

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2015 and 2014

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at March 31, 2015 and December 31, 2014

CONTENTS

	Page
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS	3
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	4
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS	5
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	6-25

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

As at March 31, 2015 and December 31, 2014

	<i>Note</i>	March 31, 2015 US\$	December 31, 2014 US\$
Assets			
(audited)			
Non-current assets			
Property, plant and equipment	<i>9</i>	37,917,859	39,351,500
Total non-current assets		37,917,859	39,351,500
Current assets			
Inventories	<i>10</i>	13,356,262	13,246,176
Prepayments		1,136,250	1,213,725
Trade and other receivables	<i>11</i>	7,713,560	5,409,798
Cash	<i>12</i>	3,149,942	5,196,763
Total current assets		25,356,014	25,066,462
Total assets		63,273,873	64,417,962
Equity and liabilities			
Equity			
Share capital		21,150,866	21,150,866
Share-based payment reserve		3,684,707	3,684,707
Retained earnings		22,923,837	24,328,791
Total equity		47,759,410	49,164,364
Liabilities			
Non-current liabilities			
Deferred tax liabilities	<i>8(iv)</i>	-	-
Loans payable	<i>13</i>	608,138	900,219
Total non-current liabilities		608,138	900,219
Current liabilities			
Trade and other payables	<i>14</i>	7,459,848	6,562,712
Loans payable	<i>13</i>	6,122,871	6,464,346
Taxes payable	<i>8(ii)</i>	400,581	403,296
Related party payables	<i>16(iii)</i>	923,025	923,025
Total current liabilities		14,906,325	14,353,379
Total equity and liabilities		63,273,873	64,417,962

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

For the three months ended March 31, 2015 and 2014

	Note	March 31, 2015 US\$	March 31, 2014 US\$
Revenue		9,387,840	5,445,033
Cost of sales	7	(7,379,540)	(5,734,302)
Gross profit / (loss)		2,008,300	(289,269)
Selling, general and administrative expenses	7	(3,223,548)	(3,054,945)
Foreign exchange gain / (loss)		318,628	(10,631)
Results from operating activities		(896,620)	(3,354,845)
Finance income		322	902
Finance costs		(197,098)	(206,195)
Loss before taxation		(1,093,396)	(3,560,138)
Income tax (expense) / recovery	8(i)	(311,558)	404,826
Loss for the period		(1,404,954)	(3,155,312)
Total comprehensive loss for the period		(1,404,954)	(3,155,312)
Loss per share			
Basic	19(i)	\$(0.03)	\$(0.07)
Diluted	19(ii)	\$(0.03)	\$(0.07)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

For the three months ended March 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
Net loss for the period	-	-	(1,404,954)	(1,404,954)
Balance at March 31, 2015	21,150,866	3,684,707	22,923,837	47,759,410
Balance at January 1, 2014	21,150,866	3,537,446	31,030,118	55,718,430
Net loss for the period	-	-	(3,155,312)	(3,155,312)
Share-based payment expense	-	17,757	-	17,757
Balance at March 31, 2014	21,150,866	3,555,203	27,874,806	52,580,875

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2015 and 2014

	March 31, 2015 US\$	March 31, 2014 US\$
Cash flows from operating activities		
Loss before taxation	(1,093,396)	(3,560,138)
<i>Adjustments for:</i>		
Depreciation expense	2,086,784	2,253,832
Provision for inventory obsolescence	4,298	16,272
Equity-settled share-based payment expense	-	17,757
Finance income	(322)	(902)
Finance costs	197,098	206,195
Unrealized foreign exchange gain	(364,153)	(17,377)
	830,309	(1,084,361)
Change in inventories	(114,384)	956,166
Change in prepayments	77,475	(352,952)
Change in trade and other receivables	(2,303,762)	(1,060,804)
Change in trade and other payables	1,219,935	592,309
Cash used in operations	(290,427)	(949,642)
Finance income received	322	902
Finance costs paid	(201,269)	(181,074)
Income taxes paid	(314,273)	(187,938)
Net cash used in operating activities	(805,647)	(1,317,752)
Investing activities		
Purchase of property, plant and equipment	(653,143)	(60,454)
Net cash used in investing activities	(653,143)	(60,454)
Financing activities		
Loans received	-	2,300,000
Loan repayments	(633,556)	(1,653,084)
Net cash (used in) / provided from financing activities	(633,556)	646,916
Effect of movement in exchange rates on cash	45,525	28,008
Net decrease in cash	(2,046,821)	(703,282)
Cash at beginning of the period	5,196,763	3,209,080
Cash at end of the period	3,149,942	2,505,798

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 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 unaudited condensed interim consolidated financial statements of the company for the periods ended March 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 unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill Limited on May 8, 2015.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 have been prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies as presented in Note 2 disclosed in the company’s audited consolidated financial statements for the year ended December 31, 2014. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) has been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited 2014 annual consolidated financial statements of the company.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Critical accounting estimates and judgements

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2014.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015 and 2014

2. BASIS OF PREPARATION (CONTINUED)

(e) Impairment testing

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 March 31, 2015. Accordingly, an impairment test, based on the higher of value in use or fair value less costs to sell, was performed as at March 31, 2015. The outcome of the test was such that the expected net recoverable amount exceeded the carrying value of the property, plant and equipment and, accordingly, no impairment loss was recognized in the period.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the company as at and for the year ended December 31, 2014, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were effective from January 1, 2015. The adoption of these amendments and standards have not had a material impact on the accounting policies, methods of computation or presentation applied by the company. Accordingly, the unaudited condensed interim consolidated financial statements should be read in conjunction with the company's consolidated financial statements for the year ended December 31, 2014.

4. 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.

(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.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three months ended March 31, 2015 and 2014

4. DETERMINATION OF FAIR VALUES (CONTINUED)**(e) Other financial liabilities**

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

(f) Share-based payment transactions

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

5. 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 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.

6. 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.

For the three months ended March 31, 2015, five customers individually contributed 10% or more to the Group's revenue. One customer contributed 27%, one customer contributed 17%, one customer contributed 16%, one customer contributed 14% and one customer contributed 11%.

For the three months ended March 31, 2014, four customers individually contributed 10% or more to the Group's revenue. One customer contributed 28%, one customer contributed 24%, one customer contributed 22% and one customer contributed 11%.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2015 and 2014

6. SEGMENT REPORTING (CONTINUED)

	Ghana		Outside Ghana (1)		Intra-group transaction		Total (2)	
	Three month period ended March 31,		Three month period ended March 31,		Three month period ended March 31,		Three month period ended March 31,	
	2015	2014	2015	2014	2015	2014	2015	2014
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	5,337	4,301	6,756	2,945	(2,705)	(1,801)	9,388	5,445
Cost of sales	(5,707)	(5,109)	(5,768)	(2,667)	4,095	2,042	(7,380)	(5,734)
Selling, general and administrative	(1,943)	(1,723)	(1,286)	(1,431)	5	99	(3,224)	(3,055)
Foreign exchange gain / (loss)	94	51	225	(62)	-	-	319	(11)
Results from operating activities	(2,219)	(2,480)	(73)	(1,215)	1,395	340	(897)	(3,355)
Other income	1,105	-	-	-	(1,105)	-	-	-
Finance income	-	1	-	-	-	-	-	1
Finance cost	(187)	(195)	(10)	(11)	-	-	(197)	(206)
Segment results	(1,301)	(2,674)	(83)	(1,226)	290	340	(1,094)	(3,560)
Capital expenditures	164	60	489	-			653	60
As at	Mar 31, 2015	Dec 31, 2014	Mar 31, 2015	Dec 31, 2014			Mar 31, 2015	Dec 31, 2014
	US\$ '000	US\$ '000	US\$ '000	US\$ '000			US\$ '000	US\$ '000
Non-current assets	41,683	43,602	1,223	1,027			42,906	44,629
Intra group balances							(4,988)	(5,277)
Per statement of financial position							37,918	39,352
Total assets	62,599	63,687	71,388	70,190			133,987	133,877
Intra group balances							(70,713)	(69,459)
Per statement of financial position							63,274	64,418
Total liabilities	72,425	72,211	8,801	7,209			81,226	79,420
Intra group balances							(65,712)	(64,166)
Per statement of financial position							15,514	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\$3,040,890 (March 31, 2014: US\$1,788,160).

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

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three months ended March 31, 2015 and 2014

7. EXPENSES BY NATURE

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

	March 31, 2015 US\$	March 31, 2014 US\$
Expenses		
Drill rig expenses and fuel	2,902,307	1,986,929
Employee benefits	3,292,647	2,356,903
External services and contractors	1,685,602	1,802,814
Depreciation	2,086,784	2,253,832
Repairs and maintenance	635,748	324,824
Bad debt expense	-	63,945
	<u>10,603,088</u>	<u>8,789,247</u>

	March 31, 2015 US\$	March 31, 2014 US\$
Cost of sales	7,379,540	5,734,302
Selling, general and administrative expenses	3,223,548	3,054,945
	<u>10,603,088</u>	<u>8,789,247</u>

8. TAXATION**(i) Income tax expense / (recovery)**

	March 31, 2015 US\$	March 31, 2014 US\$
Current tax expense (iii)	311,558	172,564
Deferred tax recovery (iv)	-	(577,390)
	<u>311,558</u>	<u>(404,826)</u>

Current tax expense reflects taxes associated with the Group's drilling activities for the three month period ended March 31, 2015 outside Ghana. Deferred tax recovery relates to the origination and reversals of temporary differences in relation to Ghanaian corporate tax.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2015 and 2014

8. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Mar. 31 US\$
2015	403,296	(314,273)	311,558	400,581
	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

	March 31, 2015 US\$	March 31, 2014 US\$
Loss before tax	(1,093,396)	(3,560,138)
Add: Loss before tax subject to no corporate tax	(206,468)	(886,391)
Loss before tax subject to corporate tax in Ghana	(1,299,864)	(2,673,747)
Ghana corporate tax at 25%	(324,966)	(668,437)
Add:		
Withholding tax on revenue outside Ghana	311,558	172,564
Movement of temporary differences in Ghana	324,966	91,047
Total tax expense / (recovery)	311,558	(404,826)
Effective tax rate	(28.5)%	(11.0)%

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2015 and 2014

8. TAXATION (CONTINUED)

(iv) Deferred tax liabilities

	March 31, 2015 US\$	December 31, 2014 US\$
Balance at January 1	-	1,411,215
Recovery for the period	-	(1,411,215)
Balance at end of period	-	-

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	March 31, 2015		
	Asset US\$	Liability US\$	Net US\$
Property, plant and equipment	327,959	-	327,959
Provision for inventory obsolescence	160,582	-	160,582
Allowance for doubtful debts	143,003	-	143,003
Deferred tax asset not recognized	(631,544)	-	(631,544)
Total	-	-	-

	December 31, 2014		
	Asset US\$	Liability US\$	Net US\$
Property, plant and equipment	12,719	-	12,719
Provision for inventory obsolescence	159,507	-	159,507
Allowance for doubtful accounts	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.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2015 and 2014

9. 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	-	-	-	8,812	644,331	653,143
Reclassifications from CWIP	-	102,633	84,758	-	(187,391)	-
Assets retired during the period	-	(33,419)	(104,417)	-	-	(137,836)
Balance at March 31, 2015	5,347,983	19,990,443	50,897,940	2,223,609	2,981,909	81,441,884
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 period	55,718	749,951	1,187,054	94,061	-	2,086,784
Assets retired during the period	-	(33,419)	(104,417)	-	-	(137,836)
Balance at March 31, 2015	5,294,071	14,520,108	22,615,004	1,094,842	-	43,524,025
Carrying amounts at March 31, 2015	53,912	5,470,335	28,282,936	1,128,767	2,981,909	37,917,859

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

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2015 and 2014

9. 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 components and rebuilds which are depreciated at the appropriate rates in accordance with the Group's accounting policies.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2015 and 2014***9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Depreciation has been charged in comprehensive loss as follows:

	March 31, 2015	March 31, 2014
	US\$	US\$
Cost of sales	1,937,005	1,921,235
Selling, general and administrative expenses	149,779	332,597
	<u>2,086,784</u>	<u>2,253,832</u>

As at March 31, 2015, property, plant and equipment with a carrying amount of US\$17,327,464 (December 31, 2014: US\$24,003,471) and inventories with a carrying amount of US\$4,283,070 (December 31, 2014: US\$4,513,637) have been pledged as security for certain loans (note 13).

10. INVENTORIES

	March 31, 2015	December 31, 2014
	US\$	US\$
Inventories on hand	13,310,089	13,033,554
Inventories in transit	688,501	850,652
Provision for obsolescence	(642,328)	(638,030)
	<u>13,356,262</u>	<u>13,246,176</u>

The amount of inventories recognized as expense in the three months ended March 31, 2015 is US\$3,287,504 (March 31, 2014: US\$2,529,972). Inventory write downs in the three months ended March 31, 2015 amounted to US\$29,068 (March 31, 2014: US\$287,993).

11. TRADE AND OTHER RECEIVABLES

	March 31, 2015	December 31, 2014
	US\$	US\$
Trade receivables	8,324,775	6,124,206
Allowance for doubtful accounts	(823,212)	(823,212)
Net trade receivables	7,501,563	5,300,994
Cash advances	60,439	34,361
Sundry receivables	151,558	74,443
	<u>7,713,560</u>	<u>5,409,798</u>

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2015 and 2014

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	March 31, 2015	December 31, 2014
	US\$	US\$
Balance at January 1	823,212	1,026,013
Provisions made in the period	-	63,946
Receivables collected in the period	-	(80,784)
Receivables written off during the period as uncollectible	-	(185,963)
Balance at end of period	<u>823,212</u>	<u>823,212</u>

Trade and other receivables are recorded at amortized cost. Bad debt recovery recorded on trade and other receivables during the three month period ended March 31, 2015 amounted to US\$Nil (December 31, 2014: US\$16,838).

12. CASH

	March 31, 2015	December 31, 2014
	US\$	US\$
Cash at bank	3,051,508	5,131,663
Cash on hand	98,434	65,100
	<u>3,149,942</u>	<u>5,196,763</u>

As at March 31, 2015, cash of US\$3,149,942 was available to the Group (December 2014: US\$5,196,763).

13. LOANS PAYABLE

	March 31, 2015	December 31, 2014
	US\$	US\$
US\$5M Credit Line (i)	5,000,000	5,000,000
US\$2M Term Loan (ii)	1,731,009	1,995,000
Equipment Loans (iii)	-	369,565
US\$2M Credit Line (iv)	-	-
Total	<u>6,731,009</u>	<u>7,364,565</u>
Current portion of loans	<u>6,122,871</u>	<u>6,464,346</u>
Non-current portion of loans	<u>608,138</u>	<u>900,219</u>

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2015 and 2014***13. LOANS PAYABLE (CONTINUED)****(i) US\$5M Credit Line**

On October 7, 2013, the Group entered into a US\$5 million credit line agreement (the "US\$5M Credit Line") with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of up to US\$5 million. The US\$5M Credit Line is for a period of 2 years from the date of the first drawdown, made on December 18, 2013, repayable interest only quarterly and principal amount at maturity, bears interest at a rate of 10.5% per annum on any utilized portion and 1% per annum on any unutilized portion, and is secured by certain assets of the Group. The US\$5M Credit Line may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The US\$5M Credit Line is subject to, and as at March 31, 2015 and May 8, 2015, the Group was in compliance with normal course non-financial covenants. As at March 31, 2015, US\$5 million had been drawn on the US\$5M Credit Line.

(ii) US\$2M Term Loan

On July 29, 2014, the Group entered into a term loan with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US\$2 million (the "US\$2M Term Loan"). The US\$2M Term Loan is for a period of 2 years, repayable interest only for 120 days, and thereafter, repayable interest and principal quarterly in equal amounts required to satisfy the principal over the term of the loan. The US\$2M Term Loan bears interest at a rate of 10.5% per annum and is subject to periodic review in line with money market conditions. The US\$2M Term Loan is secured by certain assets of the Group. The US\$2M Term Loan may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The effective interest rate of the US\$2M Term Loan is 10.98%. The US\$2M Term Loan is subject to, and as at March 31, 2015 and May 8, 2015, the Group was in compliance with normal course non-financial covenants.

(iii) Equipment loans

On January 23, 2012, the Group entered into a Sale and Purchase agreement ("Agreement 1") with Sandvik Mining and Construction Oy ("Sandvik") relating to the purchase of three drill rigs with a total cost price of US\$2.6 million. Agreement 1 required a down payment and the repayment of the balance over a period of 36 months with payments being made once a quarter. The loan bears interest at 7% per annum, includes an arrangement fee and stipulates that final title to the rigs will only pass once the capital amount has been settled. All other risks and rewards of ownership lie with the Group. The effective interest rate of the loan is 7.10%. 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 bears interest at 7% per annum, includes an arrangement fee and stipulates that final title to the rigs will only pass once the capital amount has been settled. All other risks and rewards of ownership lie with the Group. The effective interest rate of the loan is 7.10%. Agreement 2 was fully repaid on February 25, 2015.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2015 and 2014***13. LOANS PAYABLE (CONTINUED)****(iv) US\$2M Credit Line**

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

14. TRADE AND OTHER PAYABLES

	March 31, 2015	December 31, 2014
	US\$	US\$
Trade payables	3,992,147	2,927,853
Creditors and accrued expenses	2,841,391	2,466,056
VAT liability	626,310	1,168,803
	<hr/> 7,459,848	<hr/> 6,562,712

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2015 and 2014

15. 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\$
March 31, 2015				
Financial assets				
Trade and other receivables	7,713,560	-	7,713,560	7,713,560
Cash	3,149,942	-	3,149,942	3,149,942
	<u>10,863,502</u>	<u>-</u>	<u>10,863,502</u>	<u>10,863,502</u>
Financial liabilities				
Trade and other payables	-	6,833,538	6,833,538	6,833,538
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,731,009	6,731,009	6,731,009
	<u>-</u>	<u>14,487,572</u>	<u>14,487,572</u>	<u>14,487,572</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>

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2015 and 2014

16. RELATED PARTY TRANSACTIONS

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

(i) Transactions with related parties

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

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

Geodrill Ghana Limited originally entered into an agreement with the Harper Family Settlement to lease the Anwiankwanta property for US\$112,000 per annum and the Accra property for US\$48,000 per annum. The material terms of the five year lease agreement include: (i) the annual rent payable shall be reviewed on an upward only basis every two years based on the average price of two firms of real estate valuers/surveyors or real estate agents; (ii) at the end of the original five year lease term, Geodrill Ghana Limited shall have the option to renew the lease for an additional five year term with similar rent and conditions; and (iii) either party may terminate the lease agreement provided they give the other party 12 months' notice.

On October 1, 2014 in conjunction with the rent review, Geodrill Ghana Limited agreed to increase the rent for the Anwiankwanta property to US\$168,000 per annum and the rent for the Accra property to US\$72,000 per annum. The rent for these properties will be reviewed again when the lease expires on September 30, 2015.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2015 and 2014

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

Future operating lease commitments related to the properties are:

	March 31, 2015	December 31, 2014
	US\$	US\$
Payable within one year	120,000	180,000
Payable between 1 and 5 years	-	-
Total	120,000	180,000

During the three month period ended March 31, 2015 lease payments amounted to US\$60,000 (2014: US\$50,000).

(ii) Key management personnel and directors' transactions

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

Effective May 10, 2013 Clearwater Fiduciary Services Limited was appointed as the licensed and regulated fiduciary service provider to DSI Services Limited and Geotool Limited. From May 31, 2013, Clearwater Fiduciary Services Limited replaced City Trust as registered agent of Geodrill. Fees paid to Clearwater Fiduciary Services Limited for the three month period ended March 31, 2015 amounted to US\$Nil (December 31, 2014: US\$Nil).

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

	March 31, 2015	March 31, 2014
	US\$	US\$
Short-term benefits	390,926	451,979
Share-based payment arrangements	-	17,757
	390,926	469,736

(iii) Related party balances

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

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2015 and 2014

17. COMMITMENTS

(i) Lease commitments

Future operating lease commitments related to the properties are:

	March 31, 2015	December 31, 2014
	US\$	US\$
Payable within one year	246,000	306,000
Payable between 1 and 5 years	198,000	229,500
Total	444,000	535,500

(ii) Capital commitments

Total commitments relating to the outstanding drill rig and other equipment amounts to US\$900,000 (December 31, 2014: US\$800,000).

18. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital

	March 31, 2015	December 31, 2014
Shares issued and fully paid	42,512,000	42,512,000
Shares reserved for share option plan	4,251,200	4,251,200
Total shares issued and reserved	46,763,200	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.

(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.

(iii) Retained earnings

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

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2015 and 2014***19. LOSS PER SHARE****(i) Basic loss per share**

The calculation of basic loss per share for the three month period ended March 31, 2015 was based on the loss attributable to ordinary shareholders of US\$(1,404,954) (2014: US\$(3,155,312)), and on the weighted average number of ordinary shares outstanding of 42,512,000 (2014: 42,512,000) calculated as follows:

	March 31, 2015 US\$	March 31, 2014 US\$
Loss attributable to ordinary shareholders	(1,404,954)	(3,155,312)
<hr/>		
Weighted average number of ordinary shares		
	March 31, 2015 Shares	March 31, 2014 Shares
Issued ordinary shares	42,512,000	42,512,000
<hr/>		
Loss per share	\$(0.03)	\$(0.07)

(ii) Diluted loss per share

The calculation of diluted loss per share for the three month period ended March 31, 2015 was based on the loss attributable to ordinary shareholders of US\$(1,404,954) (2014: US\$(3,155,312)), and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 42,512,000 (2013: 42,512,000), calculated as follows:

	March 31, 2015 US\$	March 31, 2014 US\$
Loss attributable to ordinary shareholders	(1,404,954)	(3,155,312)
<hr/>		
Weighted average number of ordinary shares - diluted		
	March 31, 2015 Shares	March 31, 2014 Shares
Weighted average number of ordinary shares - basic	42,512,000	42,512,000
Effect of share options in issue (1)	-	-
<hr/>		
	42,512,000	42,512,000
<hr/>		
Diluted Loss per share	\$(0.03)	\$(0.07)

(1) For the three month periods ended March 31, 2015 and March 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.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2015 and 2014

20. DIVIDENDS

No dividends were paid in 2015 or 2014, nor were dividends declared through to May 8, 2015.

21. 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.

	March 31, 2015		December 31, 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
Total Granted	-	-	390,000	C\$0.84
Balance ending	3,180,000	C\$1.96	3,180,000	C\$1.96

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

Options series	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
(1) Granted on December 16, 2010	C\$2.00	990,000	8 mos	990,000
(2) Granted on March 11, 2011	C\$3.48	360,000	11 mos	360,000
(3) Granted on November 9, 2011	C\$2.11	630,000	1 Yr & 7 mos	630,000
(4) Granted on March 13, 2012	C\$3.41	180,000	1 Yr & 11 mos	180,000
(5) Granted on October 15, 2012	C\$1.57	270,000	2 Yrs & 4 mos	270,000
(6) Granted on May 23, 2013	C\$0.81	360,000	3 Yrs & 2 mos	360,000
(7) Granted on May 22, 2014	C\$0.84	390,000	4 Yrs & 2 mos	390,000

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2015 and 2014

21. 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%	3%	1.55%	1.33%	1.28%	1.37%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Stock price volatility	33%	56%	34%	53%	53%	53%	55%
Expected life of options	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	0%	0%	0%	0%	30%	0%	30%

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