

**GEODRILL LIMITED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THIRD QUARTER ENDED SEPTEMBER 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 nine months ended September 30, 2015 as compared to the corresponding period in the previous year and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 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 November 8, 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](http://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 is building an office, 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**

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. 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 modern state-of-the-art drilling rigs, and established centrally located world class workshops to promote

client satisfaction through reliable operational performance. In addition, within the workshop in Ghana is a manufacturing facility with the capacity to produce ancillary equipment such as RC drill rods and RC wire-line drill subs in-house, reducing downtime and reliance on suppliers for these items.

- **Establishing, building and maintaining long-standing relationships with customers:** The Company has strong client relationships. Typically a longer term client relationship of the Company originally commenced as a short term drill contract won under a 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, Health, Safety and Environmental ("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 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 3<sup>rd</sup> quarter of 2015, Ghana accounted for 23% of the Company's revenue and Burkina Faso, Cote d'Ivoire and Mali collectively accounted for 77% of the Company's revenue, compared to 42% for Ghana and 58% for Burkina Faso, Cote d'Ivoire, Mali and Togo collectively in the 3<sup>rd</sup> quarter of 2014.

Management's plans include continuing to take advantage of opportunities in other minerals, including iron ore, manganese, uranium, copper 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, Burkina Faso, Cote d'Ivoire and Mali. The Company is also 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 September 30, 2015, included in revenue are three customers who individually contributed 10% or more to the Group's revenue. One customer contributed 29%, one customer contributed 21%, and one customer contributed 13%.

For the three months ended September 30, 2014, included in revenue were four customers who individually contributed 10% or more to the Group's revenue. One customer contributed 30%, one customer contributed 25%, one customer contributed 15% and one customer contributed 11%.

## OUTSTANDING SECURITIES AS OF NOVEMBER 8, 2015

The Company is authorized to issue an unlimited number of Ordinary Shares. As of November 8, 2015 the Company has the following securities outstanding:

Number of Ordinary Shares	42,512,000
Number of Options	<u>3,570,000</u>
Fully Diluted	<u>46,082,000</u>

From January 1, 2015 to November 8, 2015, 390,000 options were issued.

## OVERALL PERFORMANCE

### Revenue Per Country

Location	Three months ended				Nine months ended			
	Sep 30 2015		Sep 30 2014		Sep 30 2015		Sep 30 2014	
	US\$ 000s	%	US\$ 000s	%	US\$ 000s	%	US\$ 000s	%
Ghana	2,356	23%	4,525	42%	11,878	33%	12,707	49%
Burkina Faso and other	7,828 <sup>(1)</sup>	77%	6,242 <sup>(2)</sup>	58%	23,695 <sup>(1)</sup>	67%	13,184 <sup>(2)</sup>	51%
	10,184	100%	10,767	100%	35,573	100%	25,891	100%

<sup>(1)</sup> Included in Burkina Faso and other is Cote d'Ivoire and Mali.

<sup>(2)</sup> Included in Burkina Faso and other is Cote d'Ivoire, Mali and Togo.

### Meters Drilled Per Country

Location	Three months ended				Nine months ended			
	Sep 30 2015		Sep 30 2014		Sep 30 2015		Sep 30 2014	
		%		%		%		%
Ghana	45,703	23%	40,723	28%	142,591	27%	115,466	37%
Burkina Faso and other	150,206 <sup>(1)</sup>	77%	107,302 <sup>(2)</sup>	72%	387,535 <sup>(1)</sup>	73%	196,196 <sup>(2)</sup>	63%
	195,909	100%	148,025	100%	530,126	100%	311,662	100%

<sup>(1)</sup> Included in Burkina Faso and other is Cote d'Ivoire and Mali.

<sup>(2)</sup> Included in Burkina Faso and other is Cote d'Ivoire, Mali and Togo.

The Company generated revenue of US\$10.2M in the 3<sup>rd</sup> quarter of 2015, a decrease of US\$0.6M or 6% when compared to US\$10.8M in the 3<sup>rd</sup> 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 as 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 industry wide slowdown, meters drilled in the 3<sup>rd</sup> quarter of 2015 totaled 195,909 which is an increase of 32% when compared to 148,025 meters drilled in the 3<sup>rd</sup> quarter of 2014. Although meters drilled increased, on a quarter to quarter basis the Company's revenue decreased relating to the mix of meters drilled in the 3<sup>rd</sup> quarter of 2015 compared to the 3<sup>rd</sup> quarter of 2014. The Company recorded US\$10.2M in revenue in the quarter; however, 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 3<sup>rd</sup> quarter of 2015 was US\$2.5M, being 25% of revenue compared to a gross profit of US\$3.0M, being 28% of revenue for the 3<sup>rd</sup> quarter of 2014. The gross profit decrease reflects the decrease in revenue of US\$0.6M with only a corresponding decrease in cost of sales of US\$0.1M. The Company was able to manage its cost of sales and was able to generate a positive gross profit in the 3<sup>rd</sup> quarter of 2015. See "Supplementary Disclosure - Non IFRS Measures" on page 16.

EBITDA (as defined herein) for the 3<sup>rd</sup> quarter of 2015 was US\$1.5M, being 15% of revenue compared to EBITDA of US\$2.0M, being 19% of revenue for the 3<sup>rd</sup> quarter of 2014. See "Supplementary Disclosure - Non IFRS Measures" on page 16.

The EBIT (as defined herein) for the 3<sup>rd</sup> quarter of 2015 was an EBIT loss of US\$(0.7)M, compared to an EBIT loss of US\$(0.2)M, for the 3<sup>rd</sup> quarter of 2014. See "Supplementary Disclosure - Non IFRS Measures" on page 16.

The net loss for the 3<sup>rd</sup> quarter of 2015 was US\$(1.8)M or US\$(0.04) per Ordinary Share (US\$(0.04) per Ordinary Share fully diluted), compared to a net loss of US\$(0.7)M for the 3<sup>rd</sup> quarter of 2014 or US\$(0.02) per Ordinary Share (US\$(0.02) per Ordinary Share fully diluted).

## SELECTED FINANCIAL INFORMATION

(in US\$ 000s)	Three Months Ended		% Change	Nine Months Ended		% Change
	Sep 30 2015	Sep 30 2014	Sep 30 2015 vs 2014	Sep 30 2015	Sep 30 2014	Sep 30 2015 vs 2014
<b>Revenue</b>	<b>10,184</b>	<b>10,767</b>	<b>(6%)</b>	<b>35,573</b>	<b>25,891</b>	<b>37%</b>
<b>Cost of Sales</b>	<b>7,695</b>	<b>7,791</b>	<b>(1%)</b>	<b>24,503</b>	<b>21,470</b>	<b>14%</b>
<i>Cost of Sales (%)</i>	76%	72%		69%	83%	
<b>Gross Profit / (Loss)</b>	<b>2,489</b>	<b>2,976</b>	<b>16%</b>	<b>11,070</b>	<b>4,421</b>	<b>150%</b>
<i>Gross Profit / (Loss) Margin (%)</i>	24%	28%		31%	17%	
<b>Selling, General and Administrative Expenses</b>	<b>3,006</b>	<b>3,380</b>	<b>(11%)</b>	<b>9,562</b>	<b>9,731</b>	<b>(2%)</b>
<i>Selling, General and Administrative Expenses (%)</i>	30%	31%		27%	38%	
<b>Foreign Exchange (Loss) / Gain</b>	<b>(173)</b>	<b>(13)</b>		<b>168</b>	<b>(12)</b>	
<i>Foreign Exchange (Loss) / Gain(%)</i>						
<b>(Loss) / Profit from Operating Activities</b>	<b>(690)</b>	<b>(417)</b>		<b>1,676</b>	<b>(5,322)</b>	
<i>(Loss) / Profit from Operating Activities (%)</i>	(7%)	(4%)		5%	(21%)	
<b>Other Income</b>	<b>-</b>	<b>224</b>		<b>-</b>	<b>224</b>	
<i>Other Income (%)</i>						
<b>Finance Income</b>	<b>-</b>	<b>1</b>		<b>1</b>	<b>2</b>	
<i>Finance Income (%)</i>						
<b>EBIT*</b>	<b>(690)</b>	<b>(192)</b>		<b>1,677</b>	<b>(5,096)</b>	
<i>EBIT (%)</i>	(7%)	(2%)		5%	(20%)	
<b>Finance Cost</b>	<b>(182)</b>	<b>(239)</b>		<b>(567)</b>	<b>(647)</b>	
<i>Finance Cost (%)</i>	(2%)	(2%)		(2%)	(2%)	
<b>(Loss) / Profit Before Taxation</b>	<b>(872)</b>	<b>(431)</b>		<b>1,110</b>	<b>(5,743)</b>	
<i>(Loss) / Profit Before Taxation (%)</i>	(9%)	(4%)		3%	(22%)	
<b>Income Tax Expense / (Recovery)</b>	<b>908</b>	<b>259</b>		<b>2,451</b>	<b>(377)</b>	
<i>Income Tax Expense / (Recovery)</i>	9%	2%		7%	(1%)	
<b>Net Loss</b>	<b>(1,780)</b>	<b>(690)</b>		<b>(1,341)</b>	<b>(5,366)</b>	
<i>Net Loss %</i>	(1.7%)	(6%)		(4%)	(21%)	
<b>EBITDA **</b>	<b>1,516</b>	<b>2,004</b>		<b>8,017</b>	<b>1,763</b>	
<i>EBITDA (%)</i>	15%	19%		23%	7%	
<b>Meters Drilled</b>	<b>195,909</b>	<b>148,025</b>	<b>32%</b>	<b>530,126</b>	<b>311,662</b>	<b>70%</b>
<b>Loss Per Share</b>						
<b>Basic</b>	<b>(0.04)</b>	<b>(0.02)</b>		<b>(0.03)</b>	<b>(0.13)</b>	
<b>Diluted</b>	<b>(0.04)</b>	<b>(0.02)</b>		<b>(0.03)</b>	<b>(0.13)</b>	
<b>Total Assets</b>	<b>62,186</b>	<b>67,064</b>		<b>62,186</b>	<b>67,064</b>	
<b>Total Long - Term Liabilities</b>	<b>-</b>	<b>6,192</b>		<b>-</b>	<b>6,192</b>	
<b>Cash Dividend Declared</b>	<b>NIL</b>	<b>NIL</b>		<b>NIL</b>	<b>NIL</b>	

\*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 SEPTEMBER 30, 2015 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2014

#### Revenue

The Company recorded revenue of US\$10.2M for the 3<sup>rd</sup> quarter of 2015, as compared to US\$10.8M for the 3<sup>rd</sup> quarter of 2014, representing a decrease of 6%. The number of meters drilled increased from 148,028 meters in 3<sup>rd</sup> quarter of 2014 to 195,909 in the 3<sup>rd</sup> quarter of 2015. The total meters drilled increased by 32% for the 3<sup>rd</sup> quarter of 2015 compared to the 3<sup>rd</sup> quarter of 2014. The decrease in revenue is primarily attributable to the mix of meters drilled in the 3<sup>rd</sup> quarter of 2015 compared to the 3<sup>rd</sup> quarter of 2014. The percentage of meters drilled for 3<sup>rd</sup> quarter of 2015 can be broken down as to 51% RC, 31% air core, 13% grade control, 4% core and 1% water bore as compared to 82% RC, 17% core, 1% air core and nil for grade control and water bore for the 3<sup>rd</sup> quarter of 2014. The decrease in core meters from 17% in the 3<sup>rd</sup> quarter of 2014 to 4% in the 3<sup>rd</sup> quarter of 2015 coupled with the increase in the combined air core and grade control meters of 44% compared to only 1% in the 3<sup>rd</sup> quarter of 2014 explains why the Company drilled 32% more meters but revenue decreased by 6%. In addition the Company still experienced pressure on pricing in the 3<sup>rd</sup> quarter of 2015 compared to the 3<sup>rd</sup> quarter of 2014 as a result of competition in the sector.

#### Cost of Sales and Gross Profit

The gross profit for the 3<sup>rd</sup> quarter of 2015 was US\$2.5M, compared to a gross profit of US\$3.0M for 3<sup>rd</sup> quarter of 2014, being a decrease of US\$0.5M. The decrease in gross profit relates to the decrease in sales of US\$0.6M and a decrease in cost of sales of US\$0.1M.

The decrease in cost of sales of US\$0.1M for the 3<sup>rd</sup> quarter of 2015 as compared to 3<sup>rd</sup> quarter of 2014 reflects the following:

- Drill rig expenses and fuel decreased by US\$0.4M in conjunction with the change in mix of meters drilled; and
- Employee benefits, external services and contractors expenses increased by US\$0.3M due to more workers and more services being required in conjunction with the increase in meters drilled.

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

SG&A expenses were US\$3.0M for the 3<sup>rd</sup> quarter of 2015, compared to US\$3.4M for the 3<sup>rd</sup> quarter of 2014, being a decrease of US\$0.4M.

The decrease in SG&A expenses for the 3<sup>rd</sup> quarter of 2015 as compared to the 3<sup>rd</sup> quarter of 2014 of US\$0.4M reflects the following:

- Employee benefits, external services and contractors expenses decreased by US\$0.4M due to a decrease in workers and less services being required.



## **Foreign Exchange Loss**

The Company realized a foreign exchange loss in the 3<sup>rd</sup> quarter of 2015 of US\$173,000 compared to a foreign exchange loss of US\$13,000 in the 3<sup>rd</sup> quarter of 2014. The foreign exchange loss is the result of fluctuations in the US Dollar against the Australian Dollar, the British Pound, the Euro, the Canadian Dollar, the Ghana Cedi and the Central African Franc.

## **Loss from Operating Activities**

Loss from operating activities (after cost of sales, SG&A expenses and foreign exchange loss) for the 3<sup>rd</sup> quarter of 2015 was a loss of US\$(0.7)M, as compared to a loss of US\$(0.4)M in the 3<sup>rd</sup> quarter of 2014.

## **Other Income**

In the 3<sup>rd</sup> quarter of 2014 the Company collected US\$0.2M in insurance proceeds relating to an insured rig that was subsequently repaired.

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

EBITDA margin for the 3<sup>rd</sup> quarter of 2015 was 15% compared to 19% for the 3<sup>rd</sup> 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 3<sup>rd</sup> quarter of 2015 was negative (7%) compared to negative (2%) for the 3<sup>rd</sup> quarter of 2014. See Supplementary Disclosure - "Non IFRS Measures" on page 16.

## **Depreciation**

Depreciation of property, plant and equipment was US\$2.2M (US\$2.1M in cost of sales and US\$0.1M in SG&A) for the 3<sup>rd</sup> quarter of 2015 compared to US\$2.2M (US\$2.0M in cost of sales and US\$0.2M in SG&A) for the 3<sup>rd</sup> quarter of 2014.

## **Income Tax Expense**

Income tax expense was US\$0.9M for the 3<sup>rd</sup> quarter of 2015 compared to an income tax expense of US\$0.3M for the 3<sup>rd</sup> quarter of 2014. The income tax expense of US\$0.9M is comprised of current tax expense of US\$0.9M. The Company's corporate tax rate in Ghana is 25%. In addition to corporate tax in Ghana, the Company pays withholding tax on revenues in certain countries in which it provides drilling services.

## **Net Loss**

The net loss was US\$(1.8)M, for the 3<sup>rd</sup> quarter of 2015, or US\$(0.04) per Ordinary Share (US\$(0.04) per Ordinary Share fully diluted), compared to a net loss of US\$(0.7)M, for the 3<sup>rd</sup> quarter of 2014, or US\$(0.02) per Ordinary Share (US\$(0.02) per Ordinary Share fully diluted).

## **NINE MONTHS ENDED SEPTEMBER 30, 2015 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2014**

### **Revenue**

The Company recorded revenue of US\$35.6M for the nine months ended September 30, 2015, as compared to US\$25.9M for the nine months ended September 30, 2014, representing an increase of 37%. The increase in revenue is primarily attributable to the number of meters drilled increasing from 311,662 meters in the nine months ended September 30, 2014 to 530,126 in the nine months ended September 30, 2015, or an increase of 70%. The mix of meters however changed resulting in less revenue per meter. The percentage of meters drilled for the nine months ended September 30, 2015 can be broken down as to 60% RC, 19% air core, 11% core and 10% grade control as compared to 75% RC, 19% core, 5% air core and 1% grade control for the nine months ended September 30, 2014.

### **Cost of Sales and Gross Profit**

The gross profit for the nine months ended September 30, 2015 was US\$11.0M, compared to a gross profit of US\$4.4M for the nine months ended September 30, 2014, being an increase of US\$6.6M. The increase in gross profit relates to the increase in revenue of US\$9.6M offset by an increase in cost of sales of US\$3.0M.

The increase in cost of sales for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 of US\$3.0M reflects the following:

- Drill rig expenses and fuel increased by approximately US\$1.6M in conjunction with the increase in revenue and the increase in meters drilled; and
- Salaries, external services and contractors expenses increased by US\$1.6M due to more workers being required in conjunction with the increased meters drilled.

### **Selling, General and Administrative (“SG&A”) Expenses**

SG&A expenses were US\$9.6M for the nine months ended September 30, 2015, compared to US\$9.7M for the nine months ended September 30, 2014, or a reduction of approximately US\$0.1M. The Company was able to keep its administrative expenses consistent despite the increase in revenue as the nature of these expenses are more fixed than variable.

### **Foreign Exchange Gain/Loss**

The Company realized a foreign exchange gain for the nine months ended September 30, 2015 of US\$168,000 compared to a foreign exchange loss of US\$12,000 in the nine months ended September 30, 2014. The exchange gain or loss is the result of fluctuations in the US Dollar against the Australian Dollar, the British Pound, the Euro, the Canadian Dollar, the Ghana Cedi and the Central African Franc.

### **Profit / (Loss) from Operating Activities**

The profit from operating activities (after cost of sales, SG&A expenses and foreign exchange gain) for the nine months ended September 30, 2015 was a profit of US\$1.7M, being 5% of revenue, as compared to a loss of US\$(5.3)M in the nine months ended September 30, 2013, being (21)% of revenue.

## Other Income

In the nine months ended September 30, 2014, the Company collected US\$0.2M in insurance proceeds relating to an insured rig that was subsequently repaired.

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

EBITDA margin for the nine months ended September 30, 2015 was 23% compared to 7% for the nine months ended September 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 nine months ended September 30, 2015 was 5% compared to (20)% for the nine months ended September 30, 2014. See “Supplementary Disclosure - Non IFRS Measures” on page 16.

## Depreciation and Amortization

Depreciation and amortization of property, plant and equipment was US\$6.3M (US\$5.9M in cost of sales and US\$0.4M in SG&A) for the nine months ended September 30, 2015 compared to US\$6.9M (US\$6.1M in cost of sales and US\$0.8M in SG&A) for the nine months ended September 30, 2014.

## Income Tax Expense/ Recovery

Income tax expense was US\$2.5M for the nine months ended September 30, 2015 compared to an income tax recovery of US\$0.4M for the nine months ended September 30, 2014. The income tax expense of US\$2.5M is comprised of a current tax expense of US\$2.5M. 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 Loss

The net loss was US\$(1.3)M for the nine months ended September 30, 2015, or US\$(0.03) per Ordinary Share (US\$(0.03) per Ordinary Share fully diluted), compared to net loss US\$(5.4)M, for the nine months ended September 30, 2013, or US\$(0.13) per Ordinary Share (US\$(0.13) per Ordinary Share fully diluted).

## SUMMARY OF QUARTERLY RESULTS

(in US\$ 000s)	2015				2014			2013
	Sep-30	Jun-30	Mar-31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenue	10,184	16,001	9,388	9,704	10,767	9,679	5,445	3,559
Revenue (Decrease)/ Increase %	(36%)	70%	(3%)	(10%)	11%	78%	53%	(12%)
Gross Profit / (Loss)	2,484	6,572	2,008	2,403	2,976	1,734	(289)	(1,929)
Gross Margin (%)	25%	41%	21%	25%	28%	18%	(5%)	(54%)
Net (Loss)/Earnings	(1,780)	1,844	(1,405)	(1,336)	(690)	(1,520)	(3,155)	(5,649)
Per Share - Basic	(0.04)	0.04	(0.03)	(0.03)	(0.02)	(0.04)	(0.07)	(0.13)
Per Share - Diluted	(0.04)	0.04	(0.03)	(0.03)	(0.02)	(0.04)	(0.07)	(0.13)

The Company’s revenue decreased on a quarter over quarter basis by US\$5.8M for the 3<sup>rd</sup> quarter ended September 30, 2015 compared to the 2<sup>nd</sup> quarter ended June 30, 2015. The decrease is a result of

the fact that the 2<sup>nd</sup> quarter ended June 30, 2015 was extremely strong. The revenue in the 2<sup>nd</sup> quarter of 2015 was US\$16M, well above the average of approximately US\$10M that the Company has been achieving since the 2<sup>nd</sup> quarter of 2014. This is the sixth consecutive quarter in which the Company has been able to generate positive gross margins ranging from 18% to 41%. On a quarter by quarter basis, the Company's revenue decreased by US\$0.6M compared to the 3<sup>rd</sup> quarter ended September 30, 2014, largely related to the mix in drilling services in the current quarter versus the prior year quarter. The Company believes that the slowdown in drilling activity and pricing pressure will continue through 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 continues to be affected by the 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'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		Nine months Ended	
	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Net cash generated from /(used in) operating activities	2,697	(411)	3,356	(1,934)
Net cash (used in) / generated from investing activities	(767)	1	(1,977)	(531)
Net cash (used in)/ provided from financing activities	(277)	864	(1,180)	1,219
Effect of movement in exchange rates on cash	(4)	69	49	127
<b>Net increase / (decrease) in cash</b>	<b>1,649</b>	<b>523</b>	<b>248</b>	<b>(1,119)</b>

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity**

As at September 30, 2015 the Company had cash equal to US\$5.4M and US\$2M available on the US\$2M Credit Line. As at September 30, 2015 the Company had loans payable of US\$6.2M. 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. Subsequent to the September 30, 2015 quarter, the Company has drawn US\$0.25M on the US\$2M Credit Line relating to the deposit on a new drill rig that is currently being manufactured.

### **THIRD QUARTER ENDED SEPTEMBER 30, 2015**

#### **Operating Activities**

In the 3<sup>rd</sup> quarter of 2015, the Company generated cash from operating activities of US\$2.7M, as compared to using cash in operating activities of US\$0.4M in the 3<sup>rd</sup> quarter of 2014. The Company realized a loss before taxation of US\$(0.9)M for the 3<sup>rd</sup> quarter of 2015 but the impact of changes in non-cash items and changes in working capital items resulted in cash generated from operations of US\$2.7M.

#### **Investing Activities**

In the 3<sup>rd</sup> quarter of 2015, the Company's investment in property, plant and equipment was US\$0.8M, as compared to investing US\$0.2M in the 3<sup>rd</sup> quarter of 2014. In the 3<sup>rd</sup> quarter of 2014, the Company invested US\$0.2M in property, plant and equipment; however the Company also received US\$0.2M related to a damaged rig that has been repaired. Property, plant and equipment additions in the 3<sup>rd</sup> quarter of 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 3<sup>rd</sup> quarter of 2015, the Company used cash of US\$0.3M relating to the quarterly principal repayment on the US\$2M Term Loan. In the 3<sup>rd</sup> quarter of 2014, the Company generated cash of US\$0.9M from financing activities. In the 3<sup>rd</sup> quarter of 2014, the Company drew down US\$0.6M from the US\$5M Credit Line, obtained a US\$2.0M Term Loan and made repayments on loans of US\$1.7M.

### **NINE MONTHS ENDED SEPTEMBER 30, 2015**

#### **Operating Activities**

In the nine months ended September 30, 2015, the Company generated cash from operating activities of US\$3.4M, as compared to using cash in operating activities of US\$1.9M in the nine months ended September 30, 2014. The Company realized a loss before taxation of US\$(5.7)M for the nine months ended September 30, 2014 but the impact of changes in non-cash items and the changes in working capital items resulted in cash used in operations of US\$1.9M.

#### **Investing Activities**

In the nine months ended September 30, 2015, the Company's investment in property, plant and equipment was US\$2.0M. Property, plant and equipment expenditures in the nine months ended

September 30, 2015 mainly included the costs associated with rebuilding existing drill rigs and related equipment, and the purchase of new plant and equipment. In the nine months ended September 30, 2014 the Company used US\$0.8M investing in property, 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 nine months ended September 30, 2015, the Company used cash of US\$1.2M related to the quarterly principal repayments on various loans compared to generating cash of US\$1.2M relating to proceeds from loans received less the quarterly principal repayments on loans in the nine months ended September 30, 2014.

### Contractual Obligations

Contractual Obligations in US\$	Payments Due by						
	Total	Oct 1 to Dec 31 2015	2016	2017	2018	2019	2020
Operating Leases <sup>(1)</sup>	1,461,000	92,000	366,000	325,000	258,000	240,000	180,000
Purchase Obligations <sup>(2)</sup>	1,550,000	500,000	1,050,000	N/A	N/A	N/A	N/A
Loans <sup>(3)</sup>	6,490,000	5,540,000	950,000	N/A	N/A	N/A	N/A
<b>Total Contractual Obligations</b>	<b>9,501,000</b>	<b>6,132,000</b>	<b>2,366,000</b>	<b>325,000</b>	<b>258,000</b>	<b>240,000</b>	<b>180,000</b>

(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 valuers/surveyors or real estate agents. In addition, the operating leases includes amounts for other operating sites.

(2) The purchase obligations refer to the purchase of a drill rig that is currently on hold, and the purchase of a new drill rig that is currently being manufactured.

(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 September 30, 2015 of US\$5.4M and the US\$1.75M still available on the US\$2M Credit Line. Included in the US\$6.2M 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 is proceeding with steps necessary to renew the US\$5M Credit Line with them by 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 September 30, 2015 the Company had 37 drill rigs that were available for operation, one drill rig in the workshop and one drill rig on hold with the manufacturer. Subsequent to September 30, 2015 the Company entered into an agreement to acquire an additional drill rig that is currently being manufactured and is planned to be available for operation in early 2016. 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		Available for operation as at Jun 30, 2015		Available for Operation as at Sep 30, 2015		Planned to be available for Operation as at Dec 31, 2015	
		No. of Rigs		No. of Rigs		No. of Rigs		No. of Rigs	
UDR - 650	Multi-Purpose	2	1x2003 1x1993	2	1x2003 1x1993	2	1x2003 1x1993	2	1x2003 1x1993
UDR - KL900	Multi-Purpose	3	1x2003 1x1999 1 x 2007	3	1x2007 1x2003 1x1999	3	1x2007 1x2003 1x1999	3	1x2007 1x2003 1x1999
Sandvik - DE820	Multi-Purpose	3	3x2008	3	3x2008	4	3x2008 1x2010	5	3x2008 2x2010
Sandvik - DE810	Multi-Purpose	6	6x2012	7	6x2012 1x2010	7	6x2012 1x2010	7	6x2012 1x2010
EDM - 2000	Multi-Purpose	3	3x2011	3	3x2011	3	3x2011	3	3x2011
Austex - X900	Multi-Purpose	5	3x2011 2x 2012	5	3x2011 2x 2012	5	3x2011 2x 2012	5	3x2011 2x 2012
Sandvik - DE710	Core	8	2x2011 5x2010 1x2009	8	2x2011 5x2010 1x2009	8	2x2011 5x2010 1x2009	8	2x2011 5x2010 1x2009
Austex - X300	Aircore	5	2x2011 2x2012 1x2010	5	2x2011 2x2012 1x2010	5	2x2011 2x2012 1x2010	5	2x2011 2x2012 1x2010
<b>Total Drill Rigs Available for Operation</b>		<b>35</b>		<b>36</b>		<b>37</b>		<b>38</b>	

	As at Mar 31, 2015		As at Jun 30, 2015		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	Multi-Purpose	23	Multi-Purpose	24	Multi-Purpose	25	Multi-Purpose
	8	Core Only	8	Core Only	8	Core Only	8	Core Only
	5	Air core	5	Air core	5	Air core	5	Air core
<b>TOTAL AVAILABLE FOR OPERATION</b>	<b>35</b>		<b>36</b>		<b>37</b>		<b>38</b>	
In W/Shop	3	Multi-Purpose	2	Multi-Purpose	1	Multi-Purpose	0	Multi-Purpose
<b>Total in W/Shop</b>	<b>3</b>		<b>2</b>		<b>1</b>		<b>0</b>	
Manufacturing - on hold	1	Multi-Purpose	1	Multi-Purpose	1	Multi-Purpose	1	Multi-Purpose
<b>Total Manufacturing - on hold</b>	<b>1</b>		<b>1</b>		<b>1</b>		<b>1</b>	
<b>TOTAL DRILL RIGS</b>	<b>39</b>		<b>39</b>		<b>39</b>		<b>39</b>	

Split								
Multi-Purpose	26		26		26		26	
Core Only	8		8		8		8	
Air Core	5		5		5		5	
<b>TOTAL</b>	<b>39</b>		<b>39</b>		<b>39</b>		<b>39</b>	

## 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

(US\$ 000s)	Three months ended		Nine months ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
(Loss) / Profit from Operating Activities	(690)	(417)	1,676	(5,322)
Add: Other Income	-	224	-	224
Add: Finance Income	-	1	1	2
<b>(Loss) / Earnings Before Interest and Taxes (EBIT)</b>	<b>(690)</b>	<b>(192)</b>	<b>1,677</b>	<b>(5,096)</b>
Add: Depreciation and Amortization	2,206	2,196	6,340	6,859
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization (EBITDA)</b>	<b>1,516</b>	<b>2,004</b>	<b>8,017</b>	<b>1,763</b>

## 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 September 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 September 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 September 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](http://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:

	<b>Loans and Receivables US\$</b>	<b>Other Financial Liabilities US\$</b>	<b>Carrying Amount US\$</b>	<b>Total Fair Value US\$</b>
<b>September 30, 2015</b>				
<b>Financial assets</b>				
Trade and other receivables	7,359,752	-	7,359,752	7,359,752
Cash	5,444,382	-	5,444,382	5,444,382
	<u>12,804,134</u>	<u>-</u>	<u>12,804,134</u>	<u>12,804,134</u>
<b>Financial liabilities</b>				
Trade and other payables	-	6,054,720	6,054,720	6,054,720
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,184,590	6,184,590	6,184,590
	<u>-</u>	<u>13,162,335</u>	<u>13,162,335</u>	<u>13,162,335</u>
<b>December 31, 2014</b>				
<b>Financial assets</b>				
Trade and other receivables	5,409,798	-	5,409,798	5,409,798
Cash	5,196,763	-	5,196,763	5,196,763
	<u>10,606,561</u>	<u>-</u>	<u>10,606,561</u>	<u>10,606,561</u>
<b>Financial liabilities</b>				
Trade and other payables	-	5,393,909	5,393,909	5,393,909
Related party payables	-	923,025	923,025	923,025
Loans payable	-	7,364,565	7,364,565	7,364,565
	<u>-</u>	<u>13,681,499</u>	<u>13,681,499</u>	<u>13,681,499</u>

## 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; (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.

Future operating lease commitments related to the properties are:

	September 30, 2015 US\$	December 31, 2014 US\$
Payable within one year	240,000	180,000
Payable between 1 and 5 years	960,000	-
<b>Total</b>	<b>1,200,000</b>	<b>180,000</b>

During the three and nine months period ended September 30, 2015 lease payments amounted to US\$60,000 and US\$180,000, respectively (September 30, 2014: US\$50,000 and \$150,000).

**(ii) Key management personnel and directors' transactions**

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

The Group 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 three and nine months ended September 30, 2015 amounted to US\$11,066 and US\$11,066, respectively (2014: US\$Nil and US\$Nil).

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

	Three month period ended September 30,		Nine month period ended September 30,	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Short-term benefits	765,302	669,671	1,592,766	1,586,043
Share-based payment arrangements	-	7,526	91,200	144,140
	<u>765,302</u>	<u>677,197</u>	<u>1,683,966</u>	<u>1,730,183</u>

**(iii) Related party balances**

The related party payable outstanding as at September 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 nine months ended September 30, 2015 and 2014.

**SIGNIFICANT ACCOUNTING POLICIES**

The Company's IFRS significant accounting policies are provided in Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2014 and can be found on SEDAR at [www.sedar.com](http://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](http://www.sedar.com). There have been no material effects on the condensed interim consolidated financial statements for the quarter ended September 30, 2015.

## **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 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) Judgments**

**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 judgement 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](http://www.sedar.com)