

GEODRILL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

This MD&A should be read in conjunction with the audited annual consolidated financial statements for the years ended December 31, 2017 and 2016 and notes thereto.

This MD&A is dated March 5, 2018. Disclosure contained in this document is current to that date unless otherwise stated.

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

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

FORWARD-LOOKING INFORMATION

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

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

Forward-looking information contained herein is made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ

materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

Corporate Overview

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

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

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

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

Business Strategy

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

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

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

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

- **A Modern Fleet of Drill Rigs and World Class Workshops:** The Company has accumulated modern state-of-the-art drilling rigs, and established centrally located world class workshops to promote client satisfaction through reliable operational performance. In addition, within the workshop in Ghana is a manufacturing facility with the capacity to produce ancillary equipment such as RC drill rods and RC wire-line drill subs in-house, reducing downtime and reliance on suppliers for these items.

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

Market Participants and Geodrill's Client Base

The Company's client base is predominately in Ghana, Burkina Faso, Cote d'Ivoire and Mali. For 2017, Ghana accounted for 44% of the Company's revenue and Burkina Faso, Cote d'Ivoire, Mali and Zambia collectively accounted for 56% of the Company's revenue, compared to 42% for Ghana and 58% for Burkina Faso, Cote d'Ivoire, Mali and Zambia collectively in 2016.

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

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

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

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

OUTSTANDING SECURITIES AS OF MARCH 5, 2018

The Company is authorized to issue an unlimited number of Ordinary Shares. As of March 5, 2018, the Company has the following securities outstanding:

Number of Ordinary Shares	43,324,900
Number of Options	<u>4,132,100</u>
Fully Diluted	<u>47,457,000</u>

From January 1, 2017 to March 5, 2018, a total of 1,615,000 options were issued and 416,500 options were exercised.

OVERALL PERFORMANCE

Revenue Per Country

Location	Fiscal 2017		Fiscal 2016		Fiscal 2015	
	US\$ 000s	%	US\$ 000s	%	US\$ 000s	%
Ghana	35,687	43%	30,799	42%	16,600	35%
Burkina Faso and other	46,927 ⁽¹⁾	57%	42,551 ⁽¹⁾	58%	31,322 ⁽²⁾	65%
	82,614	100%	73,350	100%	47,922	100%

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

⁽²⁾ Included in Burkina Faso and other is Burkina Faso, Cote d'Ivoire and Mali.

Meters Drilled Per Country

Location	Fiscal 2017		Fiscal 2016		Fiscal 2015	
		%		%		%
Ghana	357,493	37%	345,791	34%	193,933	26%
Burkina Faso and other	618,261 ⁽¹⁾	63%	661,758 ⁽¹⁾	66%	540,621 ⁽²⁾	74%
	975,754	100%	1,007,549	100%	734,554	100%

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

⁽²⁾ Included in Burkina Faso and other is Burkina Faso, Cote d'Ivoire and Mali.

The Company generated revenue of US\$82.6M in 2017, an increase of US\$9.2M or 13% when compared to US\$73.4M in 2016. The 13% increase in revenue is the result of the change in mix of meters drilled in 2017 compared to 2016. Meters drilled in 2017 totaled 975,754 which is a decrease of 3% when compared to 1,007,549 meters drilled in 2016. Although revenue increased by 13%, meters drilled decreased by 3%, highlighting that the contributing factor for the increase in revenue was the mix of meters drilled. In 2017, the Company drilled more Core meters than it did in 2016. Core meters are the most expensive meters to drill, therefore, the higher priced Core meters drilled results in higher revenue per meter.

The gross profit for 2017 was US\$33.5M, being 41% of revenue compared to a gross profit of US\$29.5M, being 40% of revenue for 2016. The gross profit increase is a result of the increase in revenue of US\$9.3M set off against the increase in cost of sales of US\$5.2M. See "Supplementary Disclosure – Non IFRS Measures" on page 17.

EBITDA (as defined herein) for 2017 was US\$15.7M, being 19% of revenue compared to US\$19.2M, being 26% of revenue for 2016. See "Supplementary Disclosure – Non-IFRS Measures" on page 17.

The EBIT (as defined herein) for 2017 was US\$9.0M, compared to EBIT of US\$11.6M, for 2016. See "Supplementary Disclosure - Non - IFRS Measures" on page 17.

The net income for 2017 was US\$4.5M or US\$0.10 per Ordinary Share (US\$0.10 per Ordinary Share fully diluted), compared to US\$7.1M for 2016 or US\$0.17 per Ordinary Share (US\$0.16 per Ordinary Share fully diluted).

SELECTED FINANCIAL INFORMATION

	<u>Fiscal Year Ended</u>			<u>% Change</u>	<u>% Change</u>
(in US\$ 000s)	2017	2016	2015	2017 vs 2016	2016 vs 2015
Revenue	82,614	73,350	47,922	13%	53%
Cost of Sales	49,077	43,870	32,476	12%	35%
<i>Cost of Sales (%)</i>	59%	60%	68%		
Gross Profit	33,537	29,480	15,446	14%	91%
<i>Gross Profit Margin (%)</i>	41%	40%	32%		
Selling, General and Administrative Expenses	24,135	17,648	13,456	37%	31%
<i>Selling, General and Administrative Expenses (%)</i>	29%	24%	28%		
Foreign Exchange (Loss) / Gain	(385)	(187)	37		
Profit from Operating Activities	9,017	11,645	2,027	(23%)	474%
<i>Profit from Operating Activities (%)</i>	11%	16%	4%		
Finance Income	2	2	2		
EBIT*	9,019	11,647	2,029	(23%)	474%
<i>EBIT (%)</i>	11%	16%	4%		
Finance Cost	516	615	734		
<i>Finance Cost (%)</i>	1%	1%	2%		
Profit Before Taxation	8,503	11,032	1,295	(23%)	752%
<i>Profit Before Taxation (%)</i>	10%	15%	3%		
Income Tax Expense	4,013	3,962	3,203		
<i>Income Tax Expense (%)</i>	5%	5%	7%		
Net Income / (loss)	4,490	7,070	(1,908)	36%	471%
<i>Net Income / (loss) (%)</i>	5%	10%	(4%)		
EBITDA **	15,673	19,182	10,408	(18%)	84%
<i>EBITDA (%)</i>	19%	26%	22%		
Meters Drilled	975,754	1,007,549	734,554	(3%)	37%
Income / (loss) Per Share					
Basic	0.10	0.17	(0.04)		
Diluted	0.10	0.16	(0.04)		
Total Assets	80,907	73,664	63,060	10%	17%
Total Long - Term Liabilities	2,362	2,157	3,669	10%	(41%)
Cash Dividend Declared	Nil	Nil	Nil		

*EBIT = Earnings before interest and taxes.

**EBITDA = Earnings before interest, taxes, depreciation and amortization.

See "Supplementary Disclosure - Non-IFRS Measures" on page 17.

RESULTS OF OPERATIONS

FISCAL 2017 COMPARED TO FISCAL 2016

Revenue

The Company recorded revenue of US\$82.6M for 2017, as compared to US\$73.4M for 2016, representing an increase of 13%. The increase in revenue is largely attributable to the strong demand for the Company's services. The Company has made significant additions to property, plant and equipment in 2016 and 2017 which has resulted in more rigs being available. In 2016, the Company had invested approximately US\$8.9M in property, plant and equipment and in 2017 the Company has invested approximately US\$10.6M in property, plant and equipment which has resulted in the Company increasing its total rig fleet to 58 rigs as at December 31, 2017. In addition to significantly expanding its rig fleet, the Company has also been successful in expanding its client base to include a mix of majors, intermediates and juniors which has contributed to the increase in overall drilling activity and a well balanced mix of drilling services. The total meters drilled decreased by 3% for 2017 compared to 2016, however, revenue increased in 2017 versus 2016 as a result of the change in mix of meters drilled. The percentage of meters drilled for 2017 can be broken down as to 44% RC, 23% grade control, 20% Core and 13% air core as compared to 53% RC, 23% grade control, 15% Core and 9% air core for 2016. In 2017, the Company drilled more Core meters than it did in 2016. Core meters are the most expensive meters to drill, therefore, the higher priced Core meters drilled, results in higher revenue per meter.

Cost of Sales and Gross Profit

Cost of Sales were US\$49.1M for 2017, compared to US\$43.9M for 2016, being an increase of US\$5.2M. The gross profit for 2017 was US\$33.5M, compared to a gross profit of US\$29.5M for 2016, being an increase of US\$4.0M. The gross profit percentage for 2017 was 41% compared to 40% for 2016.

The increase in cost of sales for 2017 as compared to 2016 of US\$5.2M reflects the following:

- Drill rig expenses and fuel costs increased by US\$0.3M. The reason that drill rig expenses and fuel costs increased by US\$0.3M despite drilling less meters in 2017 versus 2016 relates to the fact the Company drilled more Core meters than it did in 2016 and Core meters are the most expensive meters to drill. In addition, in Q4 2017 certain jobs in Mali and Burkina Faso had just started and required a significant amount of consumables. This resulted in an increased upfront drill rig expense in anticipation of drilling that will continue well into 2018.
- Wages, employee benefits, external services, contractors and other expenses increased by US\$5.2M due to more workers being employed throughout the Company. In addition to more workers, certain promotions and pay increases for certain local staff came into effect in 2017 and are reflected in the 2017 wages and employee benefits expenses.
- Repairs and maintenance increased by US\$0.8M as more repairs were completed on the Company's drill rigs and plant and equipment.
- Depreciation expense decreased by US\$1.1M relating to a greater proportion of the Company's drill rigs and plant and equipment being fully depreciated.

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

SG&A expenses were US\$24.1M for 2017, compared to US\$17.6M for 2016, being an increase of US\$6.5M.

The increase in SG&A expenses of US\$6.5M for 2017 as compared to 2016 reflects the following:

- Wages, employee benefits, external services, contractors and other expenses increased by US\$6.3M. The increase reflects the additional services undertaken by the Company to support the increased level of activity the Company has been experiencing. The Company believes that increasing its workforce and ensuring its workshop and stores are fully staffed and spending on health and safety, training, systems and support employees will better position the Company as it continues to grow. In addition to more workers, certain promotions and pay increases for certain local staff came into effect in 2017 and are reflected in the 2017 wages and employee benefits expenses.
- Depreciation expense increased by US\$0.2M as a result of additions to the Company’s motor vehicle fleet throughout 2017.

Income from Operating Activities

Income from operating activities (after cost of sales, SG&A expenses and foreign exchange gain or loss) for 2017 was US\$9.0M, as compared to US\$11.6M in 2016.

EBITDA Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 17)

EBITDA margin for 2017 was 19% compared to 26% for 2016.

EBIT Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 17)

EBIT margin for 2017 was 11% compared to an EBIT margin of 16% for 2016.

Depreciation

Depreciation of property, plant and equipment was US\$6.7M (US\$6.1M in cost of sales and US\$0.6M in SG&A) for 2017 compared to US\$7.5M (US\$7.1M in cost of sales and US\$0.4M in SG&A) for 2016.

Income Tax Expense

Income tax expense was US\$4.0M for 2017 which was the same as income tax expense of US\$4.0M for 2016. The income tax expense of US\$4.0M is comprised of current taxes. The Company pays corporate income tax in certain countries and the Company pays withholding tax on revenues in certain other countries in which it provides drilling services.

Net income

The net income was US\$4.5M for 2017, or US\$0.10 per Ordinary Share (US\$0.10 per Ordinary Share fully diluted), compared to US\$7.1M for 2016, or US\$0.17 per Ordinary Share (US\$0.16 per Ordinary Share fully diluted).

SELECTED FINANCIAL INFORMATION - FOURTH QUARTERS

	<u>Fourth Quarter Ended</u>		<u>% Change</u>
(in US\$ 000s)	2017	2016	2017 vs 2016
Revenue	20,609	18,774	10%
Cost of Sales	13,549	11,756	15%
<i>Cost of Sales (%)</i>	66%	63%	
Gross Profit	7,060	7,018	1%
<i>Gross Profit Margin (%)</i>	34%	37%	
Selling, General and Administrative Expenses	6,214	4,772	30%
<i>Selling, General and Administrative Expenses (%)</i>	30%	25%	
Foreign Exchange (Loss) / Gain	(46)	125	
Profit from Operating Activities	800	2,371	(66%)
<i>Profit from Operating Activities (%)</i>	4%	13%	
Finance Income	1	-	
EBIT*	801	2,371	(66%)
<i>EBIT (%)</i>	4%	13%	
Finance Cost	116	152	
<i>Finance Cost (%)</i>	1%	1%	
Profit Before Taxation	685	2,219	(69%)
<i>Profit Before Taxation (%)</i>	3%	12%	
Income Tax Expense	1,198	1,172	
<i>Income Tax Expense (%)</i>	6%	6%	
Net (Loss) / Income	(513)	1,047	149%
<i>Net (Loss) / Income (%)</i>	(2%)	6%	
EBITDA **	2,342	4,181	(44%)
<i>EBITDA (%)</i>	11%	22%	
Meters Drilled	238,687	268,946	(11%)
(Loss) / Income Per Share			
Basic	(0.01)	0.03	
Diluted	(0.01)	0.02	
Total Assets	80,907	73,664	10%
Total Long - Term Liabilities	2,362	2,157	10%
Cash Dividend Declared	NIL	NIL	

*EBIT = Earnings before interest and taxes.

**EBITDA = Earnings before interest, tax, depreciation and amortization.

See "Supplementary Disclosure - Non-IFRS Measures" on page 17.

FOURTH QUARTER ENDED DECEMBER 31, 2017 COMPARED TO FOURTH QUARTER ENDED DECEMBER 31, 2016

Revenue

The Company recorded revenue of US\$20.6M for the fourth quarter ended December 31, 2017, as compared to US\$18.8M for the fourth quarter ended December 31, 2016, representing an increase of US\$1.8M or 10%. The increase in revenue is largely attributable to the strong demand for the Company's services. The number of meters drilled decreased from 267,945 meters in the fourth quarter ended December 31, 2016 to 238,687 in the fourth quarter ended December 31, 2017 as a result of the change in mix of meters drilled. The percentage of meters drilled for the fourth quarter of 2017 can be broken down as to 51% RC, 20% core, 18% grade control and 11% air core, as compared to 39% RC, 39% grade control, 14% core and 8% air core for the fourth quarter of 2016. Although revenue increased by 10%, meters drilled decreased by 11%, as the contributing factor for the increase in revenue was the mix of meters drilled. In the fourth quarter of 2017, the Company drilled more Core meters than it did in the fourth quarter of 2016. Core meters are the most expensive meters to drill, therefore, the higher priced Core meters drilled results in higher revenue per meter.

Cost of Sales and Gross Profit

Cost of Sales were US\$13.6M for the fourth quarter of 2017, compared to US\$11.8M for the fourth quarter of 2016, being an increase of US\$1.8M. The gross profit for the fourth quarter ended December 31, 2017 was US\$7.1M, as compared to a gross profit of US\$7.0M for the fourth quarter ended December 31, 2016, being an increase of US\$0.1M. The gross profit percentage for the fourth quarter ended December 31, 2017 was 34% compared to 37% for fourth quarter ended December 31, 2016.

The increase in cost of sales for the fourth quarter ended December 31, 2017 as compared to the fourth quarter ended December 31, 2016 of US\$1.8M reflects the following:

- Drill rig expenses and fuel costs increased by US\$0.6M. The reason that drill rig expenses and fuel costs increased by US\$0.6M despite drilling less meters in Q4 2017 versus Q4 2016 relates to the fact the Company drilled more Core meters than it did in Q4 2016 and Core meters are the most expensive meters to drill. In addition, due to improving conditions in Mali and Burkina Faso, the Company had numerous multi-rig programs start in Q4 2017 that required a significant amount of consumables. As a consequence, gross margins came under pressure as the Company absorbed significant non-recurring costs such as mobilization, importation, clearing, customs, set-up and inventory tooling costs for which the benefit will be realized throughout 2018. These costs amounted to approximately US\$1.0M, if these set up costs were not incurred, the gross profit margin in Q4 2017 would have been 39%.
- Wages, employee benefits, external services, contractors and other expenses increased by US\$1.5M due to more workers being employed throughout the Company. In addition to more workers, certain promotions and pay increases for some local staff came into effect in Q2 2017 and are fully reflected in the Q4 2017 wages and employee benefits expenses.
- Depreciation expense decreased by US\$0.3M relating to a greater proportion of the Company's drill rigs and plant and equipment being fully depreciated.

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

SG&A expenses for the fourth quarter ended December 31, 2017 were US\$6.2M, compared to US\$4.8M for the fourth quarter ended December 31, 2016, or an increase of US\$1.4M.

The increase in SG&A expenses of US\$1.4M for the fourth quarter ended December 31, 2017 as compared to the fourth quarter ended December 31, 2016 reflects the following:

- Wages, employee benefits, external services, contractors and other expenses increased by US\$1.9M. The increase reflects the additional services undertaken by the Company to support the increased level of activity the Company has been experiencing. The Company believes that increasing its workforce and ensuring its workshop and stores are fully staffed and spending on health and safety, training, systems and support employees will better position the Company as it continues to grow. In addition to more workers, certain promotions and pay increases for certain local staff came into effect in Q2 2017 and are fully reflected in the Q4 2017 wages and employee benefits expenses.
- A decrease of US\$0.5M in SG&A expenses related to the reversal in allowance for doubtful accounts for a specific trade receivable that was collected subsequent to year end.

Income from Operating Activities

Income from operating activities (after cost of sales, SG&A expenses and foreign exchange gain or loss) for the fourth quarter ended December 31, 2017 was US\$0.8M, as compared to US\$2.4M in the fourth quarter ended December 31, 2016.

EBITDA Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 17)

EBITDA margin for the fourth quarter ended December 31 2017, was 11% compared to 22% for the fourth quarter ended December 31, 2016.

EBIT Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 17)

EBIT margin for the fourth quarter ended December 31, 2017 was 4% compared to 13% for the fourth quarter ended December 31, 2016.

Depreciation

Depreciation of property, plant and equipment was US\$1.5M (US\$1.4M in cost of sales and US\$0.1M in SG&A) for the fourth quarter ended December 31, 2017 compared to US\$1.8M (US\$1.8M in cost of sales) for the fourth quarter ended December 31, 2016.

Income Tax Expense

Income tax expense was US\$1.2M for the fourth quarter ended December 31, 2017 which is the same as an income tax expense of US\$1.2M for the fourth quarter ended December 31, 2016. The income tax expense of US\$1.2M is comprised of current taxes. The Company pays corporate income tax in certain countries and the Company pays withholding tax on revenue in certain other countries in which it provides drilling services.

Net loss

Net loss was US\$0.5M for the fourth quarter ended December 31, 2017, or US\$(0.01) per Ordinary Share (US\$(0.01) per Ordinary Share fully diluted), compared to a net income of US\$1.0M for the fourth quarter ended December 31, 2016, or US\$0.03 per Ordinary Share (US\$0.02 per Ordinary Share fully diluted).

SUMMARY OF QUARTERLY RESULTS

	2017				2016			
(in US\$ 000s)	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	20,609	20,832	22,621	18,553	18,774	19,705	19,420	15,452
Revenue (Decrease) / Increase %	(1%)	(8%)	22%	(1%)	(5%)	1%	26%	25%
Gross Profit	7,060	9,722	9,540	7,216	7,018	7,803	7,767	6,600
Gross Margin (%)	34%	47%	42%	39%	37%	40%	40%	43%
Net (Loss) / Earnings	(513)	2,608	2,115	279	1,047	1,902	2,508	1,614
Per Share - Basic	(0.01)	0.06	0.05	0.01	0.03	0.04	0.06	0.04
Per Share - Diluted	(0.01)	0.06	0.05	0.01	0.02	0.04	0.06	0.04

The Company's revenue decreased on a quarter over quarter basis by US\$0.2M or 1% for the fourth quarter ended December 31, 2017 compared to the third quarter ended September 30, 2017. This is the result of the holidays occurring in December and the slowdown of drilling activities throughout this period. The Company has been able to earn revenue averaging approximately US\$20.6M over the last four quarters and was able to post its third consecutive US\$20M+ revenue quarter. The Company was also able to generate gross profit averaging approximately US\$8.4M over the last four quarters. On a quarter to quarter basis, the Company's revenue also increased by US\$1.8M compared to the fourth quarter ended December 31, 2016. The increase in revenue is largely attributable to the strong demand for the Company's services and the increased rig fleet. The Company is continuing to see a recovery in the mineral drilling sector as evidenced by the significant amount of meters drilled. In addition, although meter pricing remains competitive in the industry, the Company is witnessing a continuation of price stability.

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

Effect of Exchange Rate Movements

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

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

SELECTED INFORMATION FROM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in US\$ 000s)	Fiscal year end		Fourth quarter end	
	2017	2016	2017	2016
Net Cash generated from / (used in) operating activities	6,114	13,947	(5)	6,867
Net Cash used in investing activities	(10,625)	(8,861)	(2,072)	(1,754)
Net Cash provided from / (used in) financing activities	644	(1,545)	(21)	(289)
Effect of movement in exchange rates on cash	230	(61)	(8)	(69)
Net (decrease) / increase in cash	(3,637)	3,480	(2,106)	4,755

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017, the Company had cash of US\$5.7M and US\$1M still available on the US\$1M Credit Line. As at December 31, 2017, the Company had loans payable of US\$4.8M. Since the Company has loans payable, the Company continues to monitor its cash and its capital spending in conjunction with the loans that need to be repaid. As at March 5, 2018, the Company has drawn US\$2M on the US\$2M Credit Line and has not drawn down on the US\$1M Credit Line.

FISCAL 2017

Operating Activities

In 2017, the Company generated net cash from operating activities of US\$6.1M, as compared to generating net cash from operating activities of US\$13.9M in 2016. The Company realized profit before taxation of US\$8.5M for 2017, however, the changes in non-cash items and changes in working capital items reduced cash by US\$2.1M, resulting in cash generated from operations of US\$6.1M.

Investing Activities

In 2017, the Company's net investment in property, plant and equipment was US\$10.6M compared to US\$8.9M in 2016. The Company continues to grow and believes that one of the Company's greatest attributes is its ability to maintain a modern fleet of drill rigs and related equipment. The Company understands the importance of this and has significantly invested in its property, plant and equipment. Plant and equipment additions in 2017 included thirteen drill rigs, costs associated with rebuilding existing drill rigs and related equipment, new light vehicles and costs associated with completing certain sites at client premises. The Company continues to balance the need to grow and reinvest in its property, plant and equipment while ensuring there is enough cash to satisfy the debt repayments as they come due.

Financing Activities

In 2017, the Company generated net cash of US\$0.6M relating to financing activities. The Company increased its loans by US\$4.0M, repaid loans in the amount of US\$3.6M and received US\$0.2M from the exercise of stock options. In 2016, the Company used net cash of US\$1.5M relating to financing activities. The Company used US\$1.8M for repayment of loans and received US\$0.3M from the exercise of stock options.

FOURTH QUARTER ENDED DECEMBER 31, 2017

Operating Activities

The Company realized income before taxation of US\$0.7M for the fourth quarter of 2017 but the impact of changes in non-cash items and changes in working capital items reduced cash of US\$0.7M resulting in no cash being generated from operations in the fourth quarter of 2017, as compared to generating cash from operating activities of US\$6.9M in the fourth quarter of 2016.

Investing Activities

In the fourth quarter of 2017, the Company's investment in property, plant and equipment was US\$2.1M compared to US\$1.8M in the fourth quarter of 2016. The Company continues to grow and believes that one of the Company's greatest attributes is its ability to maintain a modern fleet of drill rigs and related equipment. The Company understands the importance of this and has significantly invested in its property, plant and equipment. Plant and equipment additions in the fourth quarter of 2017 included costs associated with rebuilding existing drill rigs and related equipment, new light vehicles and costs associated with completing certain sites at client premises.

Financing Activities

During the fourth quarter of 2017, the Company did not use any cash in its financing activities. An amount of US\$2.1M related to loan repayments which was offset by a drawdown of US\$2M on the \$2M Credit Line and an amount of US\$0.1M received from the exercise of stock options. In the fourth quarter of 2016, the Company used net cash of US\$0.3M, as a result of US\$0.5M related to the quarterly principal repayment on the US\$5M Term Loan which was partially offset by US\$0.2M received from the exercise of stock options.

Contractual Obligations

Contractual Obligations in US\$	Payments Due by			
	Total	2018	2019	2020
Operating Leases ⁽¹⁾	825,000	325,000	300,000	200,000
Purchase Obligation ⁽²⁾	825,000	825,000	-	-
Loans ⁽³⁾	5,420,000	2,800,000	2,500,000	120,000
Total Contractual Obligations	7,070,000	3,950,000	2,800,000	320,000

(1) The operating leases relate to the lease payments for the two real estate properties, as fully disclosed under "Transactions with Related Parties". The annual rent payable shall be reviewed on an upward only basis every two years depending on the average price of two firms of real estate valuers/surveyors or real estate agents. In addition, operating leases includes amounts for other operating sites.

(2) The purchase obligation refers to the purchase of two drill rigs, committed to in December 2017 but not yet invoiced.

(3) Loans refer to the US\$5M Term Loan, the US\$2M Credit Line - 2017 and the Equipment Loan, including the related interest.

Contractual obligations will be funded in the short-term by cash as at December 31, 2017 of US\$5.7M, cash flow generated from operations, and the US\$1M amount still available on the US\$1M Credit Line.

OUTLOOK

The Company is continuing to see a recovery in the mineral drilling sector as evidenced by the increase in revenue and is optimistic that the recovery will continue throughout 2018. In addition, although meter pricing remains competitive in the industry, the Company is witnessing prices beginning to stabilize.

As at December 31, 2017, the Company had 58 drill rigs, of which 50 drill rigs were available for operation and eight drill rigs were in the workshop. In the fourth quarter of 2017, the Company ordered an additional four underground drill rigs that are being shipped in 2018, resulting in the Company having a total of 62 drill rigs as at March 5, 2018.

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

Make - Model	Type	Available for Operation as at Mar 31, 2017 No. of Rigs		Available for Operation as at Jun 30, 2017 No. of Rigs		Available for Operation as at Sep 30, 2017 No. of Rigs		Available for Operation as at Dec 31, 2017 No. of Rigs		Planned to be available for Operation as at Dec 31, 2018 No. of Rigs	
UDR - 650	Multi-Purpose	2	1x2003 1x1993	2	1x2003 1x1993	2	1x2003 1x1993	2	1x2003 1x1993	2	1x2003 1x1993
UDR - KL900	Multi-Purpose	3	1x2003 1x1999 1x2007	3	1x2003 1x1999 1x2007	3	1x2003 1x1999 1x2007	3	1x2003 1x1999 1x2007	3	1x2003 1x1999 1x2007
Sandvik - DE820	Multi-Purpose	4	3x2008 1x2010	4	3x2008 1x2010	4	3x2008 1x2010	4	3x2008 1x2010	4	3x2008 1x2010
Sandvik - DE810	Multi-Purpose	8	7x2012 1x2010	8	7x2012 1x2010	8	7x2012 1x2010	8	7x2012 1x2010	8	7x2012 1x2010
EDM - 2000	Multi-Purpose	3	3x2011	4	3x2011 1x2017	4	3x2011 1x2017	4	3x2011 1x2017	5	3x2011 1x2017 1xXXXX
Austex - X900	Multi-Purpose	8	3x2011 4x2012 1x2016	9	3x2011 5x2012 1x2016	8	3x2011 4x2012 1x2016	8	3x2011 5x2012	9	3x2011 5x2012 1x2016
Sandvik - DE710	Core	8	2x2011 5x2010 1x2009	8	2x2011 5x2010 1x2009	10	2x2011 5x2010 1x2009 2x2007	10	2x2011 5x2010 1x2009 2x2007	10	2x2011 5x2010 1x2009 2x2007
Sandvik - DE740	Core					2	2x2012	3	1x2011 2x2012	8	1x2008 1x2009 1x2011 2x2012 3xXXXX
Austex - X300	Aircore Grade Control	5	2x2011 2x2012 1x2010	6	2x2011 2x2012 1x2010 1x2016	6	2x2011 2x2012 1x2010 1x2016	6	2x2011 2x2012 1x2010 1x2016	6	2x2011 2x2012 1x2010 1x2016
Austex - X350	RC Grade Control	1	1x2016	1	1x2016	1	1x2016	1	1x2016	1	1x2016
Boart Longyear - LM90	Underground					1	1x2017	1	1x2017	5	1x2017 4x2018
Maxidrill Maxcat	Grade control	1	1x2010	1	1x2010					1	1x2010
Total Drill Rigs Available for Operation		43		46		49		50		62	

	As at Mar 31, 2017		As at Jun 30, 2017		As at Sep 30, 2017		As at Dec 31, 2017	
	No. of Rigs	Type	No. of Rigs	Type	No. of Rigs	Type	No. of Rigs	Type
Available for Operation	28	Multi-Purpose	30	Multi-Purpose	29	Multi-Purpose	29	Multi-Purpose
	8	Core Only	8	Core Only	12	Core Only	13	Core Only
	5	Air core / grade control	6	Air core / grade control	6	Air core / grade control	6	Air core / grade control
	1	RC Grade Control	1	RC Grade Control	1	RC Grade Control	1	RC Grade Control
	1	Grade control	1	Grade control	1	Underground	1	Underground
TOTAL AVAILABLE FOR OPERATION	43		46		49		50	
In W/Shop	1	Multi-Purpose	2	Core Only	5	Core Only	5	Core Only
	1	control			1	Grade control	1	Grade control
					2	Multi-Purpose	2	Multi-Purpose
Total in W/Shop	2		2		8		8	
Manufacturing - in production								
Total Manufacturing								
In transit	1	Multi-Purpose	7	Core Only	1	Core Only		
			1	Multi-Purpose				
Total in transit	1		8		1			
TOTAL DRILL RIGS	46		56		58		58	

Split								
Multi-Purpose	30		31		31		31	
Core Only	8		17		18		18	
Air Core / grade control	5		5		5		5	
Grade control	1		1		1		1	
RC Grade Control	2		2		2		2	
Underground					1		1	
TOTAL	46		56		58		58	

SUPPLEMENTARY DISCLOSURE - NON-IFRS MEASURES

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

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

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

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

(US\$ 000s)	Year ended		Three months ended	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Profit from Operating Activities	9,017	11,645	800	2,371
Add: Finance Income	2	2	1	-
Earnings Before Interest and Taxes (EBIT)	9,019	11,647	801	2,371
Add: Depreciation & Amortization	6,654	7,535	1,541	1,810
Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)	15,673	19,182	2,342	4,181

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO") of the Company are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The CEO and the CFO have designed such DC&P, or caused them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. As at December 31, 2017, the CEO and CFO evaluated the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P were effective as at December 31, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

RISK FACTORS

The following discussion outlines certain relevant risk factors according to the Company's business and industry within which it operates. These risks are not the only risks facing the Company. Additional risks and uncertainties presently not known to the Company may also impair the operations and could potentially affect the Company.

Risks Related to the Business and the Industry

Cyclical Downturns

The Company's business is highly dependent upon the levels of mineral exploration, development and production activity by mining companies in West Africa. In recent years, a reduction in exploration, development and production activities has caused a decline in the demand for drill rigs and drilling services, which has had a material adverse effect on the Company's business, financial position, resulting operations and prospects. Between 2013 and 2015, the Company was affected by the industry wide slowdown in drilling activities. In 2016 and 2017, the Company had demand for its services increase as it experienced a record year in terms of meters drilled in 2016 and a record year in terms of revenue for 2017. Although the Company has seen a rebound in its activities, there is no guarantee that this trend will continue due to the cyclical nature of the industry.

The operations and financial results of Geodrill may be materially adversely affected by declines in the price of gold and other commodities. The prices of gold and other commodities fluctuate widely and are affected by numerous factors beyond Geodrill's control, such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the United States dollar and foreign currencies, global and regional supply and demand and the political and economic conditions of major metals-producing countries throughout the world. The price of gold and other commodities has fluctuated widely in the past, and future serious price declines could cause continued exploration, development of and commercial production by Geodrill's clients to be impracticable. In such event, the operational and financial results from drilling operations would suffer.

Industry experience indicates that prevailing and projected prices of commodities are major influences on the Company's clients' activity levels and planned expenditures. In the past, strong commodities market conditions have led to an increased supply of drill rigs to the market. In the event of a sustained decrease in demand for drilling activities, the market may be oversupplied with drill rigs, which may result in downward pressure on drilling service providers' margins and drilling operations. In addition, historically when commodity prices fall below certain levels, it is not uncommon for mining and exploration expenditures to decline in the following twelve month period. There is a risk that a significant, sustained fall in commodity prices could substantially reduce future mining expenditures, particularly in relation to exploration and production, leading to a decline in demand for the drilling services offered by the

Company which may have a material adverse effect and impact on the Company's business, financial position, results of operations and prospects.

Competition

The Company faces considerable competition from several large drilling services companies and a number of smaller regional competitors. Some of the Company's competitors have been in the drilling services industry for a longer period of time and have substantially greater financial and other resources than the Company. This may mean that they are perceived as being able to offer a greater range of services at more competitive prices than the Company. In addition, new and current competitors willing to provide services at a lower cost will likely continue to occur as demand for drilling services in the West African mining market tightens. Increased competition in the drilling services market may adversely affect the Company's current market share, profitability and growth opportunities. Any erosion of the Company's competitive position could have a material adverse effect on the Company's business, results of operations, financial condition and growth prospects.

A significant portion of the drilling services business is a result of being awarded contracts through a competitive tender process. It is possible that the Company may lose potential new contracts to competitors if it is unable to demonstrate reliable performance, technical competence and competitive pricing as part of the tender process or if mining companies elect not to undertake a competitive tender process, or the Company does not continue to provide a premium service as compared to other competitors, to its existing client base which would cause it to lose its reputation in the market place.

Foreign Currency Exposure

The Company receives the majority of its revenues in US dollars. In January 2018, the Bank of Ghana granted approval for the Company to issue and receive payments in US dollars. The approval is valid up to December 31, 2018. If the Company has significant cash and receivables in Ghana Cedi it may be exposed to currency fluctuations between the US Dollar and the Ghana Cedi. The Company also has significant amounts of CFA relating to operating in certain French West African countries. Although the exchange rate of the CFA has been fairly stable in the past, there can be no assurance that it will continue to be stable. In addition, there is also a significant part of the Company's foreign exchange exposure to the Australian dollar and Euro in relation to international purchases. As a result, the Company is exposed to currency fluctuations and exchange rate risks. Currency fluctuations and exchange rate risks between the value of the US dollar and the value of certain foreign currencies may increase the cost of the Company's operations and could adversely affect financial results.

Concentration of Currency

The Company receives the majority of its revenues in US dollars and as result, the majority of the Company's cash is in US dollars. To facilitate the payment of certain international suppliers and expenses, the Company holds the majority of its cash in US dollars in jurisdictions where it can efficiently transfer funds to international suppliers. There can be no assurance that in the future, the Company will be able to continue to hold the majority of its cash in US dollars. The Company also has significant amounts of CFA relating to operating in certain French West African countries. Although the exchange rate of the CFA has been fairly stable in the past, there can be no assurance that it will continue to be stable.

Dependence on Certain Key Personnel

The success of the Company was, and is currently, largely dependent on the performance of senior management and, in particular, Dave Harper, Terry Burling, Greg Borsk, Greig Rodger and Stephan Rodrigue. The senior management group is also supported by numerous drilling supervisors, HSE personnel and other management employees to manage its immediate operations as well as the obligations of running a public company. The loss of the services senior management personnel would likely have a materially adverse effect on the Company's business and prospects. Additionally, there is no assurance that the Company can maintain the services of its other management or its key drillers required to operate the business. The Company does not maintain key person insurance on the lives of any of its senior management.

Political Instability

The Company's drilling activities are in West Africa (Ghana, Burkina Faso, Cote d'Ivoire and Mali) and Zambia. Conducting business in West Africa and Zambia presents political and economic risks including, but not limited to, terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labour unrest. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business. Business may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production and exploration activities, currency remittance, income taxes, environmental legislation, land use, land claims of local people, water use and safety. The effect of these factors cannot be accurately predicted, however, the Company keeps abreast of all political issues and is prepared to act accordingly.

Debt Level

In response to the need to finance general corporate expenditures including working capital needs, in the past the Company has needed to borrow funds. As a result, the Company has loans payable outstanding. With loans payable outstanding and the required payments, the Company will need to monitor its cash on hand, and its investing activities in response to the level of debt and scheduled loan repayments. The debt requires repayments of principal and interest of approximately US\$2.8M in 2018, US\$2.5M in 2019 and a further US\$0.1M in 2020. The Company has in the past been able to repay debt from cash on hand and cash flow generated from operations, however, there is no certainty that the Company will continue to generate positive cash flow from operations. As at December 31, 2017, the Company had US\$5.7M of cash and an unutilized amount of US\$1M on the US\$1M Credit Line available.

Revenues and EBITDA

The Company does not provide financial guidance. In 2017, the Company's revenue increased to US\$82.6M and it reported EBITDA of US\$15.7M. The Company has generated positive EBITDA in the past, however, there can be no assurance that the Company will be able to increase its EBITDA or will be able to generate positive EBITDA in the future.

Sensitivity to General Economic Conditions

The operating and financial performance of the Company is influenced by a variety of international and country-specific general economic and business conditions (including inflation, interest rates and exchange rates), access to debt and capital markets, as well as monetary and regulatory policies. A deterioration in domestic or international general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could have a material adverse effect on the

financial performance, financial position and condition, cash flows, distributions, share price and growth prospects of the Company.

Dependence on Customers with Capital Raising Challenges

From time to time, the Company may be dependent on customers for a significant portion of revenue and net income who, due to their relative size, could be challenged to attract funding to achieve their business plans. Should a number of our customers face serious capital raising constraints, there can be no guarantee that the Company will be able to secure sufficient replacement customers, potentially leading to future reduced revenue and income levels. Consequently, the Company continues to work to expand its client base to mitigate its exposure to customers with capital raising challenges.

Cyber Crime

Cyber Crime is now recognized as one of the biggest threats to global businesses. The agile nature of business, along with remote working technology, has left more companies open to the risk of cyber-attacks. These crimes range from the malicious, perhaps politically or ideologically motivated through to data or financial theft which may be orchestrated by the amateur hacker or by organised crime. Failure to identify and address these threats would leave the Company vulnerable to attack.

Specialized Skills and Cost of Labor Increases

The Company may not be able to recruit or retain drillers and other key personnel who meet the Company's high standards. A failure by the Company to retain qualified drillers or attract and train new qualified drillers could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Increased Cost of Sourcing Consumables and Drilling Equipment

When bidding on a drilling contract, the cost of consumables (including fuel) is a key consideration in deciding upon the pricing of a contract. A material increase in the cost of consumables (including fuel) could result in materially higher costs and could materially reduce the Company's financial performance, financial condition, cash flows and growth prospects. Although the Company mitigates the risk of sourcing and pricing of consumables by keeping an inventory and having the capacity to fabricate certain consumable equipment, such as RC drill pipe and RC wire-line drill subs, there remains a risk that the pricing and availability of certain other consumables such as fuel could have a material negative effect on the Company's operations. Additionally, the delay or inability of suppliers to supply key manufacturing inputs, such as steel and other raw materials, may delay manufacturing certain consumables such as RC drill pipe and RC wire-line drill subs, that may have an adverse effect on the operations and the financial position of the Company's business.

Inability to Sustain Revenue Levels

The Company's revenue increased in 2017 to US\$82.6M from US\$73.4M in 2016. The Company's ability to increase or sustain its revenue will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, commodity prices, the ability of mining companies to raise financing and the global demand for materials. In addition, the Company is subject to a variety of business risks generally associated with growing companies. The Company is not currently contemplating adding a significant number of rigs but will continue to explore geographic expansion. Expanding into

other West Africa jurisdictions could place significant strain on the Company's management personnel and the Company may need to recruit additional personnel to service these jurisdictions.

There can be no assurance that the Company will be able to increase or sustain its revenue or that such increased revenue, if achieved, will result in profitable operations, that it will be able to attract and retain sufficient management personnel necessary. The failure to accomplish any of the foregoing could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects. Further, as the Company increases its geographical footprint, it may need to expand its operations base or establish a new operations base in order to continue to maintain its fleet of drill rigs. There is no assurance that the Company will be able to secure additional real estate leases at all or on commercial terms acceptable to the Company.

Client Contracts

The Company's drilling client contracts are typically based on meters to drill and range for a term of one month to one year and can be cancelled by the client on short or no notice in certain circumstances with limited or no amounts payable to the Company. The short duration of contract periods, typical for the drilling industry, does not provide any certainty of long term cash flows. There is a risk that existing contracts may not be renewed or replaced and that the drill rigs may not be able to be placed with alternative clients. The failure to renew or replace some or all of these existing contracts and cancellation of existing contracts could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

International Expansion and Instability

Expansion internationally entails additional political and economic risk. Some of the countries and areas that the Company may target for expansion could be undergoing industrialization and urbanization and do not have the economic, political or social stability that many developed nations now possess. Other countries have experienced political or economic instability in the past and may be subject to risks beyond the Company's control, such as war or civil disturbances, political, social and economic instability, corruption, nationalization, terrorism, expropriation without fair compensation or cancellation of contract rights, significant changes in government policies, breakdown of the rule of law and regulations and new tariffs, taxes and other barriers, changes in mining or investment policies or shifts in political attitude that may adversely affect the business. There has been an emergence of a trend by some governments to increase their participation, through increased taxation, expropriation, or otherwise. This could negatively impact the level of foreign investment in mining and exploration activities and thus drilling demand in these regions. Such events could result in reductions in revenue and transition costs as equipment is shifted to other locations.

Operational Risks and Liability

Risks associated with drilling include, in the case of employees, personal injury and loss of life and, in the case of the Company, damage and destruction to property, equipment, release of hazardous substances to the environment, including potential environmental liabilities associated with the Company's fuel storage activities, and interruption or suspension of drill site operation due to unsafe drill operations. The occurrence of any of these events may have an adverse effect on the Company, including financial loss, key personnel loss, legal proceedings and damage to the Company's reputation.

In addition, poor or failed internal processes, people or systems, along with external events could negatively impact the Company's operational and financial performance. The risk of this loss, known as operational risk, is present in all aspects of the business of the Company, including, but not limited to,

business disruptions, drill rig failures, theft and fraud, damage to assets, employee safety, regulatory compliance issues and business integration issues.

Advances in exploration, development and production technology which could reduce the demand for drilling services may have an adverse impact on the financial performance of the Company.

Business Interruptions

Business interruptions may result from a variety of factors, including regulatory intervention, delays in necessary approvals and permits, health and safety issues or supply bottlenecks and seasonal or extraordinary weather conditions. In addition, the Company operates in geographic locations which are prone to political risks and natural or other disasters. Further, logistical risks such as road conditions, ground conditions and political interference may affect the Company's ability to quickly mobilize or demobilize its drill rigs. The occurrence of business interruptions or conditions could have a material adverse effect on the Company's financial performance, financial condition, cash flows and growth prospects.

Risk to the Company's Reputation

Risks to the reputation of the Company, including any negative publicity, whether true or not, could cause a decline in the Company's customer base and have a material adverse impact on the Company's financial performance, financial condition, cash flows and growth prospects. All risks have an impact on reputation and, as such, reputational risk cannot be managed in isolation from other types of risk. Every employee and representative of the Company is charged with upholding its strong reputation by complying with all applicable policies, legislation and regulations as well as creating positive experiences with the Company's customers, stakeholders and the public.

Environment, Labor and Health and Safety Requirements and Related Considerations

The drilling services industry is regulated by environmental and health and safety regulations. To the extent that the Company fails to comply with laws and regulations, it could lose client contracts and be subject to suspension of operations or other penalties. In addition, accidents at the sites at which the Company operates could adversely affect the Company's ability to retain client contracts and win new business.

The Company is subject to the labour laws and regulations of the various countries in which it operates. Although none of the Company's employees are currently unionized, there is the potential that some or all of its employees may become unionized in the future. There can be no assurance that the Company will not experience labour problems in the future, such as prolonged work stoppages due to labour strikes, which may have an adverse effect on its results of operations and financial conditions.

Clients are required to hold certain permits and approvals in order for the Company to conduct operations. Clients are generally responsible for obtaining the environmental permits necessary for drilling. There is no assurance that clients will be able to renew or obtain the permits or approvals which are required for the drilling services the Company provides to them, in the time frame anticipated or at all. Any failure to renew, maintain or obtain the required permits or approvals may result in interruption or delay to operations and may have an adverse impact on the Company's business, financial position, results of operations and prospects. In addition, clients rely on concessions, licenses and permits to conduct their activities. Any modification or revocation of these concessions, licenses or permits could result in a decrease in demand for the services of the Company or in contracts with clients being terminated.

Insurance Limits

The Company maintains, to a limited extent, fixed property, motor and general liability insurance. The Company does not insure all of its drill rigs nor its goods in transit, as management has determined that the cost of the premiums outweigh the benefits at this time. Regarding the insurance that the Company does have, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company. The Company does not carry business interruption insurance or key man insurance and, as such, any such interruption or loss would have an adverse effect on the financial position of the Company. To the extent that Geodrill incurs losses not covered by its insurance policies, the funds available for operations will be reduced.

Uncertain Legal and Regulatory Frameworks

The Company's business and operations are potentially subject to the uncertain legal and regulatory frameworks in the countries in which it operates. Laws, regulations and local rules governing business entities in these countries may change and are often subject to a number of possibly conflicting interpretations by business entities, government departments and the courts. Laws and regulations may be promulgated and overseen by different government entities or departments, which may be national, regional or municipal and these entities may differ in their interpretation and enforcement of the laws and regulations. The business, financial condition, profitability and results of operations of the Company could potentially be adversely affected by changes in and uncertainty surrounding governmental policies, in particular with respect to business laws and regulations, licenses and permits, taxation, exchange control regulations, labor laws and expropriation.

Given the uncertain legal and regulatory framework in Zambia and some of the West African countries in which the Company operates or may operate in the future, there is a risk that the necessary licenses, permits, certificates, consents and authorizations to implement or conduct operations may not be obtained by either the client or the Company under conditions or within time frames that make such operations viable and that changes to applicable laws, regulations or the governing authorities may result in additional material expenditure or time delays.

Tax Risk

The Company has organized its group structure and its operations in part based on certain assumptions about various tax laws including, among others, income tax and withholding tax, foreign currency and capital repatriation laws and other relevant laws of a variety of jurisdictions. While the Company believes that such assumptions are correct, there can be no assurance that foreign taxing or other authorities will reach the same conclusion. If such assumptions are incorrect, or if such jurisdictions were to change or modify such laws or the current interpretation thereof, the Company may suffer adverse tax and financial consequences. The Group has drilling activities currently in Ghana, Burkina Faso, Cote d'Ivoire, Mali and Zambia. The Group has subsidiaries or branches in the British Virgin Islands, Ghana, Burkina Faso, Cote d'Ivoire, Mali, Senegal, Zambia, and the DRC. There is a risk in which the countries where Geodrill operates may change their current tax regime with little prior notice or that the tax authorities in these jurisdictions may attempt to claim tax on the global revenues of the Company. A change to the tax regimes in these countries or an unfavorable interpretation of the current tax legislation could have a material adverse effect on the profitability of the Company.

Credit Risk

The Company provides credit to its clients in the normal course of its operations. In the past the Company had noticed that certain accounts were taking longer to pay and certain accounts were having difficulty paying and therefore the Company needed to provide for certain accounts. The Company has continued working with larger clients and as at December 31, 2017, only 10% of the trade accounts receivable are aged over 91 days and management determined that there is no need for a provision against trade receivables as at December 31, 2017.

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

Geographic Expansion

Expansion into new African jurisdictions also brings additional geographic and currency risk. There is a risk that the operations, assets, employees or repatriation of revenues could be impaired by factors specific to the regions into which Geodrill may choose to expand.

Supply of Consumables

The Company's operations could place pressure on the ability of its vendors to manufacture and deliver to the Company consumables used in its drilling activities. Any negative impact on the ability of the vendors to deliver their products may constrain the Company's ability to increase its capacity and increase or maintain revenue and profitability.

Risks due to Foreign Incorporation

The Company is incorporated under and governed by the laws of the Isle of Man and consequently shareholders may not have the same rights and protections as they would have under provincial or federal corporate law in Canada. There can be no assurance that shareholder rights and remedies available under the corporate law of the Isle of Man will be enforceable in Canada through Canadian courts or that any orders of the courts of the Isle of Man made under such corporate law will be enforceable in Canada.

Equity Market Risks

There is a risk associated with any investment in the Ordinary Shares. The market price of securities such as the Ordinary Shares of the Company are affected by numerous factors including, but not limited to, general market conditions, actual or anticipated fluctuations in the Company's results of operations, changes in estimates of future results of operations by the Company or securities analysts, risks identified in this section and other factors. In addition, the financial markets have experienced significant price and volume fluctuations that have sometimes been unrelated to the operating performance of the issuers or the industries in which they operate.

The Influence of Existing Shareholders and Future Sales by The Harper Family Settlement and Dave Harper

The Harper Family Settlement and Dave Harper holds or controls, directly or indirectly, 17,623,500 Ordinary Shares representing approximately 40.8% of the Company's issued Ordinary Shares. As a result, The Harper Family Settlement and Dave Harper have the ability to influence the Company's strategic direction and policies, including any sale of all or substantially all of its assets, the election and composition of the Board of Directors, the amendment of the Company's Memorandum and Articles of Association

and the declaration of dividends. The foregoing ability to influence the control and direction of the Company could adversely affect investors' perception of the Company's corporate governance and reduce its attractiveness as a target for potential take-over bids and business combinations, and correspondingly affect its share price.

Sales of a large number of Ordinary Shares by The Harper Family Settlement or Dave Harper in the public markets, or the potential for such sales, could decrease the trading price of the Ordinary Shares and could impair Geodrill's ability to raise capital through future sales of Ordinary Shares.

Dilution

The Company may raise additional funds in the future by issuing equity securities. Holders of Ordinary Shares will have no pre-emptive rights in connection with such further issues. Additional Ordinary Shares may be issued by the Company in connection with the exercise of options. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Ordinary Shares.

Lack of Dividend Payments

Geodrill does not pay dividends other than a real estate dividend in 2010, issued in connection with the IPO reorganization of the Company, no dividends on the Ordinary Shares have been paid to date. Geodrill anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board of Directors after taking into account many factors, including Geodrill's earnings, operating results, financial condition, current and anticipated cash needs and restrictions in financing agreements.

FAIR VALUES OF FINANCIAL INSTRUMENTS

As at December 31, 2017 and 2016, the Company did not hold any financial assets at fair value through profit or loss, derivatives or available-for-sale financial assets.

The carrying values of cash, trade and other receivables, trade and other payables and related party payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of loans payable approximates their fair value as the fixed rate loans have been acquired recently and their carrying value continues to reflect fair value.

There were no financial instruments classified as level 2 or 3 in the fair value hierarchy at December 31, 2017 and 2016.

Financial Instruments by Category

	Loans and Receivables US\$	Other Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
December 31, 2017				
Financial assets				
Trade and other receivables	17,660,607	-	17,660,607	17,660,607
Cash	5,691,742	-	5,691,742	5,691,742
	23,352,349	-	23,352,349	23,352,349
Financial liabilities				
Trade and other payables	-	11,485,677	11,485,677	11,485,677
Related party payables	-	923,025	923,025	923,025
Loans payable	-	4,759,215	4,759,215	4,759,215
	-	17,167,917	17,167,917	17,167,917
December 31, 2016				
Financial assets				
Trade and other receivables	13,047,916	-	13,047,916	13,047,916
Cash	9,328,786	-	9,328,786	9,328,786
	22,376,702	-	22,376,702	22,376,702
Financial liabilities				
Trade and other payables	-	9,003,131	9,003,131	9,003,131
Related party payables	-	923,025	923,025	923,025
Loans payable	-	4,350,872	4,350,872	4,350,872
	-	14,277,028	14,277,028	14,277,028

FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

(i) Credit risk

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

Trade and other receivables

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

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

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

Exposure to credit risks

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

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

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

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

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

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

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

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

(ii) Liquidity risk

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

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

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

(iii) Market risk

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

(a) Foreign currency risk

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

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

December 31, 2017

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

December 31, 2016

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

The following significant exchange rates applied during the years:

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

Sensitivity analysis on currency risks

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

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

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

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

(b) Interest rate risk

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

Profile

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

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

Sensitivity analysis for variable rate instruments

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

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

(iv) Capital management

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

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

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

RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2017	2016
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
D.S.I. Services Limited	Subsidiary	British Virgin Islands	100%	100%
Geotool Limited	Subsidiary	British Virgin Islands	100%	100%
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	100%
Geo-Forage Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geo-Forage Mali SARL	Subsidiary	Mali	100%	100%
Geo-Forage Senegal SARL	Subsidiary	Senegal	100%	100%
Geo-Forage DRC SARL	Subsidiary	Democratic Republic of Congo	100%	100%
Geodrill Limited in Zambia	Registered foreign operating entity	Zambia	100%	100%
Geodrill Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	N/A
TransTraders Limited	Related party	Isle of Man	-	-
The Harper Family Settlement	Significant shareholder	Isle of Man	-	-

(i) Transactions with related parties

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

The Harper Family Settlement owns 40.4% (December 31, 2016: 40.8%) of the issued share capital of Geodrill Limited. On September 30, 2015, Geodrill Ghana Limited entered into lease agreements with The Harper Family Settlement for the Anwiankwanta property and for the Accra property, both for a five year term at rates consistent with those determined pursuant to the October 1, 2014 rent review. The material terms of the five year lease agreements include: (i) the annual rent payable shall be reviewed on an upward only basis every two years; and (ii) only Geodrill Ghana Limited can terminate the leases by giving twelve months' notice. On October 1, 2016, in conjunction with the rent review, Geodrill Ghana Limited agreed to the increase in rent for the Anwiankwanta property to US\$186,000 per annum and the increase in rent for the Accra property to US\$78,000 per annum. It was also agreed that all future rent increases will be based on USA inflation data.

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

Future operating lease commitments related to the properties are:

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

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

(ii) Key management personnel and directors' transactions

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

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

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

(iii) Related party balances

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

SIGNIFICANT ACCOUNTING POLICIES

The Company's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies are described in the audited financial statements for the years ended December 31, 2017 and 2016.

NEW AND FUTURE ACCOUNTING STANDARDS

a. Adoption of new and amended accounting pronouncements

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

b. Accounting pronouncements issued but not yet effective

IFRS 9 – Financial instruments

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

IFRS 15 - Revenue from Contracts with Customers

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

IFRS 16 – Leases

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making

judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values are described in the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016.

Additional Information

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