

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2016 and 2015

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at March 31, 2016 and December 31, 2015

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

As at March 31, 2016 and December 31, 2015

	<i>Note</i>	March 31, 2016 US\$	December 31, 2015 US\$
Assets			
(audited)			
Non-current assets			
Property, plant and equipment	9	33,496,535	33,722,340
Total non-current assets		33,496,535	33,722,340
Current assets			
Inventories	10	13,020,026	13,851,957
Prepayments		1,120,803	1,668,565
Trade and other receivables	11	12,423,249	7,968,335
Cash	12	5,351,818	5,848,552
Total current assets		31,915,896	29,337,409
Total assets		65,412,431	63,059,749
Equity and liabilities			
Equity			
Share capital		21,150,866	21,150,866
Share-based payment reserve		4,064,042	3,775,907
Retained earnings		24,033,916	22,420,684
Total equity		49,248,824	47,347,457
Liabilities			
Non-current liabilities			
Loans payable	13	3,883,529	3,668,920
Total non-current liabilities		3,883,529	3,668,920
Current liabilities			
Trade and other payables	14	7,893,740	7,723,699
Loans payable	13	1,974,608	2,481,299
Taxes payable	8(ii)	1,488,705	915,349
Related party payables	16(iii)	923,025	923,025
Total current liabilities		12,280,078	12,043,372
Total equity and liabilities		65,412,431	63,059,749

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

For the three months ended March 31, 2016 and 2015

	Note	March 31, 2016 US\$	March 31, 2015 US\$
Revenue		15,451,642	9,387,840
Cost of sales	7	(8,851,969)	(7,379,540)
Gross profit		6,599,673	2,008,300
Selling, general and administrative expenses	7	(3,656,383)	(3,223,548)
Foreign exchange (loss) / gain		(142,253)	318,628
Results from operating activities		2,801,037	(896,620)
Finance income		421	322
Finance costs		(168,187)	(197,098)
Income / (loss) before taxation		2,633,271	(1,093,396)
Income tax expense	8(i)	(1,020,039)	(311,558)
Income / (loss) for the period		1,613,232	(1,404,954)
Total comprehensive income / (loss) for the period		1,613,232	(1,404,954)
Income / (loss) per share			
Basic	19(i)	\$0.04	\$(0.03)
Diluted	19(ii)	\$0.04	\$(0.03)

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

For the three months ended March 31, 2016 and 2015

	Share Capital US\$	Share- based Payment Reserve US\$	Retained Earnings US\$	Total Equity US\$
Balance at January 1, 2016	21,150,866	3,775,907	22,420,684	47,347,457
Income for the period	-	-	1,613,232	1,613,232
Share-based payment expense	-	288,135	-	288,135
Balance at March 31, 2016	21,150,866	4,064,042	24,033,916	49,248,824
Balance at January 1, 2015	21,150,866	3,684,707	24,328,791	49,164,364
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

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2016 and 2015

	March 31, 2016 US\$	March 31, 2015 US\$
Cash flows from operating activities		
Income / (loss) before taxation	2,633,271	(1,093,396)
<i>Adjustments for:</i>		
Depreciation expense	2,017,739	2,086,784
Change in provision for inventory obsolescence	(24,469)	4,298
Equity-settled share-based payment expense	288,135	-
Finance income	(421)	(322)
Finance costs	168,187	197,098
Unrealized foreign exchange loss / (gain)	104,116	(364,153)
	5,186,558	830,309
Change in inventories	856,400	(114,384)
Change in prepayments	547,762	77,475
Change in trade and other receivables	(4,454,914)	(2,303,762)
Change in trade and other payables	32,075	1,219,935
Cash generated from / (used in) operations	2,167,881	(290,427)
Finance income received	421	322
Finance costs paid	(172,474)	(201,269)
Income taxes paid	(446,683)	(314,273)
Net cash generated from / (used in) operating activities	1,549,145	(805,647)
Investing activities		
Purchase of property, plant and equipment	(1,791,934)	(653,143)
Net cash used in investing activities	(1,791,934)	(653,143)
Financing activities		
Loan repayments	(292,082)	(633,556)
Net cash used in financing activities	(292,082)	(633,556)
Effect of movement in exchange rates on cash	38,137	45,525
Net decrease in cash	(496,734)	(2,046,821)
Cash at beginning of the period	5,848,552	5,196,763
Cash at end of the period	5,351,818	3,149,942

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2016 and 2015

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, 2016 and 2015 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 6, 2016.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016 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, 2015. 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 2015 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’s, 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, 2015.

(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 Group’s property, plant and equipment as at March 31, 2016. 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, 2016. 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.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2016 and 2015

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, 2015, 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, 2016. 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, 2015.

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.

(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.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016 and 2015

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(f) Share-based payment transactions

The fair value of 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; however, in 2016 Easter fell in the first quarter. 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.

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, 2016, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 33%, one customer contributed 18% and one customer contributed 11%.

For the three months ended March 31, 2015, included in revenue were five customers who 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%.

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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,	
	2016	2015	2016	2015	2016	2015	2016	2015
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	5,304	5,337	14,443	6,756	(4,295)	(2,705)	15,452	9,388
Other income	2,725	1,105	-	-	(2,725)	(1,105)	-	-
Cost of sales	(6,510)	(5,707)	(9,280)	(5,768)	6,937	4,095	(8,853)	(7,380)
Selling, general and administrative	(1,932)	(1,943)	(1,747)	(1,286)	23	5	(3,656)	(3,224)
Foreign exchange (loss) / gain	(13)	94	(129)	225	-	-	(142)	319
Results from operating activities	(426)	(1,114)	3,287	(73)	(60)	290	2,801	(897)
Finance income	-	-	-	-	-	-	-	-
Finance cost	(162)	(187)	(6)	(10)	-	-	(168)	(197)
Segment results	(588)	(1,301)	3,281	(83)	(60)	290	2,633	(1,094)
Capital expenditures	1,469	164	323	489			1,792	653
As at	Mar 31, 2016	Dec 31, 2015	Mar 31, 2016	Dec 31, 2015			Mar 31, 2016	Dec 31, 2015
	US\$ '000	US\$ '000	US\$ '000	US\$ '000			US\$ '000	US\$ '000
Non-current assets	36,405	36,849	1,489	1,240			37,894	38,089
Intra group balances							(4,397)	(4,367)
Per statement of financial position							33,497	33,722
Total assets	56,908	57,581	79,670	76,299			136,578	133,880
Intra group balances							(71,166)	(70,820)
Per statement of financial position							65,412	63,060
Total liabilities	71,976	72,058	10,878	10,057			82,854	82,115
Intra group balances							(66,690)	(66,403)
Per statement of financial position							16,164	15,712

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, was US\$7,494,171 (March 31, 2015: US\$3,040,890).

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

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For the three months ended March 31, 2016 and 2015

7. EXPENSES BY NATURE

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

	March 31, 2016	March 31, 2015
	US\$	US\$
Expenses		
Drill rig expenses and fuel	4,033,076	2,902,307
Employee benefits	4,156,506	3,292,647
External services and contractors	1,816,865	1,685,602
Depreciation	2,017,739	2,086,784
Repairs and maintenance	484,166	635,748
	<u>12,508,352</u>	<u>10,603,088</u>

	March 31, 2016	March 31, 2015
	US\$	US\$
Cost of sales	8,851,969	7,379,540
Selling, general and administrative expenses	3,656,383	3,223,548
	<u>12,508,352</u>	<u>10,603,088</u>

8. TAXATION

(i) Income tax expense

	March 31, 2016	March 31, 2015
	US\$	US\$
Current tax expense (iii)	1,020,039	311,558
	<u>1,020,039</u>	<u>311,558</u>

Current tax expense reflects taxes associated with the Group's activities for the three month period ended March 31, 2016 outside Ghana.

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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\$
2016	915,349	(446,683)	1,020,039	1,488,705

	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

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, 2016 US\$	March 31, 2015 US\$
Income / (loss) before tax	2,633,271	(1,093,396)
Less: Profit before tax subject to no corporate tax	(3,221,800)	(206,468)
Loss before tax subject to corporate tax in Ghana	(588,529)	(1,299,864)
Ghana corporate tax at 25%	(147,132)	(324,966)
Add:		
Withholding tax outside of Ghana	1,020,039	311,558
Valuation allowance in respect of temporary differences in Ghana	147,132	324,966
Total tax expense	1,020,039	311,558
Effective tax rate	38.7%	28.5%

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2016 and 2015

8. TAXATION (CONTINUED)

(iv) Recognized deferred tax assets / (liabilities)

Deferred tax assets / (liabilities) are attributable to the following:

	March 31, 2016	December 31, 2015
	US\$	US\$
Tax losses carried forward (1)	5,977,459	-
Provision for inventory obsolescence	90,730	97,109
Property, plant and equipment	(4,381,931)	1,443,118
Deferred tax asset not recognized (2)	(1,686,259)	(1,540,227)
Total	-	-

(1) Effective January 1, 2016, the Ghana Revenue Authority introduced the Income Tax Act 2015 (Act 896). This had the impact of transferring unutilised capital cost allowances to losses carried forward. These losses will be available for a period of five years expiring on December 31, 2021.

(2) 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, 2016 and 2015

9. PROPERTY, PLANT AND EQUIPMENT

2016	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, 2016	5,457,109	20,750,086	51,178,600	2,286,364	2,085,374	81,757,533
Additions	-	-	-	36,181	1,755,753	1,791,934
Reclassifications from CWIP	-	393,791	776,376		(1,170,167)	-
Assets retired during the period	(68,122)	(87,549)	(846,877)	-	-	(1,002,548)
Balance at March 31, 2016	5,388,987	21,056,328	51,108,099	2,322,545	2,670,960	82,546,919
Accumulated Depreciation						
Balance at January 1, 2016	5,375,280	16,421,467	24,861,423	1,377,023	-	48,035,193
Charge for the period	9,079	636,510	1,278,089	94,061	-	2,017,739
Assets retired during the period	(68,122)	(87,549)	(846,877)	-	-	(1,002,548)
Balance at March 31, 2016	5,316,237	16,970,428	25,292,635	1,471,084	-	49,050,384
Carrying amounts at March 31, 2016	72,750	4,085,900	25,815,464	851,461	2,670,960	33,496,535

(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
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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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)	-
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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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in comprehensive income / (loss) as follows:

	March 31, 2016	March 31, 2015
	US\$	US\$
Cost of sales	1,889,172	1,937,005
Selling, general and administrative expenses	128,567	149,779
	<u>2,017,739</u>	<u>2,086,784</u>

As at March 31, 2016, property, plant and equipment with a carrying amount of US\$13,892,189 (December 31, 2015: US\$14,574,733) and inventories with a carrying amount of US\$3,466,113 (December 31, 2015: US\$3,767,186) have been pledged as security for certain loans (note 13).

10. INVENTORIES

	March 31, 2016	December 31, 2015
	US\$	US\$
Inventories on hand	12,864,989	13,101,554
Inventories in transit	517,956	1,138,841
Provision for obsolescence	(362,919)	(388,438)
	<u>13,020,026</u>	<u>13,851,957</u>

The amount of inventories recognized as expense in the three months ended March 31, 2016 is US\$4,274,783 (March 31, 2015: US\$3,287,504). Inventory reversal of write downs in the three months ended March 31, 2016 amounted to US\$24,469 (March 31, 2015: write downs US\$29,068).

11. TRADE AND OTHER RECEIVABLES

	March 31, 2016	December 31, 2015
	US\$	US\$
Trade receivables	12,279,801	7,863,848
Allowance for doubtful accounts	-	-
Net trade receivables	<u>12,279,801</u>	<u>7,863,848</u>
Cash advances	41,008	35,943
Sundry receivables	102,440	68,544
	<u>12,423,249</u>	<u>7,968,335</u>

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11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	March 31, 2016	December 31, 2015
	US\$	US\$
Balance at January 1	-	823,212
Provisions made in the period	-	72,000
Receivables collected in the period	-	(74,610)
Receivables written off during the period as uncollectible	-	(820,602)
Balance at end of period	-	-

Trade and other receivables are recorded at amortized cost. Bad debt recovery recorded on trade and other receivables during the three months ended March 31, 2016 amounted to US\$ Nil (December 31, 2015: US\$2,610).

12. CASH

	March 31, 2016	December 31, 2015
	US\$	US\$
Cash at bank	5,252,746	5,771,855
Cash on hand	99,072	76,697
Total	5,351,818	5,848,552

As at March 31, 2016, cash of US\$5,351,818 was available to the Group (December 31, 2015: US\$5,848,552)

13. LOANS PAYABLE

	March 31, 2016	December 31, 2015
	US\$	US\$
US\$2M Term Loan (i)	608,137	900,219
US\$2M Credit Line (ii)	250,000	250,000
US\$5M Term Loan (iii)	5,000,000	5,000,000
Total	5,858,137	6,150,219
Current portion of loans	1,974,608	2,481,299
Non-current portion of loans	3,883,529	3,668,920

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

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13. 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 March 31, 2016 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, being October 16, 2015, 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 March 31, 2016 the Group was in compliance with, normal course non-financial covenants. As at March 31, 2016 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. 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. The effective interest rate of the US\$5M Term Loan is 11.55%. The US\$5M Term Loan is subject to, and as at March 31, 2016 the Group was in compliance with, normal course non-financial covenants.

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14. TRADE AND OTHER PAYABLES

	March 31, 2016	December 31, 2015
	US\$	US\$
Trade payables	4,414,890	4,550,988
Creditors and accrued expenses	2,979,488	2,722,888
VAT liability	499,362	449,823
	<u>7,893,740</u>	<u>7,723,699</u>

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	Other Financial Liabilities	Carrying Amount	Total Fair Value
	US\$	US\$	US\$	US\$
March 31, 2016				
Financial assets				
Trade and other receivables	12,423,249	-	12,423,249	12,423,249
Cash	5,351,818	-	5,351,818	5,351,818
	<u>17,775,067</u>	<u>-</u>	<u>17,775,067</u>	<u>17,775,067</u>
Financial liabilities				
Trade and other payables	-	7,394,378	7,394,378	7,394,378
Related party payables	-	923,025	923,025	923,025
Loans payable	-	5,858,137	5,858,137	5,858,137
	<u>-</u>	<u>14,175,540</u>	<u>14,175,540</u>	<u>14,175,540</u>
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>

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16. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2016	2015
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%
TransTraders 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, 2015: 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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16. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

Future operating lease commitments related to the properties are:

	March 31, 2016	December 31, 2015
	US\$	US\$
Payable within one year	240,000	240,000
Payable between 1 and 5 years	840,000	900,000
Total	1,080,000	1,140,000

During the three month period ended March 31, 2016 lease payments amounted to US\$60,000 (March 31, 2015: US\$60,000).

(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 the Group.

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

	March 31, 2016	March 31, 2015
	US\$	US\$
Short-term benefits	356,411	390,926
Share-based payment arrangements	251,836	-
Total	608,247	390,926

(iii) Related party balances

The related party payable outstanding as at March 31, 2016 amounts to US\$923,025 (December 31, 2015: 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.

17. COMMITMENTS

(i) Lease commitments

Future operating lease commitments related to the properties are:

	March 31, 2016	December 31, 2015
	US\$	US\$
Payable within one year	366,000	366,000
Payable between 1 and 5 years	912,000	1,003,500
Total	1,278,000	1,369,500

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(ii) Capital commitments

The Group has committed to purchase a drill rig that is currently being completed. Total commitments relating to this drill rig amount to US\$500,000 (December 31, 2015: Two drill rigs, US\$1,050,000).

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, 2016	December 31, 2015
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. On March 14, 2016, 1,755,000 share options were issued. The volume weighted average fair value of each option was calculated at C\$0.32 and the share price was C\$0.80 on March 14, 2016. The share based payment cost of the share options was calculated at \$288,135.

(iii) Retained earnings

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

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19. EARNINGS / (LOSS) PER SHARE

(i) Basic earnings / (loss) per share

The calculation of basic earnings / (loss) per share for the three month period ended March 31, 2016 was based on the income attributable to ordinary shareholders of US\$1,613,232 (2015: loss of US\$(1,404,954)) and on the weighted average number of ordinary shares outstanding of 42,512,000 (2015: 42,512,000) calculated as follows:

	March 31, 2016	March 31, 2015
	US\$	US\$
Income / (loss) attributable to ordinary shareholders	1,613,232	(1,404,954)

Weighted average number of ordinary shares

	March 31, 2016	March 31, 2015
	Shares	Shares
Issued ordinary shares	42,512,000	42,512,000
Earnings / (loss) per share	\$0.04	\$(0.03)

(ii) Diluted earnings / (loss) per share

The calculation of diluted earnings / (loss) per share for the three month period ended March 31, 2016 was based on the income attributable to ordinary shareholders of US\$1,613,232 (2015: loss of US\$(1,404,954)) and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 42,613,739 (2015: 42,512,000), calculated as follows:

	March 31, 2016	March 31, 2015
	US\$	US\$
Income / (loss) attributable to ordinary shareholders	1,613,232	(1,404,954)
Weighted average number of ordinary shares - diluted		
	March 31, 2016	March 31, 2015
	Shares	Shares
Weighted average number of ordinary shares - basic	42,512,000	42,512,000
Effect of share options in issue	101,739 ⁽¹⁾	- ⁽²⁾
	42,613,739	42,512,000
Diluted earnings / (loss) per share	\$0.04	\$(0.03)

(1) For the three months ended March 31, 2016, 390,000 options in issue were dilutive but they did not have an effect on the calculated amount of diluted earnings per share.

(2) For the three months ended March 31, 2015, as there is a loss attributable to ordinary shareholders, share options in issue were anti-dilutive and were not included in the calculation of the diluted loss per share.

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20. DIVIDENDS

No dividends were paid in 2016 or 2015, nor were dividends declared through to May 6, 2016.

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, 2016		December 31, 2015	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	2,580,000	C\$1.72	3,180,000	C\$1.96
Granted March 14, 2016	1,755,000	C\$0.79		
Granted May 19, 2015			390,000	C\$0.51
Total Granted	1,755,000	C\$0.79	390,000	C\$0.51
Expired March 11, 2016	(360,000)	C\$3.48		
Cancelled March 21, 2016	(1,080,000)	C\$2.19		
Expired December 16, 2015			(990,000)	C\$2.00
Total Expired / Cancelled	(1,440,000)	C\$2.51	(990,000)	C\$2.00
Balance ending	2,895,000	C\$0.76	2,580,000	C\$1.72

The following table summarizes the options outstanding at March 31, 2016:

Options	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
Granted on May 23, 2013	C\$0.81	360,000	2 Yrs & 2 mos	360,000
Granted on May 22, 2014	C\$0.84	390,000	3 Yrs & 2 mos	390,000
Granted on May 19, 2015	C\$0.51	390,000	4 Yrs & 2 mos	390,000
Granted on March 14, 2016	C\$0.79	1,755,000	4 Yrs & 11 mos	1,755,000

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

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

Granted on	May 23, 2013	May 22, 2014	May 19, 2015	March 14, 2016
Risk free interest rate	1.28%	1.37%	1.10%	1.10%
Expected dividend yield	0%	0%	0%	0%
Stock price volatility	53%	55%	111%	46%
Expected life of options	5 years	5 years	5 years	5 years
Forfeiture rate	0%	30%	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.