

GEODRILL[®]

2015 Annual Report

LETTER TO SHAREHOLDERS

In 2015, Geodrill's operational and financial results stood in stark contrast to the continued gloom over resource markets. We drilled more metres and delivered industry-leading revenue growth, profit margins and EBITDA.

Despite tough markets, we advanced. We continued to invest in our equipment, reduce net debt, and increase our rig count while maintaining our strong presence in Ghana, Burkina Faso, and other West African countries such as Cote d'Ivoire and Mali.

While restricted financing opportunities and volatile commodities put budgetary pressures on both small exploration and large production companies alike, we continued to grow our customer base and secure new contracts. Though senior and intermediate miners accounted for a growing percentage of our revenue we were also encouraged to see the return of some junior exploration activity.

Geodrill's strength is our passion for drilling; our focus on maintaining a superior rig fleet remains a strong and differentiating competitive advantage. Our multi-purpose rigs can easily switch between and perform both Reverse Circulation and Core drilling, providing customers with increased flexibility. We also control our own supply chain with full service workshops in the centres of our Ghana and Burkina Faso operating territories. In addition, we are currently building a third centre to service our Cote d'Ivoire territory.

Our ability to provide rapid response service in reduced downtime continues to earn us our hard-earned reputation as a leading West African driller.

Our commitment to ensuring the highest training health and safety standards has yielded a skilled local workforce that is also a critical element of our success. Geodrill employees understand drilling. Our reputation is built on the back of decades of in-depth experience.

While commodities have borne the brunt of a prolonged downturn that has resulted in deep price declines, the longer prices stay low the more likely the world is to face future shortages as consumption increases. In particular, investors appear to be showing renewed interest in gold, a trend that could result in material price gains.

Our superior rig fleet supported by on-site servicing and depth of experience puts us in a strong position for an eventual cyclical upturn in commodities. We stood steady in contracting markets; and when markets improve we will continue to grow our business.

In the past five years, we have grown our assets and increased our drill rigs. We diversified both the minerals we drill for and expanded our geographical reach. I am confident we can remain on this growth trajectory, capturing market share and growing our footprint position in West Africa.

With that, I thank both our shareholders and Board of Directors for the ongoing support they have provided over the last year. I would also like to thank our most important asset, our employees, whose dedication and hard work is inspiring. I look forward to reporting on our progress as 2016 continues.

Sincerely,



DAVE HARPER
President and Chief Executive Officer

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

(in United States dollars)

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Geodrill Limited

We have audited the accompanying consolidated financial statements of Geodrill Limited, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Geodrill Limited as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

March 5, 2016

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2015 and 2014

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

Approved by the Board of Directors

"signed"

 John Bingham
 Chairman of the Board

"signed"

 Ron Sellwood
 Chairman of the Audit Committee

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2015 and 2014

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

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

	Share Capital US\$	Share- based Payment Reserve US\$	Retained Earnings US\$	Total Equity US\$
Balance at January 1, 2015	21,150,866	3,684,707	24,328,791	49,164,364
Loss for the year	-	-	(1,908,107)	(1,908,107)
Share-based payment expense	-	91,200	-	91,200
Balance at December 31, 2015	21,150,866	3,775,907	22,420,684	47,347,457
Balance at January 1, 2014	21,150,866	3,537,446	31,030,118	55,718,430
Loss for the year	-	-	(6,701,327)	(6,701,327)
Share-based payment expense	-	147,261	-	147,261
Balance at December 31, 2014	21,150,866	3,684,707	24,328,791	49,164,364

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

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

1. GENERAL INFORMATION

Geodrill Limited (“the company” or “Geodrill”) is a company registered and domiciled in the Isle of Man. The address of the company’s registered office is Ragnall House, 18 Peel Road, Douglas, Isle of Man, IM1 4LZ. The consolidated financial statements of the company for the years ended December 31, 2015 and 2014 comprise the financial statements of the company and its wholly owned subsidiaries, Geodrill Ghana Limited, Geotool Limited, Geo-Forage BF SARL, Geo-Forage Cote d’Ivoire SARL, Geo-Forage Mali SARL, Geo-Forage Senegal SARL, Geo-Forage DRC SARL, D.S.I. Services Limited (“DSI”) and Geodrill Limited’s registered foreign Zambian operating entity, together referred to as the “Group”.

The Group is primarily a provider of mineral exploration drilling services. These consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill Limited on March 5, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

b. Basis of measurement

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

c. Functional and presentation currency

The consolidated financial statements are presented in United States dollars which is the company’s and its subsidiaries’ functional and presentation currency.

d. Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments

(i) Recognition

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

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

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

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

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

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

(ii) Derecognition

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

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

(iii) Classification

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

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

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

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

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

Further information relating to the fair values of financial instruments is provided in notes 5 and 17.

(iv) Amortized cost measurement

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

(v) Offsetting

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

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

(vi) Share capital

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

(vii) Compound financial instruments

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

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

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

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

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

(viii) Trade receivables

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

f. Leases

(i) Classification

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Leases (continued)

(ii) Lease payments

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

g. Property, plant and equipment

(i) Recognition and measurement

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Property, plant and equipment (continued)

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

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

(iv) Impairment

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

The current economic conditions in the drilling industry were considered to be an indicator of potential impairment of the carrying value of the company's property, plant and equipment as at December 31, 2015. The outcome of the analysis was such that the expected net recoverable amount exceeded the carrying value of the property, plant and equipment and, accordingly, no impairment loss was recognized in the period.

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

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

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

h. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of spare parts is based on the first-in first-out principle and includes expenditures incurred in acquiring/building the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Inventories (continued)

Inventory is assessed on a per unit basis to determine whether indicators exist which would lead to a downward revision in the net realizable value of inventory. This assessment is performed at each reporting date.

i. Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

(iii) Share-based payment transactions

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

j. Income tax

Income tax expense comprises current and deferred tax expenses.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Dividends

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

l. Revenue – drilling revenue

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

The outcome can be estimated reliably when all the following conditions are satisfied:

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

m. Finance income

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

n. Finance costs

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

o. Foreign exchange

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

p. Provisions

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

q. Post balance sheet events

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential shares, which currently comprise share options granted to employees and directors.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(i) Estimates

a. Depreciation of property, plant and equipment

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

b. Share-based payment transactions

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

c. Inventory provision

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

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

d. Allowance for doubtful accounts

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

e. Income tax

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

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

(ii) Judgments

a. Assessment of impairment of property, plant and equipment

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

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

b. Functional currency

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

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4. NEW AND FUTURE ACCOUNTING STANDARDS

a. Adoption of new and amended accounting pronouncements

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

b. Accounting pronouncements issued but not yet effective

IAS 1 – Presentation of Financial Statements

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

IAS 16 – Property, Plant and Equipment

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

IAS 19 – Employee Benefits

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

IAS 38 – Intangible Assets

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

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4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)

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

IFRS 9 – Financial instruments

IFRS 9, “Financial instruments” (IFRS 9) was issued by the IASB on July 24, 2014 and will replace IAS 39, “Financial instruments: recognition and measurement” (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Group is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

IFRS 11 – Joint Arrangements

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

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, “Revenue from Contracts and Customers” (IFRS 15) was issued by the IASB on May 28, 2014, and will replace IAS 18, “Revenue”, IAS 11, “Construction Contracts”, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Group is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

IFRS 16 – Leases

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

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5. DETERMINATION OF FAIR VALUES

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

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

a. Trade and other receivables

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

b. Cash

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

c. Trade and other payables

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

d. Loans payable

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

e. Other financial liabilities

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

f. Share-based payment transactions

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

6. SEASONALITY OF OPERATIONS

The Group's operations have tended to exhibit a seasonal pattern. The first and fourth quarters are affected due to shutdown of exploration activities, often for extended periods over the holiday season. The second quarter is typically affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week. The wet season occurs (in some geographical areas where the company operates, particularly in Burkina Faso) normally in the third quarter, but in the recent years the global weather pattern has become somewhat erratic. The Group has historically taken advantage of the wet season and has scheduled the third quarter for maintenance and rebuild programs for drill rigs and equipment.

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7. SEGMENT REPORTING

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

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7. SEGMENT REPORTING (CONTINUED)

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

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

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

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8. EXPENSES BY NATURE

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

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

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

9. TAXATION

(i) Income tax expense

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

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

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9. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US\$	Payments during the year US\$	Charge for the year US\$	Balance at Dec. 31 US\$
2015	403,296	(2,690,536)	3,202,589	915,349

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

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

(iii) Reconciliation of effective tax rate

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

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9. TAXATION (CONTINUED)

(iv) Deferred tax liabilities

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

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

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

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

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10. PROPERTY, PLANT AND EQUIPMENT

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

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

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10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2014

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

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

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10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in comprehensive loss as follows:

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

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

11. INVENTORIES

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

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

12. TRADE AND OTHER RECEIVABLES

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

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12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

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

In 2014, an amount of US\$391,270 was received by the Group as payment of the insurance proceeds in respect of a damaged drill rig, and has been included as other income in the statements of comprehensive loss.

13. CASH

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

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

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

14. LOANS PAYABLE

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

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14. LOANS PAYABLE (CONTINUED)

(i) US\$2M Term Loan

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

(ii) US\$2M Credit Line

On December 8, 2014, the Group entered into a credit line agreement with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US\$2 million (the "US\$2M Credit Line"). The US\$2M Credit Line is for a period of 2 years from the date of the first drawdown, repayable interest only quarterly and principal amount at maturity, bears interest at a rate of 10.5% per annum on any utilized portion, is subject to periodic review in line with money market conditions and bears interest at a rate of 1% per annum on any unutilized portion. The US\$2M Credit Line is secured by certain assets of the Group. The US\$2M Credit Line may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The US\$2M Credit Line is subject to, and as at December 31, 2015 the Group was in compliance with, normal course non-financial covenants. As at December 31, 2015 the Group had drawn US\$250,000 on the US\$2M Credit Line.

(iii) US\$5M Term Loan

On December 18, 2015, the Group entered into a term loan with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US\$5 million (the "US\$5M Term Loan"). The US\$5M Term Loan is for a period of 2 years, repayable interest only for 120 days, and thereafter, repayable interest and principal quarterly in six equal amounts required to satisfy the principal over the term of the loan. The US\$5M Term Loan bears interest at a rate of 10.5% per annum and is subject to periodic review in line with money market conditions. The US\$5M Term Loan is secured by certain assets of the Group. The US\$5M Term Loan may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The effective interest rate of the US\$5M Term Loan is 11.55%. The US\$5M Term Loan is subject to, and as at December 31, 2015 the Group was in compliance with, normal course non-financial covenants.

(iv) US\$5M Credit Line

On October 7, 2013, the Group entered into a US\$5 million credit line agreement (the "US\$5M Credit Line") with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of up to US\$5 million. The US\$5M Credit Line was for a period of 2 years from the date of the first drawdown, made on December 18, 2013, repayable interest only quarterly and principal amount at maturity, bore interest at a rate of 10.5% per annum on any utilized portion and 1% per annum on any unutilized portion, and was secured by certain assets of the Group. The US\$5M Credit Line could be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The US\$5M Credit Line was repaid on December 18, 2015.

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14. LOANS PAYABLE (CONTINUED)

(v) Equipment loans

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

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

15. TRADE AND OTHER PAYABLES

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

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

16. EMPLOYEE BENEFIT OBLIGATIONS

Defined Contribution Plans

(i) *Social Security*

The Group contributes to various social security plans. Under the plans, the Group makes contributions into government funds. The amounts contributed during the year were US\$8,610 (2014: US\$34,391). The Group’s obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities if due but not paid.

(ii) *Provident Fund*

The Group contributes for certain staff to a provident fund plan. The amounts contributed during the year were US\$24,931 (2014: US\$13,251). The Group’s obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities if due but not paid.

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17. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	Loans and Receivables US\$	Other Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
December 31, 2015				
Financial assets				
Trade and other receivables	7,968,335	-	7,968,335	7,968,335
Cash	5,848,552	-	5,848,552	5,848,552
	13,816,887	-	13,816,887	13,816,887
Financial liabilities				
Trade and other payables	-	7,273,873	7,273,873	7,273,873
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,150,219	6,150,219	6,150,219
	-	14,347,117	14,347,117	14,347,117
December 31, 2014				
Financial assets				
Trade and other receivables	5,409,798	-	5,409,798	5,409,798
Cash	5,196,763	-	5,196,763	5,196,763
	10,606,561	-	10,606,561	10,606,561
Financial liabilities				
Trade and other payables	-	5,393,909	5,393,909	5,393,909
Related party payables	-	923,025	923,025	923,025
Loans payable	-	7,364,565	7,364,565	7,364,565
	-	13,681,499	13,681,499	13,681,499

18. FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

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

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework

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

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

(i) Credit risk

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

Trade and other receivables

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

For the year ended December 31, 2015, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 24%, one customer contributed 18% and one customer contributed 16%.

For the year ended December 31, 2014, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 24% and two customers contributed 14%.

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Exposure to credit risks

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

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

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

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

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

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

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

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

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk

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

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

	Total US\$	Within One Year US\$	Within Two to Three Years US\$
December 31, 2015			
Non-derivative financial liability			
Trade and other payables	7,723,699	7,723,699	-
Related party payables	923,025	923,025	-
Loans payable	6,150,219	2,481,299	3,668,920
Balance at December 31, 2015	14,796,943	11,128,023	3,668,920
December 31, 2014			
Non-derivative financial liability			
Trade and other payables	6,562,712	6,562,712	-
Related party payables	923,025	923,025	-
Loans payable	7,364,565	6,464,346	900,219
Balance at December 31, 2014	14,850,302	13,950,083	900,219

(iii) Market risk

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

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk

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

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

December 31, 2015							
	EURO	GH¢	GBP	CFA	AUD	CAD	ZMW
Cash	68,632	134,461	32,865	348,520,745	8,280	45,880	25,553
Trade payables	(212,859)	(2,850,991)	(5,690)	(203,506,681)	(2,159,596)	(401,565)	-
Gross exposure	(144,227)	(2,716,530)	27,175	145,014,064	(2,151,316)	(355,685)	25,553
December 31, 2014							
	EURO	GH¢	GBP	CFA	AUD	CAD	ZMW
Cash	328	365,316	12,562	137,876,652	13,875	776	48,755
Trade payables	(40,000)	(2,108,908)	(18,614)	(103,274,854)	(2,601,480)	(126,509)	-
Gross exposure	(39,672)	(1,743,592)	(6,052)	34,601,798	(2,587,605)	(125,733)	48,755

The following significant exchange rates applied during the years:

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

Sensitivity analysis on currency risks

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

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

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(a) Foreign currency risk (continued)

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

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

(b) Interest rate risk

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

Profile

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

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

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(b) Interest rate risk (continued)

Sensitivity analysis for variable rate instruments

A change of 200 basis points in the interest rate at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015 and 2014.

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

(iv) Capital management

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

The Group's capital at December 31, 2015 and 2014 is as follows:

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

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19. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2015	2014
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
D.S.I. Services Limited	Subsidiary	British Virgin Islands	100%	100%
Geotool Limited	Subsidiary	British Virgin Islands	100%	100%
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	100%
Geo-Forage Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geo-Forage Mali SARL	Subsidiary	Mali	100%	100%
Geo-Forage Senegal SARL	Subsidiary	Senegal	100%	100%
Geo-Forage DRC SARL	Subsidiary	Democratic Republic of Congo	100%	100%
Geodrill Limited in Zambia	Registered foreign operating entity	Zambia	100%	100%
Trans Traders Limited	Related party	Isle of Man	-	-
Harper Family Settlement	Significant indirect shareholder	Isle of Man	-	-

(i) Transactions with related parties

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

Trans Traders Limited ("TTL") is a company which is owned by Clearwater Nominees Limited and Clearwater Registrars Limited which shares are held on behalf of the Harper Family Settlement which also owns 41.2% (December 31, 2014: 41.2%) of the issued share capital of Geodrill Limited.

Geodrill Ghana Limited originally entered into an agreement with the Harper Family Settlement to lease the Anwiankwanta property for US\$112,000 per annum and the Accra property for US\$48,000 per annum. The material terms of the five year lease agreement include: (i) the annual rent payable shall be reviewed on an upward only basis every two years based on the average price of two firms of real estate valuers/surveyors or real estate agents; and (ii) at the end of the original five year lease term. On October 1, 2014 in conjunction with the rent review, Geodrill Ghana Limited agreed to increase the rent for the Anwiankwanta property to US\$168,000 per annum and the rent for the Accra property to US\$72,000 per annum.

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

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19. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

Future operating lease commitments related to the properties are:

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

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

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

(ii) Key management personnel and directors' transactions

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

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

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

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19. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Related party balances

The related party payable outstanding as at December 31, 2015 amount to US\$923,025 (December 31, 2014: US\$923,025). The related party payable is to Trans Traders Limited, is unsecured, interest free and is repayable on demand at the option of the lender.

20. COMMITMENTS

(i) Lease commitments

Future operating lease commitments related to the properties are:

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

(ii) Capital commitments

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

21. SHARE CAPITAL AND RESERVES

(i) Share capital

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

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

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

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21. SHARE CAPITAL AND RESERVES (CONTINUED)

(ii) Share-based payment reserve

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

The share based payment expense for the year of US\$91,200 (2014: US\$147,261) was included in selling, general and administrative expenses in the consolidated statements of comprehensive loss.

(iii) Retained earnings

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

22. LOSS PER SHARE

(i) Basic loss per share

The calculation of basic loss per share for the year ended December 31, 2015 was based on the loss attributable to ordinary shareholders of US\$(1,908,107) (2014: US\$(6,701,327)), and on the weighted average number of ordinary shares outstanding of 42,512,000 (2014: 42,512,000) calculated as follows:

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

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22. LOSS PER SHARE (CONTINUED)

(ii) Diluted loss per share

The calculation of diluted loss per share for the year ended December 31, 2015 was based on the loss attributable to ordinary shareholders of US\$(1,908,107) (2014: US\$(6,701,327)), and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 42,512,000 (2014: 42,512,000), calculated as follows:

	2015	2014
	US\$	US\$
Loss attributable to ordinary shareholders	(1,908,107)	(6,701,327)
Weighted average number of ordinary shares - diluted		
	2015	2014
	Shares	Shares
Weighted average number of ordinary shares - basic	42,512,000	42,512,000
Effect of share options in issue (1)	-	-
	<u>42,512,000</u>	<u>42,512,000</u>
Diluted Loss per share	\$(0.04)	\$(0.16)

(1) For the years ended December 31, 2015 and December 31, 2014, as there is a loss attributable to ordinary shareholders, share options in issue are anti-dilutive and are not included in the calculation of the diluted loss per share.

23. DIVIDENDS

No dividends were paid in 2015 or 2014, nor were dividends declared through to March 5, 2016.

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24. EQUITY-SETTLED SHARE-BASED PAYMENTS

Share Option Plan (“SOP”)

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

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

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

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

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

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

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

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

Share Option Plan (“SOP”) (continued)

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

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

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

25. SUBSEQUENT EVENTS

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

GEODRILL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 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 should be read in conjunction with the comparative audited annual consolidated financial statements for the year ended December 31, 2015 and notes thereto.

This MD&A is dated March 7, 2016. Disclosure contained in this document is current to that date unless otherwise stated.

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

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

FORWARD-LOOKING INFORMATION

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

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

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

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

Corporate Overview

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

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

The state-of-the-art workshop and supply base at Anwiankwanta, near Kumasi, Ghana, and the state-of-the-art workshop and supply base at Ouagadougou, Burkina Faso, provides centralized locations for repair and storage of equipment and supplies, which in turn minimizes trucking, shipping and supply costs and allows the rigs to be mobilized to drill sites with minimal delay. The Company has also acquired two parcels of land totaling 10,000 square meters in Bouake, Cote d’Ivoire. The Company is building 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 operations including the following recent and ongoing developments:

A strengthening of our geographic footprint in West Africa, as the Company has maintained its strong presence in both Ghana and Burkina Faso, has added numerous clients in Cote d’Ivoire and has recently operated in Mali. The Company is also currently expanding into the African Copperbelt. Although we have established a base in Zambia we are cognizant of the realities that now face the region. Our success in West Africa has meant that we have had the opportunity to utilize more rigs in the area and consequently we have held back on developing our original plans for Zambia. We nonetheless believe that the strategy to diversify both on a commodity and geographical basis was correct and we have retained the ability to respond to new customer requirements south of the equator.

The addition of numerous large mining companies as clients in Ghana, Burkina Faso and Ivory Coast.

- **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 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, Alan McConnon, Training Manager and Don Seguin, Health, Safety and Environmental ("HSE") 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's client base is predominately in Ghana and Burkina Faso. For 2015, Ghana accounted for 35% of the Company's revenue and Burkina Faso, Cote d'Ivoire and Mali collectively accounted for 65% of the Company's revenue, compared to 44% for Ghana and 56% for Burkina Faso, Cote d'Ivoire, Mali and Togo collectively in 2014.

Management's plans include continuing to add new accounts in West Africa where gold is the primary mineral. The Company will, however, take advantage of opportunities in other minerals, including copper, 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, Burkina Faso, Cote D'Ivoire and Mali. The Company is also currently expanding into the African Copperbelt. Although we have established a base in Zambia we are cognizant of the realities that now face the region. Our success in West Africa has meant that we have had the opportunity to utilize more rigs in the area and consequently we have held back on developing our original plans for Zambia. We nonetheless believe that the strategy to diversify both on a commodity and geographical basis was correct and we have retained the ability to respond to new customer requirements south of the equator.

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 year ended December 31, 2015, included in revenue are three customers who individually contributed 10% or more to the Group's revenue. One customer contributed 24%, one customer contributed 18% and one customer contributed 16%.

For the year ended December 31, 2014, included in revenue were three customers who individually contributed 10% or more to the Group's revenue. One customer contributed 24% and two customers contributed 14% each.

OUTSTANDING SECURITIES AS OF MARCH 7, 2016

The Company is authorized to issue an unlimited number of Ordinary Shares. As of March 7, 2016 the Company has the following securities outstanding:

Number of Ordinary Shares	42,512,000
Number of Options	<u>2,580,000</u>
Fully Diluted	<u>45,092,000</u>

From January 1, 2015 to March 7, 2016, a total of 390,000 options were issued and 990,000 options expired.

OVERALL PERFORMANCE

Revenue Per Country

Location	Fiscal 2015		Fiscal 2014		Fiscal 2013	
	US\$ 000s	%	US\$ 000s	%	US\$ 000s	%
Ghana	16,600	35%	15,810	44%	14,213	38%
Burkina Faso and other	31,322 ⁽¹⁾	65%	19,785 ⁽²⁾	56%	22,999 ⁽³⁾	62%
	47,922	100%	35,595	100%	37,212	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.

⁽³⁾ Included in Burkina Faso and other is Cote d'Ivoire, Niger and Guinea.

Meters Drilled Per Country

Location	Fiscal 2015		Fiscal 2014		Fiscal 2013	
		%		%		%
Ghana	193,933	26%	151,717	33%	123,574	31%
Burkina Faso and other	540,621 ⁽¹⁾	74%	306,889 ⁽²⁾	67%	269,748 ⁽³⁾	69%
	734,554	100%	458,606	100%	393,322	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.

⁽³⁾ Included in Burkina Faso and other is Cote d'Ivoire, Niger and Guinea.

The Company generated revenue of US\$47.9M in 2015, an increase of US\$12.3M or 34% when compared to US\$35.6M in 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 conjunction with their operating costs on the production side of their business and the current price of certain minerals. Despite the slowdown, the Company was able to significantly increase its revenue compared to the prior year as the Company drilled significantly more meters. Specifically, the Company's revenue increased in 2015 and meters drilled increased in 2015

compared to 2014. Meters drilled in 2015 totaled 734,554 which is an increase of 60% when compared to 458,606 meters drilled in 2014. There continued to be pressure on pricing in 2015 as evidenced by the fact that revenue increased by 34% in 2015 compared to 2014, whereas meters drilled increased by 60% in 2015 compared to 2014. Although the Company recorded US\$47.9M in revenue in 2015, the industry wide slowdown still exists as many of Geodrill's competitors have reported declining revenue trends.

The gross profit for 2015 was US\$15.2M, being 32% of revenue compared to a gross profit of US\$6.8M, being 19% of revenue for 2014. The gross profit increase reflects the increase in revenue of US\$12.3M and an increase in cost of sales of US\$4M. See "Supplementary Disclosure – Non IFRS Measures" on page 19.

EBITDA (as defined herein) for 2015 was US\$10.4M, being 22% of revenue compared to US\$3.5M, being 10% of revenue for 2014. See "Supplementary Disclosure – Non-IFRS Measures" on page 19.

The EBIT (as defined herein) for 2015 was US\$2M, compared to a negative EBIT of US\$(5.6)M, for 2014. See "Supplementary Disclosure - Non - IFRS Measures" on page 19.

The net loss for 2015 was US\$(1.9)M or US\$(0.04) per Ordinary Share (US\$(0.04) per Ordinary Share fully diluted), compared to net loss of US\$(6.7)M for 2014 or US\$(0.16) per Ordinary Share (US\$(0.16) per Ordinary Share fully diluted).

SELECTED FINANCIAL INFORMATION

(in US\$ 000s)	Fiscal Year Ended			% Change	% Change
	2015	2014	2013	2015 vs 2014	2014 vs 2013
Revenue	47,922	35,595	37,212	35%	(4%)
<i>Cost of Sales</i>	<i>32,766</i>	<i>28,772</i>	<i>25,358</i>	<i>14%</i>	<i>13%</i>
<i>Cost of Sales (%)</i>	<i>68%</i>	<i>81%</i>	<i>68%</i>		
Gross Profit	15,156	6,823	11,854	122%	(42%)
<i>Gross Profit Margin (%)</i>	<i>32%</i>	<i>19%</i>	<i>32%</i>		
Selling, General and Administrative Expenses	13,166	12,808	14,289	3%	(10%)
<i>Selling, General and Administrative Expenses (%)</i>	<i>27%</i>	<i>36%</i>	<i>38%</i>		
Foreign Exchange Gain / (Loss)	37	(6)	39		
<i>Foreign Exchange Gain / (Loss)(%)</i>					
Profit/(Loss) from Operating Activities	2,027	(5,991)	(2,396)	134%	(150%)
<i>Profit (Loss) from Operating Activities (%)</i>	<i>4%</i>	<i>(17%)</i>	<i>(6%)</i>		
Other Income	-	391	-		
<i>Other Income (%)</i>					
Finance Income	2	3	3		
<i>Finance Income (%)</i>					
EBIT*	2,029	(5,597)	(2,393)	136%	(134%)
<i>EBIT (%)</i>	<i>4%</i>	<i>(16%)</i>	<i>(6%)</i>		
Finance Cost	734	838	1,114		
<i>Finance Cost (%)</i>	<i>2%</i>	<i>2%</i>	<i>3%</i>		
Profit/(Loss) Before Taxation	1,295	(6,435)	(3,507)	120%	(83%)
<i>Profit/(Loss) Before Taxation (%)</i>	<i>3%</i>	<i>(18%)</i>	<i>(9%)</i>		
Income Tax Expense	3,203	266	1,401		
<i>Income Tax Expense (%)</i>	<i>7%</i>	<i>1%</i>	<i>4%</i>		
Net Loss	(1,908)	(6,701)	(4,908)	72%	(37%)
<i>Net Loss (%)</i>	<i>(4%)</i>	<i>(19%)</i>	<i>(13%)</i>		
EBITDA **	10,408	3,528	7,232	195%	(51%)
<i>EBITDA (%)</i>	<i>22%</i>	<i>10%</i>	<i>19%</i>		
Meters Drilled	734,554	458,606	393,322	60%	17%
Loss Per Share					
Basic	(0.04)	(0.16)	(0.12)		
Diluted	(0.04)	(0.16)	(0.12)		
Total Assets	63,060	64,418	68,962	(2%)	(7%)
Total Long - Term Liabilities	3,669	900	2,481	308%	(64%)
Cash Dividend Declared	Nil	Nil	NIL		

*EBIT = Earnings before interest and taxes.

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

See "Supplementary Disclosure - Non-IFRS Measures" on page 19.

RESULTS OF OPERATIONS

FISCAL 2015 COMPARED TO FISCAL 2014

Revenue

The Company recorded revenue of US\$47.9M for 2015, as compared to US\$35.6M for 2014, representing an increase of 35%. The increase in revenue is primarily attributable to the number of meters drilled increasing from 458,606 in 2014 to 734,554 in 2015. The total meters drilled increased by 60% for 2015 compared to 2014. The percentage of meters drilled for 2015 can be broken down as to 58% RC, 20% air core, 11% Core and 11% grade control as compared to 78% RC, 17% Core and 5% air core for 2014. The Company still experienced pressure on pricing in 2015 as a result of competition in the sector. This is evidenced by the fact that revenue increased by 34% whereas meters drilled increased by 60%.

Cost of Sales and Gross Profit

The gross profit for 2015 was US\$15.2M, compared to a gross profit of US\$6.8M for 2014, being an increase of US\$8.4M. The gross profit percentage for 2015 was 32% compared to 19% for 2014.

The increase in cost of sales for 2015 as compared to 2014 of US\$4M reflects the following:

- Drill rig expenses and fuel costs increased by US\$2.3M in conjunction with the increase in revenue and the increase in meters drilled.
- Employees benefits, external services and contractors expenses increased by US\$2M due to more workers being required in conjunction with the increase in revenue and the increase in meters drilled.
- Depreciation expense decreased by US\$0.4M relating to a greater portion of the Company's drill rigs and plant and equipment being fully depreciated.

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

SG&A expenses were US\$13.2M for 2015, compared to US\$12.8M for 2014, being an increase of US\$0.4M.

The increase in SG&A expenses for 2015 as compared to 2014 of US\$0.4M reflects the following:

- Repairs and maintenance increased by US\$0.7M as more repairs were completed on the Company's motor vehicles as the motor vehicle fleet continues to age.
- Depreciation expense decreased by US\$0.4M relating to a greater portion of the Company's motor vehicles being fully depreciated.

Profit / Loss from Operating Activities

Profit from operating activities (after cost of sales, SG&A expenses and foreign exchange gain or loss) for 2015 was US\$2.0M, as compared to a loss from operating activities of US\$(6.0)M in 2014.

Other Income

In 2014 the Company collected US\$0.4M in insurance proceeds relating to an insured rig that was subsequently repaired.

EBITDA Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 19)

EBITDA margin for 2015 was 22% compared to 10% for 2014. See “Supplementary Disclosure - Non - IFRS Measures” on page 19.

EBIT Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 19)

EBIT margin for 2015 was 4% compared to a negative EBIT margin of (16)% for 2014. See Supplementary Disclosure - "Non-IFRS Measures" on page 19.

Depreciation

Depreciation of property, plant and equipment was US\$8.4M (US\$7.8M in cost of sales and US\$0.6M in SG&A) for 2015 compared to US\$9.1M (US\$8.1M in cost of sales and US\$1.0M in SG&A) for 2014.

Income Tax Expense

Income tax expense was US\$3.2M for 2015 compared to income tax expense of US\$0.3M for 2014. The income tax expense of US\$3.2M is comprised of current taxes of US\$3.2M. 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. In 2014 the corporate tax was offset by a deferred tax recovery of US\$1.4M resulting in a tax expense of only US\$0.3M.

Net Loss

The net loss was US\$(1.9)M for 2015, or US\$(0.04) per Ordinary Share (US\$(0.04) per Ordinary Share fully diluted), compared to a net loss of US\$(6.7)M, for 2014, or US\$(0.16) per Ordinary Share (US\$(0.16) per Ordinary Share fully diluted).

FISCAL 2014 COMPARED TO FISCAL 2013

Revenue

The Company recorded revenue of US\$35.6M for 2014, as compared to US\$37.2M for 2013, representing a decrease of 4%. The decrease in revenue was due to pressure on pricing as the Company drilled more meters but generated less revenue. The total meters drilled increased by 17% for 2014 compared to 2013. The percentage of meters drilled for 2014 can be broken down as to 78% RC, 17% Core and 5% air core as compared to 57% RC, 22% Core and 21% air core for 2013. The decrease in revenue in 2014 reflected the industry wide slowdown as many of Geodrill's competitors were also experiencing decreasing revenue.

Cost of Sales and Gross Profit

The gross profit for 2014 was US\$6.8M, compared to a gross profit of US\$11.9M for 2013, being a decrease of US\$5.1M. The gross profit percentage for 2014 was 19% compared to 32% for 2013.

The increase in cost of sales for 2014 as compared to 2013 of US\$3.4M reflected the following:

- Drill rig expenses and fuel increased by US\$2.8M in conjunction with the increase in meters drilled.
- Employees benefits, external services and contractors expenses increased US\$0.3M due to more workers being required in conjunction with the increase in meters drilled.
- Repairs and maintenance increased by US\$0.1M associated with slightly more repairs to the Company's fleet.
- Depreciation expense increased by US\$0.2M relating to increased depreciation on drill rigs and property and equipment.

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

SG&A expenses were US\$12.8M for 2014, compared to US\$14.3M for 2013, being a decrease of US\$1.5M.

The decrease in SG&A expenses for 2014 as compared to 2013 of US\$1.5M reflected the following:

- Bad debt expense and the allowance for doubtful accounts decreased by US\$1.3M relating to the write off of specific trade receivables in 2013 and the increase in 2013 in the allowance for doubtful accounts for certain trade receivables.
- Repairs and maintenance increased by US\$0.4M as more repairs were completed on the Company's light vehicle fleet.
- Depreciation expense decreased by US\$0.7M relating to less depreciation on motor vehicles.

Loss from Operating Activities

Loss from operating activities (after cost of sales, SG&A expenses and foreign exchange gain or loss) for 2014 was a loss of US\$(6.0)M, as compared to a loss of US\$(2.4)M in 2013.

Other Income

The Company collected US\$0.4M in insurance proceeds relating to an insured rig that was repaired during 2014.

EBITDA Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 19)

EBITDA margin for 2014 was 10% compared to 19% for 2013. See “Supplementary Disclosure - Non - IFRS Measures” on page 19.

EBIT Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 19)

EBIT margin for 2014 was negative (16%) compared to negative (6)% for 2013. See Supplementary Disclosure - "Non-IFRS Measures" on page 19.

Depreciation

Depreciation of property, plant and equipment was US\$9.1M (US\$8.1M in cost of sales and US\$1.0M in SG&A) for 2014 compared to US\$9.6M (US\$8.0M in cost of sales and US\$1.6M in SG&A) for 2013.

Income Tax Expense

Income tax expense was US\$0.3M for 2014 compared to income tax expense of US\$1.4M for 2013. The income tax expense of US\$0.3M was comprised of current taxes of US\$1.7M offset by a deferred tax recovery of US\$1.4M. Although the Group recorded an overall net loss of US\$(6.7)M in 2014, the Group realized a current tax expense of US\$1.4M on withholding tax on revenue earned outside of Ghana. 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\$(6.7)M, for 2014, or US\$(0.16) per Ordinary Share (US\$(0.16) per Ordinary Share fully diluted), compared to a net loss of US\$(4.9)M, for 2013, or US\$(0.12) per Ordinary Share (US\$(0.12) per Ordinary Share fully diluted).

SELECTED FINANCIAL INFORMATION - FOURTH QUARTERS

(in US\$ 000s)	Fourth Quarter Ended		% Change
	2015	2014	2015 vs 2014
Revenue	12,349	9,704	27%
Cost of Sales	8,263	7,301	13%
<i>Cost of Sales (%)</i>	67%	75%	
Gross Profit	4,086	2,403	70%
<i>Gross Profit Margin (%)</i>	33%	25%	
Selling, General and Administrative Expenses	3,603	3,078	17%
<i>Selling, General and Administrative Expenses (%)</i>	29%	32%	
Foreign Exchange Loss	(131)	(6)	
<i>Foreign Exchange Loss (%)</i>			
Profit/(Loss) from Operating Activities	352	(669)	153%
<i>Profit/(Loss) from Operating Activities (%)</i>	3%	(7%)	
Other Income	-	167	
<i>Other %</i>			
Finance Income	-	1	
<i>Finance Income (%)</i>			
EBIT*	352	(501)	170%
<i>EBIT (%)</i>	3%	(5%)	
Finance Cost	168	191	
<i>Finance Cost (%)</i>	1%	2%	
Profit/(Loss) Before Taxation	184	(692)	
<i>Profit/(Loss) Before Taxation (%)</i>	1%	(7%)	
Income Tax Expense	751	644	
<i>Income Tax Expense (%)</i>	6%	7%	
Net Loss	(567)	(1,336)	58%
<i>Net Loss (%)</i>	(5%)	(14%)	
EBITDA **	2,391	1,765	35%
<i>EBITDA (%)</i>	19%	18%	
Meters Drilled	204,428	146,944	39%
Loss Per Share			
Basic	(0.01)	(0.03)	
Diluted	(0.01)	(0.03)	
Total Assets	63,060	64,418	(2%)
Total Long - Term Liabilities	3,669	900	308%
Cash Dividend Declared	NIL	NIL	

*EBIT = Earnings before interest and taxes

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

See "Supplementary Disclosure - Non-IFRS Measures" on page 19

FOURTH QUARTER DECEMBER 31, 2015 COMPARED TO FOURTH QUARTER DECEMBER 31, 2014

Revenue

The Company recorded revenue of US\$12.3M for the 4th quarter ended December 31, 2015, as compared to US\$9.7M for the 4th quarter ended December 31, 2014, representing an increase of 27%. The increase in revenue is primarily attributable to the number of meters drilled increasing from 146,944 meters in the 4th quarter ended December 31, 2014 to 204,428 in the 4th quarter ended December 31, 2015. The Company still experienced pressure on pricing in the 4th quarter of 2015 compared to the 4th quarter 2014 as a result of competition in the sector. This is evidenced by the fact that revenue increased by 27% whereas meters drilled increased by 39%. In the 4th quarter of 2015 compared to the 4th quarter of 2014, the Company's revenue was affected due to lower pricing as a result of competition in the sector for drilling contracts.

Cost of Sales and Gross Loss

The gross profit for the 4th quarter ended December 31, 2015 was US\$4.1M, as compared to a gross profit of US\$2.4M for the 4th quarter ended December 31, 2014, being an increase of US\$1.7M. The gross profit percentage for the 4th quarter ended December 31, 2015 was 33% compared to 25% for 4th quarter ended December 31, 2014.

The increase in cost of sales for 4th quarter ended December 31, 2015 as compared to 4th quarter ended December 31, 2014 of US\$1M reflects the following:

- Drill rig expenses and fuel costs increased by US\$0.7M in conjunction with the increase in revenue and the increase in meters drilled.
- Employee benefits, external services and contractors expenses increased by US\$0.4M due to more workers being required in conjunction with the increase in revenue and the increase in meters drilled.

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

SG&A expenses for the 4th quarter ended December 31, 2015 were US\$3.6M, compared to US\$3.1M for the 4th quarter ended December 31, 2014, or an increase of US\$0.5M.

The increase in SG&A expenses of US\$0.5M for the 4th quarter ended December 31, 2015 as compared to the 4th quarter ended December 31, 2014 reflects the following:

- Employee benefits, external services and contractors expenses increased by US\$0.4M due to an increase in staff and contractors during the quarter.
- Repairs and maintenance increased by US\$0.2M as more repairs were completed on the Company's motor vehicles as the motor vehicle fleet continues to age.

Profit/ (Loss) from Operating Activities

Profit/ (Loss) from operating activities (after cost of sales, SG&A expenses and foreign exchange gain or loss) for the 4th quarter ended December 31, 2015 was US\$0.4M, as compared to a loss of US\$(0.7)M in the 4th quarter ended December 31, 2014.

EBITDA Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 19)

EBITDA margin for the 4th quarter ended December 31 2015, was 19% compared to 18% for the 4th quarter ended December 31, 2014. See “Supplementary Disclosure - Non - IFRS Measures" on page 19.

EBIT Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 19)

EBIT margin for the 4th quarter ended December 31, 2015 was 3% compared to (5)% for the 4th quarter ended December 31, 2014. See Supplementary Disclosure - "Non-IFRS Measures" on page 19.

Depreciation

Depreciation of property, plant and equipment was US\$2M (US\$1.8M in cost of sales and US\$0.2M in SG&A) for the 4th quarter ended December 31, 2015 compared to US\$2.5M (US\$2.1M in cost of sales and US\$0.4M in SG&A) for the 4th quarter ended December 31, 2014.

Income Tax Expense

Income tax expense was US\$0.8M for the 4th quarter ended December 31, 2015 compared to an income tax expense of US\$0.6M for the 4th quarter ended December 31, 2014. The income tax expense of US\$0.8M is comprised of current taxes of US\$0.8M. The Company's corporate tax rate in Ghana is 25%. In addition to corporate tax in Ghana, the Company pays withholding tax on revenues in certain countries in which it provides drilling services.

Net Loss

Net loss was US\$(0.6)M for the 4th quarter ended December 31, 2015, or US\$(0.1) per Ordinary Share (US\$(0.14) per Ordinary Share fully diluted), compared to a net loss of US\$(1.3)M for the 4th quarter ended December 31, 2014, or US\$(0.03) per Ordinary Share (US\$(0.03) per Ordinary Share fully diluted).

SUMMARY OF QUARTERLY RESULTS

(in US\$ 000s)	2015				2014			
	Dec 31	Sep-30	Jun-30	Mar-31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	12,349	10,184	16,001	9,388	9,704	10,767	9,679	5,445
Revenue Increase / (Decrease) %	21%	(36%)	70%	(3%)	(10%)	11%	78%	53%
Gross Profit / (Loss)	4,086	2,484	6,572	2,008	2,403	2,976	1,734	(289)
Gross Margin (%)	33%	25%	41%	21%	25%	28%	18%	(5%)
Net (Loss) / Earnings	(567)	(1,780)	1,844	(1,405)	(1,336)	(690)	(1,520)	(3,155)
Per Share - Basic	(0.01)	(0.04)	0.04	(0.03)	(0.03)	(0.02)	(0.04)	(0.07)
Per Share - Diluted	(0.01)	(0.04)	0.04	(0.03)	(0.03)	(0.02)	(0.04)	(0.07)

The Company's revenue increased significantly on a quarter over quarter basis by US\$2.2M or 21% for the 4th quarter ended December 31, 2015 compared to the 3rd quarter ended September 30, 2015. The Company was also able to generate gross profit of US\$4.1M in the 4th quarter of 2015. This is the seventh 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 also increased significantly by US\$2.6M compared to the 4th quarter ended December 31, 2014. Although the Company was able to generate quarterly revenue of US\$12.3M, its second highest amount in the last eight quarters, 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 conjunction with their operating costs on the production side of their business and the current price of certain minerals. The Company believes that the slowdown in drilling activity and pricing pressure will continue into 2016; 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. 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 certain capital costs, wage costs and purchases denominated in other currencies and borrowings denominated in other currencies.

The Company's revenue is invoiced in US Dollars and local currencies. The Company's purchases are in Australian Dollars, US Dollars, Euros, Canadian Dollars and local currencies. Other local expenses include purchases and wages which are paid in the local currency.

SELECTED INFORMATION FROM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in US\$ 000s)	Fiscal year end		Fourth quarter end	
	2015	2014	2015	2014
Net Cash generated from operating activities	4,530	2,456	1,174	4,390
Net Cash used in investing activities	(2,750)	(1,422)	(773)	(891)
Net Cash (used in) / provided from financing activities	(1,214)	850	(34)	(370)
Effect of movement in exchange rates on cash	86	104	37	(22)
Net increase in cash	652	1,988	404	3,107

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As at December 31, 2015 the Company had cash equal to US\$5.8M and US\$1.75M still available on the US\$2M Credit Line. As at December 31, 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. As at March 7, 2016 the Company has drawn only US\$0.25M on the US\$2M Credit Line.

FOURTH QUARTER ENDED DECEMBER 31, 2015

Operating Activities

In the 4th quarter of 2015, the Company generated cash from operating activities of US\$1.2M, as compared to generating cash in operating activities of US\$4.4M in the 4th quarter of 2014. The Company realized a profit before taxation of US\$0.2M for the 4th quarter of 2015 but the impact of changes in non-cash items and changes in working capital items generated cash of US\$1M resulting in cash generated from operations of US\$1.2M.

Investing Activities

In the 4th quarter of 2015, the Company's investment in property, plant and equipment was US\$0.8M compared to US\$0.9M in the 4th quarter of 2014. Plant and equipment additions in the 4th quarter of 2015 included costs associated with rebuilding existing drill rigs and related equipment.

Financing Activities

During the 4th quarter of 2015, the Company used net cash of US\$34,000, relating to the quarterly principal repayment on the US\$2M Term Loan offset by a drawdown of US\$0.25M on the US\$2M Credit Line compared to using US\$0.4M in the 4th quarter of 2014, relating to quarterly loan repayments of US\$0.4M.

FISCAL 2015

Operating Activities

In 2015, the Company generated net cash from operating activities of US\$4.5M, as compared to generating net cash from operating activities of US\$2.5M in 2014. The Company realized a profit before taxation of US\$1.3M for 2015, and the impact of changes in non-cash items and changes in working capital items generated cash of US\$3.2M, resulting in operating cash flow of US\$4.5M.

Investing Activities

In 2015, the Company's net investment in property, plant and equipment was US\$2.8M compared to US\$1.4M in 2014. Plant and equipment expenditures in 2015 mainly included costs associated with rebuilding existing drill rigs and related equipment.

Financing Activities

In 2015, the Company used net cash of US\$1.2M relating to repayment of loans of US\$6.5M offset by a new US\$5M Term Loan and a drawdown of US\$0.25M on the US\$2M Credit Line, resulting in net loan repayments of US\$1.2M. In 2014 the Company generated cash of US\$0.9M from the drawdowns of US\$6.3M on loan facilities offset by the quarterly principal repayment on loans of US\$5.4M.

Contractual Obligations

Contractual Obligations in US\$	Payments Due by					
	Total	2016	2017	2018	2019	2020
Operating Leases ⁽¹⁾	1,369,000	366,000	325,000	258,000	240,000	180,000
Purchase Obligations ⁽²⁾	1,050,000	1,050,000	N/A	N/A	N/A	N/A
Loans ⁽³⁾	7,300,000	2,406,000	2,594,000	2,300,000	N/A	N/A
Total Contractual Obligations	9,719,000	3,822,000	2,919,000	2,558,000	240,000	180,000

(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 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\$5M Term Loan, the US\$2M Term Loan, and the US\$2M Credit Line, including the related interest.

Contractual obligations will be funded in the short-term by cash as at December 31, 2015 of US\$5.8M, cash flow generated from operations and the US\$1.75M amount still available on the US\$2M Credit Line.

OUTLOOK

The Company continues to believe that there is an industry wide slowdown in drilling activities as there is pressure on early stage exploration companies as financing from the capital markets continues to be challenging and there is also pressure on producing companies as they continue to need to manage their exploration costs in conjunction with their operating costs on the production side of their business. The Company believes that the slowdown in drilling activity will continue in 2016 and, as such, the Company continues to actively bid on new jobs and continues to take steps to control costs, monitor its workforce and is managing its capital expenditures. As at December 31, 2015 the Company had 37 drill rigs that were available for operation, three drill rigs in the workshop, one drill rig being manufactured and one drill rig on hold with the manufacturer.

The Company's drill rig fleet available for operation or planned to be available for operation is noted below:

Make - Model	Type	Available for Operation as at Mar 31, 2015		Available for operation as at Jun 30, 2015		Available for Operation as at Sep 30, 2015		Available for Operation as at Dec 31, 2015		Planned to be available for Operation as at Dec 31, 2016	
		No. of Rigs		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	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	3	1x2007 1x2003 1x1999
Sandvik - DE820	Multi-Purpose	3	3x2008	3	3x2008	4	3x2008 1x2010	4	3x2008 2x2010	5	3x2008 2x2010
Sandvik - DE810	Multi-Purpose	6	6x2012	7	6x2012 1x2010	7	6x2012 1x2010	7	6x2012 1x2010	7	6x2012 1x2010
EDM - 2000	Multi-Purpose	3	3x2011	3	3x2011	3	3x2011	3	3x2011	3	3x2011
Austex - X900	Multi-Purpose	5	3x2011 2x2012	5	3x2011 2x2012	5	3x2011 2x2012	5	3x2011 2x2012	6	3x2011 2x2012 1x2016
Sandvik - DE710	Core	8	2x2011 5x2010 1x2009	8	2x2011 5x2010 1x2009	8	2x2011 5x2010 1x2009	8	2x2011 5x2010 1x2009	8	2x2011 5x2010 1x2009
Austex - X300	Aircore	5	2x2011 2x2012 1x2010	5	2x2011 2x2012 1x2010	5	2x2011 2x2012 1x2010	5	2x2011 2x2012 1x2010	5	2x2011 2x2012 1x2010
Austex X350	RC Grade Control									1	1x2016
Maxidrill Maxcat 12	Grade control									1	1 x 2010
Maxidrill Maxcat 24	Grade control									1	1x2008
Total Drill Rigs Available for Operation		35		36		37		37		42	

	As at Mar 31, 2015		As at Jun 30, 2015		As at Sep 30, 2015		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	24	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
TOTAL AVAILABLE FOR OPERATION	35		36		37		37	
In W/Shop	3	Multi-Purpose	2	Multi-Purpose	3	Multi-Purpose Grade Control	1	Multi-Purpose Grade Control
Total in W/Shop	3		2		0		3	
Manufacturing on hold	1	Multi-Purpose	1	Multi-Purpose	1	Multi-Purpose	1	Multi-Purpose
In production							1	Multi-Purpose
Total Manufacturing	1		1		1		2	
TOTAL DRILL RIGS	39		39		38		42	

Split							
Multi-Purpose		26		26		26	
Core Only		8		8		8	
Air Core		5		5		5	
Grade Control						2	
RC/ Grade Control						1	
Total		39		39		42	

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 operations to EBIT and EBITDA

(US\$ 000s)	Year ended		Three months ended	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Profit/(Loss) from Operating Activities	2,027	(5,991)	352	(669)
Add: Other income	-	391	-	167
Add: Finance Income	2	3	-	1
Earnings Before Interest and Taxes (EBIT)	2,029	(5,597)	352	(501)
Add: Depreciation & Amortization	8,379	9,125	2,039	2,266
Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)	10,408	3,528	2,391	1,765

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO") of the Company are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The CEO and the CFO have designed such DC&P, or caused them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. As at December 31, 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 December 31, 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 December 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

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

Risks Related to the Business and the Industry

Debt level

In response to the need to finance general corporate expenditures including working capital needs, the Company has needed to borrow funds. As a result, the Company has loans payable outstanding. Historically, the Company has reinvested cash generated from operations into property, plant and equipment. With loans payable outstanding and the required payments, the Company will need to monitor its cash on hand, and its operating activities in response to the level of debt and scheduled repayments. The debt requires repayments of principal and interest of approximately US\$2.4M in 2016, a further US\$2.6M in 2017 and a further US\$2.3M in 2018. The Company has in the past been able to repay debt from cash flow from operations, however, there is no certainty that the Company will continue to generate positive cash flow from operations. The Company also has an unutilized amount of US\$1.75M on the US\$2M Credit Line available as at March 7, 2016.

Dependence on customers with capital raising challenges

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

Competition

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

adversely affect the Company's current market share, profitability and growth opportunities. Any erosion of the Company's competitive position could have a material adverse effect on the Company's business, results of operations, financial condition and growth prospects.

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

Cyclical Downturns

The Company's business is highly dependent upon the levels of mineral exploration, development and production activity by mining companies in West Africa. A reduction in exploration, development and production activities has caused a decline in the demand for drill rigs and drilling services, which has had a material adverse effect on the Company's business, financial position, resulting operations and prospects. The Company has been affected by the industry wide slowdown in drilling activities. In general, there continues to be pressure on early stage exploration companies as financing from the capital markets continues to be challenging and there is also pressure on producing companies as they continue to need to manage their exploration costs in conjunction with their operation costs on the production side of their business and the current price of certain minerals.

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

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

Revenues and EBITDA

The Company does not provide financial guidance. In 2015 the Company's revenue increased to US\$47.9M and its EBITDA increased to US\$10.4M. The Company has generated positive EBITDA in the

past and has recently increased its EBITDA in the current year, however, in 2014 the EBITDA decreased compared to 2013, and in 2013 the EBITDA decreased compared to 2012. There can be no assurance that the Company will be able to increase its EBITDA or will be able to generate positive EBITDA in the future.

Global Financial Condition

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

Foreign Currency Exposure

The Company receives the majority of its revenues in US dollars. In February 2014, the Bank of Ghana implemented revised rules on the operation of foreign exchange accounts and foreign currency accounts that required all transactions in Ghana to be conducted in Ghana Cedi. This impacted the first half of 2014 as the Company received more receipts from customers in Ghana Cedi as opposed to US dollars. Effective July 19, 2014 and throughout 2015, the Company was permitted to invoice in Ghana in US dollars. On January 19, 2016 the approval from the Bank of Ghana to invoice in US Dollars was denied for 2016, however, on February 10, 2016 the Bank of Ghana granted approval for the Company to issue and receive payments in US dollars. The approval is valid up to June 30, 2016. The Company is not certain if the approval will be granted subsequent to June 30, 2016. If the Company has significant cash and receivables in Ghana Cedi it may be exposed to currency fluctuations between US Dollar and the Ghana Cedi. In addition, there is also a significant part of the Company's foreign exchange exposure to the Australian dollars in relation to international purchases. As a result, the Company is exposed to currency fluctuations and exchange rate risks. Currency fluctuations and exchange rate risks between the value of the US dollar and the value of the Australian dollar may increase the cost of the Company's operations and could adversely affect financial results.

Concentration of Currency

The Company receives the majority of its revenues in US dollars and as result, the majority of the Company's cash is in US dollars. To facilitate the payment of certain international suppliers and expenses, the Company holds the majority of its cash in US dollars in jurisdictions where it can efficiently transfer funds to international suppliers. There can be no assurance that in the future, the Company will be able to continue to hold the majority of its cash in US dollars. This may also be affected by the fact that the Company has only received approval from the Bank of Ghana to invoice in US Dollars up to June 30, 2016.

Dependence on Certain Key Personnel

The success of the Company was, and is currently, largely dependent on the performance of management and, in particular, Dave Harper, Terry Burling and Greg Borsk. The group is also supported by Stephan Rodrigue, Business Development Manager, Alan McConnon, Training Manager and Don

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

Sensitivity to General Economic Conditions

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

Political Instability

The Company's drilling activities are in West Africa, currently in Ghana, Burkina Faso, Cote d'Ivoire and Mali. Conducting business in West Africa presents political and economic risks including, but not limited to, terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labour unrest. Specifically, in relation to terrorism, on November 20, 2015, Islamist militants took 170 hostages and killed 20 of them in a mass shooting at the Radisson Blu hotel in Bamako, the capital city of Mali and on January 15, 2016, gunmen armed with heavy weapons attacked the Cappuccino restaurant and the Splendid Hotel in Ouagadougou, the capital city of Burkina Faso. In Burkina Faso the terrorist attack resulted in 30 fatalities and at least 56 were wounded. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business. Business may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production and exploration activities, currency remittance, income taxes, environmental legislation, land use, land claims of local people, water use and safety. The effect of these factors cannot be accurately predicted, however, the Company keeps abreast of all political issues and is prepared to act accordingly.

Cyber Crime

Cyber Crime is now recognized as one of the biggest threats to global businesses. The agile nature of business, along with remote working technology, has left more companies open to the risk of cyber-attacks. These crimes range from the malicious, perhaps politically or ideologically motivated through to data or financial theft which may be orchestrated by the amateur hacker or by organised crime. Failure to identify and address these threats would leave the company vulnerable to attack.

Specialized Skills and Cost of Labor Increases

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

Increased Cost of Sourcing Consumables and Drilling Equipment

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

Inability to Sustain revenue levels

The Company's revenue increased in 2015 to US\$47.9M however, in 2014 it decreased compared to 2013 and in 2013 it decreased compared to 2012. The Company's ability to increase or sustain its revenue will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, commodity prices, the ability of mining companies to raise financing and the global demand for materials. In addition, the Company is subject to a variety of business risks generally associated with growing companies. The Company is not currently contemplating adding a significant number of rigs but will continue to explore geographic expansion. Expanding into other West Africa jurisdictions could place significant strain on the Company's management personnel and the Company may need to recruit additional personnel to service these jurisdictions.

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

Client Contracts

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

International Expansion and Instability

Expansion internationally entails additional political and economic risk. Some of the countries and areas that the Company may target for expansion could be undergoing industrialization and urbanization and do not have the economic, political or social stability that many developed nations now possess. Other countries have experienced political or economic instability in the past and may be subject to risks

beyond the Company's control, such as war or civil disturbances, political, social and economic instability, corruption, nationalization, terrorism, expropriation without fair compensation or cancellation of contract rights, significant changes in government policies, breakdown of the rule of law and regulations and new tariffs, taxes and other barriers, changes in mining or investment policies or shifts in political attitude that may adversely affect the business. There has been an emergence of a trend by some governments to increase their participation, through increased taxation, expropriation, or otherwise. This could negatively impact the level of foreign investment in mining and exploration activities and thus drilling demand in these regions. Such events could result in reductions in revenue and transition costs as equipment is shifted to other locations.

Operational Risks and Liability

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

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

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

Business Interruptions

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

Risk to the Company's Reputation

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

Environment, Labor and Health and Safety Requirements and Related Considerations

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

The Company is subject to the labour laws and regulations of the various countries in which it operates. Although none of the Company's employees are currently unionized, there is the potential that some or all of its employees may become unionized in the future. There can be no assurance that the Company will not experience labour problems in the future, such as prolonged work stoppages due to labour strikes, which may have an adverse effect on its results of operations and financial conditions.

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

Insurance Limits

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

Uncertain Legal and Regulatory Frameworks

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

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

Tax Risk

The Company has organized its group structure and its operations in part based on certain assumptions about various tax laws including, among others, income tax and withholding tax, foreign currency and capital repatriation laws and other relevant laws of a variety of jurisdictions. While the Company believes that such assumptions are correct, there can be no assurance that foreign taxing or other authorities will reach the same conclusion. If such assumptions are incorrect, or if such jurisdictions were to change or modify such laws or the current interpretation thereof, the Company may suffer adverse tax and financial consequences. The Group has drilling activities currently in Ghana, Burkina Faso, Cote d'Ivoire and Mali. The Group has subsidiaries or branches in the British Virgin Islands, Ghana, Burkina Faso, Cote d'Ivoire, Mali, Senegal, Zambia, and the DRC. There is a risk in which the countries where Geodrill operates may change their current tax regime with little prior notice or that the tax authorities in these jurisdictions may attempt to claim tax on the global revenues of the Company. A change to the tax regimes in these countries or an unfavorable interpretation of the current tax legislation could have a material adverse effect on the profitability of the Company. In 2016, the Ghana Revenue Authority has implemented new enhanced guidelines regarding exemption from withholding tax. Geodrill Ghana Limited has been granted its withholding tax exemption to April 30, 2016 and believes it will satisfy the criteria for a withholding tax exemption subsequent to April 30, 2016, but there is a risk that the Ghana Revenue Authority could deny this exemption.

Credit Risk

The Company provides credit to its clients in the normal course of its operations. The Company had a decrease in its allowance for doubtful accounts to Nil in 2015. In the past the Company had noticed that certain accounts were taking longer to pay and certain accounts were having difficulty paying and therefore the Company needed to provide for certain accounts. The Company has started working with larger clients and as at December 31, 2015, only 2% of the trade accounts receivable are aged over 91 days and management determined that there is no need for a provision against trade receivables as at December 31, 2015.

For the year ended December 31, 2015, included in revenue are three customers who individually contributed 10% or more to the Group's revenue. One customer contributed 24%, one customer contributed 18% and one customer contributed 16%.

Geographic Expansion

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

Supply of Consumables

The Company's operations could place pressure on the ability of its vendors to manufacture and deliver to the Company consumables used in its drilling activities. Any negative impact on the ability of the

vendors to deliver their products may constrain the Company's ability to increase its capacity and increase or maintain revenue and profitability.

Risks due to Foreign Incorporation

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

Equity Market Risks

There is a risk associated with any investment in the Ordinary Shares. The market price of securities such as the Ordinary Shares of the Company are affected by numerous factors including, but not limited to, general market conditions, actual or anticipated fluctuations in the Company's results of operations, changes in estimates of future results of operations by the Company or securities analysts, risks identified in this section and other factors. In addition, the financial markets have experienced significant price and volume fluctuations that have sometimes been unrelated to the operating performance of the issuers or the industries in which they operate.

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

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

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

Dilution

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

Lack of Dividend Payments

Geodrill does not pay dividends other than a real estate dividend in 2010, issued in connection with the IPO reorganization of the Company, no dividends on the Ordinary Shares have been paid to date.

Geodrill anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board of Directors after taking into account many factors, including Geodrill's earnings, operating results, financial condition, current and anticipated cash needs and restrictions in financing agreements.

FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	Loans and Receivables US\$	Other Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
December 31, 2015				
Financial assets				
Trade and other receivables	7,968,335	-	7,968,335	7,968,335
Cash	5,848,552	-	5,848,552	5,848,552
	<u>13,816,887</u>	<u>-</u>	<u>13,816,887</u>	<u>13,816,887</u>
Financial liabilities				
Trade and other payables	-	7,273,873	7,273,873	7,273,873
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,150,219	6,150,219	6,150,219
	<u>-</u>	<u>14,347,117</u>	<u>14,347,117</u>	<u>14,347,117</u>
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
	<u>10,606,561</u>	<u>-</u>	<u>10,606,561</u>	<u>10,606,561</u>
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
	<u>-</u>	<u>13,681,499</u>	<u>13,681,499</u>	<u>13,681,499</u>

FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

(i) Credit risk

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

Trade and other receivables

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

For the year ended December 31, 2015, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 24%, one customer contributed 18% and one customer contributed 16%.

For the year ended December 31, 2014, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 24% and two customers contributed 14%.

Exposure to credit risks

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

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

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

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

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

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

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

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

(ii) Liquidity risk

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

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

	Total US\$	Within One Year US\$	Within Two to Three Years US\$
December 31, 2015			
Non-derivative financial liability			
Trade and other payables	7,723,699	7,723,699	-
Related party payables	923,025	923,025	-
Loans payable	6,150,219	2,481,299	3,668,920
Balance at December 31, 2015	<u>14,796,943</u>	<u>11,128,023</u>	<u>3,668,920</u>
December 31, 2014			
Non-derivative financial liability			
Trade and other payables	6,562,712	6,562,712	-
Related party payables	923,025	923,025	-
Loans payable	7,364,565	6,464,346	900,219
Balance at December 31, 2014	<u>14,850,302</u>	<u>13,950,083</u>	<u>900,219</u>

(iii) Market risk

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

(a) Foreign currency risk

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

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

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

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

The following significant exchange rates applied during the years:

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

Sensitivity analysis on currency risks

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

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

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

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

(b) Interest rate risk

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

Profile

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

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

Sensitivity analysis for variable rate instruments

A change of 200 basis points in the interest rate at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015 and 2014.

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

(iv) Capital management

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

The Group's capital at December 31, 2015 and 2014 is as follows:

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

RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2015	2014
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
D.S.I. Services Limited	Subsidiary	British Virgin Islands	100%	100%
Geotool Limited	Subsidiary	British Virgin Islands	100%	100%
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	100%
Geo-Forage Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geo-Forage Mali SARL	Subsidiary	Mali	100%	100%
Geo-Forage Senegal SARL	Subsidiary	Senegal	100%	100%
Geo-Forage DRC SARL	Subsidiary	Democratic Republic of Congo	100%	100%
Geodrill Limited in Zambia	Registered foreign operating entity	Zambia	100%	100%
Trans Traders Limited	Related party	Isle of Man	-	-
Harper Family Settlement	Significant indirect shareholder	Isle of Man	-	-

(i) Transactions with related parties

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

Trans Traders Limited ("TTL") is a company which is owned by Clearwater Nominees Limited and Clearwater Registrars Limited which shares are held on behalf of the Harper Family Settlement which also owns 41.2% (December 31, 2014: 41.2%) of the issued share capital of Geodrill Limited.

Geodrill Ghana Limited originally entered into an agreement with the Harper Family Settlement to lease the Anwiankwanta property for US\$112,000 per annum and the Accra property for US\$48,000 per annum. The material terms of the five year lease agreement include: (i) the annual rent payable shall be reviewed on an upward only basis every two years based on the average price of two firms of real estate valuers/surveyors or real estate agents; and (ii) at the end of the original five year lease term. On October 1, 2014 in conjunction with the rent review, Geodrill Ghana Limited agreed to increase the rent

for the Anwiankwanta property to US\$168,000 per annum and the rent for the Accra property to US\$72,000 per annum.

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

Future operating lease commitments related to the properties are:

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

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

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

(ii) Key management personnel and directors' transactions

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

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

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

(iii) Related party balances

The related party payable outstanding as at December 31, 2015 amount to US\$923,025 (December 31, 2014: US\$923,025). The related party payable is to Trans Traders Limited, is unsecured, interest free and is repayable on demand at the option of the lender.

SIGNIFICANT ACCOUNTING POLICIES

a. **Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

b. **Basis of measurement**

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

c. **Functional and presentation currency**

The consolidated financial statements are presented in United States dollars which is the company’s and its subsidiaries’ functional and presentation currency.

d. **Basis of consolidation**

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

e. **Financial instruments**

(i) Recognition

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

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

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity’ investments, ‘available-for-sale’

("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

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

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

(ii) Derecognition

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

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

(iii) Classification

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

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

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

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

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

Further information relating to the fair values of financial instruments is provided in notes 5 and 17.

(iv) Amortized cost measurement

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

(v) Offsetting

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

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

(vi) Share capital

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

(vii) Compound financial instruments

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

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

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

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

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

(viii) Trade receivables

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

f. Leases

(i) Classification

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

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

(ii) Lease payments

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

g. Property, plant and equipment

(i) Recognition and measurement

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

(iv) Impairment

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

The current economic conditions in the drilling industry were considered to be an indicator of potential impairment of the carrying value of the company's property, plant and equipment as at December 31, 2015. The outcome of the analysis was such that the expected net recoverable amount exceeded the carrying value of the property, plant and equipment and, accordingly, no impairment loss was recognized in the period.

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

The recoverable amount of the asset or cash-generating unit is based on the value-in-use. The value-in-use calculation requires an estimation of the future cash flows expected to arise from the asset or cash-generating unit and a pre-tax discount rate in order to calculate the present value. Fair values less costs to sell are based on recent market transactions where available and,

where not available, appropriate valuation models are used. An impairment loss is recognized immediately in comprehensive income.

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

h. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of spare parts is based on the first-in first-out principle and includes expenditures incurred in acquiring/building the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

Inventory is assessed on a per unit basis to determine whether indicators exist which would lead to a downward revision in the net realizable value of inventory. This assessment is performed at each reporting date.

i. Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

(iii) Share-based payment transactions

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

that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

j. Income tax

Income tax expense comprises current and deferred tax expenses.

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

k. Dividends

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

l. Revenue – drilling revenue

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

The outcome can be estimated reliably when all the following conditions are satisfied:

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

m. Finance income

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

n. Finance costs

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

o. Foreign exchange

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

p. Provisions

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

q. Post balance sheet events

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

r. Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential shares, which currently comprise share options granted to employees and directors.

NEW AND FUTURE ACCOUNTING STANDARDS

a. Adoption of new and amended accounting pronouncements

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

b. Accounting pronouncements issued but not yet effective

IAS 1 – Presentation of Financial Statements

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

IAS 16 – Property, Plant and Equipment

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

IAS 19 – Employee Benefits

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

IAS 38 – Intangible Assets

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

IFRS 9 – Financial instruments

IFRS 9, “Financial instruments” (IFRS 9) was issued by the IASB on July 24, 2014 and will replace IAS 39, “Financial instruments: recognition and measurement” (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Group is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

IFRS 11 – Joint Arrangements

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

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, “Revenue from Contracts and Customers” (IFRS 15) was issued by the IASB on May 28, 2014, and will replace IAS 18, “Revenue”, IAS 11, “Construction Contracts”, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Group is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

IFRS 16 – Leases

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(i) Estimates

a. Depreciation of property, plant and equipment

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

b. Share-based payment transactions

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

c. Inventory provision

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

d. Allowance for doubtful accounts

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

e. Income tax

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

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

(ii) Judgments

a. Assessment of impairment of property, plant and equipment

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

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

b. Functional currency

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

Additional Information

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

CORPORATE INFORMATION

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Annual Shareholders' Meeting

May 9th, 2016 – 10:00 a.m.
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GEODRILL®
