

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2013 and 2012

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

As at September 30, 2013 and December 31, 2012

	<i>Note</i>	September 30, 2013 US\$	December 31, 2012 US\$
Assets			
Non-current assets			
Property, plant and equipment	<i>10</i>	48,296,415	54,067,732
Total non-current assets		48,296,415	54,067,732
Current assets			
Inventories	<i>11</i>	16,324,709	16,545,041
Prepayments		1,246,880	927,721
Tax asset		532,198	532,198
Trade and other receivables	<i>12</i>	7,008,358	8,386,243
Cash and cash equivalents		4,356,817	7,562,174
Total current assets		29,468,962	33,953,377
Total assets		77,765,377	88,021,109
Equity and liabilities			
Equity			
Share capital		21,150,866	21,150,866
Share-based payment reserve		3,493,628	3,085,787
Retained earnings		36,678,638	35,937,836
Total equity		61,323,132	60,174,489
Liabilities			
Non-current liabilities			
Deferred tax liabilities	<i>9(iv)</i>	1,415,715	2,928,558
Loans payable	<i>13</i>	739,130	5,838,094
Total non-current liabilities		2,154,845	8,766,652
Current liabilities			
Trade and other payables	<i>14</i>	6,107,833	11,164,278
Loans payable	<i>13</i>	6,730,781	6,390,730
Taxes payable	<i>9(ii)</i>	525,761	601,935
Related party payables	<i>16(iii)</i>	923,025	923,025
Total current liabilities		14,287,400	19,079,968
Total liabilities		16,442,245	27,846,620
Total equity and liabilities		77,765,377	88,021,109

Commitments (Note 17)
Subsequent Events (Note 22)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME (UNAUDITED)

For the three and nine months ended September 30, 2013 and 2012

	Note	Three-month period ended September 30		Nine-month period ended September 30	
		2013 US\$	2012 US\$	2013 US\$	2012 US\$
Revenue		4,030,955	10,145,687	33,652,540	52,665,387
Cost of sales	7	(4,644,419)	(11,135,938)	(19,869,524)	(32,620,907)
Gross (loss) / profit		(613,464)	(990,251)	13,783,016	20,044,480
Selling, general and administrative expenses	7	(3,259,637)	(4,445,398)	(12,055,099)	(14,867,572)
Foreign exchange (loss) / gain		(69,449)	(617,531)	228,254	(475,033)
Results from operating activities		(3,942,550)	(6,053,180)	1,956,171	4,701,875
Finance income	8	215	1,091	2,365	5,561
Finance costs	8	(262,543)	(172,881)	(871,660)	(498,630)
(Loss) / income before tax		(4,204,878)	(6,224,970)	1,086,876	4,208,806
Income tax recovery / (expense)	9(i)	692,711	1,231,428	(346,074)	(1,991,706)
Net (Loss) / income for the period		(3,512,167)	(4,993,542)	740,802	2,217,100
Total comprehensive (loss) / income for the period		(3,512,167)	(4,993,542)	740,802	2,217,100
(Loss) / earnings per share					
Basic	19(i)	(0.08)	(0.12)	0.02	0.05
Diluted	19(ii)	(0.08)	(0.12)	0.02	0.05

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

For the nine months ended September 30, 2013 and 2012

	Share Capital US\$	Share- based Payment Reserve US\$	Retained Earnings US\$	Total Equity US\$
Balance at January 1, 2013	21,150,866	3,085,787	35,937,836	60,174,489
Net income for the period	-	-	740,802	740,802
Share-based payment expense	-	407,841	-	407,841
Balance at September 30, 2013	21,150,866	3,493,628	36,678,638	61,323,132
Balance at January 1, 2012	21,043,041	2,045,377	32,732,476	55,820,894
Net income for the period	-	-	2,217,100	2,217,100
Share-based payment expense	-	816,245	-	816,245
Shares issued	107,825	(36,423)	-	71,402
Balance at September 30, 2012	21,150,866	2,825,199	34,949,576	58,925,641

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the nine months ended September 30, 2013 and 2012

	September 30, 2013 US\$	September 30, 2012 US\$
Cash flows from operating activities		
Profit before taxation	1,086,876	4,208,806
<i>Adjustments for:</i>		
Depreciation charges	6,874,920	5,466,225
Amortization charges	289,339	101,048
Provision for obsolescence	(110,177)	216,605
Bad debt expense	503,256	-
Equity-settled share-based payments	407,841	816,245
Finance income	(2,365)	(5,561)
Finance cost expensed	871,660	498,630
Unrealized foreign exchange (gain) / loss	(217,895)	475,033
	9,703,455	11,777,031
Change in inventories	330,509	(3,030,205)
Change in prepayments	(319,159)	1,999,998
Change in trade and other receivables	874,629	709,373
Change in trade and other payables	(4,833,083)	6,463,321
Cash generated from operations	5,756,351	17,919,518
Finance income received	2,365	5,561
Finance cost paid	(896,346)	(498,630)
Income taxes paid	(1,935,091)	(2,849,920)
Net cash from operating activities	2,927,279	14,576,529
Investing activities		
Purchase of property, plant and equipment	(1,392,942)	(17,927,031)
Net cash used in investing activities	(1,392,942)	(17,927,031)
Financing activities		
Loan received, net of transaction costs	-	9,975,000
Loan repayments	(4,729,334)	(3,269,800)
Shares issued	-	71,402
Net cash (used in) / provided from financing activities	(4,729,334)	6,776,602
Effect of movement in exchange rates on cash and cash equivalents	(10,360)	103,028
Net (decrease) / increase in cash and cash equivalents	(3,205,357)	3,529,128
Cash and cash equivalents at beginning of the period	7,562,174	8,165,394
Cash and cash equivalents at end of the period	4,356,817	11,694,522

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2013 and 2012

1. GENERAL INFORMATION

Geodrill Limited (or “the company”) is a company registered and domiciled in the Isle of Man. The address of the company’s registered office is Ragnall House, 18 Peel Road, Douglas, Isle of Man, IM1 4LZ. The condensed interim consolidated financial statements of the company for the three and nine months ended September 30, 2013 and 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 exploration drilling and other mining services. These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill Limited on November 8, 2013.

2. BASIS OF PREPARATION

a. Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2013 have been prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies disclosed in the company’s audited consolidated financial statements for the fiscal year ended December 31, 2012. 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 (“IASB”), has been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited 2012 annual consolidated financial statements of the Group.

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Use of estimates and judgments

The preparation of the unaudited condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. There have been no changes in the estimates and underlying assumptions from December 31, 2012.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2013 and 2012

2. BASIS OF PREPARATION (CONTINUED)

d. Use of estimates and judgments (Continued)

In preparing these unaudited 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, 2012.

e. Impairment testing

Together, the current economic conditions in the drilling industry and the company's third quarter financial results were considered to be an indicator of potential impairment of the carrying value of the company's property, plant and equipment as at September 30, 2013. Accordingly, an impairment test, based on fair value of drill rigs less cost of disposal, was performed as at September 30, 2013. The outcome of the test was such that the expected net recoverable amount exceeded the carrying value of the drill rigs, and, accordingly, no impairment loss was recognized in the period.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the company as at and for the year ended December 31, 2012, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were effective from January 1, 2013. The adoption of these amendments and standards have not had a material impact on the accounting policies, methods of computation or presentation applied by the company. Accordingly, the unaudited condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2012.

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.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and cash on hand. The fair value of cash and cash equivalents approximates their carrying values.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three and nine months ended September 30, 2013 and 2012

4. DETERMINATION OF FAIR VALUES (CONTINUED)**(c) Trade and other payables**

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

(d) Loans payable

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

(e) Other financial liabilities

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

(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 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. SEASONALITY OF OPERATIONS

The Group's operations have tended to exhibit a seasonal pattern whereby the second quarter is typically affected by the shutdown of exploration activities affecting some of the rigs for up to one week over the Easter holidays. For 2013, the Easter shut-down period straddled the first quarter of 2013 and the second quarter of 2013. 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 affected the company's drilling operations and revenue as companies slowed operations during this time. However, this is dependent upon the severity of the weather and if alternate contracts can be found in less affected areas of operation. The company has historically taken advantage of the wet season and has scheduled the third quarter for maintenance and rebuild programs for drill rigs and equipment. In the third quarter of 2013, the company has continued with repairs and maintenance but at a slower rate than previous quarters. The fourth quarter is also affected, due to the shutdown of exploration activities, often for extended periods over the holiday season (Christmas and New Year's 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.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2013 and 2012

6. 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.

For the three months ended September 30, 2013, included in revenue are six customers who individually contributed 10% or more to the Group's revenue. One customer contributed 23%, two customers contributed 18%, one customer contributed 16%, one customer contributed 11% and one customer contributed 10%. For the nine months ended September 30, 2013, included in revenue are three customers who individually contributed 10% or more to the Group's revenue. One customer contributed 16% and two customers contributed 15%.

For the three months ended September 30, 2012, five customers individually contributed 10% or more to the Group's revenue. One customer contributed 33%, one customer contributed 20%, one customer contributed 14%, and two customers contributed 13% each to the Group's revenue. For the nine months ended September 30, 2012, four customers individually contributed 10% or more to the Group's revenue. One customer contributed 33%, one customer contributed 19% one customer contributed 14% and one customer contributed 11% to the Group's revenue.

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For the three and nine months ended September 30, 2013 and 2012
6. SEGMENT REPORTING (CONTINUED)
(The reported numbers are in US\$ thousands)

	Ghana		Outside Ghana (1)		Intra-group transactions		Total	
	Three month period ended September 30,		Three month period ended September 30,		Three month period ended September 30,		Three month period ended September 30,	
	2013	2012	2013	2012	2013	2012	2013	2012
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	1,710	5,538	3,492	11,651	(1,171)	(7,043)	4,031	10,146
Cost of sales	(3,696)	(9,188)	(3,272)	(7,954)	2,324	6,006	(4,644)	(11,136)
Selling, general and administrative expenses	(1,791)	(3,125)	(1,581)	(2,469)	112	1,149	(3,260)	(4,445)
Foreign exchange (loss) / gain	(32)	2	(38)	(620)	-	-	(70)	(618)
Results from operating activities	(3,809)	(6,773)	(1,399)	608	1,265	112	(3,943)	(6,053)
Other income	900	873	53	864	(953)	(1,737)	-	-
Finance income	-	-	1	1	-	-	1	1
Finance cost	(231)	(122)	(32)	(51)	-	-	(263)	(173)
(Loss) Income before tax	(3,140)	(6,022)	(1,377)	1,422	312	(1,625)	(4,205)	(6,225)
Capital expenditures	223	1,515	-				223	1,515
As at	Sep 30, 2013	Dec 31, 2012	Sep 30, 2013	Dec 31, 2012			Sep 30, 2013	Dec 31, 2012
	US\$ '000	US\$ '000	US\$ '000	US\$ '000			US\$ '000	US\$ '000
Non-current assets	55,853	62,345	97	43			55,950	62,388
Intra group balances							(7,654)	(8,320)
Per statement of financial position							48,296	54,068
Total assets	79,224	91,665	73,244	73,394			152,468	165,059
Intra group balances							(74,703)	(77,038)
Per statement of financial position							77,765	88,021
Total liabilities	76,362	85,250	7,102	11,074			83,464	96,324
Intra group balances							(67,022)	(68,477)
Per statement of financial position							16,442	27,847

(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.

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6. SEGMENT REPORTING (CONTINUED)
(The reported numbers are in US\$ thousands)

	Ghana		Outside Ghana (1)		Intra-group transactions		Total	
	Nine month period ended September 30,		Nine month period ended September 30,		Nine month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012	2013	2012	2013	2012
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	13,382	23,741	26,873	60,382	(6,602)	(31,458)	33,653	52,665
Cost of sales	(15,157)	(26,384)	(17,518)	(37,997)	12,805	31,760	(19,870)	(32,621)
Selling, general and administrative expenses	(7,791)	(10,244)	(5,290)	(9,185)	1,026	4,562	(12,055)	(14,867)
Foreign exchange gain	(27)	97	255	(572)	-	-	228	(475)
Results from operating activities	(9,593)	(12,790)	4,320	12,628	7,229	4,864	1,956	4,702
Other income	5,286	5,521	1,060	4,107	(6,346)	(9,628)	-	-
Finance income	2	-	-	6	-	-	2	6
Finance cost	(763)	(256)	(108)	(243)	-	-	(871)	(499)
(Loss) Income before tax	(5,068)	(7,525)	5,272	16,498	883	(4,764)	1,087	4,209
Capital expenditures	1,393	17,884	-	43			1,393	17,927

(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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three and nine months ended September 30, 2013 and 2012

7. EXPENSES BY NATURE

The company presents certain expenses in the condensed interim consolidated Statements of Comprehensive Income by function. The following table presents those expenses by nature:

	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Expenses				
Drill rig expenses and fuel	1,212,937	4,630,320	6,773,145	15,028,420
Salaries, wages and benefits	2,322,001	5,373,994	11,068,724	14,280,014
External services and contractors	1,305,855	1,815,616	5,702,735	9,866,795
Depreciation and amortization	2,366,954	2,064,124	7,164,259	5,567,273
Repairs and maintenance	193,053	1,697,282	712,504	2,745,977
Bad debt	503,256	-	503,256	-
	<u>7,904,056</u>	<u>15,581,336</u>	<u>31,924,623</u>	<u>47,488,479</u>

	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Cost of sales	4,644,419	11,135,938	19,869,524	32,620,907
Selling, general and administrative expenses	3,259,637	4,445,398	12,055,099	14,867,572
	<u>7,904,056</u>	<u>15,581,336</u>	<u>31,924,623</u>	<u>47,488,479</u>

8. FINANCE INCOME AND COSTS

	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Finance income				
Interest income on cash and cash equivalents	215	1,091	2,365	5,561
Finance costs				
Interest expense on financial liabilities	262,543	172,881	871,660	498,630

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9. TAXATION

(i) Income tax recovery (expense)

	Three month period ended September 30,		Nine month period ended September 30,	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Current tax expense (iii)	(183,940)	(477,834)	(1,858,917)	(2,976,081)
Deferred tax recovery (iv)	876,651	1,709,262	1,512,843	984,375
	692,711	1,231,428	(346,074)	(1,991,706)

Current tax expense reflects taxes associated with the Group's drilling activities in the period in Burkina Faso and other countries. Deferred tax expense relates to the origination and reversals of temporary differences in relation to Ghanaian corporate tax.

(ii) Taxes payable

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Sep. 30 US\$
2013	601,935	(1,935,091)	1,858,917	525,761
	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Dec. 31 US\$
2012	217,295	(3,502,059)	3,886,699	601,935

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 Ghana Limited is currently undergoing a tax audit with the authorities in Ghana for the years 2010 to 2012. The Group is working towards having the tax audit for the years 2010 to 2012 completed by December 31, 2013.

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9. TAXATION (CONTINUED)

(iii) Reconciliation of effective tax rate

	Three month period ended September 30,		Nine month period ended September 30,	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
(Loss) Income before tax	(4,204,878)	(6,224,970)	1,086,876	4,208,806
Proportion of (loss) income before tax subject to no corporation tax	(1,065,420)	(202,752)	6,154,581	11,734,122
Proportion of loss before tax subject to corporate tax in Ghana at a rate of 25%	(3,139,458)	(6,022,218)	(5,067,705)	(7,525,316)
	(4,204,878)	(6,224,970)	1,086,876	4,208,806
Current period tax per tax jurisdiction				
Ghana corporate tax (including deferred tax)	(876,651)	1,709,262	(1,512,843)	984,375
Withholding tax outside Ghana	183,940	(461,220)	1,823,901	(2,904,858)
Ghana withholding tax	-	(16,614)	35,016	(71,223)
Total tax (recovery) expense	(692,711)	1,231,428	346,074	(1,991,706)
Effective tax rate	(16.5)%	(19.8)%	31.8%	(47.3)%

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9. TAXATION (CONTINUED)

(iv) Deferred tax liability

	September 30, 2013 US\$	December 31, 2012 US\$
Balance at January 1	2,928,558	5,347,079
Recovery for the period	(1,512,843)	(2,418,521)
Balance at end of period	1,415,715	2,928,558

(v) Recognized deferred tax assets and liabilities

Deferred tax liabilities are attributable to the following:

	September 30, 2013		
	Asset US\$	Liability US\$	Net US\$
Property, plant and equipment	-	1,415,715	(1,415,715)

	December 31, 2012		
	Asset US\$	Liability US\$	Net US\$
Property, plant and equipment	-	2,928,558	(2,928,558)

(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.

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10. PROPERTY, PLANT AND EQUIPMENT

2013	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, 2013	5,572,804	19,569,605	50,711,160	1,838,981	3,453,792	81,146,342
Additions	-	-	-	-	1,392,942	1,392,942
Reclassifications	-	447,662	312,096	121,041	(880,799)	-
Fully depreciated assets	-	(796,190)	(85,956)	-	-	(882,146)
Balance at September 30, 2013	5,572,804	19,221,077	50,937,300	1,960,022	3,965,935	81,657,138
Accumulated Depreciation						
Balance at January 1, 2013	3,570,908	8,947,346	14,322,110	238,246	-	27,078,610
Charge for the period	979,557	2,257,060	3,638,303	289,339	-	7,164,259
Fully depreciated assets	-	(796,190)	(85,956)	-	-	(882,146)
Balance at September 30, 2013	4,550,465	10,408,216	17,874,457	527,585	-	33,360,723
Carrying amounts at September 30, 2013	1,022,339	8,812,861	33,062,843	1,432,437	3,965,935	48,296,415

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

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10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 period	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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and nine months ended September 30, 2013 and 2012***10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

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

	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Cost of sales	1,947,666	1,707,134	5,895,364	4,603,899
Selling, general and administrative expenses	419,288	356,990	1,268,895	963,374
	<u>2,366,954</u>	<u>2,064,124</u>	<u>7,164,259</u>	<u>5,567,273</u>

As at September 30, 2013, property, plant and equipment with a carrying amount of US\$29,409,171 (December 31, 2012: US\$33,147,357) and inventories with a carrying amount of US\$6,926,943 (December 31, 2012: US\$7,879,070) have been pledged as security for certain liabilities.

11. INVENTORIES

	September 30, 2013 US\$	December 31, 2012 US\$
Spare parts and materials on hand	17,098,950	16,757,082
Spare parts and materials in transit	73,579	745,956
Less: Provision for obsolescence	(847,820)	(957,997)
	<u>16,324,709</u>	<u>16,545,041</u>

The amount of inventories recognized as expense in the three and nine months ended September 30, 2013 amounted to US\$1,383,963 and US\$7,206,898, respectively (Q3 2012: US\$6,936,900 and US\$13,161,526).

12. TRADE AND OTHER RECEIVABLES

	September 30, 2013 US\$	December 31, 2012 US\$
Trade receivables	7,394,753	8,380,671
Allowance for doubtful debts	(499,338)	(307,237)
Net trade receivables	6,895,415	8,073,434
Cash advances	28,813	193,007
Sundry receivables	84,130	119,802
	<u>7,008,358</u>	<u>8,386,243</u>

Trade and other receivables are recorded at amortized cost. Impairment losses recorded on trade and other receivables during the three and nine months ended September 30, 2013 amounted to US\$585,492 and US\$1,002,594, respectively (September 30, 2012: US\$Nil and US\$5,233).

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	September 30, 2013 US\$	December 31, 2012 US\$
Term Loan	5,230,165	8,869,205
Equipment Loans	2,239,746	3,359,619
Total	7,469,911	12,228,824
Current portion of loans	6,730,781	6,390,730
Non-current loans	739,130	5,838,094

i) Term loan

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, and the Group is in compliance with, normal course non-financial covenants.

ii) Equipment loans

On January 23, 2012, the Group entered into a Sale and Purchase agreement ("Agreement 1") with Sandvik Mining and Construction Oy ("Sandvik") relating to the purchase of three drill rigs with a total cost price of US\$2.6 million. Agreement 1 requires a down payment and the repayment of the balance over a period of 36 months with payments 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 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\$2.6 million. Agreement 2 requires a down payment and the repayment of the balance over a period of 36 months with payments 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%.

14. TRADE AND OTHER PAYABLES

	September 30, 2013 US\$	December 31, 2012 US\$
Trade payables	1,130,444	4,735,203
Creditors and accrued expenses	3,262,416	4,767,894
VAT liability	1,714,973	1,661,181
	6,107,833	11,164,278

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15. 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\$
September 30, 2013				
Financial assets				
Trade and other receivables	7,008,358	-	7,008,358	7,008,358
Cash and cash equivalents	4,356,817	-	4,356,817	4,356,817
	<u>11,365,175</u>	<u>-</u>	<u>11,365,175</u>	<u>11,365,175</u>
Financial liabilities				
Trade payables, creditors and accrued expenses	-	4,392,860	4,392,860	4,392,860
Related party payables	-	923,025	923,025	923,025
Loans payable	-	7,469,911	7,469,911	7,469,911
	<u>-</u>	<u>12,785,796</u>	<u>12,785,796</u>	<u>12,785,796</u>
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 payables, creditors and accrued expenses	-	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>

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and nine months ended September 30, 2013 and 2012***16. RELATED PARTY TRANSACTIONS**

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2013	2012
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	-	-
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 Clearwater Nominees Limited and Clearwater Registrars Limited which shares are held on behalf of the Harper Family Settlement which also owns 41.2% (December 31, 2012: 41.2%) of the issued share capital of Geodrill Limited.

Geodrill Ghana Limited originally 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 five year 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 a 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:

	September 30, 2013 US\$	September 30, 2012 US\$
Payable within one year	200,000	160,000
Payable between 1 and 5 years	200,000	360,000
Total	400,000	520,000

During the three and nine months ended September 30, 2013 lease payments amounted to US\$50,000 and US\$150,000, respectively (September 30, 2012: US\$40,000 and US\$120,000).

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and nine months ended September 30, 2013 and 2012***16. RELATED PARTY TRANSACTIONS (CONTINUED)****(ii) Key management personnel and directors' transactions**

During the nine month period ended September 30, 2013, the company granted 360,000 options (2012: 180,000), no options were forfeited (2012: 294,000) and no options were exercised (2012: 36,000).

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 previously paid management fees to Kingston Management (Isle of Man) Ltd. which was also the licensed and regulated fiduciary service provider of the Harper Family Settlement up to May 31, 2013. Throughout 2012, two of the directors of Kingston Management (Isle of Man) Ltd. were also directors of Geodrill. Management fees paid during the three and nine months ended September 30, 2013 amounted to US\$Nil and US\$Nil, respectively (2012: US\$2,488 and US\$70,047). 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.

The Group previously 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 three and nine months ended September 30, 2013 amounted to US\$Nil and US\$765, respectively (2012: US\$4,170 and US\$7,002).

The Group previously paid consulting fees to MS Risk Limited. Two of the directors of MS Risk Limited are also directors of Geodrill Limited. Consulting fees paid during three and nine months ended September 30, 2013 amounted to US\$Nil and US\$Nil, respectively (2012: US\$Nil and US\$96,581).

Effective May 10, 2013 Clearwater Fiduciary Services Limited was appointed as registered agent to DSI Services Limited and Geotool Limited. From May 31, 2013, Clearwater Fiduciary Services Limited replaced City Trust as registered agent of Geodrill. Two of the directors of Clearwater Fiduciary Services are also directors of Geodrill. Fees paid to Clearwater Fiduciary Services Limited for the three and nine months ended September 30, 2013 amounted to US\$Nil and US\$Nil.

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

	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Short-term benefits	383,473	367,250	1,146,711	1,370,793
Share-based payment arrangements	73,791	283,494	407,841	816,243
	<u>457,264</u>	<u>650,744</u>	<u>1,554,552</u>	<u>2,187,036</u>

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16. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Related party balances

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

Balances outstanding as at,		September 30,	December 31,
	Type	2013	2012
		US\$	US\$
Transtraders Limited:			
Payable	Line of credit	923,025	923,025
Total		923,025	923,025

The intercompany payable to Transtraders Limited is unsecured and is interest free. Transactions with companies within the Group have been eliminated on consolidation.

17. COMMITMENTS

(i) Lease commitments

Future operating lease commitments related to the properties are:

	September 30, 2013	September 30, 2012
	US\$	US\$
Payable within one year	272,000	160,000
Payable between 1 and 5 years	452,000	360,000
Total	724,000	520,000

(ii) Capital commitments

As at September 30, 2013, DSI Services Limited had contracted with a third party for the purchase of two drill rigs. Total commitments amount to US\$3,100,000 (December 31, 2012: US\$3,200,000). Subsequent to September 30, 2013, it was agreed between DSI and the supplier to cancel the purchase of one of the drill rigs. This reduces the capital and spares commitments from US\$3,100,000 to US\$1,900,000.

18. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital	September 30, 2013	December 31, 2012
Shares issued and fully paid	42,512,000	42,512,000
Shares reserved for share option plan	4,251,200	4,251,200
Total shares issued and reserved	46,763,200	46,763,200

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.

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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.

19. EARNINGS PER SHARE**(i) Basic (loss) earnings per share**

The calculation of basic (loss) earnings per share for the three and nine months ended September 30, 2013 was based on the (loss) profit attributable to ordinary shareholders of US\$(3,512,167) (2012: US\$(4,993,542)) and US\$740,802 (2012: US\$2,217,100), respectively, and on the weighted average number of ordinary shares outstanding of 42,512,000 (2012: 42,512,000) and 42,512,000 (2012: 42,491,000), respectively, calculated as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
(Loss) / profit attributable to ordinary shareholders	(3,512,167)	(4,993,542)	740,802	2,217,100
Weighted average number of ordinary shares	Three month period ended September 30,		Nine month period ended September 30,	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Issued ordinary shares	42,512,000	42,512,000	42,512,000	42,491,000
(Loss) / earnings per share	\$(0.08)	\$(0.12)	\$0.02	\$0.05

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19. EARNINGS PER SHARE (CONTINUED)**(ii) Diluted (loss) earnings per share**

The calculation of diluted (loss) earnings per share for the three and nine months ended September 30, 2013 was based on the (loss) profit attributable to ordinary shareholders of US\$(3,512,167) (2012: US\$(4,993,542)) and US\$740,802 (2012: US\$2,217,100), respectively, and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 42,872,000 (2012: 42,512,000) and 42,682,110 (2012: 44,138,000), respectively, calculated as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
(Loss) / earnings per share – diluted				
(Loss) / profit attributable to ordinary shareholders	(3,512,167)	(4,993,542)	740,802	2,217,100
Weighted average number of ordinary shares - diluted				
	Three month period ended September 30,		Nine month period ended September 30,	
	2013 Shares	2012 Shares	2013	2012
Weighted average number of ordinary shares - basic	42,512,000	42,512,000	42,512,000	42,491,000
Effect of share options in issue	360,000	-	171,429	1,647,000
	42,872,000	42,512,000	42,683,429	44,138,000
Diluted (loss) earnings per share	\$(0.08)	\$(0.12)	\$0.02	\$0.05

For the three and nine months ended September 30, 2013, the share options granted May 23, 2013 were included in the calculation of the diluted earnings per share. All other share options granted were anti-dilutive and were not included in the calculation of the diluted earnings per share.

20. DIVIDENDS

Payments of dividends for the nine month period ended September 30, 2013 were US\$ Nil (2012: US\$ Nil).

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

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

(i) Share Option Plan (“SOP”) (continued)

	September 30, 2013		December 31, 2012	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	2,610,000	C\$2.34	2,610,000	C\$2.29
Granted May 24, 2013	360,000	C\$0.81	-	-
Granted March 13, 2012	-	-	180,000	C\$3.41
Granted October 15, 2012	-	-	270,000	C\$1.57
Total Granted	360,000	-	450,000	
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	2,970,000	C\$2.15	2,610,000	C\$2.34

The following table summarizes the options outstanding at September 30, 2013:

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 & 2 mos	990,000	C\$2.00
(2) Granted on March 11, 2011	C\$3.48	450,000	2 Yrs & 5 mos	360,000	C\$3.48
(3) Granted on November 9, 2011	C\$2.11	720,000	3 Yrs & 1 mos	420,000	C\$2.11
(4) Granted on March 13, 2012	C\$3.41	180,000	3 Yrs & 5 mos	120,000	C\$3.41
(5) Granted on October 15, 2012	C\$1.57	270,000	3 Yrs & 10 mos	90,000	C\$1.57
(6) Granted on May 24, 2013	C\$0.81	360,000	4 Yrs & 8 mos	360,000	C\$0.81

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	Series 6
Risk free interest rate	3%	3%	3%	1.55%	1.33%	1.28%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Stock price volatility	33%	56%	34%	53%	53%	53%
Expected life of options	5 years	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	0%	0%	0%	0%	30%	0%

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.

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22. SUBSEQUENT EVENTS

(i) Credit line agreement

On October 7, 2013, the Group entered into a credit line agreement (the "Credit Line") with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of up to US\$5 million. The Credit Line is for a period of 2 years from the date of the first drawdown, repayable interest only quarterly and principal amount at maturity, bears interest at a rate of 10.5% per annum on any utilized portion and 1% per annum on any unutilized portion, and is secured by certain assets of the Group. The Credit Line 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 Credit Line is subject to normal course non-financial covenants. As at September 30, 2013, the Group had not utilized any portion of the Credit Line.

(ii) Capital commitments

Subsequent to September 30, 2013, it was agreed between DSI and the supplier to cancel the purchase of one of the drill rigs. This reduces the capital and spares commitments from US\$3,100,000 to US\$1,900,000.