
GEODRILL
Exploration Drillers in West Africa
2010 annual report
GEODRILL


GEODRILL

profile

Geodrill is a leading West African-based drilling company currently operating in Ghana and Burkina Faso. The Company specializes in providing "one-stop shop" drilling services including reverse circulation (RC) and diamond core (Core) drilling services using a modern fleet of drill rigs. Geodrill provides exploration and development drilling services to major, intermediate and junior mining companies with exploration and development operations in West Africa.


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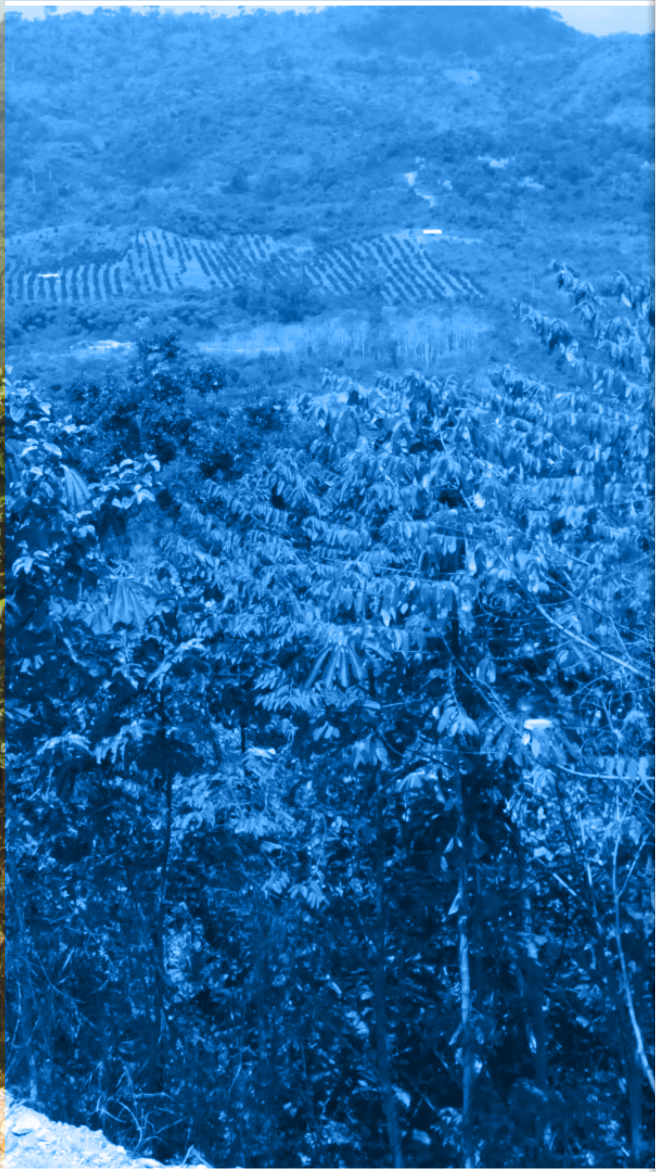
DE820

mission

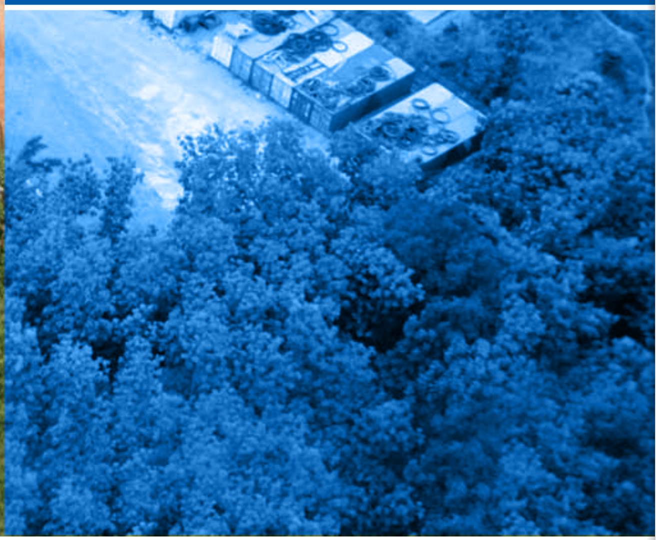
We are focused on being the dominant provider of drilling services in West Africa by offering a unique combination of superior drill rigs, a centrally located workshop and an experienced technical team.



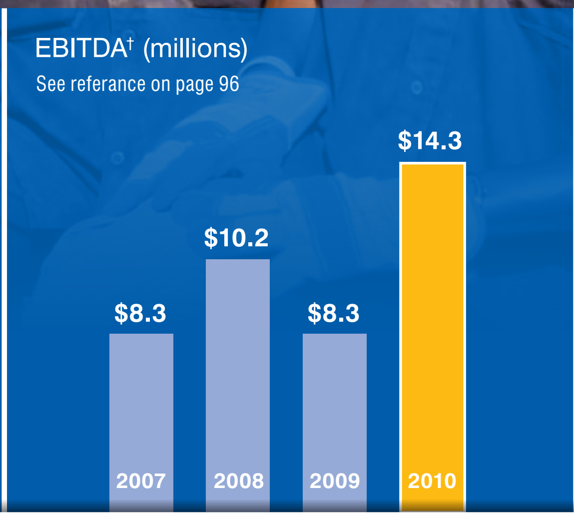
opportunity

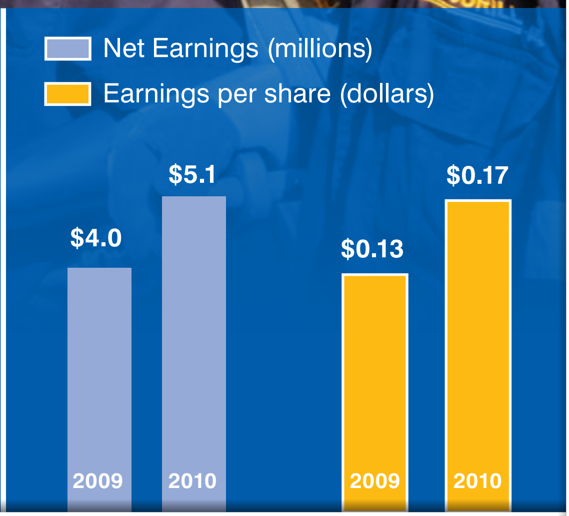
West Africa hosts some of the largest remaining undeveloped mineral deposits in the world. West Africa accounted for 5.1% of total worldwide exploration expenditures in 2010 and outperformed the overall industry by a significant margin. Metals Economics Group estimated nonferrous exploration expenditures in West Africa totalled US$547.0 million in 2010.

West Africa hosts multiple mineral belts containing significant deposits of various minerals including gold, iron ore, bauxite and diamonds. Within West Africa, Ghana attracts the most exploration expenditure dollars in the region. Supported by world-class mineral belts, a pro-mining, stable government and a large knowledgeable work force, Ghana represents more than 50% of Geodrill's drill capacity.



financial highlights





Note that in order to compare the figures from each period in a meaningful fashion, the earnings per share calculation for 2009 were adjusted retrospectively to account for the share split that occurred in 2010.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competitive strength

Key to our success is a superior fleet of modern rigs, a world-class workshop, and a highly trained and experienced workforce.

Multipurpose Rigs

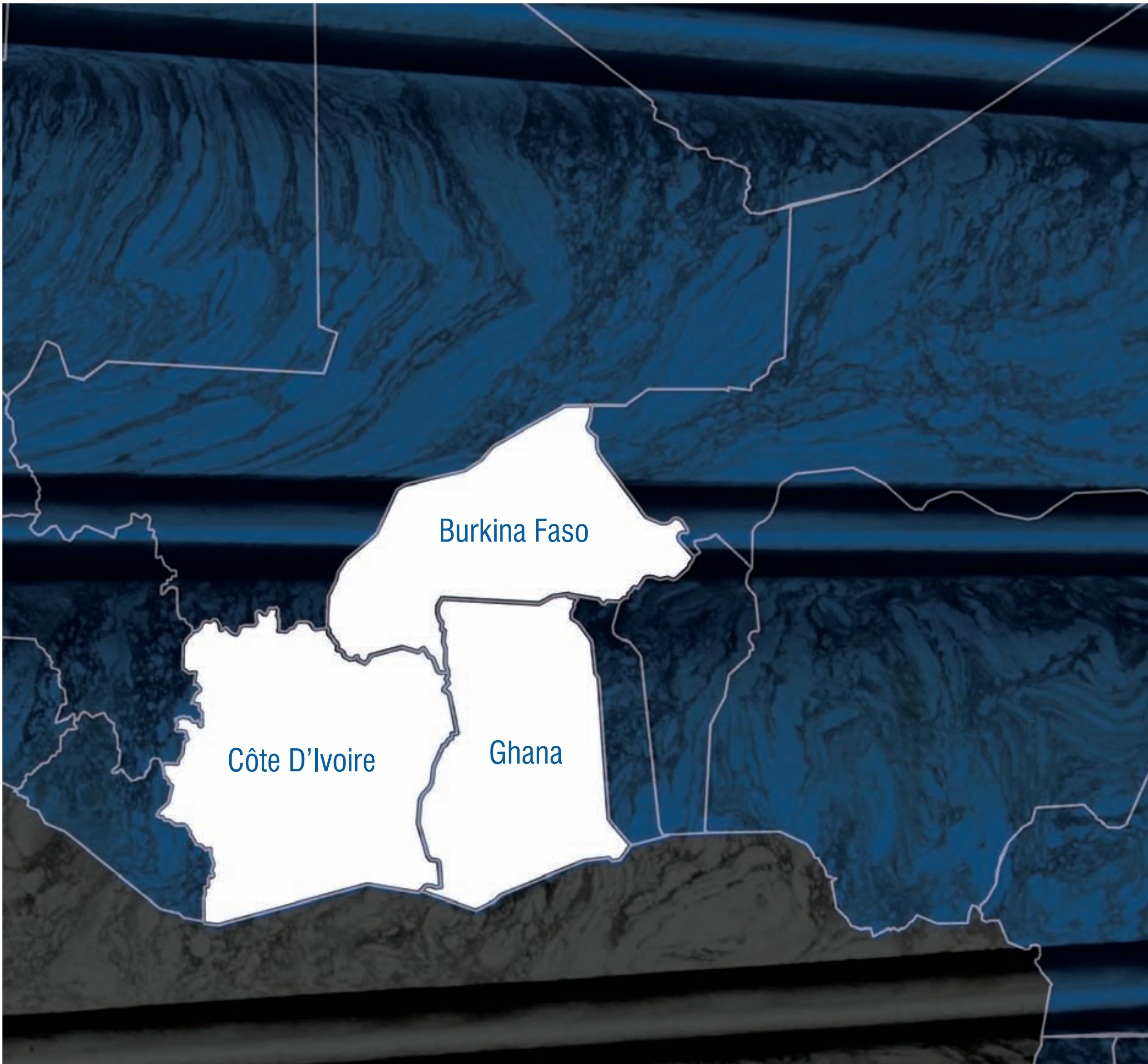
Geodrill has pioneered the multipurpose drill rig that offers the versatility of being able to perform both RC and Core drilling, which can be used interchangeably midway through a hole with little effort or downtime. This provides customers with the advantage of drilling both RC – the method of choice due to its cost savings and high productivity – and Core drilling – which saves the customer standby, preparation and mobilization charges that would normally be associated with switching rigs, effectively reducing the actual cost per metre associated with a drill program.

Operations Base

A centrally located operations base provides Geodrill with the ability to mobilize drill rigs, associated ancillary equipment and its skilled labour force throughout Ghana and Burkina Faso within a few days of receiving a request from a client and reduces downtime if repairs or replacement parts are needed at the drill sites. The Company's well-resourced workshop is also able to produce custom-built equipment that it uses to transport all supplies needed for different drill operations, reducing the cost of transport and the number of mobilizations required for any particular program. The location of the workshop and operations base enables the Company to reach most of its current program sites within a 12-hour drive.

Workforce

Drilling requires a high degree of skill and technical competence to ensure both an efficient drill program and accurate results. Geodrill recognizes that the profitability of any given project is determined in part by how effectively the drill rigs can be operated and samples collected. The Company facilitates an experience workforce through extensive training programs and a remuneration and benefits package and the Company facilitates the development of an experienced workforce through extensive training programs and competitive remuneration.



Ampella Mining Limited

AngloGold Ashanti Limited

Azumah Resources Limited

Carbine Resources Limited

Castle Minerals Limited

Euras Natural Resource Corporation

Golden Star Resources Ltd

Gryphon Minerals Limited

Newmont Mining Corporation

Perseus Mining Limited

Red Back Mining Inc.

Resolute Mining Limited

diverse customer base

The diversity of major, intermediate and junior mining clients, coupled with the different drilling services that Geodrill provides, allows the Company to minimize its exposure to the cyclical nature of the commodities industry. The Company has the ability to service junior mining companies that typically undertake higher-margin exploratory work during periods of expansion, and intermediate and major mining companies that are typically better positioned to maintain a steady and reliable income stream during all stages of the commodities cycle more effectively than drilling companies that focus on a specific client type or service.

social responsibility

Essential to creating and maintaining the Company commitment to the safety, health and well-being of all people affected by Company's activities; ethical behaviour; responsible environmental management; and mutual understanding and respect for local communities.

letter to shareholders

Without question, 2010 has been an outstanding year for Geodrill, culminating in a successful Initial Public Offering on the Toronto Stock Exchange. We achieved record financial performance and significantly increased our revenue **75.8%** to **US$45.1 million**, up from **US$25.6 million** a year ago; gross profit grew **117.7%** to **US$22.4 million**; and net income increased **26.4%** to **US$5.1 million** or **$0.17 per share**. Results were driven by a robust exploration market and strong operational performance by the Geodrill team.

In a short time since we have become a publicly traded company, Geodrill has taken significant steps on its path to growing operations. We increased the drill rigs in operation from 10 to 18 drilling rigs, secured additional drilling contracts with existing clients, recruited top-tier management, and continued to establish a brand name in the region. West Africa hosts some of the largest remaining mineral deposits in the world but remains largely unexplored and underdeveloped.

Over recent years, West Africa has attracted significant exploration capital. Moreover, moderating geopolitical risk has helped invite capital to the West African region, particularly increased mineral spending in Ghana where Geodrill primarily operates.

Operations

As a valued provider of drilling services in the region, Geodrill is well-positioned to thrive in today's drilling market and leverage a robust exploration market. Since 1998, when we began with a single rig, we have focused on building a platform capable of supporting a high-growth exploration market and ultimately becoming West Africa's leading provider of drilling services.

Our platform for success consists of a modern fleet of drill rigs, a state-of-the-art workshop and a well-trained workforce, resulting in low-cost operations and a reputation for excellence. With modern drill rigs and a centrally located workshop, we are able to mobilize drill rigs and associated ancillary equipment within a few days of request by a customer, reducing downtime and costs. In addition, the capacity to produce ancillary equipment such as RC drill pipe, RC and wire-line drill subs in-house reduces supplier reliance for these items. Another key competitive strength is our local market knowledge and expertise, resulting in an experienced workforce and enabling us to further develop the local networks required to support our operations.

Success of our platform is demonstrated in our operational efficiency. Our average annual turnover per rig is approximately US$3 million, three times what management believes to be the industry average of US$1 million per rig and a figure that would be the envy of drilling contractors anywhere in the world. Geodrill has achieved this result consistently for many years, even during the market's downturn in 2008 and 2009. Our modern fleet of rigs and equipment, supported by unparalleled logistical and mechanical support facilities and experienced workforce, provides a solid foundation for strong performance and future growth.

2010 Achievements

2010 was marked by achievements that will better position the Company for the coming years. Primary among these was the completion of our Initial Public Offering on the Toronto Stock Exchange. We believe listing our shares on the Toronto Stock Exchange gives us greater access to the capital markets and will facilitate the funding of our growth.

letter to shareholders

(continued)

2010 Achievements (continued)

We are continuing with our strategy of increasing market share by adding new drill rigs to our existing fleet. Historically, Geodrill has not been able to keep up with demand for its services, winning 95% of tendered work but often unable to compete for new projects because the Company's fleet was fully committed to existing projects. During 2010, we added 8 new drilling rigs to our fleet. Our goal is to add another 12 drilling rigs in operation by the end of 2011.

During 2010, we continued to maintain operating efficiency demonstrated by the financial results for 2010 financial results, which show an EBITDA margin of 31.7%. We have a strong balance sheet, with US$10.2 million in cash and equivalents as at December 31, 2010.

None of this would have been possible if it were not for the talented Geodrill team. Our commitment to and track record of hiring and training permanent and contract employees, coupled with a favourable compensation and benefits package, has reduced unplanned workforce turnover even during robust mining cycles.

During the year, we enhanced our management team with the addition of an experienced Chief Financial Officer, Ian Lacey, who is leading the way to ensure compliance with International Financial Reporting Standards (IFRS). Subsequent to the year end, we also hired Roy Sinke as General Manager, allowing us to focus on growth opportunities and corporate development initiatives.

We continue to maintain our strong record of safety and environmental initiatives through rigorous employee training programs, policy development, and retention of skilled workers from the local community. Detailed Standard Operating Procedures ensure that all aspects our Company's operations are designed to maintain the highest standards of health, safety and environmental care.

Outlook

Moving forward, in an effort to ensure Geodrill meets its goal of becoming the dominant provider of drilling services in West Africa, we are focused on the following key goals in 2011: expanding our operations geographically; diversifying our commodity focus; continuing to grow our current fleet of drill rigs; and increasing customer contracts.

Our 2011 expansion plans include taking advantage of opportunities to drill for other minerals, including iron ore, which may not follow the same economic cycles as precious metals. The proximity of Ghana to countries such as Mauritania, Guinea, Liberia, Sierra Leone, the Democratic Republic of the Congo, Niger, Nigeria, Cameroon and Togo favourably positions our Company to expand and service these markets as well.

Our performance in the field and the customer relationships we have developed over the years have played an important role in increasing our market share. We continue to maintain long-standing working relationships with our diverse customer base with the goal of being "best-in-class".

We have the right business, the right market and the right people to make Geodrill a significant player in the West African drilling industry. We expect to continue to execute our ambitious growth plans by providing high quality results for our customers and shareholders.

In closing, on behalf of our Board of Directors, I would like to thank both our employees and shareholders for your shared belief in our Company and I look forward to reporting to you as 2011 progresses.

David Harper
President and CEO

management's discussion and analysis

For the year ended December 31, 2010

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" or the "Company"). This discussion contains forward looking statements. Please see "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements.

The MD&A should be read in conjunction with the audited consolidated annual financial statements of Geodrill Limited, as of December 31, 2010 and the notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS").

The MD&A is dated March 11, 2011. Disclosure contained in this document is current to that date unless otherwise stated.

Additional information relating to Geodrill can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The 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, performance, business prospects and opportunities. Often, but not always, forward-looking statements 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 statements are 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 statements involve 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 statements contained in this Report. 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 statements, 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 statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this Report.

Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, 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 statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Corporate Overview

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

Geodrill operates a fleet of multipurpose, core and air-core drill rigs. The multipurpose 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. Multipurpose rigs provide customers 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 workshop and supply base at Anwiankwanta, near Kumasi, Ghana, provides a centralized location 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 location of the workshop and operations base enables the Company to reach most of its current program sites within a 12 hour drive.

The Company has historically financed its growth internally by reinvesting profits into the business through the acquisition of additional drill rigs and ancillary equipment.

The Company's vertical integration and low cost operations, driven by organic growth, have resulted in total revenues of $45,062,630 and EBITDA of $14,303,665 being 31.7% for the fiscal year ended December 31, 2010 compared to total revenues of $25,629,542 and EBITDA of $8,260,672 being 32.2% for the fiscal year ended December 31, 2009. Please see "Non-IFRS Measures" regarding EBITDA disclosure and the reconciliation.

Business Strategy

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

Management believes that the Company has a number of attributes that make its performance sustainable and that provide a solid base for continued growth, while providing a competitive advantage over its peers, including:

- A Young and Modern Fleet of Drill Rigs and World Class Workshop: modern drill rigs with an average age of less than 2 years, and a centrally located world class workshop to promote customer satisfaction through reliable operational performance. In addition, a manufacturing facility with the capacity to produce ancillary equipment such as RC drill pipe and RC wire-line drill subs in-house reduces downtime and supplier reliance for these items.
- Local Knowledge: The Company's local market knowledge, expertise and experience have enabled Geodrill to further develop the local networks required to support its operations.
- Presence in West Africa: The Company is able to mobilize drill rigs and associated ancillary equipment within a few days of request by a client. The well resourced, centrally located workshop further reduces downtime, as the Company can reach most of its current program sites within a 12 hour drive.
- Low Cost Operations: The Company has developed low cost operations by maximizing efficiencies, minimizing administrative, overhead and other fixed costs and maintaining a lean management team which has allowed Geodrill to maintain and grow market share even during past periods of industry slow down.
- An Active and Experienced Management: Geodrill is led by David Harper, President and Chief Executive Officer, Terry Burling, Chief Operating Officer and Ian Lacey, Chief Financial Officer and Secretary, who collectively have over 50 years experience in the drilling industry, with a majority of those years being in West Africa.
- A Skilled and Dedicated Workforce: A favorable compensation and benefits package, coupled with the Company's commitment and track record of hiring and training permanent and contract employees, has reduced unplanned workforce turnover even during robust mining cycles.

INDUSTRY OVERVIEW

Market Participants and Geodrill's Client Base

Approximately 95% of the Company's current revenues are derived from ongoing, continuous work programs with existing "repeat business clients", who because of this, although the original contracts may have been for 3 to 12 months, have in effect become similar to the status of "long term clients".

The diversity of major, intermediate and junior mining clients, coupled with the different drilling services that Geodrill provides, allows the Company to minimize its exposure to the cyclical nature of the commodities industry. The Company has the ability to service junior mining companies that typically undertake higher margin exploratory work during periods of expansion and intermediate and major mining companies that are typically better positioned to maintain stable operations during all phases of the industry cycle. This diverse client base better enables the Company to maintain a steady and reliable income stream during all stages of the commodities cycle more effectively than drilling companies that focus on a specific client type or service.

Geodrill's current client mix is predominately made up of gold companies (exploration, development and production). The drilling services performed by Geodrill are not, however, gold specific and can be easily applied to other precious and base metals. Its drill rigs do not need to be re-tooled or retro-fitted to conduct drilling activities relating to other precious and base metals and the skill-set of the Company's workers can equally be applied to non-gold drilling activities.

West Africa has become the scene of intense competition amongst international mining companies as the price of minerals has risen following the 2009 global financial crisis. At the centre of this development is the recognition that West Africa hosts some of the largest remaining undeveloped mineral deposits, containing iron ore, gold, bauxite and diamonds.

Management's expansion plans include taking advantage of opportunities in other minerals, including iron ore, which may not follow the same economic cycles as precious metals. The proximity of Ghana to countries such as Mauritania, Guinea, Liberia, Sierra Leone, the Democratic Republic of the Congo, Niger, Nigeria, Cameroon and Togo positions the Company favorably in its ability to service these markets as well if it so chooses.

On account of the ongoing parliamentary election and the historic threat of political instability during election periods, the Company suspended operations in Cote d'Ivoire during 2010 and redeployed its drill rigs to other contracts in Ghana and Burkina Faso. The Company is closely monitoring the political situation in Cote d'Ivoire and may re-enter Cote d'Ivoire in the near future.

The Company has strong client relationships, having serviced two of its clients for over 10 years. All longer term client relationships of the Company originally commenced as short term drill contracts won under competitive bidding processes, which have been continually renewed as the respective drilling program of the client has progressed through the various phases. The Company has received testimonials from senior persons representing Ampella Mining Limited, Azumah Resources Limited, Castle Minerals Limited, Keegan Resources Inc., Perseus Mining Limited and Gryphon Minerals Limited. Each cite high levels of customer satisfaction, commending Geodrill's well maintained rigs, overall efficiency, knowledgeable workforce and high regard for safety and the environment.

Given the short-term nature of drilling contracts, there can be no assurance that any contract that the Company currently services will be extended, renewed or renewed on favourable terms to the Company. However, on account of: (i) the robust demand for Geodrill's services with existing and potential new customers; (ii) the number of tender proposals that Geodrill has historically been asked to bid on; and (iii) the high success rate of the Company in past competitive tender processes (more than a 95% success rate), the Company is confident that it can redeploy its drill rigs to other locations without a significant interruption to the Company's operations in the event that any of its current contracts are not extended, renewed or renewed on favorable terms.

Geodrill's business is not substantially dependent on any one customer or contract. In 2010, no individual client accounted for more than 20% of Geodrill's revenues and the Company anticipates that four or five different clients will continue to provide approximately 75% of the Company's revenues (in approximately equal portions).

Overall Performance of Geodrill Limited

Geodrill continues to outperform its competitors in all respects, including operational efficiency (reflected by the annual average income per rig, which at $3 million is three times what management has determined to be the industry average of $1 million per rig) and in financial terms (EBITDA margin for 2010 being 31.7% compared to the 2009 margin of 32.2%).

The number of drill rigs in operation has increased from 10 to 18 drilling rigs during 2010 and it is anticipated that there should be another increase of 12 additional drilling rigs in operation, being a 67% increase by the end of 2011.

For 2010, meters drilled and corresponding incomes generated from each country were:

Location	Total Meters	Revenue Total (US$ millions)	% Revenue
Ghana	276,486	27	61%
Burkina Faso	165,437	12	26%
Cote d'Ivoire	39,341	6	13%
	481,265	**45**	**100%**

Note:

Revenue generated in 2010 has been achieved with a rig fleet increasing from 10 in operation in January 2010 rising to 18 in operation at December 2010. Hence, revenue per rig, stated elsewhere in this report at approximately $3.0 million / rig / annum is consistent with an approximate average of between 14 and 15 operational rigs throughout the year.

SELECTED ANNUAL INFORMATION

	2008 (US$)	2009 (US$)	2010 (US$)
Revenue	25,326,800	25,629,542	45,062,630
Comprehensive income	4,809,319	4,019,407	5,081,863
Earnings per Ordinary Share (1)	0.16(1)	0.13(1)	0.17
Diluted Earnings per Ordinary Share (1)	0.16(1)	0.13(1)	0.16
Total assets	20,947,038	26,834,648	54,804,046
Total long-term liabilities	2,754,959	2,806,008	3,040,338
Cash dividends declared	Nil	Nil	Nil

Note:

(1) In anticipation of the Offering (as defined below), the directors of the Company passed a resolution on November 1, 2010 to approve the split of the ordinary shares of the Company (the "Ordinary Shares") into 30,000,000 Ordinary Shares by subdividing each Ordinary Share into 15,000,000 (1:15,000,000) Ordinary Shares of the same class. The Comprehensive income per share amount takes into effect the share split. The audited financial statements showed Comprehensive income per share reflecting two issued and outstanding Ordinary Shares of $2,404,660 per Ordinary Share in 2008 and $2,009,704 per Ordinary Share in 2009.

TRANSACTIONS WITH RELATED PARTIES

Effective July 13, 2010, the Company effected a reorganization to recognize Geodrill Cote d'Ivoire SARL as part of Geodrill. The shares in Geodrill Cote d'Ivoire SARL were previously held by David Harper, President and Chief Executive Officer of the Company, the sole beneficiary of the Harper Family Settlement. Prior to the reorganization, Geodrill Cote d'Ivoire SARL was effectively managed by the officers of Geodrill.

Trans Traders Limited ("TTL") is a company owned by Redcroft Limited and Bluecroft Limited who were previously the only shareholders of Geodrill. TTL was responsible for centralised offshore procurement for Geodrill prior to May 2010. TTL ceased to be the purchasing arm of Geodrill in June 2010. During the intervening period between D.S.I. Services Limited commencing the Company's purchasing in November 2010, purchasing was undertaken between June 2010 and November 2010 individually by Geodrill Ghana and Geodrill. As of December 31, 2010 the Company had a debt owing to TTL in the amount of $923,025. The Company expects to repay such debt, (interest which has been waived for the last quarter of 2010 and the calendar year 2011), to TTL over the next 12 months out of the cash flow generated by operations.

On October 28, 2010, the Company acquired D.S.I. Services Limited, a subsidiary company originally incorporated on September 9, 2010, situated in the British Virgin Islands. D.S.I. Services Limited commenced trading in November 2010, to act as the Company's purchasing arm.

From January 1 to December 31, 2010, Geodrill paid management fees of $23,574 (2009 – $14,647) to Kingston Management (Isle of Man) Ltd ("Kingston Management"). Two of the directors of Kingston Management (being John Bingham and Victoria Prentice) are also directors of Geodrill. Kingston Management is the trustee for the Harper Family Settlement.

Real property is held in Ghana through long term leases with the government authorities rather than as freehold interests. On November 1, 2010, the board of directors of Geodrill ratified, confirmed and approved a resolution passed by Geodrill Ghana Limited on September 30, 2010 declaring a dividend to its shareholder, Geodrill, of $2,350,000, which was satisfied by the distribution of Geodrill Ghana Limited's following real estate assets: (i) administrative office buildings owned and a long-term lease in respect to the land situated at 20B Aviation Road, Airport Residential Area, Accra, Ghana; and (ii) operations base and workshop owned and a long-term lease in respect to the land located in Anwiankwanta, Ghana, which assets were subsequently distributed to Geodrill's shareholders and are currently held by the Harper Family Settlement, the ultimate beneficial shareholder of the Company. K. Kyei Consultancy Services provided an independent valuation report on the properties. Each of the Company and Geodrill Ghana Limited used the September 2010 valuation report as a guideline to determine the fair market value of the real estate assets and valued the real estate assets as at September 30, 2010 at $2,150,000, with the balance of $200,000 being a tax provision based on the Real Estate Dividend. Subsequent to the distribution of the Real Estate Dividend, Geodrill Ghana Limited entered into an agreement with the Harper Family Settlement to lease the Anwiankwanta property at $112,000 per annum and the Accra property at $48,000 per annum. The material terms of the 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 valuators/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.

In July 14, 2010, the Company received the AUD$2 million convertible loan note (the "Convertible Loan Note") from Terry Burling, the Chief Operating Officer of the Company. The Convertible Loan Note was unsecured and paid interest at a rate of 8% per annum. On closing of the Initial Public Offering and Secondary Offering (the "Offering"), the principal amount owing under the Convertible Loan Note was automatically converted into 1,976,000 Ordinary Shares to Mr. Burling on closing of the Offering.

On November 17, 2010, in order to assist the Company's working capital position in advance of the Offering, the Harper Family Settlement, the then ultimate beneficial shareholder of the Company, provided the bridge loan (the "Bridge Loan") to the Company in the amount of AUD$2 million. The Bridge Loan paid interest at a rate of 6% per annum, was unsecured and repayable on demand. The Bridge Loan was repaid in full from the proceeds of the Offering.

The Company provides loans to its employees as an advance of the salaries payable to its employees, which are generally used by the employees to assist with sundry purchases and advance housing rental costs in Ghana. Under the rental system in Ghana, it is typical for landlords to require an advance deposit of up to three years' rent. Geodrill Ghana Limited has set up a separate account out of which these loans are made and subsequent repayments are deposited back into this account. As of December 31, 2010, the aggregate amount of employee loans outstanding was $81,970 (2009 – $28,091).

PUBLIC OFFERING

On December 16, 2010, Geodrill closed its Offering of Ordinary Shares. The Ordinary Shares commenced trading on December 21, 2010 on the Toronto Stock Exchange under the symbol "GEO".

The Offering was priced at CDN$2.00 per share for aggregate gross proceeds of CDN$40 million. In addition, the Company granted the agents an over-allotment option to purchase up to an additional 3,000,000 shares at the offering price exercisable for a period of 30 days from the date of closing of the Offering, to cover over-allotments, if any, and for market stabilization purposes.

The Offering was comprised of 7,500,000 shares which were issued and sold by the Company and 12,500,000 shares which were sold by certain shareholders. The Company received aggregate gross proceeds from the Offering of CDN$15 million.

On December 21, 2010, the agents exercised the over-allotment option in full and the Company closed the over-allotment option. In connection therewith, the Company has issued 3,000,000 Ordinary Shares at a price of CDN$2.00 per share for aggregate gross proceeds of CDN$6 million to the Company.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at March 11, 2011, the issued and outstanding Ordinary Shares totaled 42,476,000.

The Company granted 1,440,000 incentive stock options to Directors and Officers on the closing of the Offering.

RESULTS OF OPERATIONS

Fiscal Year Ended December 31, 2010 compared to Fiscal Year Ended December 31, 2009

Revenue

During the year ended December 31, 2010, the Company recorded revenue of $45.1 million, as compared to, $25.6 million during the year ended December 31, 2009, representing an increase of 75.8%. The increase in revenue is attributable to new drilling contracts and the deployment of 8 new drilling rigs throughout the year. The Company drilled 481,265 meters in total during 2010, primarily in Ghana and Burkina Faso.

Management estimates that the annual average income per drill rig is $3 million, and the Company deployed an average between 14 and 15 drill rigs during the year.

Revenues were positively impacted partially by the recovery of the global economy which increased the demand for commodities coupled with a continuously strong price of gold and the enhanced profitability of mining companies. The increase in profitability has enabled mining companies to generate cash internally to finance their projects, including those projects that in lean times may have been assessed as too speculative or costly to pursue. In addition, the strengthening capital markets for mining companies have provided funding to Geodrill's client base assisting them in initiating and expanding drilling programs.

Cost of Sales and Gross Profit

The gross profit for the year ended December 31, 2010 was $22.4 million compared to $10.3 million for the year ended December 31, 2009, being an increase of 118%.

The gross margin percentage for the year ended December 31, 2010 was 49.7% compared to 40.1% for the year ended December 31, 2009. The increase in the margin was due to operational efficiencies throughout the year and also, some cost of sales expenses were reclassified to selling, general and administrative expenses.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were $12.2 million for the year ended December 31, 2010, compared to $5.2 million for the year ended December 31, 2009.

Geodrill's staff costs increased from $0.8 million in 2009 to $5.5 million in 2010 because of certain key incremental costs incurred as a result of the rapid growth of the Company in 2010 due to the acquisition of 8 new drill rigs. The upfront employee and mobilization costs were also incurred in anticipation of the additional drill rigs that are expected to arrive in Ghana by the end of the first quarter of 2011. The Company incurred additional labour and training costs and related agency fees to hire more employees to enable the Company to deploy the rigs as efficiently as possible once they arrive in Ghana.

Travel costs increased from $1.3 million in 2009 to $1.7 million in 2010 due to the additional drill rigs acquired and additional executive travel.

Professional fees increased from $0.5 million in 2009 to $1.1 million in 2010 due to additional audit and legal expenses.

Directors fees increased from nil in 2009 to $0.9 million in 2010 due to the Company appointing a board of directors for corporate direction and governance.

EBITDA margin (see *"Non-IFRS Measures"* disclosure below)

EBITDA for 2010 was $14.3 million, with a margin of 31.7%, compared EBITDA in 2009 of $8.3 million, with a margin of 32.2%. The overall EBITDA margin decreased slightly, but was generally in line with the Company's historical EBITDA margin.

Depreciation and Amortisation

Depreciation and amortisation of property, plant and equipment was $4.1 million during the year ended December 31, 2010 compared to $3.2 million year during the year ended December 31, 2009. The Company acquired additional drill rigs and property, plant and equipment throughout the year as part of their expansion.

Net Earnings

Net earnings were $5.1 million for the year ended December 31, 2010, or $0.17 per share ($0.16 per share diluted), compared to $4.0 million for the year ended December 31, 2009, or $0.13 per share ($0.13 per share diluted). Note that in order to compare the figures from each period in a meaningful fashion, the earnings per share calculation for 2009 were adjusted retrospectively to account for the share split that occurred in 2010.

As noted above, revenues increased due to new drilling contracts and the deployment of 8 new drilling rigs throughout the year. Costs also increased due to the additional rigs, but the Company maintained approximately the same EBITDA margin.

Exchange loss

The Company's income is denominated in US Dollars and local currencies. The Company's main exposure to exchange rate fluctuations arose from certain capital, revenue and wage costs and purchases denominated in other currencies.

During the year ended December 31, 2010, the Company incurred a foreign exchange loss of $0.1 million as compared to $0.2 million for the year ended December 31, 2009.

Effect of Exchange Rate

The Companies revenue was invoiced in US Dollars. The Company's main purchases were in Australian Dollars and US Dollars, with less than 20% of the purchases in other (mainly Euros) and local currencies. Other local expenses include local purchases and wages which are paid in the local currency. Accordingly, fluctuations in the US Dollar against the Australian Dollar and local currencies did not have a significant impact on the results of the Company.

LIQUIDITY AND CAPITAL RESOURCES

Sources of financing and Capital Resources

The Company has historically used internally generated funds from operations and Geodrill Ghana Limited (the Company's wholly owned subsidiary) used an overdraft facility of GHC500,000 from Ecobank which is drawn upon on an as needed basis, for liquidity and working capital:

1. **Capital Purchase Requirements**

   To purchase new rigs, to expand capacity and to maintain, rebuild existing drills plant and equipment.

2. **Working Capital Requirements**

   As at December 31, 2010, the Company's working capital (current assets minus current liabilities) was $15.1 million as compared to $1.5 million as at December 31, 2009. Current liabilities totaled $9.8 million as at December 31, 2010, as compared to $6.4 million as at December 31, 2009 (current liabilities consists of trade and other payables, income tax liability and related party payables). The Company's working capital requirements are primarily used to fund labour costs and inventory acquisition. The Company's principal capital expenditures are the acquisition of drill rigs, auxiliary drilling equipment and vehicles to transport its staff and equipment. The Company's capital expenditures fluctuated mainly in line with capital payments for drill rig purchases and were $17.7 million for the fiscal year ended December 31, 2010 (2009 – $6.6 million).

   The Company issued share capital in 2010 resulting in a net cash inflow of $17.2 million, and the cash inflow from the Convertible Loan Note of $2.0 million, resulting in a total inflow of $19.2 million from the Company's Offering, in resources from the increase in issued share capital. This has and will be used for both capital and working capital expenditure requirements in 2010 and 2011.

The Company plans to incur certain capital expenditures including the acquisition of miscellaneous workshop equipment and an upgrade to the Company's information technology equipment and software. The Company anticipates that the remaining net proceeds of the Offering along with cash flow generated from operations will be sufficient to fund the Company's operations and meet current financial obligations, in respect of the new drill rigs currently in shipping and under construction and ancillary equipment.

The Company intends to fund future capital expenditures including acquisition of new drill rigs from cash generated from the Offering and operations, as it has done in the past. If required, the Company may consider other financing alternatives, including equity or debt financing.

Cash Flow from Operating Activities

The Company maintained a positive operating cash flow being $9.3 million compared to $5.9 million in 2009. Generally, cash flow from operating activities from 2009-2010 were driven mainly by a net increase in trade and other payable and receivables. However, the decrease in cash flow from operating activities in 2009 was largely caused by expected increases in cost of sales and SG&A expenses coupled with the global slowdown in demand for drilling services.

During the fiscal year 2010, the Company repaid all debt other than related party debt of $0.9 million due to TTL, as compared to $0.6 million as at December 31, 2009. Interest was considered as negligible in the fiscal year 2010 and 2009.

Cash Flow from Investing Activities

Cash flow from investing activities mainly relates to the Company's investment in property, plant and equipment. In 2010, the Company's investment in property, plant and equipment was $17.7 million compared to $6.6 million as at December 31, 2009.

Cash Flow from Financing Activities

There were two financing activities (see "Transactions with Related Parties") during the year ended December 31, 2010. Terry Burling loaned the Company AUD$2,000,000 on July 14, 2010 which converted into 1,976,000 Ordinary Shares at the closing of the Offering. The Company received a bridge loan of AUD$2 million from Harper Family Settlement, the then ultimate beneficial owner of the Company, on November 17, 2010 in order to then assist the Company's working capital position in advance of the Offering. The bridge loan was fully repaid in 2010. In 2009, the Company borrowed $600,000 to finance its operations, particularly vehicle purchases. The loan was fully repaid in 2010.

Other than the Convertible Loan Note, the Bridge Loan and short-term loans and credit facilities, all of the Company's growth has been financed from cash generated from operations.

Contractual Obligations

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long Term Debt	N/A	N/A	N/A	N/A	N/A
Capital Lease Obligations	N/A	N/A	N/A	N/A	N/A
Operating Leases(1)	$800,000	$160,000	$320,000	$320,000	N/A
Purchase Obligations(2)	$8,359,281	$8,359,281	N/A	N/A	N/A
Other Long Term Obligations	N/A	N/A	N/A	N/A	N/A
Total Contractual Obligations	$9,159,281	$8,519,281	$320,000	$320,000	N/A

Notes:

(1) The operating leases relate to the lease payments for the two real estate properties, as fully disclosed under *"Transactions with Related Parties"*.

(2) The purchase obligations refer to purchase of drilling rigs and tractor bases.

FOURTH QUARTER

	Three Months Ended December 31, 2010 (US$)
Revenue	11,582,977
Cost of sales	(2,769,482)
Gross profit	8,813,495
Other income	–
Selling, general and administrative expenses	(6,377,011)
Results from operating activities	2,436,484
Net finance costs	(1,804,797)
Profit before taxation	631,687
Income tax	(1,217,832)
Comprehensive loss	(586,145)

Revenues for the fourth quarter of 2010 increased from the previous year's fourth quarter due to the additional drill rigs being deployed and a significant increase in new drilling contracts. Some of the cost of sales expenses were reclassified to SG&A expenses, which is a reason that the cost of sales have decreased from the previous year. SG&A expenses increased significantly due to additional staff being required in the fourth quarter to assist with the new drill rigs, additional audit and legal fees, and the appointment of a board of directors for corporate direction and governance. Net finance costs were impacted significantly in the fourth quarter of 2010 due to the fair value calculation of the share-based payment expense in relation to conversion of the Convertible Loan Note into 1,976,000 Ordinary Shares (fair value of $2 million). Income tax expense was higher in the fourth quarter as the Company captured the balance of deferred taxes for 2010 in the last quarter.

ADOPTION OF NEW ACCOUNTING STANDARDS

New Standards and Interpretations not yet adopted

At the date of authorisation of the financial statements for the year ended 31 December 2010 the following standards and interpretations, which are applicable to the Company, were in issue but not yet effective:

Standard/Interpretation		Effective Date
IAS 24 (revised)	*Related Party Disclosures*	Annual periods beginning on or after January 1, 2011*
IAS 32 amendment	*IAS 32 Financial Instruments: Presentation: Classification of Rights Issues*	Annual periods beginning on or after February 1, 2010*
11 individual amendments to 6 standards	*Improvements to International Financial Reporting Standards 2010*	Amendments are effective for annual periods beginning on or after July 1, 2010 or for annual periods beginning on or after January 1, 2011*
IFRS 7 amendment	*Disclosures – Transfers of Financial Assets*	Annual periods beginning on or after July 1, 2011*
IFRS 9	*Financial Instruments*	Annual periods beginning on or after January 1, 2013*
IFRS 9	*Additions to IFRS 9 Financial Instruments*	Annual periods beginning on or after January 1, 2013*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*	Annual periods beginning on or after July 1, 2010*

* All standards and interpretations will be adopted at their effective date.

The directors are of the opinion that the impact of the application of the Standards and Interpretations will be as follows:

IAS 24 (revised):

IAS 24 (revised) will be adopted by the Company for the first time for its financial reporting period ending December 31, 2011. The standard will be applied retrospectively.

IAS 24 (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities.

The change in the definition of a related party will not result in any new related party relationships being identified by the Company.

IAS 32 amendment:

The amendment to IAS 32 will be adopted by the Company for the first time for its financial reporting period ending December 31, 2011.

IAS 32 requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants *pro rata* to all of its existing owners of the same class of its own non-derivative equity instruments.

The impact on the financial statements for the Company has not yet been estimated.

Improvements to IFRS 2010:

If an improvement will be material to an entity in the first period of adoption, disclosure of this amendment will be made.

The impact on the financial statements for the Company has not yet been estimated.

IFRS 7 amendment:

The amendments to IFRS 7 will be adopted by the Company for the first time for its financial reporting period ending December 31, 2012.

In terms of the amendments additional disclosure will be provided regarding transfers of financial assets that are:

- not derecognised in their entirety; and
- derecognised in their entirety but for which the Company retains continuing involvement.

Additional disclosures will be made by the Company, as required, if the above situations arise.

IFRS 9:

IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending December 31, 2013. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements for the Company has not yet been estimated.

Additions to IFRS 9:

The additions to IFRS 9 will be adopted by the Company for the first time for its financial reporting period ending December 31, 2013. The standard will be applied retrospectively, subject to transitional provisions.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, barring the following two aspects:

- fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining change is recognised in profit or loss. However, if the requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.
- Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement, derivatives embedded in host contracts that are not financial assets, and the requirements of IFRIC 9 *Reassessment of Embedded Derivatives.*

The impact on the financial statements for the Company has not yet been estimated.

IFRIC 19:

IFRIC 19 will be adopted by the Company for the first time for its financial reporting period ending December 31, 2011. The standard will be applied retrospectively.

IFRIC 19 addresses the accounting treatment for the extinguishment of financial liabilities with equity instruments.

Under IFRIC 19 (AC 452), equity instruments issued to a creditor to extinguish all or part of a financial liability would represent "consideration paid". The equity instruments will be measured on initial measurement at their fair value, unless such fair value cannot be reliably measured, in which case the fair value of the financial liability will be used. The difference between the carrying amount of the financial liability (or part thereof) extinguished and the initial measurement amount of the equity instruments shall be recognised in profit or loss.

The impact on the financial statements for the Company has not yet been estimated

CRITICAL ACCOUNTING ESTIMATES

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.

Income taxes

The Company is subject to income tax in the countries where they operate in and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Local tax law in one or more of the jurisdictions that the Company operates in provides for accelerated capital allowances on property, plant and equipment in the determination of total tax payable. Deferred tax is recognised in respect of the resultant temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Useful lives of property, plant & equipment

The depreciation methods, estimated useful lives and residual values of property, plant and equipment are reassessed at each reporting date. The Company depreciates its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment. The actual lives of these assets and residual values can vary depending on a variety of factors, including technological innovation and maintenance programmes. Changes in estimates can result in significant variations in the carrying value and amounts charged to the income statement in specific periods.

Impairment of property, plant & equipment

The Company's property, plant and equipment is reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the assets recoverable amount is estimated. The recoverable amount of the cash-generating units is based on value-in-use calculations. These calculations requires an estimation of the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Changes in these estimates can result in significant variations in the carrying value and amounts charged to the income statement in specific periods.

Revenue – Drilling Revenue

Revenue from the provision of drilling services is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Drilling income for all types of drilling services is recognised when the outcome of the drilling can be estimated reliably and by reference to stage of completion of the drilling at the end of the reporting period. The stage of completion is assessed by reference to the actual chargeable meters drilled.

The outcome can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the drilling service rendered will flow to the Company
- the stage of completion of the drilling service at the end of the reporting period can be measured reliably
- the costs incurred for and to complete the drilling can be measured reliably

Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Trade and other receivables: The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the current market rate of instruments with similar credit risk profile and maturity at the reporting date. Receivables, all due within 60 were not discounted as the carrying values approximate their fair values.

Cash and cash equivalents: The fair value of cash and cash equivalents approximate their carrying values.

Non-derivative financial liabilities: Fair value, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Instruments with maturity period of six months are not discounted as their carrying values approximate their fair values.

Share-based payment transactions: The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility (based on an evaluation of similar entities' volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), 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.

OUTLOOK

The Company views the industry dynamics underlying demand for its services to be favourable and, accordingly, has added significantly to its capacity through the acquisition of additional drill rigs. All of the Company's drill rigs are at December 31, 2010, currently committed to contracts, with all 18 of the Company's drill rigs commissioned and being utilized on client sites. The Company expects that the six drill rigs currently in transit will arrive in Ghana and be operational by the end of March 2011. The Company also ordered six additional drill rigs, and expects that those six drill rigs will be operational and in the field by the end of 2011.

The Company's drill rig fleet and year the drill rig was deployed or planned to be operational in the field is noted below:

Make – Model	Type	No. of Rigs	Currently in Operation	No. of Rigs	Planned to be Operational by March 31, 2011	No. of Rigs	Planned to be Operational by December 31, 2011
UDR – 650	Multipurpose	2	1 × 2003 1 × 1993				
UDR – KL900	Multipurpose	4	1 × 2007 1 × 2003 1 × 1999 1 × 1998				
Sandvik – DE820	Multipurpose	4	1 × 2010 3 × 2008				
EDM – 2000	Multipurpose			2	2 × 2011		
Austex – X900	Multipurpose			1	1 × 2011	5	5 × 2011
Sandvik – DE710	Core	6	5 × 2010 1 × 2009	2	2 × 2011		
Austex – X300	Air-Core	2	2 × 2010	1	1 × 2011	1	1 × 2011
Total Drill Rigs		18		6		6	

The Company plans to place all drill rigs with existing clients who are currently under-serviced and to use any additional capacity to bid on additional contract opportunities. Management expects that this strategy of organic growth will allow Geodrill to better service existing clients as well as to expand its current client base while increasing overall meters drilled. The Company will continue the growth strategy across the two countries in which it currently operates, while continuing to assess expansion opportunities throughout West Africa and other jurisdictions of Africa to meet growing demand for its services and expertise. Geodrill believes that its young and modern fleet of drill rigs with an average age of less than 2 years promotes customer satisfaction through reliable operational performance.

RISK FACTORS

The following are certain factors according to the Company's business and Industry within which it operates. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing in this MD&A and in the Company's final prospectus dated December 9, 2010 under the heading "Risk Factors". These risks are not the only facing the Company. Additional risks and uncertainties presently not known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company could be materially adversely effected.

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. A reduction in exploration, development and production activities will cause a decline in the demand for the drilling rigs and drilling services, which could have a material adverse effect on the Company's business, financial position, resulting operations and prospects.

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, fluctuation 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 recent years, and future serious price declines could cause continued exploration, development of and commercial production from Geodrill's customers 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 a major influence on the Company's clients' activity levels and planned expenditures. Gold and base metal prices are currently at levels well above historical averages. Strong commodities market conditions have led to an increased supply of drilling rigs to the market. In the event of a sustained decrease in demand, the market may be oversupplied with drilling 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 12 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.

Revenues and EBITDA

The Company does not provide financial guidance. The Company has experienced increasing cash generation from revenues and EBITDA in the past. However, there can be no assurance that this will continue in the future. It may be difficult for the Company to maintain historic EBITDA growth figures, as it did in the past, as the Company expands its operations.

Global Financial Condition

Global financial conditions have been subject to increased volatility in recent years and numerous financial institutions have either gone into bankruptcy or have received capital bail-outs or other relief from governmental authorities. These factors may impact the ability of the Company and its customers to obtain equity or debt financing in the future on terms that are favourable. Worldwide economic conditions, in particular, economic conditions of countries such as the United States and China, influence the activity in the mining industry which in turn has an effect on the demand for the drilling services provided by Geodrill. Although there have been numerous indications of economic recovery during 2009 and 2010 , if these increased levels of volatility and market turmoil continue, the Company's results of operations could be adversely impacted and the trading price of the Ordinary Shares could be adversely affected.

Foreign Currency Exposure

The Company receives the majority of its revenues in U.S. dollars. However, a significant part of the Company's costs are in Australian dollars. 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 U.S. dollar and the value of the Australian dollar may increase the cost of the Company's operations and could adversely affect financial results.

Dependence on Certain Key Personnel

The success of the Company is currently largely dependent on the performance of management and, in particular, David Harper, Terry Burling and Ian Lacey. The Company's lean management structure may be strained as the Company pursues growth opportunities in the future as well as meets the additional obligations of running a public company. The loss of the services of these persons 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 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 key personnel.

Ongoing integration of business systems

The Company is installing an enterprise resource planning system including new financial, inventory, operating information and technology systems. These systems are designed to improve the business operations and management oversight. However, there may be a level of disruption to the business with incorrect information produced and relied upon while software implementation and training is being implemented and completed - management's attention may be diverted to ensuring the successful integration of the new technology during this process.

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.

Political Instability

The Company's operations are currently based in Ghana and Burkina Faso, West Africa. Conducting operations in West Africa 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. Operations 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.

Specialized Skills and Cost of Labour Increases

A key limiting factor in the growth of drilling services companies is the supply of qualified drillers, upon whom the Company relies to operate its drills. The increase in demand for drilling services has created a situation where there is a shortage of qualified drillers and competition for drillers is intense. As such, the ability to attract, train and retain high quality drillers is a high priority for all drilling services providers. The Company may not be able to recruit or retain drillers and other key personnel who meet the Company's high standards, especially as it pursues growth opportunities. 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. In addition, rising rates paid to drillers and helpers will exert pressure on the Company's profit margins if it is unable to pass on such higher costs to its customers through price increases.

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. Due to the worldwide increased demand for drilling services, the industry is experiencing tightness in the supply of drilling equipment, including drills, and this could impede the Company's ability to grow its business. 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 equipments, 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.

Access of Customers to Equity Markets

Economic factors may make it more difficult for mining companies, particularly junior mining companies, to raise money to fund exploration activity. This difficulty would have an adverse impact on the demand for drilling services and could have a material adverse effect on the financial performance, financial condition, cash flows and growth prospects of the Company.

Expansion Plans

The Company's expansion plans partly rely on the anticipated addition to its drill rig fleet of six additional drill rigs being operational by the end of the first quarter of 2011 and six addititional rigs becoming operational before December 31, 2011. A significant delay in delivery or time lag between manufacture, shipping, delivery, commissioning and dispatch to the field may have a material adverse effect on the expansion plans of the Company.

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 than the Company. The capital cost to acquire drill rigs is relatively low, enabling current competitors to expand and new competitors to enter the market. In addition, new and current competitors willing to provide services at a lower cost may occur as the West African mining market matures. 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.

Inability to Sustain and Manage Growth

The Company's revenue has grown in recent years. The Company's ability to sustain its growth 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. Future growth and expansion could place significant strain on the Company's management personnel and key drillers and likely will require the Company to recruit additional management personnel and train and retain additional key drillers and mechanics.

There can be no assurance that the Company will be able to manage its expanding operations (including any acquisitions) effectively, that it will be able to sustain or accelerate its growth or that such growth, if achieved, will result in profitable operations, that it will be able to attract and retain sufficient management personnel necessary for continued growth or that it will be able to successfully make strategic investments or acquisitions. 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 number of rigs, 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.

Customer Contracts

The Company's drilling customer contracts are typically for a term of three months to one year and can be cancelled by the customer 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 customers. 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.

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' 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.

Lack of Experience in Managing a Public Entity

Management has historically operated the business of the Company as a privately owned company. The individuals who constitute the Company's senior management team have limited experience for managing a publicly traded entity. The Company may be adversely affected if these individuals are unable to satisfactorily manage a public entity and ensure the Company's compliance with all continuous disclosure and other requirements applicable to public entities.

Environment, Labour 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 Geodrill'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. However, 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 affect on the financial position of the Company. To the extent that Geodrill incurs losses not covered by its insurance policies, the funds available for sustaining and growing 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, both 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, labour laws and expropriation.

Given the uncertain legal and regulatory framework in 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 customer 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. Geodrill is an Isle of Man company with operations currently in Ghana, Burkina Faso and British Virgin Islands. There is a risk in which the countries where Geodrill operates may change their current tax regime with little or no prior notice or that the tax authorities in these jurisdiction may attempt to claim tax on the global revenues of the Company. A change to the tax regimes in these countries or an unfavourable 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 customers in the normal course of its operations. As at December 31, 2010, 100% of the trade accounts receivable are aged as less than 60 days and none are considered to be impaired.

One major customer represents 17% of the trade accounts receivable as at December 31, 2010. Major customers represented 16%, 15%, 15%, 12% respectively. The balance all represented less than 10% each.

Credit risk also arises from cash and cash equivalents with banks. This risk is limited, as it is spread over various countries and banking institutions.

Fair Value

The fair values of cash, accounts receivable, accounts payable and accrued liabilities is approximately equal to their carrying values due to their short-term maturity period.

Future Expansion Strategy

Although the Company currently expects to grow organically through the acquisition of drill rigs rather than other companies, the Company may in the future determine to pursue growth targets through corporate acquisitions. There is considerable competition within the drilling services industry for suitable acquisition targets. There can be no assurance that suitable candidates will be identified at acceptable prices or that the Company will be able to finance or complete potential acquisitions. The Company's future acquisitions may be subject to unanticipated risks or liabilities. In addition, there can be no assurance that any such acquisitions will be profitable or be successfully integrated into the Company's operations, that any such integration will be smooth or that such acquisition and integration will not have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Expansion into new geographies organically and via acquisitions 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.

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.

Difficulty Enforcing Judgments and Effecting Service of Process

Some of the directors and officers of Geodrill and Shareholders and some of the experts named in this prospectus reside outside of Canada. Some or all of the assets of those persons and Geodrill may be located outside of Canada. Furthermore, Geodrill and its subsidiaries are incorporated under the laws of a foreign jurisdiction and each resides outside of Canada. Although Geodrill has appointed Cassels Brock & Blackwell LLP, Suite 2100, Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2, Canada as its respective agent for service of process in Canada, it may not be possible for investors to collect from Geodrill or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against Geodrill its Shareholders and any of their respective directors and officers and certain of the experts. Moreover, it may not be possible for investors to effect service of process within Canada upon the parties referred to above.

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

The Harper Family Settlement shareholders holds or controls, directly or indirectly, 17,500,000 Ordinary Shares representing approximately 41.23% of the Company's issued Ordinary Shares. As a result, the Harper Family Settlement will have the ability to affect the control of 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 affect 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.

Future Sales of Ordinary Shares by the Harper Family Settlement

Sales of a large number of Ordinary Shares 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 as it intends to use cash for future growth. Other than the Real Estate Dividend in 2010, issued in connection with the pre-Offering 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.

NON-IFRS MEASURES

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

Additionally, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as capital expenditures, contractual commitments, interest payments, tax payments and debt service requirements.

The following table is a reconciliation of Geodrill's results from operations to EBITDA (and the reconciliation is also disclosed in note 27 of the Company's financial statements for the year ended December 31, 2010):

	Year ended December 31, 2010 (US$)	Year ended December 31, 2 009 (US$)
Results from operating activities	10,242,495	5,109,406
Add back: depreciation and amortisation	4,061,170	3,151,266
Earnings before interest, taxation, depreciation and amortisation (EBIDTA)	14,303,665	8,260,672

ADDITIONAL INFORMATION

Additional information relating to the Company, can be found on SEDAR at www.sedar.com.

consolidated financial statements

For the years ended 31 December 2010 and 2009

REPORT OF THE DIRECTORS TO THE MEMBERS OF GEODRILL LIMITED

for the years ended 31 December 2010 and 2009

The Directors present the consolidated financial statements of Geodrill Limited for the years ended 31 December 2010 and 2009. The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and also has the responsibility for approving the financial information included in the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY STATEMENT

Management is responsible for the preparation and fair presentation of the consolidated financial statements, comprising the consolidated statements of financial position at 31 December 2010 and 2009, consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

Management's responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Management's responsibility also includes maintaining adequate accounting records and an effective system of risk management.

Management's has made an assessment of Group's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the foreseeable future.

FINANCIAL STATEMENTS

The results for the year are as set out in the attached financial statements.

NATURE OF BUSINESS

The Group provides exploration, drilling and mining support services.

APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group were approved by the Board of Directors on March 11, 2011 and are signed on their behalf by:

John Bingham	Allen Palmiere
Director	Director

INDEPENDENT AUDITOR'S REPORT

To the Members of Geodrill Limited

Report on the Audit of Financial Statements

We have audited the accompanying consolidated financial statements of Geodrill Limited and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position at 31 December 2010 and 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information, as set out on pages 47 to 94.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at 31 December 2010 and 2009, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG Inc.
Registered Auditor

Per RG Stoltz
Chartered Accountant (SA)
Director
11 March 2011

Secunda Mediforum Building, Suite 301
Heunis Street
Secunda, 2303, South Africa

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the years ended 31 December 2010 and 2009

	Note	2010 US$	2009 US$
Assets			
Non-current assets			
Property, plant and equipment	12	29 908 832	18 827 365
Long term prepayment	13	-	65 183
Total non-current assets		29 908 832	18 892 548
Current assets			
Inventories	14	7 581 220	401 243
Trade and other receivables	15	7 130 906	6 885 240
Cash and cash equivalents	16	10 183 088	655 617
Total current assets		24 895 214	7 942 100
Total assets		54 804 046	26 834 648
Equity and liabilities			
Equity			
Share capital		21 184 590	4
Share based payment reserve		490 990	-
Retained earnings		20 319 955	17 588 092
Total equity		41 995 535	17 588 096
Liabilities			
Non-current liabilities			
Deferred tax liability	11(iv)	3 040 338	2 806 008
Total non-current liabilities		3 040 338	2 806 008
Current liabilities			
Trade and other payables	17	8 845 148	4 701 876
Bank overdraft	18	-	463 994
Related party payables	21(iii)	923 025	615 371
Short-term loan	31	-	600 000
Income tax liability	11(ii)	-	59 303
Total current liabilities		9 768 173	6 440 544
Total liabilities		12 808 511	9 246 552
Total liabilities and equity		54 804 046	26 834 648

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December 2010 and 2009

	Note	2010 US$	2009 US$
Revenue	6	45 062 630	25 629 542
Cost of sales		(22 669 109)	(15 342 543)
Gross profit		22 393 521	10 286 999
Selling, general and administrative expenses		(12 166 142)	(5 179 566)
Other income	7	15 116	1 973
Results from operating activities		10 242 495	5 109 406
Finance income	10(i)	52 244	2 922
Finance cost	10(ii)	(2 464 558)	(341 601)
Net finance cost	10	(2 412 314)	(338 679)
Profit before taxation	8	7 830 181	4 770 727
Income tax expense	11(i)	(2 748 318)	(751 320)
Profit for the year		5 081 863	4 019 407
Other comprehensive income		-	-
Total comprehensive income for the year		5 081 863	4 019 407
Earnings per share			
Basic	26(i)	0.17	0.13
Diluted	26(ii)	0.16	0.13

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 31 December 2010 and 2009

	Share Capital US$	Share Based Payment Reserve US$	Retained Earnings US$	Total Equity US$
Balance at 1 January 2010	4	-	17 588 092	17 588 096
Total comprehensive income for the year	-	-	5 081 863	5 081 863
Transactions with owners, recorded directly in equity				
Issue of ordinary shares / (net of transaction costs)	17 233 376	-	-	17 233 376
Convertible loan exercised (net of transaction costs)	3 951 210	-	-	3 951 210
Share base payment transactions	-	490 990	-	490 990
Dividends to equity holders	-	-	(2 350 000)	(2 350 000)
Balance at 31 December 2010	21 184 590	490 990	20 319 955	41 995 535
Balance at 1 January 2009	4	-	13 568 685	13 568 689
Total comprehensive income for the year	-	-	4 019 407	4 019 407
Balance at 31 December 2009	4	-	17 588 092	17 588 096

CONSOLIDATED STATEMENT OF CASH FLOW

for the years ended 31 December 2010 and 2009

	Note	2010 US$	2009 US$
Cash flows from operating activities			
Profit before taxation		7 830 181	4 770 727
Adjustments for:			
Depreciation charges		4 060 081	3 147 541
Amortisation charges		1 089	3 725
Loss on disposal of property, plant and equipment		208 576	10 664
Transfer from Property Plant and Equipment to inventory		294 781	-
Provision for obsolescence (reversed)/raised		(100 371)	25 138
Equity-settled share based payment transaction		490 990	-
Net finance cost		2 412 314	338 679
		15 197 641	8 296 474
Change in inventories		(7 079 606)	(125 449)
Change in trade and other receivables		(245 666)	(2 394 540)
Change in trade and other payables		4 143 272	1 830 876
Change in related party payables		307 654	(488 583)
Cash generated from operations		12 323 295	7 118 778
Finance income		52 244	2 922
Finance expense		(476 977)	(341 601)
Income tax paid		(2 573 291)	(794 778)
Net cash from operating activities		9 325 271	5 985 321
Cash flows from investing activities			
Acquisition of property, plant and equipment		(17 726 801)	(6 634 048)
Proceeds from sale of property, plant and equipment		1 000	3 779
Long term prepayment		(5 010)	(4 069)
Net cash used in investing activities		(17 730 811)	(6 634 338)
Cash flows from financing activities			
Change in short-term loan		(600 000)	600 000
Net proceed from issue of share capital		19 197 005	-
Dividends declared	28	(2 350 000)	-
Dividends settled in specie	28	2 150 000	-
Net cash from financing activities		18 397 005	600 000
Net increase/ (decrease) in cash and cash equivalents		9 991 465	(49 017)

CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)

for the years ended 31 December 2010 and 2009

	Note	2010 US$	2009 US$
Analysis of changes in cash and cash equivalents during the year			
Balance at 1 January		191 623	240 640
Net cash inflow / (outflow)		9 991 465	(49 017)
Balance at 31 December		10 183 088	191 623
Analysis of balances of cash and cash equivalents as shown in the statement of financial position			
Cash and cash equivalents		10 183 088	655 617
Bank overdraft		-	(463 994)
		10 183 088	191 623

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the years ended 31 December 2010 and 2009

1. REPORTING ENTITY

Geodrill Limited ("the company") is a company registered and domiciled in Isle of Man. The address of the company's registered office is First Floor, 18 Peel Road, Ragnall House, Isle of Man, IM1 4LZ. The consolidated financial statements of the company as at and for the year ended 31 December 2010 comprises the company and its subsidiaries, Geodrill Ghana Limited, Geodrill Cote d'Ivoire SARL and Drill Supplies International Services Ltd ("DSI") together referred to as the "Group". The Group is primarily involved in the provision of exploration, drilling and other mining services.

2. BASIS OF PREPARATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

b. Basis of measurement

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

c. Functional and presentational currency

The financial statements are presented in United States Dollars which is the company's functional and presentational currency.

d. Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 judgements 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 recognised 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.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are described in notes 3.e, 3.f, 4 and 20.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a. Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Special purpose entities

A special purpose entity (SPE) is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

(iii) Transactions eliminated on consolidation

Intra-Group balances and any unrealised income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Financial Instruments

(i) Recognition

Non-derivative financial instruments are recognised on the date that they are originated. Initially, they are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less impairment losses, if any.

(ii) Derecognition

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

Financial liabilities are derecognised when its contractual obligation are discharged, cancelled or expired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the years ended 31 December 2010 and 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Classification

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents (including bank overdrafts), loans and borrowings and trade and other payables.

Non-derivative financial instruments are categorised as follows:

- Loans and receivables – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest rate method and for receivables less appropriate allowances for doubtful receivables. Allowances for doubtful receivables represents the Group's estimate of incurred losses arising from the failure or inability of customers to make payments when due. These estimates are based on ageing of customer's balances, specific credit circumstances, and the Group's receivables historical experience. An allowance is reduced directly against the carrying amount.
- Cash and cash equivalents

  Cash and cash equivalents comprise cash on hand and bank balances and are stated at the carrying value which approximates fair value, in the statement of financial position.
- Other financial liabilities - this relates to all financial liabilities not carried at fair value through profit or loss.

(iv) Amortised cost measurement

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

The fair values of financial instruments are determined using market prices for quoted instruments and widely accepted valuation techniques for other instruments. Valuation techniques include discounted cash flows, standard valuation models based on market parameters, dealer quotes for similar instruments and expert valuation.

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

(v) Off setting

Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(vi) Share capital

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

(vii) Compound financial instrument

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity component in the proportion of their initial carrying amounts.

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

Interest and gains and losses related to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

c. Foreign Currency Transactions

Foreign currency transactions are translated to the functional currency of the Group using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the statement of comprehensive income. Non-monetary assets and liabilities are translated at historical exchange rates, if held at historical cost or at exchange rates at the date that fair value was determined if held at fair value. The resulting foreign exchange gains and losses are recognised in the statement of comprehensive income or shareholders' equity as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the years ended 31 December 2010 and 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Leases

(i) Classification

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

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

(ii) Lease payments

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. Minimum lease payments made under finance leases are apportioned between the finance expense and a reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

e. Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment (PPE) are measured at acquisition or construction cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Assets leased under a finance lease are depreciated over their useful lives.

The estimated useful lives of major classes of depreciable property, plant and equipment are:

Motor Vehicles	5 years
Furniture and Equipment	5 years
Plant and Machinery	5 years
Building and Structures	20 years
Drilling Rigs	3-12 years

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from disposal with the carrying amounts of property, plant and equipment and are charged to income.

(iv) Impairment

The carrying amount of the Group's property, plant and equipment is reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of the cash-generating units is based on value-in-use calculations. These calculations require an estimation of the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Changes in these estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.

f. Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Employee Benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

(iii) Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

h. Income tax

Income tax expense comprises current and deferred tax. The Group provides for income taxes at the current tax rates on the taxable profits of the Group entities.

Current tax and deferred tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax that arise from the distribution of dividends, are recognised at the same time as the liability to pay the related dividend is recognised.

i. Dividends

Dividends payable/receivable is recognised as an expense/income in the period in which the dividend is appropriately authorised.

j. Revenue – Drilling income

Revenue from the provision of service in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Drilling income is recognised as revenue when the outcome of the drilling can be estimated reliably and by reference to stage of completion of the drilling at the end of the reporting period. The stage of completion is assessed by reference to the actual chargeable meters drilled.

The outcome can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the drilling service rendered will flow to the Group
- the stage of completion of the drilling service at the end of the reporting period can be measured reliably
- the costs incurred for and to complete the drilling can be measured reliably

k. Finance income

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

l. Finance cost

Finance expenses comprise interest expense on borrowings including all financing arrangements. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of comprehensive income using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

m. Post balance sheet events

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the years ended 31 December 2010 and 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Earnings per share

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

o. Comparatives

Where necessary, the comparative information has been changed to agree to the current year presentation.

p. New Standards and Interpretations not yet adopted

At the date of authorisation of the financial statements of the Group for the year ended 31 December 2010 the following Standards and Interpretations, which are applicable to the Group, were in issue but not yet effective:

Standard/Interpretation		Effective date
IAS 24 (revised)	*Related Party Disclosures*	Annual periods beginning on or after 1 January 2011*
IAS 32 amendment	*IAS 32 Financial Instruments: Presentation: Classification of Rights Issues*	Annual periods beginning on or after 1 February 2010*
11 individual amendments to 6 standards	*Improvements to International Financial Reporting Standards 2010*	Amendments are effective for annual periods beginning on or after 1 July 2010 or for annual periods beginning on or after 1 January 2011*
IFRS 7 amendment	*Disclosures – Transfers of Financial Assets*	Annual periods beginning on or after 1 July 2011*
IFRS 9	*Financial Instruments*	Annual periods beginning on or after 1 January 2013*
IFRS 9	*Additions to IFRS 9 Financial Instruments*	Annual periods beginning on or after 1 January 2013*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*	Annual periods beginning on or after 1 July 2010*

* All Standards and Interpretations will be adopted at their effective date.

The directors are of the opinion that the impact of the application of the Standards and Interpretations will be as follows:

IAS 24 (revised):

IAS 24 (revised) will be adopted by the Group for the first time for its financial reporting period ending 31 December 2011. The standard will be applied retrospectively.

IAS 24 (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities.

The change in the definition of a related party will not result in any new related party relationships being identified by the Group.

IAS 32 amendment:

The amendment to IAS 32 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2011.

IAS 32 requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants *pro rata* to all of its existing owners of the same class of its own non-derivative equity instruments.

The impact on the financial statements for the Group has not yet been estimated.

Improvements to IFRS 2010:

If an improvement will be material to an entity in the first period of adoption, disclosure of this amendment will be made.

The impact on the financial statements for the Group has not yet been estimated.

IFRS 7 amendment:

The amendments to IFRS 7 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2012.

In terms of the amendments additional disclosure will be provided regarding transfers of financial assets that are:

- not derecognised in their entirety; and
- derecognised in their entirety but for which the Group retains continuing involvement.

Additional disclosures will be made by the Group, as required, if the above situations arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the years ended 31 December 2010 and 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. New Standards and Interpretations not yet adopted (continued)

IFRS 9:

IFRS 9 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2013. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements for the Group has not yet been estimated.

Additions to IFRS 9:

The additions to IFRS 9 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2013. The standard will be applied retrospectively, subject to transitional provisions.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, barring the following two aspects:

- fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining change is recognised in profit or loss. However, if the requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.
- Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement, derivatives embedded in host contracts that are not financial assets, and the requirements of IFRIC 9 *Reassessment of Embedded Derivatives.*

The impact on the financial statements for the Group has not yet been estimated.

IFRIC 19:

IFRIC 19 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2011. The standard will be applied retrospectively.

IFRIC 19 addresses the accounting treatment for the extinguishment of financial liabilities with equity instruments.

Under IFRIC 19 (AC 452), equity instruments issued to a creditor to extinguish all or part of a financial liability would represent "consideration paid". The equity instruments will be measured on initial measurement at their fair value, unless such fair value cannot be reliably measured, in which case the fair value of the financial liability will be used. The difference between the carrying amount of the financial liability (or part thereof) extinguished and the initial measurement amount of the equity instruments shall be recognised in profit or loss.

The impact on the financial statements for the Group has not yet been estimated.

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 disclosed under note 20.

(a) Loans and receivables

The fair value of (trade and other receivables) is estimated as the present value of future cash flows, discounted at the current market rate of instruments with similar credit risk profile and maturity at the reporting date. Receivables due within 60 days are not discounted as the carrying values approximate their fair values.

(b) Cash and cash equivalents

The fair value of cash and cash equivalents approximates their carrying values.

(c) Other financial liabilities

Fair value, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows, discounted at the market rates of interest at the reporting date. Instruments with maturity period of 6 months are not discounted as their carrying values approximate their fair values.

(d) Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility (based on an evaluation of similar entities volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the years ended 31 December 2010 and 2009

5. SEGMENT REPORTING

Segmented information is presented in respect of the Group's strategic business units. The primary format (business 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, 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 business units are based on geographical segments categorised as Ghana and outside Ghana.

	Ghana	
	2010 US$ '000	**2009 US$ '000**
Revenue	27 752	13 460
Cost of sales	(13 474)	(9 347)
Selling, general and administrative	(10 091)	(4 497)
Segment results	4 187	(384)
Other income	2 850	1 702
Operating profit		
before finance cost	7 037	1 318
Finance income	23	2
Finance cost	(99)	(330)
Segmented results	6 961	990
Total assets	44 610	27 349
Intra-group balances		
Per statement of financial position		
Total liabilities	28 385	13 952
Intra-group balances		
Per statement of financial position		

Outside Ghana		Intra-group transactions		Total	
2010 US$ '000	2009 US$ '000	2010 US$ '000	2009 US$ '000	2010 US$ '000	2009 US$ '000
20 130	16 820	(2 820)	(4 650)	45 062	25 630
(14 865)	(12 345)	5 670	6 350	(22 669)	(15 342)
(2 630)	(683)	555	-	(12 166)	(5 180)
2 635	3 792	3 405	1 700	10 227	5 108
570	-	(3 405)	(1 700)	15	2
3 205	3 792	-	-	10 242	5 110
2 379	1	(2 350)	-	52	3
(2 365)	(12)	-	-	(2 464)	(342)
3 219	3 781	(2 350)	-	7 830	4 771
41 599	12 877			86 209	40 226
				(31 405)	(13 391)
				54 804	26 835
15 598	8 455			43 983	22 407
				(31 174)	(13 160)
				12 809	9 247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the years ended 31 December 2010 and 2009

	2010 US$	2009 US$
6. REVENUE		
Drilling income	45 062 630	25 629 542
7. OTHER INCOME		
Sundry income	15 116	1 973
8. PROFIT BEFORE TAXATION		
is stated after charging:		
Depreciation charges	4 060 081	3 147 541
Amortisation charges	1 089	3 725
Personnel costs (Note 9)	8 234 809	3 006 967
Provision for inventory obsolescence (reversed)/raised	(100 371)	25 138
(Profit)/Loss on sale of property, plant and equipment (Note 12b)	208 576	10 664
Doubtful debts written off	-	302 634
9. PERSONNEL COSTS		
Wages and salaries	7 101 307	2 591 335
Social security contributions	108 002	74 304
Contributions to provident fund	48 372	25 118
Bonuses	682 391	271 583
Other staff expenses	110 616	44 627
Equity settled share based payment transactions (excluding directors)'	184 121	-
	8 234 809	3 006 967
10. FINANCE INCOME AND COSTS		
(i) Finance income		
Interest income on cash and cash equivalents	52 244	2 922

10. FINANCE INCOME AND COSTS (CONTINUED)

(ii) Finance cost

	2010 US$	2009 US$
Interest expense on financial liabilities	346 678	128 059
Net exchange loss	130 299	213 542
	476 977	341 601
Fair value determination on convertible loan note	1 987 581	-
	2 464 558	341 601
Net finance cost	2 412 314	338 679

11. TAXATION

(i) Income tax expense

	2010 US$	2009 US$
Current tax expense (ii)	2 513 988	700 271
Deferred tax expense (iv)	234 330	51 049
	2 748 318	751 320

Deferred tax credit/expense relates to the origination and reversals of temporary differences.

(ii) Taxation payable

	Ballance at 1 January US$	Payments during the year US$	Charge for the year US$	Balance at 31 December US$
Income Tax				
2010	59 303	(2 573 291)	2 513 988	-
2009	153 810	(794 778)	700 271	59 303

Tax liabilities up to and including the 2008 year of assessment have been agreed with the tax authorities in Ghana. The remaining tax position is however subject to agreement with the tax authorities in the various tax jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the years ended 31 December 2010 and 2009

11. TAXATION (CONTINUED)

(iii) Reconciliation of effective tax rate

	2010 US$	2009 US$
Profit before taxation	7 830 181	4 770 727
Proportion of profit before taxation subject to no corporate taxation	868 591	3 780 808
Proportion of profit before taxation subject to corporate taxation at a rate of 25%	6 961 590	989 919
	7 830 181	4 770 727
Current year taxation per tax jurisdiction		
- Ghana Corporate taxation (including deferred tax)	1 783 115	503 951
- Burkina Faso minimum withholding tax	965 203	247 369
Total tax charge	2 748 318	751 320
Reconciliation of taxation expense		
Income tax using the domestic tax rate (Isle of Man)	-	-
Income tax at rate for Ghana taxable earnings		
- Using Ghana tax rate	1 740 398	247 479
- Non-temporary differences	42 717	256 472
Minimum withholding tax (Burkina Faso)	965 203	247 369
	2 748 318	751 320
Effective tax rate	35.1%	15.7%

(iv) Deferred taxation

	2010 US$	2009 US$
Balance at 1 January	2 806 008	2 754 959
Charge for the year	234 330	51 049
Balance at 31 December	3 040 338	2 806 008

11. TAXATION (CONTINUED)

(v) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2010		
	Asset US$	Liability US$	Net US$
Property, plant and equipment	-	3 040 338	3 040 338

	2009		
	Asset US$	Liability US$	Net US$
Property, plant and equipment	-	2 806 008	2 806 008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the years ended 31 December 2010 and 2009

12. PROPERTY, PLANT AND EQUIPMENT

2010	Buildings US$	Motor Vehicles US$
Cost		
Balance at 1 January	1 976 831	2 497 022
Additions	575 402	639 229
Transfers from CWIP	-	-
Distribution to shareholders/disposals	(2 552 233)	(269 440)
Written-off	-	-
Reclassification to Inventory	-	-
Balance at 31 December	-	2 866 811
Accumulated Depreciation		
Balance at 1 January	249 413	1 457 720
Charge for the year	79 416	404 388
Released on distribution/disposals	(328 829)	(202 372)
Released on write-off	-	-
Reclassification to Inventory	-	-
Balance at 31 December	-	1 659 736
Carrying Amounts		
At 31/12/10	-	1 207 075
At 31/12/09	1 727 418	1 039 302

Plant & Equipment US$	Furniture & Fittings US$	Drilling Rigs US$	Capital Work in Progress (CWIP) US$	Total US$
6 584 026	80 603	17 653 474	287 529	29 079 485
2 881 779	48 231	4 459 272	9 122 888	17 726 801
287 529	-	-	(287 529)	-
-	-	-	-	(2 821 673)
(54 194)	(128 834)	-	-	(183 028)
(728 843)	-	-	-	(728 843)
8 970 297	-	22 112 746	9 122 888	43 072 742
3 443 975	58 497	5 042 515	-	10 252 120
1 455 737	70 337	2 050 203	-	4 060 081
-	-	-	-	(531 201)
(54 194)	(128 834)	-	-	(183 028)
(434 062)	-	-	-	(434 062)
4 411 456	-	7 092 718	-	13 163 910
4 558 841	-	15 020 028	9 122 888	29 908 832
3 140 051	22 106	12 610 959	287 529	18 827 365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the years ended 31 December 2010 and 2009

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2009	Buildings US$	Motor Vehicles US$
Cost		
Balance at 1 January	1 503 408	2 141 017
Additions	473 423	456 586
Disposals	-	(100 581)
Balance at 31 December	1 976 831	2 497 022
Accumulated Depreciation		
Balance at 1 January	150 572	1 210 797
Charge for the year	98 841	333 061
Released on distribution/disposals	-	(86 138)
Balance at 31 December	249 413	1 457 720
Carrying Amounts		
At 31/12/09	1 727 418	1 039 302
At 31/12/08	1 352 836	930 220

Plant & Equipment US$	Furniture & Fittings US$	Drilling Rigs US$	Capital Work in Progress (CWIP) US$	Total US$
5 303 841	76 373	13 521 379	-	22 546 018
1 280 185	4 230	4 132 095	287 529	6 634 048
-	-	-	-	(100 581)
6 584 026	80 603	17 653 474	287 529	29 079 485
2 272 718	50 460	3 506 170	-	7 190 717
1 171 257	8 037	1 536 345	-	3 147 541
-		-	-	(86 138)
3 443 975	58 497	5 042 515	-	10 252 120
3 140 051	22 106	12 610 959	287 529	18 827 365
3 031 123	25 913	10 015 209	-	15 355 301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the years ended 31 December 2010 and 2009

12.PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2010 US$	2009 US$
The original cost of fully depreciated property, plant and equipment are as follows:		
Drill rigs	874 384	-
Plant and equipment	1 283 916	881 163
Motor vehicles	763 673	662 928
Furniture and fittings	-	40 407
	2 921 973	1 584 498

12a. Depreciation has been charged in the statement of comprehensive income as follows:

	2010 US$	2009 US$
Cost of sales	3 505 940	2 707 602
Selling, general and administrative expenses	554 141	439 939
	4 060 081	3 147 541

12b. Disposal of property, plant and equipment

	2010 US$	2009 US$
Cost (Including long term lease pre-payment)	2 901 176	100 581
Accumulated depreciation (Including long term lease pre-payment)	(541 600)	(86 138)
Net book value	2 359 576	14 443
Distribution of dividend in specie	(2 150 000)	-
Proceeds on disposal	(1 000)	(3 779)
Loss/(Profit) on disposal	208 576	10 664

On 1 November 2010, the board of directors of Geodrill Limited ratified, confirmed and approved a resolution passed by Geodrill Ghana Limited on 30 September 2010 declaring a dividend to its shareholder, Geodrill Limited, of US$2 350 000 which was satisfied by the distribution of Geodrill Ghana Limited's real estate assets, comprised of long-term leases of the supply base and workshop located in Anwiankwanta and the operational base located in Accra, which assets were subsequently distributed to Geodrill Limited's shareholders in specie as detailed in note 28.

13. LONG TERM PREPAYMENT

	2010 US$	2009 US$
Amount paid		
Balance at 1 January	74 493	70 424
Additions	5 010	4 069
Disposal	(79 503)	-
Balance at 31 December	-	74 493
Accumulated Amortisation		
Balance at 1 January	9 310	5 585
Charge for the year	1 089	3 725
Release on disposal	(10 399)	-
Balance at 31 December	-	9 310
Closing balance	-	65 183

The long term prepayment was in respect of land which Geodrill Ghana Limited, a wholly owned subsidiary of Geodrill Limited, leased for 50 years. Land held under lease was disposed as detailed in note 28.

14. INVENTORIES

	2010 US$	2009 US$
Spare parts and sundry materials on hand	4 398 276	501 614
Spare parts and materials in transit	3 182 944	-
Less: Provision for obsolescence	-	(100 371)
	7 581 220	401 243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the years ended 31 December 2010 and 2009

15. TRADE AND OTHER RECEIVABLES

	2010 US$	2009 US$
Trade receivables	6 008 074	4 977 374
Staff debtors	81 970	28 091
Sundry receivables	1 982	4 611
Payments in advance	1 038 880	1 875 164
	7 130 906	6 885 240

Bad debts written off during the year amounted to US$ Nil (2009: US$302 634). The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 20. A portion of trade receivables has been assigned to Ecobank Ghana Limited to secure overdraft facilities as noted in note 18 and in 2009 the short-term loan as noted in Note 31.

16. CASH AND CASH EQUIVALENTS

	2010 US$	2009 US$
Bank balances	10 033 529	490 265
Cash balances	149 559	165 352
	10 183 088	655 617

Bank balances denominated in currencies other than the functional currency are detailed in note 20(v).

17. TRADE AND OTHER PAYABLES

	2010 US$	2009 US$
Trade payables	2 413 182	639 670
Sundry creditors and accrued expenses	3 526 811	1 302 709
VAT liability	2 905 155	2 759 497
	8 845 148	4 701 876

Trade and other payables denominated in currencies other than the functional currency are detailed in note 20(v).

18. BANK OVERDRAFT

	2010 US$	2009 US$
Ecobank Ghana Limited	-	463 994
Facilities granted	333 890	344 424
Amount utilised	-	463 994
Under/(Over) utilisation	333 890	(119 570)

Bank overdraft balances denominated in currencies other than the functional currency are detailed in note 20(v).

Geodrill Ghana Limited has an overdraft facility amounting to GH¢500 000 (approximately US$333 890) with the bank to finance operating expenditure. Interest rate is at GH¢ base rate minus 1% payable monthly in arrears. This facility is secured through the assignment and domiciliation of contract proceeds from Golden Star Resources (Bogoso/Prestea) Limited, Newmont Ghana Limited and Castle Minerals Limited (see note 15). This agreement expires on 31 May 2011.

19. EMPLOYEE BENEFIT OBLIGATION

Defined Contribution Plans

(i) Social Security

The Group contributes to various defined contributions and social security schemes. Under the schemes, the Group makes fixed contributions into a separate fund. The Group's obligation is limited to the relevant contributions which have been recognised in the financial statements.

(ii) Provident Fund

The Group has a provident fund scheme for staff under which the Group contributes 10% of staff basic salaries. The Group's obligation under the plan is limited to the relevant contributions, which have been recognised in the financial statements.

20. FINANCIAL RISK MANAGEMENT

(i) 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 measuring and managing risk, and the Group's management of capital.

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20. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

(ii) 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 and cash equivalents.

Trade and other receivables
The Group's exposure to credit risk is minimised as customers are given 30 to 60 days credit period for services rendered. Trade receivables are monitored closely by the CEO to minimise credit risk.

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:

	2010 US$	2009 US$
Trade and other receivables	6 092 026	5 010 076
Cash and Cash equivalents	10 183 088	655 617

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2010 US$	2009 US$
Mining & Exploration Companies	6 008 074	4 977 374

The ageing of trade receivables at the reporting dates was:

	2010 US$	2009 US$
Less than 30 days	3 790 365	2 936 577
Between 31 and 90 days	2 217 709	2 040 797
	6 008 074	4 977 374

Based on historical default rates, the Group believes that no impairment is necessary in respect of trade receivables past due up to 180 days.

The maximum exposure to credit risk for trade receivable at the reports date by country of operation was:

	2010 US$	2009 US$
Ghana	4 562 146	3 081 180
Cote d'Ivoire	-	1 630 277
Burkina Faso	1 445 928	265 917
	6 008 074	4 977 374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk

Liquidity risk is the risk that the Group either does not have sufficient financial resources available to meet all 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.

The following are contractual maturities of financial liabilities:

31 December 2010

	Carrying Amount US$	Within One Year US$
Non-derivative financial liability		
Trade and other payables	5 939 993	5 939 993
Bank overdraft	-	-
Short-term loan	-	-
Related party payables	923 025	923 025
Balance at 31 December 2010	6 863 018	6 863 018

31 December 2009

	Carrying Amount US$	Within One Year US$
Non-derivative financial liability		
Trade and other payables	1 942 379	1 942 379
Bank overdraft	463 994	463 994
Short-term loan	600 000	600 000
Related party payables	615 371	615 371
Balance at 31 December 2009	3 621 744	3 621 744

(iv) Market risks

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 optimising returns.

(v) *Foreign currency risk*

The Group is exposed to currency risk on purchases and borrowings that are denominated in currencies other than the functional currency. The currencies in which these transactions are primarily denominated are Ghana Cedis (GH¢), Great British Pound (GB£), EURO, Australian Dollar (AUD), Central African Franc (CFA) and Canadian Dollar (CAD).

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

31 December 2010

	EURO	GH¢	GBP	CFA	AUD	CAD
Cash and cash equivalents	4 919	826 705	1 054	22 979 377	12 671	7 879 238
Trade payables	(755)	(601 052)	-	-	(1 522 179)	-
Gross exposure	4 164	225 653	1 054	22 979 377	(1 509 508)	7 879 238

31 December 2009

	EURO	GH¢	GBP	CFA	AUD	CAD
Cash and cash equivalents	63	49 087	80	57 805 870	2 490	994
Overdraft	-	(663 796)	-	-	-	-
Trade payables	(189 379)	(177 448)	(23 475)	-	(80)	-
Gross exposure	(189 316)	(792 157)	(23 395)	57 805 870	2410	994

The following significant exchange rates applied during the years:

	2010		2009	
US$1=	Reporting Rate	Average Rate	Reporting Rate	Average Rate
Euro	0.7546	0.75488	0.6977	0.7192
GH¢	1.4975	1.44903	1.4517	1.4496
CFA	505.1236	504.08828	466.7800	480.5796
GBP	0.6465	0.64754	0.6279	0.6412
AUD	0.9841	1.09055	1.1199	1.2812
CAD	1.0002	1.03075	1.0494	1.1417

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20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Currency risk (continued)

Sensitivity analysis on currency risks

The following table shows the effect of a strengthening or weakening of 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 recorded at 31 December, (see "currency risk" above) and it does not represent actual or future gains or losses. The sensitivity analysis is based on a change of 200 basis points 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 at 31 December 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 of 31 Dec	2010			2009		
	% Change	Profit or Loss impact US$	Equity US$	% Change	Profit or Loss impact US$	Equity US$
Euro	±2	±108	±108	±2	±5 320	±5 320
GH¢	±2	±2 953	±2 953	±2	±10 700	±10 700
CFA	±2	±892	±892	±2	±24 781	±24 781
GBP	±2	±32	±32	±2	±731	±731
AUD	±2	±30 064	±30 064	±2	±42	±42
CAD	±2	±154 402	±154 402	±2	±19	±19

(vi) Interest rate risk

The Group is exposed to interest rate risk on its Bank balances, Bank overdraft, Loans and borrowings and related party payables.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments were:

	Carrying amounts 2010 US$	Carrying amounts 2009 US$
Variable rate instruments		
Bank balances	10 033 529	490 265
Bank overdraft	-	(463 994)
Loans and borrowings	-	(600 000)
	10 033 529	(573 729)
Fixed rate instrument		
Related party payables	923 025	615 371

Sensitivity analysis for variable rate instruments

A change of 200 basis points in the interest rate at the reporting date would have an 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 2010 and 2009.

As of 31 Dec	2010			2009		
in US$	% Change	Profit or Loss impact US$	Equity US$	% Change	Profit or Loss impact US$	Equity US$
Cash & Bank,	±2%	±37 021	±37 021	-	-	-
Overdraft and loans	-	-	-	±2%	±12 802	±12 802

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20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis for fixed rate instrument

The Group has a fixed rate instruments with Transtraders Limited, a related party which attracts interest at 4.75% per annum. No change in interest rates will therefore be ordinarily expected. This fixed rate instrument (line of credit) with Transtraders Limited ceased in June 2010.

(vii) Fair Values

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

31 December 2010	Loans and Receivables US$	Other Financial Liabilities US$	Total Carrying Amount US$	Total Fair Value US$
Financial assets				
Trade and other receivables	6 092 026	-	6 092 025	6 092 025
Cash and cash equivalents	10 183 088	-	10 183 088	10 183 088
	16 275 114	-	16 275 113	16 275 113
Financial liabilities				
Trade and other payables	-	5 939 993	5 939 993	5 939 993
Related Party payables	-	923 025	923 025	923 025
	-	6 863 018	6 863 018	6 863 018
31 December 2009				
Financial assets				
Trade and other receivables	5 010 076	-	5 010 076	5 010 076
Cash and cash equivalents	655 617	-	655 617	655 617
	5 665 693	-	5 665 693	5 665 693
Financial liabilities				
Trade and other payables	-	1 942 379	1 942 379	1 942 379
Bank overdraft	-	463 994	463 994	463 994
Short-term loan	-	600 000	600 000	600 000
Related Party payables		615 371	615 371	615 371
	-	3 621 744	3 621 744	3 621 744

21. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest 2010	Ownership Interest 2009
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
Geodrill Cote d'Ivore SARL	Subsidiary (a)	Cote d'Ivoire	100%	-
Drill Supplies International Services Limited	Subsidiary (b)	British Virgin Islands	100%	-
Transtraders Limited	Related party	Isle of Man	-	-
Bluecroft Limited	Significant shareholder	Isle of Man	-	-
Redcroft Limited	Significant shareholder	Isle of Man	-	-
Harper Family Settlement	Significant indirect Shareholder	Isle of Man	-	-

(a) Although Geodrill Limited did not hold any ownership interest in Geodrill Cote d'Ivoire SARL as at 31 December 2009, Geodrill Limited and its subsidiaries received substantially all of Geodrill Cote d'Ivoire SARL's benefits relating to its operations and net assets based upon agreements with the companies in the group. In addition, the operations of Geodrill Cote d'Ivoire SARL have always been managed by Geodrill Limited's management team. Consequently, Geodrill Cote d'Ivoire SARL was consolidated with the results of Geodrill Limited, since its incorporation. Geodrill Limited formally acquired 100% of the issued share capital of Geodrill Cote d'Ivoire SARL on 13 July 2010 for no consideration.

(b) Drill Supplies International Services Limited ("DSI") was a shelf company obtained by Geodrill Limited in November 2010. DSI did not trade nor did it have any assets or

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liabilities prior to its acquisition by Geodrill Limited.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties

Geodrill Ghana Limited buys PVC pipes and caters for some travelling expenses on behalf of the Geodrill Cote d'Ivoire SARL and Geodrill Limited. Drilling expenses incurred in a period (expenses on the drill rig) are apportioned amongst the various Geodrill companies and its branch on the basis of income generated in the period.

Transtraders Limited (TTL) is a company which is owned by Redcroft Limited and Bluecroft Limited who also, collectively, own 41.2% (2009:100%) of the issued share capital of Geodrill Limited. TTL was responsible for centralised off shore procurement for Geodrill Limited. TTL ceased to be the purchasing arm of Geodrill Limited in June 2010.

Drill Supplies International Services Limited acts as the new purchasing arm of the Group, responsible for centralised procurement.

Geodrill Limited operates a branch in Burkina Faso. Geodrill Limited is in charge of all contractual arrangements and rights whilst the execution of the contract is done in Burkina Faso. Geodrill Limited's branch in Burkina Faso does not have any non-current assets and as such currently rents drill rigs from Geodrill Ghana Limited.

Geodrill Limited charges a management fee of 2% of gross revenue earned by Geodrill Ghana Limited.

Geodrill Limited subcontracted its contract in Cote d'Ivoire to Geodrill Cote d'Ivoire SARL at 50% of the contract sum. Geodrill Cote d'Ivoire SARL also rents all its required drilling equipment from Geodrill Ghana Limited at predetermined rates. Operations in Cote d'Ivoire have, however, been temporarily suspended during the fourth quarter of 2010.

On November 17, 2010, in order to assist the Company's working capital position in advance of the Initial Pulic Offering, the Harper Family Settlement, the then ultimate beneficial shareholder of the Company, provided the Bridge Loan to the Company in the amount of AUD$2 million. The Bridge Loan accrued interest at a rate of 6% per annum, was unsecured and repayable on demand. The Bridge Loan was repaid in full from the proceeds of the Initial Public Offering.

On November 1, 2010, the board of directors of Geodrill ratified, confirmed and approved a resolution passed by Geodrill Ghana Limited on September 30, 2010 declaring a dividend to its shareholder, Geodrill, of US$2,350,000, which was satisfied by the distribution of the following Geodrill Ghana Limited's real estate assets: (i) administrative office buildings owned and a long-term lease in respect to the land situated at 20B Aviation Road, Airport Residential Area, Accra, Ghana; and (ii) operations base and workshop owned and a long-term lease in respect to the land located in Anwiankwanta, Ghana, which assets were subsequently distributed to Geodrill's shareholders and are currently held by the Harper Family Settlement, the then ultimate beneficial shareholder of the Company.

Subsequent to the distribution of the Real Estate Dividend, Geodrill Ghana Limited entered into an agreement with the Harper Family Settlement to lease the Anwiankwanta property at US$112 000 per annum and the Accra property at US$48 000 per annum. The material terms of the 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 valuators/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.

Future lease commitments related to the properties are:	US$
Payable within one year	160 000
Payable between 1 and 5 years	640 000
Total	800 000

(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 Geodrill Limited.

Geodrill Limited pays management fees to Kingston Management (Isle of Man) which is the fiduciary service provider of Harper Family Settlement and has its officials as Directors of Geodrill Limited. Management fees paid during the year amounted to US$23 574 (2009: US$14 647). Remuneration paid to directors (including share base payment transactions) was as follows:

	2010 US$	2009 US$
Samuel John Bingham	35 687	-
Victoria Kay Prentice	35 437	-
David Harper	693 285	-
Colin Jones	66 123	-
Allen Palmiere	66 124	-
	896 656	-

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21. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Key management personnel and directors transactions (continued)

At the closing date of the Initial Public Offering, the Company granted an aggregate of 1 440 000 options to purchase Ordinary Shares in the amount and to the persons as set forth in note 30(i).

Key management personnel compensation for the period comprised:

	2010 US$	2009 US$
Short-term employee benefits	1 220 442	172 311
Share based payment transactions	490 990	-
	1 711 432	172 311

On 14 July 2010, the Company received the AUD$2,000,000 Convertible Loan Note from Terry Burling (the Chief Operating Officer of the Company) to finance operating activities. The Convertible Loan Note was unsecured and paid interest at a rate of 8% per annum. On closing of the Initial Public Offering, the principal amount owing under the Convertible Loan Note was automatically converted into Ordinary Shares of the Company at 50% of the Offering Price. Based on the Offering Price of CAD2, the Company issued 1 976 000 Ordinary Shares to Mr. Burling on closing of the Initial Public Offering. The share based payment expense relating to this financing arrangement amounted to US$1 987 581 (2009: $ nil) and was recognised in statement of comprehensive income as detailed in note 30(ii).

(iii) Related party balances

The aggregate value of related party transactions and outstanding balances at each year end were as follows:

Identify of related party	Nature of transaction	2010 US$	2009 US$
Transtraders Limited	Purchase of goods and items of Property, Plant and Equipment	6 193 705	7 722 955
Balances outstanding as at 31 December			
Transtraders Limited - payable	Line of credit	(3 646 925)	(4 482 860)
Transtraders Limited - receivable	Other transactions	2 723 900	3 867 489
		(923 025)	(615 371)

The line of credit with Transtraders Limited attracts interest of 4.7% per annum. This amounted to interest charge of US$164 860 (2009: US$64 052).

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

22. EXCHANGE CONTROL

All remittances from operating geographical jurisdictions are subject to the approval of the relevant exchange control authorities.

23. CONTINGENT LIABILITIES

There were no contingent liabilities arising from legal suits and other matters against the group at the reporting date and at 31 December 2010.

24. CAPITAL COMMITMENTS

Drill Supplies International Services Limited contracts with Australian Exploration Engineering for the purchase of 8 drill rigs to be delivered in 2011 and with Tilly's Crawler for the purchase of track bases. Total commitments amount to US$8 359 281 (2009: US$Nil).

25. CAPITAL AND RESERVES

(i) Share capital

Shares have no par value and authorised shares are unlimited.

	2010	2009
Shares issued	42 476 000	2
Shares reserved for		
Share option plan	4 247 600	-
Total shares	46 723 600	2

Reconciliation of changes in issued shares	2010	2009
Shares on issue and fully paid at 1 January	2	2
Effect of share split	29 999 998	-
Issued for cash	10 500 000	-
Convertible Loan Note converted	1 976 000	-
Shares on issue and fully paid at 31 December	42 476 000	2

All shares rank equally with regards to the Company'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 shareholders' meetings of the company.

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25. CAPITAL AND RESERVES (CONTINUED)

(i) Share capital (continued)

On the 9th of December 2010 the company listed on the Toronto Stock Exchange (trading in shares commenced on 16 December 2010). Prior to the listing, the company converted the 2 issued shares to shares of no par value and split the shareholding into 30 000 000 shares by sub dividing each ordinary share into 15 000 000 (1:15 000 000) ordinary shares of the same class. The directors and shareholders passed a resolution to approve the above on 1 November 2010. A further 10 500 000 shares were issued as part of the Initial Public Offering and the Convertible Loan Note was also successfully converted into 1 976 000 ordinary shares.

The impact of subdividing the shares on earnings per share is detailed in note 26.

(ii) Share Based Payment Reserve

The Share Based Payment Reserve comprise of the equity portion of the share-based payment transaction as per the Group's share option plan.

(iii) Retained earnings

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

26. EARNINGS PER SHARE

(i) Earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of US$7 069 444 (2009: US$4 019 407) and on the weighted average number of ordinary shares outstanding of 30 786 159 (2009: 30 000 000), calculated as follows:

	2010 US$	2009 US$
Profit attributable to ordinary shareholders	5 081 863	4 019 407
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	30 000 000	2
Effect of share split	-	29 999 998
Effect of share shares issued for cash	661 644	-
Effect of Convertible Loan exercised	124 515	-
	30 786 159	30 000 000
Earnings per share	16.51c	13.40c

Comparative earnings per share

Prior to the listing, the company converted the 2 issued shares to shares of no par value and split the shareholding into 30 000 000 shares by sub dividing each ordinary share into 15 000 000 (1:15 000 000) ordinary shares of the same class. The subdivision of the shares had no corresponding change in resources and accordingly the weighted average number of shares outstanding for the entire period of 2009 was adjusted as if the change had occurred at the beginning of 2009.

(ii) Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of US$7 069 444 (2009: US$4 019 407) and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 31 170 159 (2009: 30 000 000), calculated as follows:

Earnings per share – diluted

Net earnings attributable to ordinary shareholders	5 081 863	4 019 407
Weighted average number of ordinary shares – diluted		
Weighted average number of ordinary shares – basic	30 786 159	30 000 000
Effect of share options on issue	384 000	-
	31 170 159	30 000 000
Diluted Earnings per share	16.30c	13.40c

27. EBITDA

The Group uses EBITDA as a non-financial measure that provides useful information, to management and investors, in measuring the operating performance and financial condition of the Group. Accordingly, as an alternative measure of performance, EBITDA is defined by the Group as earnings before interest, taxation, depreciation and amortisation.

EBITDA is calculated as follows:

	2010 US$	2009 US$
Earnings before interest and taxation	10 242 495	5 109 406
Add back:		
Depreciation and amortisation	4 061 170	3 151 266
Total EBITDA	14 303 665	8 260 672

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28. DIVIDENDS

On 1 November 2010, the board of directors of Geodrill ratified, confirmed and approved a resolution passed by Geodrill Ghana Limited on 30 September 2010 declaring a dividend to its shareholder, Geodrill Limited, of US$2 350 000 which was satisfied by the distribution of Geodrill Ghana Limited's real estate assets, comprised of long-term leases of the supply base and workshop located in Anwiankwanta and the operational base located in Accra, which assets were subsequently distributed to Geodrill's shareholders and are currently held by the Harper Family Settlement. The fair value of the real estate assets as at 30 September 2010 was determined as US$2 150 000, with the balance of US$200 000 being a tax provision based on the Real Estate Dividend. The dividend declared of US$2 350 000 was thus settled in specie of US$2 150 000 (value of the real estate assets) and in taxes of US$200 000 (being due to local tax authorities).

Subsequent to the distribution of the dividend, Geodrill Ghana Limited entered into an agreement with the Harper Family Settlement to lease the Anwiankwanta property at US$112 000 per annum and the Accra property at US$48 000 per annum. The material terms of the 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 the firms of real estate valuators/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.

29. SUBSEQUENT EVENTS

The company is currently defending a third party claim resulting from a motor accident in Burkina Faso. The claim has not been settled as yet and without admitting to any portion of responsibility, management estimates the total resultant cost to be less than US$10 000.

30. SHARE BASED PAYMENTS

(i) Employee Share Option Plan

The Company has established a share option plan, which is intended to aid in attracting, retaining and motivating the Company's officers, directors, employees, consultants and advisers through the grant of stock options to such persons.

At the closing date of the Initial Public Offering (closing date being 16 December 2010), the Company granted an aggregate of 1 440 000 options that entitles key management personnel to purchase Ordinary Shares in the amount and to the persons set forth below. Each outstanding option has an exercise price equal to the Initial Offering Price and shall be exercisable by the holder thereof within a period of five years following the closing date of the Initial Public Offering (closing date). The options shall vest as to 1/3 on the closing date, 1/3 on the first anniversary of the closing date and 1/3 on the second anniversary of the closing date.

The maximum aggregate number of Ordinary Shares reserved for issuance pursuant to the Share Option Plan 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

Share Option Plan and any other security based compensation arrangements of the Company is 10% of the total number of Ordinary Shares then outstanding.

Name	Number of securities underlying Unexercised Options	Option exercise price (CAD)	Option Expiration Date
David Harper	360 000	$2.00	Five years following the closing date
Ian Lacey	270 000	$2.00	Five years following the closing date
Terry Burling	270 000	$2.00	Five years following the closing date
John Bingham	90 000	$2.00	Five years following the closing date
Colin Jones	180 000	$2.00	Five years following the closing date
Allen Palmiere	180 000	$2.00	Five years following the closing date
Victoria Prentice	90 000	$2.00	Five years following the closing date

No options were exercised in the current financial year.

The grant-date fair value of the share-based payment plan was measured on the Black-Scholes Formula. Expected volatility is estimated by considering historic average share price volatility of similar entities.

The inputs used in the measurement of the fair values at grant date of the share-based payment plan were as follows:

Fair value at grant date	CAD1.02
Share price at grant date	CAD2.00
Expected volatility	30.00%
Option life	5 Years
Expected dividends	Nil
Risk-free interest rate	3.00%

The total share-based payment expenses recognised as personnel costs in the current year amounted to US$184 121 and US$306 869 (2009: US$ Nil) to directors. The related share-based payment reserve is detailed in note 25(ii).

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30.SHARE BASED PAYMENTS (CONTINUED)

(ii) Convertible Loan Note share based payment

On 14 July 2010, the Company received an AUD$2,000,000 Convertible Loan Note from Terry Burling, the Chief Operating Officer of the Company to finance operating activities. The Convertible Loan Note was unsecured and paid interest at a rate of 8% per annum. This financing arrangement determined that on closing of the Initial Public Offering, the principal amount owing under the Convertible Loan Note will automatically converted into Ordinary Shares of the Company at 50% of the Offering Price. Based on the Offering Price of CAD$2, the Company issued 1 976 000 Ordinary Shares to Mr. Burling on closing of the Initial Public Offering.

The fair value of the Convertible Loan Note was measured with reference to the Group's suggested initial offer price (for purposes of the Initial Public Offering). On closing of the Initial Public offering shares were issued at a price comparable to the initial suggested offer price and accordingly the suggested initial offer price was deemed to be an approximate of the market price on inception.

The total share-based payment expense, in relation to the convertible loan note, was recognised as a finance cost in the statement of comprehensive income and amounted to US$1 987 581 (2009: US$ Nil).

31. SHORT-TERM LOAN

	2010 US$	2009 US$
Ecobank Ghana Limited – Short term loan	-	600 000

The loan of US$600 000 was granted by Ecobank Ghana Limited in December 2009. This was used to finance the acquisition of motor vehicles to support the Group's operations. The loan was repaid in May 2010. The facility was secured by a legal mortgage over Geodrill Limited's buildings on leased properties and through the assignment and domiciliation of contract proceeds from Golden Star Resources Limited, Newmont Ghana Limited and Castle Minerals Limited.

NOTES

† Non-IFRS Measures: EBITDA is defined as Earnings before Interest, Taxes, Depreciation, and Amortisation and is used in this annual report as a measure of financial performance. The Company believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to evaluate companies in the Company's industry. However, EBITDA is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. EBITDA should not be viewed in isolation and does not purport to be an alternative to net income or gross profit as an indicator of operating performance or cash flows from operating activities as a measure of liquidity. EBITDA does not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and EBITDA should not be construed as an alternative to other financial measures determined in accordance with IFRS.

Additionally, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as capital expenditures, contractual commitments, interest payments, tax payments and debt service requirements.

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

Year ended December 31	2007 ($)	2008 ($)	2009 ($)	2010 ($)
Results from operating activities	6,769,014	7,864,319	5,109,406	10,242,495
Add back: depreciation and amortisation	1,486,272	2,375,230	3,151,266	4,061,170
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	8,255,286	10,239,549	8,260,672	14,303,665

CORPORATE INFORMATION

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Annual Shareholders' Meeting

May 9, 2011 – 1:00 p.m.
TMX Broadcast Centre
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