

GEODRILL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

(in United States dollars)

GEODRILL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

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CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

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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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, 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
Licensed Public Accountants

March 5, 2016

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2015 and 2014

	<i>Note</i>	December 31, 2015 US\$	December 31, 2014 US\$
Assets			
Non-current assets			
Property, plant and equipment	<i>10</i>	33,722,340	39,351,500
Total non-current assets		33,722,340	39,351,500
Current assets			
Inventories	<i>11</i>	13,851,957	13,246,176
Prepayments		1,668,565	1,213,725
Trade and other receivables	<i>12</i>	7,968,335	5,409,798
Cash	<i>13</i>	5,848,552	5,196,763
Total current assets		29,337,409	25,066,462
Total assets		63,059,749	64,417,962
Equity and liabilities			
Equity			
Share capital		21,150,866	21,150,866
Share-based payment reserve		3,775,907	3,684,707
Retained earnings		22,420,684	24,328,791
Total equity		47,347,457	49,164,364
Liabilities			
Non-current liabilities			
Loans payable	<i>14</i>	3,668,920	900,219
Total non-current liabilities		3,668,920	900,219
Current liabilities			
Trade and other payables	<i>15</i>	7,723,699	6,562,712
Loans payable	<i>14</i>	2,481,299	6,464,346
Taxes payable	<i>9(ii)</i>	915,349	403,296
Related party payables	<i>19(iii)</i>	923,025	923,025
Total current liabilities		12,043,372	14,353,379
Total equity and liabilities		63,059,749	64,417,962

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, 2015 and 2014

	Note	December 31, 2015 US\$	December 31, 2014 US\$
Revenue		47,922,239	35,595,489
Cost of sales	8	(32,766,347)	(28,772,130)
Gross profit		15,155,892	6,823,359
Selling, general and administrative expenses	8	(13,166,084)	(12,808,496)
Foreign exchange gain / (loss)		37,569	(6,058)
Results from operating activities		2,027,377	(5,991,195)
Other income	12	-	391,270
Finance income		1,577	2,884
Finance costs		(734,472)	(837,895)
Income / (loss) before taxation		1,294,482	(6,434,936)
Income tax expense	9(i)	(3,202,589)	(266,391)
Loss for the year		(1,908,107)	(6,701,327)
Total comprehensive loss for the year		(1,908,107)	(6,701,327)
Loss per share			
Basic	22(i)	\$(0.04)	\$(0.16)
Diluted	22(ii)	\$(0.04)	\$(0.16)

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2015 and 2014

	Share Capital US\$	Share- based Payment Reserve US\$	Retained Earnings US\$	Total Equity US\$
Balance at January 1, 2015	21,150,866	3,684,707	24,328,791	49,164,364
Loss for the year	-	-	(1,908,107)	(1,908,107)
Share-based payment expense	-	91,200	-	91,200
Balance at December 31, 2015	21,150,866	3,775,907	22,420,684	47,347,457
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
Balance at December 31, 2014	21,150,866	3,684,707	24,328,791	49,164,364

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014

	December 31, 2015 US\$	December 31, 2014 US\$
Cash flows from operating activities		
Income / (loss) before taxation	1,294,482	(6,434,936)
<i>Adjustments for:</i>		
Depreciation expense	8,379,016	9,125,130
Decrease in allowance for doubtful accounts	(2,610)	(202,801)
Provision for inventory obsolescence	215,032	(96,253)
Equity-settled share-based payment expense	91,200	147,261
Finance income	(1,577)	(2,884)
Finance costs	734,472	837,895
Unrealized foreign exchange gain	(123,780)	(97,900)
Insurance proceeds received	-	(391,270)
	10,586,235	2,884,242
Change in inventories	(820,813)	1,356,760
Change in prepayments	(454,840)	(308,887)
Change in trade and other receivables	(2,555,927)	(1,528,614)
Change in trade and other payables	1,245,383	2,406,394
Cash generated from operations	8,000,038	4,809,895
Finance income received	1,577	2,884
Finance costs paid	(781,299)	(789,034)
Income taxes paid	(2,690,536)	(1,567,449)
Net cash generated from operating activities	4,529,780	2,456,296
Investing activities		
Purchase of property, plant and equipment	(2,749,856)	(1,813,754)
Insurance proceeds received	-	391,270
Net cash used in investing activities	(2,749,856)	(1,422,484)
Financing activities		
Loans received	5,250,000	6,295,000
Loan repayments	(6,464,346)	(5,445,085)
Net cash (used in) / provided from financing activities	(1,214,346)	849,915
Effect of movement in exchange rates on cash	86,211	103,956
Net increase in cash	651,789	1,987,683
Cash at beginning of the year	5,196,763	3,209,080
Cash at end of the year	5,848,552	5,196,763

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

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, 2015 and 2014 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 March 5, 2016.

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, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014

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, 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, 2015. The outcome of the analysis was such that the expected net recoverable amount exceeded the carrying value of the property, plant and equipment and, accordingly, no impairment loss was recognized in the period.

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, 2015 and 2014

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.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

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.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

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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4. NEW AND FUTURE ACCOUNTING STANDARDS

a. Adoption of new and amended accounting pronouncements

In 2015, there have been no new or amended accounting pronouncements that have had a material impact on the company's 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.

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 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 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.

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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 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, 2018. The Group is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

IFRS 16 – Leases

IFRS 16, “Leases” (IFRS 16) was issued by the IASB on January 13, 2016, and will replace IAS 17 “Leases”. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting remains largely unchanged. The new standard is effective for annual periods beginning on or after January 1, 2019. The company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

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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.

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. 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 Group has historically taken advantage of the wet season and has scheduled the third quarter for maintenance and rebuild programs for drill rigs and equipment.

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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)	
	2015	2014	2015	2014	2015	2014	2015	2014
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	16,600	15,783	45,899	28,946	(14,577)	(9,134)	47,922	35,595
Cost of sales	(24,076)	(22,950)	(34,309)	(23,865)	25,619	18,043	(32,766)	(28,772)
Selling, general and administrative	(7,668)	(7,795)	(5,442)	(5,378)	(56)	365	(13,166)	(12,808)
Foreign exchange (loss) / gain	(217)	(135)	254	129	-	-	37	(6)
Results from operating activities	(15,361)	(15,097)	6,402	(168)	10,986	9,274	2,027	(5,991)
Other income	10,110	8,510	-	139	(10,110)	(8,258)	-	391
Finance income	1	3	-	-	-	-	1	3
Finance cost	(703)	(785)	(31)	(53)	-	-	(734)	(838)
Segment results	(5,953)	(7,369)	6,371	(82)	876	1,016	1,294	(6,435)
Capital expenditures	2,546	1,279	204	535			2,750	1,814
As at	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014			Dec 31, 2015	Dec 31, 2014
	US\$ '000	US\$ '000	US\$ '000	US\$ '000			US\$ '000	US\$ '000
Non-current assets	36,849	43,602	1,240	1,027			38,089	44,629
Intra group balances							(4,367)	(5,277)
Per statement of financial position							33,722	39,352
Total assets	57,581	63,687	76,299	70,190			133,880	133,877
Intra group balances							(70,820)	(69,459)
Per statement of financial position							63,060	64,418
Total liabilities	72,058	72,211	10,057	7,209			82,115	79,420
Intra group balances							(66,403)	(64,166)
Per statement of financial position							15,712	15,254

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, was US\$25,039,806 (2014: US\$17,273,161).

(2) Segment results equals the income / (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:

	2015	2014
	US\$	US\$
Expenses		
Drill rig expenses and fuel	13,889,486	11,602,665
Employee benefits	14,396,662	12,641,835
External services and contractors	7,024,959	6,718,823
Depreciation	8,379,016	9,125,130
Repairs and maintenance	2,244,918	1,509,011
Bad debt recovery	(2,610)	(16,838)
	<u>45,932,431</u>	<u>41,580,626</u>

	2015	2014
	US\$	US\$
Cost of sales	32,766,347	28,772,130
Selling, general and administrative expenses	13,166,084	12,808,496
	<u>45,932,431</u>	<u>41,580,626</u>

9. TAXATION

(i) Income tax expense

	2015	2014
	US\$	US\$
Current tax expense (iii)	3,202,589	1,677,606
Deferred tax recovery (iv)	-	(1,411,215)
	<u>3,202,589</u>	<u>266,391</u>

Current tax expense reflects taxes associated with the Group's 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\$	Payments during the year US\$	Charge for the year US\$	Balance at Dec. 31 US\$
2015	403,296	(2,690,536)	3,202,589	915,349

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

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

	2015 US\$	2014 US\$
Income / (loss) before tax	1,294,482	(6,434,936)
Deduct: Income before tax subject to no corporate tax	(7,247,747)	(933,588)
Loss before tax subject to corporate tax in Ghana	(5,953,265)	(7,368,524)
Ghana corporate tax at 25%	(1,488,316)	(1,842,131)
Add:		
Withholding tax on revenue outside Ghana	3,202,589	1,677,606
Movement of temporary differences in Ghana	1,488,316	430,916
Total tax expense	3,202,589	266,391
Effective tax rate	247.4%	(4.1)%

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9. TAXATION (CONTINUED)

(iv) Deferred tax liabilities

	2015	2014
	US\$	US\$
Balance at January 1	-	1,411,215
Recovery for the year	-	(1,411,215)
Balance at end of year	-	-

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2015		
	Asset	Liability	Net
	US\$	US\$	US\$
Property, plant and equipment	1,443,118	-	1,443,118
Provision for inventory obsolescence	97,109	-	97,109
Deferred tax asset not recognized	(1,540,227)	-	(1,540,227)
Total	-	-	-

	2014		
	Asset	Liability	Net
	US\$	US\$	US\$
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)
Total	-	-	-

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.

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10. PROPERTY, PLANT AND EQUIPMENT

2015	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Land & Leasehold Improvements US\$	Capital Work in Progress (CWIP) US\$	Total US\$
Cost						
Balance at January 1, 2015	5,347,983	19,921,229	50,917,599	2,214,797	2,524,969	80,926,577
Additions	109,126	205,718	92,480	71,567	2,270,965	2,749,856
Reclassifications from CWIP	-	959,780	1,750,780	-	(2,710,560)	-
Reclassifications from inventory	-	-	-	-	-	-
Assets retired during the year	-	(336,641)	(1,582,259)	-	-	(1,918,900)
Balance at December 31, 2015	5,457,109	20,750,086	51,178,600	2,286,364	2,085,374	81,757,533
Accumulated Depreciation						
Balance at January 1, 2015	5,238,353	13,803,576	21,532,367	1,000,781	-	41,575,077
Charge for the year	136,927	2,954,532	4,911,315	376,242	-	8,379,016
Assets retired during the year	-	(336,641)	(1,582,259)	-	-	(1,918,900)
Balance at December 31, 2015	5,375,280	16,421,467	24,861,423	1,377,023	-	48,035,193
Carrying amounts at December 31, 2015	81,829	4,328,619	26,317,177	909,341	2,085,374	33,722,340

(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)

2014	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Land & Leasehold Improvements US\$	Capital Work in Progress (CWIP) US\$	Total US\$
Cost						
Balance at January 1, 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)
Balance at December 31, 2014	5,347,983	19,921,229	50,917,599	2,214,797	2,524,969	80,926,577
Accumulated Depreciation						
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)
Balance at December 31, 2014	5,238,353	13,803,576	21,532,367	1,000,781	-	41,575,077
Carrying amounts at December 31, 2014	109,630	6,117,653	29,385,232	1,214,016	2,524,969	39,351,500

(1) Drill rigs include drill rigs and drill rig components 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:

	2015	2014
	US\$	US\$
Cost of sales	7,774,479	8,127,847
Selling, general and administrative expenses	604,537	997,283
	<u>8,379,016</u>	<u>9,125,130</u>

As at December 31, 2015, property, plant and equipment with a carrying amount of US\$14,574,733 (December 31, 2014: US\$24,003,471) and inventories with a carrying amount of US\$3,767,186 (December 31, 2014: US\$4,513,637) have been pledged as security for certain loans (note 14).

11. INVENTORIES

	2015	2014
	US\$	US\$
Inventories on hand	13,101,554	13,033,554
Inventories in transit	1,138,841	850,652
Provision for obsolescence	(388,438)	(638,030)
	<u>13,851,957</u>	<u>13,246,176</u>

The amount of inventories recognized as expense for the year is US\$15,200,347 (2014: US\$12,536,840). Inventory write downs in the year amounted to US\$464,624 (2014: US\$352,119).

12. TRADE AND OTHER RECEIVABLES

	2015	2014
	US\$	US\$
Trade receivables	7,863,848	6,124,206
Allowance for doubtful accounts	-	(823,212)
Net trade receivables	<u>7,863,848</u>	<u>5,300,994</u>
Cash advances	35,943	34,361
Sundry receivables	68,544	74,443
	<u>7,968,335</u>	<u>5,409,798</u>

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12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2015	2014
	US\$	US\$
Balance at January 1	823,212	1,026,013
Provisions made in the year	72,000	63,946
Receivables collected in the year	(74,610)	(80,784)
Receivables written off during the year as uncollectible	(820,602)	(185,963)
Balance at end of year	-	823,212

Trade and other receivables are recorded at amortized cost. Bad debt recovery recorded on trade and other receivables during the year ended December 31, 2015 amounted to US\$2,610 (December 31, 2014: US\$16,838). The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 18(i).

In 2014, an amount of US\$391,270 was received by the Group as payment of 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

	2015	2014
	US\$	US\$
Cash at bank	5,771,855	5,131,663
Cash on hand	76,697	65,100
	<u>5,848,552</u>	<u>5,196,763</u>

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

As at December 31, 2015, cash of US\$5,848,552 was available to the Group (December 2014: US\$5,196,763)

14. LOANS PAYABLE

	2015	2014
	US\$	US\$
US\$2M Term Loan (i)	900,219	1,995,000
US\$2M Credit Line (ii)	250,000	-
US\$5M Term Loan (iii)	5,000,000	-
US\$5M Credit Line (iv)	-	5,000,000
Equipment Loans (v)	-	369,565
Total	<u>6,150,219</u>	<u>7,364,565</u>
Current portion of loans	<u>2,481,299</u>	<u>6,464,346</u>
Non-current portion of loans	<u>3,668,920</u>	<u>900,219</u>

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14. LOANS PAYABLE (CONTINUED)

(i) 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, 2015 the Group was in compliance with, normal course non-financial covenants.

(ii) US\$2M Credit Line

On December 8, 2014, the Group entered into a credit line agreement with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US\$2 million (the "US\$2M Credit Line"). 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 utilized portion, is subject to periodic review in line with money market conditions and bears interest at a rate of 1% per annum on any unutilized portion. The US\$2M Credit Line 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 as at December 31, 2015 the Group was in compliance with, normal course non-financial covenants. As at December 31, 2015 the Group had drawn US\$250,000 on the US\$2M Credit Line.

(iii) US\$5M Term Loan

On December 18, 2015, the Group entered into a term loan with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US\$5 million (the "US\$5M Term Loan"). The US\$5M Term Loan is for a period of 2 years, repayable interest only for 120 days, and thereafter, repayable interest and principal quarterly in six equal amounts required to satisfy the principal over the term of the loan. The US\$5M 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\$5M Term Loan is secured by certain assets of the Group. The US\$5M 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\$5M Term Loan is 11.55%. The US\$5M Term Loan is subject to, and as at December 31, 2015 the Group was in compliance with, normal course non-financial covenants.

(iv) 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 was 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, bore interest at a rate of 10.5% per annum on any utilized portion and 1% per annum on any unutilized portion, and was secured by certain assets of the Group. The US\$5M Credit Line 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 US\$5M Credit Line was repaid on December 18, 2015.

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14. LOANS PAYABLE (CONTINUED)

(v) 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 bore interest at 7% per annum, included an arrangement fee and stipulated that final title to the rigs would only pass once the capital amount had been settled. All other risks and rewards of ownership rested with the Group. The effective interest rate of the loan was 7.10%. Agreement 1 was fully repaid on January 23, 2015.

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 bore interest at 7% per annum, included an arrangement fee and stipulated that final title to the rigs would only pass once the capital amount had been settled. All other risks and rewards of ownership rested with the Group. The effective interest rate of the loan was 7.10%. Agreement 2 was fully repaid on February 25, 2015.

15. TRADE AND OTHER PAYABLES

	2015	2014
	US\$	US\$
Trade payables	4,550,988	2,927,853
Creditors and accrued expenses	2,722,888	2,466,056
VAT liability	449,823	1,168,803
	<hr/> 7,723,699	<hr/> 6,562,712

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

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\$8,610 (2014: US\$34,391). 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\$24,931 (2014: US\$13,251). 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.

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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\$
December 31, 2015				
Financial assets				
Trade and other receivables	7,968,335	-	7,968,335	7,968,335
Cash	5,848,552	-	5,848,552	5,848,552
	13,816,887	-	13,816,887	13,816,887
Financial liabilities				
Trade and other payables	-	7,273,873	7,273,873	7,273,873
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,150,219	6,150,219	6,150,219
	-	14,347,117	14,347,117	14,347,117
December 31, 2014				
Financial assets				
Trade and other receivables	5,409,798	-	5,409,798	5,409,798
Cash	5,196,763	-	5,196,763	5,196,763
	10,606,561	-	10,606,561	10,606,561
Financial liabilities				
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
	-	13,681,499	13,681,499	13,681,499

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.

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, 2015, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 24%, one customer contributed 18% and one customer contributed 16%.

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%.

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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:

	2015	2014
	US\$	US\$
Trade and other receivables	7,968,335	5,409,798
Cash	5,848,552	5,196,763
	<u>13,816,887</u>	<u>10,606,561</u>

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

	2015	2014
	US\$	US\$
Mining and exploration companies	7,863,848	5,300,994
Others	104,487	108,804
	<u>7,968,335</u>	<u>5,409,798</u>

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

	2015	2014
	US\$	US\$
Less than 30 days	3,940,756	1,475,476
31 - 60 days	3,374,177	2,692,080
61 - 90 days	376,333	354,958
91 days and greater	172,582	778,480
	<u>7,863,848</u>	<u>5,300,994</u>

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

	2015	2014
	US\$	US\$
Ghana	3,467,811	2,743,223
Outside Ghana	4,500,524	2,666,575
	<u>7,968,335</u>	<u>5,409,798</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:

	Total	Within	Within
	US\$	One Year	Two to
		US\$	Three Years
			US\$
December 31, 2015			
Non-derivative financial liability			
Trade and other payables	7,723,699	7,723,699	-
Related party payables	923,025	923,025	-
Loans payable	6,150,219	2,481,299	3,668,920
Balance at December 31, 2015	14,796,943	11,128,023	3,668,920
December 31, 2014			
Non-derivative financial liability			
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

(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.

December 31, 2015							
	EURO	GH¢	GBP	CFA	AUD	CAD	ZMW
Cash	68,632	134,461	32,865	348,520,745	8,280	45,880	25,553
Trade payables	(212,859)	(2,850,991)	(5,690)	(203,506,681)	(2,159,596)	(401,565)	-
Gross exposure	(144,227)	(2,716,530)	27,175	145,014,064	(2,151,316)	(355,685)	25,553

December 31, 2014							
	EURO	GH¢	GBP	CFA	AUD	CAD	ZMW
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

The following significant exchange rates applied during the years:

US\$1=	2015		2014	
	Reporting Rate	Average Rate	Reporting Rate	Average Rate
EURO	0.9168	0.9009	0.8226	0.7535
GH¢	3.8011	3.7593	3.1799	3.0283
GBP	0.6755	0.6542	0.6437	0.6072
CFA	600.8870	590.9796	539.6300	494.2919
AUD	1.3699	1.3308	1.2258	1.1094
CAD	1.3869	1.2776	1.1627	1.1041
ZMW	10.9357	8.5581	6.3474	6.1215

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.

As at December 31,		2015			2014		
		Profit or Loss impact before tax		Profit or Loss impact before tax			
	% Change	US\$	Equity US\$	% Change	US\$	Equity US\$	
EURO	±2	±4,651	±4,651	±2	±1,053	±1,053	
GH¢	±2	±16,923	±16,923	±2	±11,515	±11,515	
GBP	±2	±540	±540	±2	±199	±199	
CFA	±2	±11,363	±11,363	±2	±1,400	±1,400	
AUD	±2	±31,732	±31,732	±2	±46,649	±46,649	
CAD	±2	±5,802	±5,802	±2	±2,278	±2,278	
ZMW	±2	±28	±28	±2	±50	±50	

(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:

	2015	2014
	US\$	US\$
Variable rate instruments		
Bank balances	5,771,855	5,131,663
Fixed rate instruments		
Loans	6,150,219	7,364,565

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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 2015 and 2014.

	2015			2014		
	% Change	Profit or Loss impact before tax US\$	Equity US\$	% Change	Profit or Loss impact before tax US\$	Equity US\$
Bank balances	±2%	±115,437	±115,437	±2%	±102,633	±102,633

(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, 2015 and 2014 is as follows:

Capital Management	2015 US\$	2014 US\$
Loans payable	6,150,219	7,364,565
Share capital	21,150,866	21,150,866
Share-based payment reserve	3,775,907	3,684,707
Retained earnings	22,420,684	24,328,791
	<u>53,497,676</u>	<u>56,528,929</u>

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19. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2015	2014
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%	100%
Geo-Forage DRC SARL	Subsidiary	Democratic Republic of Congo	100%	100%
Geodrill Limited in Zambia	Registered foreign operating entity	Zambia	100%	100%
Trans Traders 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.

Trans Traders 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, 2014: 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; and (ii) at the end of the original five year lease term. 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.

On September 30, 2015 Geodrill Ghana Limited entered into a new lease for the Anwiankwanta property and a new lease for the Accra property, both for an additional five year term at rates consistent with those determined at the October 1, 2014 rent review. Only Geodrill Ghana Limited can terminate the lease by giving twelve months' notice.

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19. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

Future operating lease commitments related to the properties are:

	2015	2014
	US\$	US\$
Payable within one year	240,000	180,000
Payable between 1 and 5 years	900,000	-
Total	1,140,000	180,000

During the year ended December 31, 2015 lease payments amounted to US\$240,000 (2014: US\$210,000).

The Group paid consulting fees to MS Risk Limited. One of the directors of MS Risk Limited is also a director of Geodrill Limited. One of the directors of MS Risk Limited is also an officer of Geodrill Limited. Consulting fees paid during year ended December 31, 2015 amounted to US\$11,066 (2014: US\$Nil).

(ii) Key management personnel and directors' transactions

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

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

	2015	2014
	US\$	US\$
Short-term benefits	1,983,000	2,040,208
Share-based payment arrangements	84,186	147,261
	2,067,186	2,187,469

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19. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Related party balances

The related party payable outstanding as at December 31, 2015 amount to US\$923,025 (December 31, 2014: US\$923,025). The related party payable is to Trans Traders 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:

	2015	2014
	US\$	US\$
Payable within one year	366,000	306,000
Payable between 1 and 5 years	1,003,500	229,500
Total	1,369,500	535,500

(ii) Capital commitments

The Group has committed to purchase a drill rig that is currently on hold and the Group has also committed to purchase another rig that is currently being manufactured. Total commitments relating to the two outstanding drill rigs amounts to US\$1,050,000 (December 31, 2014: US\$800,000).

21. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital

	2015	2014
Shares issued and fully paid	42,512,000	42,512,000
Shares reserved for share option plan	2,580,000	4,251,200
Total shares issued and reserved	45,092,000	46,763,200

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\$91,200 (2014: US\$147,261) 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, 2015 was based on the loss attributable to ordinary shareholders of US\$(1,908,107) (2014: US\$(6,701,327)), and on the weighted average number of ordinary shares outstanding of 42,512,000 (2014: 42,512,000) calculated as follows:

	2015	2014
	US\$	US\$
Loss attributable to ordinary shareholders	(1,908,107)	(6,701,327)
<hr/>		
Weighted average number of ordinary shares		
	2015	2014
	US\$	US\$
Issued ordinary shares	42,512,000	42,512,000
<hr/>		
Loss per share	\$(0.04)	\$(0.16)

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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, 2015 was based on the loss attributable to ordinary shareholders of US\$(1,908,107) (2014: US\$(6,701,327)), 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 (2014: 42,512,000), calculated as follows:

	2015	2014
	US\$	US\$
Loss attributable to ordinary shareholders	(1,908,107)	(6,701,327)
<hr/>		
Weighted average number of ordinary shares - diluted		
	2015	2014
	Shares	Shares
Weighted average number of ordinary shares - basic	42,512,000	42,512,000
Effect of share options in issue (1)	-	-
	<hr/> 42,512,000	<hr/> 42,512,000

Diluted Loss per share	\$(0.04)	\$(0.16)
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(1) For the years ended December 31, 2015 and December 31, 2014, 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 2015 or 2014, nor were dividends declared through to March 5, 2016.

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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.

	2015		2014	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	3,180,000	C\$1.96	2,790,000	C\$2.11
Granted May 22, 2014	-	-	390,000	C\$0.84
Granted May 19, 2015	390,000	C\$0.51	-	-
Total Granted	390,000	C\$0.51	390,000	C\$0.84
Expired December 16, 2015	(990,000)	C\$2.00	-	-
Total Expired	(990,000)	C\$2.00	-	-
Balance ending, Dec. 31	2,580,000	C\$1.72	3,180,000	C\$1.96

The following table summarizes the options outstanding at December 31, 2015:

Options series	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
(1) Granted on March 11, 2011	C\$3.48	360,000	2 mos	360,000
(2) Granted on November 9, 2011	C\$2.11	630,000	10 mos	630,000
(3) Granted on March 13, 2012	C\$3.41	180,000	1 Yr & 2 mos	180,000
(4) Granted on October 15, 2012	C\$1.57	270,000	1 Yr & 7 mos	270,000
(5) Granted on May 23, 2013	C\$0.81	360,000	2 Yrs & 5 mos	360,000
(6) Granted on May 22, 2014	C\$0.84	390,000	3 Yrs & 5 mos	390,000
(7) Granted on May 19, 2015 (i)	C\$0.51	390,000	4 Yrs & 5 mos	390,000

(i) The volume weighted average fair value of each option was calculated at C\$0.40 and the share price was C\$0.60 on May 19, 2015.

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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:

	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7
Risk free interest rate	3%	3%	1.55%	1.33%	1.28%	1.37%	1.10%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Stock price volatility	56%	34%	53%	53%	53%	55%	111%
Expected life of options	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	0%	0%	0%	30%	0%	30%	30%

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

25. SUBSEQUENT EVENTS

On January 27, 2016, the Group and Zenith Bank (Ghana) Limited agreed to extend the tenor and repayment term of the US\$5M Term Loan. The US\$5M Term Loan will be for a period of three years to December 18, 2018, repayable interest only for 120 days, and thereafter repayable interest and principal quarterly in ten equal amounts required to satisfy the principal over the term of the loan.