

GEODRILL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

(in United States dollars)

GEODRILL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

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CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

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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, 2016 and December 31, 2015, and the consolidated statements of comprehensive income / (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, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

March 4, 2017

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2016 and 2015

	<i>Note</i>	December 31, 2016 US\$	December 31, 2015 US\$
Assets			
Non-current assets			
Property, plant and equipment	10	35,170,345	33,722,340
Total non-current assets		35,170,345	33,722,340
Current assets			
Inventories	11	15,928,709	13,851,957
Prepayments		188,535	1,668,565
Trade and other receivables	12	13,047,916	7,968,335
Cash	13	9,328,786	5,848,552
Total current assets		38,493,946	29,337,409
Total assets		73,664,291	63,059,749
Equity and liabilities			
Equity			
Share capital		21,671,076	21,150,866
Share-based payment reserve		3,991,245	3,775,907
Retained earnings		29,490,254	22,420,684
Total equity		55,152,575	47,347,457
Liabilities			
Non-current liabilities			
Loans payable	14	2,156,600	3,668,920
Total non-current liabilities		2,156,600	3,668,920
Current liabilities			
Trade and other payables	15	10,546,498	7,723,699
Loans payable	14	2,194,272	2,481,299
Taxes payable	9(ii)	2,691,321	915,349
Related party payables	19(iii)	923,025	923,025
Total current liabilities		16,355,116	12,043,372
Total equity and liabilities		73,664,291	63,059,749

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 INCOME / (LOSS)
For the years ended December 31, 2016 and 2015

	Note	December 31, 2016 US\$	December 31, 2015 US\$ (Note 8)
Revenue		73,350,313	47,922,239
Cost of sales	8	(43,870,193)	(32,476,055)
Gross profit		29,480,120	15,446,184
Selling, general and administrative expenses	8	(17,647,745)	(13,456,376)
Foreign exchange (loss) / gain		(186,679)	37,569
Results from operating activities		11,645,696	2,027,377
Finance income		1,780	1,577
Finance costs		(615,207)	(734,472)
Income before taxation		11,032,269	1,294,482
Income tax expense	9(i)	(3,962,699)	(3,202,589)
Income / (loss) for the year		7,069,570	(1,908,107)
Total comprehensive income / (loss) for the year		7,069,570	(1,908,107)
Earnings / (loss) per share			
Basic	22(i)	\$0.17	\$(0.04)
Diluted	22(ii)	\$0.16	\$(0.04)

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 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 and total comprehensive income for the year	-	-	7,069,570	7,069,570
Exercise of stock options	520,210	(266,013)	-	254,197
Share-based payment expense	-	481,351	-	481,351
Balance at December 31, 2016	21,671,076	3,991,245	29,490,254	55,152,575
Balance at January 1, 2015	21,150,866	3,684,707	24,328,791	49,164,364
Loss and total comprehensive 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

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015

	December 31, 2016 US\$	December 31, 2015 US\$
Cash flows from operating activities		
Income before taxation	11,032,269	1,294,482
<i>Adjustments for:</i>		
Depreciation expense	7,534,804	8,379,016
Decrease in allowance for doubtful accounts	-	(2,610)
Write down of inventory to net realizable value	207,228	215,032
Equity-settled share-based payment expense	481,351	91,200
Finance income	(1,780)	(1,577)
Finance costs	615,207	734,472
Unrealized foreign exchange loss / (gain)	247,909	(123,780)
	20,116,988	10,586,235
Change in inventories	(2,405,877)	(820,813)
Change in prepayments	1,480,030	(454,840)
Change in trade and other receivables	(5,079,581)	(2,555,927)
Change in trade and other payables	2,654,142	1,245,383
Cash generated from operations	16,765,702	8,000,038
Finance income received	1,780	1,577
Finance costs paid	(633,229)	(781,299)
Income taxes paid	(2,186,727)	(2,690,536)
Net cash generated from operating activities	13,947,526	4,529,780
Investing activities		
Purchase of property, plant and equipment	(8,877,412)	(2,749,856)
Proceeds from sale of property, plant and equipment	16,500	-
Net cash used in investing activities	(8,860,912)	(2,749,856)
Financing activities		
Loan repayments	(1,799,347)	(6,464,346)
Shares issued	254,197	-
Loans received	-	5,250,000
Net cash used in financing activities	(1,545,150)	(1,214,346)
Effect of movement in exchange rates on cash	(61,230)	86,211
Net increase in cash	3,480,234	651,789
Cash at beginning of the year	5,848,552	5,196,763
Cash at end of the year	9,328,786	5,848,552

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 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 consolidated financial statements of the company for the years ended December 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 consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill Limited on March 4, 2017.

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, 2016 and 2015

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 profit or loss. 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, profit or loss. 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 profit or loss. 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, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

(iii) Measurement

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.

(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 stock 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, 2016 and 2015

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.

(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 profit or loss 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, 2016 and 2015

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, capitalized borrowing costs. 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 overhauls and 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 the shorter of their useful lives and the term of the lease. Land and capital work in progress are not depreciated. The estimated useful lives of major classes of depreciable property, plant and equipment are:

Motor vehicles	5 years
Plant and equipment	5 years
Leasehold improvements	over the term of the lease
Buildings	15 years
Drill rigs	10 years
Drill rig components	5 years

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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 useful 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 profit or loss 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.

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 higher of value-in-use and fair value less costs to sell. 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.

The economic conditions in the drilling industry and the level of drilling activity of the Group in 2015 were considered to be indicators of potential impairment of the carrying value of the Group's property, plant and equipment, and a recoverable amount analysis was performed. As at December 31, 2016, due to the economic conditions in the drilling industry and the increase in drilling activity of the Group, there was no indicator of potential impairment of the carrying value of the Group's property, plant and equipment. As this was the case, no recoverable amount analysis was completed at December 31, 2016.

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, 2016 and 2015

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, 2016 and 2015

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

Monetary assets and liabilities denominated in foreign currencies have been translated into United States dollars using the balance sheet date exchange rate, with realized and unrealized gains and losses included in profit and loss. Revenues and expenses denominated in foreign currencies are translated at the average exchange rate for the period which approximate date of transaction exchange rates.

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.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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 stock 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 are 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. As at May 1, 2016, the estimated useful life of motor vehicles was changed from 3 to 5 years. This has had no material impact on the consolidated financial statements.

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. Net realizable value of inventory

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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For the years ended December 31, 2016 and 2015

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 and the financial health of the customers.

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 sufficiency of estimated future taxable income is also assessed by management in the context of the recognition of deferred tax assets attributable to unused tax losses.

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.

Where indicators of impairment exist, 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 2016, 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

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 IFRS 9 on its 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 Group 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:

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 stock 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, expected forfeiture rates 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; 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. SEGMENT REPORTING (CONTINUED)

	Ghana		Outside Ghana (1)		Intra-group		Total (2)	
	2016 US\$ '000	2015 US\$ '000	2016 US\$ '000	2015 US\$ '000	2016 US\$ '000	2015 US\$ '000	2016 US\$ '000	2015 US\$ '000 (Note 8)
Revenue	30,799	16,600	67,341	45,899	(24,790)	(14,577)	73,350	47,922
Other income	10,708	10,110	-	-	(10,708)	(10,110)	-	-
Cost of sales	(29,794)	(24,076)	(50,372)	(34,019)	36,296	25,619	(43,870)	(32,476)
Selling, general and administrative	(9,347)	(7,668)	(8,526)	(5,732)	225	(56)	(17,648)	(13,456)
Foreign exchange gain / (loss)	68	(217)	(254)	254	-	-	(186)	37
Results from operating activities	2,434	(5,251)	8,189	6,402	1,023	876	11,646	2,027
Finance income							2	1
Finance costs							(615)	(734)
Income tax expense							(3,963)	(3,202)
Income / (loss) for the year							7,070	(1,908)
Capital expenditures	7,117	2,546	1,962	204	(202)	-	8,877	2,750
As at	2016 US\$ '000	2015 US\$ '000	2016 US\$ '000	2015 US\$ '000			2016 US\$ '000	2015 US\$ '000
Non-current assets	34,909	36,849	4,132	1,240			39,041	38,089
Intra group balances							(3,871)	(4,367)
Per statement of financial position							35,170	33,722
Total assets	59,169	57,581	82,983	76,299			142,152	133,880
Intra group balances							(68,488)	(70,820)
Per statement of financial position							73,664	63,060
Total liabilities	72,252	72,058	10,857	10,057			83,109	82,115
Intra group balances							(64,597)	(66,403)
Per statement of financial position							18,512	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\$25,492,550 (December 31, 2015: US\$25,039,806).

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

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8. EXPENSES BY NATURE

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

	2016	2015
	US\$	US\$
Expenses		
Drill rig expenses and fuel	20,927,162	13,472,095
Employee benefits	20,272,405	14,523,761
External services, contractors and other	10,074,439	7,315,251
Depreciation	7,534,804	8,379,016
Repairs and maintenance	2,709,128	2,244,918
Bad debt recovery	-	(2,610)
	<u>61,517,938</u>	<u>45,932,431</u>

	2016	2015
	US\$	US\$
Cost of sales	43,870,193	32,476,055 ⁽¹⁾
Selling, general and administrative expenses	17,647,745	13,456,376 ⁽¹⁾
	<u>61,517,938</u>	<u>45,932,431</u>

⁽¹⁾ For the year ended December 31, 2015, the company reclassified US\$290,292 from cost of sales to selling, general and administrative expenses. This reclassification has no impact on the net income or earnings per share for the current or prior periods presented as the reclassification relates to the consolidated statement of comprehensive income / (loss) only and has no effect on the other financial statements.

9. TAXATION

(i) Income tax expense

	2016	2015
	US\$	US\$
Current tax expense (iii)	3,962,699	3,202,589

Current tax expense reflects taxes associated with the Group's activities in the year outside Ghana.

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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\$
2016	915,349	(2,186,727)	3,962,699	2,691,321
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. During the year ended December 31, 2016, the Group recognized a reduction in tax payable in the amount of \$168,443 reflecting the outcome of a review by the tax authorities in one of the jurisdictions in which it operates.

(iii) Reconciliation of effective tax rate

	2016 US\$	2015 US\$
Income before tax	11,032,269	1,294,482
Ghana corporate tax at 25%	2,758,067	323,621
Add:		
Effect of different rate tax countries	(1,979,359)	(1,811,937)
Movement in temporary differences	(351,099)	1,488,316
Over provision from prior year	(168,443)	-
Tax expense before withholding tax	259,166	-
	2.3%	0.0%
Add:		
Withholding tax	3,703,533	3,202,589
Total tax expense	3,962,699	3,202,589
Effective tax rate	35.9%	247.4%

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9. TAXATION (CONTINUED)

(iv) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2016	2015
	US\$	US\$
Tax losses carried forward (1)	5,026,398	-
Provision for inventory obsolescence	63,585	97,109
Property, plant and equipment	(3,937,521)	1,443,118
Deferred tax asset not recognized (2)	(1,152,462)	(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 unutilized capital cost allowances to losses carried forward. These losses will be available for a period of five years expiring on December 31, 2021. The Group also has tax losses in Zambia available for a period of five years expiring during the years December 31, 2019 through 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.

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10. 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	25,520	22,309	-	36,181	8,793,402	8,877,412
Reclassifications from CWIP	675,553	1,184,439	4,710,393	24,155	(6,594,540)	-
Reclassifications from inventory	-	-	-	-	121,897	121,897
Disposals	-	-	-	(82,500)	-	(82,500)
Assets retired during the year	(68,122)	(386,398)	(2,063,689)	-	-	(2,518,209)
Balance at December 31, 2016	6,090,060	21,570,436	53,825,304	2,264,200	4,406,133	88,156,133
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 year	62,958	2,225,836	4,896,451	349,559	-	7,534,804
Disposals	-	-	-	(66,000)	-	(66,000)
Assets retired during the year	(68,122)	(386,398)	(2,063,689)	-	-	(2,518,209)
Balance at December 31, 2016	5,370,116	18,260,905	27,694,185	1,660,582	-	52,985,788
Carrying amounts at December 31, 2016	719,944	3,309,531	26,131,119	603,618	4,406,133	35,170,345

(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)

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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10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2016	2015
	US\$	US\$
Cost of sales	7,122,289	7,774,479
Selling, general and administrative expenses	412,516	604,537
	<u>7,534,805</u>	<u>8,379,016</u>

As at December 31, 2016, property, plant and equipment with a carrying amount of US\$12,233,517 (December 31, 2015: US\$14,574,733) and inventories with a carrying amount of US\$3,457,137 (December 31, 2015: US\$3,767,186) have been pledged as security for certain loans (note 14).

11. INVENTORIES

	2016	2015
	US\$	US\$
Inventories on hand	15,564,277	13,101,554
Inventories in transit	618,770	1,138,841
Provision for obsolescence	(254,338)	(388,438)
	<u>15,928,709</u>	<u>13,851,957</u>

The amount of inventories recognized as expense for the year is US\$22,991,501 (2015: US\$15,200,347). Inventory write downs in the year amounted to US\$341,327 (2015: US\$464,624).

12. TRADE AND OTHER RECEIVABLES

	2016	2015
	US\$	US\$
Trade receivables	12,891,685	7,863,848
Allowance for doubtful accounts	-	-
Net trade receivables	<u>12,891,685</u>	<u>7,863,848</u>
Cash advances	30,034	35,943
Sundry receivables	126,197	68,544
	<u>13,047,916</u>	<u>7,968,335</u>

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12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

Trade and other receivables are recorded at amortized cost. Bad debt recovery recorded on trade and other receivables during the year ended December 31, 2016 amounted to US\$Nil (December 31, 2015: US\$2,610). The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 18(i).

13. CASH

	2016	2015
	US\$	US\$
Cash at bank	9,182,524	5,771,855
Cash on hand	146,262	76,697
Total	9,328,786	5,848,552

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

As at December 31, 2016, cash of US\$9,328,786 was available to the Group (December 2015: US\$5,848,552)

14. LOANS PAYABLE

	2016	2015
	US\$	US\$
US\$5M Term Loan (i)	4,100,872	5,000,000
US\$2M Credit Line (ii)	250,000	250,000
US\$2M Term Loan (iii)	-	900,219
Total	4,350,872	6,150,219
Current portion of loans	2,194,272	2,481,299
Non-current portion of loans	2,156,600	3,668,920

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14. LOANS PAYABLE (CONTINUED)

(i) 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 (note 10). 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 December 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 (note 10). 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, 2016 the Group was in compliance with, normal course non-financial covenants. As at December 31, 2016 the Group had drawn US\$250,000 on the US\$2M Credit Line.

(iii) 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 was 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 bore interest at a rate of 10.5% per annum and was subject to periodic review in line with money market conditions. The US\$2M Term Loan was secured by certain assets of the Group. The US\$2M Term Loan 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 effective interest rate of the US\$2M Term Loan was 10.98%. The US\$2M Term Loan was fully repaid on July 30, 2016.

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15. TRADE AND OTHER PAYABLES

	2016	2015
	US\$	US\$
Trade payables	6,162,288	4,550,988
Creditors and accrued expenses	2,840,843	2,722,888
VAT liability	1,543,367	449,823
	<hr/> 10,546,498	<hr/> 7,723,699

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\$53,751 (2015: US\$56,510). 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\$33,051 (2015: US\$21,652). 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

As at December 31, 2016 and 2015, the Group did not hold any financial assets at fair value through profit or loss, derivatives or available-for-sale financial assets.

The carrying values of cash, trade and other receivables, trade and other payables and related party payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of loans payable approximates their fair value as the fixed rate loans have been acquired recently and their carrying value continues to reflect fair value.

There were no financial instruments classified as level 2 or 3 in the fair value hierarchy at December 31, 2016 and 2015.

Financial Instruments by Category

	Loans and Receivables	Other Financial Liabilities	Carrying Amount	Total Fair Value
	US\$	US\$	US\$	US\$
December 31, 2016				
Financial assets				
Trade and other receivables	13,047,916	-	13,047,916	13,047,916
Cash	9,328,786	-	9,328,786	9,328,786
	<u>22,376,702</u>	<u>-</u>	<u>22,376,702</u>	<u>22,376,702</u>
Financial liabilities				
Trade and other payables	-	9,003,131	9,003,131	9,003,131
Related party payables	-	923,025	923,025	923,025
Loans payable	-	4,350,872	4,350,872	4,350,872
	<u>-</u>	<u>14,277,028</u>	<u>14,277,028</u>	<u>14,277,028</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>

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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For the years ended December 31, 2016 and 2015

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, 2016, two customers individually contributed 10% or more to the Group's revenue. One customer contributed 26% and one customer contributed 17%.

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%.

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:

	2016	2015
	US\$	US\$
Trade and other receivables	13,047,916	7,968,335
Cash	9,328,786	5,848,552
	<u>22,376,702</u>	<u>13,816,887</u>

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

	2016	2015
	US\$	US\$
Mining and exploration companies	12,891,685	7,863,848
Others	156,231	104,487
	<u>13,047,916</u>	<u>7,968,335</u>

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

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

	2016	2015
	US\$	US\$
Less than 30 days	5,138,623	3,940,756
31 - 60 days	4,532,341	3,374,177
61 - 90 days	1,317,677	376,333
91 days and greater	1,903,044	172,582
	<u>12,891,685</u>	<u>7,863,848</u>

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

	2016	2015
	US\$	US\$
Ghana	4,210,098	3,467,811
Outside Ghana	8,837,818	4,500,524
	<u>13,047,916</u>	<u>7,968,335</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	Within	From One to
	US\$	One Year	Three Years
		US\$	US\$
December 31, 2016			
Non-derivative financial liability			
Trade and other payables	10,546,498	10,546,498	-
Related party payables	923,025	923,025	-
Loans payable	4,350,872	2,194,272	2,156,600
Balance at December 31, 2016	<u>15,820,395</u>	<u>13,663,795</u>	<u>2,156,600</u>
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>

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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, trade receivables, trade payables and taxes payable 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, 2016							
	EURO	GH¢	GBP	CFA	AUD	CAD	ZMW
Cash	7,393	878,189	15,039	1,224,928,127	72,427	172,109	387,715
Trade receivables	-	-	-	2,825,462,744	-	-	-
Trade payables	(251,474)	(3,520,372)	(46,446)	(368,474,976)	(2,766,313)	(490,133)	(7,900)
Taxes payable	-	-	-	(630,145,174)	-	-	-
Gross exposure	(244,081)	(2,642,183)	(31,407)	3,051,770,721	(2,693,886)	(318,024)	379,815

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 receivables	-	-	-	533,712,720	-	-	-
Trade payables	(212,859)	(2,850,991)	(5,690)	(203,506,681)	(2,159,596)	(401,565)	-
Taxes payable	-	-	-	(210,964,215)	-	-	-
Gross exposure	(144,227)	(2,716,530)	27,175	467,762,569	(2,151,316)	(355,685)	25,553

The following significant exchange rates applied during the years:

US\$1=	2016		2015	
	Reporting Rate	Average Rate	Reporting Rate	Average Rate
EURO	0.9501	0.9037	0.9168	0.9009
GH¢	4.1403	3.9331	3.8011	3.7593
GBP	0.8100	0.7402	0.6755	0.6542
CFA	623.3000	592.5420	600.8870	590.9796
AUD	1.3876	1.3452	1.3699	1.3308
CAD	1.3437	1.3252	1.3869	1.2776
ZMW	9.9112	10.2793	10.9357	8.5581

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For the years ended December 31, 2016 and 2015

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(a) Foreign currency risk (continued)

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 10% 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, 2016			2015		
	% Change	Profit or Loss impact before tax US\$	Equity US\$	% Change	Profit or Loss impact before tax US\$	Equity US\$
EURO	±10	±25,690	±25,690	±10	±23,255	±23,255
GH¢	±10	±63,816	±63,816	±10	±84,615	±84,615
GBP	±10	±3,877	±3,877	±10	±2,700	±2,700
CFA	±10	±489,615	±489,615	±10	±77,845	±77,845
AUD	±10	±194,140	±194,140	±10	±158,660	±158,660
CAD	±10	±23,668	±23,668	±10	±29,010	±29,010
ZMW	±10	±3,832	±3,832	±10	±140	±140

(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:

	2016 US\$	2015 US\$
Variable rate instruments		
Bank balances	9,182,524	5,771,855
Fixed rate instruments		
Loans	4,350,872	6,150,219

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For the years ended December 31, 2016 and 2015

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 2016 and 2015.

As at December 31,	2016			2015		
	% Change	Profit or Loss impact before tax US\$	Equity US\$	% Change	Profit or Loss impact before tax US\$	Equity US\$
Bank balances	±2%	±183,650	±183,650	±2%	±115,437	±115,437

(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, 2016 and 2015 is as follows:

Capital Management	2016 US\$	2015 US\$
Loans payable	4,350,872	6,150,219
Share capital	21,671,076	21,150,866
Share-based payment reserve	3,991,245	3,775,907
Retained earnings	29,490,254	22,420,684
	59,503,447	53,497,676

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For the years ended December 31, 2016 and 2015

19. 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	-	-
The Harper Family Settlement	Significant shareholder	Isle of Man	-	-

(i) Transactions with related parties

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

On June 21, 2016 TransTraders Limited ("TTL") transferred a related party payable owing to TTL to The Harper Family Settlement. One of the directors of the trustee of The Harper Family Settlement is also a director of Geodrill Limited. On September 5, 2016 TTL was dissolved.

The Harper Family Settlement owns 40.8% (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 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 pursuant to the October 1, 2014 rent review. Only Geodrill Ghana Limited can terminate the lease by giving twelve months' notice. On October 1, 2016 in conjunction with the rent review, Geodrill Ghana Limited agreed to increase the rent for the Anwiankwanta property to US\$186,000 per annum and the rent for the Accra property to US\$78,000 per annum.

The Group has paid agency fees to Clearwater Fiduciary Services Limited during the year ended December 31, 2016 of US\$5,051 (2015: US\$Nil). One of the directors of Clearwater Fiduciary Services Limited is also a director of Geodrill Limited.

The Group has paid consulting fees to MS Risk Limited during year ended December 31, 2016 of US\$Nil (2015: US\$11,066). One of the directors of MS Risk Limited is also a director of Geodrill Limited. An officer of Geodrill Limited was also a director of MS Risk Limited up to March 18, 2016.

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For the years ended December 31, 2016 and 2015

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

Future operating lease commitments related to the properties are:

	2016	2015
	US\$	US\$
Payable within one year	264,000	240,000
Payable between 1 and 5 years	728,000	900,000
Total	992,000	1,140,000

During the year ended December 31, 2016 lease payments amounted to US\$240,000 (2015: US\$240,000).

(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 year comprised:

	2016	2015
	US\$	US\$
Short-term benefits	2,220,676	1,983,000
Share-based payment arrangements	398,414	84,186
	2,619,090	2,067,186

(iii) Related party balances

The related party payable outstanding as at December 31, 2016 amounts to US\$923,025 (December 31, 2015: US\$923,025). The related party payable to The Harper Family Settlement is unsecured, interest free and is repayable on demand at the option of the lender.

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For the years ended December 31, 2016 and 2015

20. COMMITMENTS

(i) Lease commitments

Future operating lease commitments related to the properties are:

	2016	2015
	US\$	US\$
Payable within one year	350,400	366,000
Payable between 1 and 5 years	763,200	1,003,500
Total	1,113,600	1,369,500

(ii) Capital commitments

As at December 31, 2016, the Group had no capital commitments (December 31, 2015: US\$1,050,000).

21. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital

	2016	2015
Shares issued and fully paid	42,932,900	42,512,000
Shares reserved for stock option plan	4,293,290	4,251,200
Total shares issued and reserved	47,226,190	46,763,200

Reconciliation of changes in issued shares

	2016	2015
Shares issued and reserved at January 1,	42,512,000	42,512,000
Stock options exercised	420,900	-
Shares issued and reserved at December 31,	42,932,900	42,512,000

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 stock option plan.

The share based payment expense for the year of US\$481,351 (2015: US\$91,200) was included in selling, general and administrative expenses in the consolidated statements of comprehensive income / (loss).

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For the years ended December 31, 2016 and 2015

21. SHARE CAPITAL AND RESERVES (CONTINUED)

(iii) Retained earnings

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

22. EARNINGS / (LOSS) PER SHARE

(i) Basic earnings / (loss) per share

The calculation of basic earnings per share for the year ended December 31, 2016 was based on the income attributable to ordinary shareholders of US\$7,069,570 (2015: loss of US\$(1,908,107)), and on the weighted average number of ordinary shares outstanding of 42,581,452 (2015: 42,512,000) calculated as follows:

	2016	2015
	US\$	US\$
Income / (loss) attributable to ordinary shareholders	7,069,570	(1,908,107)
Weighted average number of ordinary shares		
	2016	2015
	US\$	US\$
Issued ordinary shares	42,581,452	42,512,000
Earnings / (loss) per share	\$0.17	\$(0.04)

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22. EARNINGS / (LOSS) PER SHARE (CONTINUED)

(ii) Diluted earnings / (loss) per share

The calculation of diluted earnings per share for the year ended December 31, 2016 was based on the income attributable to ordinary shareholders of US\$7,069,570 (2015: loss of US\$(1,908,107)), and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 43,871,097 (2015: 42,512,000), calculated as follows:

	2016	2015
	US\$	US\$
Income / (loss) attributable to ordinary shareholders	7,069,570	(1,908,107)

Weighted average number of ordinary shares - diluted

	2016	2015
	Shares	Shares
Weighted average number of ordinary shares - basic	42,581,452	42,512,000
Effect of stock options in issue	1,289,645 ⁽¹⁾	- ⁽²⁾
	<u>43,871,097</u>	<u>42,512,000</u>

Diluted earnings per share	\$0.16	\$(0.04)
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(1) For the year ended December 31, 2016, 2,504,100 options in issue were dilutive and did have an effect of \$0.01 on the calculation of the diluted earnings per share.

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

23. DIVIDENDS

No dividends were paid in 2016 or 2015, nor were dividends declared through to March 4, 2017.

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For the years ended December 31, 2016 and 2015

24. EQUITY-SETTLED SHARE-BASED PAYMENTS

Stock 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.

	2016		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 June 30, 2016	435,000	C\$1.62		
Granted May 19, 2015			390,000	C\$0.51
Total Granted	2,190,000	C\$0.95	390,000	C\$0.51
Expired March 11, 2016	(360,000)	C\$3.48		
Cancelled March 21, 2016	(1,080,000)	C\$2.19		
Exercised August 30, 2016	(15,000)	C\$0.51		
Exercised September 22, 2016	(45,000)	C\$0.51		
Exercised September 22, 2016	(105,900)	C\$0.79		
Exercised November 28, 2016	(255,000)	C\$0.86		
Expired December 16, 2015			(990,000)	C\$2.00
Total Exercised / Expired / Cancelled	(1,860,900)	C\$2.12	(990,000)	C\$2.00
Balance ending	2,909,100	C\$0.88	2,580,000	C\$1.72

The following table summarizes the options outstanding at December 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	330,000	1 Yrs & 5 mos	330,000
Granted on May 22, 2014	C\$0.84	360,000	2 Yrs & 5 mos	360,000
Granted on May 19, 2015	C\$0.51	300,000	3 Yrs & 5 mos	300,000
Granted on March 14, 2016	C\$0.79	1,514,100	4 Yrs & 2 mos	1,514,100
Granted on June 30, 2016	C\$1.62	405,000	4 Yrs & 6 mos	405,000

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

Stock Option Plan (“SOP”) (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	June 30, 2016
Risk free interest rate	1.28%	1.37%	1.10%	1.10%	0.57%
Expected dividend yield	0%	0%	0%	0%	0%
Stock price volatility	53%	55%	111%	46%	52%
Expected life of options	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	0%	30%	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.

25. SUBSEQUENT EVENTS

On January 12, 2017, the Group committed to purchase a new drill rig for US\$860,000.