

GEODRILL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011

(in United States dollars)

GEODRILL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011

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Independent Auditor's Report

To the Shareholders of Geodrill Limited

We have audited the accompanying consolidated financial statements of Geodrill Limited, which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, 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 audits. We conducted our audits 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.

GEODRILL LIMITED
INDEPENDENT AUDITOR'S REPORT
For the year ended December 31, 2012 and 2011

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Geodrill Limited as at December 31, 2012 and December 31, 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
Licensed Public Accountants

March 1, 2013
Toronto, Canada

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the years ended December 31, 2012 and 2011

	Note	December 31, 2012 US\$	December 31, 2011 US\$
Assets			
Non-current assets			
Property, plant and equipment	10	54,067,732	35,897,061
Total non-current assets		54,067,732	35,897,061
Current assets			
Inventories	11	16,545,041	13,619,992
Prepayments	12	927,721	7,347,247
Tax assets	9(vi)	532,198	532,198
Trade and other receivables	13	8,386,243	8,213,010
Cash and cash equivalents	14	7,562,174	8,165,394
Total current assets		33,953,377	37,877,841
Total assets		88,021,109	73,774,902
Equity and liabilities			
Equity			
Share capital	23(i)	21,150,866	21,043,041
Share-based payment reserve	23(ii)	3,085,787	2,045,377
Retained earnings	23(iii)	35,937,836	32,732,476
Total equity		60,174,489	55,820,894
Liabilities			
Non-current liabilities			
Deferred tax liabilities	9(iv)	2,928,558	5,347,079
Loans payable	15	5,838,094	-
Total non-current liabilities		8,766,652	5,347,079
Current liabilities			
Trade and other payables	16	11,164,278	8,375,467
Loans payable	15	6,390,730	3,091,142
Taxes payable	9(ii)	601,935	217,295
Related party payables	20(iii)	923,025	923,025
Total current liabilities		19,079,968	12,606,929
Total liabilities		27,846,620	17,954,008
Total equity and liabilities		88,021,109	73,774,902

"signed"

 John Bingham

"signed"

 Ron Sellwood

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2012 and 2011

	Note	December 31, 2012 US\$	December 31, 2011 US\$
Revenue	6	65,586,459	70,148,809
Cost of sales		(39,734,342)	(32,092,826)
Gross profit		25,852,117	38,055,983
Selling, general and administrative expenses		(19,806,101)	(19,537,332)
Foreign exchange loss	8	(482,902)	(451,301)
Results from operating activities		5,563,114	18,067,350
Finance income	8	8,693	23,919
Finance costs	8	(898,269)	(141,649)
Profit before taxation		4,673,538	17,949,620
Income tax expense	9(i)	(1,468,178)	(5,537,099)
Profit for the year		3,205,360	12,412,521
Total comprehensive income for the year		3,205,360	12,412,521
Earnings per share			
Basic	24(i)	0.08	0.29
Diluted	24(ii)	0.08	0.28

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2012 and 2011

	Share Capital US\$	Share- based Payment Reserve US\$	Retained Earnings US\$	Total Equity US\$
	Note 23(i)	Note 23(ii)	Note 23(iii)	
Balance at January 1, 2012	21,043,041	2,045,377	32,732,476	55,820,894
Profit and total comprehensive income for the year	-	-	3,205,360	3,205,360
Share-based payment expense	-	1,076,833	-	1,076,833
Shares issued	107,825	(36,423)	-	71,402
Balance at December 31, 2012	21,150,866	3,085,787	35,937,836	60,174,489
Balance at January 1, 2011	21,184,590	490,990	20,319,955	41,995,535
Profit and total comprehensive income for the year	-	-	12,412,521	12,412,521
Share-based payment expense	-	1,554,387	-	1,554,387
IPO related costs, net of tax	(141,549)	-	-	(141,549)
Balance at December 31, 2011	21,043,041	2,045,377	32,732,476	55,820,894

GEODRILL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2012 and 2011

	December 31, 2012 US\$	December 31, 2011 US\$
	Note	
Cash flows from operating activities		
Profit before taxation	4,673,538	17,949,620
<i>Adjustments for:</i>		
Depreciation charges	7,783,086	6,592,158
Amortization charges	194,183	44,063
Gain on disposal of property, plant and equipment	(7,697)	(579)
Provision for obsolescence (reversed)	286,363	(38,837)
Equity-settled share-based payments	1,076,833	1,554,387
Finance income	(8,693)	(23,919)
Finance cost	898,269	141,649
Unrealized foreign exchange loss / (gain)	83,155	(52,086)
	14,979,037	26,166,456
Change in inventories	(3,211,412)	(5,680,583)
Change in prepayments	6,419,526	(6,308,367)
Change in tax asset	-	(532,198)
Change in trade and other receivables	(173,233)	(2,120,985)
Change in trade and other payables	2,788,811	(469,681)
Cash generated from operations	20,802,729	11,054,642
Finance income received	8,693	23,919
Finance expense paid	(830,913)	(141,648)
Income taxes paid	(3,502,059)	(3,013,063)
Net cash from operating activities	16,478,450	7,923,850
Investing activities		
Purchase of property, plant and equipment	(22,821,854)	(12,984,027)
Proceeds from sale of property, plant and equipment	7,697	40,804
Net cash used in investing activities	(22,814,157)	(12,943,223)
Financing activities		
Loans received, net of transaction costs	9,975,000	3,091,142
Loan repayments	(4,409,417)	-
Shares issued	71,402	-
IPO related costs	-	(141,549)
Net cash from financing activities	5,636,985	2,949,593
Effect of movement in exchange rates on cash and cash equivalents	95,502	52,086
Net decrease in cash and cash equivalents	(603,220)	(2,017,694)
Cash and cash equivalents at beginning of the year	8,165,394	10,183,088
Cash and cash equivalents at end of the year	14 7,562,174	8,165,394

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 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, 2012 comprise the financial statements of the company and its wholly owned subsidiaries, Geodrill Ghana Limited, Geotool Limited, Geo-Forage BF SARL, Geo-Forage Cote d’Ivoire SARL 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 the consolidated financial statements

The consolidated financial statements were approved by the board of directors and authorized for issue on March 1, 2013.

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 (US\$) 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 currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange in effect at the reporting date, with the movement recorded in comprehensive income.

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.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Use of estimates and judgments (continued)

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.g, 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 accounting policies and the same reporting period are used for all Group entities.

(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.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Financial instruments (continued)

(i) Recognition (continued)

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 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, comprehensive income. Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest rate method, less impairment.

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 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.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Financial instruments (continued)

(iii) Classification (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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Financial instruments (continued)

(vii) Compound financial instruments (continued)

are allocated to the liability and equity component in the proportion of their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at 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.

(viii) Trade receivables

Trade receivables are initially stated at their fair value. The carrying amounts for accounts receivable are net of allowances for doubtful accounts. The Group evaluates the recoverability of Trade receivables on the specific risks associated with the customer and other relevant information. Individual trade receivables are only written off when management deems them not collectible.

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 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 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 finance expense and a reduction of the outstanding lease liability.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 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 assets, 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 comprehensive income, as incurred.

(iii) Depreciation

Depreciation is recognized in 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
Plant and equipment	5 years
Leasehold improvements	over the term of the lease
Drill rig and components	5-10 years

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Property, plant and equipment (continued)

(iii) Depreciation (continued)

The following changes were adopted effective July 1, 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 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.

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 comprehensive income.

(iv) Impairment

The Group's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the respective asset's or cash-generating unit's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amounts. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups.

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 costs 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 pre-tax discount rate in order to calculate the present value. Fair values less costs to sell are based on recent market transactions where available, and where not available, appropriate valuation models are used. An impairment loss is recognized immediately in comprehensive income.

At the end of each reporting period, the Group assesses whether there is any indication that an impairment loss recognized in prior periods for an asset or cash-generating unit may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in comprehensive income.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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 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 services 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 share based payments reserve, 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 comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

l. Income tax

Income tax expense comprises current and deferred tax expenses.

Current tax and deferred tax are recognized in 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.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Income tax (continued)

Deferred tax is provided using the asset and 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 are recognized in the period in which the dividend is appropriately authorized.

n. Revenue – drilling revenue

Revenue from the provision of services 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 revenue is recognized as revenue when the outcome of the drilling can be estimated reliably to the actual chargeable meters drilled.

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the drilling service rendered will flow to the Group;
- the work performed 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 comprehensive income using the effective interest method.

p. Finance costs

Finance costs comprise interest expense on borrowings, including all financing arrangements.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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
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 Interests 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
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

IFRS 9:

This new standard replaces the requirements in IAS 39, *Financial Instruments: Recognition and Measurement* for classifying and measuring of financial assets and liabilities.

At their meeting on December 13-15, 2011, the IASB approved the deferral by two years of the effective date of IFRS 9, *Financial Instruments*, from January 1, 2013 to January 1, 2015. Early adoption continues to be permitted.

The amendments approved in December 2011 also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This relief was originally only available to companies that chose to apply IFRS 9 prior to 2012. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments.

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

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

New and revised IFRSs issued but not yet effective (continued)

IFRS 10:

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

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

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

IFRS 11:

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

IFRS 11 improves on IAS 31 by requiring a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities, namely the equity method.

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

IFRS 12:

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

IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted, provided IFRS 10, IFRS 11 and the related amendments to IAS 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 13:

IFRS 13 is a new standard that defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

GEODRILL LIMITED
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3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective (continued)

IFRS 13 (continued)

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

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

Amendments to IAS 1:

On June 16, 2011, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, which require entities preparing financial statements in accordance with IFRSs to group together items within OCI that may be reclassified to the profit or loss section of the income statement and to separately group together items that will not be reclassified to the profit or loss section of the income statement.

The amendments also reaffirm existing requirements that profit or loss and other comprehensive income "OCI" should be presented as either a single statement or two consecutive statements.

The amendments are effective for financial years commencing on or after July 1, 2012. Earlier application is permitted.

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

IAS 19 (Post-employment benefits):

On June 16, 2011 the IASB issued amendments to IAS 19, *Employee Benefit*, in order to improve the accounting for pensions and other post-employment benefits.

The amendments make important improvements by:

- eliminating the option to defer the recognition of gains and losses, known as the 'corridor method' or the "deferral and amortization approach";
- streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in OCI, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations;
- enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The amendments are effective for financial years beginning on or after January 1, 2013. Earlier application is permitted.

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

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

New and revised IFRSs issued but not yet effective (continued)

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.

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:

At its meeting on December 13-15, 2011, the IASB approved amendments to IFRS 7, *Financial Instruments: Disclosures*, with respect to offsetting financial assets and financial liabilities. The common disclosure requirements issued by the IASB and the FASB in December 2011 are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. Companies and other entities are required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The required disclosures should be provided retrospectively.

As part of this project the IASB also clarified aspects of IAS 32, *Financial Instruments: Presentation*. The amendments to IAS 32 address inconsistencies in current practice when applying the requirements. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

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

New and revised IFRSs issued 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.

4. DETERMINATION OF FAIR VALUES

A number of the company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. 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 company’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 365 days are not discounted as the carrying values approximate their fair values.

(b) Cash and cash equivalents

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

Other financial liabilities

(a) Trade and other payables

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

(b) Loans payable

The fair value of loans payable approximates their carrying values.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

4. DETERMINATION OF FAIR VALUES (continued)

(c) 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 twelve months or less such as trade and other payables, and related party payables, are not discounted as their carrying values approximate their fair values.

Share-based payment transactions

The fair value of the 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 behavior), 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. In 2012, included in the revenue are four customers who individually contributed 10% or more to the Group's revenue. One customer contributed 28%, one customer contributed 16%, one customer contributed 13% and one customer contributed 11% to the Group's revenue. In 2011 five customers individually contributed 10% or more to the Group's revenue. 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 years ended December 31, 2012 and 2011

5. SEGMENT REPORTING (continued)

	Ghana		Outside Ghana (1)		Intra-group		Total	
	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	37,015	44,916	80,767	64,996	(52,196)	(39,763)	65,586	70,149
Cost of sales	(31,375)	(26,454)	(49,489)	(32,351)	41,130	26,712	(39,734)	(32,093)
Selling, general and administrative	(13,558)	(19,292)	(12,127)	(9,976)	5,879	9,731	(19,806)	(19,537)
Foreign exchange gain (loss)	10	(491)	(493)	40	-	-	(483)	(451)
Results from operating activities	(7,908)	(1,321)	18,658	22,709	(5,187)	(3,320)	5,563	18,068
Finance income	3	-	6	24	-	-	9	24
Finance cost	(635)	(7)	(263)	(135)	-	-	(898)	(142)
Segment results	(8,540)	(1,328)	18,401	22,598	(5,187)	(3,320)	4,674	17,950
Capital expenditures	20,150	12,984	43	-			20,193	12,984
As at	Dec. 31	Dec. 31	Dec. 31	Dec. 31			Dec. 31	Dec. 31
	2012	2011	2012	2011			2012	2011
	US\$ '000	US\$ '000	US\$ '000	US\$ '000			US\$ '000	US\$ '000
Non-current assets	62,345	39,219	43	-			62,388	39,219
Intra group balances							(8,320)	(3,322)
Per statement of financial position							54,068	35,897
Total assets	91,665	61,286	73,394	58,246			165,059	119,532
Intra group balances							(77,038)	(45,757)
Per statement of financial position							88,021	73,775
Total liabilities	85,250	48,748	11,074	11,590			96,324	60,338
Intra group balances							(68,477)	(42,384)
Per statement of financial position							27,847	17,954

(1) Revenue from external customers 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 years ended December 31, 2012 and 2011

6. REVENUE

	2012	2011
	US\$	US\$
Drilling related revenue	65,586,459	70,148,809

7. EMPLOYEE BENEFITS EXPENSE

	2012	2011
	US\$	US\$
Cost of sales	11,851,742	9,814,193
Selling, general and administrative expenses	6,446,312	5,111,517
	<u>18,298,054</u>	<u>14,925,710</u>

8. FINANCE INCOME AND COSTS

	2012	2011
	US\$	US\$
Finance income		
Interest income on cash and cash equivalents	8,693	23,919
Finance costs		
Interest expense on financial liabilities	898,269	141,649

In 2011, the foreign exchange loss of US\$451,301 was included in finance cost. For the 2011 comparative, this amount has been revised from finance cost and has been shown separately.

Effective January 1, 2012, the foreign exchange loss (gain) balance has been presented separately on the statement of the comprehensive income as in management's view, the separate disclosure of the foreign exchange loss provides more relevant and reliable information with respect to the Company's exposure to foreign exchange movements and finance costs. The reclassification has been applied retrospectively and as such the 2011 balances reflect the reclassification of US\$451,301 of foreign exchange loss from finance cost. There is no impact on profit for the year or on basic and diluted earnings per share for the year ended December 31, 2011.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

9. TAXATION

(i) Income tax expense

	2012	2011
	US\$	US\$
Current tax expense (ii)	3,886,699	3,230,358
Deferred tax (recovery) / expense (iv)	(2,418,521)	2,306,741
	<u>1,468,178</u>	<u>5,537,099</u>

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

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

(ii) Taxation payable

	Balance at	Payments	Charge for	Balance at
	Jan. 1	during the	the year	Dec. 31
	US\$	year	US\$	US\$
		US\$		
Income Tax				
2012	217,295	(3,502,059)	3,886,699	601,935
2011	-	(3,013,063)	3,230,358	217,295

Tax liabilities up to and including the 2009 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 years ended December 31, 2012 and 2011

9. TAXATION (continued)

(iii) Reconciliation of effective tax rate

	2012	2011
	US\$	US\$
Profit before taxation	4,673,538	17,949,620
Proportion of profit before taxation subject to no corporation tax	13,213,496	19,277,788
Proportion of loss before taxation subject to corporate taxation in Ghana at a rate of 25%	(8,539,958)	(1,328,168)
	4,673,538	17,949,620
Current year taxation per tax jurisdiction		
Ghana Corporate taxation (including deferred tax)	(2,418,521)	2,359,188
Withholding tax outside Ghana	3,797,993	3,059,713
Ghana withholding tax	88,706	118,198
Total tax charge	1,468,178	5,537,099
Reconciliation of taxation expense		
Income tax rate for Ghana taxable earnings		
Using Ghana tax rate	-	52,447
Temporary differences	(2,418,521)	2,306,741
Withholding tax outside Ghana	3,797,993	3,059,713
Ghana withholding tax	88,706	118,198
	1,468,178	5,537,099
Effective tax rate	31.4%	30.8%

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

9. TAXATION (continued)

(iv) Deferred tax liability

	2012	2011
	US\$	US\$
Balance at January 1	5,347,079	3,040,338
(Recovery) / Charge for the year	(2,418,521)	2,306,741
Balance at December 31	2,928,558	5,347,079

(v) Recognized deferred tax assets and liabilities

Deferred tax asset assets and liabilities are attributable to the following:

	2012		
	Asset	Liability	Net
	US\$	US\$	US\$
Property, plant and equipment	-	2,928,558	(2,928,558)

	2011		
	Asset	Liability	Net
	US\$	US\$	US\$
Property, plant and equipment	-	5,347,079	(5,347,079)

(vi) Tax asset

In the normal course of business, 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 future years.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2012 and 2011

10. PROPERTY, PLANT AND EQUIPMENT

2012	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Leasehold Improvements 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	26,105,133	26,147,940
Reclassifications	1,005,579	7,073,376	15,861,756	1,317,928	(25,258,639)	-
Transfer	-	177,264	(177,264)	-	-	-
Disposals	-	(45,000)	-	-	-	(45,000)
Balance at December 31, 2012	5,572,804	19,569,605	50,711,160	1,838,981	3,453,792	81,146,342
Accumulated Depreciation						
Balance at January 1, 2012	2,368,355	6,301,912	10,432,011	44,063	-	19,146,341
Charge for the year	1,202,553	2,557,486	4,023,047	194,183	-	7,977,269
Reclassifications	-	132,948	(132,948)	-	-	-
Disposals	-	(45,000)	-	-	-	(45,000)
Balance at December 31, 2012	3,570,908	8,947,346	14,322,110	238,246	-	27,078,610
Carrying amounts at December 31, 2012	2,001,896	10,622,259	36,389,050	1,600,735	3,453,792	54,067,732

(1) Drill rigs include drill rigs 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 December 31, 2012 and 2011

10. PROPERTY, PLANT AND EQUIPMENT (continued)

2011	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Leasehold Improvements 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
Reclassifications	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 year	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

(1) Drill rigs include drill rigs 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 December 31, 2012 and 2011

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation and amortization has been charged in comprehensive income as follows:

	2012	2011
	US\$	US\$
Cost of sales	6,580,533	5,304,025
Selling, general and administrative expenses	1,396,736	1,332,196
	<u>7,977,269</u>	<u>6,636,221</u>

Property, plant and equipment with a carrying amount of US\$20,704,685 (2011: Nil) and inventories with a carrying amount of US\$10,671,245 (2011: Nil) have been pledged as security for certain liabilities.

11. INVENTORIES

	2012	2011
	US\$	US\$
Spare parts and materials on hand	16,757,082	13,432,681
Spare parts and materials in transit	745,956	858,945
Less: Provision for obsolescence	(957,997)	(671,634)
	<u>16,545,041</u>	<u>13,619,992</u>

The amount of inventories recognized as expense in the year is US\$21,813,641 (2011: US\$18,275,904). Inventory write downs in the year amounted to US\$206,456 (2011: US\$52,560).

12. PREPAYMENTS

	2012	2011
	US\$	US\$
Prepaid expenses	196,607	345,644
Advances to suppliers	731,114	7,001,603
	<u>927,721</u>	<u>7,347,247</u>

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13. TRADE AND OTHER RECEIVABLES

	2012	2011
	US\$	US\$
Trade receivables	8,380,671	7,980,324
Allowance for doubtful debts	(307,237)	-
Net Trade receivables	8,073,434	7,980,324
Cash advances	193,007	105,773
Sundry receivables	119,802	126,913
	<u>8,386,243</u>	<u>8,213,010</u>

Trade receivables and other receivables are recorded at amortized cost. Impairment losses recorded on trade and other receivables during the year amounted to Nil (2011: Nil). The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 19(i).

14. CASH AND CASH EQUIVALENTS

	2012	2011
	US\$	US\$
Cash at bank	7,246,669	7,811,334
Cash on hand	315,505	354,060
	<u>7,562,174</u>	<u>8,165,394</u>

Bank balances denominated in currencies other than the functional currency are detailed in note 19(iv).

15. LOANS PAYABLE

	2012	2011
	US\$	US\$
Term Loan	8,869,205	-
Equipment Loan	3,359,619	-
Promissory Loan	-	3,091,142
Total	12,228,824	3,091,142
Current portion of loans	6,390,730	3,091,142
Non-current loans	<u>5,838,094</u>	<u>-</u>

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 prior to maturity 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%. The loan is subject to normal course non-financial covenants.

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. LOANS PAYABLE (continued)

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%.

On February 25, 2012, the Group entered into a Sale and Purchase agreement (“Agreement 2”) with Sandvik relating to the purchase of 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%.

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. The loan 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.

16. TRADE AND OTHER PAYABLES

	2012	2011
	US\$	US\$
Trade payables	7,055,279	2,928,498
Creditors and accrued expenses	2,447,818	3,258,574
VAT liability	1,661,181	2,188,395
	11,164,278	8,375,467

Trade and other payables are recorded at amortized cost.

Trade and other payables denominated in other currencies other than the company’s functional currency are detailed in note 19 (iii).

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 amount contributed during the year was US\$198,180 (2011: \$168,442). 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.

(ii) *Provident Fund*

The Group has a provident fund scheme for staff under which the Group contributes 10% of staff basic salaries. The amount contributed during the year was US\$25,079 (2011: US\$24,435). 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

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	Other Financial Liabilities	Carrying Amount	Total Fair Value
	US\$	US\$	US\$	US\$
December 31, 2012				
Financial assets				
Trade and other receivables	8,386,243	-	8,386,243	8,386,243
Cash and cash equivalents	7,562,174	-	7,562,174	7,562,174
	<u>15,948,417</u>	<u>-</u>	<u>15,948,417</u>	<u>15,948,417</u>
Financial liabilities				
Trade and other payables	-	9,503,097	9,503,097	9,503,097
Related party payables	-	923,025	923,025	923,025
Loans payable	-	12,228,824	12,228,824	12,228,824
	<u>-</u>	<u>22,654,946</u>	<u>22,654,946</u>	<u>22,654,946</u>
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
	<u>16,378,404</u>	<u>-</u>	<u>16,378,404</u>	<u>16,378,404</u>
Financial liabilities				
Trade and other payables	-	6,187,072	6,187,072	6,187,072
Related party payables	-	923,025	923,025	923,025
Loan payable	-	3,091,142	3,091,142	3,091,142
	<u>-</u>	<u>10,201,239</u>	<u>10,201,239</u>	<u>10,201,239</u>

19. FINANCIAL RISK MANAGEMENT

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.

GEODRILL LIMITED
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For the years ended December 31, 2012 and 2011

19. FINANCIAL RISK MANAGEMENT (continued)

Risk management framework (continued)

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 CEO.

(i) 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.

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:

	2012	2011
	US\$	US\$
Trade and other receivables	8,386,243	8,213,010
Cash and cash equivalents	7,562,174	8,165,394
	<hr/> 15,948,417	<hr/> 16,378,404

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

	2012	2011
	US\$	US\$
Mining and exploration companies	8,071,791	7,980,324
Others	314,452	232,686
	<hr/> 8,386,243	<hr/> 8,213,010

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

19. FINANCIAL RISK MANAGEMENT (continued)

Risk management framework (continued)

(i) Credit risk (continued)

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

	2012	2011
	US\$	US\$
Less than 30 days	2,822,908	7,213,805
31 - 60 days	3,703,931	757,560
61 - 90 days	576,402	8,959
91-180 days	968,550	-
	<hr/> 8,071,791	<hr/> 7,980,324

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

	2012	2011
	US\$	US\$
Ghana	3,926,886	5,925,753
Burkina Faso and other	3,851,972	2,054,571
	<hr/> 7,778,858	<hr/> 7,980,324

(ii) Liquidity risk

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

The Group's obligation and principal repayments on its financial liabilities are presented in the following table:

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For the years ended December 31, 2012 and 2011

19. FINANCIAL RISK MANAGEMENT (continued)

(ii) Liquidity risk (continued)

December 31, 2012

	Total US\$	Within One Year US\$	Within Two to Three Years US\$
Non-derivative financial liability			
Trade and other payables	9,503,097	9,503,097	-
Related party payables	923,025	923,025	-
Loan payable	12,166,687	6,328,593	5,838,094
Balance at December 31, 2012	22,592,809	16,754,715	5,838,094

December 31, 2011

Non-derivative financial liability			
Trade and other payables	6,187,072	6,187,072	-
Related party payables	923,025	923,025	-
Loan payable	3,091,142	3,091,142	-
Balance at December 31, 2011	10,201,239	10,201,239	-

(iii) 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. Management 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.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

19. FINANCIAL RISK MANAGEMENT (continued)

(iii) Market risks (continued)

(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 EURO, Ghana Cedis (GH¢), Great British Pound (GBP), Central African Franc (CFA), Australian Dollar (AUD) and Canadian Dollar (CAD).

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

December 31, 2012

	EURO	GH¢	GBP	CFA	AUD	CAD
Cash and cash equivalents	30,980	279,807	60,919	150,303,680	19,092	8,721
Trade payables	(679,838)	(1,471,542)	(3,595)	-	(3,377,028)	(403,246)
Gross exposure	(648,858)	(1,191,735)	57,324	150,303,680	(3,357,936)	(394,525)

December 31, 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

The following significant exchange rates applied during the years:

US\$1=	2012		2011	
	Reporting Rate	Average Rate	Reporting Rate	Average Rate
Euro	0.7565	0.7781	0.7722	0.7188
GH¢	1.9040	1.8373	1.6562	1.5318
GBP	0.6185	0.6310	0.6470	0.6235
CFA	495.3500	496.7710	497.2750	462.5061
AUD	0.9640	0.9658	0.9827	0.9687
CAD	0.9966	0.9996	1.0197	0.9888

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 December 31, (see "foreign 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 December 31, 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.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

19. FINANCIAL RISK MANAGEMENT (continued)

(iii) Market risks (continued)

(a) Foreign currency risk (continued)

As at December 31,	2012			2011		
	% Change	Profit or Loss impact before tax US\$	Equity US\$	% Change	Profit or Loss impact before tax US\$	Equity US\$
Euro	±2	±16,678	±16,678	±2	±4,364	±4,364
GH¢	±2	±12,973	±12,973	±2	±3,865	±3,865
GBP	±2	±1,816	±1,816	±2	±39,116	±39,116
CFA	±2	±6,051	±6,051	±2	±10,668	±10,668
AUD	±2	±69,537	±69,537	±2	±105,938	±105,938
CAD	±2	±7,894	±7,894	±2	±30	±30

(b) Interest rate risk

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

Profile

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

	Carrying amounts	
	2012 US\$	2011 US\$
Variable rate instruments		
Bank balances	7,246,669	7,811,334
Fixed rate instruments		
Loans and borrowings	12,228,824	3,091,142

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 2012 and 2011.

As at December 31,	2012			2011		
in US\$	% Change	Profit or Loss impact before tax US\$	Equity US\$	% Change	Profit or Loss impact before tax US\$	Equity US\$
Bank balances	±2%	±144,933	±144,933	±2%	±156,227	±156,227

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

19. FINANCIAL RISK MANAGEMENT (continued)

(iv) Capital management

The Group manages its capital structure and makes adjustments to it to effectively support the Group's operations. In the definition of capital, the Group includes, as disclosed on its consolidated statement of financial position: share capital, retained earnings, reserves and loans.

The Group's capital at December 31, 2012 and 2011 is as follows:

Capital Management	2012 US\$	2011 US\$
Loans	12,228,824	3,091,142
Share capital	21,150,866	21,043,041
Share based payment reserve	3,085,787	2,045,377
Retained earnings	35,937,836	32,732,476
	<u>72,403,313</u>	<u>58,912,036</u>

20. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			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

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

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.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

20. RELATED PARTY TRANSACTIONS (continued)

(i) Transactions with related parties (continued)

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.

On October 1, 2012 in conjunction with the rent review, Geodrill Ghana Limited agreed to lease the Anwiankwanta property for US\$140,000 per annum and the Accra property for US\$60,000 per annum for a period of two years effective October 1, 2012.

Future operating lease commitments related to the properties are:

	2012	2011
	US\$	US\$
Payable within one year	200,000	160,000
Payable between 1 and 5 years	350,000	480,000
Total	550,000	640,000

During the year ended December 31, 2012 lease payments amounted to US\$170,000 (2011: US\$160,000).

(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.

The Group paid management fees to Kingston Management (Isle of Man) Ltd. which is also the licensed and regulated fiduciary service provider of the Harper Family Settlement. Throughout 2012, two of the directors of Kingston Management (Isle of Man) Ltd. were also directors of Geodrill. Management fees paid during the year amounted to US\$68,784 (2011: US\$178,548). One of the directors of Geodrill resigned from Kingston Management (Isle of Man) Ltd on January 31, 2013 and the other director resigned on February 28, 2013.

Geodrill, on behalf of Geotool Limited, paid management fees to City Trust Limited. One of the directors of City Trust Limited was also a director of Geodrill up to December 21, 2012, when that director resigned from City Trust Limited. Management fees paid during the year amounted to US\$7,746 (2011: US\$5,165).

The Group paid consulting fees to MS Risk Limited. One of the directors of MS Risk Limited is also a director of Geodrill Limited. Consulting fees paid during the year amounted to US\$58,616, (2011: US\$ 55,695).

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

20. RELATED PARTY TRANSACTIONS (continued)

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

Key management personnel compensation and directors fees for the year comprised:

	2012	2011
	US\$	US\$
Short-term employee benefits	1,720,243	2,157,445
Share-based payment arrangements	1,076,833	1,554,387
Total	2,797,076	3,711,832

(iii) Related party balances

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

Balances outstanding as at December 31,

	Type	2012	2011
		US\$	US\$
Transtraders Limited:			
Payable	Line of credit	(923,025)	(923,025)
Total		(923,025)	(923,025)

The related party payable to Transtraders Limited is unsecured and is interest free.

21. EXCHANGE CONTROL

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

The Group has not experienced any restrictions from the relevant exchange control authorities in the current or prior year.

22. CAPITAL COMMITMENTS

As at December 31, 2012, DSI Services Limited had contracted with a third party for the purchase of two drill rigs. Total commitments amount to US\$3,200,000 (December 31, 2011: US\$11,180,638), and are payable within one year.

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

23. SHARE CAPITAL AND RESERVES

(i) Share capital

Shares have no par value and the issue of authorized shares is unlimited.

Share capital	2012	2011
Shares issued and fully paid	42,512,000	42,476,000
Shares reserved for share option plan	4,251,200	4,247,600
Total shares issued and reserved at December 31	46,763,200	46,723,600

Reconciliation of changes in shares

	2012	2011
Shares issued and outstanding at January 1	42,476,000	42,476,000
Issued for cash	36,000	-
Shares issued and outstanding at December 31	42,512,000	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.

(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 company's share option plan.

(iii) Retained earnings

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

GEODRILL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011

24. EARNINGS PER SHARE

(i) Earnings per share

The calculation of basic earnings per share for the year ended December 31, 2012 was based on the profit attributable to ordinary shareholders of US\$3,205,360 (2011: US\$12,412,521) and on the weighted average number of ordinary shares outstanding of 42,496,515 (2011: 42,476,000), calculated as follows:

	2012	2011
	US\$	US\$
Profit attributable to ordinary shareholders	3,205,360	12,412,521
<hr/>		
Weighted average number of ordinary shares		
	2012	2011
	Shares	Shares
Issued ordinary shares at January 1	42,476,000	42,476,000
Effect of shares issued for cash	20,515	-
	<hr/>	<hr/>
	42,496,515	42,476,000
<hr/>		
Earnings per share	\$0.08	\$0.29

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2012 was based on the profit attributable to ordinary shareholders of US\$ US\$3,205,360 (2011: US\$12,412,521) and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 42,496,515 (2011: 44,020,548), calculated as follows:

	2012	2011
	US\$	US\$
Earnings per share – diluted		
Profit attributable to ordinary shareholders	3,205,360	12,412,521
<hr/>		
Weighted average number of ordinary shares - diluted		
	2012	2011
	Shares	Shares
Weighted average number of ordinary shares - basic	42,496,515	42,476,000
Effect of share options in issue	-	1,544,548
	<hr/>	<hr/>
	42,496,515	44,020,548
<hr/>		
Diluted earnings per share	\$0.08	\$0.28

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

GEODRILL LIMITED
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For the years ended December 31, 2012 and 2011

25. DIVIDENDS

No dividends were either declared or paid in 2012 (2011: NIL).

26. EQUITY-SETTLED SHARE-BASED PAYMENTS

(i) Share Option Plan (“SOP”)

The company has established a SOP, 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 number of ordinary shares reserved for issuance pursuant to the SOP and any other security based compensation arrangements of the company is 10% of the total number of Ordinary Shares then outstanding.

	2012		2011	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	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	-	-
Granted October 17, 2012	270,000	C\$1.57	-	-
Total Granted	450,000		1,170,000	-
Forfeited April 1, 2012	(60,000)	C\$2.00	-	-
Forfeited May 31, 2012	(90,000)	C\$2.00	-	-
Forfeited July 31, 2012	(144,000)	C\$2.00	-	-
Forfeited December 31, 2012	(120,000)	C\$2.00	-	-
Total Forfeited	(414,000)			
Exercised June 6, 2012	(36,000)	C\$2.00	-	-
Total exercised	(36,000)			
Balance ending, Dec. 31	2,610,000	C\$2.34	2,610,000	C\$2.29

There were no expired options for the year.

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.

GEODRILL LIMITED
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For the years ended December 31, 2012 and 2011

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

(ii) Share Option Plan (SOP) (continued)

The following table summarizes the options outstanding at December 31, 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	990,000	2 Yrs & 11 mos	990,000	C\$2.00
(2) Granted on March 11, 2011	C\$3.48	450,000	3 Yrs & 2 mos	300,000	C\$3.48
(3) Granted on November 9, 2011	C\$2.11	720,000	3 Yrs & 10 mos	480,000	C\$2.11
(4) Granted on March 13, 2012	C\$3.41	180,000	4 Yrs & 2 mos	60,000	C\$3.41
(5) Granted on October 17, 2012	C\$1.57	270,000	4 Yrs & 7 mos	90,000	C\$1.57

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	Series 5
Risk free interest rate	3%	3%	3%	1.55%	1.33%
Expected dividend yield	0%	0%	0%	0%	0%
Stock price volatility	33%	56%	34%	53%	53%
Expected life of options	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	0%	0%	0%	0%	30%