

**GEODRILL LIMITED**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the three months ended March 31, 2013 and 2012

(unaudited)  
(in United States dollars)

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

*As at March 31, 2013 and December 31, 2012*

	<i>Note</i>	<b>March 31, 2013 US\$</b>	<b>December 31, 2012 US\$</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	52,731,898	54,067,732
<b>Total non-current assets</b>		<b>52,731,898</b>	<b>54,067,732</b>
<b>Current assets</b>			
Inventories	<i>11</i>	15,730,202	16,545,041
Prepayments		1,181,051	927,721
Tax assets		532,198	532,198
Trade and other receivables	<i>12</i>	11,976,166	8,386,243
Cash and cash equivalents		5,202,541	7,562,174
<b>Total current assets</b>		<b>34,622,158</b>	<b>33,953,377</b>
<b>Total assets</b>		<b>87,354,056</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		3,207,085	3,085,787
Retained earnings		37,361,131	35,937,836
<b>Total equity</b>		<b>61,719,082</b>	<b>60,174,489</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	<i>9(iv)</i>	2,377,267	2,928,558
Loans payable	<i>13</i>	4,173,508	5,838,094
<b>Total non-current liabilities</b>		<b>6,550,775</b>	<b>8,766,652</b>
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	10,816,372	11,164,278
Loans payable	<i>13</i>	6,512,553	6,390,730
Taxes payable	<i>9(ii)</i>	832,249	601,935
Related party payables	<i>16(iii)</i>	923,025	923,025
<b>Total current liabilities</b>		<b>19,084,199</b>	<b>19,079,968</b>
<b>Total liabilities</b>		<b>25,634,974</b>	<b>27,846,620</b>
<b>Total equity and liabilities</b>		<b>87,354,056</b>	<b>88,021,109</b>

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

*For the three months ended March, 31 2013 and 2012*

	Note	March 31, 2013 US\$	March 31, 2012 US\$
Revenue		15,031,636	21,659,251
Cost of sales	7	(8,640,531)	(10,136,653)
<b>Gross profit</b>		<b>6,391,105</b>	<b>11,522,598</b>
Selling, general and administrative expenses	7	(4,500,425)	(5,297,520)
Foreign exchange loss	8	(10,035)	(406,211)
<b>Results from operating activities</b>		<b>1,880,645</b>	<b>5,818,867</b>
Finance income	8	1,002	3,820
Finance costs	8	(327,434)	(103,825)
<b>Income before taxation</b>		<b>1,554,213</b>	<b>5,718,862</b>
Income tax expense	9(i)	(130,918)	(1,289,590)
<b>Net income for the period</b>		<b>1,423,295</b>	<b>4,429,272</b>
<b>Total comprehensive income for the period</b>		<b>1,423,295</b>	<b>4,429,272</b>
<b>Earnings per share</b>			
Basic	19(i)	0.03	0.10
Diluted	19(ii)	0.03	0.10

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

*For the three months ended March 31, 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	-	-	1,423,295	1,423,295
Share-based payment expense	-	121,298	-	121,298
<b>Balance at March 31, 2013</b>	<b>21,150,866</b>	<b>3,207,085</b>	<b>37,361,131</b>	<b>61,719,082</b>
Balance at January 1, 2012	21,043,041	2,045,377	32,732,476	55,820,894
Net income for the period	-	-	4,429,272	4,429,272
Share-based payment expense	-	347,126	-	347,126
<b>Balance at March 31, 2012</b>	<b>21,043,041</b>	<b>2,392,503</b>	<b>37,161,748</b>	<b>60,597,292</b>

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

*For the three months ended March 31, 2013 and 2012*

	<b>March 31, 2013 US\$</b>	<b>March 31, 2012 US\$</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	1,554,213	5,718,862
<i>Adjustments for:</i>		
Depreciation charges	2,291,379	1,683,216
Amortization charges	96,446	30,641
Provision for obsolescence	(157,374)	170,171
Equity-settled share-based payments	121,298	347,126
Finance income	(1,002)	(3,820)
Finance cost expensed	327,434	103,825
Unrealized foreign exchange loss / (gain)	10,035	(64,609)
	<b>4,242,429</b>	<b>7,985,412</b>
Change in inventories	972,213	(5,904,753)
Change in prepayments	(253,330)	1,091,832
Change in trade and other receivables	(3,589,923)	(4,316,327)
Change in trade and other payables	(349,586)	8,846,938
Cash generated from operations	1,021,803	7,703,102
Finance income received	1,002	3,820
Finance cost paid	(335,789)	(39,216)
Income taxes paid	(451,895)	(768,236)
<b>Net cash from operating activities</b>	<b>235,121</b>	<b>6,899,470</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,051,991)	(10,580,428)
<b>Net cash used in investing activities</b>	<b>(1,051,991)</b>	<b>(10,580,428)</b>
<b>Financing activities</b>		
Loan repayments	(1,542,763)	-
<b>Net cash used in financing activities</b>	<b>(1,542,763)</b>	<b>-</b>
<b>Effect of movement in exchange rates on cash and cash equivalents</b>	<b>-</b>	<b>106,811</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,359,633)</b>	<b>(3,574,147)</b>
Cash and cash equivalents at beginning of the period	7,562,174	8,165,394
<b>Cash and cash equivalents at end of the period</b>	<b>5,202,541</b>	<b>4,591,247</b>

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

*For the three months ended March 31, 2013 and 2012*

**1. GENERAL INFORMATION**

Geodrill Limited (the “company”) is a company registered and domiciled in the Isle of Man. The address of the company’s registered office is Ragnall House, 18 Peel Road, Douglas, Isle of Man, IM1 4LZ. The condensed interim consolidated financial statements of the company for the three months ended March 31, 2013 comprise the financial statements of the company and its wholly owned subsidiaries, Geodrill Ghana Limited, Geotool Limited, Geo-Forage BF SARL, Geo-Forage Cote d’Ivoire SARL and DSI Services Limited (“DSI”), together referred to as the “Group”.

The Group is primarily involved in the provision of exploration drilling and other mining services. These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill Limited on May 10, 2013.

**2. BASIS OF PREPARATION**

**a. Statement of compliance**

These condensed interim consolidated financial statements for the three months ended March 31, 2013 have been prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the year ended December 31, 2012. Certain information and note disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”), has been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the audited 2012 annual consolidated financial statements of the company.

**b. Basis of measurement**

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

**c. Functional and presentation currency**

The 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 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.

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

*For the three months ended March 31, 2013 and 2012*

**2. BASIS OF PREPARATION (CONTINUED)**

**d. Use of estimates and judgments (continued)**

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

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2012.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Group to prepare the condensed interim consolidated financial statements are the policies described in Note 2 of the audited consolidated financial statements as at and for the year ended December 31, 2012.

The Group adopted the following new standards in preparing these condensed interim consolidated financial statements:

(i) Fair Value Measurement

The IASB ("International Accounting Standards Board") issued a new standard, IFRS 13, "Fair Value Measurement" ("IFRS 13"), which provides a standard definition of fair value, sets out a framework for measuring fair value and provides for specific disclosures about fair value measurements. IFRS 13 applies to all International Financial Reporting Standards that require or permit fair value measurements or disclosures. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and must be applied prospectively. The adoption of IFRS 13 did not have an impact on the Group's results of operations, financial position and disclosures.

(ii) Consolidated Financial Statements

The IASB issued a new standard, IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), which establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 establishes control as the basis for consolidation and defines the principle of control. An investor controls an investee if the investor has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 was issued as part of the IASB's broader project on interests in all types of entities. This project also resulted in the issuance of additional standards as described in (iii) to (vi) below. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IFRS 10 did not have an impact on the Group's results of operations, financial position and disclosures.

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

*For the three months ended March 31, 2013 and 2012*

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

(iii) Joint Arrangements

The IASB issued a new standard, IFRS 11, "Joint Arrangements" ("IFRS 11"), which establishes the principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures" and SIC Interpretation 13, "Jointly Controlled Entities – Non Monetary Contributions by Venturers". The standard defines a joint arrangement as an arrangement where two or more parties have joint control, with joint control being defined as the contractually agreed sharing of control where decisions about relevant activities require unanimous consent of the parties sharing control. The standard classifies joint arrangements as either joint operations or joint investments and the classification determines the accounting treatment. IFRS 11 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IFRS 11 did not have an impact on the Group's results of operations, financial position and disclosures.

(iv) Disclosure of Interests in Other Entities

The IASB issued a new standard, IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), which integrates and provides consistent disclosure requirements for all interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IFRS 12 did not have an impact on the Group's consolidated results of operations, financial position and disclosures.

(v) Separate Financial Statements

The IASB issued a revised standard, IAS 27, "Separate Financial Statements" ("IAS 27"), which contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate (non-consolidated) financial statements. IAS 27 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IAS 27 did not have an impact on the Group's consolidated results of operations, financial position and disclosures.

(vi) Investments in Associates and Joint Ventures

The IASB issued a revised standard, IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"), which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IAS 28 did not have an impact on the Group's results of operations, financial position and disclosures.

(vii) Presentation of Financial Statements - Other Comprehensive Income

The IASB issued an amendment to IAS 1, "Presentation of Financial Statements" (the "IAS 1 amendment"), to improve consistency and clarity of the presentation of items of other comprehensive income. A requirement has been added to present items in other comprehensive income grouped on the basis of whether they will or will not be subsequently reclassified to earnings in order to more clearly show the effects the items of other comprehensive income may have on future earnings. The IAS 1 amendment is effective for annual periods beginning on or after July 1, 2012 and must be applied retrospectively.



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

*For the three months ended March 31, 2013 and 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:

**Loans and receivables**

- (a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the current market rate of instruments with similar credit risk profile and maturity at the reporting date. Trade and other receivables due within twelve 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.

**Other financial liabilities**

- (a) Trade and other payables

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

- (b) Loans payable

The fair value of loans payable approximates their carrying values.

- (c) Other financial liabilities

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

**Share-based payment transactions**

The fair value of the share options is measured using the Black-Scholes model. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility, expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

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

*For the three months ended March 31, 2013 and 2012*

**5. SEASONALITY OF OPERATIONS**

The Group's operations have tended to exhibit a seasonal pattern whereby the second quarter (April to June) is typically the strongest. Generally there is a decrease in operations over festive periods such as Easter, when drilling activities shut down for a week. For 2013, the Easter shutdown straddled the first quarter of 2013 and the second quarter of 2013. The fourth quarter is normally the company's weakest quarter, due to the shutdown of exploration activities, often for extended periods over the holiday season (Christmas and New Year'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.

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 3rd quarter for maintenance and rebuild programs for drill rigs and equipment.

**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, 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 March 31, 2013, included in the revenue are two customers who individually contributed 10% or more to the Group's revenue. One customer contributed 26% and one customer contributed 11%. For the three months ended March 31, 2012 four customers individually contributed 10% or more to the Group's revenue. One customer contributed 27%, one customer contributed 22%, one customer contributed 15% and one customer contributed 12% to the Group's revenue.

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

For the three months ended March 31, 2013 and 2012

**6. SEGMENT REPORTING (continued)**

	Ghana		Outside Ghana (1)		Intra-group transaction		Total	
	Three month period ended March, 31		Three month period ended March, 31		Three month period ended March, 31		Three month period ended March, 31	
	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	7,082	9,637	11,180	26,456	(3,230)	(14,434)	15,032	21,659
Cost of sales	(6,845)	(8,219)	(7,327)	(16,668)	5,531	14,750	(8,641)	(10,137)
Selling, general and administrative	(3,191)	(3,961)	(1,868)	(3,336)	558	2,000	(4,501)	(5,297)
Foreign exchange gain (loss)	14	-	(24)	(406)	-	-	(10)	(406)
<b>Results from operating activities</b>	<b>(2,940)</b>	<b>(2,543)</b>	<b>1,961</b>	<b>6,046</b>	<b>2,859</b>	<b>2,316</b>	<b>1,880</b>	<b>5,819</b>
Other income	1,915	2,220	637	1,899	(2,552)	(4,119)	-	-
Finance income	1	-	-	4	-	-	1	4
Finance cost	(288)	(28)	(39)	(76)	-	-	(327)	(104)
<b>Segment results</b>	<b>(1,312)</b>	<b>(351)</b>	<b>2,559</b>	<b>7,873</b>	<b>307</b>	<b>(1,803)</b>	<b>1,554</b>	<b>5,719</b>
<b>Capital expenditures</b>	<b>1,052</b>	<b>10,580</b>	<b>-</b>	<b>-</b>			<b>1,052</b>	<b>10,580</b>
<b>As at</b>	<b>Mar 31, 2013</b>	<b>Dec 31, 2012</b>	<b>Mar 31, 2013</b>	<b>Dec 31, 2012</b>			<b>Mar 31, 2013</b>	<b>Dec 31, 2012</b>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000			US\$ '000	US\$ '000
<b>Non-current assets</b>	<b>60,701</b>	<b>62,345</b>	<b>95</b>	<b>43</b>			<b>60,796</b>	<b>62,388</b>
Intra group balances							(8,064)	(8,320)
Per statement of financial position							<b>52,732</b>	<b>54,068</b>
<b>Total assets</b>	<b>88,665</b>	<b>91,665</b>	<b>76,127</b>	<b>73,394</b>			<b>164,792</b>	<b>165,059</b>
Intra group balances							(77,438)	(77,038)
Per statement of financial position							<b>87,354</b>	<b>88,021</b>
<b>Total liabilities</b>	<b>83,011</b>	<b>85,250</b>	<b>11,809</b>	<b>11,074</b>			<b>94,820</b>	<b>96,324</b>
Intra group balances							(69,185)	(68,477)
Per statement of financial position							<b>25,635</b>	<b>27,847</b>

(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 months ended March 31, 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:

	<b>March 31, 2013</b>	<b>March 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
<b>Expenses</b>		
Drill rig expenses and fuel	3,926,025	4,987,951
Salaries, wages and benefits	3,479,517	3,968,476
External services and contractors	3,005,555	4,044,600
Depreciation and amortization	2,387,825	1,713,857
Repairs and maintenance	342,034	719,289
	<b>13,140,956</b>	<b>15,434,173</b>
<hr/>		
	<b>March 31, 2013</b>	<b>March 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
Cost of sales	8,640,531	10,136,653
Selling, general and administrative expenses	4,500,425	5,297,520
	<b>13,140,956</b>	<b>15,434,173</b>

**8. FINANCE INCOME AND COSTS**

	<b>March 31, 2013</b>	<b>March 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
<b>Finance income</b>		
Interest income on cash and cash equivalents	1,002	3,820
<hr/>		
<b>Finance costs</b>		
Interest expense on financial liabilities	327,434	103,825

For the three months ended March 31, 2012, the foreign exchange loss of US\$406,211 was included in finance cost. For the March 31, 2012 comparative included in these condensed interim consolidated financial statements, this amount has been removed from finance cost and has been shown separately on the statement of the comprehensive income as the separate disclosure of the foreign exchange loss provides more relevant and reliable information with respect to the Company's exposure to foreign exchange movements. The reclassification has been applied retrospectively and as such the 2012 balances reflect the reclassification of US\$406,211 of foreign exchange loss from finance cost. There is no impact on profit for the three months ended March 31, 2012 or on basic and diluted earnings per share for the three months ended March 31, 2012.

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

*For the three months ended March 31, 2013 and 2012*

**9. TAXATION**

**(i) Income tax expense**

	<b>March 31, 2013</b>	<b>March 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
Current tax expense (ii)	682,209	1,230,526
Deferred tax (recovery) / expense (iv)	(551,291)	59,064
	<u>130,918</u>	<u>1,289,590</u>

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**

	<b>Balance at</b>	<b>Payments</b>	<b>Charge for</b>	<b>Balance at</b>
	<b>Jan. 1</b>	<b>during the</b>	<b>the period</b>	<b>Mar. 31</b>
	<b>US\$</b>	<b>period</b>	<b>US\$</b>	<b>US\$</b>
		<b>US\$</b>		
<b>Income Tax</b>				
2013	601,935	(451,895)	682,209	832,249
2012	217,295	(768,236)	1,289,590	738,649

Tax liabilities up to and including the 2009 year of assessment have been agreed with the tax authorities in Ghana. The remaining tax position is, however, subject to agreement with the tax authorities in the various tax jurisdictions, other than Cote d'Ivoire which has been agreed to as at March 30, 2011.

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

*For the three months ended March 31, 2013 and 2012*

**9. TAXATION (continued)**

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

	<b>March 31, 2013</b>	<b>March 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
Profit before taxation	1,554,213	5,718,862
Proportion of profit before taxation subject to no corporation tax	2,866,797	6,069,606
Proportion of loss before taxation subject to corporate taxation in Ghana at a rate of 25%	(1,312,584)	(350,744)
	<u>1,554,213</u>	<u>5,718,862</u>
Current period taxation per tax jurisdiction		
Ghana corporate taxation (including deferred tax)	(551,291)	59,064
Withholding tax outside Ghana	661,528	1,201,614
Ghana withholding tax	20,681	28,912
Total tax charge	<u>130,918</u>	<u>1,289,590</u>
Effective tax rate	<u>8.4%</u>	<u>22.6%</u>

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

*For the three months ended March 31, 2013 and 2012*

**9. TAXATION (continued)**

**(iv) Deferred tax liability**

	<b>March 31, 2013</b>	<b>March 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
Balance at January 1	2,928,558	5,347,079
(Recovery) / Charge for the period	(551,291)	59,064
<b>Balance at March 31</b>	<b>2,377,267</b>	<b>5,406,143</b>

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

Deferred tax liabilities are attributable to the following:

	<b>March 31, 2013</b>		
	<b>Asset</b>	<b>Liability</b>	<b>Net</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Property, plant and equipment	-	2,377,267	(2,377,267)

	<b>December 31, 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)

**(vi) Tax asset**

In the normal course of business, Geodrill Ghana Limited is required to make payments to tax authorities in advance of earning the related income. It is anticipated that such amounts will be applied to tax obligations originating in future years.

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

*For the three months ended March 31, 2013 and 2012*

**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	-	-	-	-	1,051,991	1,051,991
Reclassifications	-	421,931	(99,283)	-	(322,648)	-
Assets written off	-	(796,190)	-	-	-	(796,190)
<b>Balance at March 31, 2013</b>	<b>5,572,804</b>	<b>19,195,346</b>	<b>50,611,877</b>	<b>1,838,981</b>	<b>4,183,135</b>	<b>81,402,143</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 period	328,620	780,029	1,182,730	96,446	-	2,387,825
Assets written off	-	(796,190)	-	-	-	(796,190)
<b>Balance at March 31, 2013</b>	<b>3,899,528</b>	<b>8,931,185</b>	<b>15,504,840</b>	<b>334,692</b>	<b>-</b>	<b>28,670,245</b>
<b>Carrying amounts at March 31, 2013</b>	<b>1,673,276</b>	<b>10,264,161</b>	<b>35,107,037</b>	<b>1,504,289</b>	<b>4,183,135</b>	<b>52,731,898</b>

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



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

*For the three months ended March 31, 2013 and 2012*

**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 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)
<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.

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

*For the three months ended March 31, 2013 and 2012*

**10. PROPERTY, PLANT AND EQUIPMENT (continued)**

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

	<b>March 31, 2013</b>	<b>March 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
Cost of sales	1,962,759	1,388,446
Selling, general and administrative expenses	425,066	325,411
	<u>2,387,825</u>	<u>1,713,857</u>

As at March 31, 2013, property, plant and equipment with a carrying amount of US\$21,752,730 (March 31, 2012: US\$Nil) and inventories with a carrying amount of US\$7,050,759 (March 31, 2012: US\$Nil) have been pledged as security for certain liabilities.

**11. INVENTORIES**

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
Spare parts and materials on hand	16,234,227	16,757,082
Spare parts and materials in transit	296,598	745,956
Less: Provision for obsolescence	(800,623)	(957,997)
	<u>15,730,202</u>	<u>16,545,041</u>

The amount of inventories recognized as expense in the three months ended March 31, 2013 is US\$4,002,857 (March 31, 2012: US\$6,054,455). The inventory write down in the three months ended March 31, 2013 amounted to US\$Nil (March 31, 2012: US\$7,219).

**12. TRADE AND OTHER RECEIVABLES**

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
Trade receivables	12,030,779	8,380,671
Allowance for doubtful debts	(242,612)	(307,237)
Net trade receivables	11,788,167	8,073,434
Cash advances	164,980	193,007
Sundry receivables	23,019	119,802
	<u>11,976,166</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 months ended March 31, 2013 amounted to US\$Nil (March 31, 2012: US\$Nil).

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

*For the three months ended March 31, 2013 and 2012*

**13. LOANS PAYABLE**

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
Term Loan	7,700,593	8,869,205
Equipment Loan	2,985,468	3,359,619
<b>Total</b>	<b>10,686,061</b>	<b>12,228,824</b>
Current portion of loans	6,512,553	6,390,730
Non-current loans	4,173,508	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 normal course non-financial covenants.

On January 23, 2012, the Group entered into a Sale and Purchase agreement ("Agreement 1") with Sandvik relating to the purchase of three drill rigs with a total cost price of US\$2.6 million. Agreement 1 requires a down payment and the repayment of the balance over a period of 36 months with payment being made once a quarter. The loan bears interest at 7% per annum, includes an arrangement fee and 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 payment being made once a quarter. The loan bears interest at 7% per annum, includes an arrangement fee and stipulates that final title to the rigs will only pass once the capital amount has been settled. All other risks and rewards of ownership lie with the Group. The effective interest rate of the loan is 7.10%.

**14. TRADE AND OTHER PAYABLES**

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
Trade payables	4,295,343	4,735,203
Creditors and accrued expenses	4,073,460	4,767,894
VAT liability	2,447,569	1,661,181
	<b>10,816,372</b>	<b>11,164,278</b>

Trade and other payables are recorded at amortized cost.

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

*For the three months ended March 31, 2013 and 2012*

**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:

	<b>Loans and Receivables</b>	<b>Other Financial Liabilities</b>	<b>Carrying Amount</b>	<b>Total Fair Value</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>March 31, 2013</b>				
<b>Financial assets</b>				
Trade and other receivables	11,976,166	-	11,976,166	11,976,166
Cash and cash equivalents	5,202,541	-	5,202,541	5,202,541
	<u>17,178,707</u>	<u>-</u>	<u>17,178,707</u>	<u>17,178,707</u>
<b>Financial liabilities</b>				
Trade payables, creditors and accrued expenses	-	8,368,803	8,368,803	8,368,803
Related party payables	-	923,025	923,025	923,025
Loans payable	-	10,686,061	10,686,061	10,686,061
	<u>-</u>	<u>19,977,889</u>	<u>19,977,889</u>	<u>19,977,889</u>
<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
	<u>15,948,417</u>	<u>-</u>	<u>15,948,417</u>	<u>15,948,417</u>
<b>Financial liabilities</b>				
Trade payables, creditors and accrued expenses	-	9,503,097	9,503,097	9,503,097
Related party payables	-	923,025	923,025	923,025
Loan 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 months ended March 31, 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	-	-
Bluecroft Limited	Significant shareholder	Isle of Man	-	-
Redcroft Limited	Significant shareholder	Isle of Man	-	-
Harper Family Settlement	Significant indirect shareholder	Isle of Man	-	-

**(i) Transactions with related parties**

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

Transtraders Limited ("TTL") is a company which is owned by Redcroft Limited and Bluecroft Limited who also, collectively, own 41.2% (December 31, 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.

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

*For the three months ended March 31, 2013 and 2012*

**16. RELATED PARTY TRANSACTIONS (continued)**

**(i) Transactions with related parties (continued)**

Future operating lease commitments related to the properties are:

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
Payable within one year	272,000	200,000
Payable between 1 and 5 years	588,000	350,000
<b>Total</b>	<b>860,000</b>	<b>550,000</b>

During the three months ended March 31, 2013 lease payments amounted to US\$50,000 (March 31, 2012: US\$40,000).

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

The Group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of the family of key personnel and any entity over which key management exercises control. The key management personnel have been identified as directors of the Group and other management staff. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Geodrill Limited.

The Group previously paid management fees to Kingston Management (Isle of Man) Ltd. which is also the licensed and regulated fiduciary service provider of the Harper Family Settlement. In the first quarter of 2012, two of the directors of Kingston Management (Isle of Man) Ltd. were also directors of Geodrill. Management fees paid during the first quarter of 2013 amounted to US\$Nil (2012: US\$29,382). 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 first quarter of 2013 amounted to US\$Nil (2012: 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 the first quarter of 2013 amounted to US\$Nil, (2012: US\$96,581).

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

	<b>March 31, 2013</b>	<b>March 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
Short-term benefits	346,066	554,046
Share-based payment expense	121,298	347,126
<b>Total</b>	<b>467,364</b>	<b>901,172</b>

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

*For the three months ended March 31, 2013 and 2012*

**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	March 31, 2013 US\$	December 31, 2012 US\$
<b>Transtraders Limited:</b>			
Payable	Line of credit	923,025	923,025
Total		923,025	923,025

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

**17. COMMITMENTS**

**(i) Lease commitments**

Future operating lease commitments related to the properties are:

	March 31, 2013 US\$	December 31, 2012 US\$
Payable within one year	272,000	200,000
Payable between 1 and 5 years	588,000	350,000
Total	860,000	550,000

**(ii) Capital commitments**

As at March 31, 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 issue of authorized shares is unlimited.

Share capital	March 31, 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

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

*For the three months ended March 31, 2013 and 2012*

**18. SHARE CAPITAL AND RESERVES (CONTINUED)**

**(i) Share capital (continued)**

All shares rank equally with regards to the Group's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the company.

**(ii) Share-based payment reserve**

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

**(iii) Retained earnings**

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

**19. EARNINGS PER SHARE**

**(i) Earnings per share**

The calculations of basic earnings per share for the three months ended March 31, 2013 and March 31, 2012 were based on the profit attributable to ordinary shareholders of US\$1,423,295 (2012: US\$4,429,272) and on the weighted average number of ordinary shares outstanding of 42,512,000 (2012: 42,476,000), calculated as follows:

	<b>March 31, 2013</b>	<b>March 31, 2012</b>
	<b>US\$</b>	<b>US\$</b>
Profit attributable to ordinary shareholders	1,423,295	4,429,272
<b>Weighted average number of ordinary shares</b>	<b>March, 31</b>	<b>March, 31</b>
	<b>2013</b>	<b>2012</b>
	<b>Shares</b>	<b>Shares</b>
Issued ordinary shares	42,512,000	42,476,000
Earnings per share	\$0.03	\$0.10

**(ii) Diluted earnings per share**

The calculations of diluted earnings per share for the three months ended March 31, 2013 and March 31, 2012 were based on the profit attributable to ordinary shareholders of US\$1,423,295 (2012: US\$4,429,272) 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: 44,636,000), calculated as follows:



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

*For the three months ended March 31, 2013 and 2012*

**19. EARNINGS PER SHARE (CONTINUED)**

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

	<b>March 31, 2013 US\$</b>	<b>March 31, 2012 US\$</b>
<b>Earnings per share – diluted</b>		
Profit attributable to ordinary shareholders	1,423,295	4,429,272
<b>Weighted average number of ordinary shares - diluted</b>		
	<b>March 31, 2013 Shares</b>	<b>March 31, 2012 Shares</b>
Weighted average number of ordinary shares - basic	42,512,000	42,476,000
Effect of share options in issue	-	2,160,000
	<u>42,512,000</u>	<u>44,636,000</u>
Diluted earnings per share	\$0.03	\$0.10

For the three months ended March 31, 2013, all share options granted were anti-dilutive and were not included in the calculation of the diluted earnings per share.

**20. DIVIDENDS**

No dividends were either declared or paid for the three months ended March 31, 2013 (March 31, 2012: US\$Nil).

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

*For the three months ended March 31, 2013 and 2012*

**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 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.

	<b>March 31, 2013</b>		<b>December 31, 2012</b>	
	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 March 13, 2012	-	-	180,000	C\$3.41
Granted October 15, 2012	-	-	270,000	C\$1.57
Total Granted	-	-	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	2,610,000	C\$2.34	2,610,000	C\$2.34

No options were issued, exercised, forfeited or expired during the three months ended March 31, 2013.

Where relevant, the expected life used in the model used to determine the accounting value attributable to the options has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on historical share price volatility over relevant periods.

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

*For the three months ended March 31, 2013 and 2012*

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

**(iii) Share Option Plan ("SOP") (continued)**

The following table summarizes the options outstanding at March 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	2 Yrs & 8 mos	990,000	C\$2.00
(2) Granted on March 11, 2011	C\$3.48	450,000	2 Yrs & 11 mos	450,000	C\$3.48
(3) Granted on November 9, 2011	C\$2.11	720,000	3 Yrs & 7 mos	480,000	C\$2.11
(4) Granted on March 13, 2012	C\$3.41	180,000	3 Yrs & 11 mos	120,000	C\$3.41
(5) Granted on October 15, 2012	C\$1.57	270,000	4 Yrs & 4 mos	90,000	C\$1.57

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

	<b>Series 1</b>	<b>Series 2</b>	<b>Series 3</b>	<b>Series 4</b>	<b>Series 5</b>
Risk free interest rate	3%	3%	3%	1.55%	1.33%
Expected dividend yield	0%	0%	0%	0%	0%
Stock price volatility	33%	56%	34%	53%	53%
Expected life of options	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	0%	0%	0%	0%	30%