

GEODRILL LIMITED

***UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
(in United States dollars)***

***For the three and nine months ended
30 SEPTEMBER 2011***

GEODRILL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at September 30, 2011 and December 31, 2010

	Note	30 September 2011 US\$	31 December 2010 US\$
Assets			
Non-current assets			
Property, plant and equipment	10	34,472,095	29,908,832
Total non-current assets		34,472,095	29,908,832
Current assets			
Inventories	11	12,319,820	7,581,220
Prepayments		9,119,965	1,038,880
Trade and other receivables		11,116,014	6,092,026
Cash and cash equivalents		5,560,936	10,183,088
Total current assets		38,116,735	24,895,214
Total assets		72,588,830	54,804,046
Equity and liabilities			
Equity			
Share capital		21,043,041	21,184,590
Share based payment reserve	18ii	1,528,497	490,990
Retained earnings		31,511,689	20,319,955
Total equity		54,083,227	41,995,535
Liabilities			
Non-current liabilities			
Deferred tax liability	9v	1,919,216	3,040,338
Total non-current liabilities		1,919,216	3,040,338
Current liabilities			
Trade and other payables		12,537,727	8,845,148
Loan payable	13	3,125,635	-
Related party payables	14iii	923,025	923,025
Total current liabilities		16,586,387	9,768,173
Total liabilities		18,505,603	12,808,511
Total liabilities and equity		72,588,830	54,804,046
Capital commitments (Note 17)			

GEODRILL LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three and nine months ended September 30, 2011 and 2010

	Note	Three-month period ended September 30		Nine-month period ended September 30	
		2011 US\$	2010 US\$	2011 US\$	2010 US\$
Revenue		20,252,978	11,090,248	49,284,869	33,479,653
Cost of sales		<u>(10,516,057)</u>	<u>(7,494,899)</u>	<u>(21,971,973)</u>	<u>(19,899,627)</u>
Gross profit		9,736,921	3,595,349	27,312,896	13,580,026
Other (expense) income		(8,077)	15,116	502	15,116
Selling, general and administrative expenses		<u>(5,753,043)</u>	<u>(2,046,755)</u>	<u>(14,498,361)</u>	<u>(5,789,131)</u>
Results from operating activities		<u>3,975,801</u>	<u>1,563,710</u>	<u>12,815,037</u>	<u>7,806,011</u>
Finance income	8i	5,024	-	16,075	32,011
Finance cost	8ii	<u>(131,416)</u>	<u>(281,215)</u>	<u>(568,302)</u>	<u>(639,528)</u>
Net finance cost		<u>(126,392)</u>	<u>(281,215)</u>	<u>(552,227)</u>	<u>(607,517)</u>
Profit before taxation		3,849,409	1,282,495	12,262,810	7,198,494
Income tax expense	9i	<u>(761,765)</u>	<u>(281,523)</u>	<u>(1,071,076)</u>	<u>(1,530,486)</u>
Profit for the period		3,087,644	1,000,972	11,191,734	5,668,008
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>3,087,644</u>	<u>1,000,972</u>	<u>11,191,734</u>	<u>5,668,008</u>
Earnings per share	19				
Basic		0.07	0.03	0.26	0.19
Diluted		0.07	0.03	0.25	0.19

GEODRILL LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)***For the nine months ended September 30, 2011 and 2010*

	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	-	-	11,191,734	11,191,734
Share based payment transaction	-	1,037,507	-	1,037,507
IPO related costs, net of tax	<u>(141,549)</u>	<u>-</u>	<u>-</u>	<u>(141,549)</u>
Balance at 30 September 2011	<u>21,043,041</u>	<u>1,528,497</u>	<u>31,511,689</u>	<u>54,083,227</u>
Balance at 1 January 2010	4	-	17,588,092	17,588,096
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>5,688,008</u>	<u>5,688,008</u>
Balance at 30 September 2010	<u>4</u>	<u>-</u>	<u>23,276,100</u>	<u>23,276,104</u>

GEODRILL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

For the nine months ended September 30, 2011 and 2010

	30 September 2011 US\$	30 September 2010 US\$
Cash flows from operating activities		
Profit before taxation	12,262,810	7,198,494
<i>Adjustments for:</i>		
Depreciation charges	4,471,070	2,882,815
Amortisation charges	13,422	1,089
Loss on disposal of property, plant and equipment	77	159,532
Equity-settled share based expense	1,037,507	-
Net interest charges	552,227	607,517
	18,337,113	10,849,447
Change in inventory	(4,738,600)	(538,270)
Change in prepayments	(8,081,085)	-
Change in trade and other receivables	(5,023,988)	(4,394,567)
Change in trade and other payables	3,692,579	2,782,028
Change in related party balances	-	438,654
Cash generated from operations	4,186,019	9,137,292
Net interest paid	(552,227)	(607,517)
Income taxes paid	(2,192,198)	(918,852)
Net cash flow from operating activities	1,441,594	7,610,923
Cash flows used in investing activities		
Purchase of property, plant and equipment	(9,047,832)	(6,936,901)
Proceeds from sale of property, plant and equipment	-	2,150,071
Leasehold improvements	-	(5,010)
Net cash flow used in investing activities	(9,047,832)	(4,791,840)
Cash flows from financing activities		
Loan received	3,125,635	1,940,200
Repayment of medium-term loan	-	(600,000)
Dividends paid	-	(2,350,000)
IPO related costs	(141,549)	-
Net cash flow from (used in) financing activities	2,984,086	(1,009,800)
Net (decrease) increase in cash and cash equivalents	(4,622,152)	1,809,283
Analysis of changes in cash and cash equivalents during the period		
Balance at beginning of the period	10,183,088	191,623
Net cash flow	(4,622,152)	1,809,283
Balance at end of the period	5,560,936	2,000,906
Analysis of balances of cash and cash equivalents as shown in the balance sheet		
Cash and cash equivalents	5,560,936	2,494,801
Bank overdraft	-	(493,895)
	5,560,936	2,000,906

GEODRILL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 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 period ended September 30, 2011 comprises the company and its subsidiaries, Geodrill Ghana Limited, Geotool Limited (no operations), Geoforage BF Sarl (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.

These condensed consolidated interim financial statements have been prepared on a going concern basis as management believes there are no uncertainties that lead to significant doubt the entity can continue as a going concern in the foreseeable future. The impact of seasonality on operations is not considered significant.

These financial statements were approved by the Board of Directors on November 4, 2011.

2. BASIS OF PREPARATION

The condensed consolidated interim 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 condensed consolidated interim financial statements should be read in conjunction with the audited 2010 annual consolidated financial statements.

a. Statement of compliance

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

b. Basis of measurement

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

c. Functional and presentational currency

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

2. BASIS OF PREPARATION (CONTINUED)

d. Use of estimates and judgments

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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Transactions eliminated on consolidation

Intra-Group balances and transactions are eliminated in preparing the condensed consolidated interim financial statements.

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 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 the Group 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 their related contractual obligations 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 using significant observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices), or valuations that are based on quoted prices for similar instruments; and

Level 3: Valuation techniques using 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

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 valuations.

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

(v) Offsetting

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vii) Compound financial instruments

From time to time the Group may issue compound financial instruments such as 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 period-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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 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 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and 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	3 years
Furniture and Fittings	5 years
Plant and Equipment	5 years
Building and Structures	20 years
Drill Rigs	10 years
Drill Rig Components	5 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, on account of depreciation, to the statement of comprehensive income in specific periods. The following changes were adopted effective 1 July 2011:

- a. The estimated useful lives of motor vehicles was changed from 5 years to 3 years.
- b. The drill rig components were estimated to be 25% of the drill costs, separately classified and depreciated over 5 years. These components had previously been depreciated, together with the drill rigs, over 10 years.
- c. Residual values of the drill rigs are estimated to be 25% of the costs, after deducting the drill rig components.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expenditures 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

h. Income tax

Income tax expense comprises current and deferred tax expenses.

Current tax and deferred tax are recognised in the consolidated statement of comprehensive income except to the extent that they relate to items recognised directly in other comprehensive income, in which case they are 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 taxes 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 are recognised in the period in which the dividend is appropriately authorised.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

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 period under consideration and the effect is material.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

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 period, 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 for the effects of all dilutive potential shares, which comprise of 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. New and Contemplated Standards and Interpretations

At the date of authorisation of the financial statements of the Group (November 4, 2011) for the three month period ended 30 September 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
IFRS 10	Consolidated Financial Statements	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
IFRS 11	Joint Arrangements	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
IFRS 12	Disclosure of Interest in Other Entities	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
IFRS 13	Fair Value Measurement	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
IAS 27 (revised)	Separate Financial Statements	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
IAS 28 (revised)	Investment in associates and joint ventures	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
IAS 1 (Amendment)	Presentation of items of other comprehensive income	Annual periods beginning on or after January 1, 2012

* 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:

IFRS 10:

IFRS 10 replaces the consolidation requirements in IAS 27, Consolidated and Separate Financial Statements, and SIC-12 Consolidation - Special Purpose Entities. It is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted, provided IFRS 11, IFRS 12 and the related amendments to IFRS 27 and 28 are adopted at the same time.

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

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

IFRS 11

IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by Venturer. It is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted, provided IFRS 10, IFRS 12 and the amendments to IFRS 27 and 28 are adopted at the same time.

IFRS 11 improves on IAS 31 by requiring a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities, namely the equity method. The substance of the entity that is jointly controlled needs to be considered. If an interest in the net assets of the business arises then it is accounted for using the equity method. If it has an interest in a share of the individual assets of the entity then it would account for its share of those assets.

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

IFRS 12

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted, provided IFRS 10, IFRS 11 and the related amendments to IFRS 27 and 28 are adopted at the same time.

IFRS 13

IFRS 13 is a new standard that defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value.

Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). IFRS 13 will have a much wider effect (potentially) on accounting as it will change the definitions of fair value in all other standards and may lead to adjustments to figures recorded.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This project was carried out jointly with the FASB. As a result of concurrent changes approved by the FASB to Topic 820, US GAAP has a nearly identical definition and meaning of fair value and the same disclosure requirements about fair value measurements.

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

IAS 27 (revised)

IAS 27 was re-issued by the IASB on May 12, 2011 in order to conform to changes as a result of the issuance of IFRS 10, IFRS 11, and IFRS 12. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements as the consolidation guidance will now be included in IFRS 10.

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

IAS 28 (revised)

IAS 28 was re-issued by the IASB on May 12, 2011 in order to conform to changes as a result of the issuance of IFRS 10, IFRS 11, and IFRS 12. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.

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

Amendment to IAS 1

The amendments retain the option to present profit or loss and other comprehensive income either in one continuous statement or in two separate but consecutive statements.

Items of other comprehensive income are required to be grouped into those that will and will not be subsequently reclassified to profit or loss.

Tax on items of other comprehensive income is required to be allocated on the same basis.

The measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendments.

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

The same accounting policies and methods of computation have been followed in the interim financial statements as compared with the most recent annual financial statements other than the revaluation and depreciation methods for assets introduced in the period as described Note 3iii.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

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) 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 or by using recent arm's-length market transactions. Instruments with maturity period of 6 months or less 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 methodology. 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

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.

GEODRILL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

5. SEGMENT REPORTING (CONTINUED)

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

	Ghana		Outside Ghana		Intra-group transaction		Total	
	Three-months period ended September 30		Three-months period ended September 30		Three-months period ended September 30		Three-months period ended September 30	
	2011	2010	2011	2010	2011	2010	2011	2010
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	10,405	6,307	16,891	5,399	(7,043)	(615)	20,253	11,091
Cost of sales	(8,047)	(4,528)	(9,875)	(4,482)	7,406	1,515	(10,516)	(7,495)
Selling, general and administrative	(4,277)	(1,612)	(1,684)	(434)	208	-	(5,753)	(2,046)
Segment results	(1,919)	167	5,332	483	571	900	3,984	1,550
Other income (expense)	1,542	900	208	15	(1,758)	(900)	(8)	15
Operating profit before finance cost	(377)	1,067	5,540	498	(1,187)	-	3,976	1,565
Net finance cost	(121)	(191)	(6)	(90)	-	-	(127)	(281)
Segment Results	(498)	876	5,534	408	(1,187)	-	3,849	1,284
Total Assets	67,855	36,800	70,857	23,103			138,712	59,903
Intra group balances							(66,123)	(24,548)
Per statement of financial position							72,589	35,355
Total liabilities	53,683	23,151	28,423	15,614			82,106	38,765
Intra group balances							(63,600)	(24,316)
Per statement of financial position							18,506	14,449

GEODRILL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

5. SEGMENT REPORTING (CONTINUED)

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

	Ghana		Outside Ghana		Intra-group transaction		Total	
	Nine-months period ended September 30		Nine-months period ended September 30		Nine-months period ended September 30		Nine-months period ended September 30	
	2011	2010	2011	2010	2011	2010	2011	2010
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	28,091	20,049	38,664	16,190	(17,470)	(2,759)	49,285	33,480
Cost of sales	(18,183)	(13,349)	(22,537)	(11,410)	18,747	4,859	(21,973)	(19,900)
Selling, general and administrative	(16,481)	(4,909)	(4,270)	(880)	6,253	-	(14,498)	(5,789)
Segment results	(6,573)	1,791	11,857	3,900	7,530	2,100	12,814	7,791
Other income	3,751	900	6,253	15	(10,003)	(900)	1	15
Operating profit before finance cost	(2,822)	2,691	18,110	3,915	(2,473)	-	12,815	7,806
Net finance cost	(353)	(374)	(199)	(234)	-	-	(552)	(608)
Segment Results	(3,175)	2,317	17,911	3,681	(2,473)	-	12,263	7,198
Total Assets	67,855	36,800	70,857	23,103			138,712	59,903
Intra group balances							(66,123)	(24,548)
Per statement of financial position							72,589	35,355
Total liabilities	53,683	23,151	28,423	15,614			82,106	38,765
Intra group balances							(63,600)	(24,316)
Per statement of financial position							18,506	14,449

GEODRILL LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***For the three and nine month periods ended 30 September, 2011***6. REVENUE**

	Three-month period		Nine-month period	
	ended June 30		ended September 30	
	2011	2010	2011	2010
	US\$	US\$	US\$	US\$
Drilling revenue	20,252,978	11,090,248	49,284,869	33,479,653

7. PROFIT BEFORE TAXATION

is stated after charging:

	Three-month period		Nine-month period	
	ended September 30		ended September 30	
	2011	2010	2011	2010
	US\$	US\$	US\$	US\$
Depreciation charges	2,104,650	1,328,742	4,471,070	2,882,815
Amortisation charges	13,422	-	13,422	1,089
Personnel costs	4,603,929	2,204,986	11,444,297	4,164,723
Provision for obsolescence	121,405	4,714	509,176	(15,829)

8. FINANCE INCOME AND COST*(i) Finance income*

	Three-month period		Nine-month period	
	ended September 30		ended September 30	
	2011	2010	2011	2010
	US\$	US\$	US\$	US\$
Interest income	5,024	-	16,075	32,011

GEODRILL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

8. FINANCE INCOME AND COST (CONTINUED)

(ii) Finance cost

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	2011	2010
	US\$	US\$	US\$	US\$
Interest expense on financial liabilities	54,342	-	54,342	260,430
Net exchange loss	<u>77,074</u>	<u>281,215</u>	<u>513,960</u>	<u>379,098</u>
	<u>131,416</u>	<u>281,215</u>	<u>568,302</u>	<u>639,528</u>
Net finance cost	<u><u>126,392</u></u>	<u><u>281,215</u></u>	<u><u>552,227</u></u>	<u><u>607,517</u></u>

9. TAXATION

(i) Income tax expense

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	2011	2010
	US\$	US\$	US\$	US\$
Current tax expense	1,291,282	61,481	2,192,198	1,144,788
Deferred tax (recovery) expense	<u>(529,517)</u>	<u>220,042</u>	<u>(1,121,122)</u>	<u>385,698</u>
	<u><u>761,765</u></u>	<u><u>281,523</u></u>	<u><u>1,071,076</u></u>	<u><u>1,530,486</u></u>

Current tax expense reflects taxes associated with the company's drilling activities in the period in Burkina Faso. The tax expense that would have otherwise been recognized in the period with respect to the company's drilling activities in Ghana was mitigated in its entirety by the recognition of a tax bad debt in the first quarter of 2011, the benefit of which had not been previously recognized. Deferred tax recovery expense relates to the origination and reversals of temporary differences.

GEODRILL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

9. TAXATION (CONTINUED)

(ii) Taxation (receivable) payable

	Balance at 1 January	Payment during the period	Charge for the period	Balance at 30 September
Income tax				
2011	<u>-</u>	<u>(2,192,198)</u>	<u>2,192,198</u>	<u>-</u>
2010	<u>59,303</u>	<u>(918,852)</u>	<u>1,144,788</u>	<u>285,239</u>

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 30, 2011.

(iii) Reconciliation of effective tax rate

	Three-month period ended September 30		Nine-month period ended September 30	
	2011 US\$	2010 US\$	2011 US\$	2010 US\$
Profit before taxation	<u>3,849,409</u>	<u>1,282,495</u>	<u>12,262,810</u>	<u>7,198,494</u>
Proportion of profit before taxation subject to no corporate taxation	<u>(6,945,340)</u>	<u>(436,817)</u>	<u>(5,174,678)</u>	<u>(2,094,462)</u>
Proportion of profit before taxation representing temporary differences in the the period tax affected at rate of 25%	<u>(2,118,071)</u>	<u>-</u>	<u>(4,484,492)</u>	<u>-</u>
Proportion of profit before taxation subject to taxation at rate of 25%	<u>-</u>	<u>730,612</u>	<u>-</u>	<u>3,917,936</u>
Proportion of profit before taxation subject to withholding tax at rate of 10%	<u>12,912,820</u>	<u>988,700</u>	<u>21,921,980</u>	<u>5,375,020</u>
Current year taxation per jurisdiction				
- Ghana corporate taxation (including deferred tax)	<u>(529,517)</u>	<u>182,653</u>	<u>(1,121,122)</u>	<u>992,984</u>
- Burkina Faso minimum withholding tax	<u>1,291,282</u>	<u>98,870</u>	<u>2,192,198</u>	<u>537,502</u>
Total tax charge	<u>761,765</u>	<u>281,523</u>	<u>1,071,076</u>	<u>1,530,486</u>

GEODRILL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

9. TAXATION (CONTINUED)

(iv) Reconciliation of taxation expense

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	2011	2010
	US\$	US\$	US\$	US\$
Income tax for Ghana taxable earnings	-	182,653	-	992,984
Non-temporary differences	(529,517)	-	(1,121,122)	-
Minimum withholding tax (Burkina Faso)	1,291,282	98,870	2,192,198	537,502
	761,765	281,523	1,071,076	1,530,486
	19.79%	21.95%	8.73%	21.26%

(v) Deferred taxation

	September 30, 2011	September 30, 2010
	US\$	US\$
Balance at 1 January	3,040,338	2,806,008
Change year to date	(1,121,122)	385,698
Balance at 30 September	1,919,216	3,191,706

(vi) Recognised deferred tax assets and liabilities

Deferred tax liabilities are attributable to the following:

	September 30, 2011		
	Asset	Liability	Net
	US\$	US\$	US\$
Property, plant and equipment		1,919,216	1,919,216

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

GEODRILL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

10. PROPERTY, PLANT AND EQUIPMENT

2011

	Buildings US\$	Motor Vehicles US\$	Plant & Equipment US\$	Furnitures & Fittings US\$	Drill Rigs US\$	Leasehold Improvement US\$	Work in Progress (CWIP) US\$	Total US\$
Cost								
Balance at 1 January 2011	-	2,866,811	8,970,297	-	22,112,746	-	9,122,888	43,072,742
Additions	-	-	-	-	326,468	123,855	8,838,281	9,288,604
Transfers from CWIP	-	2,216,118	3,929,804	-	11,229,509	354,391	(17,729,822)	-
Transfer from PPE to inventory	-	-	(789,596)	-	-	-	-	(789,596)
Disposal/write-off	-	(120,717)	-	-	-	-	-	(120,717)
Balance at 30 September 2011	-	4,962,212	12,110,505	-	33,668,723	478,246	231,347	51,451,033
Accumulated Depreciation								
Balance at 1 January 2011	-	1,659,736	4,411,456	-	7,092,718	-	-	13,163,910
Charge for the period	-	940,123	1,362,417	-	2,168,530	13,422	-	4,484,492
Release on disposal/write-off	-	(93,124)	(2,022)	-	(2,855)	-	-	(98,001)
Reclassifications	-	(497,187)	478,127	-	(82,159)	-	-	(101,219)
Transfer from PPE to Inventory	-	-	(470,244)	-	-	-	-	(470,244)
Balance at 30 September 2011	-	2,009,548	5,779,734	-	9,176,234	13,422	-	16,978,938
Carrying amounts at 30 September 2011	-	2,952,664	6,330,771	-	24,492,489	464,824	231,347	34,472,095

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings US\$	Motor Vehicles US\$	Plant & Equipment US\$	Furniture & Fittings US\$	Drill Rigs US\$	Capital Work in Progress (CWIP) US\$	Total US\$
<u>2010</u>							
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 December 2010	-	1,207,075	4,558,841	-	15,020,028	9,122,888	29,908,832

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	September 30, 2011 US\$	December 31, 2010 US\$
Drill rigs	1,839,820	874,384
Plant and equipment	1,736,143	1,283,916
Motor vehicles	<u>901,175</u>	<u>763,673</u>
	<u>4,477,138</u>	<u>2,921,973</u>

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

	Three-month period ended September 30		Nine-month period ended September 30	
	2011 US\$	2010 US\$	2011 US\$	2010 US\$
Cost of sales	1,429,725	1,156,006	3,530,947	2,479,221
Selling, general and administrative expense	<u>688,346</u>	<u>172,736</u>	<u>953,545</u>	<u>403,594</u>
	<u>2,118,071</u>	<u>1,328,742</u>	<u>4,484,492</u>	<u>2,882,815</u>

11. INVENTORIES

	September 30, 2011 US\$	December 31, 2010 US\$
Spare parts and sundry materials on hand	12,740,838	5,108,747
Spare parts and materials in transit	798,628	3,182,944
Less: Provision for obsolescence	<u>(1,219,646)</u>	<u>(710,470)</u>
	<u>12,319,820</u>	<u>7,581,220</u>

During the nine month period ended September 30, 2011, the provision for obsolescence of US\$509,176 was included in the cost of sales (2010: (US\$15,829)).

There were no reversals in the period of previously recognized inventory write-down (2010: US\$15,289).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

12. BANK OVERDRAFT

	September 30, 2011 US\$	December 31, 2010 US\$
Ecobank Ghana Limited	-	463,994
Facilities granted	-	344,424
Amount utilized	-	463,994
Under/(Over) utilization	-	(119,570)

Geodrill Ghana Limited had an overdraft facility amounting to GH¢500,000 (approximately US\$364,893) with the bank to finance operating expenditures. The interest rate was at GH¢ base rate minus 1% payable monthly in arrears. This facility was 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 expired on 31 May 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.

On August 4, 2011 the company entered into a loan arrangement with a third party whereby it secured funds in the amount of £2,000,000. The loan, together with the related interest, is due on August 4, 2012, bears interest, including arrangement fees, at a rate of 10% per annum (being 9.5% interest), and is secured by two of the drill rigs being purchased with the proceeds of the loan and one existing rig.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Loans and Receivables US\$	Other Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
30 September 2011				
Financial assets				
Trade and other receivables	11,116,014	-	11,116,014	11,116,014
Cash and cash equivalents	5,560,936	-	5,560,936	5,560,936
	16,676,950	-	16,676,950	16,676,950
Financial liabilities				
Trade and other payables	-	12,537,727	12,537,727	12,537,727
Related Party payables	-	923,025	923,025	923,025
Loan payable	-	3,125,635	3,125,635	3,125,635
	-	16,586,387	16,586,387	16,586,387
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

GEODRILL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 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%
DSI Services Limited	Subsidiary	British Virgin Islands	100%	100%
Geotool Limited	Subsidiary	British Virgin Islands	100%	-
Geoforage BF SARL	Subsidiary	Burkina Faso	100%	-
Geoforage Cote d'Ivoire	Subsidiary	Cote d'Ivoire	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	-	-

(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 ("DSI") is acting as the purchasing arm of the Group, responsible for centralised procurement.

DSI is 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 between DSI and Geodrill Ghana Limited amounted to US\$7,042,701 for the third quarter of 2011.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

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 Limited ratified, confirmed and approved a resolution passed by Geodrill Ghana Limited on September 30, 2010 declaring a dividend to its shareholder, Geodrill Limited, of US\$2,350,000 (the "Real Estate Dividend"), 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 valuers/surveyors or real estate agents; (ii) at the end of the original five year lease term, Geodrill Ghana Limited shall have the option to renew the lease for an additional five year term with similar rent and conditions; and (iii) either party may terminate the lease agreement provided they give the other party 12 months notice.

Future lease commitments related to the properties are:

	Sep 30, 2011	Dec 31, 2010
	US\$	US\$
Payable within one year	160,000	160,000
Payable between 1 and 5 years	520,000	640,000
Total	680,000	800,000

During the quarter ended September 30, 2011 lease payment amounted to US\$40,000.

GEODRILL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 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:

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	2011	2010
Short-term employee benefits	119,116	23,108	303,119	115,763
Share based payment arrangements	280,158	-	1,037,507	-
	<u>399,274</u>	<u>23,108</u>	<u>1,340,626</u>	<u>115,763</u>

(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	September 30, 2011 US\$	December 31, 2010 US\$
Transtraders Limited	Purchase of goods and items of property, plant and equipment	-	6,193,075
Balances outstanding as at 30 September 2011 and 31 December 2010			
Transtraders Limited - payable	Line of credit	(3,646,925)	(3,646,925)
Transtraders Limited - receivable	Other transactions	<u>2,723,900</u>	<u>2,723,900</u>
		<u>(923,025)</u>	<u>(923,025)</u>

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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 30 September 2011, DSI Services Limited had contracted with Australian Exploration Engineering for the purchase of 7 drill rigs, 3 drill rigs to be delivered in 2011 and 4 drill rigs to be delivered in 2012; 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; and, with Atlas Copco for the purchase of 10 compressors. Total commitments amount to US\$13,911,814 (December 31, 2010: US\$8,359,281).

GEODRILL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

18. CAPITAL AND RESERVES

(i) Share capital

Shares have no par value and authorised shares are unlimited.

	September 30, 2011	December 31, 2010
Shares issued	42,476,000	42,476,000
Shares reserved for Share option plan	4,247,600	4,247,600
Total shares	<u>46,723,600</u>	<u>46,723,600</u>
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 30 September and 31 December	<u>42,476,000</u>	<u>42,476,000</u>

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 subdividing 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 is comprised 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

19. EARNINGS PER SHARE

(i) Earnings per share

The calculation of basic earnings per share for the nine months ended 30 September 2011 was based on the profit attributable to ordinary shareholders of US\$11,191,734 (2010: US\$5,668,008) and on the weighted average number of ordinary shares outstanding of 42,476,000 (2010: 30,000,000), calculated as follows:

	Three-month period ended September 30		Nine-month period ended September 30	
	2011 US\$	2010 US\$	2011 US\$	2010 US\$
Profit attributable to ordinary shareholders	3,087,644	1,000,972	11,191,734	5,668,008
Weighted average number of ordinary shares				
Issued ordinary shares at 1 January	42,476,000	2	42,476,000	2
Effect of share split		29,999,998		29,999,998
	<u>42,476,000</u>	<u>30,000,000</u>	<u>42,476,000</u>	<u>30,000,000</u>
Earnings per share	<u>0.07</u>	<u>0.03</u>	<u>0.26</u>	<u>0.19</u>

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 has 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 for the nine months ended 30 September 2011 was based on the profit attributable to ordinary shareholders of US\$11,191,734 (2010: US\$5,668,008) and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 43,916,000 (2010: 30,000,000), calculated as follows:

GEODRILL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine month periods ended 30 September, 2011

19. EARNINGS PER SHARE (CONTINUED)

(ii) Diluted earnings per share (continued)

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	2011	2010
	US\$	US\$	US\$	US\$
Profit attributable to ordinary shareholders	3,087,644	1,000,972	11,191,734	5,668,008
Weighted average number of ordinary shares - diluted				
Issued ordinary shares at 1 January	42,476,000	30,000,000	42,476,000	30,000,000
Effect of share options on issue (Dec 2010)	<u>1,440,000</u>	<u>-</u>	<u>1,440,000</u>	<u>-</u>
	<u>43,916,000</u>	<u>30,000,000</u>	<u>43,916,000</u>	<u>30,000,000</u>
Diluted earnings per share	<u>0.07</u>	<u>0.03</u>	<u>0.25</u>	<u>0.19</u>

20. EQUITY-SETTLED SHARE-BASED PAYMENTS

(i) Employee Share Option Plan

During the nine months ended 30 September 2011, the Company granted 450,000 options (2010: NIL).

	September 30, 2011		December 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	0	0
Granted	450,000	C\$3.48	1,440,000	C\$2.00
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Issued on acquisition	-	-	-	-
Balance, end of period	<u>1,890,000</u>	<u>C\$2.35</u>	<u>1,440,000</u>	<u>C\$2.00</u>

No stock options were exercised during the nine months ended September 30, 2011.

GEODRILL LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***For the three and nine month periods ended 30 September, 2011***20. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)**

The following table summarises the options outstanding at September 30, 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 & 2 mos	C\$2.00	480,000	C\$2.00
C\$3.48	450,000	4 Yrs & 5 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