

GEODRILL LIMITED

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

***For the three months ended
March 31, 2012***

GEODRILL LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at March 31, 2012 and December 31, 2011

	Note	March 31, 2012 US\$	December 31, 2011 US\$
Assets			
Non-current assets			
Property, plant and equipment	8	44,763,632	35,897,061
Total non-current assets		44,763,632	35,897,061
Current assets			
Inventories	9	19,354,573	13,619,992
Prepayments		6,255,415	7,347,247
Tax assets	7(vi)	532,198	532,198
Trade and other receivables		12,529,337	8,213,010
Cash and cash equivalents		4,591,247	8,165,394
Total current assets		43,262,770	37,877,841
Total assets		88,026,402	73,774,902
Equity and liabilities			
Equity			
Share capital	16(i)	21,043,041	21,043,041
Share-based payment reserve	16(ii)	2,392,503	2,045,377
Retained earnings	16(iii)	37,161,748	32,732,476
Total equity		60,597,292	55,820,894
Liabilities			
Non-current liabilities			
Deferred tax liabilities	7(iv)	5,406,143	5,347,079
Total non-current liabilities		5,406,143	5,347,079
Current liabilities			
Trade and other payables	10	17,901,989	8,592,762
Loan payable	11	3,197,953	3,091,142
Related party payables	13 (iii)	923,025	923,025
Total current liabilities		22,022,967	12,606,929
Total liabilities		27,429,110	17,954,008
Total equity and liabilities		88,026,402	73,774,902

GEODRILL LIMITED**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)***For the three months ended March 31, 2012*

	Note	March 31, 2012 US\$	March 31, 2011 US\$
Revenue		21,659,251	12,476,391
Cost of sales		<u>(10,136,653)</u>	<u>(3,638,330)</u>
Gross profit		11,522,598	8,838,061
Selling, general and administrative expenses		<u>(5,297,520)</u>	<u>(3,939,011)</u>
Results from operating activities		6,225,078	4,899,050
Finance income		3,820	10,226
Finance costs		<u>(510,036)</u>	<u>(109,119)</u>
Net finance cost		(506,216)	(98,893)
Profit before taxation		5,718,862	4,800,157
Income tax (expense) recovery	7(i)	<u>(1,289,590)</u>	<u>65,645</u>
Profit for the period		4,429,272	4,865,802
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period		4,429,272	4,865,802
Earnings per share			
Basic	17(i)	0.10	0.11
Diluted	17(ii)	0.10	0.11

GEODRILL LIMITED**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)***For the three months ended March 31, 2012*

	Share Capital US\$ Note 16(i)	Share-based Payment Reserve US\$ Note 16(ii)	Retained Earnings US\$ Note 16(iii)	Total Equity US\$
Balance at January 1, 2012	21,043,041	2,045,377	32,732,476	55,820,894
Total comprehensive income for the period	-	-	4,429,272	4,429,272
Share-based payment transaction	-	347,126	-	347,126
Balance at March 31, 2012	<u>21,043,041</u>	<u>2,392,503</u>	<u>37,161,748</u>	<u>60,597,292</u>
Balance at January 1, 2011	21,184,590	490,990	20,319,955	41,995,535
Total comprehensive income for the period	-	-	4,865,802	4,865,802
Share-based payment transaction	-	500,070	-	500,070
IPO related costs, net of tax	(141,549)	-	-	(141,549)
Balance at March 31, 2011	<u>21,043,041</u>	<u>991,060</u>	<u>25,185,757</u>	<u>47,219,858</u>

GEODRILL LIMITED**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)***For the three months ended March 31, 2012*

	March 31, 2012	March 31, 2011
	US\$	US\$
Cash flows from operating activities		
Profit before taxation	5,718,862	4,800,157
<i>Adjustments for :</i>		
Depreciation charges	1,683,216	1,017,132
Amortization charges	30,641	-
Provision for obsolescence	170,171	-
Equity-settled share-based payments	347,126	500,070
Net finance cost	506,216	98,893
	8,456,232	6,416,252
Change in inventories	(5,904,753)	(2,781,997)
Change in prepayments	1,091,832	(1,359,262)
Change in tax asset	-	(532,198)
Change in trade and other receivables	(4,316,327)	(2,904,044)
Change in trade and other payables	8,629,641	(2,724,557)
Cash generated from operations	7,956,625	(3,885,806)
Net finance cost	(506,216)	(98,893)
Income taxes paid	(550,939)	(188,637)
Net cash from (used in) operating activities	6,899,470	(4,173,336)
Investing activities		
Purchase of property, plant and equipment	(10,580,428)	(1,852,657)
Net cash used in investing activities	(10,580,428)	(1,852,657)
Financing activities		
IPO related costs	-	(141,549)
Net cash used in financing activities	-	(141,549)
Effect of movement in exchange rates on cash and cash equivalents	106,811	-
Net decrease in cash and cash equivalents	(3,574,147)	(6,167,542)
Cash and cash equivalents at beginning of the period	8,165,394	10,183,088
Cash and cash equivalents at end of the period	4,591,247	4,015,546

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

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 condensed interim consolidated financial statements of the company for the three months ended March 31, 2012 comprises the financial statements of the company and its subsidiaries, Geodrill Ghana Limited, Geotool Limited, Geoforage BF Sarl, Geoforage Cote d’Ivoire and DSI Services Limited (“DSI”) together referred to as the “Group”. The Group is primarily involved in the provision of exploration, drilling and other mining services.

2. BASIS OF PREPARATION

a. Statement of compliance

These condensed interim consolidated financial statements for the three months ended 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.

b. Basis of measurement

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

c. Functional and presentational currency

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

2. BASIS OF PREPARATION (CONTINUED)

d. Use of estimates and judgments (continued)

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

In 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 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(d) Loan payable

The fair value of the loan payable approximates its 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.

(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 four customers who individually contributed 10% or more to the Group's revenue for the three months ended 31 March 2012. One customer contributed 27%, one customer contributed 22%, one customer contributed 15% and one customer contributed 12% to the Group's revenue for the three months ended 31 March 2012.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

5. SEGMENT REPORTING (CONTINUED)

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

	Ghana		Outside Ghana		Intra-group transaction		Total	
	2012 US\$ '000	2011 US\$ '000	2012 US\$ '000	2011 US\$ '000	2012 US\$ '000	2011 US\$ '000	2012 US\$ '000	2011 US\$ '000
Revenue	9,637	7,964	26,456	8,895	(14,434)	(4,382)	21,659	12,477
Cost of sales	(8,219)	(4,108)	(16,653)	(3,895)	14,750	4,364	(10,122)	(3,639)
Selling, general and administrative	(3,961)	(8,566)	(3,351)	(1,224)	2,000	5,851	(5,312)	(3,939)
Results from operating activities	(2,543)	(4,710)	6,452	3,776	2,316	5,833	6,225	4,899
Other income (expense)	2,220	900	1,899	5,851	(4,119)	(6,751)	-	-
Operating profit (loss)	(323)	(3,810)	8,351	9,627	(1,803)	(918)	6,225	4,899
Finance income	-	-	4	10	-	-	4	10
Finance cost	(28)	(99)	(482)	(10)	-	-	(510)	(109)
Profit (loss) before tax	(351)	(3,909)	7,873	9,627	(1,803)	(918)	5,719	4,800
Total assets	85,500	51,846	87,693	41,185			173,193	93,031
Intra group balances							(85,167)	(35,982)
Per statement of financial position							88,026	57,049
Total liabilities	73,371	39,275	34,051	5,568			107,422	44,843
Intra group balances							(79,993)	(35,014)
Per statement of financial position							27,429	9,829
Capital expenditures	10,580	1,853	-	-			10,580	1,853

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2012

6. SEASONALITY OF OPERATIONS

The company's operations have tended to exhibit a seasonal pattern whereby the second quarter (April to June) is the 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 season. 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 likely affects 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 historically took advantage of the wet season and scheduled the 3rd quarter for maintenance and rebuild programs for drill rigs and equipment.

7. TAXATION

(i) Income tax expense/(recovery)

Current tax expense reflects taxes associated with the Group's drilling activities in the period in Burkina Faso and certain withholding taxes in Ghana. The tax expense that would have otherwise been recognized in the period with respect to the Group's drilling activities in Ghana was mitigated in its entirety by the recognition of a tax bad debt in 2011, the benefit of which had not been previously recognized.

	March 31, 2012	March 31, 2011
	US\$	US\$
Current tax expense (iii)	1,230,526	188,637
Deferred tax expense/(recovery) (iv)	59,064	(254,282)
	-----	-----
Net income tax expense/(recovery)	1,289,590	(65,645)
	=====	=====

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

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

7. TAXATION (CONTINUED)

(ii) Taxation payable

	Balance at 1 January US\$	Payments during the period US\$	Charge for the period US\$	Balance at 31 March US\$
Income Tax				
2012	-	(550,941)	1,289,590	738,649
	=====	=====	=====	=====
2011	-	(188,637)	(65,645)	(254,282)
	=====	=====	=====	=====

Taxation payable has been included in the trade and other payables. Tax liabilities up to and including the 2008 year of assessment have been agreed with the tax authorities in Ghana. The remaining tax position is, however, subject to agreement with the tax authorities in the various tax jurisdictions, other than Cote d'Ivoire which has been agreed to, as at March 30, 2011.

(iii) Reconciliation of effective tax rate

	March 31, 2012 US\$	March 31, 2011 US\$
Profit before taxation	5,718,862	4,800,157
	=====	=====
Proportion of profit before taxation subject to no corporation tax	6,069,606	8,708,823
Proportion of profit before taxation subject to corporate taxation in Ghana at a rate of 25%	(350,744)	(3,908,666)
	-----	-----
	5,718,862	4,800,157
	=====	=====
Current year taxation per tax jurisdiction		
- Ghana Corporate taxation - deferred tax	59,064	(254,282)
- Burkina Faso withholding tax	1,201,614	188,637
- Ghana withholding tax	28,912	-
	-----	-----
Total tax charge	1,289,590	(65,645)
	=====	=====

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

7. TAXATION (CONTINUED)

(iii) Reconciliation of effective tax rate (continued)

Reconciliation of taxation expense

	March 31, 2012	March 31, 2011
	US\$	US\$
Income tax rate for Ghana taxable earnings		
- Using Ghana tax rate	-	-
- Temporary differences	59,064	(254,282)
Minimum withholding tax (Burkina)	1,201,614	188,637
Minimum withholding tax (Ghana)	28,912	-
	-----	-----
	1,289,590	(65,645)
	=====	=====
Effective tax rate	22.55%	(1.37%)
	=====	=====

(iv) Deferred tax liabilities

	March 31, 2012	March 31, 2011
	US\$	US\$
Balance at 1 January	5,347,079	3,040,338
Charge for the period	59,064	(254,282)
	-----	-----
Balance at 31 March	5,406,143	2,876,056
	=====	=====

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	March 31, 2012		
	Asset	Liability	Net
	US\$	US\$	US\$
Property, plant and equipment	-	5,406,143	5,406,143
	=====	=====	=====
	December 31, 2011		
	Asset	Liability	Net
	US\$	US\$	US\$
Property, plant and equipment	-	5,347,079	5,347,079
	=====	=====	=====

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

7. TAXATION (CONTINUED)

(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	-	-	-	-	10,580,428	10,580,428
Transfers from CWIP	628,471	1,043,827	2,560,335	-	(4,232,633)	-
Balance at March 31, 2012	5,195,696	13,407,792	37,587,003	478,246	8,955,093	65,623,830
Accumulated Depreciation						
Balance at January 1, 2012	2,368,355	6,301,912	10,432,011	44,063	-	19,146,341
Charge for the period	294,771	508,573	879,872	30,641	-	1,713,857
Balance at March 31, 2012	2,663,126	6,810,485	11,311,883	74,704	-	20,860,198
Carrying amounts at March 31, 2012	2,532,570	6,597,307	26,275,120	403,542	8,955,093	44,763,632
2011						
	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs US\$	Leasehold Improvement US\$	Capital Work in Progress (CWIP) US\$	Total US\$
Cost						
Balance at 1 January 2011	2,866,811	8,970,297	22,112,746	-	9,122,888	43,072,742
Additions	-	64,459	-	-	12,919,568	12,984,027
Transfers from CWIP	2,326,074	3,607,371	13,023,467	478,246	(19,435,158)	-
Transfer from motor vehicles	(401,889)	511,434	(109,545)	-	-	-
Transfer from PPE to inventory	-	(789,596)	-	-	-	(789,596)
Disposal	(223,771)	-	-	-	-	(223,771)
Balance at 31 December 2011	4,567,225	12,363,965	35,026,668	478,246	2,607,298	55,043,402
Accumulated Depreciation						
Balance at 1 January 2011	1,659,736	4,411,456	7,092,718	-	-	13,163,910
Charge for the period	1,288,133	1,882,573	3,421,452	44,063	-	6,636,221
Release on disposal	(183,546)	-	-	-	-	(183,546)
Reclassifications	(395,968)	478,127	(82,159)	-	-	-
Transfer from PPE to Inventory	-	(470,244)	-	-	-	(470,244)
Balance at 31 December 2011	2,368,355	6,301,912	10,432,011	44,063	-	19,146,341
Carrying amounts at 31 December 2011	2,198,870	6,062,053	24,594,657	434,183	2,607,298	35,897,061

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2012***8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

- a. Depreciation and amortization has been charged in the statement of comprehensive income as follows:

	March 31, 2012 US\$	March 31, 2011 US\$
Cost of sales	1,388,446	911,884
Selling, general and administrative expenses	325,411	105,248
	-----	-----
	1,713,857	1,017,132
	=====	=====

9. INVENTORIES

	March 31, 2012 US\$	December 31, 2011 US\$
Spare parts and sundry materials on hand	18,443,526	13,432,681
Spare parts and sundry materials in transit	1,752,852	858,945
Less: Provision for obsolescence	(841,805)	(671,634)
	-----	-----
	19,354,573	13,619,992
	=====	=====

The amount of inventories recognized as expense in the quarter is US\$170,171 (Q1 2011: US\$223,976).

	March 31, 2012 US\$	December 31, 2011 US\$
10. TRADE AND OTHER PAYABLES		
Trade payables	6,968,774	2,928,498
Sundry creditors and accrued expenses	9,165,292	3,475,869
VAT liability	1,767,923	2,188,395
	-----	-----
	17,901,989	8,592,762
	=====	=====

The sundry creditors and accrued expenses included the asset financing from Sandvik Mining and Construction in the amount of US\$4,434,780 which will be transferred to Loan Payable upon execution of the final legal documents.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

11. LOAN PAYABLE

	March 31, 2012 US\$	December 31, 2011 US\$
Loan from other entities	3,197,953 =====	3,091,142 =====

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

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. This balance is recognized at amortized cost.

During the period, the Group incurred foreign exchange losses in the amount of US\$431,422 (March 31, 2011: US\$109,119) related to the timing of payments made to satisfy foreign currency obligations. This amount is included in the finance costs in the condensed interim consolidated statement of comprehensive income.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

12. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Loans and Receivables US\$	Other Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
March 31, 2012				
Financial assets				
Trade and other receivables	12,529,337	-	12,529,337	12,529,337
Cash and cash equivalents	4,591,247	-	4,591,247	4,591,247
	<u>17,120,584</u>	<u>-</u>	<u>17,120,584</u>	<u>17,120,584</u>
Financial liabilities				
Trade and other payables	-	17,901,989	17,901,989	17,901,989
Related party payables	-	923,025	923,025	923,025
Loan payable	-	3,197,953	3,197,953	3,197,953
	<u>-</u>	<u>22,022,967</u>	<u>22,022,967</u>	<u>22,022,967</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	-	8,592,762	8,592,762	8,592,762
Related Party payables	-	923,025	923,025	923,025
Loan payable	-	3,091,142	3,091,142	3,091,142
	<u>-</u>	<u>12,606,929</u>	<u>12,606,929</u>	<u>12,606,929</u>

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

13. 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%	-
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	-
Geo-Forage Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	-
Transtraders Limited	Related party	Isle of Man	-	-
Bluecroft Limited	Significant shareholder	Isle of Man	-	-
Redcroft Limited	Significant shareholder	Isle of Man	-	-
Harper Family Settlement	Significant indirect shareholder	Isle of Man	-	-

(i) Transactions with related parties

Transtraders Limited ("TTL") is a company which is owned by Redcroft Limited and Bluecroft Limited who also, collectively, own 41.2% (December 31, 2010: 41.2%) of the issued share capital of Geodrill Limited. TTL 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 valuers/surveyors or real estate agents; (ii) at the end of the original five year lease term, Geodrill Ghana Limited shall have the option to renew the lease for an additional five year term with similar rent and conditions; and (iii) either party may terminate the lease agreement provided they give the other party 12 months' notice.

Future operating lease commitments related to the properties are:

	March 31 2012	March 31, 2011
Payable within one year	160,000	160,000
Payable between 1 and 5 years	440,000	600,000
	-----	-----
Total	600,000	760,000
	=====	=====

During the three months period ended March 31, 2012 lease payment amounted to US\$40,000 (2011: US\$40,000).

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2012

13. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Key management personnel and directors' transactions

At March 13, 2012, the company granted an aggregate of 180,000 options to purchase Ordinary Shares as described in note 17(ii).

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

	March 31, 2012 US\$	March 31, 2011 US\$
Short-term employee benefits	554,046	446,345
Share-based payment arrangements	347,126	500,070
	-----	-----
Total	901,172	946,415
	=====	=====

(iii) Related party balances

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

	March 31, 2012 US\$	March 31, 2011 US\$
Balances outstanding as at 31 March		
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. CONTINGENT LIABILITIES

The company is currently defending a third party claim resulting from a motor accident in Burkina Faso. The claim has not been settled as yet and without admitting to any portion of responsibility, management estimates the total resultant cost to be less than US\$10,000.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2012

15. CAPITAL COMMITMENTS

As of March 31, 2012, DSI Services Limited had contracted with:

- (i) Australian Exploration Engineering (Austex) for the purchase of 2 drill rigs, 1 drill rig to be delivered in the second quarter of 2012 and the other drill rig to be delivered in the third quarter of 2012.
- (ii) Exploration Drill Masters (EDM) for the purchase of 2 drill rigs to be delivered in second quarter of 2012.
- (iii) Atlas Copco for the purchase of 2 compressors to be delivered in the second quarter of 2012.

Total commitments amount to US\$4,829,766 (December 31, 2011: US\$11,180,638).

16. EQUITY

(i) Share capital

Shares have no par value and authorized shares are unlimited.

	March 31, 2012 US\$	December 31, 2011 US\$
Shares issued and fully paid	42,476,000	42,476,000
Shares reserved for share option plan	4,247,600	4,247,600
	-----	-----
Total shares issued and reserved	46,723,600	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.

(iii) Retained earnings

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2012

17. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share for the three months ended March 31, 2012 was based on the profit attributable to ordinary shareholders of US\$ 4,429,272 (2011: US\$4,865,802) and on the weighted average number of ordinary shares outstanding of 42,476,000 (2011: 42,476,000), calculated as follows:

	March 31, 2012	March 31, 2011
	US\$	US\$
Profit attributable to ordinary shareholders	4,429,272 =====	4,865,802 =====
Weighted average number of ordinary shares		
	March 31, 2012	March 31, 2011
	Shares	Shares
Issued ordinary shares	42,476,000 =====	42,476,000 =====
Basic earnings per share	US\$0.10	US\$0.11

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three months ended March 31, 2012 was based on the profit attributable to ordinary shareholders of US\$4,429,272 (2011: US\$4,865,802) and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 44,636,000 (2011: 44,021,000), calculated as follows:

GEODRILL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2012

17. EARNINGS PER SHARE (CONTINUED)

(ii) Diluted earnings per share (continued)

	March 31, 2012 US\$	March 31, 2011 US\$
Earnings per share – diluted		
Profit attributable to ordinary shareholders	4,429,272 =====	4,865,802 =====
Weighted average number of ordinary shares – diluted		
	March 31, 2012 Shares	March 31, 2011 Shares
Weighted average number of ordinary shares - basic	42,476,000	42,476,000
Effect of in-the-money share options	2,160,000 -----	1,545,000 -----
	44,636,000 =====	44,021,000 =====
Diluted earnings per share	US\$0.10	US\$0.11

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

18. DIVIDENDS

Payments of dividends for the three month period ended March 31, 2012 were US\$ Nil (2011: US\$ Nil).

19. EQUITY-SETTLED SHARE-BASED PAYMENTS

Employee Share Option Plan (ESOP)

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

The maximum aggregate number of Ordinary Shares reserved for issuance pursuant to the Share Option Plan shall not exceed 10% of the total number of Ordinary Shares then outstanding. The maximum number of Ordinary Shares reserved for issuance pursuant to the Share Option Plan

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2012

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

Employee Share Option Plan (ESOP) (continued)

and any other security based compensation arrangements of the company is 10% of the total number of Ordinary Shares then outstanding.

During the three month period ended March 31, 2012, the company granted 180,000 options (2011: 1,170,000).

	March 31, 2012		December 31, 2011	
	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	-	-
Balance, end of period	2,790,000	C\$2.36	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.

No stock options were exercised during year.

The following table summarizes the options outstanding at March 31, 2012:

Options series	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
(1) Granted on December 16, 2010	C\$2.00	1,440,000	3 Yrs & 8 mos	C\$2.00	960,000	C\$2.00
(2) Granted on March 11, 2011	C\$3.48	450,000	3 Yrs & 11 mos	C\$3.48	300,000	C\$3.48
(3) Granted on November 9, 2011	C\$2.11	720,000	4 Yrs & 7 mos	C\$2.11	240,000	C\$2.11
(4) Granted on March 13, 2012	C\$3.41	180,000	4 Yrs & 11 mos	C\$3.41	60,000	C\$3.41

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2012

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

Employee Share Option Plan (ESOP) (continued)

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

	Series 1	Series 2	Series 3	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.