GEODRILL LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at June 30, 2017 and December 31, 2016

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GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
As at June 30, 2017 and December 31, 2016

	Note	June 30, 2017 US$	December 31, 2016 US$
Assets			
Non-current assets			
Property, plant and equipment	*9*	37,298,928	35,170,345
Total non-current assets		**37,298,928**	**35,170,345**
Current assets			
Inventories	*10*	16,821,038	15,928,709
Prepayments		1,149,930	188,535
Trade and other receivables	*11*	16,389,750	13,047,916
Cash	*12*	9,951,244	9,328,786
Total current assets		**44,311,962**	**38,493,946**
Total assets		**81,610,890**	**73,664,291**
Equity and liabilities			
Equity			
Share capital		22,057,718	21,671,076
Share-based payment reserve		4,153,416	3,991,245
Retained earnings		31,884,843	29,490,254
Total equity		**58,095,977**	**55,152,575**
Liabilities			
Non-current liabilities			
Loans payable	*13*	1,588,326	2,156,600
Total non-current liabilities		**1,588,326**	**2,156,600**
Current liabilities			
Trade and other payables	*14*	14,790,672	10,546,498
Loans payable	*13*	3,788,732	2,194,272
Taxes payable	*8(ii)*	2,424,158	2,691,321
Related party payables	*16(iii)*	923,025	923,025
Total current liabilities		**21,926,587**	**16,355,116**
Total equity and liabilities		**81,610,890**	**73,664,291**

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
For the three and six months ended June 30, 2017 and 2016

	Note	Three-month period ended June 30 2017 US$	Three-month period ended June 30 2016 US$	Six-month period ended June 30 2017 US$	Six-month period ended June 30 2016 US$
Revenue		22,620,518	19,419,737	41,173,204	34,871,379
Cost of sales	*7*	(13,081,390)	(11,523,646)	(24,418,333)	(20,212,827)
Gross profit		**9,539,128**	**7,896,091**	**16,754,871**	**14,658,552**
Selling, general and administrative expenses	*7*	(6,154,684)	(4,337,589)	(11,902,983)	(8,156,760)
Foreign exchange gain / (loss)		140,061	(34,234)	(28,147)	(176,487)
Results from operating activities		**3,524,505**	**3,524,268**	**4,823,741**	**6,325,305**
Finance income		438	514	444	935
Finance costs		(150,079)	(151,949)	(273,265)	(320,136)
Income before taxation		**3,374,864**	**3,372,833**	**4,550,920**	**6,006,104**
Income tax expense	*8(i)*	(1,259,532)	(864,855)	(2,156,331)	(1,884,894)
Income for the period		**2,115,332**	**2,507,978**	**2,394,589**	**4,121,210**
Total comprehensive income for the period		**2,115,332**	**2,507,978**	**2,394,589**	**4,121,210**
Earnings per share					
Basic	*19(i)*	$0.05	$0.06	$0.06	$0.10
Diluted	*19(ii)*	$0.05	$0.06	$0.05	$0.09

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
For the six months ended June 30, 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 for the period	-	-	2,394,589	2,394,589
Exercise of stock options	386,642	(195,266)	-	191,376
Share-based payment expense	-	357,437	-	357,437
Balance at June 30, 2017	**22,057,718**	**4,153,416**	**31,884,843**	**58,095,977**
Balance at January 1, 2016	21,150,866	3,775,907	22,420,684	47,347,457
Income for the period	-	-	4,121,210	4,121,210
Share-based payment expense	-	481,351	-	481,351
Balance at June 30, 2016	**21,150,866**	**4,257,258**	**26,541,894**	**51,950,018**

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2017 and 2016

	June 30, 2017 US$	June 30, 2016 US$
Cash flows from operating activities		
Income before taxation	4,550,920	6,006,104
Adjustments for:		
Depreciation expense	3,551,415	3,920,796
Increase in allowance for doubtful accounts	547,465	-
Change in provision for inventory obsolescence	44,909	352
Equity-settled share-based payment expense	357,437	481,351
Finance income	(444)	(935)
Finance costs	273,265	320,136
Unrealized foreign exchange (gain) / loss	(303,557)	157,381
	9,021,410	**10,885,185**
Change in inventories	(972,302)	(1,856,261)
Change in prepayments	(961,395)	729,483
Change in trade and other receivables	(3,889,299)	(4,973,800)
Change in trade and other payables	4,182,704	3,240,087
Cash generated from operations	7,381,118	8,024,694
Finance income received	444	935
Finance costs paid	(239,942)	(331,224)
Income taxes paid	(2,423,494)	(1,256,636)
Net cash generated from operating activities	**4,718,126**	**6,437,769**
Investing activities		
Purchase of property, plant and equipment	(5,644,934)	(4,992,667)
Net cash used in investing activities	**(5,644,934)**	**(4,992,667)**
Financing activities		
Loans received	1,973,138	-
Loan repayments	(946,952)	(592,083)
Shares issued	191,376	-
Net cash received from / (used in) financing activities	**1,217,562**	**(592,083)**
Effect of movement in exchange rates on cash	**331,704**	**19,106**
Net increase in cash	**622,458**	**872,125**
Cash at beginning of the period	9,328,786	5,848,552
Cash at end of the period	**9,951,244**	**6,720,677**

1. GENERAL INFORMATION

Geodrill Limited (the “Company” or “Geodrill”) is a company registered and domiciled in the Isle of Man. The address of the Company’s registered office is Ragnall House, 18 Peel Road, Douglas, Isle of Man, IM1 4LZ. The unaudited condensed interim consolidated financial statements of the Company for the periods ended June 30, 2017 and 2016 comprise the interim financial statements of the Company and its wholly owned subsidiaries, Geodrill Ghana Limited, Geotool Limited, Geo-Forage BF SARL, Geo-Forage Cote d’Ivoire SARL, Geo-Forage Mali SARL, Geo-Forage Senegal SARL, Geo-Forage DRC SARL, D.S.I. Services Limited (“DSI”), Geodrill Cote d’Ivoire SARL and Geodrill Limited’s registered foreign Zambian operating entity, together referred to as the “Group”.

The Group is primarily a provider of mineral exploration drilling services. These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill on August 12, 2017.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017 have been prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies as presented in Note 2 disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2016. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) has been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited 2016 annual consolidated financial statements of the Company.

(b) Basis of measurement

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

(c) Functional and presentation currency

The unaudited condensed interim consolidated financial statements are presented in United States dollars which is the Company’s, and its subsidiaries’, functional and presentation currency.

(d) Critical accounting estimates and judgments

In preparing these unaudited condensed interim consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2016.

2. BASIS OF PREPARATION (CONTINUED)

(e) Impairment testing

The economic conditions in the drilling industry and the level of drilling activity of the Group in 2015 were considered to be indicators of potential impairment of the carrying value of the Group's property, plant and equipment, and a recoverable amount analysis was performed. In 2016, and as at June 30, 2017, due to the improved economic conditions in the drilling industry and the increase in drilling activity of the Group, there was no indicator of potential impairment of the carrying value of the Group's property, plant and equipment. As this was the case, no recoverable amount analysis was completed at June 30, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended December 31, 2016, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were effective from January 1, 2017.

a) Adoption of new and amended accounting pronouncements

IAS 7 – Statement of cash flows

On January 29, 2016, the IASB published amendments to IAS 7, Statement of cash flows. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The amendments require disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. To the extent necessary to achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. The amendments state that one way to fulfill the new disclosure requirements is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. The implementation of the amendments did not have an impact on the interim consolidated financial statements of the Company as of June 30, 2017.

IAS 12 – Income taxes

On January 19, 2016, the IASB issued amendments to IAS 12, Income taxes. The amendments give guidance that clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments were issued in response to diversity in practice and are relevant in circumstances in which the entity reports tax losses. The implementation of the amendments did not have an impact on the interim consolidated financial statements of the Company as of June 30, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Accounting pronouncements issued but not yet effective

IFRS 2 – Share-based payment

On June 20, 2016, the IASB issued amendments to IFRS 2, Share-based payment, regarding accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payment transactions with net settlement features; and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendment to IFRS 2 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the amendment to IFRS 2 on its consolidated financial statements.

IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact IFRS 9 on its consolidated financial statements.

IFRS 15 - Revenue from contracts with customers

IFRS 15, "Revenue from contracts and customers" (IFRS 15) was issued by the IASB on May 28, 2014, and will replace IAS 18, "Revenue", IAS 11, "Construction contracts", and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

IFRS 16 – Leases

IFRS 16, "Leases" (IFRS 16) was issued by the IASB on January 13, 2016, and will replace IAS 17 "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting remains largely unchanged. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

IFRIC 22 – Foreign currency transactions and advance consideration

On December 8, 2016, the IASB published International Financial Reporting Interpretations Committee ("IFRIC") 22, Foreign currency transactions and advance consideration to clarify the exchange rate that should be used for transactions that include the receipt or payment of advance consideration in a foreign currency. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRIC 22 on its consolidated financial statements.

Annual improvements cycle

On December 8, 2016, the IASB issued "Annual Improvements to IFRS Standards 2014–2016 Cycle". The pronouncement contained the following amendments:

- The short-term exemptions in paragraphs E3- E7 of IFRS 1, First-time Adoption of International Financial Reporting Standards were deleted.

- The scope of IFRS 12, Disclosure of interests in other entities was clarified by specifying that, with limited exceptions, the disclosure requirements in the standard apply to an entity's interests listed inclusive of those that are classified as held for sale, as held for distribution or as discontinued operations.

The election in IAS 28, Investments in associates to measure at fair value through profit or loss certain investments held by an entity that is a venture capital organization (or other qualifying entity) was clarified to be available for each applicable investment (on an investment-by-investment basis, upon initial recognition). The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018 and the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

4. DETERMINATION OF FAIR VALUES

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

The following sets out the Group's basis of determining fair values of financial instruments:

(a) Trade and other receivables

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

(b) Cash

Cash consists of cash at bank and cash on hand.

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(c) Trade and other payables

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

(d) Loans payable

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

(e) Other financial liabilities

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

(f) Share-based payment transactions

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

5. SEASONALITY OF OPERATIONS

The 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.

6. SEGMENT REPORTING

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

For the three months ended June 30, 2017, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 25%, one customer contributed 15% and one customer contributed 10%.

For the three months ended June 30, 2016, two customers individually contributed 10% or more to the Group's revenue. One customer contributed 31% and one customer contributed 17%.

For the six months ended June 30, 2017, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 22%, one customer contributed 13% and one customer contributed 11%.

For the six months ended June 30, 2016, four customers individually contributed 10% or more to the Group's revenue. Two customers contributed 22%, one customer contributed 19% and one customer contributed 10%.

6. SEGMENT REPORTING (CONTINUED)

	Ghana		Outside Ghana (1)		Intra-group transaction		Total (2)	
	Three month period ended June 30,		Three month period ended June 30,		Three month period ended June 30,		Three month period ended June 30,	
	2017	2016	2017	2016	2017	2016	2017	2016
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Revenue	10,409	8,082	22,376	20,270	(10,164)	(8,932)	22,621	19,420
Other income	2,591	2,931	-	25	(2,591)	(2,956)	-	-
Cost of sales	(9,342)	(8,046)	(16,169)	(15,640)	12,430	12,162	(13,081)	(11,524)
Selling, general and administrative	(2,584)	(2,326)	(3,487)	(2,044)	(84)	32	(6,155)	(4,338)
Foreign exchange (loss) / gain	(65)	5	205	(39)	-	-	140	(34)
Results from operating activities	**1,009**	**646**	**2,925**	**2,572**	**(409)**	**306**	**3,525**	**3,524**
Finance income							-	1
Finance cost							(150)	(152)
Income tax							(1,260)	(865)
Income for the period							**2,115**	**2,508**
Capital expenditures	**4,231**	**2,163**	**292**	**1,038**	**(718)**	**-**	**3,805**	**3,201**

As at	Jun 30, 2017 US$ '000	Dec 31, 2016 US$ '000	Jun 30, 2017 US$ '000	Dec 31, 2016 US$ '000	Jun 30, 2017 US$ '000	Dec 31, 2016 US$ '000
Non-current assets	**37,332**	**34,909**	**4,238**	**4,132**	**41,570**	**39,041**
Intra group balances					(4,271)	(3,871)
Per statement of financial position					**37,299**	**35,170**
Total assets	**65,261**	**59,169**	**93,549**	**82,983**	158,810	142,152
Intra group balances					(77,199)	(68,488)
Per statement of financial position					**81,611**	**73,664**
Total liabilities	**78,749**	**72,252**	**17,649**	**10,857**	96,398	83,109
Intra group balances					(72,883)	(64,597)
Per statement of financial position					**23,515**	**18,512**

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, for the three month period ended June 30, 2017 was US$6,747,810 (June 30, 2016: US$7,739,810).

(2) Income for the period equals the income for the period as disclosed in the condensed interim consolidated statements of comprehensive income.

6. SEGMENT REPORTING (CONTINUED)

	Ghana		Outside Ghana (1)		Intra-group transactions		Total (2)	
	Six month period ended June 30,		Six month period ended June 30,		Six month period ended June 30,		Six month period ended June 30,	
	2017	2016	2017	2016	2017	2016	2017	2016
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Revenue	17,660	13,385	39,649	34,713	(16,136)	(13,227)	41,173	34,871
Other income	4,401	5,656	-	25	(4,401)	(5,681)	-	-
Cost of sales	(17,036)	(14,556)	(26,790)	(24,756)	19,408	19,099	(24,418)	(20,213)
Selling, general and administrative expenses	(5,117)	(4,258)	(7,493)	(3,954)	707	55	(11,903)	(8,157)
Foreign exchange (loss) / gain	(46)	(8)	18	(168)	-	-	(28)	(176)
Results from operating activities	**(138)**	**219**	**5,384**	**5,860**	**(422)**	**246**	**4,824**	**6,325**
Finance income							-	1
Finance cost							(273)	(320)
Income tax							(2,156)	(1,885)
Income for the period							**2,395**	**4,121**
Capital expenditures	**6,232**	**3,632**	**460**	**1,361**	**(1,047)**	**-**	**5,645**	**4,993**

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, for the six month period ended June 30, 2017 was US$11,289,218 (June 30, 2016: US$15,233,981).

(2) Income for the period equals the income for the period as disclosed in the condensed interim consolidated statements of comprehensive income.

7. EXPENSES BY NATURE

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

	Three month period ended June 30,		Six month period ended June 30,	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
Expenses				
Drill rig expenses and fuel	5,921,830	6,153,165	11,068,285	10,186,241
Wages and employee benefits	6,884,601	4,809,582	12,384,552	8,966,087
External services, contractors and others	3,608,176	2,373,169	6,894,436	4,190,034
Depreciation	1,710,270	1,903,057	3,551,415	3,920,797
Repairs and maintenance	965,053	622,262	1,875,163	1,106,428
Allowance for doubtful accounts	146,144	-	547,465	-
	19,236,074	15,861,235	36,321,316	28,369,587

	Three month period ended June 30,		Six month period ended June 30,	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
Cost of sales	13,081,390	11,523,646 [(1)]	24,418,333	20,212,827 [(1)]
Selling, general and administrative expenses	6,154,684	4,337,589 [(1)]	11,902,983	8,156,760 [(1)]
	19,236,074	15,861,235	36,321,316	28,369,587

[(1)] During the prior reporting period, the Company reclassified US$291,838 (Q1 2016 US$162,788 and Q2 2016 US$129,050) from cost of sales to selling, general and administrative expenses. This reclassification had no impact on the net income or earnings per share for the prior period presented as the reclassification related to the Condensed Interim Consolidated Statement of Comprehensive Income only and had no effect on the other Condensed Interim Consolidated financial statements.

8. TAXATION

(i) Income tax expense

	Three month period ended June 30,		Six month period ended June 30,	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
Current tax expense (iii)	1,259,532	864,855	2,156,331	1,884,894

Current tax expense reflects taxes associated with the Group's activities for the three and six month periods ended June 30, 2017 outside Ghana.

8. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US$	Payments during the period US$	Charge for the period US$	Balance at Jun. 30 US$
2017	2,691,321	(2,423,494)	2,156,331	2,424,158

	Balance at Jan. 1 US$	Payments during the year US$	Charge for the year US$	Balance at Dec. 31 US$
2016	915,349	(2,186,727)	3,962,699	2,691,321

Tax liabilities for Ghana up to and including the 2012 year of assessment have been agreed with the tax authorities in Ghana. The Group's remaining tax position is, however, subject to agreement with the tax authorities in the various tax jurisdictions in which it operates.

(iii) Reconciliation of effective tax rate

	Three month period ended June 30,		Six month period ended June 30,	
	2017 US$	2016 US$	2017 US$	2016 US$
Income before tax	3,374,864	3,372,833	4,550,920	6,006,104
Ghana corporate tax at 25%	843,716	843,208	1,137,730	1,501,526
Add:				
Effect of different rate tax countries	(490,343)	(704,407)	(864,654)	(1,461,368)
Under / (over) provision from previous year	135,118	(168,443)	135,118	(168,443)
Movement in temporary differences	(133,758)	(77,617)	256,986	87,009
Tax expense / (recovery) before withholding tax	354,733	(107,259)	665,180	(41,276)
	10.5%	(3.2)%	14.6%	(0.7)%
Add:				
Withholding tax	904,799	972,114	1,491,151	1,926,171
Total tax expense	1,259,532	864,855	2,156,331	1,884,895
Effective tax rate	37.3%	25.6%	47.4%	31.4%

8. TAXATION (CONTINUED)

(iv) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	June 30, 2017	December 31, 2016
	US$	US$
Tax losses carried forward (1)	5,274,405	5,026,398
Provision for inventory obsolescence	67,190	63,585
Property, plant and equipment	(4,015,268)	(3,937,521)
Deferred tax asset not recognized (2)	(1,326,327)	(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 unutilised 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 to 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.

9. 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	-	-	-	-	5,644,934	5,644,934
Reclassifications from CWIP	456,258	458,648	2,818,237	1,289,994	(5,023,137)	-
Reclassifications from inventory	-	-	-	-	35,064	35,064
Assets retired during the period	-	(251,982)	(974,689)	-	-	(1,226,671)
Balance at June 30, 2017	**6,546,318**	**21,777,102**	**55,668,852**	**3,554,194**	**5,062,994**	**92,609,460**
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 period	102,405	1,015,332	2,240,168	193,510	-	3,551,415
Assets retired during the period	-	(251,982)	(974,689)	-	-	(1,226,671)
Balance at June 30, 2017	**5,472,521**	**19,024,255**	**28,959,664**	**1,854,092**	**-**	**55,310,532**
Carrying amounts at June 30, 2017	**1,073,797**	**2,752,847**	**26,709,188**	**1,700,102**	**5,062,994**	**37,298,928**

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

9. 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.

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in comprehensive income as follows:

	Three month period ended June 30,		Six month period ended June 30,	
	2017	2016	2017	2016
	US$	US$	US$	US$
Cost of sales	1,554,723	1,772,683	3,255,499	3,661,855
Selling, general and administrative expenses	155,547	130,374	295,916	258,941
	1,710,270	1,903,057	3,551,415	3,920,796

As at June 30, 2017, property, plant and equipment with a carrying amount of US$11,096,777 (December 31, 2016: US$12,233,517) and inventories with a carrying amount of US$3,257,690 (December 31, 2016: US$3,457,137) have been pledged as security for certain loans (note 13).

10. INVENTORIES

	June 30, 2017	December 31, 2016
	US$	US$
Inventories on hand	15,403,444	15,564,277
Inventories in transit	1,686,352	618,770
Provision for obsolescence	(268,758)	(254,338)
	16,821,038	15,928,709

The amount of inventories recognized as expense in the three and six months ended June 30, 2017 is US$6,971,421 and US$12,829,744, respectively (June 30, 2016: US$4,844,478 and US$8,131,982, respectively). Inventory write downs in the three and six months ended June 30, 2017 amounted to US$1,766 and US$30,489, respectively (June 30, 2016: write down reversed US$NIL and US$1,051, respectively).

11. TRADE AND OTHER RECEIVABLES

	June 30, 2017	December 31, 2016
	US$	US$
Trade receivables	16,505,703	12,891,685
Allowance for doubtful accounts	(547,465)	-
Net trade receivables	15,958,238	12,891,685
Cash advances	35,202	30,034
Sundry receivables	396,310	126,197
	16,389,750	13,047,916

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	June 30, 2017 US$	December 31, 2016 US$
Balance at January 1	-	-
Provisions made in the period	(547,465)	-
Receivables collected in the period	-	-
Receivables written off during the period as uncollectible	-	-
Balance at end of period	(547,465)	-

Trade and other receivables are recorded at amortized cost.

12. CASH

	June 30, 2017 US$	December 31, 2016 US$
Cash at bank	9,775,926	9,182,524
Cash on hand	175,318	146,262
	9,951,244	9,328,786

As at June 30, 2017, cash of US$9,951,244 was available to the Group (December 31, 2016: US$9,328,786)

13. LOANS PAYABLE

	June 30, 2017 US$	December 31, 2016 US$
US$5M Term Loan (i)	3,153,920	4,100,872
US$2M Credit Line (ii)	1,500,000	250,000
Equipment Loan (iii)	723,138	-
Total	5,377,058	4,350,872
Current portion of loans	3,788,732	2,194,272
Non-current portion of loans	1,588,326	2,156,600

13. 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 9). The US$5M Term Loan may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. On January 27, 2016, the Group and Zenith Bank (Ghana) Limited agreed to extend the tenor and repayment term of the US$5M Term Loan. The US$5M Term Loan will be for a period of three years to December 18, 2018, repayable interest only for 120 days, and thereafter repayable interest and principal quarterly in ten equal amounts required to satisfy the principal over the term of the loan. The effective interest rate of the US$5M Term Loan is 11.55%**.** The US$5M Term Loan is subject to, and as at June 30, 2017, the Group was in compliance with, normal course non-financial covenants.

(ii) US$2M Credit Line

On December 8, 2014, the Group entered into a credit line agreement with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US$2 million (the "US$2M Credit Line"). The US$2M Credit Line is for a period of 2 years from the date of the first drawdown, being October 16, 2015, repayable interest only quarterly and principal amount at maturity, bears interest at a rate of 10.5% per annum on any utilized portion, is subject to periodic review in line with money market conditions and bears interest at a rate of 1% per annum on any unutilized portion. The US$2M Credit Line is secured by certain assets of the Group (note 9). The US$2M Credit Line may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The US$2M Credit Line is subject to, and as at June 30, 2017, the Group was in compliance with, normal course non-financial covenants. As at June 30, 2017, the Group had drawn US$1.5M on the US$2M Credit Line.

(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. TRADE AND OTHER PAYABLES

	June 30, 2017 US$	December 31, 2016 US$
Trade payables	9,203,833	6,162,288
Creditors and accrued expenses	4,003,416	2,840,843
VAT liability	1,583,423	1,543,367
	14,790,672	10,546,498

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

As at June 30, 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 June 30, 2017 and December 31, 2016.

Financial Instruments by Category

	Loans and Receivables US$	Other Financial Liabilities US$	Carrying Amount US$	Total Fair Value US$
June 30, 2017				
Financial assets				
Trade and other receivables	16,389,750	-	16,389,750	16,389,750
Cash	9,951,244	-	9,951,244	9,951,244
	26,340,994	-	26,340,994	26,340,994
Financial liabilities				
Trade and other payables	-	13,207,249	13,207,249	13,207,249
Related party payables	-	923,025	923,025	923,025
Loans payable	-	5,377,058	5,377,058	5,377,058
	-	19,507,332	19,507,332	19,507,332
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

16. 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%
Geodrill Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	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 entity	Zambia	100%	100%
TransTraders Limited	Related party	Isle of Man	-	-
The Harper Family Settlement	Significant shareholder	Isle of Man	-	-

(i) Transactions with related parties

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

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 June 30, 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.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

Future operating lease commitments related to the properties are:

	June 30, 2017 US$	December 31, 2016 US$
Payable within one year	264,000	264,000
Payable between 1 and 5 years	594,000	728,000
Total	858,000	992,000

During the three and six month period ended June 30, 2017, lease payments amounted to US$66,000 and US$132,000, respectively (June 30, 2016: US$60,000 and US$120,000, respectively).

(ii) Key management personnel and directors' transactions

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

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

	Three month period ended June 30,		Six month period ended June 30,	
	2017 US$	2016 US$	2017 US$	2016 US$
Short-term benefits	1,156,654	886,243	1,617,362	1,242,653
Share-based payment arrangements	311,999	146,578	311,999	398,414
	1,468,653	1,032,821	1,929,361	1,641,067

(iii) Related party balances

The related party payable outstanding as at June 30, 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.

17. COMMITMENTS

(i) Lease commitments

Future operating lease commitments related to the properties are:

	June 30, 2017 US$	December 31, 2016 US$
Payable within one year	332,400	350,400
Payable between 1 and 5 years	606,000	763,200
Total	938,400	1,113,600

17. COMMITMENTS (CONTINUED)

(ii) Capital commitments

The Group has committed to purchase a new underground rig that is expected to be shipped and received in the third quarter of 2017. The Group has made a down payment on this rig and the total commitments relating to the rig amounts to US$395,000 (total commitment at December 31, 2016: US$ Nil).

18. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital

	June 30, 2017	December 31, 2016
Shares issued and fully paid	43,225,400	42,932,900
Shares reserved for share option plan	4,322,540	4,293,290
Total shares issued and reserved	47,547,940	47,226,190

Reconciliation of changes in issued shares

	June 30, 2017	December 31, 2016
Shares issued and reserved at January 1,	42,932,900	42,512,000
Stock options exercised	292,500	420,900
Shares issued and reserved at end of period	43,225,400	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 share option plan.

(iii) Retained earnings

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

19. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share for the three and six month period ended June 30, 2017 was based on the income attributable to ordinary shareholders of US$2,115,332 (2016: US$2,507,978) and US$2,394,589 (2016: US$4,121,210), respectively and on the weighted average number of ordinary shares outstanding of 43,208,900 (2016: 42,512,000) and 43,189,150 (2016: 42,512,000), respectively calculated as follows:

	Three month period ended June 30,		Six month period ended June 30,	
	2017	2016	2017	2016
	US$	US$	US$	US$
Income attributable to ordinary shareholders	2,115,332	2,507,978	2,394,589	4,121,210

Weighted average number of ordinary shares	Three month period ended June 30,		Six month period ended June 30,	
	2017	2016	2017	2016
	US$	US$	US$	US$
Issued ordinary shares	43,208,900	42,512,000	43,189,150	42,512,000
Earnings per share	$0.05	$0.06	$0.06	$0.10

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three and six month period ended June 30, 2017 was based on the income attributable to ordinary shareholders of US$2,115,332 (2016: US$2,507,978) US$2,394,589 (2016: US$4,121,210), respectively and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 44,726,394 (2016: 45,407,000) and 44,813,079 (2016: 44,693,429), respectively, calculated as follows:

	Three month period ended June 30,		Six month period ended June 30,	
	2017	2016	2017	2016
	US$	US$	US$	US$
Income attributable to ordinary shareholders	2,115,332	2,507,978	2,394,589	4,121,210

Weighted average number of ordinary shares - diluted	Three month period ended June 30,		Six month period ended June 30,	
	2017	2016	2017	2016
	Shares	Shares		
Weighted average number of ordinary shares - basic	43,208,900	42,512,000	43,189,150	42,512,000
Effect of share options in issue	1,517,494 (1)	2,895,000 (2)	1,623,929 (3)	2,181,429 (4)
	44,726,394	45,407,000	44,813,079	44,693,429
Diluted earnings per share	$0.05	$0.06	$0.05	$0.09

(1) For the three months ended June 30, 2017, 2,616,600 options in issue were dillutive but they did not have an effect on the calculation of the diluted earnings per share.

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

(3) For the six months ended June 30, 2017, 3,241,600 options in issue were dillutive and did have an effect on the calculation of the diluted earnings per share.

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

20. DIVIDENDS

No dividends were paid in 2017 or 2016, nor were dividends declared through to August 12, 2017.

21. EQUITY-SETTLED SHARE-BASED PAYMENTS

Share option plan ("SOP")

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

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

	June 30, 2017		**December 31, 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		
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	(292,500)	C$0.88	(1,860,900)	C$2.12
Balance ending	4,231,600	C$1.36	2,909,100	C$0.88

The following table summarizes the options outstanding at June 30, 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	330,000	11 mos	330,000
Granted on May 22, 2014	C$0.84	360,000	1 Yr & 11 mos	360,000
Granted on May 19, 2015	C$0.51	255,000	2 Yrs & 11 mos	255,000
Granted on March 14, 2016	C$0.79	1,311,600	3 Yrs & 8 mos	1,311,600
Granted on June 30, 2016	C$1.62	360,000	4 Yrs	360,000
Granted on May 12, 2017	C$2.14	1,615,000	4 Yrs & 11 mos	625,000

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

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

Granted on	**May 23, 2013**	**May 22, 2014**	**May 19, 2015**	**March 14, 2016**	**June 30, 2016**	**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.