

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2018 and 2017

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at March 31, 2018 and December 31, 2017

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

As at March 31, 2018 and December 31, 2017

	Note	March 31, 2018 US\$	December 31, 2017 US\$
Assets			
Non-current assets			
Property, plant and equipment	9	40,877,942	39,282,180
Total non-current assets		40,877,942	39,282,180
Current assets			
Inventories	10	17,236,992	16,985,124
Prepayments		1,146,045	1,287,039
Trade and other receivables	11	16,971,116	17,660,607
Cash	12	8,528,568	5,691,742
Total current assets		43,882,721	41,624,512
Total assets		84,760,663	80,906,692
Equity and liabilities			
Equity			
Share capital		22,291,527	22,129,477
Share-based payment reserve		4,357,899	4,319,175
Retained earnings		35,131,313	33,980,478
Total equity		61,780,739	60,429,130
Liabilities			
Non-current liabilities			
Deferred tax liability	8(iv)	105,330	-
Loans payable	13	2,301,307	2,361,569
Total non-current liabilities		2,406,637	2,361,569
Current liabilities			
Trade and other payables	14	13,883,173	12,276,257
Loans payable	13	1,879,267	2,397,646
Taxes payable	8(ii)	3,887,822	2,519,065
Related party payables	16(iii)	923,025	923,025
Total current liabilities		20,573,287	18,115,993
Total equity and liabilities		84,760,663	80,906,692

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

For the three months ended March 31, 2018 and 2017

	Note	March 31, 2018 US\$	March 31, 2017 US\$
Revenue		24,252,197	18,552,686
Cost of sales	7	(12,807,590)	(11,336,943)
Gross profit		11,444,607	7,215,743
Selling, general and administrative expenses	7	(7,000,432)	(5,748,299)
Foreign exchange loss		(105,971)	(168,208)
Results from operating activities		4,338,204	1,299,236
Finance income		1,320	6
Finance costs		(114,527)	(123,186)
Income before taxation		4,224,997	1,176,056
Income tax expense	8(i)	(2,856,317)	(896,799)
Income and total comprehensive income for the period		1,368,680	279,257
Income per share			
Basic	19(i)	\$0.03	\$0.01
Diluted	19(ii)	\$0.03	\$0.01

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

For the three months ended March 31, 2018 and 2017

	Share Capital US\$	Share- based Payment Reserve US\$	Retained Earnings US\$	Total Equity US\$
Balance at January 1, 2018	22,129,477	4,319,175	33,980,478	60,429,130
Adoption of IFRS 9 (Notes 3 and 11)	-	-	(217,845)	(217,845)
Balance at January 1, 2018 (restated)	22,129,477	4,319,175	33,762,633	60,211,285
Income and total comprehensive income for the period	-	-	1,368,680	1,368,680
Exercise of stock options	162,050	(58,897)	-	103,153
Share-based payment expense	-	97,621	-	97,621
Balance at March 31, 2018	22,291,527	4,357,899	35,131,313	61,780,739
Balance at January 1, 2017	21,671,076	3,991,245	29,490,254	55,152,575
Income and total comprehensive income for the period	-	-	279,257	279,257
Exercise of stock options	312,320	(175,278)	-	137,042
Balance at March 31, 2017	21,983,396	3,815,967	29,769,511	55,568,874

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2018 and 2017

	March 31, 2018 US\$	March 31, 2017 US\$
Cash flows from operating activities		
Income before taxation	4,224,997	1,176,056
<i>Adjustments for:</i>		
Depreciation expense	1,486,183	1,841,145
Change in provision for inventory obsolescence	186,797	24,355
Movement in expected lifetime credit losses	(78,534)	-
Provision for doubtful accounts	-	401,321
Equity-settled share-based payment expense	97,621	-
Finance income	(1,320)	(6)
Finance costs	119,888	123,186
Unrealized foreign exchange loss	46,530	140,399
	6,082,162	3,706,456
Change in inventories	(438,665)	(36,576)
Change in prepayments	140,994	(588,735)
Change in trade and other receivables	550,180	(4,892,415)
Change in trade and other payables	1,504,791	1,236,153
Cash generated from / (used in) operations	7,839,462	(575,117)
Finance income received	1,320	6
Finance costs paid	(123,734)	(125,403)
Income taxes paid	(1,382,230)	(402,095)
Net cash generated from / (used in) operating activities	6,334,818	(1,102,609)
Investing activities		
Purchase of property, plant and equipment	(3,081,945)	(1,839,501)
Net cash used in investing activities	(3,081,945)	(1,839,501)
Financing activities		
Loan repayments	(578,641)	(467,342)
Shares issued	103,153	137,042
Net cash used in financing activities	(475,488)	(330,300)
Effect of movement in exchange rates on cash	59,441	27,809
Net increase / (decrease) in cash	2,836,826	(3,244,601)
Cash at beginning of the period	5,691,742	9,328,786
Cash at end of the period	8,528,568	6,084,185

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2018 and 2017

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 March 31, 2018 and 2017 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, 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 unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill on May 5, 2018.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018 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, 2017 except for the adoption of the new standards effective January 1, 2018 as described in Note 3. 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 2017 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 Group’s 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, 2017.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2018 and 2017

2. BASIS OF PREPARATION (CONTINUED)

(e) Impairment testing

As at March 31, 2018, and in 2017, due to the economic conditions in the drilling industry and the increase in drilling activity of the Group, there was no indicator of potential impairment of the carrying value of the Group's property, plant and equipment. As this was the case, no recoverable amount analysis was completed at March 31, 2018.

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, 2017, with the exception of the impact of certain new accounting standards or new interpretations issued by the IASB, which were effective from January 1, 2018.

a) Adoption of new and amended accounting pronouncements

IFRS 9 – Financial instruments

In the current period the Company has applied IFRS 9. The Company has chosen to apply IFRS 9 to the current period only and has retained its' prior period figures as allowed by the standard. The Company has provided an adjustment to the opening balance of its' retained earnings recognizing the cumulative effect of applying IFRS 9. This has resulted in a charge of US\$217,845 against the opening balance of retained earnings.

IFRS 9 requires the Company to provide a loss allowance for full lifetime expected credit losses for its trade receivables that do not constitute a financing transaction in accordance with IFRS 15. The Company uses a provision matrix to calculate the estimated credit losses based on the aging of its trade receivables; current, 1-30 days past due, 31-60 days past due and +61 past due and by applying default rates to each of these balances.

IFRS 15 - Revenue from Contracts with Customers

In the current period the Company has applied IFRS 15. The Company has chosen to apply IFRS 15 to the current period only and has retained its' prior period figures as allowed by the standard. IFRS 15 Appendix B16 includes a practical expedient for recognizing revenue, stating that "*if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the entity may recognize revenue in the amount to which the entity has a right to invoice*", as such, there has been no change in the way the Company recognizes revenue.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however, the Standard does not prohibit an entity from using alternative descriptions in the Statement of Financial Position. The Company has adopted the terminology used in IFRS 15 to describe such balances. As at March 31, 2018, the Company had no contract assets or contract liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTIUNED)

b) Accounting pronouncements issued but not yet effective

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 has chosen not to adopt IFRS 16 early. Management expects to recognize lease liabilities and right-of-use assets in respect of operating leases previously expensed.

4. DETERMINATION OF FAIR VALUES

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

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

(a) Trade and other receivables

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

(b) Cash

Cash consists of cash at bank and cash on hand.

(c) Trade and other payables

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

(d) Loans payable

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

(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.

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

For the three months ended March 31, 2018 and 2017

4. DETERMINATION OF FAIR VALUES (CONTINUED)**(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. 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 March 31, 2018, four customers individually contributed 10% or more to the Group's revenue. One customer contributed 29%, two customers contributed 11% each and one customer contributed 10%.

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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6. SEGMENT REPORTING (CONTINUED)

	Ghana		Outside Ghana (1)		Intra-group transaction		Total (2)	
	Three month period ended March 31,		Three month period ended March 31,		Three month period ended March 31,		Three month period ended March 31,	
	2018	2017	2018	2017	2018	2017	2018	2017
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	7,074	7,251	25,464	17,273	(8,286)	(5,971)	24,252	18,553
Other income	3,700	1,810	1,030	-	(4,730)	(1,810)	-	-
Cost of sales	(7,492)	(7,841)	(16,627)	(10,729)	11,311	7,233	(12,808)	(11,337)
Selling, general and administrative	(2,968)	(2,386)	(4,817)	(3,898)	785	536	(7,000)	(5,748)
Foreign exchange (loss) / gain	(22)	19	(84)	(188)	-	-	(106)	(169)
Results from operating activities	292	(1,147)	4,966	2,458	(920)	(12)	4,338	1,299
Finance income							1	-
Finance cost							(114)	(123)
Income tax							(2,856)	(897)
Income for the period							1,369	279
Capital expenditures	3,364	2,001	156	168	(438)	(329)	3,082	1,840
As at	Mar 31, 2018	Dec 31, 2017	Mar 31, 2018	Dec 31, 2017			Mar 31, 2018	Dec 31, 2017
	US\$ '000	US\$ '000	US\$ '000	US\$ '000			US\$ '000	US\$ '000
Non-current assets	36,385	34,433	7,575	7,678			43,960	42,111
Intra group balances							(3,082)	(2,829)
Per statement of financial position							40,878	39,282
Total assets	59,671	59,070	91,429	87,746			151,100	146,816
Intra group balances							(66,339)	(65,909)
Per statement of financial position							84,761	80,907
Total liabilities	70,360	69,851	15,711	13,662			86,071	83,513
Intra group balances							(63,091)	(63,035)
Per statement of financial position							22,980	20,478

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, was US\$12,624,674 (March 31, 2017: US\$4,541,408).

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

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2018 and 2017

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:

	March 31, 2018	March 31, 2017
	US\$	US\$
Expenses		
Drill rig expenses and fuel	5,311,209	5,146,455
Wages and employee benefits	8,160,833	5,499,951
External services, contractors and other	3,958,972	3,286,260
Depreciation	1,486,183	1,841,145
Repairs and maintenance	969,359	910,110
Allowance for doubtful accounts	(78,534)	401,321
	<u>19,808,022</u>	<u>17,085,242</u>

	March 31, 2018	March 31, 2017
	US\$	US\$
Cost of sales	12,807,590	11,336,943
Selling, general and administrative expenses	7,000,432	5,748,299
	<u>19,808,022</u>	<u>17,085,242</u>

8. TAXATION

(i) Income tax expense

	March 31, 2018	March 31, 2017
	US\$	US\$
Current tax expense (iii)	2,750,987	896,799
Deferred tax expense (iv)	105,330	-
	<u>2,856,317</u>	<u>896,799</u>

Current tax expense reflects taxes associated with the Group's activities for the three month period ended March 31, 2018 and March 31, 2017 outside Ghana.

GEODRILL LIMITED
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8. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Mar. 31 US\$
2018	2,519,065	(1,382,230)	2,750,987	3,887,822

	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

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 period ended March 31, 2018, the Group recognized an under provision in tax payable in the amount of US\$Nil (December 31, 2017: US\$156,420) reflecting the outcome of a review by the tax authorities in jurisdictions in which it operates.

(iii) Reconciliation of effective tax rate

	March 31, 2018 US\$	March 31, 2017 US\$
Income before tax	4,224,997	1,176,056
Ghana corporate tax at 25%	1,056,249	294,014
Add:		
Effect of different rate tax countries	(412,675)	(374,310)
Movement in temporary differences	118,155	390,743
Tax expense before withholding tax	761,729	310,447
	18.0%	26.4%
Add:		
Withholding tax	2,094,588	586,352
Total tax expense	2,856,317	896,799
Effective tax rate	67.6%	76.3%

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2018 and 2017

8. TAXATION (CONTINUED)

(iv) Deferred tax liability

	March 31, 2018	December 31, 2017
	US\$	US\$
Balance at January 1	-	-
Charge for the period	105,330	-
Balance at the end of the period	105,330	-

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	March 31, 2018	December 31, 2017
	US\$	US\$
Tax losses carried forward (1)	(4,545,471)	(4,533,445)
Provision for inventory obsolescence	(84,436)	(101,431)
Movement in expected lifetime losses	(16,651)	-
Property, plant and equipment	4,153,873	4,074,338
Deferred tax asset not recognized (2)	598,015	560,538
Total	105,330	-

(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.

GEODRILL LIMITED
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9. PROPERTY, PLANT AND EQUIPMENT

2018	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, 2018	7,054,991	22,667,804	58,170,767	3,738,630	4,928,751	96,560,943
Additions	-	-	-	-	3,081,945	3,081,945
Reclassifications from CWIP	567,608	838,637	2,451,949	94,071	(3,952,265)	-
Assets retired during the period	-	(290,329)	(458,209)	-	-	(748,538)
Balance at March 31, 2018	7,622,599	23,216,112	60,164,507	3,832,701	4,058,431	98,894,350
Accumulated Depreciation						
Balance at January 1, 2018	5,625,731	19,236,680	30,416,062	2,000,290	-	57,278,763
Charge for the period	94,710	302,601	1,038,694	50,178	-	1,486,183
Assets retired during the period	-	(290,329)	(458,209)	-	-	(748,538)
Balance at March 31, 2018	5,720,441	19,248,952	30,996,547	2,050,468	-	58,016,408
Carrying amounts at March 31, 2018	1,902,158	3,967,160	29,167,960	1,782,233	4,058,431	40,877,942

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

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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in comprehensive income as follows:

	March 31, 2018	March 31, 2017
	US\$	US\$
Cost of sales	1,341,295	1,700,776
Selling, general and administrative expenses	144,888	140,369
	<u>1,486,183</u>	<u>1,841,145</u>

As at March 31, 2018, property, plant and equipment with a carrying amount of US\$9,129,591 (December 31, 2017: US\$11,644,673) and inventories with a carrying amount of US\$2,589,782 (December 31, 2017: US\$3,334,497) have been pledged as security for certain loans (note 13).

10. INVENTORIES

	March 31, 2018	December 31, 2017
	US\$	US\$
Inventories on hand	17,581,878	16,740,071
Inventories in transit	84,469	672,894
Provision for obsolescence	(429,355)	(427,841)
	<u>17,236,992</u>	<u>16,985,124</u>

The amount of inventories recognized as expense in the three months ended March 31, 2018 is US\$6,379,189 (March 31, 2017: US\$5,858,323). Inventory write downs in the three months ended March 31, 2018 amounted to US\$185,283 (March 31, 2017: US\$28,723).

11. TRADE AND OTHER RECEIVABLES

	March 31, 2018	December 31, 2017
	US\$	US\$
Trade receivables	16,765,168	17,395,556
Expected lifetime credit losses	(139,311)	-
Net trade receivables	<u>16,625,857</u>	<u>17,395,556</u>
Cash advances	38,185	27,600
Sundry receivables	307,074	237,451
	<u>16,971,116</u>	<u>17,660,607</u>

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11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The movements in the expected lifetime credit losses and allowance for doubtful accounts is as follows:

	March 31, 2018	December 31, 2017
	US\$	US\$
Balance at January 1	-	-
Adoption of IFRS 9	217,845	-
Balance at January 1 (restated)	217,845	-
Movement in expected lifetime credit losses in the period	(78,534)	
Provisions made in the period	-	547,456
Receivables recovered / recoverable in the period	-	(547,456)
Balance at end of period	139,311	-

Trade and other receivables are recorded at amortized cost.

12. CASH

	March 31, 2018	December 31, 2017
	US\$	US\$
Cash at bank	8,312,854	5,463,413
Cash on hand	215,714	228,329
	8,528,568	5,691,742

As at March 31, 2018, cash of US\$8,528,568 was available to the Group (December 31, 2017: US\$5,691,742)

13. LOANS PAYABLE

	March 31, 2018	December 31, 2017
	US\$	US\$
US\$5M Term Loan (i)	1,638,221	2,156,600
US\$2M Credit Line (ii)	2,000,000	2,000,000
Equipment Loan (iii)	542,353	602,615
US\$1M Credit Line (iv)	-	-
Total	4,180,574	4,759,215
Current portion of loans	1,879,267	2,397,646
Non-current portion of loans	2,301,307	2,361,569

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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 March 31, 2018, the Group was in compliance with, normal course non-financial covenants.

(ii) US\$2M 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\$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 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 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 payment. The US\$2M Credit Line is subject to, and as at March 31, 2018, the Group was in compliance with, normal course non-financial covenants. As at March 31, 2018, the Group had drawn US\$2M 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%.

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13. LOANS PAYABLE (CONTINUED)

(iv) 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 9). 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 March 31, 2018, the Group had drawn US\$Nil on the US\$1M Credit Line.

14. TRADE AND OTHER PAYABLES

	March 31, 2018	December 31, 2017
	US\$	US\$
Trade payables	7,444,067	6,852,151
Creditors and accrued expenses	4,995,800	4,633,526
VAT liability	1,443,306	790,580
	<u>13,883,173</u>	<u>12,276,257</u>

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

As at March 31, 2018 and December 31, 2017, 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.

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15. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

There were no financial instruments classified as level 2 or 3 in the fair value hierarchy at March 31, 2018 and December 31, 2017.

Financial Instruments by Category

	Loans and Receivables US\$	Other Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
March 31, 2018				
Financial assets				
Trade and other receivables	16,971,116	-	16,971,116	16,971,116
Cash	8,528,568	-	8,528,568	8,528,568
	<u>25,499,684</u>	<u>-</u>	<u>25,499,684</u>	<u>25,499,684</u>
Financial liabilities				
Trade and other payables	-	12,439,867	12,439,867	12,439,867
Related party payables	-	923,025	923,025	923,025
Loans payable	-	4,180,574	4,180,574	4,180,574
	<u>-</u>	<u>17,543,466</u>	<u>17,543,466</u>	<u>17,543,466</u>
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
	<u>23,352,349</u>	<u>-</u>	<u>23,352,349</u>	<u>23,352,349</u>
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
	<u>-</u>	<u>17,167,917</u>	<u>17,167,917</u>	<u>17,167,917</u>

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16. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2018	2017
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 branch	Zambia	100%	100%
Geodrill Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
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 40.3% (December 31, 2017: 40.4%) 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 period ended March 31, 2018 of US\$ Nil (Year ended December 31, 2017: US\$ 15,507). One of the directors of Clearwater Fiduciary Services Limited is also a director of Geodrill Limited.

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16. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

Future operating lease commitments related to the properties are:

	March 31, 2018	December 31, 2017
	US\$	US\$
Payable within one year	264,000	264,000
Payable between 1 and 5 years	396,000	462,000
Total	660,000	726,000

During the three month period ended March 31, 2018, lease payments amounted to US\$66,000 (March 31, 2017: US\$66,000).

(ii) Key management personnel and directors' transactions

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

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

	March 31, 2018	March 31, 2017
	US\$	US\$
Short-term benefits	611,063	460,708
Share-based payment arrangements	84,854	-
Total	695,917	460,708

(iii) Related party balances

The related party payable outstanding as at March 31, 2018 amounts to US\$923,025 (December 31, 2017: 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:

	March 31, 2018	December 31, 2017
	US\$	US\$
Payable within one year	305,400	296,400
Payable between 1 and 5 years	417,450	466,800
Total	722,850	763,200

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17. COMMITMENTS (CONTINUED)

(ii) Capital commitments

As at March 31, 2018, the Group had no capital commitments (December 31, 2017: US\$825,000).

18. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital	March 31, 2018	December 31, 2017
Shares issued and fully paid	43,470,400	43,300,400
Shares reserved for stock option plan	4,347,040	4,330,040
Total shares issued and reserved	47,817,440	47,630,440

Reconciliation of changes in issued shares

	March 31, 2018	December 31, 2017
Shares issued and reserved at January 1,	43,300,400	42,932,900
Stock options exercised	170,000	367,500
Shares issued and reserved at end of period	43,470,400	43,300,400

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.

The share-based payment expense for the period of US\$97,621 (2017: US\$Nil) was included in selling, general and administrative expenses in the Condensed Interim Consolidated Statements of Comprehensive Income.

(iii) Retained earnings

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

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19. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share for the three month period ended March 31, 2018 was based on the income attributable to ordinary shareholders of US\$1,368,680 (2017: US\$279,257) and on the weighted average number of ordinary shares outstanding of 43,313,945 (2017: 43,169,276) calculated as follows:

	March 31, 2018	March 31, 2017
	US\$	US\$
Income attributable to ordinary shareholders	1,368,680	279,257
<hr/>		
Weighted average number of ordinary shares		
	March 31, 2018	March 31, 2017
	Shares	Shares
Issued ordinary shares	43,313,945	43,169,276
<hr/>		
Earnings per share	\$0.03	\$0.01

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three month period ended March 31, 2018 was based on the income attributable to ordinary shareholders of US\$1,368,680 (2017: US\$279,257) and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 44,655,055 (2017: 44,834,204), calculated as follows:

	March 31, 2018	March 31, 2017
	US\$	US\$
Income attributable to ordinary shareholders	1,368,680	279,257
<hr/>		
Weighted average number of ordinary shares - diluted		
	March 31, 2018	March 31, 2017
	Shares	Shares
Weighted average number of ordinary shares - basic	43,313,945	43,169,276
Effect of share options in issue	1,341,110 ⁽¹⁾	1,664,928 ⁽²⁾
<hr/>		
	44,655,055	44,834,204
<hr/>		
Diluted earnings per share	\$0.03	\$0.01

(1) For the three months ended March 31, 2018, 2,371,600 options in issue were dilutive but they did not have an effect on the calculated amount of diluted earnings per share.

(2) For the three months ended March 31, 2017, all options in issue were dilutive but they did not have an effect on the calculated amount of diluted earnings per share.

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20. DIVIDENDS

No dividends were paid in 2018 or 2017, nor were dividends declared through to May 5, 2018.

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.

	March 31, 2018		December 31, 2017	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	4,156,600	C\$1.38	2,909,100	C\$0.88
Granted May 12, 2017			1,615,000	C\$2.14
Total Granted	-		1,615,000	C\$2.14
Exercised January 15, 2018	(24,500)	C\$0.81		
Exercised March 8, 2018	(90,000)	C\$0.72		
Exercised March 8, 2018	(5,500)	C\$0.81		
Exercised March 15, 2018	(35,000)	C\$0.81		
Exercised March 19, 2018	(15,000)	C\$0.81		
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
Total Exercised	(170,000)	C\$0.76	(367,500)	C\$0.85
Balance ending	3,986,600	C\$1.41	4,156,600	C\$1.38

The following table summarizes the options outstanding at March 31, 2018:

Options	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
Granted on May 23, 2013	C\$0.81	165,000	2 mos	165,000
Granted on May 22, 2014	C\$0.84	325,000	1 Yr & 2 mos	325,000
Granted on May 19, 2015	C\$0.51	210,000	2 Yrs & 2 mos	210,000
Granted on March 14, 2016	C\$0.79	1,311,600	2 Yrs & 11 mos	1,311,600
Granted on June 30, 2016	C\$1.62	360,000	3 Yrs & 3 mos	360,000
Granted on May 12, 2017	C\$2.14	1,615,000	4 Yrs & 2 mos	625,000

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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.

22. SUBSEQUENT EVENTS

On April 24, 2018 the Group entered into an offer letter for a Medium Term Loan and Revolving Line of Credit with Ecobank Ghana Limited.

The Medium Term Loan in the amount of US\$6.5 million (the "US\$6.5M Medium Term Loan") is for a period of 3 years. Principal is repaid in 12 equal quarterly instalments required to satisfy the principal over the term of the loan commencing three months after the initial disbursement date. Interest is payable monthly in arrears. The US\$6.5M Term Loan bears interest at a rate of 8.5% per annum and is subject to periodic review in line with market conditions. The US\$6.5M Term Loan is secured by certain assets of the Group. The US\$6.5M Term Loan may be repaid prior to maturity by the Group without penalty or other costs other than interest accrued to the date of such repayment. The effective interest rate of the US\$6.5M Term Loan is 9.1%.

The Revolving Line of Credit in the amount of US\$3.5 million (the "US\$3.5M Revolving Line of Credit") is available for a period of one year, repayable interest only monthly and principal amount at maturity, bears interest at a rate of 8.5% per annum on any utilized portion, is subject to periodic review in line with market conditions. The US\$3.5M Revolving Line of Credit may be repaid prior to maturity by the Group without penalty or other costs other than interest accrued to the date of such repayment.

The Group expects to draw down the US\$6.5M Medium Term Loan in the second quarter of 2018 and use part of the proceeds to retire the US\$1.6M outstanding on the US\$5M Term Loan and the US\$2M outstanding on the US\$2M Credit Line.