

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

(unaudited)
(in United States dollars)

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

As at June 30, 2013 and December 31, 2012

	<i>Note</i>	June 30, 2013 US\$	December 31, 2012 US\$
Assets			
Non-current assets			
Property, plant and equipment	<i>10</i>	50,440,801	54,067,732
Total non-current assets		50,440,801	54,067,732
Current assets			
Inventories	<i>11</i>	16,517,398	16,545,041
Prepayments		1,181,433	927,721
Tax assets	<i>9(vi)</i>	532,198	532,198
Trade and other receivables	<i>12</i>	12,357,683	8,386,243
Cash and cash equivalents		5,510,741	7,562,174
Total current assets		36,099,453	33,953,377
Total assets		86,540,254	88,021,109
Equity and liabilities			
Equity			
Share capital		21,150,866	21,150,866
Share-based payment reserve		3,419,837	3,085,787
Retained earnings		40,190,805	35,937,836
Total equity		64,761,508	60,174,489
Liabilities			
Non-current liabilities			
Deferred tax liabilities	<i>9(iv)</i>	2,292,366	2,928,558
Loans payable	<i>13</i>	2,470,109	5,838,094
Total non-current liabilities		4,762,475	8,766,652
Current liabilities			
Trade and other payables	<i>14</i>	8,493,904	11,164,278
Loans payable	<i>13</i>	6,586,890	6,390,730
Taxes payable	<i>9(ii)</i>	1,012,452	601,935
Related party payables	<i>16(iii)</i>	923,025	923,025
Total current liabilities		17,016,271	19,079,968
Total liabilities		21,778,746	27,846,620
Total equity and liabilities		86,540,254	88,021,109

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

For the three and six months ended June 30, 2013 and 2012

	Note	Three-month period ended June 30		Six-month period ended June 30	
		2013 US\$	2012 US\$	2013 US\$	2012 US\$
Revenue		14,589,949	20,860,449	29,621,585	42,519,700
Cost of sales	7	(6,584,574)	(11,348,316)	(15,225,105)	(21,484,969)
Gross profit		8,005,375	9,512,133	14,396,480	21,034,731
Selling, general and administrative expenses	7	(4,295,037)	(5,124,654)	(8,795,462)	(10,422,174)
Foreign exchange gain		307,738	441,898	297,703	142,498
Results from operating activities		4,018,076	4,829,377	5,898,721	10,755,055
Finance income	8	1,148	650	2,150	4,470
Finance costs	8	(281,683)	(115,113)	(609,117)	(325,749)
Income before taxation		3,737,541	4,714,914	5,291,754	10,433,776
Income tax expense	9(i)	(907,867)	(1,933,544)	(1,038,785)	(3,223,134)
Net income for the period		2,829,674	2,781,370	4,252,969	7,210,642
Total comprehensive income for the period		2,829,674	2,781,370	4,252,969	7,210,642
Earnings per share					
Basic	19(i)	0.07	0.07	0.10	0.17
Diluted	19(ii)	0.07	0.06	0.10	0.16

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

For the six months ended June 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	-	-	4,252,969	4,252,969
Share-based payment expense	-	334,050	-	334,050
Balance at June 30, 2013	21,150,866	3,419,837	40,190,805	64,761,508
Balance at January 1, 2012	21,043,041	2,045,377	32,732,476	55,820,894
Net income for the period	-	-	7,210,642	7,210,642
Share-based payment expense	-	532,749	-	532,749
Shares issued	107,825	(36,423)	-	71,402
Balance at June 30, 2012	21,150,866	2,541,703	39,943,118	63,635,687

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

For the six months ended June 30, 2013 and 2012

	June 30, 2013 US\$	June 30, 2012 US\$
Cash flows from operating activities		
Profit before taxation	5,291,754	10,433,776
<i>Adjustments for:</i>		
Depreciation charges	4,604,411	3,437,946
Amortization charges	192,892	65,203
Gain on sale of property, plant and equipment	(6,094)	-
Provision for obsolescence	(124,213)	336,230
Equity-settled share-based payments	334,050	532,749
Finance income	(2,150)	(4,470)
Finance cost expensed	609,117	358,095
Unrealized foreign exchange (gain)	(275,273)	(32,346)
	10,624,494	15,127,183
Change in inventories	151,856	(7,025,973)
Change in prepayments	(253,712)	(1,507,502)
Change in trade and other receivables	(3,971,440)	(5,025,694)
Change in trade and other payables	(2,360,315)	14,494,421
Cash generated from operations	4,190,883	16,062,435
Finance income received	2,150	4,470
Finance cost paid	(626,363)	(325,749)
Income taxes paid	(1,264,461)	(1,993,412)
Net cash from operating activities	2,302,209	13,747,744
Investing activities		
Purchase of property, plant and equipment	(1,170,372)	(16,411,869)
Proceeds on sale of property, plant and equipment	6,094	-
Net cash used in investing activities	(1,164,278)	(16,411,869)
Financing activities		
Loan repayments	(3,166,934)	-
Shares issued	-	71,402
Net cash (used in) provided from financing activities	(3,166,934)	71,402
Effect of movement in exchange rates on cash and cash equivalents	(22,430)	32,394
Net decrease in cash and cash equivalents	(2,051,433)	(2,560,329)
Cash and cash equivalents at beginning of the period	7,562,174	8,165,394
Cash and cash equivalents at end of the period	5,510,741	5,605,065

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 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 six months ended June 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 August 10, 2013.

2. BASIS OF PREPARATION

a. Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and six months ended June 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 six months ended June 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.

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. Trade and other receivables due within 6 months are not discounted as the carrying values approximate their fair values.

(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.

(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.

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

For the three and six months ended June 30, 2013 and 2012

4. DETERMINATION OF FAIR VALUES (CONTINUED)**(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 is likely to affect the company's drilling operations and revenue as companies generally slow operations during this time. However, this is dependent upon the severity of the weather and if alternate contracts can be found in less affected areas of operation. The company has historically taken advantage of the wet season and has scheduled the third quarter for maintenance and rebuild programs for drill rigs and equipment. 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 six months ended June 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 June 30, 2013, included in revenue are four customers who individually contributed 10% or more to the Group's revenue. One customer contributed 23% and one customer contributed 18% and two customers contributed 10%. For the six months ended June 30, 2013, included in revenue are three customers who individually contributed 10% or more to the Group's revenue. One customer contributed 18%, one customer contributed 16% and one customer contributed 14%. For the three months ended June 30, 2012 three customers individually contributed 10% or more to the Group's revenue. One customer contributed 39%, one customer contributed 18% and one customer contributed 13% to the Group's revenue. For the six months ended June 30, 2012 four customers individually contributed 10% or more to the Group's revenue. One customer contributed 34%, one customer contributed 20% one customer contributed 14% and one customer contributed 11% to the Group's revenue.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 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 June 30,		Three month period ended June 30,		Three month period ended June 30,		Three month period ended June 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	4,590	8,566	12,200	22,275	(2,200)	(9,981)	14,590	20,860
Cost of sales	(4,616)	(8,977)	(6,917)	(13,390)	4,948	11,019	(6,585)	(11,348)
Selling, general and administrative expenses	(2,809)	(3,158)	(1,841)	(3,365)	355	1,398	(4,295)	(5,125)
Foreign exchange gain (loss)	(9)	98	317	344	-	-	308	442
Results from operating activities	(2,844)	(3,471)	3,759	5,864	3,103	2,436	4,018	4,829
Other income	2,471	2,428	370	1,344	(2,841)	(3,772)	-	-
Finance income	1	-	-	1	-	-	1	1
Finance cost	(244)	(109)	(38)	(6)	-	-	(282)	(115)
Segment results	(616)	(1,152)	4,091	7,203	262	(1,336)	3,737	4,715
Capital expenditures	119	5,789	-	43			119	5,832
As at	Jun 30, 2013	Dec 31, 2012	Jun 30, 2013	Dec 31, 2012			Jun 30, 2013	Dec 31, 2012
	US\$ '000	US\$ '000	US\$ '000	US\$ '000			US\$ '000	US\$ '000
Non-current assets	58,251	62,345	97	43			58,348	62,388
Intra group balances							(7,907)	(8,320)
Per statement of financial position							50,441	54,068
Total assets	84,277	91,665	77,579	73,394			161,856	165,059
Intra group balances							(75,316)	(77,038)
Per statement of financial position							86,540	88,021
Total liabilities	79,152	85,250	9,947	11,074			89,099	96,324
Intra group balances							(67,320)	(68,477)
Per statement of financial position							21,779	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.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2013 and 2012
6. SEGMENT REPORTING (CONTINUED)
(The reported numbers are in US\$ thousands)

	Ghana		Outside Ghana (1)		Intra-group transactions		Total	
	Six month period ended June 30,		Six month period ended June 30,		Six month period ended June 30,		Six month period ended June 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	11,672	18,203	23,381	48,731	(5,431)	(24,414)	29,622	42,520
Cost of sales	(11,461)	(17,196)	(14,245)	(30,043)	10,480	25,754	(15,226)	(21,485)
Selling, general and administrative expenses	(6,000)	(7,119)	(3,709)	(6,716)	914	3,413	(8,795)	(10,422)
Foreign exchange gain	5	95	293	47	-	-	298	142
Results from operating activities	(5,784)	(6,017)	5,720	12,019	5,963	4,753	5,899	10,755
Other income	4,386	4,648	1,007	3,243	(5,393)	(7,891)	-	-
Finance income	2	-	-	4	-	-	2	4
Finance cost	(532)	(134)	(77)	(191)	-	-	(609)	(325)
Segment results	(1,928)	(1,503)	6,650	15,075	570	(3,138)	5,292	10,434
Capital expenditures	1,170	16,369	-	43			1,170	16,412

(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 six months ended June 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 June 30,		Six month period ended June 30,	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Expenses				
Drill rig expenses and fuel	1,634,183	5,410,149	5,560,208	10,398,100
Salaries, wages and benefits	5,267,206	4,937,544	8,746,723	8,906,020
External services and contractors	1,391,325	4,006,579	4,396,880	8,051,179
Depreciation and amortization	2,409,479	1,789,292	4,797,304	3,503,149
Repairs and maintenance	177,418	329,406	519,452	1,048,695
	<u>10,879,611</u>	<u>16,472,970</u>	<u>24,020,567</u>	<u>31,907,143</u>

	Three month period ended June 30,		Six month period ended June 30,	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	US\$	US\$	US\$	US\$
Cost of sales	6,584,574	11,348,316	15,225,105	21,484,969
Selling, general and administrative expenses	4,295,037	5,124,654	8,795,462	10,422,174
	<u>10,879,611</u>	<u>16,472,970</u>	<u>24,020,567</u>	<u>31,907,143</u>

8. FINANCE INCOME AND COSTS

	Three month period ended June 30,		Six month period ended June 30,	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Finance income				
Interest income on cash and cash equivalents	1,148	650	2,150	4,470
Finance costs				
Interest expense on financial liabilities	281,683	115,113	609,117	325,749

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2013 and 2012

9. TAXATION

(i) Income tax expense

	Three month period ended June 30,		Six month period ended June 30,	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Current tax expense (iii)	992,768	1,267,722	1,674,977	2,498,248
Deferred tax (recovery) / expense (iv)	(84,901)	665,822	(636,192)	724,886
	907,867	1,933,544	1,038,785	3,223,134

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) Taxation payable

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Jun. 30 US\$
2013	601,935	(1,264,460)	1,674,977	1,012,452

	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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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9. TAXATION (continued)

(iii) Reconciliation of effective tax rate

	Three month period ended June 30,		Six month period ended June 30,	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Income before taxation	3,737,541	4,714,914	5,291,754	10,433,776
Proportion of profit before taxation subject to no corporation tax	4,353,205	5,867,268	7,220,001	11,936,874
Proportion of loss before taxation subject to corporate taxation in Ghana at a rate of 25%	(615,664)	(1,152,354)	(1,928,247)	(1,503,098)
	<u>3,737,541</u>	<u>4,714,914</u>	<u>5,291,754</u>	<u>10,433,776</u>
Current period taxation per tax jurisdiction				
Ghana corporate taxation (including deferred tax)	(84,901)	665,822	(636,192)	724,886
Withholding tax outside Ghana	978,433	1,242,024	1,639,961	2,443,638
Ghana withholding tax	14,335	25,698	35,016	54,610
Total tax expense	<u>907,867</u>	<u>1,933,544</u>	<u>1,038,785</u>	<u>3,223,134</u>
Effective tax rate	<u>24.3%</u>	<u>41.0%</u>	<u>19.6%</u>	<u>30.9%</u>

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2013 and 2012

9. TAXATION (continued)

(iv) Deferred tax liability

	June 30, 2013 US\$	December 31, 2012 US\$
Balance at January 1	2,928,558	5,347,079
(Recovery) / Charge for the period	(636,192)	(2,418,521)
Balance at end of period	2,292,366	2,928,558

(v) Recognized deferred tax assets and liabilities

Deferred tax liabilities are attributable to the following:

	June 30, 2013		
	Asset US\$	Liability US\$	Net US\$
Property, plant and equipment	-	2,292,366	(2,292,366)

	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 originating in future years.

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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	-	-	-	-	1,170,372	1,170,372
Reclassifications	-	440,041	312,096	-	(752,137)	-
Fully depreciated assets	-	(796,190)	(85,956)	-	-	(882,146)
Balance at June 30, 2013	5,572,804	19,213,456	50,937,300	1,838,981	3,872,027	81,434,568
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	656,715	1,505,552	2,442,144	192,892	-	4,797,303
Fully depreciated assets	-	(796,190)	(85,956)	-	-	(882,146)
Balance at June 30, 2013	4,227,623	9,656,708	16,678,298	431,138	-	30,993,767
Carrying amounts at June 30, 2013	1,345,181	9,556,748	34,259,002	1,407,843	3,872,027	50,440,801

(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.

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10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Three month period ended June 30,		Six month period ended June 30,	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Cost of sales	1,984,938	1,508,319	3,947,697	2,896,765
Selling, general and administrative expenses	424,541	280,973	849,606	606,384
	<u>2,409,479</u>	<u>1,789,292</u>	<u>4,797,303</u>	<u>3,503,149</u>

As at June 30, 2013, property, plant and equipment with a carrying amount of US\$13,532,709 (December 31, 2012: US\$23,496,860) and inventories with a carrying amount of US\$6,962,461 (December 31, 2012: US\$7,879,070) have been pledged as security for certain liabilities.

11. INVENTORIES

	June 30, 2013 US\$	December 31, 2012 US\$
Spare parts and materials on hand	16,685,346	16,757,082
Spare parts and materials in transit	665,836	745,956
Less: Provision for obsolescence	(833,784)	(957,997)
	<u>16,517,398</u>	<u>16,545,041</u>

The amount of inventories recognized as expense in the three and six months ended June 30, 2013 amount to US\$1,820,079 and US\$5,822,935, respectively (Q2 2012: US\$6,054,455 and US\$6,224,626).

12. TRADE AND OTHER RECEIVABLES

	June 30, 2013 US\$	December 31, 2012 US\$
Trade receivables	12,624,066	8,380,671
Allowance for doubtful debts	(417,102)	(307,237)
Net trade receivables	<u>12,206,964</u>	<u>8,073,434</u>
Cash advances	38,463	193,007
Sundry receivables	112,256	119,802
	<u>12,357,683</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 six months ended June 30, 2013 amounted to US\$Nil and US\$Nil, respectively (June 30, 2012: US\$5,233 and US\$5,233).

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	June 30, 2013 US\$	December 31, 2012 US\$
Term Loan	6,444,210	8,869,205
Equipment Loan	2,612,789	3,359,619
Total	9,056,999	12,228,824
Current portion of loans	6,586,890	6,390,730
Non-current loans	2,470,109	5,838,094

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.

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

	June 30, 2013 US\$	December 31, 2012 US\$
Trade payables	2,904,119	4,735,203
Creditors and accrued expenses	3,664,764	4,767,894
VAT liability	1,925,021	1,661,181
	8,493,904	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\$
June 30, 2013				
Financial assets				
Trade and other receivables	12,357,683	-	12,357,683	12,357,683
Cash and cash equivalents	5,510,741	-	5,510,741	5,510,741
	<u>17,868,424</u>	<u>-</u>	<u>17,868,424</u>	<u>17,868,424</u>
Financial liabilities				
Trade payables, creditors and accrued expenses	-	6,568,883	6,568,883	6,568,883
Related party payables	-	923,025	923,025	923,025
Loans payable	-	9,056,999	9,056,999	9,056,999
	<u>-</u>	<u>16,548,907</u>	<u>16,548,907</u>	<u>16,548,907</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 six months ended June 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 the rent review, Geodrill Ghana Limited agreed to lease the Anwiankwanta property for US\$140,000 per annum and the Accra property for US\$60,000 per annum for a period of two years effective October 1, 2012.

Future operating lease commitments related to the properties are:

	June 30, 2013 US\$	June 30, 2012 US\$
Payable within one year	200,000	160,000
Payable between 1 and 5 years	250,000	400,000
Total	450,000	560,000

During the three and six months ended June 30, 2013 lease payments amounted to US\$50,000 and US\$100,000, respectively (June 30, 2012: US\$40,000 and US\$80,000).

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

During the six month period ended June 30, 2013, the company granted 360,000 options (2012: 180,000), no options were forfeited (2012: 150,000) 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 six months ended June 30, 2013 amounted to US\$Nil and US\$ Nil, respectively (2012: US\$33,948 and US\$67,559). 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 six months ended June 30, 2013 amounted to US\$765 and US\$765, respectively (2012: US\$Nil and US\$2,822).

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 six months ended June 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 six months ended June 30, 2013 amounted to US\$Nil and US\$Nil.

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

	Three month period		Six month period	
	ended June 30,		ended June 30,	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Short-term benefits	417,172	449,497	763,238	1,003,543
Share-based payment arrangements	212,752	185,623	334,050	532,749
	629,924	635,120	1,097,288	1,536,292

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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,	Type	June 30, 2013 US\$	December 31, 2012 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:

	June 30, 2013 US\$	June 30, 2012 US\$
Payable within one year	272,000	160,000
Payable between 1 and 5 years	520,000	400,000
Total	792,000	560,000

(ii) Capital commitments

As at June 30, 2013, DSI Services Limited had contracted with a third party for the purchase of two drill rigs. Total commitments amount to US\$3,200,000 (December 31, 2012: US\$3,200,000).

18. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital	June 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.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and six months ended June 30, 2013 and 2012***18. SHARE CAPITAL AND RESERVES CONTINUED)****(ii) Share-based payment reserve**

The share-based payment reserve is comprised of the equity portion of the share-based payment transaction as per the Group's share option plan.

(iii) Retained earnings

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

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

The calculation of basic earnings per share for the three and six months ended June 30, 2013 was based on the profit attributable to ordinary shareholders of US\$2,829,674 (2012: US\$2,781,370) and US\$4,252,969 (2012: US\$7,210,642), respectively, and on the weighted average number of ordinary shares outstanding of 42,512,000 (2012: 42,488,000) and 42,512,000 (2012: 42,482,000), respectively, calculated as follows:

	Three month period ended June 30,		Six month period ended June 30,	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Profit attributable to ordinary shareholders	2,829,674	2,781,370	4,252,969	7,210,642
Weighted average number of ordinary shares	Three month period ended June 30,		Six month period ended June 30,	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Issued ordinary shares	42,512,000	42,488,000	42,512,000	42,482,000
Earnings per share	\$0.07	\$0.07	\$0.10	\$0.17

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19. EARNINGS PER SHARE (CONTINUED)

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three and six months ended June 30, 2013 was based on the profit attributable to ordinary shareholders of US\$2,829,674 (2012: US\$2,781,370) and US\$4,252,969 (2012: US\$7,210,642), respectively, 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: 44,462,000) and 42,512,000 (2012: 44,456,000), respectively, calculated as follows:

	Three month period ended June 30,		Six month period ended June 30,	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Earnings per share – diluted				
Profit attributable to ordinary shareholders	2,829,674	2,781,370	4,252,969	7,210,642
Weighted average number of ordinary shares - diluted				
	Three month period ended June 30, 2013 Shares	2012 Shares	Six month period ended June 30, 2013	2012
Weighted average number of ordinary shares - basic	42,512,000	42,488,000	42,512,000	42,482,000
Effect of share options in issue	-	1,974,000	-	1,974,000
	42,512,000	44,462,000	42,512,000	44,456,000
Diluted earnings per share	\$0.07	\$0.06	\$0.10	\$0.16

For the three and six months ended June 30, 2013, all 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 six month period ended June 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)

	June 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 June 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 & 5 mos	990,000	C\$2.00
(2) Granted on March 11, 2011	C\$3.48	450,000	2 Yrs & 8 mos	450,000	C\$3.48
(3) Granted on November 9, 2011	C\$2.11	720,000	3 Yrs & 4 mos	480,000	C\$2.11
(4) Granted on March 13, 2012	C\$3.41	180,000	3 Yrs & 8 mos	120,000	C\$3.41
(5) Granted on October 15, 2012	C\$1.57	270,000	4 Yrs & 1 mos	90,000	C\$1.57
(6) Granted on May 24, 2013	C\$0.81	360,000	4 Yrs & 11 mos	300,000	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%	30%

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.