

**GEODRILL LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended December 31, 2013 and 2012

(in United States dollars)

**GEODRILL LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
*For the years ended December 31, 2013 and 2012*

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**GEODRILL LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
*For the years ended December 31, 2013 and 2012*

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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, 2013 and December 31, 2012, and the consolidated statements of comprehensive (loss) 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.

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, 2013 and December 31, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants

February 28, 2014  
Toronto, Canada

**GEODRILL LIMITED**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*As at December 31, 2013 and 2012*

	<i>Note</i>	December 31, 2013 US\$	December 31, 2012 US\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	46,564,647	54,067,732
<b>Total non-current assets</b>		<b>46,564,647</b>	<b>54,067,732</b>
<b>Current assets</b>			
Inventories	11	14,604,912	16,545,041
Prepayments		904,838	927,721
Tax asset	9(vi)	-	532,198
Trade and other receivables	12	3,678,383	8,386,243
Cash and cash equivalents	13	3,209,080	7,562,174
<b>Total current assets</b>		<b>22,397,213</b>	<b>33,953,377</b>
<b>Total assets</b>		<b>68,961,860</b>	<b>88,021,109</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		21,150,866	21,150,866
Share-based payment reserve		3,537,446	3,085,787
Retained earnings		31,030,118	35,937,836
<b>Total equity</b>		<b>55,718,430</b>	<b>60,174,489</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	9(iv)	1,411,215	2,928,558
Loans payable	14	1,069,565	5,838,094
<b>Total non-current liabilities</b>		<b>2,480,780</b>	<b>8,766,652</b>
<b>Current liabilities</b>			
Trade and other payables	15	4,101,401	11,226,416
Loans payable	14	5,445,085	6,328,592
Taxes payable	9(ii)	293,139	601,935
Related party payables	19(iii)	923,025	923,025
<b>Total current liabilities</b>		<b>10,762,650</b>	<b>19,079,968</b>
<b>Total equity and liabilities</b>		<b>68,961,860</b>	<b>88,021,109</b>

Approved by the Board of Directors

"signed"  
 \_\_\_\_\_  
 John Bingham  
 Chairman of the Board

"signed"  
 \_\_\_\_\_  
 Ron Sellwood  
 Chairman of the Audit Committee

**GEODRILL LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
*For the years ended December 31, 2013 and 2012*

	Note	December 31, 2013 US\$	December 31, 2012 US\$
Revenue		37,211,800	65,586,459
Cost of sales	8	(25,357,620)	(39,734,342)
<b>Gross profit</b>		<b>11,854,180</b>	<b>25,852,117</b>
Selling, general and administrative expenses	8	(14,289,178)	(19,806,101)
Foreign exchange gain (loss)		39,234	(482,902)
<b>Results from operating activities</b>		<b>(2,395,764)</b>	<b>5,563,114</b>
Finance income		3,251	8,693
Finance costs		(1,113,985)	(898,269)
<b>(Loss) income before taxation</b>		<b>(3,506,498)</b>	<b>4,673,538</b>
Income tax expense	9(i)	(1,401,220)	(1,468,178)
<b>(Loss) income for the year</b>		<b>(4,907,718)</b>	<b>3,205,360</b>
<b>Total other comprehensive income for the year</b>		-	-
<b>Total comprehensive (loss) income for the year</b>		<b>(4,907,718)</b>	<b>3,205,360</b>
<b>(Loss) earnings per share</b>			
Basic	22(i)	(0.12)	0.08
Diluted	22(ii)	(0.12)	0.08

**GEODRILL LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
*For the years ended December 31, 2013 and 2012*

	Share Capital US\$	Share- based Payment Reserve US\$	Retained Earnings US\$	Total Equity US\$
	Note 21(i)	Note 21(ii)	Note 21(iii)	
Balance at January 1, 2013	21,150,866	3,085,787	35,937,836	60,174,489
Net loss and total comprehensive loss for the year	-	-	(4,907,718)	(4,907,718)
Share-based payment expense	-	451,659	-	451,659
<b>Balance at December 31, 2013</b>	<b>21,150,866</b>	<b>3,537,446</b>	<b>31,030,118</b>	<b>55,718,430</b>
Balance at January 1, 2012	21,043,041	2,045,377	32,732,476	55,820,894
Net income 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
<b>Balance at December 31, 2012</b>	<b>21,150,866</b>	<b>3,085,787</b>	<b>35,937,836</b>	<b>60,174,489</b>



**GEODRILL LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*For the years ended December 31, 2013 and 2012*

	December 31, 2013 US\$	December 31, 2012 US\$
<b>Cash flows from operating activities</b>		
(Loss) income before taxation	(3,506,498)	4,673,538
<i>Adjustments for:</i>		
Depreciation and amortization expense	9,625,025	7,977,269
Gain on disposal of property, plant and equipment	-	(7,697)
Provisions for obsolescence	(223,714)	286,363
Allowance for doubtful accounts	718,776	312,470
Equity-settled share-based payments	451,659	1,076,833
Finance income	(3,251)	(8,693)
Finance costs	1,113,985	898,269
Unrealized foreign exchange (gain) loss	(85,675)	83,155
	<b>8,090,307</b>	<b>15,291,507</b>
Change in inventories	1,575,890	(3,211,412)
Change in prepayments	22,883	6,419,526
Change in trade and other receivables	3,989,084	(485,703)
Change in trade and other payables	(7,069,295)	2,788,811
Cash generated from operations	6,608,869	20,802,729
Finance income received	3,251	8,693
Finance costs paid	(1,130,471)	(830,913)
Income taxes paid	(2,695,161)	(3,502,059)
<b>Net cash from operating activities</b>	<b>2,786,488</b>	<b>16,478,450</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,542,531)	(22,821,854)
Proceeds from sale of property, plant and equipment	8,544	7,697
<b>Net cash used in investing activities</b>	<b>(1,533,987)</b>	<b>(22,814,157)</b>
<b>Financing activities</b>		
Loan received, net of transaction costs	700,000	9,975,000
Loan repayments	(6,352,036)	(4,409,417)
Shares issued	-	71,402
<b>Net cash (used in) / provided from financing activities</b>	<b>(5,652,036)</b>	<b>5,636,985</b>
<b>Effect of movement in exchange rates on cash and cash equivalents</b>	<b>46,441</b>	<b>95,502</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,353,094)</b>	<b>(603,220)</b>
Cash and cash equivalents at beginning of the year	7,562,174	8,165,394
<b>Cash and cash equivalents at end of the year</b>	<b>3,209,080</b>	<b>7,562,174</b>

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2013 and 2012*

**1. GENERAL INFORMATION**

Geodrill Limited (“the company” or “Geodrill”) 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 consolidated financial statements of the company for the years ended December 31, 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, Geo-Forage Mali SARL and D.S.I. Services Limited (“DSI”) together referred to as the “Group”.

The Group is primarily a provider of mineral exploration drilling services. These consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill Limited on February 28, 2014.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a. Statement of compliance**

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

**b. Basis of measurement**

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

**c. Functional and presentation currency**

The consolidated financial statements are presented in United States dollars which is the company and its subsidiaries functional and presentation currency.

**d. 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.

(iii) Transactions eliminated on consolidation

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

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2013 and 2012*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e. Financial instruments**

(i) Recognition

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

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

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

Subsequent to initial recognition, the treatment of financial assets depends on their classification. Those recognized as FVTPL are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in 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 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 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.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2013 and 2012*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e. Financial instruments (continued)**

(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.

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 5 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.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2013 and 2012*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e. Financial instruments (continued)**

(vii) Compound financial instruments

From time to time the Group may issue compound financial instruments such as convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Any directly attributable transaction costs are allocated to the liability and equity component in the proportion of their initial carrying amounts.

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.

**f. 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.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2013 and 2012*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f. Leases (continued)**

(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.

**h. 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 rigs	10 years
Drill rig components	5 years

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2013 and 2012*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**g. Property, plant and equipment (continued)**

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

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.

**h. 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.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2013 and 2012*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i. 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.

**j. 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. 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.

**k. Dividends**

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



**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
*For the years ended December 31, 2013 and 2012*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i. 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 has been agreed with the customer; and
- the costs incurred for and to complete the drilling can be measured reliably.

**m. 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.

**n. Finance costs**

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

**o. Foreign exchange**

Foreign currency amounts have been translated into United States dollars using the exchange rates at each balance sheet date for assets and liabilities and at an average exchange rate for the year for revenue and expenses. Realized and unrealized transaction gains on short-term receivables and payables denominated in a currency other than the functional currency are included in profit or loss.

**p. Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**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.

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**3. CRITICAL ACCOUNTING 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.

**(i) Estimates**

**a. Depreciation of property, plant and equipment**

Property, plant and equipment is often used in hostile environments and may be subject to accelerated depreciation. Management considers the reasonableness of useful lives and whether known factors reduce or extend the lives of certain assets. This is accomplished by assessing the changing business conditions, examining the level of expenditures required for additional improvements, observing the patterns of gains or losses on disposition, and considering the various components of the assets.

**b. Share-based payment transactions**

The fair value of share-based payment transactions is based on certain assumptions determined by management. The main areas of estimate relate to the determination of the risk free interest rate, stock price volatility and the forfeiture rate.

**c. Inventory provision**

Management reviews inventories at each reporting period to determine whether indicators exist which would lead to a downward revision in the net realizable value of the inventory. Management's estimate of net realizable value of such inventories is based primarily on sales price and current market conditions.

**d. Allowance for doubtful accounts**

Management reviews trade receivables at each reporting period to determine whether indicators exist which would lead to a downward revision in the net realizable value of the trade receivables. Management's estimate of net realizable value of such trade receivables is based primarily on the ageing of the receivables.

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**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**(i) Estimates (continued)**

**e. Income tax**

Tax interpretations, regulations and legislations in the various countries in which the Group operates are subject to change and management uncertainty. Current income tax expense is based on tax currently payable or current withholding tax rates in countries in which the Group operates. In addition, deferred income tax liabilities are assessed by management at the end of the reporting period and are measured at the tax rates that are expected to be applied to the temporary differences when they reverse.

The amount recognized as accrued liabilities is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Group assesses its liabilities at each reporting period, based upon the best information available, relevant to the tax laws and other appropriate requirements.

**(ii) Judgements**

**a. Assessment of impairment of property, plant and equipment**

The Group tests at each reporting period whether there are indicators of impairment with respect to its property, plant and equipment, in accordance with the accounting policy stated in Note 2. If such indicators are indentified, the recoverable amounts of each cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

The Group tests impairment based on the discounted cash flows related to each cash generating unit. The value in use determination is sensitive to changes in cash flow assumptions and the discount rate applied. No impairment charge has been recognized in the periods presented.

**b. Functional currency**

The Company applied judgment in determining the functional currency of the Company and its subsidiaries. Functional currency was determined based on the currency that mainly influences sales prices, labour, material and other costs of providing services.

**4. NEW AND FUTURE ACCOUNTING STANDARDS**

**a. Adoption of new and amended accounting pronouncements**

**IFRS 12 – Disclosure of interests in other entities**

IFRS 12, "Disclosure of interests in other entities" (IFRS 12) requires enhanced disclosure of information about involvement with consolidated and unconsolidated entities, including structured entities commonly referred to as special purpose vehicles or variable interest entities. The Group adopted the standard effective January 1, 2013 and has included these enhanced disclosures within the Group's consolidated financial statements.

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**4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)**

**a. Adoption of new and amended accounting pronouncements (continued)**

**IFRS 13 – Fair value measurement**

IFRS 13, "Fair value measurement" (IFRS 13) clarifies the definition of fair value, requires disclosures for fair value measurement, and sets out a single framework for measuring fair value. IFRS 13 provides guidance on fair value in a single standard, replacing the existing guidance on measuring and disclosing fair value which is dispersed among several standards. The Group adopted the standard effective January 1, 2013. The adoption did not have a significant impact on the Group's consolidated financial statements.

**Amendment to IAS 16 – Property, plant and equipment**

Paragraph 8 of IAS 16, "Property, plant and equipment" was amended requiring entities to recognize items such as spare parts, stand-by equipment and servicing equipment as Property, plant and equipment when they meet the definition of property, plant and equipment; otherwise, such items are classified as inventory. The Group elected early adoption of the standard in 2012. The impact in 2013 on the Group was a reclassification of \$587,953 out of inventory and into property, plant and equipment (2012; \$2,833,934 out of inventory and into property, plant and equipment).

**b. Accounting pronouncements issued but not yet effective**

**IFRS 9 – Financial instruments**

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB in November 2009 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In December 2011, the IASB issued amendments to IFRS 9 that also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 which was originally limited to companies that chose to apply IFRS 9 prior to 2012. Alternatively, 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. In November 2013, the IASB issued amendments to IFRS 9 deferring the mandatory effective date, of which has not yet been finalized; however early adoption is permitted. The Group is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

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**4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)**

**b) Accounting pronouncements issued but not yet effective (continued)**

**IFRS 10 – Consolidated financial statements**

IFRS 10, "Consolidated financial statements" (IFRS 10) was amended by the IASB in October 2012. The amendments introduce an exception for investment entities to the principle that all subsidiaries are consolidated. The amendments define an investment entity and require an investment entity to measure subsidiaries at fair value through profit or loss in accordance with IFRS 9, "Financial instruments" or IAS 39, "Financial instruments: recognition and measurement". The amendments to IFRS 10 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

**IFRS 12 – Disclosure of interests in other entities**

IFRS 12, "Disclosure of interests in other entities" (IFRS 12) was amended by the IASB in October 2012. The amendments add disclosure requirements for investment entities as defined in IFRS 10, "Consolidated financial statements". The amendments to IFRS 12 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

**IAS 27 – Separate financial statements**

IAS 27, "Separate financial statements" (IAS 27) was amended by the IASB in October 2012. The amendments require an investment entity to measure its investments in subsidiaries at fair value through profit or loss when it presents separate financial statements. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2014. The Group determined that this standard is not applicable to the consolidated financial statements.

**IAS 32 – Financial instruments: presentation**

IAS 32, "Financial instruments: presentation" (IAS 32) was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

**IAS 36 – Impairment of assets**

IAS 36, "Impairment of assets" (IAS 36) was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognised or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

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**4. NEW AND FUTURE ACCOUNTING STANDARDS (CONTINUED)**

**b) Accounting pronouncements issued but not yet effective (continued)**

**IAS 39 - Financial instruments: recognition and measurement**

IAS 39, "Financial instruments: recognition and measurement" (IAS 39) was amended by the IASB in June 2013. The amendments clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014. The adoption of this standard is not expected to have a significant impact on the Group's financial statements.

**IFRIC 21 – Levies**

IFRIC 21 – *Levies* was issued in May 2013 and is an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation clarifies the obligating event that gives rise to a liability to pay a levy. IFRIC 21 is effective for periods beginning on or after January 1, 2014. The Group is currently evaluating the impact of this interpretation on its financial statements.

**5. 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 approximates their carrying value due to their short term nature.

**(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 due to their short term nature.

**(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.

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**5. DETERMINATION OF FAIR VALUES (CONTINUED)**

**(f) Share-based payment transactions**

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

**6. 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 Group 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 Group continued with repairs and maintenance but at a slower rate than the third quarter of 2012. 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).

**7. SEGMENT REPORTING**

Segmented information is presented in respect of the Group's operating segments. The primary format (operating 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 operating segments are based on geographical segments categorized as Ghana and outside Ghana.

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**7. SEGMENT REPORTING (CONTINUED)**

	Ghana		Outside Ghana (1)		Intra-group transactions		Total (2)	
	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	19,608	37,015	31,839	80,767	(14,235)	(52,196)	37,212	65,586
Cost of sales	(19,737)	(31,375)	(21,213)	(49,489)	15,592	41,130	(25,358)	(39,734)
Selling, general and administrative expenses	(8,215)	(13,558)	(6,979)	(12,127)	905	5,879	(14,289)	(19,806)
Foreign exchange (loss) / gain	(135)	10	174	(493)	-	-	39	(483)
<b>Results from operating activities</b>	<b>(8,479)</b>	<b>(7,908)</b>	<b>3,821</b>	<b>18,658</b>	<b>2,262</b>	<b>(5,187)</b>	<b>(2,396)</b>	<b>5,563</b>
Finance income	3	3	-	6	-	-	3	9
Finance cost	(980)	(635)	(133)	(263)	-	-	(1,113)	(898)
<b>Segment results</b>	<b>(9,456)</b>	<b>(8,540)</b>	<b>3,688</b>	<b>18,401</b>	<b>2,262</b>	<b>(5,187)</b>	<b>(3,506)</b>	<b>4,674</b>
<b>Capital expenditures</b>	<b>1,534</b>	<b>20,150</b>	<b>-</b>	<b>43</b>			<b>1,534</b>	<b>20,193</b>
<b>As at</b>	<b>Dec 31, 2013</b>	<b>Dec 31, 2012</b>	<b>Dec 31, 2013</b>	<b>Dec 31, 2012</b>			<b>Dec 31, 2013</b>	<b>Dec 31, 2012</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>			<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Non-current assets</b>	<b>52,462</b>	<b>62,345</b>	<b>382</b>	<b>43</b>			<b>52,844</b>	<b>62,388</b>
Intra group balances							(6,279)	(8,320)
Per statement of financial position							<b>46,565</b>	<b>54,068</b>
<b>Total assets</b>	<b>70,755</b>	<b>91,665</b>	<b>70,373</b>	<b>73,394</b>			141,128	165,059
Intra group balances							(72,166)	(77,038)
Per statement of financial position							<b>68,962</b>	<b>88,021</b>
<b>Total liabilities</b>	<b>73,324</b>	<b>85,250</b>	<b>5,784</b>	<b>11,074</b>			79,108	96,324
Intra group balances							(65,865)	(68,477)
Per statement of financial position							<b>13,243</b>	<b>27,847</b>

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man was US\$21,255,210 (2012: US\$35,692,668).

(2) Segment results equals the (loss) income before taxation as disclosed in the consolidated statements of comprehensive (loss) income.



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**8. EXPENSES BY NATURE**

The Group presents certain expenses in the consolidated statements of comprehensive income by function. The following table presents those expenses by nature:

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
<b>Expenses</b>		
Drill rig expenses and fuel	8,759,690	18,553,009
Employee benefits	12,965,098	18,090,465
External services and contractors	6,062,611	12,223,511
Depreciation	9,625,025	7,977,269
Repairs and maintenance	958,972	2,383,719
Bad debts and allowance for doubtful accounts	1,275,402	312,470
	<b>39,646,798</b>	<b>59,540,443</b>

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Cost of sales	25,357,620	39,734,342
Selling, general and administrative expenses	14,289,178	19,806,101
	<b>39,646,798</b>	<b>59,540,443</b>

**9. TAXATION**

**(i) Income tax expense (recovery)**

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Current tax expense (iii)	2,918,563	3,886,699
Deferred tax recovery (iv)	(1,517,343)	(2,418,521)
	<b>1,401,220</b>	<b>1,468,178</b>

Current tax expense reflects taxes associated with the Group's drilling activities in the year outside Ghana and a charge to current tax expense associated with the tax audit for Geodrill Ghana Limited relating to 2010 to 2012. Deferred tax expense relates to the origination and reversals of temporary differences in relation to Ghanaian corporate tax.

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**9. TAXATION (CONTINUED)**

**(ii) Taxes payable**

	Balance at Jan. 1 US\$	Tax asset utilized US\$	Payments during the year US\$	Charge for the year US\$	Balance at Dec. 31 US\$
2013	601,935	(532,198)	(2,695,161)	2,918,563	293,139

	Balance at Jan. 1 US\$	Tax asset utilized US\$	Payments during the year US\$	Charge for the year US\$	Balance at Dec. 31 US\$
2012	217,295	-	(3,502,059)	3,886,699	601,935

Tax liabilities for Ghana up to and including the 2012 year of assessment have been agreed with the tax authorities in Ghana. The Group's remaining tax position is, however, subject to agreement with the tax authorities in the various tax jurisdictions.

**(iii) Reconciliation of effective tax rate**

	<b>2013</b> <b>US\$</b>	<b>2012</b> <b>US\$</b>
(Loss) income before tax	(3,506,498)	4,673,538
Deduct: Income before tax subject to no corporate tax	(5,948,908)	(13,213,496)
Loss before tax subject to corporate tax in Ghana	(9,455,406)	(8,539,958)
Ghana corporate tax at 25%	(2,363,851)	(2,134,990)
Add:		
Withholding tax on revenue outside Ghana	1,871,544	3,886,699
Movement of temporary differences in Ghana	846,508	(283,531)
Impact of Ghana tax reassessment in the year	1,047,019	-
Total tax expense	1,401,220	1,468,178
Effective tax rate	(40)%	31%

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**9. TAXATION (CONTINUED)**

**(iv) Deferred tax liabilities**

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Balance at January 1	2,928,558	5,347,079
Recovery for the year	(1,517,343)	(2,418,521)
Balance at end of year	1,411,215	2,928,558

**(v) Recognized deferred tax assets and liabilities**

Deferred tax liabilities are attributable to the following:

	<b>2013</b>		
	<b>Asset</b>	<b>Liability</b>	<b>Net</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Property, plant and equipment	-	1,803,503	1,803,503
Provision for inventory obsolescence	(198,585)	-	(198,585)
Allowance for doubtful debts	(193,703)	-	(193,703)
Total	(392,288)	1,803,503	1,411,215

  

	<b>2012</b>		
	<b>Asset</b>	<b>Liability</b>	<b>Net</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Property, plant and equipment	-	2,928,558	2,928,558
Provision for inventory obsolescence	-	-	-
Allowance for doubtful debts	-	-	-
Total	-	2,928,558	2,928,558

**(vi) Tax asset**

In the normal course of business, Geodrill Ghana Limited may be 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. At the end of 2012, the tax asset was US\$532,198. This amount was utilized in 2013 in conjunction with the tax audit for the years 2010, 2011 and 2012.

**(vii) Tax audit**

In 2013, the Ghana Revenue Authority completed the tax audit of Geodrill Ghana Limited for the years 2010, 2011 and 2012. As a result of the tax audit, in 2013, changes in estimates resulted in a current income tax expense of US\$1,047,019 related to the years ended 2010, 2011 and 2012.

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**10. PROPERTY, PLANT AND EQUIPMENT**

<b>2013</b>	<b>Motor Vehicles US\$</b>	<b>Plant &amp; Equipment US\$</b>	<b>Drill Rigs (1) US\$</b>	<b>Leasehold Improvements US\$</b>	<b>Capital Work in Progress (CWIP) US\$</b>	<b>Total US\$</b>
<b>Cost</b>						
Balance at January 1, 2013	5,572,804	19,569,605	50,711,160	1,838,981	3,453,792	81,146,342
Additions	-	-	-	-	1,542,531	1,542,531
Disposal	-	(8,544)	-	-	-	(8,544)
Reclassifications from CWIP	-	720,445	480,517	165,734	(1,366,696)	-
Reclassifications from inventory	-	-	-	-	587,953	587,953
Assets retired during the year	-	(796,191)	(307,321)	-	-	(1,103,512)
<b>Balance at December 31, 2013</b>	<b>5,572,804</b>	<b>19,485,315</b>	<b>50,884,356</b>	<b>2,004,715</b>	<b>4,217,580</b>	<b>82,164,770</b>
<b>Accumulated Depreciation</b>						
Balance at January 1, 2013	3,570,908	8,947,346	14,322,110	238,246	-	27,078,610
Charge for the year	1,265,680	3,009,965	4,957,543	391,837	-	9,625,025
Assets retired during the year	-	(796,191)	(307,321)	-	-	(1,103,512)
<b>Balance at December 31, 2013</b>	<b>4,836,588</b>	<b>11,161,120</b>	<b>18,972,332</b>	<b>630,083</b>	<b>-</b>	<b>35,600,123</b>
<b>Carrying amounts at December 31, 2013</b>	<b>736,216</b>	<b>8,324,195</b>	<b>31,912,024</b>	<b>1,374,632</b>	<b>4,217,580</b>	<b>46,564,647</b>

(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)**

<b>2012</b>	<b>Motor Vehicles US\$</b>	<b>Plant &amp; Equipment US\$</b>	<b>Drill Rigs (1) US\$</b>	<b>Leasehold Improvements US\$</b>	<b>Capital Work in Progress (CWIP) US\$</b>	<b>Total US\$</b>
<b>Cost</b>						
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)
<b>Balance at December 31, 2012</b>	<b>5,572,804</b>	<b>19,569,605</b>	<b>50,711,160</b>	<b>1,838,981</b>	<b>3,453,792</b>	<b>81,146,342</b>
<b>Accumulated Depreciation</b>						
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)
<b>Balance at December 31, 2012</b>	<b>3,570,908</b>	<b>8,947,346</b>	<b>14,322,110</b>	<b>238,246</b>	<b>-</b>	<b>27,078,610</b>
<b>Carrying amounts at December 31, 2012</b>	<b>2,001,896</b>	<b>10,622,259</b>	<b>36,389,050</b>	<b>1,600,735</b>	<b>3,453,792</b>	<b>54,067,732</b>

(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)**

Depreciation has been charged in comprehensive income as follows:

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Cost of sales	7,967,508	6,580,533
Selling, general and administrative expenses	1,657,517	1,396,736
	<u>9,625,025</u>	<u>7,977,269</u>

As at December 31, 2013, property, plant and equipment with a carrying amount of US\$27,724,561 (December 31, 2012: US\$33,147,357) and inventories with a carrying amount of US\$6,126,573 (December 31, 2012: US\$7,879,070) have been pledged as security for certain liabilities.

**11. INVENTORIES**

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Inventories on hand	14,853,239	16,757,082
Inventories in transit	485,956	745,956
Provision for obsolescence	(734,283)	(957,997)
	<u>14,604,912</u>	<u>16,545,041</u>

The amount of inventories recognized as expense for the year is US\$9,530,238 (2012: US\$21,813,641). Inventory write downs in the year amounted to US\$337,863 (2012: US\$206,456).

**12. TRADE AND OTHER RECEIVABLES**

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Trade receivables	4,509,963	8,380,671
Allowance for doubtful accounts	(1,026,013)	(307,237)
Net trade receivables	3,483,950	8,073,434
Cash advances	82,278	193,007
Sundry receivables	112,155	119,802
	<u>3,678,383</u>	<u>8,386,243</u>

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**12. TRADE AND OTHER RECEIVABLES (CONTINUED)**

The movements in the allowance for doubtful accounts at the reporting dates were:

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Balance at January 1	307,237	-
Provisions made in the year	1,270,169	312,470
Receivables written off during the year as uncollectable	(551,394)	(5,233)
Balance at December 31	<u>1,026,013</u>	<u>307,237</u>

Trade and other receivables are recorded at amortized cost. Bad debt expense recorded on trade and other receivables during the year ended December 31, 2013 amounted to US\$551,394 (December 31, 2012: US\$5,233). The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 18(i).

**13. CASH AND CASH EQUIVALENTS**

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Cash at bank	3,044,465	7,246,669
Cash on hand	164,615	315,505
	<u>3,209,080</u>	<u>7,562,174</u>

Bank balances denominated in currencies other than functional currency are detailed in note 18(iii)(a).

As at December 31, 2013, cash and cash equivalents of US\$3,209,080 were available to the Group (December 2012, US\$7,562,174)

**14. LOANS PAYABLE**

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Term Loan (i)	3,966,825	8,838,136
Equipment Loans (ii)	1,847,825	3,328,550
Credit Line (iii)	700,000	-
Total	<u>6,514,650</u>	<u>12,166,686</u>
Current portion of loans	5,445,085	6,328,592
Non-current loans	<u>1,069,565</u>	<u>5,838,094</u>

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**14. LOANS PAYABLE (CONTINUED)**

**(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%.

**(iii) Credit line**

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 December 31, 2013, the Group had drawn US\$700,000 on the credit line and as at February 28, 2014, the Group has withdrawn a total of US\$1,600,000 on the credit line.

**15. TRADE AND OTHER PAYABLES**

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Trade payables	1,203,306	4,735,203
Creditors and accrued expenses	2,474,591	4,830,032
VAT liability	423,504	1,661,181
	<hr/> 4,101,401	<hr/> 11,226,416

Trade and other payables denominated in currencies other than the Group's functional currency are detailed in note 18iii(a).



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**16. EMPLOYEE BENEFIT OBLIGATIONS**

Defined Contribution Plans

(i) *Social Security*

The Group contributes to various social security plans. Under the plans, the Group makes contributions into government funds. The amounts contributed during the year were US\$102,955 (2012: US\$198,180). 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 contributes for certain staff to a provident fund plan. The amounts contributed during the year were US\$19,331 (2012: US\$25,079). 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.

**17. 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 US\$	Other Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
<b>December 31, 2013</b>				
<b>Financial assets</b>				
Trade and other receivables	3,678,383	-	3,678,383	3,678,383
Cash and cash equivalents	3,209,080	-	3,209,080	3,209,080
	6,887,463	-	6,887,463	6,887,463
<b>Financial liabilities</b>				
Trade payables, creditors and accrued expenses	-	3,677,897	3,677,897	3,677,897
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,514,650	6,514,650	6,514,650
	-	11,115,572	11,115,572	11,115,572
<b>December 31, 2012</b>				
<b>Financial assets</b>				
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
	15,948,417	-	15,948,417	15,948,417
<b>Financial liabilities</b>				
Trade payables, creditors and accrued expenses	-	9,565,235	9,565,235	9,565,235
Related party payables	-	923,025	923,025	923,025
Loans payable	-	12,166,686	12,166,686	12,166,686
	-	22,654,946	22,654,946	22,654,946

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**18. 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.

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 the CEO.

For the year ended December 31, 2013, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 16%, one customer contributed 15% and one customer contributed 13%.

For the year ended December 31, 2012, four customers 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%.

*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:

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Trade and other receivables	3,678,383	8,386,243
Cash and cash equivalents	3,209,080	7,562,174
	<hr/> 6,887,463	<hr/> 15,948,417

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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(i) Credit risk (continued)**

*Exposure to credit risks (continued)*

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

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Mining and exploration companies	3,483,950	8,071,791
Others	194,433	314,452
	<u>3,678,383</u>	<u>8,386,243</u>

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

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Less than 30 days	1,764,281	2,822,908
31 - 60 days	1,395,001	3,703,931
61 - 90 days	124,668	576,402
91 + days	200,000	968,550
	<u>3,483,950</u>	<u>8,071,791</u>

The maximum exposure to credit risk for trade and other receivables at the reporting dates by segment was:

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Ghana	912,482	4,101,420
Outside Ghana	2,765,901	4,284,823
	<u>3,678,383</u>	<u>8,386,243</u>

**(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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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(ii) Liquidity risk (continued)**

	<b>Total US\$</b>	<b>Within One Year US\$</b>	<b>Within Two to Three Years US\$</b>
<b>December 31, 2013</b>			
<b>Non-derivative financial liability</b>			
Trade and other payables	3,677,897	3,677,897	-
Related party payables	923,025	923,025	-
Loans payable	6,514,650	5,445,085	1,069,565
Balance at December 31, 2013	11,115,572	10,046,007	1,069,565
<b>December 31, 2012</b>			
<b>Non-derivative financial liability</b>			
Trade and other payables	9,565,235	9,565,235	-
Related party payables	923,025	923,025	-
Loans payable	12,166,686	6,328,592	5,838,094
Balance at December 31, 2012	22,654,946	16,816,852	5,838,094

**(iii) Market risk**

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.

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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Foreign currency risk**

The Group is exposed to currency risk on cash and cash equivalents and purchases 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, 2013**

	EURO	GH¢	GBP	CFA	AUD	CAD
Cash and cash equivalents	370	868,263	7,285	131,897,895	16,982	30,827
Trade payables	-	(510,950)	(7,813)	(130,571,309)	(357,768)	(117,287)
Gross exposure	370	357,313	(528)	1,326,586	(340,786)	(86,460)

**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)

The following significant exchange rates applied during the years:

US\$1=	2013		2012	
	Reporting Rate	Average Rate	Reporting Rate	Average Rate
EURO	0.7263	0.7532	0.7565	0.7781
GH¢	2.3595	2.0518	1.9040	1.8373
GBP	0.6064	0.6401	0.6185	0.6310
CFA	476.6420	494.1110	495.3500	496.7710
AUD	1.1268	1.0370	0.9640	0.9658
CAD	1.0694	1.0303	0.9966	0.9996

**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, (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 would have increased/decreased equity and profit and loss by the amounts shown below.

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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Foreign currency risk (continued)**

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

	2013			2012		
	% Change	Profit or Loss impact before tax US\$	Equity US\$	% Change	Profit or Loss impact before tax US\$	Equity US\$
EURO	±2	±10	±10	±2	±16,678	±16,678
GH¢	±2	±3,029	±2,899	±2	±12,973	±12,973
GBP	±2	±17	±17	±2	±1,816	±1,816
CFA	±2	±56	±56	±2	±6,051	±6,051
AUD	±2	±6,049	±6,049	±2	±69,537	±69,537
CAD	±2	±1,617	±1,617	±2	±7,894	±7,894

**(b) Interest rate risk**

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

**Profile**

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

	2013 US\$	2012 US\$
<b>Variable rate instruments</b>		
Bank balances	3,044,465	7,246,669
<b>Fixed rate instruments</b>		
Loans	6,514,650	12,166,686

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**18. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Interest rate risk (continued)**

**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 2013 and 2012.

	<b>2013</b>			<b>2012</b>		
	% Change	Profit or Loss impact before tax US\$	Equity US\$	% Change	Profit or Loss impact before tax US\$	Equity US\$
Bank balances	±2%	±60,889	±60,889	±2%	±144,933	±144,933

**(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, 2013 and 2012 is as follows:

<b>Capital Management</b>	<b>2013 US\$</b>	<b>2012 US\$</b>
Loans payable	6,514,650	12,228,824
Share capital	21,150,866	21,150,866
Share-based payment reserve	3,537,446	3,085,787
Retained earnings	31,030,118	35,937,836
	<b>62,233,080</b>	<b>72,403,313</b>

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**19. RELATED PARTY TRANSACTIONS**

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2013	2012
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
D.S.I. 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%
Geo-Forage Mali SARL	Subsidiary	Mali	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 the rent review, Geodrill Ghana Limited agreed to increase the rent for the Anwiankwanta property to US\$140,000 per annum and the rent for the Accra property to US\$60,000 per annum for a period of two years effective October 1, 2012. The rent for these properties will be reviewed again on October 1, 2014. The lease expires on September 30, 2015.

Future operating lease commitments related to the properties are:

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Payable within one year	200,000	200,000
Payable between 1 and 5 years	150,000	350,000
<b>Total</b>	<b>350,000</b>	<b>550,000</b>

During the year ended December 31, 2013 lease payments amounted to US\$200,000 (2012: US\$170,000).



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**19. RELATED PARTY TRANSACTIONS (CONTINUED)**

**(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 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 year ended December 31, 2013 amounted to US\$Nil (2012: US\$68,784). 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 year ended December 31, 2013 amounted to US\$Nil (2012: US\$7,746).

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 year ended December 31, 2013 amounted to US\$Nil (2012: US\$58,616).

Effective May 10, 2013 Clearwater Fiduciary Services Limited was appointed as the licensed and regulated fiduciary service provider to DSI Services Limited and Geotool Limited. From May 31, 2013, Clearwater Fiduciary Services Limited replaced City Trust as registered agent of Geodrill. One of the directors of Clearwater Fiduciary Services is also a director of Geodrill. Fees paid to Clearwater Fiduciary Services Limited for the year ended December 31, 2013 amounted to US\$Nil.

The Group sold an item of plant and equipment to an officer of the company for US\$8,544. No gain or loss was recognized on the sale.

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

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Short-term benefits	1,927,142	1,720,243
Share-based payment arrangements	451,659	1,076,833
	<hr/> 2,378,801	<hr/> 2,797,076

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**19. RELATED PARTY TRANSACTIONS (CONTINUED)**

**(iii) Related party balances**

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

Balances outstanding as at,

	<b>Type</b>	<b>2013 US\$</b>	<b>2012 US\$</b>
<b>Transtraders Limited:</b>			
Payable	Line of credit	923,025	923,025
<b>Total</b>		<b>923,025</b>	<b>923,025</b>

The intercompany payable to Transtraders Limited is unsecured, interest free and is repayable on demand at the option of the lender. Transactions with companies within the Group have been eliminated on consolidation.

**20. COMMITMENTS**

**(i) Lease commitments**

Future operating lease commitments related to the properties are:

	<b>2013 US\$</b>	<b>2012 US\$</b>
Payable within one year	272,000	160,000
Payable between 1 and 5 years	384,000	360,000
<b>Total</b>	<b>656,000</b>	<b>520,000</b>

**(ii) Capital commitments**

Previously the Group had contracted with a supplier for the purchase of two drill rigs. In 2013, it was agreed between the Group and the supplier to cancel the purchase of one of the drill rigs and to put the delivery of the other drill rig on hold until further notice. Total commitments relating to the outstanding drill rig and spare parts amount to US\$1,250,000 (December 31, 2012: US\$3,200,000).

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**21. SHARE CAPITAL AND RESERVES**

**(i) Share capital**

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

<b>Share capital</b>	<b>2013</b>	<b>2012</b>
Shares issued and fully paid	42,512,000	42,512,000
Shares reserved for share option plan	4,251,200	4,251,200
<b>Total shares issued and reserved</b>	<b>46,763,200</b>	<b>46,763,200</b>

<b>Reconciliation of changes in issued shares</b>	<b>2013</b>	<b>2012</b>
Shares issued and reserved at January 1,	42,512,000	42,476,000
Issued for cash	-	36,000
<b>Shares issued and reserved at December 31,</b>	<b>42,512,000</b>	<b>42,512,000</b>

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 the 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.

The share based payment expense for the year of US\$451,659 (2012: US\$1,076,833) was included in selling, general and administrative expenses in the consolidated statements of comprehensive (loss) income.

**(iii) Retained earnings**

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

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**22. EARNINGS PER SHARE**

**(i) Basic (loss) earnings per share**

The calculation of basic (loss) earnings per share for the year ended December 31, 2013 was based on the (loss) profit attributable to ordinary shareholders of US\$(4,907,718) (2012: US\$3,205,360), and on the weighted average number of ordinary shares outstanding of 42,512,000 (2012: 42,496,515) calculated as follows:

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
(Loss) / profit attributable to ordinary shareholders	(4,907,718)	3,205,360

**Weighted average number of ordinary shares**

	<b>2013</b>	<b>2012</b>
	<b>shares</b>	<b>shares</b>
Issued ordinary shares at January 1,	42,512,000	42,476,000
Effect of shares issued for cash	-	20,515
	<u>42,512,000</u>	<u>42,496,515</u>
(Loss) / earnings per share	\$(0.12)	\$0.08

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

The calculation of diluted (loss) earnings per share for the year ended December 31, 2013 was based on the (loss) profit attributable to ordinary shareholders of US\$(4,907,718) (2012: US\$3,205,360), and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 42,512,000 (2012: 42,496,515), calculated as follows:

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
(Loss) / profit attributable to ordinary shareholders	(4,907,718)	3,205,360

**Weighted average number of ordinary shares - diluted**

	<b>2013</b>	<b>2012</b>
	<b>shares</b>	<b>shares</b>
Weighted average number of ordinary shares - basic	42,512,000	42,496,515
Effect of share options in issue (1)	-	-
	<u>42,512,000</u>	<u>42,496,515</u>
Diluted (loss) earnings per share	\$(0.12)	\$0.08

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

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**23. DIVIDENDS**

No dividends were paid in 2013 or 2012, nor were dividends declared through to February 28, 2014.

**24. 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 Group’s employees, directors, consultants and advisors through the granting of stock options.

The maximum aggregate number of Ordinary Shares reserved for issuance pursuant to the SOP 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 SOP and any other security based compensation arrangements of the company is 10% of the total number of Ordinary Shares then outstanding.

	2013		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
<b>Total Granted</b>	<b>360,000</b>		<b>450,000</b>	
Forfeited October 31, 2013	(180,000)	C\$2.80	-	-
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
<b>Total Forfeited</b>	<b>(180,000)</b>		<b>(414,000)</b>	
Exercised June 6, 2012	-	-	(36,000)	C\$2.00
<b>Total Exercised</b>	<b>-</b>		<b>(36,000)</b>	
<b>Balance ending</b>	<b>2,790,000</b>	<b>C\$2.11</b>	<b>2,610,000</b>	<b>C\$2.34</b>

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**24. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)**

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

The following table summarizes the options outstanding at December 31, 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	1 Yr & 11 mos	990,000	C\$2.00
(2) Granted on March 11, 2011	C\$3.48	360,000	2 Yrs & 2 mos	360,000	C\$3.48
(3) Granted on November 9, 2011	C\$2.11	630,000	2 Yrs & 10 mos	630,000	C\$2.11
(4) Granted on March 13, 2012	C\$3.41	180,000	3 Yrs & 2 mos	120,000	C\$3.41
(5) Granted on October 15, 2012	C\$1.57	270,000	3 Yrs & 7 mos	180,000	C\$1.57
(6) Granted on May 24, 2013	C\$0.81	360,000	4 Yrs & 5 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.