

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2014 and 2013

(unaudited)
(in United States dollars)

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

As at March 31, 2014 and December 31, 2013

	<i>Note</i>	March 31, 2014 US\$	December 31, 2013 US\$
Assets			(audited)
Non-current assets			
Property, plant and equipment	9	44,371,269	46,564,647
Total non-current assets		44,371,269	46,564,647
Current assets			
Inventories	10	13,632,474	14,604,912
Prepayments		1,257,790	904,838
Trade and other receivables	11	4,739,187	3,678,383
Cash	12	2,505,798	3,209,080
Total current assets		22,135,249	22,397,213
Total assets		66,506,518	68,961,860
Equity and liabilities			
Equity			
Share capital		21,150,866	21,150,866
Share-based payment reserve		3,555,203	3,537,446
Retained earnings		27,874,806	31,030,118
Total equity		52,580,875	55,718,430
Liabilities			
Non-current liabilities			
Deferred tax liabilities	8(iv)	833,825	1,411,215
Loans payable	13	3,000,000	1,069,565
Total non-current liabilities		3,833,825	2,480,780
Current liabilities			
Trade and other payables	14	4,729,462	4,101,401
Loans payable	13	4,161,566	5,445,085
Taxes payable	8(ii)	277,765	293,139
Related party payables	16(iii)	923,025	923,025
Total current liabilities		10,091,818	10,762,650
Total equity and liabilities		66,506,518	68,961,860

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

For the three months ended March 31, 2014 and 2013

	Note	March 31, 2014 US\$	March 31, 2013 US\$
Revenue		5,445,033	15,031,636
Cost of sales	7	(5,734,302)	(8,640,531)
Gross (loss) profit		(289,269)	6,391,105
Selling, general and administrative expenses	7	(3,054,945)	(4,500,425)
Foreign exchange loss		(10,631)	(10,035)
Results from operating activities		(3,354,845)	1,880,645
Finance income		902	1,002
Finance costs		(206,195)	(327,434)
(Loss) income before taxation		(3,560,138)	1,554,213
Income tax recovery (expense)	8(i)	404,826	(130,918)
(Loss) income for the period		(3,155,312)	1,423,295
Total comprehensive (loss) income for the period		(3,155,312)	1,423,295
(Loss) / earnings per share			
Basic	19(i)	\$(0.07)	\$0.03
Diluted	19(ii)	\$(0.07)	\$0.03

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

For the three months ended March 31, 2014 and 2013

	Share Capital US\$	Share- based Payment Reserve US\$	Retained Earnings US\$	Total Equity US\$
Balance at January 1, 2014	21,150,866	3,537,446	31,030,118	55,718,430
Net loss for the period	-	-	(3,155,312)	(3,155,312)
Share-based payment expense	-	17,757	-	17,757
Balance at March 31, 2014	21,150,866	3,555,203	27,874,806	52,580,875
Balance at January 1, 2013	21,150,866	3,085,787	35,937,836	60,174,489
Net income for the period	-	-	1,423,295	1,423,295
Share-based payment expense	-	121,298	-	121,298
Balance at March 31, 2013	21,150,866	3,207,085	37,361,131	61,719,082

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the three months ended March 31, 2014 and 2013

	March 31, 2014 US\$	March 31, 2013 US\$
Cash flows from operating activities		
(Loss) income before taxation	(3,560,138)	1,554,213
<i>Adjustments for:</i>		
Depreciation and amortization expense	2,253,832	2,387,825
Allowance for doubtful accounts	-	(64,625)
Provision for inventory obsolescence	16,272	(157,374)
Equity-settled share-based payments	17,757	121,298
Finance income	(902)	(1,002)
Finance costs	206,195	327,434
Unrealized foreign exchange gain	(17,377)	(7,334)
	(1,084,361)	4,160,435
Change in inventories	956,166	972,213
Change in prepayments	(352,952)	(253,330)
Change in trade and other receivables	(1,060,804)	(3,525,298)
Change in trade and other payables	592,309	(349,586)
Cash (used in) generated from operations	(949,642)	1,004,434
Finance income received	902	1,002
Finance costs paid	(181,074)	(335,789)
Income taxes paid	(187,938)	(451,895)
Net cash (used in) generated from operating activities	(1,317,752)	217,752
Investing activities		
Purchase of property, plant and equipment	(60,454)	(1,051,991)
Net cash used in investing activities	(60,454)	(1,051,991)
Financing activities		
Loans received	2,300,000	-
Loan repayments	(1,653,084)	(1,542,763)
Net cash provided from (used in) financing activities	646,916	(1,542,763)
Effect of movement in exchange rates on cash	28,008	17,369
Net decrease in cash	(703,282)	(2,359,633)
Cash at beginning of the period	3,209,080	7,562,174
Cash at end of the period	2,505,798	5,202,541

To present the comparative period consistent with the current period figures, the following prior period amounts were reclassified: USD\$96,446 from amortization to depreciation and amortization expenses; US\$64,625 from allowance for doubtful accounts to change in trade and other receivables; and US\$17,369 from unrealized foreign exchange to effect of movement in exchange rates on cash.

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

For the three months ended March 31, 2014 and 2013

1. GENERAL INFORMATION

Geodrill Limited ("the company" or "Geodrill") is a company registered and domiciled in the Isle of Man. The address of the company's registered office is Ragnall House, 18 Peel Road, Douglas, Isle of Man, IM1 4LZ. The unaudited condensed interim consolidated financial statements of the company for the three month periods ended March 31, 2014 and 2013 comprise the financial statements of the company and its wholly owned subsidiaries; Geodrill Ghana Limited, Geotool Limited, Geo-Forage BF SARL, Geo-Forage Cote d'Ivoire SARL, Geo-Forage Mali SARL, Geo-Forage Senegal SARL and D.S.I. Services Limited ("DSI"), together referred to as the "Group".

The Group is primarily a provider of mineral exploration drilling services. These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill Limited on May 10, 2014.

2. BASIS OF PREPARATION**a. Statement of compliance**

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014 have been prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies disclosed in the company's audited consolidated financial statements for the fiscal year ended December 31, 2013. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") has been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited 2013 annual consolidated financial statements of the company.

b. Basis of measurement

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

c. Functional and presentation currency

The unaudited condensed interim consolidated financial statements are presented in United States dollars which is the company and its subsidiaries' functional and presentation currency.

d. Critical accounting estimates and judgements

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2013.

e. Impairment testing

The current economic conditions in the drilling industry were considered to be an indicator of potential impairment of the carrying value of the company's property, plant and equipment as at March 31, 2014. Accordingly, an impairment test, based on the higher of value in use calculation or fair value less costs to sell, was performed as at March 31, 2014. The outcome of the test was such that the expected net recoverable amount exceeded the carrying value of the property, plant and equipment and, accordingly, no impairment loss was recognized in the period.

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

For the three months ended March 31, 2014 and 2013

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the company as at and for the year ended December 31, 2013, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were effective from January 1, 2014. The adoption of these amendments and standards have not had a material impact on the accounting policies, methods of computation or presentation applied by the company. Accordingly, the unaudited condensed interim consolidated financial statements should be read in conjunction with the company's consolidated financial statements for the year ended December 31, 2013.

4. DETERMINATION OF FAIR VALUES

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

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

(a) Trade and other receivables

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

(b) Cash

Cash consists of cash at bank and cash on hand.

(c) Trade and other payables

The fair value of trade and other payables approximates their carrying values.

(d) Loans payable

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

(e) Other financial liabilities

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

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

For the three months ended March 31, 2014 and 2013

4. DETERMINATION OF FAIR VALUES (CONTINUED)**(f) Share-based payment transactions**

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

5. SEASONALITY OF OPERATIONS

The Company's operations have tended to exhibit a seasonal pattern. The first quarter is affected due to shutdown of exploration activities often for extended periods over the holiday season (Christmas and New Year's). The second quarter is typically affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week over the Easter holidays. In 2014, Easter will occur in the second quarter whereas, for 2013, the Easter shut-down straddled the first quarter of 2013 and the second quarter of 2013. The wet season occurs (in some geographical areas where the company operates, particularly in Burkina Faso) normally in the third quarter, but in the recent years the global weather pattern has become somewhat erratic. The wet season affected the Company's drilling operations and revenue as companies slowed operations during this time. 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. In the third quarter of 2013 the Company continued with repairs and maintenance but at a slower rate than previous quarters. The fourth quarter is also affected, due to the shutdown of exploration activities, often for extended periods over the holiday season (Christmas and New Year's).

6. SEGMENT REPORTING

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

For the three months ended March 31, 2014, included in revenue are four customers who individually contributed 10% or more to the Group's revenue. One customer contributed 28%, one customer contributed 24%, one customer contributed 22% and one customer contributed 11%.

For the three months ended March 31, 2013, included in revenue are two customers who individually contributed 10% or more to the Group's revenue. One customer contributed 26% and the other customer contributed 11%.

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

For the three months ended March 31, 2014 and 2013

6. SEGMENT REPORTING (CONTINUED)

	Ghana		Outside Ghana (1)		Intra-group transaction		Total (2)	
	Three month period ended March, 31		Three month period ended March, 31		Three month period ended March, 31		Three month period ended March, 31	
	2014	2013	2014	2013	2014	2013	2014	2013
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	4,301	8,997	2,945	11,817	(1,801)	(5,782)	5,445	15,032
Cost of sales	(5,109)	(6,845)	(2,667)	(7,327)	2,042	5,531	(5,734)	(8,641)
Selling, general and administrative	(1,723)	(3,191)	(1,431)	(1,868)	99	558	(3,055)	(4,501)
Foreign exchange gain (loss)	51	14	(62)	(24)	-	-	(11)	(10)
Results from operating activities	(2,480)	(1,025)	(1,215)	2,598	340	307	(3,355)	1,880
Finance income	1	1	-	-	-	-	1	1
Finance cost	(195)	(288)	(11)	(39)	-	-	(206)	(327)
Segment results	(2,674)	(1,312)	(1,226)	2,559	340	307	(3,560)	1,554
Capital expenditures	60	1,052	-	-			60	1,052
As at	Mar 31, 2014	Dec 31, 2013	Mar 31, 2014	Dec 31, 2013			Mar 31, 2014	Dec 31, 2013
	US\$ '000	US\$ '000	US\$ '000	US\$ '000			US\$ '000	US\$ '000
Non-current assets	49,991	52,462	326	382			50,317	52,844
Intra group balances							(5,946)	(6,279)
Per statement of financial position							44,371	46,565
Total assets	69,624	70,755	69,127	70,373			138,751	141,128
Intra group balances							(72,244)	(72,166)
Per statement of financial position							66,507	68,962
Total liabilities	74,289	73,324	5,921	5,784			80,210	79,108
Intra group balances							(66,284)	(65,865)
Per statement of financial position							13,926	13,243

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man was US\$1,788,160 (March 31, 2013: US\$7,950,120).

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

To present the prior period consistent with the current period figures, other revenue has been included in revenue.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2014 and 2013***7. EXPENSES BY NATURE**

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

	March 31, 2014	March 31, 2013
	US\$	US\$
Expenses		
Drill rig expenses and fuel	1,986,929	3,926,025
Employee benefits	2,356,903	3,479,517
External services and contractors	1,802,814	3,070,180
Depreciation and amortization	2,253,832	2,387,825
Repairs and maintenance	324,824	342,034
Bad debts (recovery)	63,945	(64,625)
	8,789,247	13,140,956

To present the prior period consistent with the current period, US\$64,625 has been reclassified from external services and contractors to bad debts recovery.

	March 31, 2014	March 31, 2013
	US\$	US\$
Cost of sales	5,734,302	8,640,531
Selling, general and administrative expenses	3,054,945	4,500,425
	8,789,247	13,140,956

8. TAXATION**(i) Income tax expense (recovery)**

	March 31, 2014	March 31, 2013
	US\$	US\$
Current tax expense (iii)	172,564	682,209
Deferred tax recovery (iv)	(577,390)	(551,291)
	(404,826)	130,918

Current tax expense reflects taxes associated with the Group's drilling activities for the three month period ended March 31, 2014 outside Ghana. Deferred tax recovery relates to the origination and reversals of temporary differences in relation to Ghanaian corporate tax.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2014 and 2013

8. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US\$	Tax asset utilized US\$	Payments during the period US\$	Charge for the period US\$	Balance at Mar. 31 US\$
2014	293,139	-	(187,938)	172,564	277,765

	Balance at Jan. 1 US\$	Tax asset utilized US\$	Payments during the year US\$	Charge for the year US\$	Balance at Dec. 31 US\$
2013	601,935	(532,198)	(2,695,161)	2,918,563	293,139

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

(iii) Reconciliation of effective tax rate

	March 31, 2014 US\$	March 31, 2013 US\$
(Loss) income before tax	(3,560,138)	1,554,213
Deduct: Loss before tax subject to no corporate tax	(886,391)	(2,866,797)
Loss before tax subject to corporate tax in Ghana	(2,673,747)	(1,312,584)
Ghana corporate tax at 25%	(668,437)	(328,146)
Add:		
Withholding tax on revenue outside Ghana	172,564	682,209
Movement of temporary differences in Ghana	91,047	(223,145)
Total tax (recovery) expense	(404,826)	130,918
Effective tax rate	(11%)	8%

To present the prior period consistent with the current period, the withholding tax for Ghana and outside Ghana have been combined, and the Ghana corporate tax and movement of temporary differences disclosed at March 31, 2013 have been separated out.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2014 and 2013***8. TAXATION (CONTINUED)****(iv) Deferred tax liabilities**

	March 31, 2014	December 31, 2013
	US\$	US\$
Balance at January 1	1,411,215	2,928,558
Recovery for the period	(577,390)	(1,517,343)
Balance at end of period	833,825	1,411,215

(v) Recognized deferred tax assets and liabilities

Deferred tax liabilities are attributable to the following:

	March 31, 2014		
	Asset	Liability	Net
	US\$	US\$	US\$
Property, plant and equipment	-	1,215,167	1,215,167
Provision for inventory obsolescence	(187,639)	-	(187,639)
Allowance for doubtful debts	(193,703)	-	(193,703)
Total	(381,342)	1,215,167	833,825

	December 31, 2013		
	Asset	Liability	Net
	US\$	US\$	US\$
Property, plant and equipment	-	1,803,503	1,803,503
Provision for inventory obsolescence	(198,585)	-	(198,585)
Allowance for doubtful debts	(193,703)	-	(193,703)
Total	(392,288)	1,803,503	1,411,215

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2014 and 2013

9. PROPERTY, PLANT AND EQUIPMENT

2014	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Leasehold Improvements US\$	Capital Work in Progress (CWIP) US\$	Total US\$
Cost						
Balance at January 1, 2014	5,572,804	19,485,315	50,884,356	2,004,715	4,217,580	82,164,770
Additions	-	-	-	-	60,454	60,454
Reclassifications from CWIP	-	99,831	69,280	-	(169,111)	-
Assets retired during the period	-	(50,422)	(70,086)	-	-	(120,508)
Balance at March 31, 2014	5,572,804	19,534,724	50,883,550	2,004,715	4,108,923	82,104,716
Accumulated Depreciation						
Balance at January 1, 2014	4,836,588	11,161,120	18,972,332	630,083	-	35,600,123
Charge for the period	241,192	721,230	1,200,007	91,403	-	2,253,832
Assets retired during the period	-	(50,422)	(70,086)	-	-	(120,508)
Balance at March 31, 2014	5,077,780	11,831,928	20,102,253	721,486	-	37,733,447
Carrying amounts at March 31, 2014	495,024	7,702,796	30,781,297	1,283,229	4,108,923	44,371,269

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

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2014 and 2013

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2013	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Leasehold Improvements US\$	Capital Work in Progress (CWIP) US\$	Total US\$
Cost						
Balance at January 1, 2013	5,572,804	19,569,605	50,711,160	1,838,981	3,453,792	81,146,342
Additions	-	-	-	-	1,542,531	1,542,531
Disposal	-	(8,544)	-	-	-	(8,544)
Reclassifications from CWIP	-	720,445	480,517	165,734	(1,366,696)	-
Reclassifications from inventory	-	-	-	-	587,953	587,953
Assets retired during the period	-	(796,191)	(307,321)	-	-	(1,103,512)
Balance at December 31, 2013	5,572,804	19,485,315	50,884,356	2,004,715	4,217,580	82,164,770
Accumulated Depreciation						
Balance at January 1, 2013	3,570,908	8,947,346	14,322,110	238,246	-	27,078,610
Charge for the period	1,265,680	3,009,965	4,957,543	391,837	-	9,625,025
Assets retired during the period	-	(796,191)	(307,321)	-	-	(1,103,512)
Balance at December 31, 2013	4,836,588	11,161,120	18,972,332	630,083	-	35,600,123
Carrying amounts at December 31, 2013	736,216	8,324,195	31,912,024	1,374,632	4,217,580	46,564,647

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

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2014 and 2013***9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Depreciation has been charged in comprehensive income as follows:

	March 31, 2014	March 31, 2013
	US\$	US\$
Cost of sales	1,921,235	1,962,759
Selling, general and administrative expenses	332,597	425,066
	<u>2,253,832</u>	<u>2,387,825</u>

As at March 31, 2014, property, plant and equipment with a carrying amount of US\$26,573,183 (March 31, 2013: US\$ 31,412,981) and inventories with a carrying amount of US\$5,677,269 (March 31, 2013: US\$7,050,759) have been pledged as security for certain liabilities.

10. INVENTORIES

	March 31, 2014	December 31, 2013
	US\$	US\$
Inventories on hand	14,319,539	14,853,239
Inventories in transit	63,490	485,956
Provision for obsolescence	(750,555)	(734,283)
	<u>13,632,474</u>	<u>14,604,912</u>

The amount of inventories recognized as expense in the three months ended March 31, 2014 is US\$2,529,972 (March 31, 2013: US\$4,002,857). Inventory write downs in the three months ended March 31, 2014 amounted to US\$287,993 (March 31, 2013: US\$Nil).

11. TRADE AND OTHER RECEIVABLES

	March 31, 2014	December 31, 2013
	US\$	US\$
Trade receivables	5,562,306	4,509,963
Allowance for doubtful accounts	(1,026,013)	(1,026,013)
Net trade receivables	4,536,293	3,483,950
Cash advances	109,760	82,278
Sundry receivables	93,134	112,155
	<u>4,739,187</u>	<u>3,678,383</u>

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2014 and 2013***11. TRADE AND OTHER RECEIVABLES (CONTINUED)**

The movements in the allowance for doubtful accounts at the reporting dates were:

	March 31, 2014 US\$	December 31, 2013 US\$
Balance at January 1	1,026,013	307,237
Provisions made in the period	-	1,270,169
Receivables written off during the period as uncollectible	-	(551,394)
Balance at end of period	1,026,013	1,026,013

Trade and other receivables are recorded at amortized cost. Bad debt expense recorded on trade and other receivables during the three months ended March 31, 2014 amounted to US\$63,945 (March 31, 2013: US\$Nil).

12. CASH

	March 31, 2014 US\$	December 31, 2013 US\$
Cash at bank	2,432,356	3,044,465
Cash on hand	73,442	164,615
	2,505,798	3,209,080

As at March 31, 2014, cash of US\$2,505,798 was available to the Group (December 2013, US\$3,209,080).

13. LOANS PAYABLE

	March 31, 2014 US\$	December 31, 2013 US\$
Term Loan (i)	2,683,306	3,966,825
Equipment Loans (ii)	1,478,260	1,847,825
Credit Line (iii)	3,000,000	700,000
Total	7,161,566	6,514,650
Current portion of loans	4,161,566	5,445,085
Non-current loans	3,000,000	1,069,565

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2014 and 2013***13. LOANS PAYABLE (CONTINUED)****(i) Term loan**

On September 19, 2012, the Group entered into a term loan (the "Term Loan") with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US\$10 million. The Term Loan is for a period of 2 years, repayable quarterly, bears interest at a rate of 10.5% per annum and is secured by certain assets of the Group. The Term Loan may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The effective interest rate of the loan is 10.73%. The loan is subject to, and the Group is in compliance with, normal course non-financial covenants.

(ii) Equipment loans

On January 23, 2012, the Group entered into a Sale and Purchase agreement ("Agreement 1") with Sandvik Mining and Construction Oy ("Sandvik") relating to the purchase of three drill rigs with a total cost price of US\$2.6 million. Agreement 1 requires a down payment and the repayment of the balance over a period of 36 months with payments being made once a quarter. The loan bears interest at 7% per annum, includes an arrangement fee and stipulates that final title to the rigs will only pass once the capital amount has been settled. All other risks and rewards of ownership lie with the Group. The effective interest rate of the loan is 7.10%.

On February 25, 2012, the Group entered into a Sale and Purchase agreement ("Agreement 2") with Sandvik relating to the purchase of three drill rigs with a total cost price of US\$2.6 million. Agreement 2 requires a down payment and the repayment of the balance over a period of 36 months with payments being made once a quarter. The loan bears interest at 7% per annum, includes an arrangement fee and stipulates that final title to the rigs will only pass once the capital amount has been settled. All other risks and rewards of ownership lie with the Group. The effective interest rate of the loan is 7.10%.

(iii) Credit line

On October 7, 2013, the Group entered into a credit line agreement (the "Credit Line") with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of up to US\$5 million. The Credit Line is for a period of 2 years from the date of the first drawdown, repayable interest only quarterly and principal amount at maturity, bears interest at a rate of 10.5% per annum on any utilized portion and 1% per annum on any unutilized portion, and is secured by certain assets of the Group. The Credit Line may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The Credit Line is subject to normal course non-financial covenants. During the first quarter ended March 31, 2014, US\$2.3 million was drawn on the Credit Line. As at May 10, 2014, the Group had drawn a total of US\$3 million on the Credit Line.

14. TRADE AND OTHER PAYABLES

	March 31, 2014 US\$	December 31, 2013 US\$
Trade payables	1,693,303	1,203,306
Creditors and accrued expenses	2,291,045	2,474,591
VAT liability	745,114	423,504
	4,729,462	4,101,401

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2014 and 2013***15. FAIR VALUES OF FINANCIAL INSTRUMENTS**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Loans and Receivables US\$	Other Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
March 31, 2014				
Financial assets				
Trade and other receivables	4,739,187	-	4,739,187	4,739,187
Cash	2,505,798	-	2,505,798	2,505,798
	<u>7,244,985</u>	<u>-</u>	<u>7,244,985</u>	<u>7,244,985</u>
Financial liabilities				
Trade payables, creditors and accrued expenses	-	3,984,348	3,984,348	3,984,348
Related party payables	-	923,025	923,025	923,025
Loans payable	-	7,161,566	7,161,566	7,161,566
	<u>-</u>	<u>12,068,939</u>	<u>12,068,939</u>	<u>12,068,939</u>
December 31, 2013				
Financial assets				
Trade and other receivables	3,678,383	-	3,678,383	3,678,383
Cash	3,209,080	-	3,209,080	3,209,080
	<u>6,887,463</u>	<u>-</u>	<u>6,887,463</u>	<u>6,887,463</u>
Financial liabilities				
Trade payables, creditors and accrued expenses	-	3,677,897	3,677,897	3,677,897
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,514,650	6,514,650	6,514,650
	<u>-</u>	<u>11,115,572</u>	<u>11,115,572</u>	<u>11,115,572</u>

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2014 and 2013***16. RELATED PARTY TRANSACTIONS**

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2014	2013
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%	-
Transtraders Limited	Related party	Isle of Man	-	-
Harper Family Settlement	Significant indirect shareholder	Isle of Man	-	-

(i) Transactions with related parties

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

Transtraders Limited ("TTL") is a company which is owned by Clearwater Nominees Limited and Clearwater Registrars Limited which shares are held on behalf of the Harper Family Settlement which also owns 41.2% (December 31, 2013: 41.2%) of the issued share capital of Geodrill Limited.

Geodrill Ghana Limited originally entered into an agreement with the Harper Family Settlement to lease the Anwiankwanta property for US\$112,000 per annum and the Accra property for US\$48,000 per annum. The terms of the five year lease agreement include: (i) the annual rent payable shall be reviewed on an upward only basis every two years based on the average price of two firms of real estate valuers/surveyors or real estate agents; (ii) at the end of the original five year lease term, Geodrill Ghana Limited shall have the option to renew the lease for an additional five year term with similar rent and conditions; and (iii) either party may terminate the lease agreement provided they give the other party 12 months' notice.

On October 1, 2012 in conjunction with the rent review, Geodrill Ghana Limited agreed to increase the rent for the Anwiankwanta property to US\$140,000 per annum and the rent for the Accra property to US\$60,000 per annum for a period of two years effective October 1, 2012. The rent for these properties will be reviewed again on October 1, 2014. The lease expires on September 30, 2015.

Future operating lease commitments related to the properties are:

	March 31, 2014 US\$	December 31, 2013 US\$
Payable within one year	200,000	200,000
Payable between 1 and 5 years	100,000	150,000
Total	300,000	350,000

During the three month period ended March 31, 2014 lease payments amounted to US\$50,000 (2013: US\$50,000).

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2014 and 2013***16. RELATED PARTY TRANSACTIONS (CONTINUED)****(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 Geodrill Limited.

Effective May 10, 2013 Clearwater Fiduciary Services Limited was appointed as the licensed and regulated fiduciary service provider to D.S.I. Services Limited and Geotool Limited. From May 31, 2013, Clearwater Fiduciary Services Limited replaced City Trust as registered agent of Geodrill. One of the directors of Clearwater Fiduciary Services Limited is also a director of Geodrill. Fees paid to Clearwater Fiduciary Services Limited for the three month period ended March 31, 2014 amounted to US\$Nil.

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

	March 31, 2014	March 31, 2013
	US\$	US\$
Short-term benefits	451,979	346,066
Share-based payment arrangements	17,757	121,298
	<u>469,736</u>	<u>467,364</u>

(iii) Related party balances

The aggregate value of related party balances outstanding at each period end were as follows:

Balances outstanding as at,		March 31, 2014	December 31, 2013
	Type	US\$	US\$
Transtraders Limited:			
Payable	Line of credit	923,025	923,025
Total		<u>923,025</u>	<u>923,025</u>

The intercompany payable to Transtraders Limited is unsecured, interest free and is repayable on demand at the option of the lender.

GEODRILL LIMITED
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17. COMMITMENTS

(i) Lease commitments

Future operating lease commitments related to the properties are:

	March 31, 2014	December 31, 2013
	US\$	US\$
Payable within one year	272,000	160,000
Payable between 1 and 5 years	316,000	360,000
Total	588,000	520,000

(ii) Capital commitments

Previously the Group had contracted with a supplier for the purchase of two drill rigs. In 2013, it was agreed between the Group and the supplier to cancel the purchase of one of the drill rigs and to put the delivery of the other drill rig on hold until further notice. Total commitments relating to the outstanding drill rig and spare parts amount to US\$1,000,000 (December 31, 2013: US\$1,250,000).

18. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital

	March 31, 2014	December 31, 2013
Shares issued and fully paid	42,512,000	42,512,000
Shares reserved for share option plan	4,251,200	4,251,200
Total shares issued and reserved	46,763,200	46,763,200

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

(ii) Share-based payment reserve

The share-based payment reserve is comprised of the equity portion of the share-based payment transaction as per the company's share option plan.

(iii) Retained earnings

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

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2014 and 2013***19. EARNINGS PER SHARE****(i) Basic (loss) earnings per share**

The calculation of basic (loss) earnings per share for the three month period ended March 31, 2014 was based on the (loss) profit attributable to ordinary shareholders of US\$(3,155,312) (2013: US\$1,423,295), and on the weighted average number of ordinary shares outstanding of 42,512,000 (2013: 42,512,000) calculated as follows:

	March 31, 2014 US\$	March 31, 2013 US\$
(Loss) / profit attributable to ordinary shareholders	(3,155,312)	1,423,295

Weighted average number of ordinary shares

	March 31, 2014 shares	March 31, 2013 shares
Issued ordinary shares	42,512,000	42,512,000
(Loss) / earnings per share	\$(0.07)	\$0.03

(ii) Diluted (loss) earnings per share

The calculation of diluted (loss) earnings per share for the three month period ended March 31, 2014 was based on the (loss) income attributable to ordinary shareholders of US\$(3,155,312) (2013: US\$1,423,295), and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 42,512,000 (2013: 42,512,000), calculated as follows:

	March 31, 2014 US\$	March 31, 2013 US\$
(Loss) / profit attributable to ordinary shareholders	(3,155,312)	1,423,295

Weighted average number of ordinary shares - diluted

	March 31, 2014 shares ⁽¹⁾	March 31, 2013 shares
Weighted average number of ordinary shares - basic	42,512,000	42,512,000
Effect of share options in issue	-	-
Diluted (loss) / earnings per share	\$(0.07)	\$0.03

(1) As there is a loss attributable to ordinary shareholders, share options in issue are anti dilutive and are not included in the calculation of the diluted earnings per share.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2014 and 2013***20. DIVIDENDS**

No dividends were paid during the three month periods ended March 31, 2014 and March 31, 2013, nor were dividends declared through to May 10, 2014.

21. EQUITY-SETTLED SHARE-BASED PAYMENTS**(i) Share Option Plan ("SOP")**

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

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

	March 31, 2014		December 31, 2013	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	2,790,000	C\$2.11	2,610,000	C\$2.34
Granted May 23, 2013	-	-	360,000	C\$0.81
Total Granted	-	-	360,000	C\$0.81
Forfeited October 31, 2013	-	-	(180,000)	C\$2.80
Total Forfeited	-	-	(180,000)	C\$2.80
Balance ending	2,790,000	C\$2.11	2,790,000	C\$2.11

The following table summarizes the options outstanding at March 31, 2014:

Options series	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable	Weighted average exercise price
(1) Granted on December 16, 2010	C\$2.00	990,000	1 Yr & 8 mos	990,000	C\$2.00
(2) Granted on March 11, 2011	C\$3.48	360,000	1 Yr & 11 mos	360,000	C\$3.48
(3) Granted on November 9, 2011	C\$2.11	630,000	2 Yrs & 7 mos	630,000	C\$2.11
(4) Granted on March 13, 2012	C\$3.41	180,000	2 Yrs & 11 mos	180,000	C\$3.41
(5) Granted on October 15, 2012	C\$1.57	270,000	3 Yrs & 4 mos	180,000	C\$1.57
(6) Granted on May 23, 2013	C\$0.81	360,000	4 Yrs & 2 mos	360,000	C\$0.81

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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21. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

(i) Share Option Plan ("SOP") (continued)

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

	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6
Risk free interest rate	3%	3%	3%	1.55%	1.33%	1.28%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Stock price volatility	33%	56%	34%	53%	53%	53%
Expected life of options	5 years	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	0%	0%	0%	0%	30%	0%

Where relevant, the expected life used in the model used to determine the accounting value attributable to the options has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on historical share price volatility over relevant periods.