GEODRILL LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended

31 MARCH 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		As at	
		March 31, 2011	**December 31, 2010**
	Note	**US$**	**US$**
Assets			
Non-current assets			
Property, plant and equipment	*10*	30,425,005	29,908,832
Total non-current assets		30,425,005	29,908,832
Current assets			
Inventories	*11*	10,682,570	7,581,220
Prepayments		2,930,340	1,038,880
Trade and other receivables		8,996,070	6,092,026
Cash and cash equivalents		4,015,545	10,183,088
Total current assets		**26,624,525**	**24,895,214**
Total assets		**57,049,530**	**54,804,046**
Equity and liabilities			
Equity			
Share capital		21,043,041	21,184,590
Share based payment reserve	*18i*	991,060	490,990
Retained earnings		25,185,757	20,319,955
Total equity		**47,219,858**	**41,995,535**
Liabilities			
Non-current liabilities			
Deferred tax liability	*9iv*	2,786,056	3,040,338
Total non-current liabilities		**2,786,056**	**3,040,338**
Current liabilities			
Trade and other payables		6,120,591	8,845,148
Related party payables	*14iii*	923,025	923,025
Total current liabilities		**7,043,616**	**9,768,173**
Total liabilities		**9,829,672**	**12,808,511**
Total liabilities and equity		**57,049,530**	**54,804,046**

Contingencies (Note 16)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	Three months ended March 31, 2011 US$	Three months ended March 31, 2010 US$
Revenue	*6*	12,476,391	10,535,478
Cost of sales		(3,638,330)	(5,803,390)
Gross profit		**8,838,061**	**4,732,088**
Selling, general and administrative expenses		(3,939,011)	(2,486,776)
Results from operating activities		**4,899,050**	**2,245,312**
Finance income	*8i*	10,226	6,708
Finance cost	*8ii*	(109,119)	(358,313)
Net finance cost		**(98,893)**	**(351,605)**
Profit before taxation		**4,800,157**	**1,893,707**
Income tax expense	*9i*	65,645	(475,695)
Profit for the period		**4,865,802**	**1,418,012**
Other comprehensive income		-	-
Total comprehensive income for the period		**4,865,802**	**1,418,012**
Earnings per share	*19*		
Basic		0.11	0.05
Dilluted		0.11	0.05

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the three months ended 31 March 2011

	Share Capital US$	Share Based Payment Reserve US$	Retained Earnings US$	Total Equity US$
Balance at 1 January 2011	21,184,590	490,990	20,319,955	41,995,535
Total comprehensive income for the period			4,865,802	4,865,802
Share based payment transactions		500,070		500,070
IPO related costs, net of tax	(141,549)			(141,549)
Balance at 31 March 2011	**21,043,041**	**991,060**	**25,185,757**	**47,219,858**
Balance at 1 January 2010	4	-	17,588,092	17,588,096
Total comprehensive income for the period			1,418,012	1,418,012
Balance at 31 March 2010	**4**	**-**	**19,006,104**	**19,006,108**

GEODRILL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

	Three months ended	
	March 31, 2011	March 31, 20110
	US$	US$
Cash flows from operating activities		
Profit before taxation	4,800,156	1,893,707
Adjustment for:		
Depreciation charges	1,017,132	882,544
Amortisation charges	-	1,089
Equity - settled share based expense	500,070	-
Net interest expense	98,893	351,605
	6,416,251	**3,128,945**
Change in inventory	(2,781,997)	(33,437)
Change in prepayments	(1,891,460)	570,173
Change in trade and other receivables	(2,904,044)	(2,180,381)
Change in trade and other payables	(2,724,557)	825,187
Change in related party balances	-	300,339
Cash generated from operations	(3,885,807)	2,610,826
Net interest paid	(98,893)	(351,605)
Income taxes paid	(188,637)	(249,559)
Net cash (used in) from operating activities	**(4,173,337)**	**2,009,662**
Cash flows from investing activities		
Purchase of property plant and equipment	(1,852,657)	(1,730,945)
Proceeds from sale of property plant and equipment	-	69,104
Leasehold improvements	-	(5,010)
Net cash flow used in investing activities	**(1,852,657)**	**(1,666,851)**
Cash flows from financing activities		
IPO related costs	(141,549)	-
Net cash flow used in financing activities	**(141,549)**	**-**
Net (decrease) increase in cash and cash equivalents	**(6,167,543)**	**342,811**
Analysis of changes in cash and cash equivalents during the period		
Balance at 1 January	10,183,088	191,623
Net cash (outflow) inflow	(6,167,543)	342,811
Balance at 31 March	**4,015,545**	**534,434**
Analysis of balances of cash and cash equivalents as shown in statement of financial position		
Cash and cash equivalents	4,015,545	948,878
Bank overdraft	-	(414,444)
	4,015,545	**534,434**

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the three months ended 31 March 2011

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 interim consolidated financial statements of the company as at and for the three months ended 31 March 2011 comprises the company and its subsidiaries, Geodrill Ghana Limited, Geotool Limited (no operations) and DSI Services Limited ("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

The interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2010. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board have been omitted or condensed. These unaudited interim consolidated financial statements should be read in conjunction with the audited 2010 annual consolidated financial statements.

a. Statement of compliance

The interim 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 interim 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 interim consolidated 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.

2. BASIS OF PREPARATION (CONTINUED)

d. Use of estimates and judgement (Continued)

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 interim consolidated financial statements are described in notes 3.e, 3.f, 3.h, 4 and 13.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated 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 interim 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 transactions are eliminated in preparing the interim consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expire.

(iii) Classification

The Group applies a hierarchy to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques use significant observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices), or valuations are based on quoted prices for similar instruments; and

Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).

An analysis of fair values of financial instruments is provided in note 13.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vii) Compound financial instruments

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 re-measured 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the three months ended 31 March 2011

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 statement of comprehensive income 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Fittings	5 years
Plant and Equipment	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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 substantively 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. In such a case, the company will disclose: the nature of the reclassification; the amount of each item that is reclassified; and, the reason for the reclassification.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. New and Contemplated Standards and Interpretations

At the date of authorisation of the financial statements of the Group (May 6, 2011) for the three month period ended 31 March 2011 the following Standards and Interpretations, which are applicable to the Group, were recently effective, or in issue but not yet effective:

Standard / Interpretation		Effective Date
IAS 24 (revised)	Related Party Disclosure	Annual periods beginning on or after January 1, 2011
IAS 32 Amendment	IAS 32 Financial Instrument Presentation: Classification of Rights Issues	Annual periods beginning on or after Febuary 1, 2010
11 individual amendments to 6 standards	Improvements to International Financial Reporting Standards 2010	Ammendments are effective for annual periods beginning on or after July 1, 2010 or for annual periods beginning on or after January 1, 2011
IFRIC 19	Extinguish Financial Liabilities with Equity Instruments	Annual periods beginning on or after July 1, 2010
IFRS 7 amendment	Disclosure - Transfer 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*

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

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

<u>IAS 24 (revised)</u>

The changes to standard were adopted by the company in the 1st quarter of 2011. The adoption of the standards did not have an impact in the period of adoption.

<u>IAS 32 Amendment</u>

The changes to standard were adopted by the company in the 1st quarter of 2011. The adoption of the standards did not have an impact in the period of adoption.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Improvements to IFRS 2010

The changes to standards were adopted by the company in the 1st quarter of 2011. The adoption of the standards did not have an impact in the period of adoption.

IFRIC 19

The changes to standard were adopted by the company in the 1st quarter of 2011. The adoption of the standards did not have an impact in the period of adoption.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 13.

(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.

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(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.

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.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

for the three months ended 31 March 2011

5. SEGMENT REPORTING (CONTINUED)

Class of Business *(The reported numbers are in US$ thousands)*

	Ghana		Outside Ghana		Intra-group transaction		Total	
	31.03.2011	**31.03.2010**	**31.03.2011**	**31.03.2010**	**31.03.2011**	**31.03.2010**	**31.03.2011**	**31.03.2010**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
Revenue	7,964	6,538	8,895	5,134	(4,382)	(1,137)	12,477	10,535
Cost of sales	(4,108)	(4,195)	(3,895)	(3,295)	4,364	1,687	(3,639)	(5,803)
Selling and administrative	(8,566)	(1,393)	(1,224)	(1,094)	5,851		(3,939)	(2,487)
Segment results	**(4,710)**	**950**	**3,776**	**745**	**5,833**	**550**	**4,899**	**2,245**
Other income	900	550	5,851	-	(6,751)	(550)	-	-
Operating profit before finance cost	**(3,810)**	**1,500**	**9,627**	**745**	**(918)**		**4,899**	**2,245**
Finance income	-	4	10	3			10	7
Finance cost	(99)	(200)	(10)	(158)			(109)	(358)
Segment Results	**(3,909)**	**1,304**	**9,627**	**590**	**(918)**	-	**4,800**	**1,894**
Total Assets	**51,846**	**28,933**	**41,185**	**26,980**			**93,031**	**55,913**
Intra group balances							(35,982)	(26,358)
Per statement of financial position							57,049	29,555
Total liabilities	**39,275**	**23,376**	**5,568**	**12,846**			**44,843**	**36,222**
Intra group balances							(35,014)	(25,673)
Per statement of financial position							9,829	10,549

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the three months ended 31 March 2011

6. REVENUE

	March 31, 2011 US$	March 31, 2010 US$
Drilling income	12,476,391	10,535,478

7. PROFIT BEFORE TAXATION

is stated after charging:

	March 31, 2011 US$	March 31, 2010 US$
Depreciation charges	1,017,132	882,544
Amortisation charges	-	1,089
Personnel costs	3,074,237	1,959,737
Provision for inventory obsolescence raised (reversed)	223,977	(23,887)

8. FINANCE INCOME AND COST

(i) Finance income

	March 31, 2011 US$	March 31, 2010 US$
Interest income on cash and cash equivalents	10,226	6,708

(ii) Finance cost

	March 31, 2011 US$	March 31, 2010 US$
Interest expense on financial liabilities	-	260,430
Net exchange loss	109,119	97,883
	109,119	358,313
Net finance cost	98,893	351,605

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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9. TAXATION
(i) Income tax expense

	March 31, 2011 US$	March 31, 2010 US$
Current tax expense (ii)	188,637	392,868
Deferred tax expense (iv)	(254,283)	82,827
	(65,646)	475,695

Current tax expense reflects taxes associated with the Company's drilling activities in the quarter in Burkina Faso. The tax expense that would have otherwise been recognized in the quarter with respect to the Company's drilling activities in Ghana was mitigated in its entirety by the recognition of a tax bad debt, the benefit of which had not been previously recognized. Deferred tax expense relates to the origination and reversals of temporary differences.

(ii) Taxation (receivable) payable

	Balance at 1 January US$	Payments during the three month period US$	Charge for the three month period US$	Balance at 31 March US$
Income Tax				
2011	-	(188,637)	(65,645)	(254,282)
	======	=======	======	=======
2010	59,303	(249,559)	392,868	202,612
	=======	=======	=======	=======

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, other than Cote d'Ivoire which has been agreed to as at March 31, 2011.

(iii) Reconciliation of effective tax rate

	Three month ended March 31, 2011 US$	Three month ended March 31, 2010 US$
Profit before taxation	4,800,157	1,893,707
Proportion of profit before taxation subject to no corporate taxation		659,179
Proportion of profit before taxation subject to corporate taxation at a rate of 25%	-	1,234,528
	-	1,893,707
Current year taxation per tax jurisdiction		
- Ghana corporate taxation (including deferred tax)	(254,282)	308,632
- Burkina Faso minimum withholding tax	188,637	167,063
Total tax charge	(65,645)	475,695

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the three months ended 31 March 2011

9. TAXATION (CONTINUED)

	March 31, 2011 US$	March 31, 2010 US$
Reconciliation of taxation expense		
Income tax at rate for Ghana taxable earnings		
Using Ghana tax rate	-	301,238
Non-temporary differences	(254,282)	7,394
Minimum withholding tax (Burkina Faso)	188,637	167,063
	(65,645)	475,695
Effective tax rate	(1.37%)	21.19%

(iv) Deferred taxation

	March 31, 2011 US$	March 31, 2010 US$
Balance at 1 January	3,040,338	2 806 008
Change in the quarter	(254,282)	82,827
Balance at 31 March	2,786,056	2,888,835

(v) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	March 31, 2011		
	Asset US$	Liability US$	Net US$
Property, plant and equipment	-	2,786,056	2,786,056

	December 31, 2010		
	Asset US$	Liability US$	Net US$
Property, plant and equipment	-	3,040,338	3,040,338

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

for the three months ended 31 March 2011

10. PROPERTY, PLANT AND EQUIPMENT

2011	Buildings US$	Motor Vehicles US$	Plant & Equipment US$	Furniture & Fittings US$	Drilling Rigs US$	Leasehold Improvement US$	Capital Work in Progress (CWIP) US$	Total US$
Cost								
Balance at 1 January		2,866,811	8,970,297		22,112,746		9,122,888	43,072,742
Additions					326,468	123,855	1,402,334	1,852,657
Transfers from CWIP		130,400	1,806,534		6,016,106	9,995	(7,963,035)	
Transfer from PPE to inventory			(789,596)					(789,596)
Balance at 31 March		2,997,211	9,987,235		28,455,320	133,850	2,562,187	44,135,803
Accumulated Depreciation								
Balance at 1 January		1,659,736	4,411,456		7,092,718			13,163,910
Charge for the period		105,248	370,604		541,280			1,017,132
Transfer from PPE to Inventory			(470,244)					(470,244)
Balance at 31 March		1,764,984	4,311,816		7,633,998			13,710,798
Carrying Amounts								
At 31/03/11		1,232,227	5,675,419		20,821,322	133,850	2,562,187	30,425,005

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

for the three months ended 31 March 2011

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2010	Buildings US$	Motor Vehicles US$	Plant & Equipment US$	Furniture & Fittings US$	Drilling Rigs US$	Capital Work in Progress (CWIP) US$	Total US$
Cost							
Balance at 1 January	1.976,831	2,497,022	6,584,026	80,603	17,653,474	287,529	29,079,485
Additions	575,402	639,229	2,881,779	48,231	4,459,272	9,122,888	17,726,801
Transfers from CWIP			287,529			(287,529)	
Distribution to shareholders/disposals	(2.552.233)	(269,440)					(2,821,673)
Written-off			(54,194)	(128,834)			(183,028)
Reclassification to Inventory			(728,843)				(728,843)
Balance at 31 December		2,866,811	8,970,297		22,112,746	9,122,888	43,072,742
Accumulated Depreciation							
Balance at 1 January	249,413	1,457,720	3,443,975	58,497	5,042,515		10,252,120
Charge for the year	79,416	404,388	1,455,737	70,337	2,050,203		4,060,081
Released on distribution/disposals	(328,829)	(202,372)					(531,201)
Released on write-off			(54,194)	(128,834)			(183,028)
Reclassification to Inventory			(434,062)				(434,062)
Balance at 31 December		1,659,736	4,411,456		7,092,718		13,163,910
Carrying Amounts							
At 31/12/10		1,207,075	4,558,841		15,020,028	9,122,888	29,908,832

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the three months ended 31 March 2011

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The original cost of fully depreciated property, plant and equipment are as follows:

	March 31, 2011 US$	March 31, 2010 US$
Drill rigs	874,384	874,384
Plant and equipment	1,283,916	1,283,916
Motor vehicles	763,673	763,673
	2,921,973	2,921,973

10a. Depreciation has been charged in the statement of comprehensive income as follows:

	March 31, 2011 US$	March 31, 2010 US$
Cost of sales	911,884	763,034
Selling, general and administrative expenses	105,248	119,510
	1,017,132	882,544

11. INVENTORIES

	March 31, 2011 US$	March 31, 2010 US$
Spare parts and sundry materials on hand	8,956,790	5,108,747
Spare parts and materials in transit	2,660,227	3,182,944
Less: Provision for obsolescence	(934,447)	(710,471)
	10,682,570	7,581,220

During the three month period ended March 31, 2011, the provision for obsolescence of US$223,977 was included in the cost of sales of (2010: US$610,100).

There were no reversals in the period of previously recognized inventory write-down (2010: NIL).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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12. BANK OVERDRAFT

	March 31, 2011 US$	March 31, 2010 US$
Ecobank Ghana Limited	-	-
Facilities granted	331,675	333,890
Amount utilised	-	-
Under/(Over) utilisation	331,675	330,890

Geodrill Ghana Limited has an overdraft facility amounting to GH¢500,000 (approximately US$331,675) with the bank to finance operating expenditures. The 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. This agreement expires on 31 May 2011.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the three months ended 31 March 2011

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

Trade and other receivables, cash and cash equivalents, trade and other payables, income tax liability and related party payables are recorded at carrying value, which approximate fair value due to their short-term nature and generally negligible credit losses. These balances are considered to fall under Level 2 of the fair value hierarchy. The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of financial position are as follows:

31 March 2011	Loans and Receivables US$	Other Financial Liabilities US$	Carrying Amount US$	Total Fair Value US$
Financial assets				
Trade and other receivables	8,996,070	-	8,996,070	8,996,070
Cash and cash equivalents	4,015,545	-	4,015,545	4,015,545
	13,011,615	-	13,011,615	13,011,615
Financial liabilities				
Trade and other payables	-	6,120,591	6,120,591	6,120,591
Related Party payables	-	923,025	923,025	923,025
		7,043,616	7,043,616	7,043,616
31 December 2010				
Financial assets				
Trade and other receivables	6,092,026	-	6,092,026	6,092,026
Cash and cash equivalents	10,183,088	-	10,183,088	10,183,088
	16,275,114	-	16,275,114	16,275,114
Financial liabilities				
Trade and other payables		8,845,148	8,845,148	8,845,148
Related Party payables		923,025	923,025	923,025
		9,768,173	9,768,173	9,768,173

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
for the three months ended 31 March 2011

14. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2011	2010
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
Geodrill Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
DSI Services Limited [(a)]	Subsidiary	British Virgin Islands	100%	100%
Geotool Limited	Subsidiary	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) DSI Services Limited ("DSI") was a shelf company obtained by Geodrill Limited in November 2010. DSI supplies Geodrill Ghana Limited with drilling consumables, spare parts and property and equipment. Total transactions of DSI with Geodrill Ghana Limited totalled US$4,382,300 for the 1st quarter of 2011.

(i) Transactions with related parties

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

As from November 2010, DSI Services Limited is acting as the 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 contracts 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.

14. RELATED PARTY TRANSACTIONS (CONTINUED)

Geodrill Limited had subcontracted its contract in Cote d'Ivoire to Geodrill Cote d'Ivoire SARL at 50% of the contract sum. Geodrill Cote d'Ivoire SARL had also rented all its required drilling equipment from Geodrill Ghana Limited at predetermined rates. On account of the political instability and continuous internal conflict, the Company suspended operations in Cote d'Ivoire during 2010 and redeployed its drill rigs to other contracts in Ghana and Burkina Faso. Having ceased the Cote d'Ivoire operation, the local subsidiary Geodrill Cote d'Ivoire (SARL), was dissolved on March 30, 2011. The company continues to monitor closely the political situation in Cote d'Ivoire and may re-enter Cote d'Ivoire in the near future.

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:

	March 31, 2011	**March 31, 2010**
	US$	**US$**
Payable within one year	160,000	160,000
Payable between 1 and 5 years	600,000	640,000
Total	760,000	800,000

During the quarter ended March 31, 2011 lease payments amounted to US$40,000.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

for the three months ended 31 March 2011

14. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Key management personnel and directors transactions

At 11 March 2011, the Company granted an aggregate of 450,000 options to purchase Ordinary Shares in the amount and to the persons as set forth in note 20(i).

Key management personnel compensation for the period comprised:

Short-term employee benefits	128,196	92,655
Share based payment transactions	500,070	-
	628,266	92,655

(iii) Related party balances

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

Identify of related party	Nature of transaction	March 31, 2011 US$	March 31, 2010 US$
Transtraders Limited	Purchase of goods and items of Property, Plant and Equipment	-	6,193,075
DSI Services Limited	Purchase of goods and items of Property, Plant and Equipment	4,382,300	-
Balances outstanding as at 31 March and 31 December			
Transtraders Limited - payable	Line of credit	(3,646,925)	(3,646,925)
Transtraders Limited - receivable	Other transactions	2,723,900	2,723,900
		(923 025)	(923,025)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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15. EXCHANGE CONTROL

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

16. CONTINGENT LIABILITIES

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.

17. CAPITAL COMMITMENTS

As of 11 March 2011, DSI Services Limited contracted with Australian Exploration Engineering for the purchase of 7 drill rigs to be delivered in 2011; with Sandvik Mining and Construction Ghana for the purchase of 6 drill rigs to be delivered in 2012; with Exploration Drill Masters for the purchase of 2 drill rigs to be delivered in 2011; with Intermotive BV for the purchase of 28 light vehicles; and, Atlas Copco for the purchase of 10 compressors. Total commitments amount to US$16,581,575 (December 31, 2010: US$8,359,281).

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18. CAPITAL AND RESERVES

(i) Share capital

Shares have no par value and authorised shares are unlimited.

	March 31, 2011 US$	December 31,2010 US$
Shares issued	42,476,000	42,476,000
Shares reserved for Share option plan	4,247,600	4,247,600
Total shares	46,723,600	46,723,600
Reconciliation of changes in issued shares		
Shares on issue and fully paid at 1 January	42,476,000	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 March	42,476,000	42,476,000

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.

On the 9th of December 2010 the company listed on the Toronto Stock Exchange (trading in shares commenced on 21 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 19.

(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.

19. EARNINGS PER SHARE

(i) Earnings per share

The calculation of basic earnings per share at 31 March 2011 was based on the profit attributable to ordinary shareholders of US$4,865,802 (2010: US$1,418,012) and on the weighted average number of ordinary shares outstanding of 42,476,000 (2010: 30,000,000), calculated as follows:

	March 31, 2011 US$	March 31,2010 US$
Profit attributable to ordinary shareholders	4,865,802	1,418,012
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	42,476,000	2
Effect of share split		29,999,998
	42,476,000	30,000,000
Earnings per share	$0.1146	$0.0473

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 2010 have been adjusted as if the change had occurred at the beginning of 2010.

(ii) Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2011 was based on the profit attributable to ordinary shareholders of US$4,865,802 (2010: US$1,418,012) and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 44,021,000 (2010: 30,000,000), calculated as follows:

Earnings per share - diluted		
Net earnings attributable to ordinary shareholders	4,865,802	1,418,012
Weighted average number of ordinary shares - diluted		
Weighted average number of ordinary shares - basic	42,476,000	30,000,000
Effect of share options on issue (Dec 2010)	1,440,000	-
Effect of share options on issue (March 2011)	105,000	-
	44,021,000	30,000,000
Diluted Earnings per share	$0.1105	$0.0473

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

(i) Employee Share Option Plan

During the three months ended March 31, 2011, the Company granted 450,000 options (2010: 1,440,000).

	March 31, 2011		March 31, 2010	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance, beginning of period	1,440,000	C$2.00	-	-
Granted	450,000	C$3.48	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Issued on acquisition	-	-	-	-
Balance, end of period	1,890,000	C$2.35	-	-

No stock options were exercised during the three months ended March 31, 2011.

The following table summarizes the options outstanding at March 31, 2011:

Exercise prices	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
C$2.00	1,440,000	4 Yrs & 9 mos	C$2.00	480,000	C$2.00
C$3.48	450,000	4 Yrs & 11 mos	C$3.48	150,000	C$3.48

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

	2010 Grant	2011 Grant
Risk free interest rate	3%	3%
Expected dividend yield	0%	0%
Stock price volatility	33%	56%
Expected life of options	5 years	5 years