

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2014 and 2013

(unaudited)
(in United States dollars)

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

As at September 30, 2014 and December 31, 2013

	<i>Note</i>	September 30, 2014 US\$	December 31, 2013 US\$
Assets			
(audited)			
Non-current assets			
Property, plant and equipment	9	40,558,694	46,564,647
Total non-current assets		40,558,694	46,564,647
Current assets			
Inventories	10	12,808,387	14,604,912
Prepayments		1,309,377	904,838
Trade and other receivables	11	10,297,082	3,678,383
Cash	12	2,090,101	3,209,080
Total current assets		26,504,947	22,397,213
Total assets		67,063,641	68,961,860
Equity and liabilities			
Equity			
Share capital		21,150,866	21,150,866
Share-based payment reserve		3,681,586	3,537,446
Retained earnings		25,664,431	31,030,118
Total equity		50,496,883	55,718,430
Liabilities			
Non-current liabilities			
Deferred tax liabilities	8(iv)	7,842	1,411,215
Loans payable	13	6,184,590	1,069,565
Total non-current liabilities		6,192,432	2,480,780
Current liabilities			
Trade and other payables	14	7,420,388	4,101,401
Loans payable	13	1,549,540	5,445,085
Taxes payable	8(ii)	481,373	293,139
Related party payables	16(iii)	923,025	923,025
Total current liabilities		10,374,326	10,762,650
Total equity and liabilities		67,063,641	68,961,860

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

For the three and nine months ended September 30, 2014 and 2013

	Note	Three-month period ended September 30		Nine-month period ended September 30	
		2014 US\$	2013 US\$	2014 US\$	2013 US\$
Revenue		10,767,239	4,030,955	25,891,321	33,652,540
Cost of sales	7	(7,791,402)	(4,644,419)	(21,470,587)	(19,869,524)
Gross profit / (loss)		2,975,837	(613,464)	4,420,734	13,783,016
Selling, general and administrative expenses	7	(3,380,033)	(3,259,637)	(9,730,787)	(12,055,099)
Foreign exchange (loss) / gain		(12,578)	(69,449)	(12,125)	228,254
Results from operating activities		(416,774)	(3,942,550)	(5,322,178)	1,956,171
Other income	11	223,814	-	223,814	-
Finance income		1,038	215	2,456	2,365
Finance costs		(239,328)	(262,543)	(647,002)	(871,660)
(Loss) / income before taxation		(431,250)	(4,204,878)	(5,742,910)	1,086,876
Income tax (expense) / recovery	8(i)	(258,722)	692,711	377,223	(346,074)
(Loss) / income for the period		(689,972)	(3,512,167)	(5,365,687)	740,802
Total comprehensive (loss) / income for the period		(689,972)	(3,512,167)	(5,365,687)	740,802
(Loss) / earnings per share					
Basic	19(i)	\$(0.02)	\$(0.08)	\$(0.13)	\$0.02
Diluted	19(ii)	\$(0.02)	\$(0.08)	\$(0.13)	\$0.02

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

For the nine months ended September 30, 2014 and 2013

	Share Capital US\$	Share- based Payment Reserve US\$	Retained Earnings US\$	Total Equity US\$
Balance at January 1, 2014	21,150,866	3,537,446	31,030,118	55,718,430
Loss for the period	-	-	(5,365,687)	(5,365,687)
Share-based payment expense	-	144,140	-	144,140
Balance at September 30, 2014	21,150,866	3,681,586	25,664,431	50,496,883
Balance at January 1, 2013	21,150,866	3,085,787	35,937,836	60,174,489
Income for the period	-	-	740,802	740,802
Share-based payment expense	-	407,841	-	407,841
Balance at September 30, 2013	21,150,866	3,493,628	36,678,638	61,323,132

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

For the nine months ended September 30, 2014 and 2013

	September 30, 2014 US\$	September 30, 2013 US\$
Cash flows from operating activities		
(Loss) / income before taxation	(5,742,910)	1,086,876
<i>Adjustments for:</i>		
Depreciation and amortization expense	6,858,895	7,164,259
Increase in allowance for doubtful accounts	10,089	503,256
Provision for inventory obsolescence	(85,541)	(110,177)
Equity-settled share-based payment expense	144,140	407,841
Finance income	(2,456)	(2,365)
Finance costs	647,002	871,660
Insurance proceeds received	(223,814)	-
Unrealized foreign exchange gain	(114,341)	(217,895)
	1,491,064	9,703,455
Change in inventories	1,783,837	330,509
Change in prepayments	(404,539)	(319,159)
Change in trade and other receivables	(6,628,788)	874,629
Change in trade and other payables	3,231,915	(4,833,083)
Cash (used in) / generated from operations	(526,511)	5,756,351
Finance income received	2,456	2,365
Finance costs paid	(572,054)	(896,346)
Income taxes paid	(837,916)	(1,935,091)
Net cash (used in) / generated from operating activities	(1,934,025)	2,927,279
Investing activities		
Purchase of property, plant and equipment	(754,713)	(1,392,942)
Insurance proceeds received	223,814	-
Net cash used in investing activities	(530,899)	(1,392,942)
Financing activities		
Loans received	6,295,000	-
Loan repayments	(5,075,520)	(4,729,334)
Net cash provided from / (used in) financing activities	1,219,480	(4,729,334)
Effect of movement in exchange rates on cash	126,465	(10,360)
Net decrease in cash	(1,118,979)	(3,205,357)
Cash at beginning of the period	3,209,080	7,562,174
Cash at end of the period	2,090,101	4,356,817

To present the comparative period consistent with the current period figures, the following prior period amount was reclassified:
USD\$289,339 from amortization charges to depreciation and amortization expense.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and nine months ended September 30, 2014 and 2013

1. GENERAL INFORMATION

Geodrill Limited (the “company” or “Geodrill”) is a company registered and domiciled in the Isle of Man. The address of the company’s registered office is Ragnall House, 18 Peel Road, Douglas, Isle of Man, IM1 4LZ. The unaudited condensed interim consolidated financial statements of the company for the three and nine months ended September 30, 2014 and 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, Geo-Forage Mali SARL, Geo-Forage Senegal SARL, Geo-Forage DRC SARL, D.S.I. Services Limited (“DSI”) and Geodrill Limited’s registered foreign Zambian operating entity, together referred to as the “Group”.

The Group is primarily a provider of mineral exploration drilling services. These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill Limited on November 7, 2014.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2014 have been prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies as presented in Note 2 disclosed in the company’s audited consolidated financial statements for the year ended December 31, 2013. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) has been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited 2013 annual consolidated financial statements of the company.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Critical accounting estimates and judgements

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements 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, 2013.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2014 and 2013

2. BASIS OF PREPARATION (CONTINUED)

(e) Impairment testing

The current economic conditions in the drilling industry were considered to be an indicator of potential impairment of the carrying value of the company's property, plant and equipment as at September 30, 2014. Accordingly, an impairment test, based on the higher of value in use or fair value less costs to sell, was performed as at September 30, 2014. The outcome of the test was such that the expected net recoverable amount exceeded the carrying value of the property, plant and equipment and, accordingly, no impairment loss was recognized in the period.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the company as at and for the year ended December 31, 2013, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which are described below. 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 company's consolidated financial statements for the year ended December 31, 2013.

New and revised accounting IFRSs

Amendments to IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization

On May 12, 2014, the IASB issued Amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*. In issuing the amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of a tangible asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

This presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The standard is to be applied prospectively for fiscal years beginning on or after January 1, 2016 with early application permitted. The amendment to the standard did not have any impact on the Company's condensed consolidated interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Amendments to IFRS 2, Share-based Payments**

In the second quarter of 2014, the IASB issued Amendments to IFRS 2, *Share-based Payments*. The amendments change the definitions of “vesting condition” and “market condition” in the standard, and add definitions for “performance condition” and “service condition”. They also clarify that any failure to complete a specified service period, even due to the termination of an employee’s employment or a voluntary departure, would result in a failure to satisfy a service condition. This would result in the reversal, in the current period, of compensation expense previously recorded reflecting the fact that the employee failed to complete a specified service condition. These amendments are effective for transactions with a grant date on or after July 1, 2014. There is no impact on the company’s consolidated financial statements.

Amendments to IFRS 3, Business Combinations (contingent consideration)

In the second quarter of 2014, the IASB issued Amendments to IFRS 3, *Business Combinations*. The amendments clarify the guidance in respect of the initial classification requirements and subsequent measurement of contingent consideration. This will result in the need to measure the contingent consideration at fair value at each reporting date, irrespective of whether it is a financial instrument or a non-financial asset or liability. Changes in fair value will need to be recognized in profit and loss. These amendments are effective for transactions with acquisition dates on or after July 1, 2014. There is no impact on the company’s consolidated financial statements.

Accounting Standards issued but not yet effective**IFRS 9, Financial Instruments**

IFRS 9, *Financial Instruments* (“IFRS 9”) was issued by the IASB on July 24, 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9; fair value through profit or loss (“FVTPL”) and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative host contracts not within the scope of this standard. The effective date for this standard is for annual periods beginning on or after January 1, 2018. The company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 15, Revenue from Contracts and Customers (“IFRS 15”)

The IASB issued IFRS 15 on May 28, 2014, and will replace IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017. The company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2014 and 2013

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 approximates their carrying value due to their short term nature.

(b) Cash

Cash consists of cash at bank and cash on hand, and fair value 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.

(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 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.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2014 and 2013

5. SEASONALITY OF OPERATIONS

The company's operations have tended to exhibit a seasonal pattern. The first quarter is affected due to shutdown of exploration activities, often for extended periods over the holiday season (Christmas and New Year). The second quarter is typically affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week over the Easter holidays. In 2014, Easter occurred in the second quarter whereas, for 2013, the Easter shut-down 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 company has historically taken advantage of the wet season and has scheduled the third quarter for maintenance and rebuild programs for drill rigs and equipment. In the third quarter of 2014, the company continued to drill throughout the wet season. 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).

6. SEGMENT REPORTING

Segmented information is presented in respect of the Group's operating segments. The primary format (operating segments) is based on the Group's management and internal reporting structure, which is submitted to the Chief Executive Officer ("CEO") who is the Chief Operating Decision Maker. The Group's results and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly non-operating income, financing cost, taxation and corporate assets and liabilities which are managed centrally. The operating segments are based on geographical segments categorized as Ghana and Outside Ghana.

For the three months ended September 30, 2014, included in revenue are four customers who individually contributed 10% or more to the Group's revenue. One customer contributed 30%, one customer contributed 25%, one customer contributed 15% and one customer contributed 11%.

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

For the nine months ended September 30, 2014, included in revenue are four customers who individually contributed 10% or more to the Group's revenue. One customer contributed 25%, one customer contributed 14%, one customer contributed 11% and one customer contributed 10%.

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2014 and 2013

6. SEGMENT REPORTING (CONTINUED)

	Ghana		Outside Ghana (1)		Intra-group transaction		Total (2)	
	Three month period ended September, 30		Three month period ended September, 30		Three month period ended September, 30		Three month period ended September, 30	
	2014	2013	2014	2013	2014	2013	2014	2013
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	7,211	2,610	8,458	3,545	(4,902)	(2,124)	10,767	4,031
Cost of sales	(6,100)	(3,696)	(6,809)	(3,272)	5,118	2,324	(7,791)	(4,644)
Selling, general and administrative	(2,045)	(1,791)	(1,438)	(1,581)	103	112	(3,380)	(3,260)
Foreign exchange (loss) / gain	(98)	(32)	85	(38)	-	-	(13)	(70)
Results from operating activities	(1,032)	(2,909)	296	(1,346)	319	312	(417)	(3,943)
Other income	224	-	-	-	-	-	224	-
Finance income	1	-	-	1	-	-	1	1
Finance cost	(223)	(231)	(16)	(32)	-	-	(239)	(263)
Segment results	(1,030)	(3,140)	280	(1,377)	319	312	(431)	(4,205)
Capital expenditures	207	223	16	-			223	223
As at	Sep 30, 2014	Dec 31, 2013	Sep 30, 2014	Dec 31, 2013			Sep 30, 2014	Dec 31, 2013
	US\$ '000	US\$ '000	US\$ '000	US\$ '000			US\$ '000	US\$ '000
Non-current assets	45,493	52,462	380	382			45,873	52,844
Intra group balances							(5,314)	(6,279)
Per statement of financial position							40,559	46,565
Total assets	67,006	70,755	70,646	70,373			137,652	141,128
Intra group balances							(70,588)	(72,166)
Per statement of financial position							67,064	68,962
Total liabilities	74,120	73,324	7,708	5,784			81,828	79,108
Intra group balances							(65,261)	(65,865)
Per statement of financial position							16,567	13,243

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, for the three months ended September 30, 2014 was US\$5,124,832 (September 30, 2013: US\$2,268,608).

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

To present the prior period consistent with the current period figures, other income transactions in the group have been included in revenue.

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6. SEGMENT REPORTING (CONTINUED)

	Ghana		Outside Ghana (1)		Intra-group transactions		Total (2)	
	Nine month period ended September 30,		Nine month period ended September 30,		Nine month period ended September 30,		Nine month period ended September 30,	
	2014	2013	2014	2013	2014	2013	2014	2013
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenue	17,879	18,668	19,191	27,933	(11,179)	(12,948)	25,891	33,653
Cost of sales	(17,641)	(15,157)	(15,689)	(17,518)	11,860	12,805	(21,470)	(19,870)
Selling, general and administrative expenses	(5,828)	(7,791)	(4,201)	(5,290)	298	1,026	(9,731)	(12,055)
Foreign exchange gain / (loss)	23	(27)	(35)	255	-	-	(12)	228
Results from operating activities	(5,567)	(4,307)	(734)	5,380	979	883	(5,322)	1,956
Other income	224	-	-	-	-	-	224	-
Finance income	2	2	-	-	-	-	2	2
Finance cost	(607)	(763)	(40)	(108)	-	-	(647)	(871)
Segment results	(5,948)	(5,068)	(774)	5,272	979	883	(5,743)	1,087
Capital expenditures	593	1,393	162	-			755	1,393

(1) In the Outside Ghana segment, revenue attributable to the country of domicile of Geodrill Limited, being the Isle of Man, for the nine month period ended September 30, 2014 was US\$11,226,479 (September 30, 2013: US\$19,748,515).

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

To present the prior period consistent with the current period figures, other income transactions in the group have been included in revenue.

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

For the three and nine months ended September 30, 2014 and 2013

7. EXPENSES BY NATURE

The Group presents certain expenses in the condensed interim consolidated statements of comprehensive (loss) / income by function. The following table presents those expenses by nature:

	Three month period ended September 30,		Nine month period ended September 30,	
	2014	2013	2014	2013
	US\$	US\$	US\$	US\$
Expenses				
Drill rig expenses and fuel	3,406,187	1,212,937	8,771,850	6,773,145
Employee benefits	3,556,257	2,322,001	9,058,177	11,068,724
External services and contractors	1,703,346	1,223,619	5,418,348	5,702,735
Depreciation and amortization	2,195,603	2,366,954	6,858,895	7,164,259
Repairs and maintenance	336,970	193,053	1,084,015	712,504
Bad debt (recovery) / expense	(26,928)	585,492	10,089	503,256
	11,171,435	7,904,056	31,201,374	31,924,623

	Three month period ended September 30,		Nine month period ended September 30,	
	2014	2013	2014	2013
	US\$	US\$	US\$	US\$
Cost of sales	7,791,402	4,644,419	21,470,587	19,869,524
Selling, general and administrative expenses	3,380,033	3,259,637	9,730,787	12,055,099
	11,171,435	7,904,056	31,201,374	31,924,623

8. TAXATION**(i) Income tax expense / (recovery)**

	Three month period ended September 30,		Nine month period ended September 30,	
	2014	2013	2014	2013
	US\$	US\$	US\$	US\$
Current tax expense (iii)	496,456	183,940	1,026,150	1,858,917
Deferred tax recovery (iv)	(237,734)	(876,651)	(1,403,373)	(1,512,843)
	258,722	(692,711)	(377,223)	346,074

Current tax expense reflects taxes associated with the Group's drilling activities for the three and nine month periods ended September 30, 2014 outside Ghana. Deferred tax recovery relates to the origination and reversals of temporary differences in relation to Ghanaian corporate tax.

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8. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US\$	Tax asset utilized US\$	Payments during the period US\$	Charge for the period US\$	Balance at Sep. 30 US\$
2014	293,139	-	(837,916)	1,026,150	481,373

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

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

(iii) Reconciliation of effective tax rate

	Three month period ended September 30,		Nine month period ended September 30,	
	2014	2013	2014	2013
	US\$	US\$	US\$	US\$
(Loss) / income before tax	(431,250)	(4,204,878)	(5,742,910)	1,086,876
Deduct: Income / (loss) before tax subject to no corporate tax	599,235	(1,065,420)	205,045	6,154,581
Loss before tax subject to corporate tax in Ghana	(1,030,485)	(3,139,458)	(5,947,955)	(5,067,705)
Ghana corporate tax at 25%	(257,621)	(784,865)	(1,486,989)	(1,266,926)
Add:				
Withholding tax on revenue outside Ghana	496,456	183,940	1,026,150	1,858,917
Movement of temporary differences in Ghana	19,887	(91,786)	83,616	(245,917)
Total tax expense / (recovery)	258,722	(692,711)	(377,223)	346,074
Effective tax rate	60.0%	(16.5)%	(6.6)%	31.8%

To present the prior period consistent with the current period, the withholding tax for Ghana and outside Ghana have been combined, and the Ghana corporate tax and movement of temporary differences disclosed at September 30, 2013 have been separated out.

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8. TAXATION (CONTINUED)

(iv) Deferred tax liabilities

	September 30, 2014 US\$	December 31, 2013 US\$
Balance at January 1	1,411,215	2,928,558
Recovery for the period	(1,403,373)	(1,517,343)
Balance at end of period	7,842	1,411,215

(v) Recognized deferred tax assets and liabilities

Deferred tax liabilities are attributable to the following:

	September 30, 2014		
	Asset US\$	Liability US\$	Net US\$
Property, plant and equipment	-	350,267	350,267
Provision for inventory obsolescence	(162,186)	-	(162,186)
Allowance for doubtful debts	(180,239)	-	(180,239)
Total	(342,425)	350,267	7,842

	December 31, 2013		
	Asset US\$	Liability US\$	Net US\$
Property, plant and equipment	-	1,803,503	1,803,503
Provision for inventory obsolescence	(198,585)	-	(198,585)
Allowance for doubtful debts	(193,703)	-	(193,703)
Total	(392,288)	1,803,503	1,411,215

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9. PROPERTY, PLANT AND EQUIPMENT

2014	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Land & Leasehold Improvements US\$	Capital Work in Progress (CWIP) US\$	Total US\$
Cost						
Balance at January 1, 2014	5,572,804	19,485,315	50,884,356	2,004,715	4,217,580	82,164,770
Additions	-	-	-	155,826	598,887	754,713
Reclassifications from CWIP		931,256	1,896,870	6,098	(2,834,224)	-
Transfer from inventory	-	-	-	-	98,229	98,229
Assets retired during the period	(224,821)	(392,538)	(2,115,058)	-	-	(2,732,417)
Balance at September 30, 2014	5,347,983	20,024,033	50,666,168	2,166,639	2,080,472	80,285,295
Accumulated Depreciation						
Balance at January 1, 2014	4,836,588	11,161,120	18,972,332	630,083	-	35,600,123
Charge for the period	544,206	2,301,967	3,735,903	276,819	-	6,858,895
Assets retired during the period	(224,821)	(392,538)	(2,115,058)	-	-	(2,732,417)
Balance at September 30, 2014	5,155,973	13,070,549	20,593,177	906,902	-	39,726,601
Carrying amounts at September 30, 2014	192,010	6,953,484	30,072,991	1,259,737	2,080,472	40,558,694

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

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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	-	-	-	-	1,542,531	1,542,531
Disposal	-	(8,544)	-	-	-	(8,544)
Reclassifications from CWIP	-	720,445	480,517	165,734	(1,366,696)	-
Reclassifications from inventory	-	-	-	-	587,953	587,953
Assets retired during the period	-	(796,191)	(307,321)	-	-	(1,103,512)
Balance at December 31, 2013	5,572,804	19,485,315	50,884,356	2,004,715	4,217,580	82,164,770
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	1,265,680	3,009,965	4,957,543	391,837	-	9,625,025
Assets retired during the period	-	(796,191)	(307,321)	-	-	(1,103,512)
Balance at December 31, 2013	4,836,588	11,161,120	18,972,332	630,083	-	35,600,123
Carrying amounts at December 31, 2013	736,216	8,324,195	31,912,024	1,374,632	4,217,580	46,564,647

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

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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Three month period ended September 30,		Nine month period ended September 30,	
	2014	2013	2014	2013
	US\$	US\$	US\$	US\$
Cost of sales	1,994,390	1,947,666	6,037,871	5,895,364
Selling, general and administrative expenses	201,213	419,288	821,024	1,268,895
	<u>2,195,603</u>	<u>2,366,954</u>	<u>6,858,895</u>	<u>7,164,259</u>

As at September 30, 2014, property, plant and equipment with a carrying amount of US\$24,895,533 (September 30, 2013: US\$29,407,171) and inventories with a carrying amount of US\$4,704,385 (September 30, 2013: US\$6,926,943) have been pledged as security for certain loans (note 13).

10. INVENTORIES

	September 30, 2014 US\$	December 31, 2013 US\$
Inventories on hand	13,137,023	14,853,239
Inventories in transit	320,106	485,956
Provision for obsolescence	(648,742)	(734,283)
	<u>12,808,387</u>	<u>14,604,912</u>

The amount of inventories recognized as expense in the three and nine months ended September 30, 2014 is US\$3,336,969 and US\$9,676,160, respectively (September 30, 2013: US\$1,310,703 and US\$7,206,709). Inventory write downs in the three and nine months ended September 30, 2014 amounted to US\$59,672 and US\$349,412 (September 30, 2013: US\$585,492 and US\$1,002,594).

11. TRADE AND OTHER RECEIVABLES

	September 30, 2014 US\$	December 31, 2013 US\$
Trade receivables	11,133,943	4,509,963
Allowance for doubtful accounts	(972,157)	(1,026,013)
Net trade receivables	<u>10,161,786</u>	<u>3,483,950</u>
Cash advances	59,368	82,278
Sundry receivables	75,928	112,155
	<u>10,297,082</u>	<u>3,678,383</u>

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11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The movements in the allowance for doubtful accounts is as follows:

	September 30, 2014	December 31, 2013
	US\$	US\$
Balance at January 1	1,026,013	307,237
Provisions made in the period	63,945	1,270,169
Receivables collected in the period	(53,856)	-
Receivables written off during the period as uncollectible	(63,945)	(551,394)
Balance at end of period	972,157	1,026,013

Trade and other receivables are recorded at amortized cost. Bad debt expense recorded on trade and other receivables during the three and nine months ended September 30, 2014 amounted to US\$Nil and US\$63,945 (September 30, 2013: US\$585,492 and US\$1,002,594).

An amount of US\$223,814 was received by the Group in September 2014 as part payment on the insurance proceeds, in respect of a damaged drill rig, and has been included as other income in the condensed interim consolidated statements of comprehensive (loss) / income. However, the total amount of the insurance proceeds is not yet determinable as at September 30, 2014.

12. CASH

	September 30, 2014	December 31, 2013
	US\$	US\$
Cash at bank	1,921,404	3,044,465
Cash on hand	168,697	164,615
	2,090,101	3,209,080

As at September 30, 2014, cash of US\$2,090,101 was available to the Group (December 31, 2013, US\$3,209,080).

13. LOANS PAYABLE

	September 30, 2014	December 31, 2013
	US\$	US\$
Term Loans (i)	1,995,000	3,966,825
Equipment Loans (ii)	739,130	1,847,825
Credit Line (iii)	5,000,000	700,000
Total	7,734,130	6,514,650
Current portion of loans	1,549,540	5,445,085
Non-current loans	6,184,590	1,069,565

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13. LOANS PAYABLE (CONTINUED)**(i) Term loans**

On July 29, 2014, the Group entered into a term loan with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US\$2 million (the "US\$2 million"). The US\$2 million is for a period of 2 years, repayable interest only for 120 days, and thereafter, repayable interest and principal quarterly in equal amounts required to satisfy the principal over the term of the loan. The US\$2 million bears interest at a rate of 10.5% per annum and is subject to periodic review in line with money market conditions. The US\$2 million is secured by certain assets of the Group. The US\$2 million 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 US\$2 million is 10.98%. The US\$2 million is subject to, and as at September 30, 2014 the Group is in compliance with, normal course non-financial covenants.

On September 19, 2012, the Group entered into a term loan with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of US\$10 million (the "US\$10 million"). The US\$10 million was for a period of 2 years, repayable quarterly, bore interest at a rate of 10.5% per annum and was secured by certain assets of the Group. The effective interest rate of the loan was 10.73%. During the term of the arrangement, the loan was subject to, and the Group was in compliance with, normal course non-financial covenants. The final instalment was repaid during the period and the US\$10 million is now fully repaid.

(ii) Equipment loans

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

On February 25, 2012, the Group entered into a Sale and Purchase agreement ("Agreement 2") with Sandvik Mining and Construction Oy ("Sandvik") relating to the purchase of three drill rigs with a total cost price of US\$2.6 million. Agreement 2 requires a down payment and the repayment of the balance over a period of 36 months with payments being made once a quarter. The loan bears interest at 7% per annum, includes an arrangement fee and stipulates that final title to the rigs will only pass once the capital amount has been settled. All other risks and rewards of ownership lie with the Group. The effective interest rate of the loan is 7.10%.

(iii) Credit line

On October 7, 2013, the Group entered into a credit line agreement (the "Credit Line") with Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, in the amount of up to US\$5 million. The Credit Line is for a period of 2 years from the date of the first drawdown, repayable interest only quarterly and principal amount at maturity, bears interest at a rate of 10.5% per annum on any utilized portion and 1% per annum on any unutilized portion, and is secured by certain assets of the Group. The Credit Line may be repaid prior to maturity by the Group without penalty, bonus or other costs other than interest accrued to the date of such repayment. The Credit Line is subject to, and as at September 30, 2014 the Group is in compliance with, normal course non-financial covenants. As at September 30, 2014, US\$5 million has been drawn on the Credit Line.

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14. TRADE AND OTHER PAYABLES

	September 30, 2014 US\$	December 31, 2013 US\$
Trade payables	3,190,509	1,203,306
Creditors and accrued expenses	3,083,432	2,474,591
VAT liability	1,146,447	423,504
	<u>7,420,388</u>	<u>4,101,401</u>

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 US\$	Other Financial Liabilities US\$	Carrying Amount US\$	Total Fair Value US\$
September 30, 2014				
Financial assets				
Trade and other receivables	10,297,082	-	10,297,082	10,297,082
Cash	2,090,101	-	2,090,101	2,090,101
	<u>12,387,183</u>	<u>-</u>	<u>12,387,183</u>	<u>12,387,183</u>
Financial liabilities				
Trade and other payables	-	6,273,941	6,273,941	6,273,941
Related party payables	-	923,025	923,025	923,025
Loans payable	-	7,734,130	7,734,130	7,734,130
	<u>-</u>	<u>14,931,096</u>	<u>14,931,096</u>	<u>14,931,096</u>
December 31, 2013				
Financial assets				
Trade and other receivables	3,678,383	-	3,678,383	3,678,383
Cash	3,209,080	-	3,209,080	3,209,080
	<u>6,887,463</u>	<u>-</u>	<u>6,887,463</u>	<u>6,887,463</u>
Financial liabilities				
Trade and other payables	-	3,677,897	3,677,897	3,677,897
Related party payables	-	923,025	923,025	923,025
Loans payable	-	6,514,650	6,514,650	6,514,650
	<u>-</u>	<u>11,115,572</u>	<u>11,115,572</u>	<u>11,115,572</u>

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

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16. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest	
			2014	2013
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
D.S.I. Services Limited	Subsidiary	British Virgin Islands	100%	100%
Geotool Limited	Subsidiary	British Virgin Islands	100%	100%
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	100%
Geo-Forage Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geo-Forage Mali SARL	Subsidiary	Mali	100%	100%
Geo-Forage Senegal SARL	Subsidiary	Senegal	100%	-
Geo-Forage DRC SARL	Subsidiary	Democratic Republic of Congo	100%	-
Geodrill Limited in Zambia	Registered foreign operating entity	Zambia	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, 2013: 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 terms of the five year lease agreement include: (i) the annual rent payable shall be reviewed on an upward only basis every two years based on the average price of two firms of real estate valuers/surveyors or real estate agents; (ii) at the end of the original five year lease term, Geodrill Ghana Limited shall have the option to renew the lease for an additional five year term with similar rent and conditions; and (iii) either party may terminate the lease agreement provided they give the other party 12 months' notice.

On October 1, 2012 in conjunction with the rent review, Geodrill Ghana Limited agreed to increase the rent for the Anwiankwanta property to US\$140,000 per annum and the rent for the Accra property to US\$60,000 per annum for a period of two years effective October 1, 2012. The rent for these properties will be reviewed again in the fourth quarter of 2014. The lease expires on September 30, 2015.

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16. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties (continued)

Future operating lease commitments related to the properties are:

	September 30, 2014 US\$	December 31, 2013 US\$
Payable within one year	200,000	200,000
Payable between 1 and 5 years	-	150,000
Total	200,000	350,000

During the three and nine month periods ended September 30, 2014 lease payments amounted to US\$50,000 and US\$150,000, respectively (September 30, 2013: US\$50,000 and US\$150,000).

(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.

Effective May 10, 2013 Clearwater Fiduciary Services Limited was appointed as the licensed and regulated fiduciary service provider to D.S.I. Services Limited and Geotool Limited. From May 31, 2013, Clearwater Fiduciary Services Limited replaced City Trust as registered agent of Geodrill. One of the directors of Clearwater Fiduciary Services Limited was also a director of Geodrill until May 10, 2014. Fees paid to Clearwater Fiduciary Services Limited for the three and nine month periods ended September 30, 2014 amounted to US\$Nil and US\$Nil, respectively (2013: US\$Nil and US\$Nil).

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

	Three month period ended September 30,		Nine month period ended September 30,	
	2014 US\$	2013 US\$	2014 US\$	2013 US\$
Short-term benefits	669,671	383,473	1,586,043	1,146,711
Share-based payment arrangements	7,526	73,791	144,140	407,841
	677,197	457,264	1,730,183	1,554,552

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The related party payable outstanding as at September 30, 2014 amount to US\$923,025 (December 31, 2013: US\$923,025). The related party payable is to TransTraders Limited, is unsecured, interest free and is repayable on demand at the option of the lender.

17. COMMITMENTS**(i) Lease commitments**

Future operating lease commitments related to the properties are:

	September 30, 2014	December 31, 2013
	US\$	US\$
Payable within one year	332,000	272,000
Payable between 1 and 5 years	270,000	384,000
Total	602,000	656,000

(ii) Capital commitments

Previously the Group had contracted with a supplier for the purchase of two drill rigs. In 2013, it was agreed between the Group and the supplier to cancel the purchase of one of the drill rigs and to put the delivery of the other drill rig on hold until further notice. Total commitments relating to the outstanding drill rig and spare parts amount to US\$850,000 (December 31, 2013: US\$1,250,000).

18. SHARE CAPITAL AND RESERVES**(i) Share capital**

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

Share capital

	September 30, 2014	December 31, 2013
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 the shareholders' meetings of the company.

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

(iii) Retained earnings

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

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

The calculation of basic (loss) / earnings per share for the three and nine months ended September 30, 2014 was based on the (loss) / profit attributable to ordinary shareholders of US\$(689,972) and US\$(5,365,687), (September 30, 2013, US\$(3,512,167) and US\$740,802), respectively and on the weighted average number of ordinary shares outstanding of 42,512,000 (2013: 42,512,000) calculated as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2014 US\$	2013 US\$	2014 US\$	2013 US\$
(Loss) / profit attributable to ordinary shareholders	(689,972)	(3,512,167)	(5,365,687)	740,802
Weighted average number of ordinary shares	Three month period ended September 30,		Nine month period ended September 30,	
	2014 US\$	2013 US\$	2014 US\$	2013 US\$
Issued ordinary shares	42,512,000	42,512,000	42,512,000	42,512,000
(Loss) / earnings per share	\$(0.02)	\$(0.08)	\$(0.13)	\$0.02

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

The calculation of diluted (loss) / earnings per share for the three and nine month periods ended September 30, 2014 was based on the (loss) / income attributable to ordinary shareholders of US\$(689,972) and US\$(5,365,687), (September 30, 2013, US\$(3,512,167) and US\$740,802), 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 (2013: 42,512,000), calculated as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2014	2013	2014	2013
	US\$	US\$	US\$	US\$
(Loss) / profit attributable to ordinary shareholders	(689,972)	(3,512,167)	(5,365,687)	740,802
Weighted average number of ordinary shares - diluted				
	Three month period ended September 30,		Nine month period ended September 30,	
	2014	2013	2014	2013
	Shares	Shares		
Weighted average number of ordinary shares - basic	42,512,000	42,512,000	42,512,000	42,512,000
Effect of share options in issue (1) (2)	-	-	-	171,429
	42,512,000	42,512,000	42,512,000	42,683,429
Diluted / (Loss) earnings per share	\$(0.02)	\$(0.08)	\$(0.13)	\$0.02

(1) For the three and nine months ended September 30, 2014 and the three months ended September 30, 2013, as there is a loss attributable to ordinary shareholders, share options in issue are anti dilutive and are not included in the calculation of the diluted earnings per share.

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

20. DIVIDENDS

No dividends were paid during the nine month periods ended September 30, 2014 and September 30, 2013, nor were dividends declared through to November 7, 2014.

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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 Group's employees, directors, consultants and advisors through the granting of stock options.

The maximum aggregate number of Ordinary Shares reserved for issuance pursuant to the SOP shall not exceed 10% of the total number of Ordinary Shares then outstanding. The maximum number of Ordinary Shares reserved for issuance pursuant to the SOP and any other security-based compensation arrangements of the company is 10% of the total number of Ordinary Shares then outstanding. Stock options granted are in Canadian Dollars ("C\$").

	September 30, 2014		December 31, 2013	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	2,790,000	C\$2.11	2,610,000	C\$2.34
Granted May 23, 2013	-	-	360,000	C\$0.81
Granted May 22, 2014	390,000	C\$0.84	-	-
Total Granted	390,000	C\$0.84	360,000	C\$0.81
Forfeited October 31, 2013	-	-	(180,000)	C\$2.80
Total Forfeited	-	-	(180,000)	C\$2.80
Balance ending	3,180,000	C\$1.96	2,790,000	C\$2.11

The following table summarizes the options outstanding at September 30, 2014:

Options series	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
(1) Granted on December 16, 2010	C\$2.00	990,000	1 Yr & 2 mos	990,000
(2) Granted on March 11, 2011	C\$3.48	360,000	1 Yr & 5 mos	360,000
(3) Granted on November 9, 2011	C\$2.11	630,000	2 Yrs & 1 mos	630,000
(4) Granted on March 13, 2012	C\$3.41	180,000	2 Yrs & 5 mos	180,000
(5) Granted on October 15, 2012	C\$1.57	270,000	2 Yrs & 10 mos	180,000
(6) Granted on May 23, 2013	C\$0.81	360,000	3 Yrs & 8 mos	360,000
(7) Granted on May 22, 2014	C\$0.84	390,000	4 Yrs & 8 mos	390,000

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and nine months ended September 30, 2014 and 2013***21. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)****(i) Share Option Plan (“SOP”) (continued)**

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

	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7
Risk free interest rate	3%	3%	3%	1.55%	1.33%	1.28%	1.37%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Stock price volatility	33%	56%	34%	53%	53%	53%	55%
Expected life of options	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	0%	0%	0%	0%	30%	0%	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.