GEODRILL LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(in United States dollars)

GEODRILL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

CONTENTS

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Geodrill Limited

We have audited the accompanying consolidated financial statements of Geodrill Limited, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Geodrill Limited as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

March 03, 2018
Toronto, Canada

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2017 and 2016

	Note	**December 31, 2017 US$**	**December 31, 2016 US$**
Assets			
Non-current assets			
Property, plant and equipment	*10*	39,282,180	35,170,345
Total non-current assets		**39,282,180**	**35,170,345**
Current assets			
Inventories	*11*	16,985,124	15,928,709
Prepayments		1,287,039	188,535
Trade and other receivables	*12*	17,660,607	13,047,916
Cash	*13*	5,691,742	9,328,786
Total current assets		**41,624,512**	**38,493,946**
Total assets		**80,906,692**	**73,664,291**
Equity and liabilities			
Equity			
Share capital		22,129,477	21,671,076
Share-based payment reserve		4,319,175	3,991,245
Retained earnings		33,980,478	29,490,254
Total equity		**60,429,130**	**55,152,575**
Liabilities			
Non-current liabilities			
Loans payable	*14*	2,361,569	2,156,600
Total non-current liabilities		**2,361,569**	**2,156,600**
Current liabilities			
Trade and other payables	*15*	12,276,257	10,546,498
Loans payable	*14*	2,397,646	2,194,272
Taxes payable	*9(ii)*	2,519,065	2,691,321
Related party payables	*19(iii)*	923,025	923,025
Total current liabilities		**18,115,993**	**16,355,116**
Total equity and liabilities		**80,906,692**	**73,664,291**

Approved by the Board of Directors

"signed"
John Bingham
Chairman of the Board

"signed"
Ron Sellwood
Chairman of the Audit Committee

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2017 and 2016

	Note	December 31, 2017 US$	December 31, 2016 US$
Revenue		82,613,781	73,350,313
Cost of sales	*8*	(49,076,359)	(43,870,193)
Gross profit		**33,537,422**	**29,480,120**
Selling, general and administrative expenses	*8*	(24,134,721)	(17,647,745)
Foreign exchange loss		(385,853)	(186,679)
Results from operating activities		**9,016,848**	**11,645,696**
Finance income		1,978	1,780
Finance costs		(515,890)	(615,207)
Income before taxation		**8,502,936**	**11,032,269**
Income tax expense	*9(i)*	(4,012,712)	(3,962,699)
Income and total comprehensive income for the year		**4,490,224**	**7,069,570**
Earnings per share			
Basic	*22(i)*	$0.10	$0.17
Diluted	*22(ii)*	$0.10	$0.16

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2017 and 2016

	Share Capital US$	Share-based Payment Reserve US$	Retained Earnings US$	Total Equity US$
Balance at January 1, 2017	21,671,076	3,991,245	29,490,254	55,152,575
Income and total comprehensive income for the year	-	-	4,490,224	4,490,224
Exercise of stock options	458,401	(222,706)	-	235,695
Share-based payment expense	-	550,636	-	550,636
Balance at December 31, 2017	**22,129,477**	**4,319,175**	**33,980,478**	**60,429,130**
Balance at January 1, 2016	21,150,866	3,775,907	22,420,684	47,347,457
Income and total comprehensive income for the year	-	-	7,069,570	7,069,570
Exercise of stock options	520,210	(266,013)	-	254,197
Share-based payment expense	-	481,351	-	481,351
Balance at December 31, 2016	**21,671,076**	**3,991,245**	**29,490,254**	**55,152,575**

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016

	December 31, 2017 US$	December 31, 2016 US$
Cash flows from operating activities		
Income before taxation	8,502,936	11,032,269
Adjustments for:		
Depreciation expense	6,653,870	7,534,804
Provision for inventory obsolescence charge for the year	496,954	207,228
Equity-settled share-based payment expense	550,636	481,351
Finance income	(1,978)	(1,780)
Finance costs	515,890	615,207
Unrealized foreign exchange loss	155,785	247,909
	16,874,093	**20,116,988**
Change in inventories	(1,693,893)	(2,405,877)
Change in prepayments	(1,098,504)	1,480,030
Change in trade and other receivables	(4,612,691)	(5,079,581)
Change in trade and other payables	1,320,243	2,654,142
Cash generated from operations	10,789,248	16,765,702
Finance income received	1,978	1,780
Finance costs paid	(492,227)	(633,229)
Income taxes paid	(4,184,968)	(2,186,727)
Net cash generated from operating activities	**6,114,031**	**13,947,526**
Investing activities		
Purchase of property, plant and equipment	(10,625,181)	(8,877,412)
Proceeds from sale of property, plant and equipment	-	16,500
Net cash used in investing activities	**(10,625,181)**	**(8,860,912)**
Financing activities		
Loan repayments	(3,564,794)	(1,799,347)
Loans received	3,973,137	-
Shares issued	235,695	254,197
Net cash generated from / (used in) financing activities	**644,038**	**(1,545,150)**
Effect of movement in exchange rates on cash	**230,068**	**(61,230)**
Net (decrease) / increase in cash	**(3,637,044)**	**3,480,234**
Cash at beginning of the year	9,328,786	5,848,552
Cash at end of the year	**5,691,742**	**9,328,786**

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 audited consolidated financial statements of the Company for the years ended December 31, 2017 and 2016 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, Geodrill Cote d'Ivoire 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 audited consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill on March 3, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) using the accounting policies Geodrill adopted in its annual consolidated financial statements as at and for the year ended December 31, 2017. The financial statements are prepared on a going concern basis.

b. Basis of measurement

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

c. Functional and presentation currency

The consolidated financial statements are presented in United States dollars which is the Group's' functional and presentation currency.

d. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Consistent accounting policies and the same reporting period are used for all Group entities.

(ii) Transactions eliminated on consolidation

Intra-Group balances, unrealized intercompany gains and losses, transactions and dividends are eliminated in preparing the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments

(i) <u>Recognition</u>

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of comprehensive income.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss' (“FVTPL”), ‘held-to-maturity' investments, ‘available-for-sale' (“AFS”) financial assets and ‘loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Subsequent to initial recognition, the treatment of financial assets depends on their classification. Those recognized as FVTPL are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognized in the statement of comprehensive income. AFS financial assets are recognized in the Consolidated Statement of Financial Position at fair value with unrealized gains and losses recognized as other comprehensive income until the investment is derecognized or impaired, at which time gains and losses are recognized in, or reclassified to, the statement of comprehensive income. Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.

Financial liabilities are classified as either financial liabilities “at FVTPL” or “other financial liabilities”.

Subsequent to initial recognition, the treatment of financial liabilities depends on their classification. Those recognized as FVTPL are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognized in the statement of comprehensive income. Other financial liabilities are measured at amortized cost using the effective interest method.

(ii) <u>Derecognition</u>

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows or the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial liabilities are derecognized when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

(iii) Measurement

The Group applies a hierarchy to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques using significant observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices), or valuations that are based on quoted prices for similar instruments; and

Level 3: Valuation techniques using significant inputs that are not based on observable market data (unobservable inputs).The fair values of financial instruments are determined using market prices for quoted instruments and widely accepted valuation techniques for other instruments. Valuation techniques include discounted cash flows, standard valuation models based on market parameters, dealer quotes for similar instruments and expert valuations.

When fair values of unquoted instruments cannot be measured with sufficient reliability, such instruments are carried at cost less impairments, if applicable.

Further information relating to the fair values of financial instruments is provided in notes 5 and 17.

(iv) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(v) Offsetting

Financial assets and liabilities are set off and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(vi) Share capital

Proceeds from the issue of ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

(vii) Compound financial instruments

From time to time the Group may issue compound financial instruments such as convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Any directly attributable transaction costs are allocated to the liability and equity component in the proportion of their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, and gains and losses related to the financial liability, are recognized in the statement of comprehensive income. On conversion, the financial liability is reclassified to equity.

(viii) Trade receivables

Trade receivables are initially stated at their fair value. The carrying amounts for accounts receivable are net of allowances for doubtful accounts. The Group evaluates the recoverability of trade receivables on the specific risks associated with the customer and other relevant information. Individual trade receivables are only written off when management deems them not collectible.

f. Leases

(i) Classification

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are stated as assets of the Group at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease obligation. Finance costs are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic interest charge on the remaining balance of the obligations for each accounting period.

Leases where significant portions of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Leases (continued)

(ii) Lease payments

Payments made under operating leases are charged to comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place. Minimum lease payments made under finance leases are apportioned between finance expense and a reduction of the outstanding lease liability.

g. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at acquisition or construction cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and, for qualifying assets, capitalized borrowing costs. The cost of self-constructed assets includes the cost of materials and direct labor, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial time to ready for their intended use or sale, are included in the cost of those assets, until such time as the assets are available for their intended use. All other borrowing costs are recognized in net earnings in the period in which they are incurred.

(iii) Subsequent costs

The cost of overhauls and of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day maintenance, repair and servicing expenditures incurred on property, plant and equipment are recognized in the statement of comprehensive income, as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Property, plant and equipment (continued)

(iv) Depreciation

Depreciation is recognized in comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Assets leased under a finance lease are depreciated over the shorter of their useful lives and the term of the lease. Land and capital work in progress are not depreciated. The estimated useful lives of major classes of depreciable property, plant and equipment are:

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

Depreciation methods, useful lives and residual values of property plant and equipment are reassessed at each reporting date. The useful lives of these assets and residual values can vary depending on a variety of factors, including technological innovation and maintenance programs. Changes in estimates can result in significant variations in the carrying value and amounts charged, on account of depreciation, to profit or loss in specific periods.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from disposal with the carrying amounts of property, plant and equipment, and are recognized in the statement of comprehensive income.

(v) Impairment

The Group's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the respective asset's or cash-generating unit's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amounts. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups.

The recoverable amount of the asset or cash-generating unit is based on the higher of value-in-use and fair value less costs to sell. The value-in-use calculation requires an estimation of the future cash flows expected to arise from the asset or cash-generating unit and a pre-tax discount rate in order to calculate the present value. Fair values less costs to sell are based on recent market transactions where available and, where not available, appropriate valuation models are used. An impairment loss is recognized immediately in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Property, plant and equipment (continued)

At the end of each reporting period, the Group assesses whether there is any indication that an impairment loss recognized in prior periods for an asset or cash-generating unit may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

As at December 31, 2016 and December 31, 2017, due to the economic conditions in the drilling industry and the increase in drilling activity of the Group, there were no indicators of potential impairment of the carrying value of the Group's property, plant and equipment. As this was the case, no recoverable amount analysis was completed at December 31, 2016 or December 31, 2017.

h. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of spare parts is based on the first-in first-out principle and includes expenditures incurred in acquiring/building the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

Inventory is assessed on a per unit basis to determine whether indicators exist which would lead to a downward revision in the net realizable value of inventory. This assessment is performed at each reporting date.

i. Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution schemes are recognized as an expense in comprehensive income in the periods during which services are rendered by employees.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Employee benefits (continued)

(iii) Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in share based payments reserve, over the period that the employees unconditionally become entitled to the awards. Estimations are made at the end of each reporting period of the number of instruments which will eventually vest. The impact of any revision is recognized in comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

j. Income tax

Income tax expense comprises current and deferred tax expenses.

Current tax and deferred tax are recognized in comprehensive income except to the extent that they relate to items recognized directly in other comprehensive income or equity. Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k. Dividends

Dividends payable/receivable are recognized in the period in which the dividend is appropriately authorized.

l. Revenue – drilling revenue

Revenue from the provision of services in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Drilling revenue is recognized as revenue when the outcome of the drilling can be estimated reliably to the actual chargeable meters drilled.
The outcome can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the drilling service rendered will flow to the Group;
- the work performed of the drilling service at the end of the reporting period can be measured reliably and has been agreed with the customer; and
- the costs incurred for and to complete the drilling can be measured reliably.

m. Finance income

Finance income comprises interest income on funds invested or held in bank accounts. Interest income is recognized in the statement of comprehensive income using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Finance costs

Finance costs comprise interest expense on borrowings, including all financing arrangements.

o. Foreign exchange

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

p. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

q. Post balance sheet events

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the period under consideration and the effect is material.

r. Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential shares, which currently comprise stock options granted to employees and directors.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(i) Estimates

a. Depreciation of property, plant and equipment

Property, plant and equipment are often used in demanding environments and may be subject to accelerated depreciation. Management considers the reasonableness of useful lives and whether known factors reduce or extend the lives of certain assets. This is accomplished by assessing the changing business conditions, examining the level of expenditures required for additional improvements, observing the patterns of gains or losses on disposition, and considering the various components of the assets. As at May 1, 2016, the estimated useful life of motor vehicles was changed from 3 to 5 years. This has had no material impact on the consolidated financial statements.

b. Share-based payment transactions

The fair value of share-based payment transactions is based on certain assumptions determined by management. The main areas of estimate relate to the determination of the risk free interest rate, stock price volatility and the forfeiture rate.

c. Net realizable value of inventory

Management reviews inventories at each reporting period to determine whether indicators exist which would lead to a downward revision in the net realizable value of the inventory. Management's estimate of net realizable value of such inventories is based primarily on sales price and current market conditions.

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 amortized cost of the trade receivables. Management's estimate of impairment of such trade receivables is based primarily on the ageing of the receivables and the financial health of the customers.

e. Income tax

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(ii) Judgments

a. Assessment of impairment of property, plant and equipment

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

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

b. Functional currency

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

4. NEW AND FUTURE ACCOUNTING STANDARDS

a. Adoption of new and amended accounting pronouncements

In 2017, there have been no new or amended accounting pronouncements that have had a material impact on the company's consolidated financial statements.

b. Accounting pronouncements issued but not yet effective

IFRS 9 – Financial instruments

The Company is currently evaluating the impact IFRS 9 on its consolidated financial statements. The Company will adopt IFRS 9 for the annual period beginning January 1, 2018 and expects to apply the standard on a retrospective basis using certain available transitional provisions. Under this approach, the 2017 comparative period will not be restated and a cumulative transitional adjustment to the opening balance of retained earnings will be recognized at the date of initial application. The Company expects to apply the simplified approach to its trade receivables and will use a provision matrix to calculate estimated credit losses. Had the Company implemented this standard in the 2017 consolidated financial statements, a loss allowance for expected credit losses of US$212,626 would have been recognized as a charge in the statement of comprehensive income.

4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)

b. Accounting pronouncements issued but not yet effective (continued)

IFRS 15 - Revenue from Contracts with Customers

The Company is currently evaluating the impact of this standard on its consolidated financial statements. The Company will adopt IFRS 15 for the annual period beginning January 1, 2018 and expects to apply the standard on a modified retrospective basis using certain practical expedients. Under this approach, the 2017 comparative period will not be restated and any cumulative transitional adjustment to the opening balance of retained earnings will be recognized at the date of initial application. Management expects that additional disclosures will be required by the standard; however, they do not consider there will be a material impact on revenue recognition. The Company generally accounts for revenue on the basis of meters drilled, which corresponds to a right to payment for performance completed to date as specified by IFRS 15.

IFRS 16 – Leases

The Company is currently evaluating the impact of this standard on its consolidated financial statements. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The Company does not expect to adopt IFRS 16 early. Management expects to recognize lease liabilities and right-of-use assets in respect of operating leases previously expensed.

5. DETERMINATION OF FAIR VALUES

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The following sets out the Group’s basis of determining fair values:

a. Trade and other receivables

The fair value of trade and other receivables approximates their carrying value due to their short term nature.

b. Cash

Cash consists of cash at bank and cash on hand. The fair value of cash approximates their carrying values due to their short term nature.

c. Trade and other payables

The fair value of trade and other payables approximates their carrying values, due to their short term nature.

d. Loans payable

The fair value of the loans payable approximates their carrying value.

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

6. SEASONALITY OF OPERATIONS

The Group’s operations have tended to exhibit a seasonal pattern. The first and fourth quarters are affected due to shutdown of exploration activities, often for extended periods over the holiday season. The second quarter is typically affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week; however, in 2016 Easter fell in the first quarter. The wet season occurs (in some geographical areas where the company operates, particularly in Burkina Faso) normally in the third quarter, but in the recent years the global weather pattern has become somewhat erratic. The Group has historically taken advantage of the wet season and has scheduled the third quarter for maintenance and rebuild programs for drill rigs and equipment.

7. SEGMENT REPORTING

Segmented information is presented in respect of the Group’s operating segments. The primary format (operating segments) is based on the Group’s management and internal reporting structure, which is submitted to the Chief Executive Officer (CEO) who is the Chief Operating Decision Maker. The Group’s results and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly non-operating income, financing cost, taxation and corporate assets and liabilities which are managed centrally. The operating segments are based on geographical segments categorized as Ghana and Outside Ghana.

7. SEGMENT REPORTING (CONTINUED)

	Ghana		Outside Ghana (1)		Intra-group		Total (2)	
	2017	2016	2017	2016	2017	2016	2017	2016
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000 (Note 8)
Revenue	35,673	30,799	76,758	67,341	(29,817)	(24,790)	82,614	73,350
Other income	6,448	10,708	-	-	(6,448)	(10,708)	-	-
Cost of sales	(28,389)	(29,794)	(56,966)	(50,372)	36,279	36,296	(49,076)	(43,870)
Selling, general and administrative	(10,831)	(9,347)	(14,309)	(8,526)	1,005	225	(24,135)	(17,648)
Foreign exchange (loss) / gain	(81)	68	(305)	(254)	-	-	(386)	(186)
Results from operating activities	**2,820**	**2,434**	**5,178**	**8,189**	**1,019**	**1,023**	**9,017**	**11,646**
Finance income							2	2
Finance costs							(516)	(615)
Income tax expense							(4,013)	(3,963)
Income for the year							**4,490**	**7,070**
Capital expenditures	**11,458**	**7,117**	**5,440**	**1,962**	**(6,273)**	**(202)**	**10,625**	**9,079**

As at	2017	2016	2017	2016	2017	2016
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Non-current assets	**34,433**	**34,909**	**7,678**	**4,132**	**42,111**	**39,041**
Intra group balances					(2,829)	(3,871)
Per statement of financial position					**39,282**	**35,170**
Total assets	**59,070**	**59,169**	**87,746**	**82,983**	146,816	142,152
Intra group balances					(65,909)	(68,488)
Per statement of financial position					**80,907**	**73,664**
Total liabilities	**69,851**	**72,252**	**13,662**	**10,857**	83,513	83,109
Intra group balances					(63,035)	(64,597)
Per statement of financial position					**20,478**	**18,512**

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, was US$ 22,878,158 (December 31, 2016: US$25,492,550).

(2) Segment results equals the income for the year as disclosed in the Consolidated Statements of Comprehensive Income.

8. EXPENSES BY NATURE

The Group presents certain expenses in the Consolidated Statements of Comprehensive Income by function. The following table presents those expenses by nature:

	2017 US$	2016 US$
Expenses		
Drill rig expenses and fuel	21,219,231	20,927,162
Employee benefits	27,471,787	20,272,405
External services, contractors and other	14,370,790	10,074,439
Depreciation	6,653,870	7,534,804
Repairs and maintenance	3,495,402	2,709,128
	73,211,080	61,517,938

	2017 US$	2016 US$
Cost of sales	49,076,359	43,870,193
Selling, general and administrative expenses	24,134,721	17,647,745
	73,211,080	61,517,938

9. TAXATION

(i) Income tax expense

	2017 US$	2016 US$
Current tax expense (iii)	4,012,712	3,962,699

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

(ii) Taxes payable

	Balance at Jan. 1 US$	Payments during the year US$	Charge for the year US$	Balance at Dec. 31 US$
2017	2,691,321	(4,184,968)	4,012,712	2,519,065
2016	915,349	(2,186,727)	3,962,699	2,691,321

Tax liabilities for Ghana up to and including the 2012 year of assessment have been agreed with the tax authorities in Ghana. The Group's remaining tax position is, however, subject to agreement with the tax authorities in the various tax jurisdictions in which it operates. During the year ended December 31, 2017, the Group recognized an under provision in tax payable in the amount of US$156,420 (2016: under provision of US$168,443) reflecting the outcome of a review by the tax authorities in jurisdictions in which it operates.

9. TAXATION (CONTINUED)

(iii) Reconciliation of effective tax rate

	2017 US$	2016 US$
Income before tax	8,502,936	11,032,269
Ghana corporate tax at 25%	2,125,734	2,758,067
Add:		
Effect of different rate tax countries	(855,456)	(1,979,359)
Movement in temporary differences	(402,504)	(351,099)
Under / (Over) provision from prior year	156,420	(168,443)
Tax expense before withholding tax	1,024,194	259,166
	12.0%	2.3%
Add:		
Withholding tax	2,988,518	3,703,533
Total tax expense	4,012,712	3,962,699
Effective tax rate	47.2%	35.9%

(iv) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017 US$	2016 US$
Tax losses carried forward (1)	4,533,445	5,026,398
Provision for inventory obsolescence	101,431	63,585
Property, plant and equipment	(4,074,338)	(3,937,521)
Deferred tax asset not recognized (2)	(560,538)	(1,152,462)
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.

10. PROPERTY, PLANT AND EQUIPMENT

2017	**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, 2017	6,090,060	21,570,436	53,825,304	2,264,200	4,406,133	88,156,133
Additions	-	-	-	-	10,625,181	10,625,181
Reclassifications from CWIP	971,506	1,789,853	6,007,298	1,474,430	(10,243,087)	-
Reclassifications from inventory	-	-	-	-	140,524	140,524
Assets retired during the year	(6,575)	(692,485)	(1,661,835)	-	-	(2,360,895)
Balance at December 31, 2017	**7,054,991**	**22,667,804**	**58,170,767**	**3,738,630**	**4,928,751**	**96,560,943**
Accumulated Depreciation						
Balance at January 1, 2017	5,370,116	18,260,905	27,694,185	1,660,582	-	52,985,788
Charge for the year	262,190	1,668,260	4,383,712	339,708	-	6,653,870
Assets retired during the year	(6,575)	(692,485)	(1,661,835)	-	-	(2,360,895)
Balance at December 31, 2017	**5,625,731**	**19,236,680**	**30,416,062**	**2,000,290**	**-**	**57,278,763**
Carrying amounts at December 31, 2017	**1,429,260**	**3,431,124**	**27,754,705**	**1,738,340**	**4,928,751**	**39,282,180**

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

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2016	Motor Vehicles US$	Plant & Equipment US$	Drill Rigs (1) US$	Land & Leasehold Improvements US$	Capital Work in Progress (CWIP) US$	Total US$
Cost						
Balance at January 1, 2016	5,457,109	20,750,086	51,178,600	2,286,364	2,085,374	81,757,533
Additions	25,520	22,309	-	36,181	8,793,402	8,877,412
Reclassifications from CWIP	675,553	1,184,439	4,710,393	24,155	(6,594,540)	-
Reclassifications from inventory	-	-	-	-	121,897	121,897
Disposals	-	-	-	(82,500)	-	(82,500)
Assets retired during the year	(68,122)	(386,398)	(2,063,689)	-	-	(2,518,209)
Balance at December 31, 2016	**6,090,060**	**21,570,436**	**53,825,304**	**2,264,200**	**4,406,133**	**88,156,133**
Accumulated Depreciation						
Balance at January 1, 2016	5,375,280	16,421,467	24,861,423	1,377,023	-	48,035,193
Charge for the year	62,958	2,225,836	4,896,451	349,559	-	7,534,804
Disposals	-	-	-	(66,000)	-	(66,000)
Assets retired during the year	(68,122)	(386,398)	(2,063,689)	-	-	(2,518,209)
Balance at December 31, 2016	**5,370,116**	**18,260,905**	**27,694,185**	**1,660,582**	**-**	**52,985,788**
Carrying amounts at December 31, 2016	**719,944**	**3,309,531**	**26,131,119**	**603,618**	**4,406,133**	**35,170,345**

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

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in comprehensive income as follows:

	2017 US$	**2016 US$**
Cost of sales	6,051,972	7,122,289
Selling, general and administrative expenses	601,898	412,516
	6,653,870	7,534,805

As at December 31, 2017, property, plant and equipment with a carrying amount of US$9,443,314 (December 31, 2016: US$12,233,517) and inventories with a carrying amount of US$3,151,436 (December 31, 2016: US$3,457,137) have been pledged as security for certain loans (note 14).

11. INVENTORIES

	2017 US$	**2016 US$**
Inventories on hand	16,740,071	15,564,277
Inventories in transit	672,894	618,770
Provision for obsolescence	(427,841)	(254,338)
	16,985,124	15,928,709

The amount of inventories recognized as expense for the year is US$24,876,766 (2016: US$22,991,501). Inventory write downs in the year amounted to US$323,451 (2016: US$341,327).

12. TRADE AND OTHER RECEIVABLES

	2017 US$	**2016 US$**
Trade receivables	17,395,556	12,891,685
Allowance for doubtful accounts	-	-
Net trade receivables	17,395,556	12,891,685
Cash advances	27,600	30,034
Sundry receivables	237,451	126,197
	17,660,607	13,047,916

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2017 US$	**2016 US$**
Balance at January 1	-	-
Provisions made in the year	547,456	-
Receivables recovered / recoverable in the year	(547,456)	-
Receivables written off during the year as uncollectible	-	-
Balance at end of the year	-	-

Trade and other receivables are recorded at amortized cost. Bad debt recovery recorded on trade and other receivables during the year ended December 31, 2017 amounted to US$547,456 (December 31, 2016: US$Nil). The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 18(i).

13. CASH

	2017 US$	**2016 US$**
Cash at bank	5,463,413	9,182,524
Cash on hand	228,329	146,262
	5,691,742	9,328,786

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

As at December 31, 2017, cash of US$5,691,742 was available to the Group (December 2016: US$9,328,786)

14. LOANS PAYABLE

	2017 US$	**2016 US$**
US$5M Term Loan (i)	2,156,600	4,100,872
US$2M Credit Line - 2017 (ii)	2,000,000	-
Equipment Loan (iii)	602,615	-
US$2M Credit Line - 2014 (iv)	-	250,000
US$1M Credit Line (v)	-	-
Total	4,759,215	4,350,872
Current portion of loans	2,397,646	2,194,272
Non-current portion of loans	2,361,569	2,156,600

14. LOANS PAYABLE (CONTINUED)

(i) US$5M Term Loan

On December 18, 2015, the Group entered into a term loan with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US$5 million (the "US$5M Term Loan"). The US$5M Term Loan is for a period of 2 years, repayable interest only for 120 days, and thereafter, repayable interest and principal quarterly in six equal amounts required to satisfy the principal over the term of the loan. The US$5M Term Loan bears interest at a rate of 10.5% per annum and is subject to periodic review in line with money market conditions. The US$5M Term Loan is secured by certain assets of the Group (note 10). The US$5M Term Loan may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. On January 27, 2016, the Group and Zenith Bank (Ghana) Limited agreed to extend the tenor and repayment term of the US$5M Term Loan. The US$5M Term Loan will be for a period of three years to December 18, 2018, repayable interest only for 120 days, and thereafter repayable interest and principal quarterly in ten equal amounts required to satisfy the principal over the term of the loan. The effective interest rate of the US$5M Term Loan is 11.55%**.** The US$5M Term Loan is subject to, and as at December 31, 2017, the Group was in compliance with, normal course non-financial covenants.

(ii) US$2M Credit Line – 2017

On October 23, 2017, 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 - 2017"). The US$2M Credit Line - 2017 is for a period of 2 years from the date of the first drawdown, being November 22, 2017, 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 0.25% per quarter on any unutilized portion. The US$2M Credit Line - 2017 is secured by certain assets of the Group (note 10). The US$2M Credit Line - 2017 may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such payment. The US$2M Credit Line - 2017 is subject to, and as at December 31, 2017, the Group was in compliance with, normal course non-financial covenants. As at December 31, 2017, the Group had drawn US$2M on the US$2M Credit Line - 2017.

(iii) Equipment Loan

On March 6, 2017, the Group entered into a Supply of Goods and Services Contract ("Agreement") with Sandvik Canada Inc. ("Sandvik") relating to the purchase of two drill rigs with a total purchase price of US$0.9M. The Agreement required a down payment and the repayment of the balance over a period of 36 months with payments being made once a quarter. The loan bears interest at 7.7% per annum, includes an arrangement fee and stipulates that the final title to the rigs will only pass once the purchase price has been paid in full. All other risks and rewards of ownership lie with the Group. The effective interest rate of the loan is 7.93%.

14. LOANS PAYABLE (CONTINUED)

(iv) US$2M Credit Line - 2014

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 - 2014"). The US$2M Credit Line - 2014 was 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, bore interest at a rate of 10.5% per annum on any unutilized portion, was subject to periodic review in line with money market conditions and bore interest at a rate of 1% per annum on any unutilized portion. The US$2M Credit Line - 2014 was secured by certain assets of the Group (note 10). The US$2M Credit Line - 2014 may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such payment. The US$2M Credit Line - 2014 was subject to normal course non-financial covenants. The US$1.5M drawdown on the US$2M Credit Line - 2014 was fully repaid on October 16, 2017 and the US$2M Credit Line - 2014 was retired.

(v) US$1M Credit Line

On October 23, 2017, the Group entered into a credit line agreement with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US$1 million (the "US$1M Credit Line"). The US$1M Credit Line is for a period of 2 years from the date of the first drawdown, repayable interest and principal amount quarterly, 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 0.25% per quarter on any unutilized portion. The US$1M Credit Line is secured by certain assets of the Group (note 10). The US$1M 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 payment. The US$1M Credit Line was subject to normal course non-financial covenants. As at December 31, 2017, the Group had drawn US$Nil on the US$1M Credit Line.

15. TRADE AND OTHER PAYABLES

	2017 US$	2016 US$
Trade payables	6,852,151	6,162,288
Creditors and accrued expenses	4,633,526	2,840,843
VAT liability	790,580	1,543,367
	12,276,257	10,546,498

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

16. EMPLOYEE BENEFIT OBLIGATIONS

Defined Contribution Plans

(i) *Social Security*

The Group contributes to various social security plans. Under the plans, the Group makes contributions into government funds. The amounts contributed during the year were US$62,922 (2016: US$53,751). The Group's obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities if due but not paid.

(ii) Provident Fund

The Group contributes for certain staff to a provident fund plan. The amounts contributed during the year were US$47,583 (2016: US$33,051). The Group's obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities if due but not paid.

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Financial Instruments by Category

	Loans and Receivables US$	Other Financial Liabilities US$	Carrying Amount US$	Total Fair Value US$
December 31, 2017				
Financial assets				
Trade and other receivables	17,660,607	-	17,660,607	17,660,607
Cash	5,691,742	-	5,691,742	5,691,742
	23,352,349	-	23,352,349	23,352,349
Financial liabilities				
Trade and other payables	-	11,485,677	11,485,677	11,485,677
Related party payables	-	923,025	923,025	923,025
Loans payable	-	4,759,215	4,759,215	4,759,215
	-	17,167,917	17,167,917	17,167,917
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
	22,376,702	-	22,376,702	22,376,702
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
	-	14,277,028	14,277,028	14,277,028

18. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for managing risk, methods used to measure the risks and the Group's management of capital.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's management team is responsible for developing and monitoring the Group's risk management policies. The team meets periodically to discuss corporate plans, evaluate progress reports and establish action plans to be taken. The day-to-day implementation of the Board's decisions rests with the CEO.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash.

Trade and other receivables

The Group's exposure to credit risk is minimized as customers are given 30 to 60 day credit periods for services rendered. New clients are approved by the CEO and trade receivables are monitored closely by the CEO.

For the year ended December 31, 2017, one customer individually contributed 10% or more to the Group's revenue. That customer contributed 15%.

For the year ended December 31, 2016, two customers individually contributed 10% or more to the Group's revenue. One customer contributed 26% and one customer contributed 17%.

Exposure to credit risks

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017	**2016**
	US$	**US$**
Trade and other receivables	17,660,607	13,047,916
Cash	5,691,742	9,328,786
	23,352,349	22,376,702

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

	2017	**2016**
	US$	**US$**
Mining and exploration companies	17,395,556	12,891,685
Others	265,051	156,231
	17,660,607	13,047,916

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

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

	2017 US$	2016 US$
Less than 30 days	5,362,985	5,138,623
31 - 60 days	6,838,674	4,532,341
61 - 90 days	3,460,659	1,317,677
91 days and greater	1,733,238	1,903,044
	17,395,556	12,891,685

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

	2017 US$	2016 US$
Ghana	7,221,629	4,210,098
Outside Ghana	10,438,978	8,837,818
	17,660,607	13,047,916

(ii) Liquidity risk

Liquidity risk is the risk that the Group either does not have sufficient financial resources available to meet all of its obligations and commitments as they fall due, or can access them only at excessive cost. The Group's approach to managing liquidity is to ensure that it will maintain adequate liquidity to meet its liabilities when due by monitoring and scheduling cash in bank movements and reinvesting profits earned.

The Group's obligation and principal repayments on its financial liabilities are presented in the following table:

	Total US$	Within One Year US$	From One to Three Years US$
December 31, 2017			
Non-derivative financial liability			
Trade and other payables	12,276,257	12,276,257	-
Related party payables	923,025	923,025	-
Loans payable	4,759,215	2,397,646	2,361,569
Balance at December 31, 2017	17,958,497	15,596,928	2,361,569
December 31, 2016			
Non-derivative financial liability			
Trade and other payables	10,546,498	10,546,498	-
Related party payables	923,025	923,025	-
Loans payable	4,350,872	2,194,272	2,156,600
Balance at December 31, 2016	15,820,395	13,663,795	2,156,600

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns. Management regularly monitors the level of market risk and considers appropriate strategies to mitigate those risks. Sensitivity analysis relating to key market risks has been provided below.

(a) Foreign currency risk

The Group is exposed to currency risk on cash, trade receivables, trade payables and taxes payable that are denominated in currencies other than the functional currency. The other currencies in which these transactions are denominated are EURO, Ghana Cedis (GH¢), Great British Pound (GBP), Central African Franc (CFA), Australian Dollar (AUD), Canadian Dollar (CAD) and Zambian Kwacha (ZMW).

The Group's exposure to foreign currency risk was as follows based on foreign currency amounts.

December 31, 2017	EURO	GH¢	GBP	CFA	AUD	CAD	ZMW
Cash	18,545	635,793	6,706	895,077,961	2,170	16,632	24,685
Trade receivables	-	-	-	2,981,870,550	-	-	-
Trade payables	(1,515,337)	(3,174,155)	(70,998)	(633,120,307)	(3,082,032)	(449,917)	(8,503)
Taxes payable	-	-	-	(479,084,113)	-	-	-
Gross exposure	(1,496,792)	(2,538,362)	(64,292)	2,764,744,092	(3,079,862)	(433,285)	16,182

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

The following significant exchange rates applied during the years:

	2017		2016	
US$1=	**Reporting Rate**	**Average Rate**	**Reporting Rate**	**Average Rate**
EURO	0.8347	0.8870	0.9501	0.9037
GH¢	4.5235	4.3796	4.1403	3.9331
GBP	0.7411	0.7767	0.8100	0.7402
CFA	547.5247	581.5742	623.3000	592.5420
AUD	1.2809	1.3049	1.3876	1.3452
CAD	1.2551	1.2980	1.3437	1.3252
ZMW	9.9764	9.4935	9.9112	10.2793

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(a) Foreign currency risk (continued)

Sensitivity analysis on currency risks

The following table shows the effect of a strengthening or weakening US$ against all other currencies on equity and profit or loss. This sensitivity analysis indicates the potential impact on equity and profit or loss based upon the foreign currency exposures, (see "foreign currency risk" above) and it does not represent actual or future gains or losses. The sensitivity analysis is based on a change of 10% in the closing exchange rate per currency recorded in the course of the respective financial year.

A strengthening/weakening of the US$, by the rates shown in the table, against the following currencies would have increased/decreased equity and profit and loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

As at December 31,		**2017**			**2016**	
	% Change	Profit or Loss impact before tax US$	Equity US$	% Change	Profit or Loss impact before tax US$	Equity US$
EURO	±10	±179,321	±179,321	±10	±25,690	±25,690
GH¢	±10	±56,115	±56,115	±10	±63,816	±63,816
GBP	±10	±8,675	±8,675	±10	±3,877	±3,877
CFA	±10	±504,953	±504,953	±10	±489,615	±489,615
AUD	±10	±240,445	±240,445	±10	±194,140	±194,140
CAD	±10	±34,522	±34,522	±10	±23,668	±23,668
ZMW	±10	±162	±162	±10	±3,832	±3,832

(b) Interest rate risk

The Group is exposed to interest rate risk on its bank balances and loans.

Profile

At the reporting dates, the interest rate profiles of the Group's interest-bearing financial instruments were:

	2017 US$	**2016 US$**
Variable rate instruments		
Bank balances	5,691,742	9,182,524
Fixed rate instruments		
Loans	4,759,215	4,350,872

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

(b) Interest rate risk (continued)

Sensitivity analysis for variable rate instruments

A change of 200 basis points in the interest rate at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017 and 2016.

As at December 31,	2017			2016		
	% Change	Profit or Loss impact before tax US$	Equity US$	% Change	Profit or Loss impact before tax US$	Equity US$
Bank balances	±2%	±113,835	±113,835	±2%	±183,650	±183,650

(iv) Capital management

The Group manages its capital structure and makes adjustments to it to effectively support the Group's operations. In the definition of capital the Group includes, as disclosed on its Consolidated Statement of Financial Position: share capital, retained earnings, reserves and loans.

The Group's capital at December 31, 2017 and 2016 is as follows:

Capital Management	2017 US$	2016 US$
Loans payable	4,759,215	4,350,872
Share capital	22,129,477	21,671,076
Share-based payment reserve	4,319,175	3,991,245
Retained earnings	33,980,478	29,490,254
	65,188,345	59,503,447

19. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest 2017	Ownership Interest 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 Limited in Zambia	Registered foreign operating entity	Zambia	100%	100%
Geodrill Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	N/A
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 40.4% (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.

The Group has paid agency fees to Clearwater Fiduciary Services Limited during the year ended December 31, 2017 of US$15,507 (2016: US$5,051). One of the directors of Clearwater Fiduciary Services Limited is also a director of Geodrill Limited.

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

Future operating lease commitments related to the properties are:

	2017 US$	2016 US$
Payable within one year	264,000	264,000
Payable between 1 and 5 years	462,000	728,000
Total	726,000	992,000

During the year ended December 31, 2017, lease payments amounted to US$264,000 (2016: US$240,000).

(ii) Key management personnel and directors' transactions

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

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

	2017 US$	2016 US$
Short-term benefits	2,880,439	2,220,676
Share-based payment arrangements	481,780	398,414
	3,362,219	2,619,090

(iii) Related party balances

The related party payable outstanding as at December 31, 2017 amounts to US$923,025 (December 31, 2016: US$923,025). The related party payable to The Harper Family Settlement is unsecured, interest free and is repayable on demand at the option of the lender.

20. COMMITMENTS

(i) Lease commitments

Future operating lease commitments related to the properties are:

	2017 US$	2016 US$
Payable within one year	296,400	350,400
Payable between 1 and 5 years	466,800	763,200
Total	763,200	1,113,600

(ii) Capital commitments

As at December 31, 2017, the Group had capital commitments of US$825,000 for the purchase of two underground rigs (December 31, 2016: US$Nil).

21. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital

	2017	2016
Shares issued and fully paid	43,300,400	42,932,900
Shares reserved for stock option plan	4,330,040	4,293,290
Total shares issued and reserved	47,630,440	47,226,190

Reconciliation of changes in issued shares

	2017	2016
Shares issued and reserved at January 1,	42,932,900	42,512,000
Stock options exercised	367,500	420,900
Shares issued and reserved at December 31,	43,300,400	42,932,900

All shares rank equally with regards to the Group’s residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholders’ meetings of the Company.

(ii) Share-based payment reserve

The share-based payment reserve is comprised of the equity portion of the share-based payment transaction as per the Company’s stock option plan.

The share based payment expense for the year of US$550,636 (2016: US$481,351) was included in selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income.

21. SHARE CAPITAL AND RESERVES (CONTINUED)

(iii) Retained earnings

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

22. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2017 was based on the income attributable to ordinary shareholders of US$4,490,224 (2016: US$7,069,570), and on the weighted average number of ordinary shares outstanding of 43,214,427 (2016: 42,581,452) calculated as follows:

	2017 US$	2016 US$
Income attributable to ordinary shareholders	4,490,224	7,069,570

Weighted average number of ordinary shares

	2017 Shares	2016 Shares
Issued ordinary shares	43,214,427	42,581,452
Earnings per share	$0.10	$0.17

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2017 was based on the income attributable to ordinary shareholders of US$4,490,224 (2016: US$7,069,570), and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 44,735,560 (2016: 43,871,097), calculated as follows:

	2017 US$	2016 US$
Income attributable to ordinary shareholders	4,490,224	7,069,570

Weighted average number of ordinary shares - diluted

	2017 Shares	2016 Shares
Weighted average number of ordinary shares - basic	43,214,427	42,581,452
Effect of stock options in issue	1,521,133 (1)	1,289,645 (2)
	44,735,560	43,871,097
Diluted earnings per share	$0.10	$0.16

(1) For the year ended December 31, 2017, 4,156,600 options in issue were dilutive but did not have an effect on the calculation of the diluted earnings per share.

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

23. DIVIDENDS

No dividends were paid in 2017 or 2016, nor were dividends declared through to March 3, 2018.

24. EQUITY-SETTLED SHARE-BASED PAYMENTS

Stock Option Plan ("SOP")

The Company has established a SOP, which is intended to aid in attracting, retaining and motivating the Group's employees, directors, consultants and advisors through the granting of stock options.

The maximum aggregate number of Ordinary Shares reserved for issuance pursuant to the SOP shall not exceed 10% of the total number of Ordinary Shares then outstanding. The maximum number of Ordinary Shares reserved for issuance pursuant to the SOP and any other security-based compensation arrangements of the company is 10% of the total number of Ordinary Shares then outstanding.

	2017		2016	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	2,909,100	C$0.88	2,580,000	C$1.72
Granted May 12, 2017	1,615,000	C$2.14		
Granted March 14, 2016			1,755,000	C$0.79
Granted June 30, 2016			435,000	C$1.62
Total Granted	1,615,000	C$2.14	2,190,000	C$0.95
Exercised January 5, 2017	(247,500)	C$0.74		
Exercised April 28, 2017	(26,100)	C$1.62		
Exercised May 2, 2017	(18,900)	C$1.62		
Exercised November 17,2017	(30,000)	C$0.66		
Exercised December 6, 2017	(45,000)	C$0.81		
Expired March 11, 2016			(360,000)	C$3.48
Cancelled March 21, 2016			(1,080,000)	C$2.19
Exercised August 30,2016			(15,000)	C$0.51
Exercised September 22, 2016			(45,000)	C$0.51
Exercised September 22, 2016			(105,900)	C$0.79
Exercised November 28, 2016			(255,000)	C$0.86
Total Exercised / Expired / Cancelled	(367,500)	C$0.85	(1,860,900)	C$2.12
Balance ending	4,156,600	C$1.38	2,909,100	C$0.88

The following table summarizes the options outstanding at December 31, 2017:

Options	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
Granted on May 23, 2013	C$0.81	270,000	5 mos	270,000
Granted on May 22, 2014	C$0.84	360,000	1 Yr & 5 mos	360,000
Granted on May 19, 2015	C$0.51	240,000	2 Yrs & 5 mos	240,000
Granted on March 14, 2016	C$0.79	1,311,600	3 Yrs & 2 mos	1,311,600
Granted on June 30, 2016	C$1.62	360,000	3 Yrs & 6 mos	360,000
Granted on May 12, 2017	C$2.14	1,615,000	4 Yrs & 5 mos	625,000

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

Stock Option Plan ("SOP") (continued)

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

Granted on	**May 23, 2013**	**May 22, 2014**	**May 19, 2015**	**March 14, 2016**	**June 30, 2016**	**May 12, 2017**
Risk free interest rate	1.28%	1.37%	1.10%	1.10%	0.57%	1.04%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Stock price volatility	53%	55%	111%	46%	52%	50%
Expected life of options	5 years	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	0%	30%	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.