>	<b>6,514,650</b>
<b>Current portion of loans</b>	<b>6,464,346</b>	<b>5,445,085</b>
<b>Non-current portion of loans</b>	<b>900,219</b>	<b>1,069,565</b>

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**14. LOANS PAYABLE (CONTINUED)**

**(i) US\$5M Credit Line**

On October 7, 2013, the Group entered into a US\$5 million credit line agreement (the "US\$5M Credit Line") with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of up to US\$5 million. The US\$5M Credit Line is for a period of 2 years from the date of the first drawdown, made on December 18, 2013, repayable interest only quarterly and principal amount at maturity, bears interest at a rate of 10.5% per annum on any utilized portion and 1% per annum on any unutilized portion, and is secured by certain assets of the Group. The US\$5M Credit Line may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The US\$5M Credit Line is subject to, and as at December 31, 2014 and February 27, 2015, the Group was in compliance with normal course non-financial covenants. As at December 31, 2014, US\$5 million had been drawn on the US\$5M Credit Line.

**(ii) US\$2M Term Loan**

On July 29, 2014, the Group entered into a term loan with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US\$2 million (the "US\$2M Term Loan"). The US\$2M Term Loan is for a period of 2 years, repayable interest only for 120 days, and thereafter, repayable interest and principal quarterly in equal amounts required to satisfy the principal over the term of the loan. The US\$2M Term Loan bears interest at a rate of 10.5% per annum and is subject to periodic review in line with money market conditions. The US\$2M Term Loan is secured by certain assets of the Group. The US\$2M Term Loan may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The effective interest rate of the US\$2M Term Loan is 10.98%. The US\$2M Term Loan is subject to, and as at December 31, 2014 and February 27, 2015, the Group was in compliance with normal course non-financial covenants.

**(iii) Equipment loans**

On January 23, 2012, the Group entered into a Sale and Purchase agreement ("Agreement 1") with Sandvik Mining and Construction Oy ("Sandvik") relating to the purchase of three drill rigs with a total cost price of US\$2.6 million. Agreement 1 required a down payment and the repayment of the balance over a period of 36 months with payments being made once a quarter. The loan bears interest at 7% per annum, includes an arrangement fee and stipulates that final title to the rigs will only pass once the capital amount has been settled. All other risks and rewards of ownership lie with the Group. The effective interest rate of the loan is 7.10%. As at February 27, 2015, Agreement 1 had been fully repaid.

On February 25, 2012, the Group entered into a Sale and Purchase agreement ("Agreement 2") with Sandvik relating to the purchase of three drill rigs with a total cost price of US\$2.6 million. Agreement 2 required a down payment and the repayment of the balance over a period of 36 months with payments being made once a quarter. The loan bears interest at 7% per annum, includes an arrangement fee and stipulates that final title to the rigs will only pass once the capital amount has been settled. All other risks and rewards of ownership lie with the Group. The effective interest rate of the loan is 7.10%. As at February 27, 2015, Agreement 2 had been fully repaid.

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**14. LOANS PAYABLE (CONTINUED)**

**(iv) US\$10M Term Loan**

On September 19, 2012, the Group entered into a term loan (the "US\$10M Term Loan") with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US\$10 million. The US\$10M Term Loan was for a period of 2 years, repayable quarterly, bore interest at a rate of 10.5% per annum and was secured by certain assets of the Group. The US\$10M Term Loan could be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The effective interest rate of the US\$10M Term Loan was 10.73%. The US\$10M Term Loan was repaid in full on September 19, 2014.

**(v) US\$2M Credit Line**

On December 8, 2014, the Group entered into a US\$2 million credit line agreement (the "US\$2M Credit Line") with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of up to US\$2 million. The US\$2M Credit Line is for a period of 2 years from the date of the first drawdown, repayable interest only quarterly and principal amount at maturity, bears interest at a rate of 10.5% per annum on any unutilized portion and 1% per annum on any utilized portion, and is secured by certain assets of the Group. The US\$2M Credit Line may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The US\$2M Credit Line is subject to, and the Group is in compliance with normal course non-financial covenants. As at December 31, 2014 and February 27, 2015, the Group had drawn US\$Nil on the US\$2M Credit Line.

**15. TRADE AND OTHER PAYABLES**

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Trade payables	2,927,853	1,203,306
Creditors and accrued expenses	2,466,056	2,474,591
VAT liability	1,168,803	423,504
	<u>6,562,712</u>	<u>4,101,401</u>

Trade and other payables denominated in currencies other than the Group's functional currency are detailed in note 18iii(a).



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**16. EMPLOYEE BENEFIT OBLIGATIONS**

Defined Contribution Plans

(i) *Social Security*

The Group contributes to various social security plans. Under the plans, the Group makes contributions into government funds. The amounts contributed during the year were US\$34,391 (2013: US\$102,955). The Group's obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities if due but not paid.

(ii) *Provident Fund*

The Group contributes for certain staff to a provident fund plan. The amounts contributed during the year were US\$13,251 (2013: US\$19,331). The Group's obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities if due but not paid.

**17. 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\$
<b>December 31, 2014</b>				
<b>Financial assets</b>				
Trade and other receivables	5,409,798	-	5,409,798	5,409,798
Cash	5,196,763	-	5,196,763	5,196,763
	<u>10,606,561</u>	<u>-</u>	<u>10,606,561</u>	<u>10,606,561</u>
<b>Financial liabilities</b>				
Trade and other payables	-	5,393,909	5,393,909	5,393,909
Related party payables	-	923,025	923,025	923,025
Loans payable	-	7,364,565	7,364,565	7,364,565
	<u>-</u>	<u>13,681,499</u>	<u>13,681,499</u>	<u>13,681,499</u>
<b>December 31, 2013</b>				
<b>Financial assets</b>				
Trade and other receivables	3,678,383	-	3,678,383	3,678,383
Cash	3,209,080	-	3,209,080	3,209,080
	<u>6,887,463</u>	<u>-</u>	<u>6,887,463</u>	<u>6,887,463</u>
<b>Financial liabilities</b>				
Trade and other payables	-	3,677,897	3,677,897	3,677,897
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,514,650	6,514,650	6,514,650
	<u>-</u>	<u>11,115,572</u>	<u>11,115,572</u>	<u>11,115,572</u>

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**18. FINANCIAL RISK MANAGEMENT**

**Overview**

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

- credit risk
- liquidity risk
- market risk

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

**Risk management framework**

The Board of directors has overall responsibility for the 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.

*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, 2014, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 24% and two customers contributed 14%.

For the year ended December 31, 2013, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 24% and two customers contributed 20%.

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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(i) Credit risk (continued)**

*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:

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Trade and other receivables	5,409,798	3,678,383
Cash	5,196,763	3,209,080
	<u>10,606,561</u>	<u>6,887,463</u>

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

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Mining and exploration companies	5,300,994	3,483,950
Others	108,804	194,433
	<u>5,409,798</u>	<u>3,678,383</u>

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

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Less than 30 days	1,475,476	1,764,281
31 - 60 days	2,692,080	1,395,001
61 - 90 days	354,958	124,668
91 days and greater	778,480	200,000
	<u>5,300,994</u>	<u>3,483,950</u>

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

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Ghana	2,743,223	912,482
Outside Ghana	2,666,575	2,765,901
	<u>5,409,798</u>	<u>3,678,383</u>

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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(ii) Liquidity risk**

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

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

	<b>Total</b>	<b>Within</b>	<b>Within</b>
	<b>US\$</b>	<b>One Year</b>	<b>Two to</b>
		<b>US\$</b>	<b>Three Years</b>
			<b>US\$</b>
<b>December 31, 2014</b>			
<b>Non-derivative financial liability</b>			
Trade and other payables	6,562,712	6,562,712	-
Related party payables	923,025	923,025	-
Loans payable	7,364,565	6,464,346	900,219
Balance at December 31, 2014	14,850,302	13,950,083	900,219
<b>December 31, 2013</b>			
<b>Non-derivative financial liability</b>			
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

**(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.

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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Foreign currency risk**

The Group is exposed to currency risk on cash 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), Canadian Dollar (CAD) and Zambian Kwacha (ZMW).

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

<b>December 31, 2014</b>							
	<b>EURO</b>	<b>GH¢</b>	<b>GBP</b>	<b>CFA</b>	<b>AUD</b>	<b>CAD</b>	<b>ZMW</b>
Cash	328	365,316	12,562	137,876,652	13,875	776	48,755
Trade payables	(40,000)	(2,108,908)	(18,614)	(103,274,854)	(2,601,480)	(126,509)	-
Gross exposure	(39,672)	(1,743,592)	(6,052)	34,601,798	(2,587,605)	(125,733)	48,755
<b>December 31, 2013</b>							
	<b>EURO</b>	<b>GH¢</b>	<b>GBP</b>	<b>CFA</b>	<b>AUD</b>	<b>CAD</b>	<b>ZMW</b>
Cash	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)	-

The following significant exchange rates applied during the years:

<b>US\$1=</b>	<b>2014</b>		<b>2013</b>	
	<b>Reporting Rate</b>	<b>Average Rate</b>	<b>Reporting Rate</b>	<b>Average Rate</b>
EURO	0.8226	0.7535	0.7263	0.7532
GH¢	3.1799	3.0283	2.3595	2.0518
GBP	0.6437	0.6072	0.6064	0.6401
CFA	539.6300	494.2919	476.6420	494.1110
AUD	1.2258	1.1094	1.1268	1.0370
CAD	1.1627	1.1041	1.0694	1.0303
ZMW	6.3474	6.1215	5.4958	5.3489

**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.

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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iii) Market risk (continued)**

**(a) Foreign currency risk (continued)**

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

<b>As at December 31,</b>		<b>2014</b>			<b>2013</b>		
		Profit or Loss impact before tax			Profit or Loss impact before tax		
	% Change	US\$	Equity US\$	% Change	US\$	Equity US\$	
EURO	±2	±1,053	±1,053	±2	±10	±10	
GH¢	±2	±11,515	±11,515	±2	±3,029	±2,899	
GBP	±2	±199	±199	±2	±17	±17	
CFA	±2	±1,400	±1,400	±2	±56	±56	
AUD	±2	±46,649	±46,649	±2	±6,049	±6,049	
CAD	±2	±2,278	±2,278	±2	±1,617	±1,617	
ZMW	±2	±50	±50	±2	-	-	

**(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:

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
<b>Variable rate instruments</b>		
Bank balances	5,131,663	3,044,465
<b>Fixed rate instruments</b>		
Loans	7,364,565	6,514,650

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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iii) Market risk (continued)**

**(b) Interest rate risk (continued)**

**Sensitivity analysis for variable rate instruments**

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

	<b>2014</b>			<b>2013</b>		
		Profit or Loss impact before tax US\$	Equity US\$		Profit or Loss impact before tax US\$	Equity US\$
	% Change			% Change		
Bank balances	±2%	±102,633	±102,633	±2%	±60,889	±60,889

**(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, 2014 and 2013 is as follows:

<b>Capital Management</b>	<b>2014 US\$</b>	<b>2013 US\$</b>
Loans payable	7,364,565	6,514,650
Share capital	21,150,866	21,150,866
Share-based payment reserve	3,684,707	3,537,446
Retained earnings	24,328,791	31,030,118
	<b>56,528,929</b>	<b>62,233,080</b>

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**19. RELATED PARTY TRANSACTIONS**

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2014	2013
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%	100%
Geo-Forage Senegal SARL	Subsidiary	Senegal	100%	-
Geo-Forage DR Congo SARL	Subsidiary	Democratic Republic of Congo	100%	-
Geodrill Limited in Zambia	Registered foreign operating entity	Zambia	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, 2013: 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 valuers/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, 2014 in conjunction with the rent review, Geodrill Ghana Limited agreed to increase the rent for the Anwiankwanta property to US\$168,000 per annum and the rent for the Accra property to US\$72,000 per annum. The rent for these properties will be reviewed again when the lease expires on September 30, 2015.



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**19. RELATED PARTY TRANSACTIONS (CONTINUED)**

**(i) Transactions with related parties (continued)**

Future operating lease commitments related to the properties are:

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Payable within one year	180,000	200,000
Payable between 1 and 5 years	-	150,000
<b>Total</b>	<b>180,000</b>	<b>350,000</b>

During the year ended December 31, 2014 lease payments amounted to US\$210,000 (2013: US\$200,000).

**(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.

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. Fees paid to Clearwater Fiduciary Services Limited for the year ended December 31, 2014 amounted to US\$Nil (2013: US\$Nil).

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

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Short-term benefits	2,040,208	1,927,142
Share-based payment arrangements	147,261	451,659
<b>Total</b>	<b>2,187,469</b>	<b>2,378,801</b>

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**19. RELATED PARTY TRANSACTIONS (CONTINUED)**

**(iii) Related party balances**

The related party payable outstanding as at December 31, 2014 amount to US\$923,025 (December 31, 2013: US\$923,025). The related party payable is to TransTraders Limited, is unsecured, interest free and is repayable on demand at the option of the lender.

**20. COMMITMENTS**

**(i) Lease commitments**

Future operating lease commitments related to the properties are:

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Payable within one year	306,000	272,000
Payable between 1 and 5 years	229,500	384,000
<b>Total</b>	<b>535,500</b>	<b>656,000</b>

**(ii) Capital commitments**

Previously the Group had contracted with a supplier for the purchase of two drill rigs. In 2013, it was agreed between the Group and the supplier to cancel the purchase of one of the drill rigs and to put the delivery of the other drill rig on hold until further notice. Total commitments relating to the outstanding drill rig and spare parts amount to US\$800,000 (December 31, 2013: US\$1,250,000).

**21. SHARE CAPITAL AND RESERVES**

**(i) Share capital**

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

**Share capital**

	<b>2014</b>	<b>2013</b>
Shares issued and fully paid	42,512,000	42,512,000
Shares reserved for share option plan	4,251,200	4,251,200
<b>Total shares issued and reserved</b>	<b>46,763,200</b>	<b>46,763,200</b>

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

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**21. SHARE CAPITAL AND RESERVES (CONTINUED)**

**(ii) Share-based payment reserve**

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

The share based payment expense for the year of US\$147,261 (2013: US\$451,659) was included in selling, general and administrative expenses in the consolidated statements of comprehensive loss.

**(iii) Retained earnings**

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

**22. LOSS PER SHARE**

**(i) Basic loss per share**

The calculation of basic loss per share for the year ended December 31, 2014 was based on the loss attributable to ordinary shareholders of US\$(6,701,327) (2013: US\$(4,907,718)), and on the weighted average number of ordinary shares outstanding of 42,512,000 (2013: 42,512,000) calculated as follows:

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
<u>Loss attributable to ordinary shareholders</u>	<u>(6,701,327)</u>	<u>(4,907,718)</u>
<b>Weighted average number of ordinary shares</b>		
	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
<u>Issued ordinary shares</u>	<u>42,512,000</u>	<u>42,512,000</u>
Loss per share	\$(0.16)	\$(0.12)

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**22. LOSS PER SHARE (CONTINUED)**

**(ii) Diluted loss per share**

The calculation of diluted loss per share for the year ended December 31, 2014 was based on the loss attributable to ordinary shareholders of US\$(6,701,327) (2013: US\$(4,907,718)), and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 42,512,000 (2013: 42,512,000), calculated as follows:

	<b>2014</b>	<b>2013</b>
	<b>US\$</b>	<b>US\$</b>
Loss attributable to ordinary shareholders	(6,701,327)	(4,907,718)
<b>Weighted average number of ordinary shares - diluted</b>		
	<b>2014</b>	<b>2013</b>
	<b>Shares</b>	<b>Shares</b>
Weighted average number of ordinary shares - basic	42,512,000	42,512,000
Effect of share options in issue (1)	-	-
	<u>42,512,000</u>	<u>42,512,000</u>
Diluted Loss per share	\$(0.16)	\$(0.12)

(1) For the years ended December 31, 2014 and December 31, 2013, as there is a loss attributable to ordinary shareholders, share options in issue are anti-dilutive and are not included in the calculation of the diluted loss per share.

**23. DIVIDENDS**

No dividends were paid in 2014 or 2013, nor were dividends declared through to February 27, 2015.

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**24. EQUITY-SETTLED SHARE-BASED PAYMENTS**

**Share Option Plan (“SOP”)**

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

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

	2014		2013	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	2,790,000	C\$2.11	2,610,000	C\$2.34
Granted May 23, 2013	-	-	360,000	C\$0.81
Granted May 22, 2014	390,000	C\$0.84	-	-
<b>Total Granted</b>	<b>390,000</b>	<b>C\$0.84</b>	<b>360,000</b>	<b>C\$0.81</b>
Forfeited October 31, 2013	-	-	(180,000)	C\$2.80
<b>Total Forfeited</b>	<b>-</b>	<b>-</b>	<b>(180,000)</b>	<b>C\$2.80</b>
<b>Balance ending</b>	<b>3,180,000</b>	<b>C\$1.96</b>	<b>2,790,000</b>	<b>C\$2.11</b>

The following table summarizes the options outstanding at December 31, 2014:

Options series	Exercise prices	Number of options outstanding	Weighted average	
			remaining contractual life	Number of options exercisable
(1) Granted on December 16, 2010	C\$2.00	990,000	11 mos	990,000
(2) Granted on March 11, 2011	C\$3.48	360,000	1 Yr & 2 mos	360,000
(3) Granted on November 9, 2011	C\$2.11	630,000	1 Yr & 10 mos	630,000
(4) Granted on March 13, 2012	C\$3.41	180,000	2 Yrs & 2 mos	180,000
(5) Granted on October 15, 2012	C\$1.57	270,000	2 Yrs & 7 mos	270,000
(6) Granted on May 23, 2013	C\$0.81	360,000	3 Yrs & 5 mos	360,000
(7) Granted on May 22, 2014	C\$0.84	390,000	4 Yrs & 5 mos	390,000

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**24. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)**

**Share Option Plan (“SOP”) (continued)**

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

	<b>Series 1</b>	<b>Series 2</b>	<b>Series 3</b>	<b>Series 4</b>	<b>Series 5</b>	<b>Series 6</b>	<b>Series 7</b>
Risk free interest rate	3%	3%	3%	1.55%	1.33%	1.28%	1.37%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Stock price volatility	33%	56%	34%	53%	53%	53%	55%
Expected life of options	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	0%	0%	0%	0%	30%	0%	30%

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



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