GEODRILL LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2012

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at September 30, 2012 and December 31, 2011

As at	*Note*	**September 30, 2012 US$**	**December 31, 2011 US$**
Assets			
Non-current assets			
Property, plant and equipment	*8*	52,097,632	35,897,061
Total non-current assets		**52,097,632**	**35,897,061**
Current assets			
Inventories	*9*	16,433,592	13,619,992
Prepayments		5,347,249	7,347,247
Tax assets	*7(vi)*	532,198	532,198
Trade and other receivables		7,503,637	8,213,010
Cash		11,694,522	8,165,394
Total current assets		**41,511,198**	**37,877,841**
Total assets		**93,608,830**	**73,774,902**
Equity and liabilities			
Equity			
Share capital	*15(i)*	21,150,866	21,043,041
Share-based payment reserve	*15(ii)*	2,825,199	2,045,377
Retained earnings	*15(iii)*	34,949,576	32,732,476
Total equity		**58,925,641**	**55,820,894**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	*7(v)*	4,362,704	5,347,079
Loans payable	*11*	7,468,833	-
Total non-current liabilities		**11,831,537**	**5,347,079**
Current liabilities			
Trade and other payables	*10*	15,531,116	8,592,762
Taxes payable	*7(ii)*	126,161	-
Loan payable	*11*	6,271,350	3,091,142
Related party payables	*13 (iii)*	923,025	923,025
Total current liabilities		**22,851,652**	**12,606,929**
Total liabilities		**34,683,189**	**17,954,008**
Total equity and liabilities		**93,608,830**	**73,774,902**

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three and nine months ended September 30, 2012 and 2011

	Note	Three-month period ended September 30 2012 US$	Three-month period ended September 30 2011 US$	Nine-month period ended September 30 2012 US$	Nine-month period ended September 30 2011 US$
Revenue		10,145,687	20,252,978	52,665,387	49,284,869
Cost of sales		(11,135,938)	(10,516,057)	(32,620,907)	(21,971,973)
Gross (loss) profit		**(990,251)**	**9,736,921**	**20,044,480**	**27,312,896**
Selling, general and administrative expenses		(4,445,398)	(5,761,120)	(14,867,572)	(14,497,859)
Foreign exchange loss		(617,531)	(77,074)	(475,033)	(513,960)
Results from operating activities		**(6,053,180)**	**3,898,727**	**4,701,875**	**12,301,077**
Finance income		1,091	5,024	5,561	16,075
Finance costs		(172,881)	(54,342)	(498,630)	(54,342)
Net finance cost		**(171,790)**	**(49,318)**	**(493,069)**	**(38,267)**
(Loss) profit before taxation		**(6,224,970)**	**3,849,409**	**4,208,806**	**12,262,810**
Income tax recovery (expense)	*7(i)*	1,231,428	(761,765)	(1,991,706)	(1,071,076)
(Loss) profit for the period		**(4,993,542)**	**3,087,644**	**2,217,100**	**11,191,734**
Other comprehensive income		-	-	-	-
Total comprehensive (loss) income for the period		**(4,993,542)**	**3,087,644**	**2,217,100**	**11,191,734**
(Loss) earnings per share					
Basic	*16(i)*	(0.12)	0.07	0.05	0.26
Diluted	*16(ii)*	(0.12)	0.07	0.05	0.25

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine months ended September 30, 2012 and 2011

	Share Capital	Share-based Payment Reserve	Retained Earnings	Total Equity
	US$	US$	US$	US$
	Note 15(i)	Note 15(ii)	Note 15(iii)	
Balance at January 1, 2012	21,043,041	2,045,377	32,732,476	55,820,894
Total comprehensive income for the period	-	-	2,217,100	2,217,100
Share-based payment transactions	-	816,245	-	816,245
Shares Issued	107,825	(36,423)	-	71,402
Balance at September 30, 2012	**21,150,866**	**2,825,199**	**34,949,576**	**58,925,641**
Balance at January 1, 2011	21,184,590	490,990	20,319,955	41,995,535
Total comprehensive income for the period	-	-	11,191,734	11,191,734
Share-based payment transactions	-	1,037,507	-	1,037,507
IPO related costs, net of tax	(141,549)	-	-	(141,549)
Balance at September 30, 2011	**21,043,041**	**1,528,497**	**31,511,689**	**54,083,227**

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine months ended September 30, 2012 and 2011

	September 30, 2012 US$	September 30, 2011 US$
Cash flows from operating activities		
Profit before taxation	4,208,806	12,262,810
Adjustments for:		
Depreciation charges	5,466,225	4,471,070
Amortization charges	101,048	13,422
Provision for obsolescence	216,605	-
Equity-settled share-based payments	816,245	1,037,507
Net finance cost	493,069	38,344
	11,301,998	**17,823,153**
Change in inventories	(3,030,205)	(4,738,600)
Change in prepayments	1,999,998	(8,081,085)
Change in trade and other receivables	709,373	(5,023,988)
Change in trade and other payables	6,812,193	3,692,579
Change in taxes payable	126,161	-
Cash generated from operations	17,919,518	3,672,059
Net finance cost	(493,069)	(38,267)
Income taxes paid	(2,849,920)	(2,192,198)
Net cash from operating activities	**14,576,529**	**1,441,594**
Investing activities		
Purchase of property, plant and equipment	(17,927,031)	(9,047,832)
Net cash used in investing activities	**(17,927,031)**	**(9,047,832)**
Financing activities		
Loan received, net of transaction costs	9,975,000	3,125,635
Loan repayment	(3,269,800)	-
Shares issued	71,402	-
IPO related costs	-	(141,549)
Net cash from financing activities	**6,776,602**	**2,984,086**
Effect of movement in exchange rates on cash	**103,028**	-
Net increase (decrease) in cash	**3,529,128**	**(4,622,152)**
Cash at beginning of the period	8,165,394	10,183,088
Cash at end of the period	**11,694,522**	**5,560,936**

1. GENERAL INFORMATION

Geodrill Limited (or "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 condensed interim consolidated financial statements of the company for the three and nine months ended September 30, 2012 comprise 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. These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill Limited on November 8, 2012.

2. BASIS OF PREPARATION

a. Statement of compliance

These condensed interim consolidated financial statements for the three and nine months ended September 30, 2012 have been prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2011. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, has been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the audited 2011 annual consolidated financial statements of the company.

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Use of estimates and judgments

The preparation of the condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the 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. There have been no changes in the estimates and underlying assumptions from December 31, 2011.

2. BASIS OF PREPARATION (CONTINUED)

d. Use of estimates and judgments (Continued)

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group to prepare the condensed interim consolidated financial statements are the policies described in Note 2 of the consolidated financial statements as at and for the year ended December 31, 2011.

4. DETERMINATION OF FAIR VALUES

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

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

(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 6 months are not discounted as the carrying values approximate their fair values.

(b) Cash and cash equivalents

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

(c) Trade and other payables

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

(d) Loans payable

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

(e) Other financial liabilities

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

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(f) Share-based payment transactions

The fair value of employee share options is measured using the Black-Scholes model. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility, expected term of the instruments (based on historical experience and general option holder 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 and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly non operating income, financing cost, taxation and corporate assets and liabilities which are managed centrally. The business units are based on geographical segments categorized as Ghana and outside Ghana.

There are five customers who individually contributed 10% or more to the Group's revenue for the three months ended September 30 2012. One customer contributed 33%, one customer contributed 20%, one customer contributed 14%, and two customers contributed 13% each to the Group's revenue for the three months ended September 30, 2012.

There were four customers who individually contributed 10% or more to the Group's revenue for the three months ended September 30 2011. One customer contributed 27%, one customer contributed 17%, and two customers contributed 10% each to the Group's revenue for the three months ended September 30, 2011.

5. SEGMENT REPORTING (CONTINUED)

(The reported numbers are in US$ thousands)

	Ghana Three month period ended September 30		Outside Ghana Three month period ended September 30		Intra-group Three month period ended September 30		Total Three month period ended September 30	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
Revenue	5,538	10,405	11,651	16,891	(7,043)	(7,043)	10,146	20,253
Cost of sales	(9,188)	(8,047)	(7,954)	(9,875)	6,006	7,406	(11,136)	(10,516)
Selling, general and administrative expenses	(3,125)	(4,277)	(2,469)	(1,684)	1,149	200	(4,445)	(5,761)
Foreign exchange gain (loss)	2	(121)	(620)	44	-	-	(618)	(77)
Results from operating activities	**(6,773)**	**(2,040)**	**608**	**5,376**	**112**	**563**	**(6,053)**	**3,899**
Other income (expense)	873	1,542	864	208	(1,737)	(1,750)	-	-
Operating (loss) profit	**(5,900)**	**(498)**	**1,472**	**5,584**	**(1,625)**	**(1,187)**	**(6,053)**	**3,899**
Finance income	-	-	1	5	-	-	1	5
Finance cost	(122)	-	(51)	(54)	-	-	(173)	(54)
(Loss) profit before tax	**(6,022)**	**(498)**	**1,422**	**5,535**	**(1,625)**	**(1,187)**	**(6,225)**	**3,850**
Capital expenditures	1,515	3,602	-	-			1,515	3,602
As at	**Sep 30, 2012 US$ '000**	**Dec 31, 2011 US$ '000**	**Sep 30, 2012 US$ '000**	**Dec 31, 2011 US$ '000**			**Sep 30, 2012 US$ '000**	**Dec 31, 2011 US$ '000**
Non-current assets	58,884	39,219	43	-			58,927	39,219
Intra group balances							(6,829)	(3,322)
Per statement of financial position							**52,098**	**35,897**
Total assets	99,324	61,286	79,348	58,246			178,672	119,532
Intra group balances							(85,063)	(45,757)
Per statement of financial position							**93,609**	**73,775**
Total liabilities	93,326	48,748	18,284	11,590			111,610	60,338
Intra group balances							(76,927)	(42,384)
Per statement of financial position							**34,683**	**17,954**

5. SEGMENT REPORTING (CONTINUED)

(The reported numbers are in US$ thousands)

	Ghana Nine month period ended September 30		Outside Ghana Nine month period ended September 30		Intra-group Nine month period ended September 30		Total Nine month period ended September 30	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
Revenue	23,741	28,091	60,382	38,664	(31,458)	(17,470)	52,665	49,285
Cost of sales	(26,384)	(18,183)	(37,997)	(22,537)	31,760	18,748	(32,621)	(21,972)
Selling, general and administrative expenses	(10,244)	(16,481)	(9,185)	(4,270)	4,562	6,253	(14,867)	(14,498)
Foreign exchange gain (loss)	97	(353)	(572)	(161)	-	-	(475)	(514)
Results from operating activities	**(12,790)**	**(6,926)**	**12,628**	**11,696**	**4,864**	**7,531**	**4,702**	**12,301**
Other income (expense)	5,521	3,751	4,107	6,253	(9,628)	(10,004)	-	-
Operating (loss) profit	**(7,269)**	**(3,175)**	**16,735**	**17,949**	**(4,764)**	**(2,473)**	**4,702**	**12,301**
Finance income	-	-	6	16	-	-	6	16
Finance cost	(256)	-	(243)	(54)	-	-	(499)	(54)
(Loss) profit before tax	**(7,525)**	**(3,175)**	**16,498**	**17,911**	**(4,764)**	**(2,473)**	**4,209**	**12,263**
Capital expenditures	17,884	9,048	43	**-**			**17,927**	**9,048**

6. SEASONALITY OF OPERATIONS

The Group's operations have tended to exhibit a seasonal pattern whereby the second quarter (April to June) is typically strongest, but sometimes this includes the Easter shutdown of exploration activities affecting some of the rigs for up to one week over the Easter holiday. The fourth quarter is normally the company's weakest quarter, due to the shutdown of exploration activities, often for extended periods over the holiday season (Christmas and New Year of up to two weeks over the period). Revenue patterns can also be impacted by the number of new rigs and the timing of their deployment during a year.

The wet season occurs (in some geographical areas where the company operates, particularly in Burkina Faso) normally in the third quarter, but in the recent years the global weather pattern has become somewhat erratic. The wet season is likely to affect the company's drilling operations and revenue as companies generally slow operations during this time. However, this is dependent upon the severity of the weather and if alternate contracts can be found, in less affected areas of operation. The company has historically taken advantage of the wet season and has scheduled the 3rd quarter for maintenance and rebuild programs for drill rigs and equipment.

7. TAXATION

(i) Income tax recovery (expense)

Current tax expense reflects taxes associated with the Group's drilling activities in the period in Ghana and certain withholding taxes in Ghana and Burkina Faso.

	Three month period ended September 30		Nine month period ended September 30	
	2012	2011	2012	2011
	US$	US$	US$	US$
Current tax expense (iii)	(477,834)	(1,291,282)	(2,976,081)	(2,192,198)
Deferred tax recovery (iv)	1,709,262	529,517	984,375	1,121,122
	1,231,428	(761,765)	(1,991,706)	(1,071,076)

Deferred tax recovery relates to the reversals of temporary differences.

(ii) Taxation payable

	Balance at 01-Jan	Payments during the period	Charge for the period	Balance at 30-Sep
	US$	US$	US$	US$
Income Tax				
2012	-	(2,849,920)	2,976,081	126,161
2011	-	(2,192,198)	2,192,198	-

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 was agreed to, as at March 30, 2011.

7. TAXATION (CONTINUED)

(iii) Reconciliation of effective tax rate

	Three month period ended September 30		Nine month period ended September 30	
	2012	2011	2012	2011
	US$	US$	US$	US$
(Loss) profit before taxation	(6,224,970)	3,849,409	4,208,806	12,262,810
Proportion of (loss) profit before taxation subject to no corporation tax	(202,752)	4,347,413	11,734,122	15,437,504
Proportion of loss before taxation subject to corporate taxation in Ghana at a rate of 35% from March 9, 2012 (25% prior to March 9, 2012)	(6,022,218)	(498,004)	(7,525,316)	(3,174,694)
	(6,224,970)	3,849,409	4,208,806	12,262,810
Current year taxation per tax jurisdiction				
Ghana Corporate taxation - deferred tax	1,709,262	529,517	984,375	1,121,122
Burkina Faso withholding tax	(461,220)	(1,291,282)	(2,904,858)	(2,192,198)
Ghana withholding tax	(16,614)	-	(71,223)	-
Total tax recovery (charge)	1,231,428	(761,765)	(1,991,706)	(1,071,076)

Reconciliation of taxation expense

	Three month period ended September 30		Nine month period ended September 30	
	2012	2011	2012	2011
	US$	US$	US$	US$
Income tax rate for Ghana taxable earnings				
Using Ghana tax rate	-	-	-	-
Temporary differences	1,709,262	529,517	984,375	1,121,122
Minimum withholding tax (Burkina)	(461,220)	(1,291,282)	(2,904,858)	(2,192,198)
Minimum withholding tax (Ghana)	(16,614)	-	(71,223)	-
	1,231,428	(761,765)	(1,991,706)	(1,071,076)
Effective tax rate	19.8%	19.8%	47.3%	8.7%

(iv) Deferred tax liabilities

	September 30, 2012	September 30, 2011
	US$	US$
Balance at 1 January	5,347,079	3,040,338
Charge for the period	(984,375)	(1,121,122)
Balance at 30 September	4,362,704	1,919,216

7. TAXATION (CONTINUED)

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	September 30, 2012		
	Asset	**Liability**	**Net**
	US$	**US$**	**US$**
Property, plant and equipment	-	4,362,704	4,362,704

	December 31, 2011		
	Asset	**Liability**	**Net**
	US$	**US$**	**US$**
Property, plant and equipment	-	5,347,079	5,347,079

(vi) Tax assets

In the normal course, 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.

8. PROPERTY, PLANT AND EQUIPMENT

2012	Motor Vehicles US$	Plant & Equipment US$	Drill Rigs US$	Leasehold Improvement US$	Capital Work in Progress (CWIP) US$	Total US$
Cost						
Balance at January 1, 2012	4,567,225	12,363,965	35,026,668	478,246	2,607,298	55,043,402
Additions	-	-	-	42,807	21,725,037	21,767,844
Disposal	-	(45,000)	-	-	-	(45,000)
Transfers from CWIP	1,005,579	4,968,629	10,857,622	1,242,549	(18,074,379)	-
Balance at September 30, 2012	5,572,804	17,287,594	45,884,290	1,763,602	6,257,956	76,766,246
Accumulated Depreciation						
Balance at January 1, 2012	2,368,355	6,301,912	10,432,011	44,063	-	19,146,341
Disposal	-	(45,000)	-	-	-	(45,000)
Charge for the period	862,325	1,795,641	2,808,259	101,048	-	5,567,273
Balance at September 30, 2012	3,230,680	8,052,553	13,240,270	145,111	-	24,668,614
Carrying amounts at September 30, 2012	2,342,124	9,235,041	32,644,020	1,618,491	6,257,956	52,097,632

2011	Motor Vehicles US$	Plant & Equipment US$	Drill Rigs US$	Leasehold Improvement US$	Capital Work in Progress (CWIP) US$	Total US$
Cost						
Balance at January 1, 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 December 31, 2011	4,567,225	12,363,965	35,026,668	478,246	2,607,298	55,043,402
Accumulated Depreciation						
Balance at January 1, 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 December 31, 2011	2,368,355	6,301,912	10,432,011	44,063	-	19,146,341
Carrying amounts at December 31, 2011	2,198,870	6,062,053	24,594,657	434,183	2,607,298	35,897,061

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) Three rigs with a carrying amount of US$6.31 million (December 31, 2011: US$4.43 million) have been pledged as collateral for a prepayment arrangement with a customer. The company is not allowed to pledge these assets as security for other arrangements or to sell them to another entity.

(ii) At September 30, 2012, drill rigs with a carrying amount of US$7.3 million (December 31, 2011: US$ nil) are encumbered by loans payable to Sandvik Mining and Construction Oy ("Sandvik"), as disclosed in note 11. The Group may not transfer, sell, lease, pledge, encumber or assign the equipment without the consent of Sandvik.

(iii) Depreciation and amortization has been charged in the statement of comprehensive income as follows:

	Three month period ended September 30		Nine month period ended September 30	
	2012	2011	2012	2011
	US$	US$	US$	US$
Cost of sales	1,707,134	1,429,725	4,603,899	3,530,947
Selling, general and administrative expenses	356,990	688,346	963,374	953,545
	2,064,124	2,118,071	5,567,273	4,484,492

9. INVENTORIES

	September 30, 2012	December 31, 2011
	US$	US$
Spare parts and sundry materials on hand	16,898,251	13,432,681
Spare parts and sundry materials in transit	423,580	858,945
Less: Provision for obsolescence	(888,239)	(671,634)
	16,433,592	13,619,992

The amount of inventories recognized as expense in the quarter is US$6,936,900 (Q3 2011: US$5,251,210).

10. TRADE AND OTHER PAYABLES

	September 30, 2012	December 31, 2011
	US$	US$
Trade payables	8,685,351	2,928,498
Sundry creditors and accrued expenses	6,580,756	3,475,869
Value Added Tax liability	265,009	2,188,395
	15,531,116	8,592,762

11. LOANS PAYABLE

	September 30, 2012 US$	December 31, 2011 US$
Term Loan - Zenith Bank (Ghana) Limited	10,007,273	-
Equipment Loan - Sandvik Mining and Construction Oy	3,732,910	-
Promissory Loan - Silverwood Ventures Limited	-	3,091,142
Total	13,740,183	3,091,142
Current portion of loans	6,271,350	3,091,142
Non-current loans	7,468,833	-

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

On January 23, 2012, the Group entered into a Sale and Purchase agreement ("Agreement 1") with Sandvik relating to the purchase of three drill rigs with a total cost price of US$2.6M. Agreement 1 requires a down payment and the repayment of the balance over a period of 36 months with payment being made once a quarter. The loan bears interest at 7% per annum, includes an arrangement fee and stipulates that final title to the rigs will only pass once the capital amount has been settled. All other risks and rewards of ownership lie with the Group. The effective interest rate of the loan is 7.10%. This loan was previously recognised as accrued expenses pending execution of the final legal documents. The effective date of the loan was January 23, 2012, however, Agreement 1 was not executed until September 17, 2012.

On February 25, 2012, the Group entered into a Sale and Purchase agreement ("Agreement 2") with Sandvik relating to the purchase three drill rigs with a total cost price of US$2.6M. Agreement 2 requires a down payment and the repayment of the balance over a period of 36 months with payment being made once a quarter. The loan bears interest at 7% per annum, includes an arrangement fee and stipulates that final title to the rigs will only pass once the capital amount has been settled. All other risks and rewards of ownership lie with the Group. The effective interest rate of the loan is 7.10%. This loan was previously recognised as accrued expenses pending execution of the final legal documents. The effective date of the loan was February 25, 2012, however, Agreement 2 was not executed until September 17, 2012.

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 was originally due on August 4, 2012 and was extended to January 3, 2013. However, it was repaid on September 27, 2012. The loan bore interest payable monthly, including arrangement fees, at a rate of 10% per annum (9.5% being interest), and was secured by two of the drill rigs that were purchased with the proceeds of the loan, and one existing rig.

12. 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.

During the three month period ended September 30, 2012, the Group incurred foreign exchange losses in the amount of US$617,531 (September 30, 2011: US$77,074) related to the timing of payments made to satisfy foreign currency obligations. During the nine month period ended September 30, 2012, the Group incurred foreign exchange losses in the amount of US$475,033 (September 30, 2011: US$513,960) related to the timing of payments made to satisfy foreign currency obligations.

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

	Loans and Receivables US$	Other Financial Liabilities US$	Carrying Amount US$	Total Fair Value US$
September 30, 2012				
Financial assets				
Trade and other receivables	7,503,637	-	7,503,637	7,503,637
Cash and cash equivalents	11,694,522	-	11,694,522	11,694,522
	19,198,159	-	19,198,159	19,198,159
Financial liabilities				
Trade and other payables	-	15,266,107	15,266,107	15,266,107
Related party payables	-	923,025	923,025	923,025
Loans payable	-	13,740,183	13,740,183	13,740,183
	-	29,929,315	29,929,315	29,929,315
December 31, 2011				
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

13. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest at September, 30 2012	2011
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
DSI Services Limited	Subsidiary	British Virgin Islands	100%	100%
Geotool Limited	Subsidiary	British Virgin Islands	100%	100%
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	100%
Geo-Forage Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
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, 2011: 41.2%) of the issued share capital of Geodrill Limited. TTL had historically been responsible for centralized offshore procurement for the Group. TTL ceased to be the purchasing arm of the Group in June 2010.

Subsequent to the distribution of the Real Estate Dividend in 2010, 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 valuators/surveyors or real estate agents; (ii) at the end of the original five year lease term, Geodrill Ghana Limited shall have the option to renew the lease for an additional five year term with similar rent and conditions; and (iii) either party may terminate the lease agreement provided they give the other party 12 months' notice.

Future operating lease commitments related to the properties are:

	September 30, 2012 US$	December 31, 2012 US$
Payable within one year	160,000	160,000
Payable between 1 and 5 years	360,000	480,000
Total	520,000	640,000

During the three months period ended September 30, 2012 lease payments amounted to US$40,000 (2011: US$40,000). During the nine months period ended September 30, 2012 lease payments amounted to US$120,000 (2011: US$120,000). The future operating lease payments may be adjusted upward effective October 1, 2012 based on the average price of two firms of real estate valuators/surveyors or real estate agents.

(ii) Key management personnel and directors' transactions

During the nine month period ended September 30, 2012, the company granted 180,000 options (2011: 450,000), 294,000 options were forfeited (2011: NIL) and 36,000 options were exercised (2011: NIL).

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

13. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Management (Isle of Man) are also Directors of Geodrill Limited as well as management fees to City Trust Limited for which one director of City Trust is also a Director of Geodrill Limited.

Management fees incurred during the three and nine months ended September 30, 2012 amounted to US$13,335 and US$97,975, respectively (2011: US$33,603 and US$90,323, respectively). As at September 30, 2012 a balance of US$12,955 was due to Kingston Management and included in trade payables (2011: US$32,590).

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

	Three-month period ended September 30		Nine-month period ended September 30	
	2012	**2011**	**2012**	**2011**
	US$	**US$**	**US$**	**US$**
Short-term employee benefits	367,250	119,116	1,370,793	303,119
Share-based payment arrangements	283,494	280,158	816,243	1,037,507
Total	650,744	399,274	2,187,036	1,340,626

(iii) Related party balances

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

	September 30 2012	December 31 2011
	US$	**US$**
Balances outstanding to Transtraders Limited	(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.

14. CAPITAL COMMITMENTS

As at September 30, 2012, the Group had contracted with certain suppliers for the purchase of rigs and related equipment in the amount of US$1,930,300 (December 31, 2011: US$11,180,600).

15. EQUITY

(i) Share capital

Shares have no par value and authorized shares are unlimited.

15. EQUITY (CONTINUED)

(i) Share capital (Continued)

	September 30, 2012	December 31, 2011
Number of shares issued and fully paid	42,512,000	42,476,000
Number of shares reserved for share option plan	4,251,200	4,247,600
Total shares issued and reserved	46,763,200	46,723,600

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.

(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. Refer to note 18.

(iii) Retained earnings

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

16. EARNINGS PER SHARE

(i) Basic (loss) earnings per share

The calculation of basic (loss) earnings per share for the three and nine months ended September 30, 2012 was based on the (loss) profit attributable to ordinary shareholders of US$(4,993,542) (2011: US$3,087,644) and US$2,217,100 (2011: US$11,191,734), respectively, and on the weighted average number of ordinary shares outstanding of 42,512,000 (2011: 42,476,000) and 42,491,000 (2011: 42,476,000), respectively, calculated as follows:

	Three-month period ended September 30		Nine-month period ended September 30	
	2012 US$	2011 US$	2012 US$	2011 US$
(Loss) profit attributable to ordinary shareholders	(4,993,542)	3,087,644	2,217,100	11,191,734

	Three-month period ended September 30		Nine-month period ended September 30	
	2012	2011	2012	2011
Weighted average number of ordinary shares	42,512,000	42,476,000	42,491,000	42,476,000
Basic (loss) earnings per share	US$ (0.12)	US$ 0.07	US$ 0.05	US$ 0.26

(ii) Diluted (loss) earnings per share

The calculation of diluted (loss) earnings per share for the three and nine months ended September 30, 2012 was based on the (loss) profit attributable to ordinary shareholders of US$(4,993,542) (2011: US$3,087,644) and US$2,217,100 (2011: US$11,191,734), respectively, and on the weighted average

16. EARNINGS PER SHARE (CONTINUED)

(ii) Diluted (loss) earnings per share (Continued)

number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 42,512,000 (2011: 43,916,000) and 44,138,000 (2011: 43,916,000), respectively, calculated as follows:

	Three-month period ended September 30		Nine-month period ended September 30	
	2012	2011	2012	2011
	US$	US$	US$	US$
(Loss) profit attributable to ordinary shareholders	(4,993,542)	3,087,644	2,217,100	11,191,734

	Three-month period ended September 30		Nine-month period ended September 30	
	2012	2011	2012	2011
Weighted average number of ordinary shares - basic	42,512,000	42,476,000	42,491,000	42,476,000
Effect of in-the-money share options	-	1,440,000	1,647,000	1,440,000
Weighted average number of ordinary shares - diluted	42,512,000	43,916,000	44,138,000	43,916,000
Diluted (loss) earnings per share	US$(0.12)	US$0.07	US$ 0.05	US$0.25

Share options granted March 11, 2011 and March 13, 2012 are anti-dilutive and were not included in the calculation of the diluted (loss) earnings per share.

17. DIVIDENDS

Payments of dividends for the three month period ended September 30, 2012 were US$ Nil (2011: US$ Nil).

18. EQUITY-SETTLED SHARE-BASED PAYMENTS

Employee Share Option Plan

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

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.

During the nine month period ended September 30, 2012, the company granted 180,000 options (2011: 450,000), 294,000 options were forfeited (2011: NIL) and 36,000 options were exercised (2011: NIL).

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

	September 30, 2012		December 31, 2012	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance, beginning of period	2,610,000	C$2.29	1,440,000	C$2.00
Granted March 11, 2011	-	-	450,000	C$3.48
Granted November 9, 2011	-	-	720,000	C$2.11
Granted March 13, 2012	180,000	C$3.41	-	-
Forfeited April 1, 2012	(60,000)	C$2.00	-	-
Forfeited May 31, 2012	(90,000)	C$2.00	-	-
Exercised June 6, 2012	(36,000)	C$2.00	-	-
Forfeited July 31, 2012	(144,000)	C$2.00	-	-
Balance, end of period	2,460,000	C$2.41	2,610,000	C$2.29

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

The following table summarizes the options outstanding at September 30, 2012:

Options series	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable	Weighted average exercise price
(1) Granted on December 16, 2010	C$2.00	1,110,000	3 Yrs & 2 mos	780,000	C$2.00
(2) Granted on March 11, 2011	C$3.48	450,000	3 Yrs & 5 mos	300,000	C$3.48
(3) Granted on November 9, 2011	C$2.11	720,000	4 Yrs & 1 mos	240,000	C$2.11
(4) Granted on March 13, 2012	C$3.41	180,000	4 Yrs & 5 mos	60,000	C$3.41

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

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

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