

GEODRILL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIRST QUARTER ENDED MARCH 31, 2017

Management's discussion and analysis ("MD&A") is a review of the operations, the liquidity and the results of operations and capital resources of Geodrill Limited ("Geodrill", the "Company" or the "Group"). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion contains forward-looking information. Please see "Forward-Looking Information" for a discussion of the risks, uncertainties and assumptions relating to this MD&A.

This MD&A is a review of activities and results for the three months ended March 31, 2017 as compared to the corresponding period in the previous year and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017, and also in conjunction with the audited annual consolidated financial statements and corresponding MD&A for the year ended December 31, 2016.

This MD&A is dated May 8, 2017. Disclosure contained in this document is current to that date unless otherwise stated.

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

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

FORWARD-LOOKING INFORMATION

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

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

Forward-looking information contained herein is made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

Corporate Overview

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

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

The state-of-the-art workshops and supply bases at Anwiankwanta, near Kumasi, Ghana, at Ouagadougou, Burkina Faso and at Bouake, Cote d’Ivoire provide centralized locations for repair and storage of equipment and supplies, which in turn minimizes trucking, shipping and supply costs and allows the rigs to be mobilized to drill sites with minimal delay. The Company has also leased a plot of land consisting of a warehouse, workshop and offices in Chingola, Zambia. The Company uses its Zambian facility to support its drilling activity in Zambia and as a base to expand into the African Copperbelt.

An experienced management team and workforce, a modern fleet of drill rigs and state-of-the-art workshops and supply bases have contributed to Geodrill’s reputation as a results-oriented drilling company that strives to achieve greater drilling depths and provide better quality samples than its competitors in the shortest possible time, safely and in a cost-effective and environmentally conscious manner.

Business Strategy

The Company competes with other drilling companies on the basis of price, accuracy, reliability and experience in the marketplace. The Company’s competitors in West Africa consist of both large public companies as well as small local operators.

Management believes that the Company has a number of attributes that result in competitive advantages in West Africa, including:

- **Business Development:** The Company continually improves its operations including the following recent and ongoing developments:

A strengthening of the Company’s geographic footprint in West Africa, as the Company has maintained its strong presence in three primary countries being Ghana, Burkina Faso and Cote d’Ivoire and is operating in Mali and Zambia.

- **A Modern Fleet of Drill Rigs and World Class Workshops:** The Company has accumulated modern state-of-the-art drilling rigs, and established centrally located world class workshops to promote client satisfaction through reliable operational performance. In addition, within the workshop in

Ghana, is a manufacturing facility with the capacity to produce ancillary equipment such as RC drill rods and RC wire-line drill subs in-house, reducing downtime and reliance on suppliers for these items.

- **Establishing, building and maintaining long-standing relationships with customers:** The Company has strong client relationships. Typically a longer term client relationship of the Company originally commenced as a short term drill contract won under competitive bidding process, which has been continually renewed as the respective drilling program of the client has progressed through various phases.
- **Support of well established international and local vendors:** The Company has maintained long standing relationships with international vendors in Australia, Europe, North America and China and has also been supported in West Africa and Zambia by local branches of these suppliers and other local suppliers.
- **Local Knowledge:** The Company's West African market knowledge, expertise and experience have enabled Geodrill to further develop the local networks required to support its operations.
- **Presence in West Africa and the African Copperbelt:** The Company is able to mobilize drill rigs and associated ancillary equipment within a few days of a request by a client. The well-resourced, centrally located workshops further reduce downtime, as the Company can fairly quickly reach most of its current customer sites.
- **An Active and Experienced Management** Geodrill is led by Dave Harper, President and Chief Executive Officer, Terry Burling, Chief Operating Officer and Greg Borsk, Chief Financial Officer. This group is also supported by: Greig Rodger, General Manager, Stephan Rodrigue, Business Development Manager, Alan McConnon, Training Manager and Don Seguin, Health, Safety and Environmental ("HSE") Manager.
- **A Skilled and Dedicated Workforce:** A favorable compensation and benefits package, coupled with the Company's track record of quality hiring and commitment to frequent, relevant continuous training programs for both permanent and contract employees, has reduced unplanned workforce turnover even during robust mining cycles. This has also increased efficiency and productivity, ensuring the availability and continuity of a skilled labor force.
- **Maintaining a high level of safety standards to protect its people and the environment:** The Company's HSE Group oversees the design, implementation, monitoring and evaluation of the Company's HSE standards, which standards are generally considered to be stringent standards for drilling firms globally and are higher than what is currently required in all local markets in which Geodrill currently operates. Every aspect of Geodrill's operations is designed to meet the highest HSE standards and includes induction meetings, at least one safety meeting per work site, including non-exploration work sites, regular safety audits and detailed investigations of incidents.
- **Commitment to Excellence:** Geodrill is committed to being a company of the highest standard in every aspect of its business operations. This is the framework used by the Company to guide its personnel towards the Company's goals and to be the customer-preferred partner in providing world class drilling services in West Africa.

Market Participants and Geodrill's Client Base

The Company has maintained its strong presence in three primary countries being Ghana, Burkina Faso and Cote d'Ivoire and is operating in Mali and Zambia. For the first quarter of 2017, Ghana accounted for 39% of the Company's revenue and Burkina Faso, Cote d'Ivoire and Mali collectively accounted for 61% of the Company's revenue, compared to 34% for Ghana and 66% for Burkina Faso, Cote d'Ivoire and Mali collectively in the first quarter of 2016.

Management's plans include continuing to add new clients in West Africa where gold is the primary mineral and adding new clients in the African Copperbelt where copper is the primary mineral. The Company will, however, take advantage of opportunities in other minerals, including iron ore, manganese, uranium and phosphate. In addition, the proximity to countries such as Senegal, Mauritania, Liberia, Sierra Leone, Nigeria and Cameroon positions the Company favorably in its ability to service these markets as well, if it so chooses. The Company's drilling focus is still predominately on gold and is still predominately in Ghana, Burkina Faso, Cote d'Ivoire and Mali; however, the Company has also started drilling for copper in Zambia.

The signing of a drilling contract and the actual commencement of drilling do not always happen simultaneously, and in numerous situations there may be a two to three month interval between the signing of an agreement and the commencement of drilling. In addition, given the short-term nature of drilling contracts, there can be no assurance that any contract that the Company currently has will be extended or renewed on terms favorable to the Company. In the event that any of its current contracts are not extended or renewed on favorable terms, or replaced with new contracts, this could have a significant impact on the Company's operations.

For the three months ended March 31, 2017, included in revenue are four customers who individually contributed 10% or more to the Group's revenue. One customer contributed 17%, one customer contributed 12%, one customer contributed 11% and one customer contributed 10%.

For the three months ended March 31, 2016, included in revenue were three customers who individually contributed 10% or more to the Group's revenue. One customer contributed 33%, one customer contributed 18% and one customer contributed 11%.

OUTSTANDING SECURITIES AS OF MAY 8, 2017

The Company is authorized to issue an unlimited number of Ordinary Shares. As of May 8, 2017, the Company has the following securities outstanding:

Number of Ordinary Shares	43,225,400
Number of Options	<u>2,616,600</u>
Fully Diluted	<u>45,842,000</u>

From January 1, 2017 to May 8, 2017, a total of 292,500 options were exercised.

OVERALL PERFORMANCE

Revenue Per Country

Location	Three months ended			
	March 31 2017		March 31 2016	
	US\$ 000's	%	US\$ 000's	%
Ghana	7,251	39%	5,304	34%
Burkina Faso and other	11,302 ⁽¹⁾	61%	10,148 ⁽¹⁾	66%
	18,553	100%	15,452	100%

⁽¹⁾ Included in Burkina Faso and other is Burkina Faso, Cote d'Ivoire and Mali.

Meters Drilled Per Country

Location	Three months ended			
	March 31 2017		March 31 2016	
		%		%
Ghana	80,907	31%	71,250	30%
Burkina Faso and other	176,184 ⁽¹⁾	69%	169,176 ⁽¹⁾	70%
	257,091	100%	240,426	100%

⁽¹⁾ Included in Burkina Faso and other is Burkina Faso, Cote d'Ivoire and Mali.

The Company generated revenue of US\$18.6M in the first quarter of 2017, an increase of US\$3.1M or 20% when compared to US\$15.5M in the first quarter of 2016. The Company was able to increase its revenue compared to the prior year as the Company drilled more meters and had a different mix of meters drilled. Specifically, on a quarter to quarter basis the meters drilled increased in the first quarter of 2017 compared to the first quarter of 2016. Meters drilled in the first quarter of 2017 totaled 257,091 which is an increase of 7% when compared to 240,426 meters drilled in the first quarter of 2016. Although revenue increased by 20%, meters drilled increased only by 7%, the other contributing factor for the increase in revenue was the mix of meters drilled. In the first quarter of 2017, the

Company drilled more core meters than it did in the first quarter of 2016, but conversely, in the first quarter of 2017 the Company drilled less air core meters than it did in the first quarter of 2016. Core meters are the most expensive meters to drill while air core meters are the most economical meters to drill. Therefore, the higher priced core meters drilled, results in higher revenue per meter.

The gross profit for the first quarter of 2017 was US\$7.2M, being 39% of revenue compared to a gross profit of US\$6.8M, being 44% of revenue for the first quarter of 2016. The gross profit increase reflects the increase in revenue of US\$3.1M with a corresponding increase in cost of sales of US\$2.6M. See "Supplementary Disclosure – Non IFRS Measures" on page 15.

EBITDA (as defined herein) for the first quarter of 2017 was US\$3.1M, being 17% of revenue compared to US\$4.8M, being 31% of revenue for the first quarter of 2016. See "Supplementary Disclosure – Non-IFRS Measures" on page 15.

The EBIT (as defined herein) for the first quarter of 2017 was US\$1.3M, compared to US\$2.8M for the first quarter of 2016. See "Supplementary Disclosure - Non - IFRS Measures" on page 15.

The net income for the first quarter of 2017 was US\$0.3M or US\$0.01 per Ordinary Share (US\$0.01 per Ordinary Share fully diluted), compared to US\$1.6M for the first quarter of 2016 or US\$0.04 per Ordinary Share (US\$0.04 per Ordinary Share fully diluted).

SELECTED FINANCIAL INFORMATION

(in US\$ 000s)	<u>Three months Ended</u>		<u>% Change</u>
	<u>March 31</u> 2017	<u>March 31</u> 2016	<u>March 31</u> 2017 vs 2016
Revenue	18,553	15,452	20%
Cost of Sales	11,337	8,689	30%
<i>Cost of Sales (%)</i>	61%	56%	
Gross Profit	7,216	6,763	7%
<i>Gross Profit Margin (%)</i>	39%	44%	
Selling, General and Administrative Expenses	5,749	3,819	51%
<i>Selling, General and Administrative Expenses (%)</i>	31%	25%	
Foreign Exchange Loss	168	143	
Income from Operating Activities	1,299	2,801	(54)%
<i>Income from Operating Activities (%)</i>	7%	18%	
Finance Income	-	-	
<i>Finance Income (%)</i>			
EBIT*	1,299	2,801	(54)%
<i>EBIT (%)</i>	7%	18%	
Finance Costs	123	168	
<i>Finance Costs (%)</i>	1%	1%	
Income before Taxation	1,176	2,633	(55)%
<i>Income before Taxation (%)</i>	6%	17%	
Income Tax expense	897	1,020	
<i>Income Tax expense (%)</i>	5%	7%	
Net Income	279	1,613	(83)%
<i>Net Income (%)</i>	2%	10%	
EBITDA **	3,140	4,819	(35)%
<i>EBITDA (%)</i>	17%	31%	
Meters Drilled	257,091	240,426	7%
Income Per Share			
Basic	0.01	0.04	
Diluted	0.01	0.04	
Total Assets	75,510	65,412	
Total Long - Term Liabilities	1,638	3,884	
Cash Dividend Declared	NIL	NIL	

*EBIT = Earnings before interest and taxes

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

See "Supplementary Disclosure - Non-IFRS Measures" on page 14

RESULTS OF OPERATIONS

Revenue

The Company recorded revenue of US\$18.6M for the first quarter of 2017, as compared to US\$15.5M for the first quarter of 2016, representing an increase of 20%. The increase in revenue is largely attributable to the strong demand for the Company's services and the increased rig fleet. The Company has made significant additions to property, plant and equipment over the last year which has resulted in more rigs being available. Since the first quarter of 2016, the Company has invested approximately US\$8.9M in property, plant and equipment and has increased its total rig fleet from 42 rigs to 50 rigs as at May 8, 2017. In the first quarter of 2017, the Company drilled more meters and had a different mix of meters drilled. The increase in revenue is attributable to the number of meters drilled increasing from 240,426 in the first quarter of 2016 to 257,091 in the first quarter of 2017. The total meters drilled increased by 7% for the first quarter of 2017 compared to the first quarter of 2016. The percentage of meters drilled for the first quarter of 2017 can be broken down as to 50% RC, 25% grade control, 15% core and 10% air core as compared to 54% RC, 19% grade control, 15% air core and 12% core for the first quarter of 2016. Although revenue increased by 20%, meters drilled increased by only 7%, the other contributing factor for the increase in revenue was the mix of meters drilled. In the first quarter of 2017, the Company drilled significantly more core meters than it did in the first quarter of 2016, but conversely, in the first quarter of 2017 the Company drilled much less air core meters than it did in the first quarter of 2016. Core meters are the most expensive meters to drill while air core meters are the most economical meters to drill. Therefore, the higher priced core meters drilled, results in higher revenue per meter.

Cost of Sales and Gross Profit

The cost of sales for the first quarter of 2017 was US\$11.3M, compared to cost of sales of US\$8.7M for the first quarter of 2016, being an increase of US\$2.6M.

The gross profit for the first quarter of 2017 was US\$7.2M, compared to a gross profit of US\$6.8M for the first quarter of 2016, being an increase of US\$0.4M. The gross profit percentage for the first quarter of 2017 was 39% compared to 44% for the first quarter of 2016.

The increase in cost of sales for the first quarter of 2017 as compared to the first quarter of 2016 of US\$2.6M reflects the following:

- Drill rig expenses and fuel costs increased by US\$1.3M in conjunction with the increase in revenue, the increase in meters drilled and the increase in core meters drilled.
- Employee benefits, external services, contractors and other expenses increased by US\$1.1M due to more workers being required in conjunction with the increase in meters drilled and the increase in core meters drilled.
- Repairs and maintenance increased by US\$0.3M as more repairs were completed on the Company's drill rigs and plant and equipment.
- Depreciation expense decreased by US\$0.1M relating to a greater proportion of the Company's drill rigs and plant and equipment being fully depreciated.

Selling, General and Administrative (“SG&A”) Expenses

SG&A expenses were US\$5.7M for the first quarter of 2017, compared to US\$3.8M for the first quarter of 2016, being an increase of US\$1.9M.

The increase in SG&A expenses for the first quarter of 2017 as compared to the first quarter of 2016 of US\$1.9M reflects the following:

- Employee benefits, external services, contractors and other expenses increased by US\$1.4M. The increase of US\$1.4M reflects the additional services undertaken by the Company to support the increased level of activity the Company has been experiencing. The Company believes that spending on health and safety, training, systems and support employees will better position the Company as it continues to grow.
- An increase by US\$0.4M related to an increase in the allowance for doubtful accounts for a specific trade receivable.
- Repairs and maintenance expense increased by US\$0.1M as more repairs were completed on the Company’s motor vehicles as the Company’s motor vehicle fleet continues to age.

Income from Operating Activities

Income from operating activities (after cost of sales, SG&A expenses and foreign exchange gain or loss) for the first quarter of 2017 was US\$1.3M, as compared to US\$2.8M for the first quarter of 2016.

EBITDA Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 15)

EBITDA margin for the first quarter of 2017 was 17% compared to 31% for the first quarter of 2016. Included in the EBITDA margin for the first quarter of 2017, is a provision for an allowance for doubtful accounts of US\$0.4M relating to a 2016 trade receivable. Excluding the provision for an allowance for doubtful accounts, the EBITDA percentage in the first quarter of 2017 would have been 19%. See “Supplementary Disclosure - Non - IFRS Measures" on page 15.

EBIT Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 15)

EBIT margin for the first quarter of 2017 was 7% compared to 18% for the first quarter of 2016. See Supplementary Disclosure - "Non-IFRS Measures" on page 15.

Depreciation

Depreciation of property, plant and equipment for the first quarter of 2017 was US\$1.8M (US\$1.7M in cost of sales and US\$0.1M in SG&A) compared to US\$2.0M (US\$1.9M in cost of sales and US\$0.1M in SG&A) for the first quarter of 2016.

Income Tax Expense

Income tax expense for the first quarter of 2017 was US\$0.9M compared to income tax expense of US\$1.0M for the first quarter of 2016. The income tax expense of US\$0.9M is comprised of current taxes. The Company pays corporate income tax in certain countries and the Company pays withholding tax on revenues in certain countries in which it provides drilling services.

Net Income

The net income was US\$0.3M for the first quarter of 2017, or US\$0.01 per Ordinary Share (US\$0.01 per Ordinary Share fully diluted), compared to US\$1.6M, for the first quarter of 2016, or US\$0.04 per Ordinary Share (US\$0.04 per Ordinary Share fully diluted).

SUMMARY OF QUARTERLY RESULTS

	2017	2016				2015		
(in US\$ 000s)	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Revenue	18,553	18,774	19,705	19,420	15,452	12,349	10,184	16,001
Revenue (Decrease)/Increase %	(1%)	(5%)	1%	26%	25%	21%	(36%)	70%
Gross Profit	7,216	7,018	7,803	7,767	6,762	4,163	2,620	6,572
Gross Margin (%)	39%	37%	40%	40%	44%	34%	26%	41%
Net Earnings / (Loss)	279	1,047	1,902	2,508	1,613	(567)	(1,780)	1,844
Per Share - Basic	0.01	0.03	0.04	0.06	0.04	(0.01)	(0.04)	0.04
Per Share - Diluted	0.01	0.02	0.04	0.06	0.04	(0.01)	(0.04)	0.04

The Company's revenue decreased on a quarter over quarter basis by US\$0.2M or 1% for the first quarter ended March 31, 2017 compared to the fourth quarter ended December 31, 2016. This is the result of the holidays occurring in January and the slowdown of drilling activities in the early part of the first quarter of 2017. The Company had a similar decrease in revenue in the later part of the fourth quarter of 2016 as a result of the holidays occurring in December 2016. Despite the impact of the holidays on the fourth quarter of 2016 and the first quarter of 2017, the Company has been able to average revenue of approximately US\$19.1M over the last four quarters. The Company was also able to generate gross profit of US\$7.2M in the first quarter of 2017. On a quarter to quarter basis, the Company's revenue increased by US\$3.1M compared to the first quarter ended March 31, 2016. The increase in revenue is largely attributable to the strong demand for the Company's services and the increased rig fleet. The Company is continuing to see a recovery in the mineral drilling sector as evidenced by the increase in meters drilled. In addition, although meter pricing remains competitive in the industry, the Company is witnessing prices beginning to stabilize.

The Company's operations have tended to exhibit a seasonal pattern. The first and fourth quarters are affected due to shutdown of exploration activities, often for extended periods over the holiday season. The second quarter is typically affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week; 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 Company has historically taken advantage of the wet season and has scheduled the third quarter for maintenance and rebuild programs for drill rigs and equipment.

Effect of Exchange Rate Movements

The Company's receipts and disbursements are denominated in US Dollars and local currencies. The Company's main exposure to exchange rate fluctuations arises from certain capital costs, wage costs and purchases denominated in other currencies.

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

SELECTED INFORMATION FROM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in US\$ 000s)	Three months Ended	
	March 31 2017	March 31 2016
Net cash (used in) / generated from operating activities	(1,103)	1,549
Net cash used in investing activities	(1,840)	(1,792)
Net cash used in financing activities	(330)	(292)
Effect of movement in exchange rates on cash	28	38
Net decrease in cash	(3,245)	(497)

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As at March 31, 2017, the Company had cash of US\$6.1M and US\$1.75M still available on the US\$2M Credit Line. As at March 31, 2017, the Company had loans payable of US\$3.9M. Since the Company has loans payable, the Company continues to monitor its cash and its capital spending in conjunction with the loans that need to be repaid. Subsequent to March 31, 2017, the Company drew down another US\$1.25M on the US\$2M Credit Line. As at May 8, 2017, the Company has drawn US\$1.5M on the US\$2M Credit Line.

FIRST QUARTER ENDED MARCH 31, 2017

Operating Activities

In the first quarter of 2017, the Company used cash in operating activities of US\$1.1M, as compared to generating cash in operating activities of US\$1.5M in the first quarter of 2016. The Company realized income before taxation of US\$1.2M for the first quarter of 2017; however, the changes in non-cash items and changes in working capital items used cash of US\$2.3M resulting in cash used in operations of US\$1.1M.

Investing Activities

In the first quarter of 2017, the Company's investment in property, plant and equipment was US\$1.8M, consistent with the US\$1.8M in the first quarter of 2016. The Company continues to grow and believes that one of the Company's greatest attributes is its ability to maintain a modern fleet of drill rigs and related equipment. The Company understands the importance of this and has significantly invested in its property, plant and equipment. Plant and equipment additions in the first quarter of 2017 included a new drill rig, costs associated with rebuilding existing drill rigs and related equipment, new light vehicles and costs associated with completing certain sites at client premises. The Company continues to balance the need to grow and reinvest in its property, plant and equipment while ensuring there is enough cash to satisfy the debt repayments as they come due.

Financing Activities

During the first quarter of 2017, the Company used net cash of US\$0.3M. An amount of US\$467,000 related to the quarterly principal repayment on the US\$5M Term Loan which was partially offset by US\$137,000 received from the exercise of stock options. In the first quarter of 2016, the Company used US\$0.3M relating to the quarterly loan repayment on the prior US\$2M Term Loan.

Contractual Obligations

Contractual Obligations in US\$	Payments Due by				
	Total	April 1 to Dec 31 2017	2018	2019	2020
Operating Leases ⁽¹⁾	1,035,000	265,000	300,000	270,000	200,000
Purchase Obligation ⁽²⁾	720,000	720,000	-	-	-
Loans ⁽³⁾	4,310,000	2,010,000	2,300,000	-	-
Total Contractual Obligations	6,065,000	2,995,000	2,600,000	270,000	200,000

(1) The operating leases relate to the lease payments for the two real estate properties, as fully disclosed under "Transactions with Related Parties". The annual rent payable shall be reviewed on an upward only basis every two years based on USA inflation data. In addition, the operating leases includes amounts for other operating sites.

(2) The purchase obligations refer to the purchase of two drill rigs that is the Company expects to be shipped and received in the second quarter of 2017.

(3) Loans refer to the US\$5M Term Loan and the US\$2M Credit Line, including the related interest.

Contractual obligations will be funded in the short-term by cash as at March 31, 2017 of US\$6.0M, a Sandvik loan of US\$0.7M entered into subsequent to March 31, 2017, and the US\$0.5M amount still available on the US\$2M Credit Line.

OUTLOOK

The Company is continuing to see a recovery in the mineral drilling sector as evidenced by the increase in meters drilled and is optimistic that the recovery will continue throughout 2017. In addition, although meter pricing remains competitive in the industry, the Company is witnessing prices beginning to stabilize. The Company continues to see strong demand for its services and is continuing to invest in property, plant and equipment.

As at March 31, 2017, the Company had 46 drill rigs; of which 43 drill rigs were available for operation, two drill rigs were in the workshop and one drill rig was in transit.

On March 6, 2017, the Company entered into a supply of goods and service agreement with Sandvik Canada Inc. for the purchase and financing of two drill rigs. The Company expects the drill rigs to be shipped and received in the second quarter of 2017. The Company has made a down payment and has agreed with Sandvik Canada Inc. to repay the balance with interest at 7.7% per annum over a period of thirty six months with payments being made once a quarter.

On March 29, 2017, the Company purchased two used drill rigs. The purchase price for the rigs has been paid, however, the drill rigs are expected to be shipped and received in the second quarter of 2017.

On April 17, 2017, the Company purchased six used rigs. The drill rigs are expected to be shipped and received in the second quarter of 2017. The Company expects the rigs will be available for operation in second half of 2017.

The Company has a total of 56 drill rigs as at May 8, 2017.

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

Make - Model	Type	Available for Operation as at Mar 31, 2017		Planned to be available for Operation as at Jun 30, 2017		Planned to be available for Operation as at Sep 30, 2017		Planned to be available for Operation as at Dec 31, 2017	
		No. of Rigs		No. of Rigs		No. of Rigs		No. of Rigs	
UDR - 650	Multi-Purpose	2	1x2003 1x1993	2	1x2003 1x1993	2	1x2003 1x1993	2	1x2003 1x1993
UDR - KL900	Multi-Purpose	3	1x2003 1x1999 1x2007	3	1x2003 1x1999 1x2007	3	1x2003 1x1999 1x2007	3	1x2003 1x1999 1x2007
Sandvik - DE820	Multi-Purpose	4	3x2008 1x2010	4	3x2008 1x2010	4	3x2008 1x2010	4	3x2008 1x2010
Sandvik - DE810	Multi-Purpose	8	7x2012 1x2010	8	7x2012 1x2010	8	7x2012 1x2010	8	7x2012 1x2010
EDM - 2000	Multi-Purpose	3	3x2011	4	3x2011 1x2017	4	3x2011 1x2017	5	1x2010 3x2011 1x2017
Austex - X900	Multi-Purpose	8	3x2011 4x2012 1x2016	9	3x2011 5x2012 1x2016	9	3x2011 5x2012 1x2016	9	3x2011 5x2012 1x2016
Sandvik - DE710	Core	8	2x2011 5x2010 1x2009	9	2x2011 5x2010 1x2009 1x2007	10	2x2011 5x2010 1x2009 2x2007	10	2x2011 5x2010 1x2009 2x2007
Sandvik - DE740	Core					5	3x2009 2x2012	7	1x2008 3x2009 1x2011 2x2012
Austex - X300	Aircore Grade Control	5	2x2011 2x2012 1x2010	6	2x2011 2x2012 1x2010 1x2016	6	2x2011 2x2012 1x2010 1x2016	6	2x2011 2x2012 1x2010 1x2016
Austex X350	RC Grade Control	1	1x2016	1	1x2016	1	1x2016	1	1x2016
Maxidrill Maxcat	Grade control	1	1x2010	1	1x2010	1	1x2010	1	1x2010
Total Drill Rigs Available for Operation		43		47		53		56	

	As at Mar 31, 2017		Planned as at Jun 30, 2017		Planned as at Sep 30, 2017		Planned as at Dec 31, 2017	
	No. of Rigs	Type	No. of Rigs	Type	No. of Rigs	Type	No. of Rigs	Type
Available for Operation	28	Multi-Purpose	30	Multi-Purpose	30	Multi-Purpose	31	Multi-Purpose
	8	Core Only	9	Core Only	15	Core Only	17	Core Only
	5	Air core / grade control	6	Air core / grade control	6	Air core / grade control	6	Air core / grade control
	1	RC Grade Control	1	RC Grade Control	1	RC Grade Control	1	RC Grade Control
	1	Grade control	1	Grade control	1	Grade control	1	Grade control
TOTAL AVAILABLE FOR OPERATION	43		47		53		56	
In W/Shop	1	Multi-Purpose Air core / grade control	8	Core Only	2	Core Only		
	1		1	Multi-Purpose	1	Multi-Purpose		
Total in W/Shop	2		9		3		0	
Manufacturing - in production								
Total Manufacturing	0		0		0			
In transit	1	Multi-Purpose						
Total in transit	1		0		0		0	
TOTAL DRILL RIGS	46		56		56		56	

Split								
Multi-Purpose	30		31		31		31	
Core Only	8		17		17		17	
Air Core / grade control	5		5		5		5	
Grade control	1		1		1		1	
RC Grade Control	2		2		2		2	
TOTAL	46		56		56		56	

SUPPLEMENTARY DISCLOSURE - NON-IFRS MEASURES

EBIT is defined as Earnings before Interest and Taxes and EBITDA is defined as Earnings before Interest, Taxes, Depreciation and Amortization. The definitions are used in this MD&A as measures of financial performance. The Company believes EBIT and EBITDA are useful to investors because they are frequently used by securities analysts, investors and other interested parties to evaluate companies in the same industry. However, EBIT and EBITDA are not measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. EBIT and EBITDA should not be viewed in isolation and do not purport to be alternatives to net income or gross profit as indicators of operating performance or cash flows from operating activities as a measure of liquidity. EBIT and EBITDA do not have standardized meanings prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies. Also, EBIT and EBITDA should not be construed as alternatives to other financial measures determined in accordance with IFRS.

Additionally, EBIT and EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not consider certain cash requirements such as capital expenditures, contractual commitments, interest payments, tax payments and debt service requirements.

Gross profit margin is defined as gross profit as a percentage of revenue. Gross profit margin does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies.

The following table is a reconciliation of Geodrill's results from operations to EBIT and EBITDA

(US\$ 000s)	Quarter Ended	
	Mar 31, 2017	Mar 31, 2016
Income from Operating Activities	1,299	2,801
Add: Finance Income	-	-
Income Before Interest and Taxes (EBIT)	1,299	2,801
Add: Depreciation and Amortization	1,841	2,018
Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)	3,140	4,819

DISCLOSURE CONTROLS AND PROCEDURES

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

31, 2017, the CEO and CFO evaluated the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P were effective as at March 31, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its consolidated financial statements in accordance with IFRS.

There were no changes in the Company's internal control over financial reporting during the period beginning on January 1, 2017 and ended on March 31, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

A complete discussion of general risks and uncertainties may be found in the Company's Annual Information Form for the fiscal year ended December 31, 2016 which can be found on the SEDAR website at www.sedar.com, and which continue to apply to the business of the Company. The Company is not aware of any significant changes to risk factors from those disclosed at that time.

FAIR VALUES OF FINANCIAL INSTRUMENTS

As at March 31, 2017 and December 31, 2016, 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 March 31, 2017 and December 31, 2016.

Financial Instruments by Category

	Loans and Receivables US\$	Other Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
March 31, 2017				
Financial assets				
Trade and other receivables	17,539,010	-	17,539,010	17,539,010
Cash	6,084,185	-	6,084,185	6,084,185
	<u>23,623,195</u>	<u>-</u>	<u>23,623,195</u>	<u>23,623,195</u>
Financial liabilities				
Trade and other payables	-	10,150,640	10,150,640	10,150,640
Related party payables	-	923,025	923,025	923,025
Loans payable	-	3,883,530	3,883,530	3,883,530
	<u>-</u>	<u>14,957,195</u>	<u>14,957,195</u>	<u>14,957,195</u>
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>

RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2017	2016
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 Zambia Limited	Registered foreign operating branch	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.

The Harper Family Settlement owns 40.6% (December 31, 2016: 40.8%) of the issued share capital of Geodrill Limited. On September 30, 2015, Geodrill Ghana Limited entered into lease agreements with The Harper Family Settlement for the Anwiankwanta property and for the Accra property, both for a five year term at rates consistent with those determined pursuant to the October 1, 2014 rent review. The material terms of the five year lease agreements include: (i) the annual rent payable shall be reviewed on an upward only basis every two years; and (ii) only Geodrill Ghana Limited can terminate the leases by giving twelve months' notice. On October 1, 2016, in conjunction with the rent review, Geodrill Ghana Limited agreed to the increase in rent for the Anwiankwanta property to US\$186,000 per annum and the increase in rent for the Accra property to US\$78,000 per annum. It was also agreed that all future rent increases will be based on USA inflation data.

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 Group has paid agency fees to Clearwater Fiduciary Services Limited during the period ended March 31, 2017 of US\$ Nil (Year ended December 31, 2016: US\$ 5,051). One of the directors of Clearwater Fiduciary Services Limited is also a director of Geodrill Limited.

Future operating lease commitments related to the properties are:

	March 31, 2017 US\$	December 31, 2016 US\$
Payable within one year	264,000	264,000
Payable between 1 and 5 years	660,000	728,000
Total	924,000	992,000

During the three month period ended March 31, 2017, lease payments amounted to US\$66,000 (March 31, 2016: US\$60,000).

(ii) Key management personnel and directors' transactions

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

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

	March 31, 2017 US\$	March 31, 2016 US\$
Short-term benefits	460,708	356,411
Share-based payment arrangements	-	251,836
	<hr/> 460,708	<hr/> 608,247

(iii) Related party balances

The related party payable outstanding as at March 31, 2017 amounts to US\$923,025 (December 31, 2016: 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.

SIGNIFICANT ACCOUNTING POLICIES

The Company's IFRS significant accounting policies are provided in Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2016 and can be found on SEDAR at www.sedar.com.

NEW AND FUTURE ACCOUNTING STANDARDS

The Company's application of new and revised IFRS are provided in Note 4 to the audited annual consolidated financial statements for the year ended December 31, 2016 and can be found on SEDAR at www.sedar.com. There have been no material effects on the condensed interim consolidated financial statements for the quarter ended March 31, 2017.

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.

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.

d. Allowance for doubtful accounts

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

e. Income tax

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

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

(ii) Judgments

a. Assessment of impairment of property, plant and equipment

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

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

b. Functional currency

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

Additional Information

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