

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2016 and 2015

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at June 30, 2016 and December 31, 2015

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

As at June 30, 2016 and December 31, 2015

	Note	June 30, 2016 US\$	December 31, 2015 US\$
Assets			
(audited)			
Non-current assets			
Property, plant and equipment	9	34,794,211	33,722,340
Total non-current assets		34,794,211	33,722,340
Current assets			
Inventories	10	15,707,866	13,851,957
Prepayments		939,082	1,668,565
Trade and other receivables	11	12,942,135	7,968,335
Cash	12	6,720,677	5,848,552
Total current assets		36,309,760	29,337,409
Total assets		71,103,971	63,059,749
Equity and liabilities			
Equity			
Share capital		21,150,866	21,150,866
Share-based payment reserve		4,257,258	3,775,907
Retained earnings		26,541,894	22,420,684
Total equity		51,950,018	47,347,457
Liabilities			
Non-current liabilities			
Loans payable	13	3,403,919	3,668,920
Total non-current liabilities		3,403,919	3,668,920
Current liabilities			
Trade and other payables	14	11,129,185	7,723,699
Loans payable	13	2,154,217	2,481,299
Taxes payable	8(ii)	1,543,607	915,349
Related party payables	16(iii)	923,025	923,025
Total current liabilities		15,750,034	12,043,372
Total equity and liabilities		71,103,971	63,059,749

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

For the three and six months ended June 30, 2016 and 2015

	Note	Three-month period ended June 30		Six-month period ended June 30	
		2016 US\$	2015 US\$	2016 US\$	2015 US\$
Revenue		19,419,737	16,001,002	34,871,379	25,388,842
Cost of sales	7	(11,652,696)	(9,428,647)	(20,504,665)	(16,808,187)
Gross profit		7,767,041	6,572,355	14,366,714	8,580,655
Selling, general and administrative expenses	7	(4,208,539)	(3,332,726)	(7,864,922)	(6,556,274)
Foreign exchange (loss) / gain		(34,234)	22,585	(176,487)	341,213
Results from operating activities		3,524,268	3,262,214	6,325,305	2,365,594
Finance income		514	568	935	890
Finance costs		(151,949)	(186,911)	(320,136)	(384,009)
Income before taxation		3,372,833	3,075,871	6,006,104	1,982,475
Income tax expense	8(i)	(864,855)	(1,231,842)	(1,884,894)	(1,543,400)
Income for the period		2,507,978	1,844,029	4,121,210	439,075
Total comprehensive income for the period		2,507,978	1,844,029	4,121,210	439,075
Earnings per share					
Basic	19(i)	\$0.06	\$0.04	\$0.10	\$0.01
Diluted	19(ii)	\$0.06	\$0.04	\$0.09	\$0.01

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

For the three and six months ended June 30, 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	-	-	4,121,210	4,121,210
Share-based payment expense	-	481,351	-	481,351
Balance at June 30, 2016	21,150,866	4,257,258	26,541,894	51,950,018
Balance at January 1, 2015	21,150,866	3,684,707	24,328,791	49,164,364
Income for the period	-	-	439,075	439,075
Share-based payment expense	-	91,200	-	91,200
Balance at June 30, 2015	21,150,866	3,775,907	24,767,866	49,694,639

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2016 and 2015

	June 30, 2016 US\$	June 30, 2015 US\$
Cash flows from operating activities		
Income before taxation	6,006,104	1,982,475
<i>Adjustments for:</i>		
Depreciation expense	3,920,796	4,133,770
Increase in allowance for doubtful accounts	-	72,000
Change in provision for inventory obsolescence	352	153,290
Equity-settled share-based payment expense	481,351	91,200
Finance income	(935)	(890)
Finance costs	320,136	384,009
Unrealized foreign exchange loss / (gain)	157,381	(394,230)
	10,885,185	6,421,624
Change in inventories	(1,856,261)	(24,974)
Change in prepayments	729,483	(101,297)
Change in trade and other receivables	(4,973,800)	(6,038,635)
Change in trade and other payables	3,240,087	1,805,204
Cash generated from operations	8,024,694	2,061,922
Finance income received	935	890
Finance costs paid	(331,224)	(392,440)
Income taxes paid	(1,256,636)	(1,011,869)
Net cash generated from operating activities	6,437,769	658,503
Investing activities		
Purchase of property, plant and equipment	(4,992,667)	(1,209,757)
Net cash used in investing activities	(4,992,667)	(1,209,757)
Financing activities		
Loan repayments	(592,083)	(903,111)
Net cash used in financing activities	(592,083)	(903,111)
Effect of movement in exchange rates on cash	19,106	53,017
Net increase / (decrease) in cash	872,125	(1,401,348)
Cash at beginning of the period	5,848,552	5,196,763
Cash at end of the period	6,720,677	3,795,415

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 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 June 30, 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 August 5, 2016.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 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.

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

(e) Impairment testing

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

For the three and six months ended June 30, 2016 and 2015

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 June 30, 2016. Accordingly, an impairment test, based on the higher of value in use or fair value less costs to sell, was performed as at June 30, 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.

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 audited 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.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2016 and 2015

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(e) Other financial liabilities

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

(f) Share-based payment transactions

The fair value of 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 June 30, 2016, two customers individually contributed 10% or more to the Group's revenue. One customer contributed 31% and one customer contributed 17%.

For the three months ended June 30, 2015, four customers individually contributed 10% or more to the Group's revenue. One customer contributed 28%, one customer contributed 20%, one customer contributed 19% and one customer contributed 16%.

For the six months ended June 30, 2016, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 35%, one customer contributed 17% and one customer contributed 10%.

For the six months ended June 30, 2015, four customers individually contributed 10% or more to the Group's revenue. Two customers contributed 22%, one customer contributed 19% and one customer contributed 10%.

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

For the three and six months ended June 30, 2016 and 2015

6. SEGMENT REPORTING (CONTINUED)

	Ghana		Outside Ghana (1)		Intra-group transaction		Total (2)	
	Three month period ended June 30,		Three month period ended June 30,		Three month period ended June 30,		Three month period ended June 30,	
	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	8,082	4,185	20,270	15,900	(8,932)	(4,084)	19,420	16,001
Other income	2,931	3,996	25	-	(2,956)	(3,996)	-	-
Cost of sales	(8,046)	(6,793)	(15,768)	(10,954)	12,162	8,318	(11,652)	(9,429)
Selling, general and administrative	(2,326)	(1,857)	(1,915)	(1,477)	32	1	(4,209)	(3,333)
Foreign exchange gain / (loss)	5	112	(39)	(89)	-	-	(34)	23
Results from operating activities	646	(357)	2,573	3,380	306	239	3,525	3,262
Finance income	1	1	-	-	-	-	1	1
Finance cost	(153)	(181)	-	(6)	-	-	(153)	(187)
Segment results	494	(537)	2,573	3,374	306	239	3,373	3,076
Capital expenditures	2,163	501	1,038	56			3,201	557
As at	Jun 30, 2016	Dec 31, 2015	Jun 30, 2016	Dec 31, 2015			Jun 30, 2016	Dec 31, 2015
	US\$ '000	US\$ '000	US\$ '000	US\$ '000			US\$ '000	US\$ '000
Non-current assets	36,085	36,849	3,292	1,240			39,377	38,089
Intra group balances							(4,583)	(4,367)
Per statement of financial position							34,794	33,722
Total assets	62,705	57,581	86,693	76,299			149,398	133,880
Intra group balances							(78,294)	(70,820)
Per statement of financial position							71,104	63,060
Total liabilities	76,785	72,058	16,000	10,057			92,785	82,115
Intra group balances							(73,631)	(66,403)
Per statement of financial position							19,154	15,712

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, for the three month period ended June 30, 2016 was US\$7,739,810 (June 30, 2015: US\$10,528,900).

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

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2016 and 2015
6. SEGMENT REPORTING (CONTINUED)

	Ghana		Outside Ghana (1)		Intra-group transactions		Total (2)	
	Six month period ended June 30,		Six month period ended June 30,		Six month period ended June 30,		Six month period ended June 30,	
	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	13,385	9,522	34,713	22,656	(13,227)	(6,789)	34,871	25,389
Other income	5,656	5,101	25	-	(5,681)	(5,101)	-	-
Cost of sales	(14,556)	(12,500)	(25,048)	(16,722)	19,099	12,414	(20,505)	(16,808)
Selling, general and administrative expenses	(4,258)	(3,800)	(3,662)	(2,763)	55	6	(7,865)	(6,557)
Foreign exchange gain / (loss)	(8)	206	(168)	135	-	-	(176)	341
Results from operating activities	219	(1,471)	5,860	3,306	246	530	6,325	2,365
Finance income	1	1	-	-	-	-	1	1
Finance cost	(314)	(368)	(6)	(16)	-	-	(320)	(384)
Segment results	(94)	(1,838)	5,854	3,290	246	530	6,006	1,982
Capital expenditures	3,632	900	1,361	310			4,993	1,210

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, for the six month period ended June 30, 2016 was US\$15,233,981 (June 30, 2015: US\$13,569,790).

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

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

For the three and six months ended June 30, 2016 and 2015

7. EXPENSES BY NATURE

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

	Three month period ended June 30,		Six month period ended June 30,	
	2016	2015	2016	2015
	US\$	US\$	US\$	US\$
Expenses				
Drill rig expenses and fuel	6,153,165	4,480,517	10,186,241	7,382,824
Employee benefits	4,809,582	3,865,428	8,966,087	7,158,075
External services and contractors	2,373,169	1,862,380	4,190,034	3,547,982
Depreciation	1,903,057	2,046,986	3,920,797	4,133,770
Repairs and maintenance	622,262	434,062	1,106,428	1,069,810
Bad debt expense	-	72,000	-	72,000
	15,861,235	12,761,373	28,369,587	23,364,461

	Three month period ended June 30,		Six month period ended June 30,	
	2016	2015	2016	2015
	US\$	US\$	US\$	US\$
Cost of sales	11,652,696	9,428,647	20,504,665	16,808,187
Selling, general and administrative expenses	4,208,539	3,332,726	7,864,922	6,556,274
	15,861,235	12,761,373	28,369,587	23,364,461

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

	Three month period ended June 30,		Six month period ended June 30,	
	2016	2015	2016	2015
	US\$	US\$	US\$	US\$
Current tax expense (iii)	864,855	1,231,842	1,884,894	1,543,400
	864,855	1,231,842	1,884,894	1,543,400

Current tax expense reflects taxes associated with the Group's activities for the three and six month periods ended June 30, 2016 outside Ghana.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2016 and 2015

8. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Jun. 30 US\$
2016	915,349	(1,256,636)	1,884,894	1,543,607

	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. During the quarter, 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

	Three month period ended June 30,		Six month period ended June 30,	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Income before tax	3,372,833	3,075,871	6,006,104	1,982,475
Ghana corporate tax at 25%	843,208	768,968	1,501,525	495,619
Add:				
Withholding tax	972,114	1,231,842	1,926,171	1,543,400
Effect of different rate tax countries	(704,407)	(903,512)	(1,461,368)	(955,129)
Valuation allowance in respect of temporary differences	(77,617)	134,544	87,009	459,510
Over provision from prior year	(168,443)	-	(168,443)	-
Total tax expense	864,855	1,231,842	1,884,894	1,543,400
Effective tax rate	25.6%	40.0%	31.4%	77.9%

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2016 and 2015

8. TAXATION (CONTINUED)

(iv) Recognized deferred tax assets / (liabilities)

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

	June 30, 2016	December 31, 2015
	US\$	US\$
Tax losses carried forward (1)	5,974,615	-
Provision for inventory obsolescence	96,935	97,109
Property, plant and equipment	(4,320,281)	1,443,118
Deferred tax asset not recognized (2)	(1,751,269)	(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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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 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	25,520	-	-	36,180	4,930,967	4,992,667
Reclassifications from CWIP	107,700	609,304	2,304,822	20,572	(3,042,398)	-
Assets retired during the period	(68,122)	(265,696)	(1,496,924)	-	-	(1,830,742)
Balance at June 30, 2016	5,522,207	21,093,694	51,986,498	2,343,116	3,973,943	84,919,458
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	18,281	1,211,010	2,501,671	189,834	-	3,920,796
Assets retired during the period	(68,122)	(265,696)	(1,496,924)	-	-	(1,830,742)
Balance at June 30, 2016	5,325,439	17,366,781	25,866,170	1,566,857	-	50,125,247
Carrying amounts at June 30, 2016	196,768	3,726,913	26,120,328	776,259	3,973,943	34,794,211

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

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2016 and 2015

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.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and six months ended June 30, 2016 and 2015***9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Depreciation has been charged in comprehensive income as follows:

	Three month period		Six month period	
	ended June 30,		ended June 30,	
	2016	2015	2016	2015
	US\$	US\$	US\$	US\$
Cost of sales	1,772,683	1,895,738	3,661,855	3,832,743
Selling, general and administrative expenses	130,374	151,248	258,941	301,027
	<u>1,903,057</u>	<u>2,046,986</u>	<u>3,920,796</u>	<u>4,133,770</u>

As at June 30, 2016, property, plant and equipment with a carrying amount of US\$13,218,381 (December 31, 2015: US\$14,574,733) and inventories with a carrying amount of US\$3,459,001 (December 31, 2015: US\$3,767,186) have been pledged as security for certain loans (Note 13).

10. INVENTORIES

	June 30, 2016	December 31, 2015
	US\$	US\$
Inventories on hand	14,391,066	13,101,554
Inventories in transit	1,704,539	1,138,841
Provision for obsolescence	(387,739)	(388,438)
	<u>15,707,866</u>	<u>13,851,957</u>

The amount of inventories recognized as expense in the three and six months ended June 30, 2016 is US\$6,663,300 and US\$10,938,083 respectively (June 30, 2015: US\$4,844,478 and US\$8,131,982). Inventory reversal of write downs in the three and six months ended June 30, 2016 amounted to US\$NIL and US\$1,051 (June 30, 2015: write downs US\$120,608 and US\$149,676).

11. TRADE AND OTHER RECEIVABLES

	June 30, 2016	December 31, 2015
	US\$	US\$
Trade receivables	12,797,210	7,863,848
Allowance for doubtful accounts	-	-
Net trade receivables	12,797,210	7,863,848
Cash advances	30,031	35,943
Sundry receivables	114,894	68,544
	<u>12,942,135</u>	<u>7,968,335</u>

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and six months ended June 30, 2016 and 2015***11. TRADE AND OTHER RECEIVABLES (CONTINUED)**

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

	June 30, 2016 US\$	December 31, 2015 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 and six months ended June 30, 2016 amounted to US\$ Nil and US\$ Nil (December 31, 2015: US\$2,610).

12. CASH

	June 30, 2016 US\$	December 31, 2015 US\$
Cash at bank	6,651,657	5,771,855
Cash on hand	69,020	76,697
	<u>6,720,677</u>	<u>5,848,552</u>

As at June 30, 2016, cash of US\$6,720,677 was available to the Group (December 31, 2015: US\$5,848,552)

13. LOANS PAYABLE

	June 30, 2016 US\$	December 31, 2015 US\$
US\$2M Term Loan (i)	308,136	900,219
US\$2M Credit Line (ii)	250,000	250,000
US\$5M Term Loan (iii)	5,000,000	5,000,000
Total	<u>5,558,136</u>	<u>6,150,219</u>
Current portion of loans	<u>2,154,217</u>	<u>2,481,299</u>
Non-current portion of loans	<u>3,403,919</u>	<u>3,668,920</u>

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

For the three and six months ended June 30, 2016 and 2015

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 June 30, 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 June 30, 2016 the Group was in compliance with, normal course non-financial covenants. As at June 30, 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 June 30, 2016 the Group was in compliance with, normal course non-financial covenants.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and six months ended June 30, 2016 and 2015***14. TRADE AND OTHER PAYABLES**

	June 30, 2016 US\$	December 31, 2015 US\$
Trade payables	6,969,987	4,550,988
Creditors and accrued expenses	3,351,631	2,722,888
VAT liability	807,567	449,823
	11,129,185	7,723,699

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	Loans and Receivables US\$	Other Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
June 30, 2016				
Financial assets				
Trade and other receivables	12,942,135	-	12,942,135	12,942,135
Cash	6,720,677	-	6,720,677	6,720,677
	19,662,812	-	19,662,812	19,662,812
Financial liabilities				
Trade and other payables	-	10,321,618	10,321,618	10,321,618
Related party payables	-	923,025	923,025	923,025
Loans payable	-	5,558,136	5,558,136	5,558,136
	-	16,802,779	16,802,779	16,802,779
December 31, 2015				
Financial assets				
Trade and other receivables	7,968,335	-	7,968,335	7,968,335
Cash	5,848,552	-	5,848,552	5,848,552
	13,816,887	-	13,816,887	13,816,887
Financial liabilities				
Trade and other payables	-	7,273,873	7,273,873	7,273,873
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,150,219	6,150,219	6,150,219
	-	14,347,117	14,347,117	14,347,117

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and six months ended June 30, 2016 and 2015***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. On June 21, 2016 TTL transferred a related party payable owing to TTL to Harper Family Settlement.

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.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2016 and 2015

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

Future operating lease commitments related to the properties are:

	June 30, 2016	December 31, 2015
	US\$	US\$
Payable within one year	240,000	240,000
Payable between 1 and 5 years	780,000	900,000
Total	1,020,000	1,140,000

During the three and six month periods ended June 30, 2016 lease payments amounted to US\$60,000 and US\$120,000 respectively (June 30, 2015: US\$60,000 and US\$120,000).

(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:

	Three month period		Six month period	
	ended June 30,		ended June 30,	
	2016	2015	2016	2015
	US\$	US\$	US\$	US\$
Short-term benefits	886,243	436,538	1,242,653	827,464
Share-based payment arrangements	146,578	91,200	398,414	91,200
	1,032,821	527,738	1,641,067	918,664

(iii) Related party balances

The related party payable outstanding as at June 30, 2016 amounts to US\$923,025 (December 31, 2015: US\$923,025). The related party payable is to the Harper Family Settlement, is unsecured, interest free and is repayable on demand at the option of the lender.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2016 and 2015

17. COMMITMENTS

(i) Lease commitments

Future operating lease commitments related to the properties are:

	June 30, 2016	December 31, 2015
	US\$	US\$
Payable within one year	327,900	366,000
Payable between 1 and 5 years	860,400	1,003,500
Total	1,188,300	1,369,500

(ii) Capital commitments

The Group has no capital commitments as at June 30, 2016 (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

	June 30, 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.

On June 30, 2016, 435,000 share options were issued. The volume weighted average fair value of each option was calculated at C\$0.82 and the share price was C\$1.74 on June 30, 2016. The share-based payment cost of the share options was calculated at \$193,216.

(iii) Retained earnings

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

GEODRILL LIMITED
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For the three and six months ended June 30, 2016 and 2015

19. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share for the three and six month periods ended June 30, 2016 was based on the income attributable to ordinary shareholders of US\$2,507,978 (2015: US\$1,844,029) and US\$4,121,210 (2015: US\$439,075), respectively and on the weighted average number of ordinary shares outstanding of 42,512,000 (2015: 42,512,000) calculated as follows:

	Three month period ended June 30,		Six month period ended June 30,	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Income attributable to ordinary shareholders	2,507,978	1,844,029	4,121,210	439,075
Weighted average number of ordinary shares	Three month period ended June 30,		Six month period ended June 30,	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Issued ordinary shares	42,512,000	42,512,000	42,512,000	42,512,000
Earnings per share	\$0.06	\$0.04	\$0.10	\$0.01

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three and six month period ended June 30, 2016 was based on the income attributable to ordinary shareholders of US\$2,507,978 (2015: US\$1,844,029) and US\$4,121,210 (2015: US\$439,075) respectively and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 45,407,000 (2015: 42,564,881) and 44,693,429 (2015: 42,564,881) respectively, calculated as follows:

	Three month period ended June 30,		Six month period ended June 30,	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Income attributable to ordinary shareholders	2,507,978	1,844,029	4,121,210	439,075
Weighted average number of ordinary shares - diluted	Three month period ended June 30,		Six month period ended June 30,	
	2016 Shares	2015 Shares	2016	2015
Weighted average number of ordinary shares - basic	42,512,000	42,512,000	42,512,000	42,512,000
Effect of share options in issue	2,895,000 ⁽¹⁾	52,881 ⁽³⁾	2,181,429 ⁽²⁾	52,881 ⁽³⁾
	45,407,000	42,564,881	44,693,429	42,564,881
Diluted earnings per share	\$0.06	\$0.04	\$0.09	\$0.01

(1) For the three months ended June 30, 2016, 2,895,000 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

(2) For the six months ended June 30, 2016, 2,895,000 options in issue were dilutive and did have an effect on the calculation of the diluted earnings per share.

(3) For the three and six months ended June 30, 2015, 390,000 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

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For the three and six months ended June 30, 2016 and 2015

20. DIVIDENDS

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

	June 30, 2016		December 31, 2015	
	June 30, 2016	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		
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	3,330,000	C\$0.87	2,580,000	C\$1.72

The following table summarizes the options outstanding at June 30, 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	1 Yrs & 11 mos	360,000
Granted on May 22, 2014	C\$0.84	390,000	2 Yrs & 11 mos	390,000
Granted on May 19, 2015	C\$0.51	390,000	3 Yrs & 11 mos	390,000
Granted on March 14, 2016	C\$0.79	1,755,000	4 Yrs & 8 mos	1,755,000
Granted on June 30, 2016	C\$1.62	435,000	5 Yrs	435,000

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and six months ended June 30, 2016 and 2015***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	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.