**GEODRILL LIMITED**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE SECOND QUARTER ENDED JUNE 30, 2015**

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

This MD&A is a review of activities and results for the three and six months ended June 30, 2015 as compared to the corresponding period in the previous year and should be read in conjunction with the unaudited comparative condensed interim consolidated financial statements for the three and six months ended June 30, 2015, and also in conjunction with the audited annual consolidated financial statements and corresponding MD&A for the year ended December 31, 2014.

This MD&A is dated August 13, 2015. Disclosure contained in this document is current to that date unless otherwise stated.

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

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

## FORWARD-LOOKING INFORMATION

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

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

Forward-looking information contained herein is made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

**Corporate Overview**

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

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

The state-of-the-art workshop and supply base at Anwiankwanta, near Kumasi, Ghana, and the state-of-the-art workshop and supply base at Ouagadougou, Burkina Faso, provide centralized locations for repair and storage of equipment and supplies, which in turn minimizes trucking, shipping and supply costs and allows the rigs to be mobilized to drill sites with minimal delay. The Company has also acquired two parcels of land totaling 10,000 square meters in Bouake, Cote d'Ivoire. The Company will build a workshop and supply base to support drilling activities in Cote d'Ivoire. The Company has also leased a plot of land consisting of a warehouse, workshop and offices in Chingola, Zambia. The Company will use its Zambian facility to help expand into the African Copperbelt.

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

**Business Strategy**

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

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

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

Increase in our geographic footprint in West Africa, as the Company has maintained its strong presence in both Ghana and Burkina Faso, has re-entered Cote d'Ivoire and has recently operated in Mali and Togo. The Company is also currently expanding into the African Copperbelt.

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

- **A Modern Fleet of Drill Rigs and World Class Workshops:** The Company has accumulated state-of-the-art drilling rigs, and established centrally located world class workshops to promote client satisfaction through reliable operational performance. In addition, within the workshop in Ghana, is a manufacturing facility with the capacity to produce ancillary equipment such as RC drill rods and RC wire-line drill subs in-house, reducing downtime and reliance on suppliers for these items.

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

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

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

- **Presence in West Africa:** The Company is able to mobilize drill rigs and associated ancillary equipment within a few days of a request by a client. The well-resourced, centrally located workshops further reduce downtime, as the Company can fairly quickly reach most of its current customer sites.

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

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

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

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

**Market Participants and Geodrill's Client Base**

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

The Company's client base is predominately in Ghana and Burkina Faso. For the 2$^{nd}$ quarter of 2015, Ghana accounted for 26% of the Company's revenue and Burkina Faso, Cote d'Ivoire and Mali collectively accounted for 74% of the Company's revenue, compared to 48% for Ghana in the 2$^{nd}$ quarter of 2014 and 52% for Burkina Faso, Cote d'Ivoire, Mali and Togo collectively in the 2$^{nd}$ quarter of 2014.

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

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

For the three months ended June 30, 2015, included in revenue are four customers who individually contributed 10% or more to the Group's revenue. One customer contributed 28%, one customer contributed 20%, one customer contributed 19% and one customer contributed 16%.

For the three months ended June 30, 2014, included in revenue were three customers who individually contributed 10% or more to the Group's revenue. One customer contributed 26%, one customer contributed 12%, and one customer contributed 11%.

**OUTSTANDING SECURITIES AS OF AUGUST 13, 2015**

The Company is authorized to issue an unlimited number of Ordinary Shares. As of August 13, 2015 the Company has the following securities outstanding:

| | |
|---|---|
| Number of Ordinary Shares | 42,512,000 |
| Number of Options | 3,570,000 |
| Fully Diluted | 46,082,000 |

From January 1, 2015 to August 13, 2015, 390,000 options were issued.

## OVERALL PERFORMANCE

### Revenue Per Country

| | Three months ended | | | | Six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30 | | June 30 | | June 30 | | June 30 | |
| | 2015 | | 2014 | | 2015 | | 2014 | |
| Location | US$ 000's | % | US$ 000's | % | US$ 000's | % | US$ 000's | % |
| Ghana | 4,185 | 26% | 4,626 | 48% | 9,522 | 38% | 8,182 | 54% |
| Burkina Faso and other | 11,816 [(1)] | 74% | 5,053 [(2)] | 52% | 15,867 [(1)] | 62% | 6,492 [(2)] | 46% |
| | 16,001 | 100% | 9,679 | 100% | 25,389 | 100% | 15,124 | 100% |

[(1)] Included in Burkina Faso and other is Cote d'Ivoire and Mali.
[(2)] Included in Burkina Faso and other is Cote d'Ivoire, Mali and Togo.

### Meters Drilled Per Country

| | Three months ended | | | | Six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30 | | June 30 | | June 30 | | June 30 | |
| Location | 2015 | % | 2014 | % | 2015 | % | 2014 | % |
| Ghana | 38,223 | 18% | 43,187 | 39% | 96,888 | 29% | 74,743 | 46% |
| Burkina Faso and other | 173,455 [(1)] | 82% | 68,511 [(2)] | 61% | 237,329 [(1)] | 71% | 88,894 [(2)] | 54% |
| | 211,678 | 100% | 111,698 | 100% | 334,217 | 100% | 163,637 | 100% |

[(1)] Included in Burkina Faso and other is Cote d'Ivoire and Mali.
[(2)] Included in Burkina Faso and other is Cote d'Ivoire, Mali and Togo.

The Company generated revenue of US$16M in the 2nd quarter of 2015, an increase of US$6.3M or 65% when compared to US$9.7M in the 2nd quarter of 2014. There is an industry wide slowdown in drilling activities as there continues to be pressure on early stage exploration companies as financing from the capital markets continues to be challenging and there is also pressure on producing companies as they continue to need to manage their exploration costs in light of increasing costs on the production side of their business. Despite the slowdown, the Company was able to increase its revenue compared to the prior year quarter as the Company drilled significantly more meters. Specifically, the Company's revenue increased and meters drilled increased in the 2nd quarter of 2015 compared to the 2nd quarter of 2014. Meters drilled in the 2nd quarter of 2015 totaled 211,678 which is an increase of 90% when compared to

111,698 meters drilled in the 2nd quarter of 2014. The company drilled in excess of 210,000 meters in the 2nd quarter of 2015 which is consistent with the historical trend of increased drilling in the second quarter before wet season. There continues to be pressure on pricing in 2015 as evidenced by the fact that revenue increased by 65% in the 2nd quarter of 2015 compared to the 2nd quarter of 2014, whereas meters drilled increased by 90%. Although the Company recorded US$16M in revenue in the quarter, the industry wide slowdown still exists as most of Geodrill's competitors have reported declining revenue trends. In addition to the slowdown, the price of gold has recently traded below US$1,100 per ounce in July 2015, trading at five year lows and this may put additional pressure on the industry throughout the remainder of 2015.

The gross profit for the 2nd quarter of 2015 was US$6.6M, being 41% of revenue compared to a gross profit of US$1.7M, being 18% of revenue for the 2nd quarter of 2014. The gross profit increase reflects the increase in revenue of US$6.3M with a corresponding increase in cost of sales of only US$1.5M. The Company was able to manage its cost of sales and was able to generate a positive gross profit in the 2nd quarter of 2015. In the 2nd quarter of 2015, certain discretionary expenses such as drill rig expenses, fuel and external services and repairs and maintenance increased as a result of drilling more meters. See "Supplementary Disclosure – Non IFRS Measures" on page 16.

EBITDA (as defined herein) for the 2nd quarter of 2015 was US$5.3M, being 33% of revenue compared to US$0.9M, being 9% of revenue for the 2nd quarter of 2014. See "Supplementary Disclosure – Non-IFRS Measures" on page 16.

The EBIT (as defined herein) for the 2nd quarter of 2015 was US$3.3M, compared to a EBIT loss of US$(1.6)M, for the 2nd quarter of 2014. See "Supplementary Disclosure - Non - IFRS Measures" on page 16.

The net income for the 2nd quarter of 2015 was US$1.8M or US$0.04 per Ordinary Share (US$0.04 per Ordinary Share fully diluted), compared to net loss of US$(1.5)M for the 2nd quarter of 2014 or US$(0.04) per Ordinary Share (US$0.04 per Ordinary Share fully diluted).

## SELECTED FINANCIAL INFORMATION

| (in US$ 000's) | Three Months Ended June 30 2015 | June 30 2014 | % Change June 30 2015 vs 2014 | Six Months Ended June 30 2015 | June 30 2014 | % Change June 30 2015 vs 2014 |
|---|---|---|---|---|---|---|
| **Revenue** | **16,001** | **9,679** | **65%** | **25,389** | **15,124** | **68%** |
| **Cost of Sales** | **9,429** | **7,945** | **19%** | **16,808** | **13,679** | **23%** |
| *Cost of Sales (%)* | 59% | 82% | | 66% | 90% | |
| **Gross Profit** | **6,572** | **1,734** | **279%** | **8,581** | **1,445** | **494%** |
| *Gross Profit Margin (%)* | 41% | 18% | | 34% | 10% | |
| **Selling, General and Administrative Expenses** | **3,333** | **3,296** | **1%** | **6,556** | **6,350** | **3%** |
| *Selling, General and Administrative Expenses (%)* | 21% | 34% | | 26% | 42% | |
| **Foreign Exchange Gain** | **23** | **11** | | **341** | **298** | |
| *Foreign Exchange Gain(%)* | 0% | 0% | | 1% | 2% | |
| **Profit (Loss) from Operating Activities** | **3,262** | **(1,551)** | | **2,366** | **(4,905)** | |
| *Profit (Loss) from Operating Activities (%)* | 20% | (16%) | | 9% | (32%) | |
| **Finance Income** | **1** | **1** | | **1** | **1** | |
| *Finance Income (%)* | 0% | 0% | | 0% | 0% | |
| **EBIT*** | **3,263** | **(1,550)** | | **2,367** | **(4,904)** | |
| *EBIT (%)* | 20% | (16%) | | 9% | (32%) | |
| **Finance Cost** | **187** | **201** | | **384** | **408** | |
| *Finance Cost (%)* | 1% | 2% | | 2% | 3% | |
| **Profit (Loss) Before Taxation** | **3,076** | **(1,751)** | | **1,983** | **(5,312)** | |
| *Profit (Loss) Before Taxation (%)* | 19% | (18%) | | 8% | (35%) | |
| **Income Tax Expense/(Recovery)** | **1,232** | **(231)** | | **1,544** | **(636)** | |
| *Income Tax Expense/(Recovery) (%)* | 8% | (2%) | | 6% | (4%) | |
| **Net Earnings (Loss)** | **1,844** | **(1,520)** | | **439** | **(4,676)** | |
| *Net Earnings (Loss) (%)* | 12% | (16%) | | 2% | (31%) | |
| **EBITDA **** | **5,310** | **859** | | **6,501** | **(241)** | |
| *EBITDA (%)* | 33% | 9% | | 26% | (2%) | |
| **Meters Drilled** | **211,678** | **111,698** | **90%** | **334,217** | **163,637** | **104%** |
| **Earnings (Loss) Per Share** | | | | | | |
| **Basic** | **0.04** | **(0.04)** | | **0.01** | **(0.11)** | |
| **Diluted** | **0.04** | **(0.04)** | | **0.01** | **(0.11)** | |
| **Total Assets** | **66,032** | **66,450** | | **66,032** | **66,450** | |
| **Total Long - Term Liabilities** | **6,461** | **4,646** | | **6,461** | **4,646** | |
| **Cash Dividend Declared** | **NIL** | **NIL** | | **NIL** | **NIL** | |

*EBIT = Earnings before interest and taxes

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

See "Supplementary Disclosure - Non-IFRS Measures" on page 16

## RESULTS OF OPERATIONS

## THREE MONTHS ENDED JUNE 30, 2015 COMPARED TO THREE MONTHS ENDED JUNE 30, 2014

### Revenue

The Company recorded revenue of US$16M for the 2nd quarter of 2015, as compared to US$9.7M for the 2nd quarter of 2014, representing an increase of 65%. The increase in revenue is primarily attributable to the number of meters drilled increasing from 111,698 meters in the 2nd quarter of 2014 to 211,678 in 2nd quarter of 2015. The total meters drilled increased by 90% for the 2nd quarter of 2015 compared to the 2nd quarter of 2014. The percentage of meters drilled for the 2nd quarter of 2015 can be broken down as to 69% RC, 16% Core and 15% air core as compared to 73% RC, 16% Core and 11% air core for 2nd quarter of 2014. The Company still experienced pressure on pricing in the 2nd quarter of 2015 and the 2nd quarter of 2014 as a result of competition in the sector. This is evidenced by the fact that revenue increased by 65% whereas meters drilled increased by 90%.

### Cost of Sales and Gross Profit

The gross profit for the 2nd quarter of 2015 was US$6.6M, compared to a gross profit of US$1.7M for 2nd quarter of 2014, being an increase of US$4.9M.

The increase in cost of sales for the 2nd quarter of 2015 as compared to 2nd quarter of 2014 of US$1.5M reflects the following:

- Drill rig expenses and fuel increased by US$1.1M in conjunction with the increase in meters drilled.
- Employees benefits, external services and contractors expenses increased by US$0.7M due to more workers and more services being required in conjunction with the increase in revenue and the increase in meters drilled
- Depreciation decreased by US$0.2M relating to a greater amount of the Company's drill rigs and plant and equipment becoming fully depreciated.

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

SG&A expenses were US$3.3M for the 2nd quarter of 2015, compared to US$3.3M for the 2nd quarter of 2014, as the company was able to keep its administrative expenses consistent despite the increase in revenue as to the nature of these expenses are more fixed than variable.

### Foreign Exchange Gain

The Company realized a foreign exchange gain in the 2nd quarter of 2015 of US$23,000 compared to a foreign exchange gain of US$11,000 in the 2nd quarter of 2014. The foreign exchange gain is the result of fluctuations in the US Dollar against the Australian Dollar, the British Pound, the Euro, the Canadian Dollar, the Ghana Cedi and the Central African Franc.

### Profit from Operating Activities

Profit from operating activities (after cost of sales, SG&A expenses and foreign exchange gain) for the 2nd quarter of 2015 was US$3.3M, as compared to a loss of US$(1.6)M in the 2nd quarter of 2014.

**EBITDA Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 16)**

EBITDA margin for the 2nd quarter of 2015 was 33% compared to 9% for the 2nd quarter of 2014. See “Supplementary Disclosure - Non - IFRS Measures" on page 16.

**EBIT Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 16)**

EBIT margin for the 2nd quarter of 2015 was 20% compared to negative (16%) for the 2nd quarter of 2014. See supplementary Disclosure - "Non-IFRS Measures" on page 16.

**Depreciation**

Depreciation of property, plant and equipment was US$2M (US$1.9M in cost of sales and US$0.1M in SG&A) for the 2nd quarter of 2015 compared to US$2.4M (US$2.1M in cost of sales and US$0.3M in SG&A) for the 2nd quarter of 2014.

**Income Tax Expense/Recovery**

Income tax expense was US$1.2M for 2nd quarter of 2015 compared to an income tax recovery of US$0.2M for the 2nd quarter of 2014. The income tax expense of US$1.2M is comprised of current taxes of US$1.2M. The Company’s corporate tax rate in Ghana is 25%. In addition to corporate tax in Ghana, the Company pays withholding tax on revenues in certain countries in which it provides drilling services.

**Net Income**

The net income was US$1.8M for the 2nd quarter of 2015, or US$0.04 per Ordinary Share (US$0.04 per Ordinary Share fully diluted), compared to net loss of US$(1.5)M for the 2nd quarter of 2014, or US$(0.04) per Ordinary Share (US$(0.04) per Ordinary Share fully diluted).

## SIX MONTHS ENDED JUNE 30, 2015 COMPARED TO SIX MONTHS ENDED JUNE 30, 2014

### Revenue

The Company recorded revenue of US$25.4M for the six months ended June 30, 2015, as compared to US$15.1M for the six months ended June 30, 2014, representing an increase of 68%. The increase in revenue is primarily attributable to the number of meters drilled increasing from 163,637 meters in the six months ended June 30, 2014 to 334,217 in the six months ended June 30, 2015. The total meters increased by 104% for the six months ended June 30, 2015 compared to the six months ended June 30, 2014. The percentage of meters drilled for the six months ended June 30, 2015 can be broken down as to 75% RC, 15% Core and 10% air core as compared to 71% RC, 21% Core and 8% air core for the six months ended June 30, 2014.

### Cost of Sales and Gross Profit

The gross profit for the six months ended June 30, 2015 was US$8.6M, as compared to a gross profit of US$1.4M for the six months ended June 30, 2014, being an increase of US$7.2M.

The increase in cost of sales for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014 of US$3.1M reflects the following:

- Drill rig expenses and fuel increased by approximately US$2M in conjunction with the increase in revenue and the increase in meters drilled.

- Salaries, external services and contractors expenses increased by US$1.3M due to more workers and services being required in conjunction with the increased revenue and increased meters drilled.

- Depreciation decreased by US$0.2M relating to a greater amount of the Company's drill rigs and plant equipment becoming fully depreciated.

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

SG&A expenses were US$6.6M for the six months ended June 30, 2015, compared to US$6.4M for the six months ended June 30, 2014, or an increase of approximately US$0.2M.

The increase in SG&A expense for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014 reflects the following:

- Salaries, external services and contractor's expenses increased by US$0.1M due to an increase workers and services.

- Repairs and maintenance increased by US$0.3M relating to more repairs on motor vehicles and other support equipment.

- Depreciation decreased by US$0.3M relating to a greater amount of the Company's motor vehicles becoming fully depreciated.

### Foreign Exchange Gain

The Company realized a foreign exchange gain of US$0.3M in the six months ended June 30, 2015 compared to no foreign exchange gain or loss in the six months ended June 30, 2014. The foreign exchange gain or loss is the result of fluctuations in the US Dollar against the Australian Dollar, the British Pound, the Euro, the Canadian Dollar, the Ghana Cedi and the Central African Franc.

**Profit from Operating Activities**

The profit from operating activities (after cost of sales, SG&A expenses and foreign exchange loss) for the six months ended June 30, 2015 was US$2.4M, being 9% of revenue, as compared to a loss of US$(4.9)M in the six months ended June 30, 2014, being (32)% of revenue.

**EBITDA Margin (see "Supplementary Disclosure – Non-IFRS Measures" on page 16)**

EBITDA margin for the six months ended June 30, 2015 was 26% compared to (2)% for the six months ended June 30, 2014. See "Supplementary Disclosure - Non - IFRS Measures" on page 16.

**EBIT Margin (see "Supplementary Disclosure – Non-IFRS Measures" on page 16)**

EBIT margin for the six months ended June 30, 2015 was 9% compared to (32)% for the six months ended June 30, 2014. See Supplementary Disclosure - "Non-IFRS Measures" on page 16.

**Depreciation and Amortization**

Depreciation and amortization of property, plant and equipment was US$4.1M (US$3.8M in cost of sales and US$0.3M in SG&A) for the six months ended June 30, 2015 compared to US$4.7M (US$4.1M in cost of sales and US$0.6M in SG&A) for the six months ended June 30, 2014.

**Income Tax Expense/ Recovery**

Income tax expense was US$1.5M for the six months ended June 30, 2015 compared to an income tax recovery of US$0.6M for the six months ended June 30, 2014. The income tax expense of US$1.5M is comprised of current taxes of US$1.5M. The Company's corporate tax rate in Ghana is 25%. In addition to corporate tax in Ghana, the Company pays withholding tax on revenues in certain countries in which it provides drilling services

**Net Income**

The net income was US$0.4M, for the six months ended June 30, 2015, or US$0.01 per Ordinary Share (US$0.01) per Ordinary Share fully diluted), compared to a loss of US$(4.7)M, for the six months ended June 30, 2014, or US$(0.11) per Ordinary Share (US$0.11 per Ordinary Share fully diluted).

**SUMMARY OF QUARTERLY RESULTS**

| | 2015 | | 2014 | | | | 2013 | |
|---|---|---|---|---|---|---|---|---|
| **(in US$ 000s)** | **Jun-30** | **Mar-31** | **Dec 31** | **Sep 30** | **Jun 30** | **Mar 31** | **Dec 31** | **Sep 30** |
| Revenue | 16,001 | 9,388 | 9,704 | 10,767 | 9,679 | 5,445 | 3,559 | 4,031 |
| *Revenue Increase/ (Decrease)%* | *70%* | *(3%)* | *(10%)* | *11%* | *78%* | *53%* | *(12%)* | *(72%)* |
| Gross Profit / (Loss) | 6,572 | 2,008 | 2,403 | 2,976 | 1,734 | (289) | (1,929) | (613) |
| *Gross Margin (%)* | *41%* | *21%* | *25%* | *28%* | *18%* | *(5%)* | *(54%)* | *(15%)* |
| Net Earnings /(Loss) | 1,844 | (1,405) | (1,336) | (690) | (1,520) | (3,155) | (5,649) | (3,512) |
| Per Share - Basic | 0.04 | ( 0.03 ) | ( 0.03 ) | ( 0.02 ) | (0.04) | (0.07) | (0.13) | (0.08) |
| Per Share - Diluted | 0.04 | ( 0.03 ) | ( 0.03 ) | ( 0.02 ) | (0.04) | (0.07) | (0.13) | (0.08) |

The Company's revenue increased significantly on a quarter over quarter basis by US$6.6M or 70% for the 2nd quarter ended June 30, 2015 compared to the 1st quarter ended March 31, 2015. It has been three years since the Company was last able to generate revenue in excess of US$16M. The Company was also able to generate gross profit of US$6.6M in the 2nd quarter. This is the fifth consecutive quarter in which the Company has been able to generate positive gross margins ranging from 18% to 41%. On a quarter to quarter basis, the Company's revenue increased by US$6.3M compared to the 2nd quarter ended June 30, 2014. Although the Company was able to generate quarterly revenue of US$16M, the Company continues to believe that there is an industry wide slowdown in drilling activities as there is pressure on early stage exploration companies as financing from the capital markets continues to be challenging and there is also pressure on producing companies as they continue to need to manage their exploration costs in light of increasing costs on the production side of their business. The Company believes that the slowdown in drilling activity and pricing pressure will continue into 2015; and, as such the Company continues to actively bid on new jobs and has continued to take steps to control costs, monitor its workforce and is managing its capital expenditures.

The Company's operations have tended to exhibit a seasonal pattern. 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. 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.

**Effect of Exchange Rate Movements**

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

The Company's revenue is invoiced in US Dollars and local currencies. For local currency invoices, there is a risk that the local currency can devalue between the date of the invoice and the date of receipt of the related payment. The Company's purchases are in US Dollars, Australian Dollars, Euros, Canadian Dollars and local currencies. Other local expenses include wages which are paid in the local currency.

**SELECTED INFORMATION FROM CONSOLIDATED STATEMENTS OF CASH FLOWS**

| (in US$ 000s) | Three months Ended June 30 2015 | Three months Ended June 30 2014 | Six months Ended June 30 2015 | Six months Ended June 30 2014 |
|---|---|---|---|---|
| Net cash generated in (used in) operating activities | 1,465 | (205) | 659 | (1,524) |
| Net cash used in investing activities | (557) | (472) | (1,210) | (532) |
| Net cash (used in) provided from financing activities | (269) | (292) | (903) | 356 |
| Effect of movement in exchange rates on cash | 6 | 30 | 53 | 58 |
| **Net increase (decrease) in cash** | 645 | (939) | (1,401) | (1,642) |

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

As at June 30, 2015 the Company had cash equal to US$3.8M and US$2M available on the US$2M Credit Line. As at June 30, 2015 the Company had loans payable of US$6.5M. Since the Company has loans payable, the Company continues to monitor its cash and its capital spending in response to the industry wide slowdown for drilling activities and in conjunction with the loans that need to be repaid. As at August 13, 2015, the Company had not drawn on the US$2M Credit Line.

## SECOND QUARTER ENDED JUNE 30, 2015

### Operating Activities

In the 2$^{nd}$ quarter of 2015, the Company generated cash from operating activities of US$1.5M, as compared to using cash in operating activities of US$0.2M in the 2$^{nd}$ quarter of 2014. The Company realized a gain before taxation of US$3.1M for the 2$^{nd}$ quarter of 2015 but the impact of changes in non-cash items and changes in working capital items used cash of US$1.6M resulting in cash generated from operations of US$1.5M.

### Investing Activities

In the 2$^{nd}$ quarter of 2015, the Company's investment in property, plant and equipment was US$0.6M compared to US$0.5M in the 2$^{nd}$ quarter of 2014. Plant and equipment additions in the 2$^{nd}$ quarter of 2015 mainly included the costs associated with rebuilding existing drill rigs and related equipment and the purchase of new plant and equipment. The Company continues to believe that reinvesting in property, plant and equipment and maintaining a modern fleet will allow the Company to continue to provide high quality services to its customers.

### Financing Activities

During the 2$^{nd}$ quarter of 2015, the Company used cash of US$0.3M relating to the quarterly principal repayments on the US$2M Term Loan, compared to using US$0.3M in the 2$^{nd}$ quarter of 2014, relating to the quarterly principal repayment on the equipment loans.

## SIX MONTHS ENDED JUNE 30, 2015

### Operating Activities

In the six months ended June 30, 2015, the Company generated cash from operating activities of US$0.7M, as compared to using net cash in operating activities of US$1.5M in the six months ended June 30, 2014. The Company realized a profit before taxation of US$2M for the six months ended June 30, 2015 but the impact of changes in non-cash items and the changes in working capital items resulted in cash generated from operations of US$0.7M.

### Investing Activities

In the six months ended June 30, 2015, the Company's investment in property, plant and equipment was US$1.2M compared to US$0.5M in six months ended June 30, 2014. Plant and equipment expenditures in the six months ended June 30, 2015 mainly included the costs associated with rebuilding existing drill rigs and related equipment, and the purchase of new plant and equipment.

**Financing Activities**

During the six months ended June 30, 2015, the Company used cash of US$0.9M relating to quarterly principal repayments on various loans compared to generating cash of US$0.4M in the six months ended June 30, 2014 relating to loans received less the quarterly principal loan repayments on various loans.

## Contractual Obligations

| Contractual Obligations in US$ | Payments Due by | | | | |
|---|---|---|---|---|---|
| | Total | July 1 to Dec 31 2015 | 2016 | 2017 | 2018 |
| Operating Leases [1] | 353,000 | 123,000 | 126,000 | 86,000 | 18,000 |
| Purchase Obligations [2] | 800,000 | 800,000 | N/A | N/A | N/A |
| Loans [3] | 6,940,000 | 5,990,000 | 950,000 | N/A | N/A |
| **Total Contractual Obligations** | **8,093,000** | **6,913,000** | **1,076,000** | **86,000** | **18,000** |

(1) The operating leases relate to the lease payments for the two real estate properties, as fully disclosed under "Transactions with Related Parties". The annual rent payable shall be reviewed on an upward only basis every two years depending on the average price of two firms of real estate valuators/surveyors or real estate agents. The amount for 2015 represents three months only as the initial lease term expires on September 30, 2015. In addition, the operating leases includes amounts for other operating sites.
(2) The purchase obligations refer to the purchase of an additional drill rig that is currently on hold.
(3) Loans refer to the US$2M Term Loan and the US$5M Credit Line, including the related interest.

Contractual obligations will be funded in the short-term by cash as at June 30, 2015 of US$3.8M and the US$2M available on the US$2M Credit Line. Included in the US$6.4M due in 2015, is the US$5M Credit Line that is due on December 18, 2015. The Company has had initial discussions with Zenith Bank (Ghana) Limited and intends to replace or renew the US$5M Credit Line with them at the time of maturity.

**OUTLOOK**

The Company continues to believe that there is an industry wide slowdown in drilling activities as there is pressure on early stage exploration companies as financing from the capital markets continues to be challenging and there is also pressure on producing companies as they continue to need to manage their exploration costs in light of increasing costs on the production side of their business. The Company believes that the slowdown in drilling activity will continue through 2015 and, as such, the Company continues to actively bid on new jobs and continues to take steps to control costs, monitor its workforce and is managing its capital expenditures. As at June 30, 2015 the Company had 36 drill rigs that were available for operation, two drill rigs in the workshop and one drill rig on hold with the manufacturer. The Company's drill rig fleet available for operation or planned to be available for operation is noted as follows:

| Make - Model | Type | Available for Operation as at Mar 31, 2015 No. of Rigs | | Available for operation as at Jun 30, 2015 No. of Rigs | | Planned to be available for Operation as at Sep 30, 2015 No. of Rigs | | Planned to be available for Operation as at Dec 31, 2015 No. of Rigs | |
|---|---|---|---|---|---|---|---|---|---|
| UDR - 650 | Multi-Purpose | 2 | 1x2003<br>1x1993 | 2 | 1x2003<br>1x1993 | 2 | 1x2003<br>1x1993 | 2 | 1x2003<br>1x1993 |
| UDR - KL900 | Multi-Purpose | 3 | 1x2003<br>1x1999<br>1 x 2007 | 3 | 1x2007<br>1x2003<br>1x1999 | 3 | 1x2007<br>1x2003<br>1x1999 | 3 | 1x2007<br>1x2003<br>1x1999 |
| Sandvik - DE820 | Multi-Purpose | 3 | 3x2008 | 3 | 3x2008 | 5 | 3x2008<br>2x2010 | 5 | 3x2008<br>2x2010 |
| Sandvik - DE810 | Multi-Purpose | 6 | 6x2012 | 7 | 6x2012<br>1x2010 | 7 | 6x2012<br>1x2010 | 7 | 6x2012<br>1x2010 |
| EDM - 2000 | Multi-Purpose | 3 | 3x2011 | 3 | 3x2011 | 3 | 3x2011 | 3 | 3x2011 |
| Austex - X900 | Multi-Purpose | 5 | 3x2011<br>2x 2012 | 5 | 3x2011<br>2x 2012 | 5 | 3x2011<br>2x 2012 | 5 | 3x2011<br>2x 2012 |
| Sandvik - DE710 | Core | 8 | 2x2011<br>5x2010<br>1x2009 | 8 | 2x2011<br>5x2010<br>1x2009 | 8 | 2x2011<br>5x2010<br>1x2009 | 8 | 2x2011<br>5x2010<br>1x2009 |
| Austex - X300 | Aircore | 5 | 2x2011<br>2x2012<br>1x2010 | 5 | 2x2011<br>2x2012<br>1x2010 | 5 | 2x2011<br>2x2012<br>1x2010 | 5 | 2x2011<br>2x2012<br>1x2010 |
| **Total Drill Rigs Available for Operation** | | **35** | | **36** | | **38** | | **38** | |

| | As at Mar 31, 2015 | | As at Jun 30, 2015 | | Planned as at Sep 30, 2015 | | Planned as at Dec 31, 2015 | |
|---|---|---|---|---|---|---|---|---|
| | No. of Rigs | Type | No. of Rigs | Type | No. of Rigs | Type | No. of Rigs | Type |
| Available for Operation | 22<br>8<br>5 | Multi-Purpose<br>Core Only<br>Air core | 23<br>8<br>5 | Multi-Purpose<br>Core Only<br>Air core | 25<br>8<br>5 | Multi-Purpose<br>Core Only<br>Air core | 25<br>8<br>5 | Multi-Purpose<br>Core Only<br>Air core |
| **TOTAL AVAILABLE FOR OPERATION** | 35 | | 36 | | 38 | | 38 | |
| In W/Shop | 3 | Multi-Purpose | 2 | Multi-Purpose | 0 | Multi-Purpose | 0 | Multi-Purpose |
| **Total in W/Shop** | 3 | | 2 | | 0 | | 0 | |
| Manufacturing - on hold | 1 | Multi-Purpose | 1 | Multi-Purpose | 1 | Multi-Purpose | 1 | Multi-Purpose |
| **Total Manufacturing - on hold** | 1 | | 1 | | 1 | | 1 | |
| **TOTAL DRILL RIGS** | 39 | | 39 | | 39 | | 39 | |

| **Split** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Multi-Purpose | 26 | | 26 | | 26 | | 26 | |
| Core Only | 8 | | 8 | | 8 | | 8 | |
| Air Core | 5 | | 5 | | 5 | | 5 | |
| TOTAL | 39 | | 39 | | 39 | | 39 | |

## SUPPLEMENTARY DISCLOSURE - NON-IFRS MEASURES

EBIT is defined as Earnings before Interest and Taxes and EBITDA is defined as Earnings before Interest, Taxes, Depreciation and Amortization. The definitions are used in this MD&A as measures of financial performance. The Company believes EBIT and EBITDA are useful to investors because they are frequently used by securities analysts, investors and other interested parties to evaluate companies in the same industry. However, EBIT and EBITDA are not measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. EBIT and EBITDA should not be viewed in isolation and do not purport to be alternatives to net income or gross profit as indicators of operating performance or cash flows from operating activities as a measure of liquidity. EBIT and EBITDA do not have standardized meanings prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies. Also, EBIT and EBITDA should not be construed as alternatives to other financial measures determined in accordance with IFRS.

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

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

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

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| **(US$ 000s)** | June 30, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| Income (Loss) from Operating Activities | 3,262 | (1,551) | 2,366 | (4,905) |
| Add: Finance Income | 1 | 1 | 1 | 1 |
| **Income (Loss) Before Interest and Taxes (EBIT)** | **3,263** | **(1,550)** | **2,367** | **(4,904)** |
| Add: Depreciation and Amortization | 2,047 | 2,409 | 4,134 | 4,663 |
| **Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)** | **5,310** | **859** | **6,501** | **(241)** |

## DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO") of the Company are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The CEO and the CFO have designed such DC&P, or caused them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. As at June 30, 2015, the CEO and CFO evaluated the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P were effective as at June 30, 2015.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There were no changes in the Company's internal control over financial reporting during the period beginning on January 1, 2015 and ending on June 30, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## RISK FACTORS

A complete discussion of general risks and uncertainties may be found in the Company's Annual Information Form for the fiscal year ended December 31, 2014 which can be found on the SEDAR website at www.sedar.com, and which continue to apply to the business of the Company. The Company is not aware of any significant changes to risk factors from those disclosed at that time.

## 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$ |
|---|---|---|---|---|
| **June 30, 2015** | | | | |
| **Financial assets** | | | | |
| Trade and other receivables | 11,376,433 | - | 11,376,433 | 11,376,433 |
| Cash | 3,795,415 | - | 3,795,415 | 3,795,415 |
| | 15,171,848 | - | 15,171,848 | 15,171,848 |
| **Financial liabilities** | | | | |
| Trade and other payables | - | 7,332,538 | 7,332,538 | 7,332,538 |
| Related party payables | - | 923,025 | 923,025 | 923,025 |
| Loans payable | - | 6,461,454 | 6,461,454 | 6,461,454 |
| | - | 14,717,017 | 14,717,017 | 14,717,017 |
| **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 |

## RELATED PARTY TRANSACTIONS

| Related party | Relationship | Country of Incorporation | Ownership Interest 2015 | Ownership Interest 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 valuators/surveyors or real estate agents; (ii) at the end of the original five year lease term, Geodrill Ghana Limited shall have the option to renew the lease for an additional five year term with similar rent and conditions; and (iii) either party may terminate the lease agreement provided they give the other party 12 months' notice.

On October 1, 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.

Future operating lease commitments related to the properties are:

| | June 30, 2015 US$ | December 31, 2014 US$ |
|---|---|---|
| Payable within one year | 60,000 | 180,000 |
| Payable between 1 and 5 years | - | - |
| Total | 60,000 | 180,000 |

During the three and six months period ended June 30, 2015 lease payments amounted to US$60,000 and US$120,000, respectively (June 30, 2014: US$50,000 and $100,000).

### (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 six month period ended June 30, 2015 amounted to US$Nil (Year ended December 31, 2014: US$Nil).

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

| | Three month period ended June 30, | | Six month period ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | US$ | US$ | US$ | US$ |
| Short-term benefits | 436,538 | 464,393 | 827,464 | 916,371 |
| Share-based payment arrangements | 91,200 | 118,857 | 91,200 | 136,614 |
| | 527,738 | 583,250 | 918,664 | 1,052,985 |

### (iii) Related party balances

The related party payable outstanding as at June 30, 2015 amounts 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.

## OFF BALANCE SHEET ARRANGEMNETS

The Company has not entered into any off balance sheet arrangements during the six months ended June 30, 2015 and 2014.

## SIGNIFICANT ACCOUNTING POLICIES

The Company's IFRS significant accounting policies are provided in Note 4 to the audited annual consolidated financial statements for the year ended December 31, 2014 and can be found on SEDAR at www.sedar.com.

## APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's application of new and revised IFRS are provided in Note 3 to the audited annual consolidated financial statements for the year ended December 31, 2014 and can be found on SEDAR at www.sedar.com. There have been no material effects on the condensed interim consolidated financial statements for the quarter ended June 30, 2015.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

### (i) Estimates

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

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

#### b. Share-based payment transactions

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

#### c. Inventory provision

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

**d. Allowance for doubtful accounts**

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

**e. Income tax**

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

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

**(ii) Judgements**

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

The Group tests at each reporting period whether property, plant and equipment have suffered any impairment, in accordance with the accounting policy stated in Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2014. The recoverable amounts of each cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

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

**b. Functional currency**

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

**Additional Information**

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