

GEODRILL LIMITED

GEODRILL LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

(in United States dollars)

For the year ended 31 December 2011

GEODRILL LIMITED

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GEODRILL LIMITED

REPORT OF THE DIRECTORS TO THE MEMBERS OF GEODRILL LIMITED

For the year ended 31 December 2011

The Directors present the consolidated financial statements of Geodrill Limited for the year ended 31 December 2011. The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and also has the responsibility for approving the financial information included in the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY STATEMENT

Management is responsible for the preparation and fair presentation of the consolidated financial statements, comprising the consolidated statement of financial position at 31 December 2011, consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS).

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

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

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

FINANCIAL STATEMENTS

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

NATURE OF BUSINESS

The Group provides exploration, drilling and mining support services.

APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group were approved by the Board of Directors on February 29, 2012 and are signed on their behalf by:

"signed"

DIRECTOR

"signed"

DIRECTOR

Independent Auditor's Report

To the Board of Directors and Shareholders of
Geodrill Limited

We have audited the accompanying consolidated financial statements of Geodrill Limited, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

GEODRILL LIMITED

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Geodrill Limited as at December 31, 2011 and its financial performance and its cash flows for the year ended December 31, 2011 in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of Geodrill Limited for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on March 11, 2011.

[To be signed Deloitte & Touche LLP]

Chartered Accountants
Licensed Public Accountants
February 29, 2012
Toronto, Canada

GEODRILL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 US\$	2010 US\$
Assets			
Non-current assets			
Property, plant and equipment	10	35,897,061	29,908,832
Total non-current assets		35,897,061	29,908,832
Current assets			
Inventories	11	13,619,992	7,581,220
Prepayments	12	7,347,247	1,038,880
Tax assets	9vi	532,198	-
Trade and other receivables	13	8,213,010	6,092,026
Cash and cash equivalents	14	8,165,394	10,183,088
Total current assets		37,877,841	24,895,214
Total assets		73,774,902	54,804,046
Equity and liabilities			
Equity			
Share capital	24i	21,043,041	21,184,590
Share-based payment reserve	24ii	2,045,377	490,990
Retained earnings	24iii	32,732,476	20,319,955
Total equity		55,820,894	41,995,535
Liabilities			
Non-current liabilities			
Deferred taxation liability	9iv	5,347,079	3,040,338
Total non-current liabilities		5,347,079	3,040,338
Current liabilities			
Trade and other payables	16	8,592,762	8,845,148
Loan payable	15	3,091,142	-
Related party payables	20iii	923,025	923,025
Total current liabilities		12,606,929	9,768,173
Total liabilities		17,954,008	12,808,511
Total liabilities and equity		73,774,902	54,804,046

GEODRILL LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 December 2011*

	Note	2011 US\$	2010 US\$
Revenue	6	70,148,230	45,062,630
Cost of sales		<u>(32,092,826)</u>	<u>(22,669,109)</u>
Gross profit		38,055,404	22,393,521
Other income		579	15,116
Selling, general and administrative expenses		<u>(19,537,332)</u>	<u>(12,166,142)</u>
Results from operating activities		<u>18,518,651</u>	<u>10,242,495</u>
Finance income	8i	23,919	52,244
Finance costs	8ii	<u>(592,950)</u>	<u>(2,464,558)</u>
Net finance cost		<u>(569,031)</u>	<u>(2,412,314)</u>
Profit before taxation		17,949,620	7,830,181
Income tax expense	9i	<u>(5,537,099)</u>	<u>(2,748,318)</u>
Profit for the year		12,412,521	5,081,863
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>12,412,521</u>	<u>5,081,863</u>
Earnings per share	25		
Basic		0.29	0.17
Diluted		0.28	0.16

GEODRILL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share Capital US\$ Note 24(i)	Share-based Payment Reserve US\$ Note 24(ii)	Retained Earnings US\$ Note 24(iii)	Total Equity US\$
Balance at 1 January 2011	21,184,590	490,990	20,319,955	41,995,535
Total comprehensive income for the year	-	-	12,412,521	12,412,521
Share-based payment transaction	-	1,554,387	-	1,554,387
IPO related costs, net of tax	(141,549)	-	-	(141,549)
Balance at 31 December 2011	21,043,041	2,045,377	32,732,476	55,820,894
Balance at 1 January 2010	4	-	17,588,092	17,588,096
Total comprehensive income for the year	-	-	5,081,863	5,081,863
Issue of ordinary shares (net of transaction costs)	17,233,376	-	-	17,233,376
Convertible loan exercised (net of transaction costs)	3,951,210	-	-	3,951,210
Share-based payment transaction	-	490,990	-	490,990
Dividends to equity holders	-	-	(2,350,000)	(2,350,000)
Balance at 31 December 2010	21,184,590	490,990	20,319,955	41,995,535

GEODRILL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2011

	2011 US\$	2010 US\$
Cash flows from operating activities		
Profit before taxation	17,949,620	7,830,181
<i>Adjustments for:</i>		
Depreciation charges	6,592,158	4,060,081
Amortization charges	44,063	1,089
(Gain) loss on disposal of property, plant and equipment	(579)	208,576
Provision for obsolescence reversed	(38,837)	(100,371)
Equity-settled share-based payments	1,554,387	490,990
Net finance cost	569,031	2,412,314
	26,669,843	14,902,860
Change in inventories	(5,680,583)	(6,784,825)
Change in prepayments	(6,308,367)	-
Change in tax asset	(532,198)	-
Change in trade and other receivables	(2,120,985)	(245,666)
Change in trade and other payables	(252,385)	4,143,272
Change in related party balances	-	307,654
Cash generated from operations	11,775,325	12,323,295
Finance income	23,919	52,244
Finance expense	(592,950)	(476,977)
Income taxes paid	(3,230,358)	(2,573,291)
Net cash flow from operating activities	7,975,936	9,325,271
Investing activities		
Purchase of property, plant and equipment	(12,984,027)	(17,726,801)
Proceeds from sale of property, plant and equipment	40,804	1,000
Leasehold improvements	-	(5,010)
Net cash flow used in investing activities	(12,943,223)	(17,730,811)
Financing activities		
Loan received / (repayment)	3,091,142	(600,000)
Net proceed from issue of share capital	-	19,197,005
Dividends paid	-	(2,350,000)
Dividends paid in specie	-	2,150,000
IPO related costs	(141,549)	-
Net cash flow from financing activities	2,949,593	18,397,005
Net (decrease) increase in cash and cash equivalents	(2,017,694)	9,991,465
Balance at beginning of the year	10,183,088	191,623
Balance at end of the year	8,165,394	10,183,088

GEODRILL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL INFORMATION

Geodrill Limited (“the company”) is a company registered and domiciled in the Isle of Man. The address of the company’s registered office is *First Floor, 18 Peel Road, Ragnall House, Douglas, Isle of Man, IM1 4LZ*. The consolidated financial statements of the company for the year ended December 31, 2011 comprises the financial statements of the company and its subsidiaries, Geodrill Ghana Limited, Geotool Limited, Geoforage BF Sarl, Geoforage Cote d’Ivoire 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. SIGNIFICANT ACCOUNTING POLICIES

a. Approval of financial statements

The financial statements were approved by the board of directors and authorized for issue on February 29, 2012.

b. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

c. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except where stated otherwise.

d. Foreign currency translation

The consolidated financial statements are presented in United States Dollars which is also the parent company’s functional currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are recorded using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Foreign currency translation (continued)

All differences are taken to the consolidated statement of comprehensive income with the exception of all monetary items that form part of a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other 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 recognized in other comprehensive income or profit or loss as appropriate.

e. Use of estimates and judgments

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are described in notes 2.i, 2.j, 2.l, and 4.

f. Basis of consolidation

(i) Subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Basis of consolidation (continued)

(ii) Special purpose entities

A special purpose entity (SPE) is consolidated if, based on 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.

(ii) Transactions eliminated on consolidation

Intra-Group balances, unrealized gains and losses, transactions and dividends are eliminated in preparing the consolidated financial statements.

g. Financial instruments

(i) Recognition

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Subsequent to initial recognition, the treatment of financial assets depends on their classification. Those recognized as FVTPL are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the consolidated statement of comprehensive income. AFS financial assets are recognized in the consolidated statement of financial position at fair value with unrealized gains and losses recognized as other comprehensive income until the investment is derecognized or impaired at which time gains and losses are recognized in or reclassified to profit or loss. Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest rate method, less impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Financial Instruments (continued)

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Subsequent to initial recognition, the treatment of financial liabilities depends on their classification. Those recognized as FVTPL are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the consolidated statement of comprehensive income. Other financial liabilities are measured at amortized cost using the effective interest rate method.

(ii) Derecognition

Financial assets are derecognized 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 recognized as a separate asset or liability.

Financial liabilities are derecognized when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Financial Instruments (continued)

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

Further information relating to the fair values of financial instruments is provided in notes 4 and 18.

(iv) Amortized cost measurement

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

(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 realize the asset and settle the liability simultaneously.

Income and expenses on financial instruments are presented on a net basis when permitted by 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 recognized as a deduction from equity, net of any tax effects.

(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 recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Financial Instruments (continued)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized 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 recognized in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognized on conversion.

h. 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 consolidated statement of financial position as a finance lease obligation. Finance costs are charged to the consolidated 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 consolidated 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 recognized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. 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 and, for qualifying asset, borrowing costs capitalized in accordance with the Group's accounting policy. The cost of self-constructed assets includes the cost of materials and direct labor, 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 capitalized as part of that equipment.

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

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized 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 recognized in the consolidated statement of comprehensive income, as incurred.

(iii) Depreciation

Depreciation is recognized in the consolidated 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. Capital work in progress is not depreciated.

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/Rebuilds	5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Property, plant and equipment (continued)

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 programs. Changes in estimates can result in significant variations in the carrying value and amounts charged, on account of depreciation, to the consolidated statement of comprehensive income in specific periods. The following changes were adopted effective 1 July 2011 on a prospective basis:

- a. The estimated useful lives of motor vehicles were 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.

The amount of the expected effect of the changes in estimates is unknown.

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 recognized in profit or loss.

(iv) Impairment

The Group considers at each reporting date whether there is an indication of impairment to any of its assets. If any such indication exists or an annual impairment test is required, the asset's or cash-generating unit's recoverable amount is estimated. The recoverable amount of the asset or cash-generating unit is based on the higher of a value-in-use calculation or fair value less cost to sell. The value-in-use calculation requires an estimation of the future cash flows expected to arise from the asset or cash generating unit and a suitable discount rate in order to calculate present value. Fair values less cost to sell are based on recent market transactions where available and where not available appropriate valuation models are used. Changes in these estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods.

j. Inventories

Inventories are measured at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Inventories (continued)

Inventory is assessed on a per unit basis to determine whether indicators exist which would lead to a revision in the net realizable value of inventory. This assessment is performed on an annual basis.

k. 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 recognized as an expense in the consolidated 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 recognized 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 equity-settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. Estimations are made at the end of each reporting period of the number of instruments which will eventually vest. The impact of any revision is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Income tax

Income tax expense comprises current and deferred tax expenses.

Current tax and deferred tax are recognized in the consolidated statement of comprehensive income except to the extent that they relate to items recognized directly in other comprehensive income or equity.

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

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 recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. 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 realized.

m. Dividends

Dividends payable/receivable is recognized in the period in which the dividend is appropriately authorized.

n. 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 recognized 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Revenue – drilling income (continued)

- the stage of completion of the drilling service at the end of the reporting period can be measured reliably; and
- the costs incurred for and to complete the drilling can be measured reliably.

o. Finance income

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

p. 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 recognized in the consolidated statement of comprehensive income using the effective interest method.

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

q. 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.

r. 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 weighted average number of ordinary shares outstanding for the effects of all dilutive potential shares, which currently comprise share options granted to employees and directors.

s. Comparatives

Where necessary, the comparative information has been changed to agree to the current year presentation. In such a case, the nature of the reclassification; the amount of each item that is reclassified; and, the reason for the reclassification, is disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a. New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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	Annual periods beginning on or after February 1, 2010*
	Presentation: Classification of Rights Issues	
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Annual periods beginning on or after July 1, 2010*
11 individual amendments to 6 standards	Improvements to International Financial Reporting Standards 2010	Amendments are effective for annual periods beginning on or after July 1, 2010 or for annual periods beginning on or after January 1, 2011*

* All Standards and Interpretations were adopted at their effective date.

IAS 24 (revised)

IAS 24 (as revised in 2009) has been revised in the following two respects:

- IAS 24 (as revised in 2009) has changed the definition of a related party; and
- IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The revisions to this standard were adopted by the Group in 2011. The adoption of these revisions did not have a material impact in the period of adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

a. New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

IAS 32 Amendment

The amendment addresses the classification of certain right issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendment to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendment requires retrospective application.

The amendments to this standard were adopted by the Group in 2011. The adoption of these amendments did not have a material impact in the period of adoption.

IFRIC 19

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognized in profit or loss.

This interpretation was adopted by the Group in 2011. The adoption of this interpretation did not have a material impact in the period of adoption.

Improvements to IFRS issued in 2010

The changes to these standards were adopted by the Group in 2011. The adoption of these changed standards did not have a material impact in the period of adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

b. New and revised IFRSs issued but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

	Standard / Interpretation	Effective Date
Amendment to IFRS 7	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, 2015
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)
Amendments to IAS 1	Presentation of items of other comprehensive income	Annual periods beginning on or after July 1, 2012
Amendments to IAS 12	Deferred Tax - Recovery of Underlying Assets	Annual periods beginning on or after January 1, 2012
IAS 19 (as revised in 2011)	Employee Benefits	Annual periods beginning on or after January 1, 2013
IAS 27 (as revised in 2011)	Separate Financial Statements	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
IAS 28 (as revised in 2011)	Investment in associates and joint ventures	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
Amendment to IAS 32	Offsetting financial assets and financial liabilities	Annual periods beginning on or after January 1, 2014 (early adoption permitted)
Amendment to IFRS 7	Disclosure-offsetting financial assets and financial liabilities	Annual periods beginning on or after January 1, 2013
Amendment to IFRS 9 and 7	Mandatory effective date and transition disclosures	Effective date for IFRS 9 deferred to January 1, 2015
IFRIC 20	Stripping costs in the production phase of a surface mine	Annual periods beginning on or after January 1, 2013 (early adoption permitted)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

b. New and revised IFRSs in issue but not yet effective (continued)

IFRS 7 amendment:

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

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 derecognized in their entirety, or
- derecognized in their entirety but for which the Group retains continuing involvement

The Group does not believe these amendments will impact its financial reporting.

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 2015. 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 amortized cost or at fair value. Financial assets are measured at amortized 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 will no longer be separated from hybrid contracts that have a financial asset host.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

b. New and revised IFRSs in issue but not yet effective (continued)

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 recognized 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 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, if any, has not yet been estimated.

IFRS 10:

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation; that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

b. New and revised IFRSs in issue but not yet effective (continued)

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.

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

IFRS 11

IFRS 11 replaces IAS 31, Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 11 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted, provided IFRS 10, IFRS 12 and the related amendments to IFRS 27 and 28 are adopted at the same time. The impact on the financial statements for the Group, if any, has not yet been estimated.

IFRS 12

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

b. New and revised IFRSs in issue but not yet effective (continued)

IFRS 13

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures, will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

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

Amendments 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.

Amendments to IAS 12

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

b. New and revised IFRSs in issue but not yet effective (continued)

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012.

The impact on the financial statements for the Group is unlikely to be material as the Group currently has no investment properties.

IAS 19 (as revised in 2011)

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under the previous version of IAS 19, and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions

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

IAS 27 (as revised in 2011)

IAS 27 was re-issued by the IASB on May 13, 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, if any, has not yet been estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

b. New and revised IFRSs in issue but not yet effective (continued)

IAS 28 (as revised in 2011)

IAS 28 was re-issued by the IASB on May 13, 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, if any, has not yet been estimated.

Amendment to IAS 32

The amendment to IAS 32 pertains to the situations where offsetting of financial assets and liabilities is appropriate and specifically clarifies:

- the meaning of currently has a legally enforceable right of set-off; and
- that some gross settlement systems may be considered equivalent to net settlement.

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

Amendment to IFRS 7

The amended disclosure requirements are intended to aid the assessment of the effect of offsetting arrangements on a company's financial position. The eligibility criteria for offsetting are different in IFRS and U.S. Generally Accepted Accounting Principles (US GAAP). Offsetting, otherwise known as netting, is the presentation of assets and liabilities as a single net amount in the consolidated statement of financial position. To address the differences between IFRSs and US GAAP offsetting criteria, new disclosure requirements enable comparison of financial statements prepared in accordance with IFRSs and US GAAP have been added to IFRS 7.

The common disclosure requirements also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

b. New and revised IFRSs in issue but not yet effective (continued)

Amendment to IFRS 9 and 7

On December 16, 2011, the IASB issued “Mandatory Effective Date of IFRS 9 and Transition Disclosures”, which amends IFRS 9 to require application for annual periods beginning on or after January 1, 2015, rather than January 1, 2013. Early application of IFRS 9 is still permitted. The amendments also provide relief from restating comparative information and require disclosures (in IFRS 7) to enable users of financial statements to understand the effect of beginning to apply IFRS 9.

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

IFRIC 20

IFRIC 20 deals with waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

There will be no impact on the financial statements for the Group.

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.

Loans and receivables

(a) Trade and other receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(b) Cash and cash equivalents

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

(c) Trade and other payable

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

(d) Loans payable

The fair value of loans payable approximates their carrying values.

(e) Other financial liabilities

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

(f) Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes model. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility, expected term of the instruments (based on historical experience and general option holder 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 categorized as Ghana and outside Ghana.

Included in the revenue are five customers who individually contributed 10% or more to the Groups revenue for 2011. One customer contributed 20%, one customer contributed 15%, two customers contributed 13% and one customer contributed 10% to the Group's revenue for 2011.

GEODRILL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SEGMENT REPORTING (CONTINUED)

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

	Ghana		Outside Ghana ⁽¹⁾		Intra-group transaction		Total	
	2011 US\$ '000	2010 US\$ '000	2011 US\$ '000	2010 US\$ '000	2011 US\$ '000	2010 US\$ '000	2011 US\$ '000	2010 US\$ '000
Revenue	39,515	27,752	55,435	20,130	(24,802)	(2,820)	70,148	45,062
Cost of sales	(26,454)	(13,474)	(32,351)	(14,865)	26,712	5,670	(32,093)	(22,669)
Selling, general and administrative	(19,292)	(10,091)	(9,976)	(2,630)	9,731	555	(19,537)	(12,166)
Results from operating activities	(6,231)	4,187	13,108	2,635	11,641	3,405	18,518	10,227
Other income (expense)	5,401	2,850	9,561	570	(14,961)	(3,405)	1	15
Operating profit (loss)	(830)	7,037	22,669	3,205	(3,320)	-	18,519	10,242
Finance income	-	23	24	2,379	-	(2,350)	24	52
Finance cost	(498)	(99)	(95)	(2,365)	-	-	(593)	(2,464)
Segment results	(1,328)	6,961	22,598	3,219	(3,320)	(2,350)	17,950	7,830
Total assets	61,286	44,610	58,246	41,599			119,532	86,209
Intra group balances							(45,757)	(31,405)
Per statement of financial position							73,775	54,804
Total liabilities	48,748	28,385	11,590	15,598			60,338	43,983
Intra group balances							(42,384)	(31,174)
Per statement of financial position							17,954	12,809
Capital expenditures	12,984	17,727	-	-			12,984	17,727

(1) Revenue generated outside Ghana represents all revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man.

GEODRILL LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 31 December 2011*

	2011 US\$	2010 US\$
6. REVENUE		
Drilling Revenue	70,148,230	45,062,630
	-----	-----
7. EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	13,248,006	7,101,307
Social security contributions	168,442	108,002
Contributions to provident fund	24,435	48,372
Bonuses	656,894	682,391
Other staff expenses	230,187	110,616
Equity-settled share-based payments (excluding directors) (Note 27)	597,746	184,121
	-----	-----
	14,925,710	8,234,809
	=====	=====
8. FINANCE INCOME AND COST		
(i) Finance income		
Interest income on cash and cash equivalents	23,919	52,244
	-----	-----
(ii) Finance cost		
Interest expense on financial liabilities	141,649	346,678
Net exchange loss	451,301	130,299
	-----	-----
	592,950	476,977
Fair value determination on convertible loan note	-	1,987,581
	-----	-----
	592,950	2,464,558
	-----	-----
Net finance cost	569,031	2,412,314
	=====	=====

GEODRILL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. TAXATION

(i) Income tax expense

Current tax expense reflects taxes associated with the Group'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 Group's drilling activities in Ghana was mitigated in its entirety by the recognition of a tax bad debt in 2011, the benefit of which had not been previously recognized.

	2011 US\$	2010 US\$
Current tax expense (ii)	3,230,358	2,513,988
Deferred tax expense	2,306,741	234,330
	-----	-----
	5,537,099	2,748,318
	=====	=====

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

(ii) Taxation payable

	Balance at 1 January US\$	Payments during the year US\$	Charge for the year US\$	Balance at 31 December US\$
Income Tax				
2011	-	(3,230,358)	3,230,358	-
	=====	=====	=====	=====
2010	59,303	(2,573,291)	2,513,988	-
	=====	=====	=====	=====

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.

GEODRILL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. TAXATION (CONTINUED)

(iii) Reconciliation of effective tax rate

	2011 US\$	2010 US\$
Profit before taxation	17,949,620 =====	7,830,181 =====
Proportion of profit before taxation subject to no corporation tax	19,277,788	868,591
Proportion of (loss) profit before taxation subject to corporate taxation in Ghana at a rate of 25%	(1,328,168) -----	6,961,590 -----
	17,949,620 =====	7,830,181 =====
Current year taxation per tax jurisdiction		
- Ghana Corporate taxation (including deferred tax)	2,359,188	1,783,115
- Burkina Faso withholding tax	3,059,713	965,203
- Ghana withholding tax	118,198	-
	-----	-----
Total tax charge	5,537,099 =====	2,748,318 =====
Reconciliation of taxation expense		
Income tax rate for Ghana taxable earnings		
- Using Ghana tax rate	52,447	1,740,398
- Non-temporary differences	2,306,741	42,717
Minimum withholding tax (Burkina)	3,059,713	965,203
Minimum withholding tax (Ghana)	118,198	-
	-----	-----
	5,537,099 =====	2,748,318 =====
Effective tax rate	30.8% =====	35.1% =====

GEODRILL LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 31 December 2011***9. TAXATION (CONTINUED)****(iv) Deferred taxation liability**

Balance at 1 January	3,040,338	2,806,008
Charge for the year	2,306,741	234,330
	-----	-----
Balance at 31 December	5,347,079	3,040,338
	=====	=====

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Asset	2011 Liability	Net
Property, plant and equipment	-	5,347,079	5,347,079
	=====	=====	=====

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

(vi) Tax asset

In the normal course, the Geodrill Ghana Limited is required to make payments to tax authorities in advance of earning the related income. It is anticipated that such amounts will be applied to tax obligations originating in 2012.

GEODRILL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2011

10. PROPERTY, PLANT AND EQUIPMENT

2011	Motor Vehicles US\$	Plant & Equipment US\$	Furniture & Fittings US\$	Drill Rigs⁽¹⁾ US\$	Leasehold Improvement US\$	Capital 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		64,459	-	-	-	12,919,568	12,984,027
Transfers from CWIP	2,326,074	3,607,371	-	13,023,467	478,246	(19,435,158)	-
Transfer from motor vehicles	(401,889)	511,434	-	(109,545)	-	-	-
Transfer from PPE to inventory	-	(789,596)	-	-	-	-	(789,596)
Disposal	(223,771)	-	-	-	-	-	(223,771)
Balance at 31 December 2011	<u>4,567,225</u>	<u>12,363,965</u>	-	<u>35,026,668</u>	<u>478,246</u>	<u>2,607,298</u>	<u>55,043,402</u>
Accumulated Depreciation							
Balance at 1 January 2011	1,659,736	4,411,456	-	7,092,718	-	-	13,163,910
Charge for the period	1,288,133	1,882,573	-	3,421,452	44,063	-	6,636,221
Release on disposal	(183,546)	-	-	-	-	-	(183,546)
Reclassifications	(395,968)	478,127	-	(82,159)	-	-	-
Transfer from PPE to Inventory	-	(470,244)	-	-	-	-	(470,244)
Balance at 31 December 2011	<u>2,368,355</u>	<u>6,301,912</u>	-	<u>10,432,011</u>	<u>44,063</u>	-	<u>19,146,341</u>
Carrying amounts							
at 31 December 2011	<u>2,198,870</u>	<u>6,062,053</u>	-	<u>24,594,657</u>	<u>434,183</u>	<u>2,607,298</u>	<u>35,897,061</u>

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

GEODRILL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2011

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2010	Buildings US\$	Motor Vehicles US\$	Plant & Equipment US\$	Furnitures & Fittings US\$	Drill Rigs ⁽¹⁾ US\$	Capital Work in Progress (CWIP) US\$	Total US\$
Cost							
Balance at 1 January 2010	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)	-
Transfer from PPE to inventory	(2,552,233)	(269,440)	-	-	-	-	(2,821,673)
Disposal	-	-	(54,194)	(128,834)	-	-	(183,028)
Reclassification to inventory	-	-	(728,843)	-	-	-	(728,843)
Balance at 31 December 2010	-	2,866,811	8,970,297	-	22,112,746	9,122,888	43,072,742
Accumulated Depreciation							
Balance at 1 January 2010	249,413	1,457,720	3,443,975	58,497	5,042,515	-	10,252,120
Charge for the period	79,416	404,388	1,455,737	70,337	2,050,203	-	4,060,081
Release on disposal	(328,829)	(202,372)	-	-	-	-	(531,201)
Reclassifications	-	-	(54,194)	(128,834)	-	-	(183,028)
Transfer from PPE to Inventory	-	-	(434,062)	-	-	-	(434,062)
Balance at 31 December 2010	-	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

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

GEODRILL LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 31 December 2011*

	2011	2010
	US\$	US\$
10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
The original cost of fully depreciated property, plant and equipment still in use can be broken down as follows:		
Drill rigs	2,977,576	874,384
Plant and equipment	2,859,147	1,283,916
Motor vehicles	1,474,423	763,673
	-----	-----
	7,311,146	2,921,973
	=====	=====
10a. Depreciation and amortization has been charged in the statement of comprehensive income as follows:		
Cost of sales	5,304,025	3,505,940
Selling, general and administrative expenses	1,332,196	554,141
	-----	-----
	6,636,221	4,060,081
	=====	=====
10b. Disposal of property, plant and equipment		
Cost (Including long term lease pre-payment)	122,551	2,901,176
Accumulated depreciation (Including long term lease pre-payment)	(82,327)	(541,600)
	-----	-----
Net book value	40,224	2,359,576
Distribution of dividends in specie	-	(2,150,000)
Proceeds on disposal	(40,803)	(1,000)
	-----	-----
(Gain)/loss on disposal	(579)	208,576
	=====	=====

On 1 November 2010, the board of directors of Geodrill Limited ratified, confirmed and approved a resolution passed by Geodrill Ghana Limited on 30 September 2010 declaring a dividend to its shareholder, Geodrill Limited, of US\$2,350,000 (less withholding tax of US\$200,000) which was satisfied by the distribution of Geodrill Ghana Limited's real estate assets, comprised of long-term leases of the supply base and workshop located in Anwiankwanta and the operational base located in Accra, which assets were subsequently distributed to Geodrill Limited's shareholders in specie as detailed in note 20.

GEODRILL LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 31 December 2011***11. INVENTORIES**

	2011 US\$	2010 US\$
Spare parts and sundry materials on hand	13,432,681	4,398,276
Spare parts and sundry materials in transit	858,945	3,182,944
Less: Provision for obsolescence	(671,634)	-
	-----	-----
	13,619,992	7,581,220
	=====	=====

The amount of inventories recognized as expense in the year is US\$13,724 (2010: Nil). Inventory write downs in the year amounted to US\$52,560 (2010: Nil).

12. PREPAYMENTS

Prepaid rent	93,609	-
Prepaid insurance	189,958	140,000
Prepaid others	62,077	-
Advances to suppliers	7,001,603	898,880
	-----	-----
	7,347,247	1,038,880
	=====	=====

13. TRADE AND OTHER RECEIVABLES

Trade receivables	7,980,324	6,008,074
Cash advances	105,773	81,970
Sundry receivables	126,913	1,982
	-----	-----
	8,213,010	6,092,026
	=====	=====

Trade receivables and other receivables are recorded at amortized cost. Impairment losses recorded on trade and other receivables during the year amounted to US\$ Nil (2010: Nil). The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 19.

GEODRILL LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 31 December 2011***14. CASH AND CASH EQUIVALENTS**

	2011 US\$	2010 US\$
Bank balances	7,811,334	10,033,529
Cash balances	354,060	149,559
	-----	-----
	8,165,394	10,183,088
	=====	=====

Bank balances denominated in currencies other than the functional currency are detailed in note 23(iv).

15. LOAN PAYABLE

	2011 US\$	2010 US\$
Loan from		
- other entities	3,091,142	-
	-----	-----
	3,091,142	-
	=====	=====

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

	2011 US\$	2010 US\$
16. TRADE AND OTHER PAYABLES		
Trade payables	2,928,498	2,413,182
Sundry creditors and accrued expenses	3,475,869	3,526,811
VAT liability	2,188,395	2,905,155
	-----	-----
	8,592,762	8,845,148
	=====	=====

Trade and other payables are recorded at amortized cost.

Trade and other payables denominated in other currencies other than the functional currency are detailed in note 19 (iv).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

17. EMPLOYEE BENEFIT OBLIGATION

Defined Contribution Plans

(i) *Social Security*

The Group contributes to various defined contribution and social security schemes. Under the schemes, the Group makes fixed contributions into a separate fund. The Group's obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities, if due but not paid (see note 9).

(ii) *Provident Fund*

The Group has a provident fund scheme for staff under which the Group contributes 10% of staff basic salaries. The Group's obligation under the plan is limited to the relevant contributions, which have been recognized in the year-end financial statements as expenses, and liabilities, if due but not paid (see note 9).

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

Trade and other receivables, cash and cash equivalents, trade and other payables and related party payables are recorded at their carrying values, which approximate fair value due to their short-term nature and generally negligible credit losses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

18. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

31 December 2011	Loans and Receivables US\$	Other Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
Financial assets				
Trade and other receivables	8,213,010	-	8,213,010	8,213,010
Cash and cash equivalents	8,165,394	-	8,165,394	8,165,394
	16,378,404	-	16,378,404	16,378,404
Financial liabilities				
Trade and other payables	-	6,404,367	6,404,367	6,404,367
Related party payables	-	923,025	923,025	923,025
Loan payable	-	3,091,142	3,091,142	3,091,142
	-	10,418,534	10,418,534	10,418,534
 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	-	5,939,993	5,939,993	5,939,993
Related Party payables	-	923,025	923,025	923,025
	-	6,863,018	6,863,018	6,863,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. FINANCIAL RISK MANAGEMENT

(i) Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

(ii) Credit risk

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

Trade and other receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risks

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

	2011 US\$	2010 US\$
Trade and other receivables	8,213,010	6,092,026
Cash and cash equivalents	8,165,394	10,183,088
	-----	-----
	16,378,404	16,275,114
	=====	=====

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

	2011 US\$	2010 US\$
Mining and exploration companies	7,980,324	6,008,074
Others	232,686	83,952
	-----	-----
	8,213,010	6,092,026
	=====	=====

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

	2011 US\$	2010 US\$
Less than 30 days	7,213,805	3,790,365
31 - 60 days	757,560	2,217,709
61 - 90 days	8,959	-
	-----	-----
	7,980,324	6,008,074
	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Based on historical default rates, the Group believes that no impairment is necessary in respect of trade receivables past due up to 180 days. The credit quality of current receivables is in line with historic averages.

The maximum exposure to credit risk for trade and other receivables at the report date by country of operation was:

	2011 US\$	2010 US\$
Ghana	5,925,753	4,562,146
Burkina Faso	2,054,571	1,445,928
	-----	-----
	7,980,324	6,008,074
	=====	=====

(iii) Liquidity risk

Liquidity risk is the risk that the Group either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost. The Group's approach to managing liquidity is to ensure that it will maintain adequate liquidity to meet its liabilities when due by monitoring and scheduling cash in bank movements and reinvesting profits made. In anticipation of a possible need to fund purchases of additional previously ordered drill rigs, the Group is actively exploring alternative options including traditional bank debt, vendor financing, prepayment arrangements with customers and private financing. The Group believes that based on efforts to date, accessing such funding at acceptable rates and on acceptable terms should be achievable; however, no assurance can be given in this regard. In the unlikely event that the Group is unable to secure acceptable financing arrangements or is unable to pay for the previously ordered drill rigs, the Group may cancel or delay the arrival of the drill rigs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

The following are contractual maturities of the Group's financial liabilities:

31 December 2011

	Carrying Amount US\$	Within One Year US\$
Non-derivative financial liability		
Trade and other payables	6,404,368	6,404,368
Related party payables	923,025	923,025
Loan payable	3,091,142	3,091,142
	-----	-----
Balance at 31 December 2011	10,418,535	10,418,535
	=====	=====

31 December 2010

Non-derivative financial liability		
Trade and other payables	5,939,993	5,939,993
Related party payables	923,025	923,025
	-----	-----
Balance at 31 December 2010	6,863,018	6,863,018
	=====	=====

(iv) Market risks

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

(a) Foreign currency risk

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

GEODRILL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) **Market risks (continued)**

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

31 December 2011

	EURO	GH¢	GBP	CFA	AUD	CAD
Cash and cash equivalents	3,598	599,712	6,222	270,659,508	43,311	1,548
Trade payables	(175,531)	(273,107)	(1,933)	-	(5,354,586)	-
Loan payable	-	-	(2,000,000)	-	-	-
	-----	-----	-----	-----	-----	-----
Gross exposure	(171,933)	326,605	(1,995,711)	270,659,508	(5,311,275)	1,548
	=====	=====	=====	=====	=====	=====

31 December 2010

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

The following significant exchange rates applied during the years:

US\$1=	2011		2010	
	Reporting Rate	Average Rate	Reporting Rate	Average Rate
Euro	0.77220	0.71876	0.7546	0.75488
GH¢	1.65615	1.53181	1.4975	1.44903
CFA	497.27500	462.50606	505.1236	504.08828
GBP	0.64701	0.62353	0.6465	0.64754
AUD	0.98266	0.9687	0.9841	1.09055
CAD	1.01966	0.98883	1.0002	1.03075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) **Market risks (continued)**

Sensitivity analysis on currency risks

The following table shows the effect of a strengthening or weakening US\$ against all other currencies on equity and profit or loss. This sensitivity analysis indicates the potential impact on equity and profit or loss based upon the foreign currency exposures recorded at 31 December, (see “currency risk” above) and it does not represent actual or future gains or losses. The sensitivity analysis is based on a change of 200 basis points in the closing exchange rate per currency recorded in the course of the respective financial year.

A strengthening/weakening of the US\$, by the rates shown in the table, against the following currencies at 31 December would have increased/decreased equity and profit and loss by the amounts shown below.

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

As of 31 Dec	2011			2010		
	% Change	Profit or Loss impact before tax US\$	Equity US\$	% Change	Profit or Loss impact before tax US\$	Equity US\$
Euro	±2	±4,364	±4,364	±2	±108	±108
GH¢	±2	±3,865	±3,865	±2	±2,953	±2,953
CFA	±2	±10,668	±10,668	±2	±892	±892
GBP	±2	±39,116	±39,116	±2	±32	±32
AUD	±2	±105,938	±105,938	±2	±30,064	±30,064
CAD	±2	±30	±30	±2	±154,402	±154,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) **Market risks (continued)**

(b) **Interest rate risk**

The Group is exposed to interest rate risk on its bank balances, loans and borrowings and related party payables.

Profile

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

	Carrying amounts	
	2011 US\$	2010 US\$
Variable rate instruments		
Bank balances	7,811,334 =====	10,033,529 =====
Fixed rate instrument		
Related party payables	923,025	923,025
Loans and borrowings	3,091,142 -----	- -----
	4,014,167 =====	923,025 =====

Sensitivity analysis for variable rate instruments

A change of 200 basis points in the interest rate at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011 and 2010.

As of 31 December	2011			2010		
	% Change	Profit or Loss impact before tax US\$	Equity US\$	% Change	Profit or Loss impact before tax US\$	Equity US\$
in US\$						
Cash in Bank	±2%	±14,470	±14,470	±2%	±37 021	±37 021

GEODRILL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Market risks (continued)

Sensitivity analysis for fixed rate instrument

In 2010, the Group had a fixed rate instrument with Transtraders Limited, a related party, which attracted interest at 4.75% per annum. This fixed rate instrument (line of credit) with Transtraders Limited ceased in June 2010. A further fixed rate loan was taken out in August 2011 with Silverwood Ventures and no exposure to interest rate movements is expected (see note 15).

(v) Capital management

The objective of the Group's capital management is to ensure that it maintains strong credit ratings and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

20. 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%	-
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	-
Geo-Forage Cote d'Ivoire SARL	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% (December 31, 2010: 41.2%) of the issued share capital of Geodrill Limited. TTL has historically been responsible for centralized offshore procurement for the Group. TTL ceased to be the purchasing arm of the Group in June 2010.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

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 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 for US\$112,000 per annum and the Accra property for 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 operating lease commitments related to the properties are:

	2011	2010
	US\$	US\$
Payable within one year	160,000	160,000
Payable between 1 and 5 years	480,000	640,000
	-----	-----
Total	640,000	800,000
	=====	=====

During the year ended December 31, 2011 lease payment amounted to US\$160,000 (2010: US\$40,000).

(ii) Key management personnel and directors' transactions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

20. RELATED PARTY TRANSACTIONS (CONTINUED)

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

The Group pays management fees to Kingston Management (Isle of Man) which is also the licensed and regulated fiduciary service provider of Harper Family Settlement and two of the Directors of Kingston Management (Isle of Man) are also Directors of Geodrill Limited. Management fees paid during the year amounted to US\$178,548 (2010: US\$23,574); which includes an additional cost for 2010 of US\$50,391.

Geodrill Limited, on behalf of Geotool Limited, pays management fees to City Trust Limited. Management fees paid during the year amounted to US\$5,165 (2010: Nil).

Key management personnel compensation for the period comprised:

	2011	2010
	US\$	US\$
Remuneration paid to directors (excluding equity-settled share-based payments)	1,085,742	613,361
Short-term employee benefits	1,071,703	1,220,442
Share-based payment arrangements	1,554,387	490,990
	-----	-----
Total	3,711,832	2,324,793
	=====	=====

GEODRILL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Related party balances

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

		2011 US\$	2010 US\$
Identity of related party	Nature of Transaction		
Transtraders Limited	Purchase of goods and items of property, plant and equipment	-	6,193,705
Balances outstanding as at 31 December			
Transtraders Limited			
- payable	Line of credit	(923,025)	(3,646,925)
Transtraders Limited			
- receivables	Other transaction	-	2,723,900
		-----	-----
Total		(923,025)	(923,025)
		=====	=====

The intercompany payable to Transtraders Limited is unsecured and is interest free.

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

21. EXCHANGE CONTROL

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

22. 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.

23. CAPITAL COMMITMENTS

As of 31 December 2011, DSI Services Limited had contracted with Australian Exploration Engineering for the purchase of 5 drill rigs, 1 drill rig in transit 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; and with Exploration Drill Masters for the purchase of 2 drill rigs to be delivered in 2012. Total commitments amount to US\$11,180,638 (December 31, 2010: US\$8,359,281).

GEODRILL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

24. CAPITAL AND RESERVES

(i) Share capital

Shares have no par value and authorized shares are unlimited.

	2011	2010
Shares issued and fully paid	42,476,000	42,476,000
Shares reserved for share option plan	4,247,600	4,247,600
	-----	-----
Total shares authorized	46,723,600	46,723,600
	=====	=====

Reconciliation of changes in shares

	2011	2010
Shares issued and reserved 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 issued and reserved at 31 December	42,476,000	42,476,000
	=====	=====

All shares rank equally with regards to the Group's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the company. These shares have no par value.

The impact of subdividing the shares on earnings per share is detailed in note 25.

(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.

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For the year ended 31 December 2011

25. EARNINGS PER SHARE

(i) Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2011 was based on the profit attributable to ordinary shareholders of US\$ 12,412,521 (2010: US\$5,081,863) and on the weighted average number of ordinary shares outstanding of 42,476,000 (2010: 30,786,159), calculated as follows:

	2011 US\$	2010 US\$
Profit attributable to ordinary shareholders	12,412,521 =====	5,081,863 =====
 Weighted average number of ordinary shares		
	2011 Shares	2010 Shares
Issued ordinary shares at 1 January	42,476,000	30,000,000
Effect of shares issued for cash	-	661,644
Effect of convertible loan exercised	-	124,515
	----- 42,476,000 =====	----- 30,786,159 =====
Earnings per share	0.29	0.17

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2011 was based on the profit attributable to ordinary shareholders of US\$12,412,521 (2010: US\$5,081,863) and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 44,020,548 (2010: 31,170,159), calculated as follows:

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25. EARNINGS PER SHARE (CONTINUED)

(iii) Diluted earnings per share (continued)

	2011 US\$	2010 US\$
Earnings per share – diluted		
Profit attributable to ordinary shareholders	12,412,521 =====	5,081,863 =====
Weighted average number of ordinary shares - diluted		
	2011 Shares	2010 Shares
Weighted average number of ordinary shares - basic	42,476,000	30,786,159
Effect of share options in issue	1,544,548 -----	384,000 -----
	44,020,548 =====	31,170,159 =====
Diluted earnings per share	0.28	0.16

Share options granted 11 March 2011 are anti-dilutive and were not included in the calculation of the diluted earnings per share.

26. DIVIDENDS

Payments of dividends for 2011 were US\$ NIL (2010: US\$ 2,150,000).

27. EQUITY-SETTLED SHARE-BASED PAYMENTS

(i) Employee Share Option Plan (ESOP)

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

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

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27. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

(ii) Employee Share Option Plan (ESOP) (continued)

During 2011, the company granted 1,170,000 options (2010: 1,440,000).

	2011		2010	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance, beginning of year	1,440,000	C\$2.00	-	-
Granted December 16, 2010	-	-	1,440,000	C\$2.00
Granted March 11, 2011	450,000	C\$3.48	-	-
Granted November 9, 2011	720,000	C\$2.11	-	-
Balance, end of year	2,610,000	C\$2.29	1,440,000	C\$2.00

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

No stock options were exercised during year.

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

Options series	Exercise prices	Number of option outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
(1) Granted on December 16, 2010	C\$2.00	1,440,000	3 Yrs & 11 mos	C\$2.00	960,000	C\$2.00
(2) Granted on March 11, 2011	C\$3.48	450,000	4 Yrs & 2 mos	C\$3.48	150,000	C\$3.48
(3) Granted on November 9, 2011	C\$2.11	720,000	4 Yrs & 10 mos	C\$2.11	240,000	C\$2.11

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the years ended 31 December 2011***27. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)****(ii) Employee Share Option Plan (ESOP) (continued)**

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

	Series 1	Series 2	Series 3
Risk free interest rate	3%	3%	3%
Expected dividend yield	0%	0%	0%
Stock price volatility	33%	56%	34%
Expected life of options	5 years	5 years	5 years

A forfeiture rate of nil has been included in the calculation of the fair value of options granted.

The total share-based payment expenses recognized as personnel costs in the current year amounted to US\$597,746 (2010: US\$184,121) and as directors fees US\$956,641 (2010: US\$306,869). The related share-based payment reserve is detailed in note 24(ii).