GEODRILL LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

GEODRILL LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
for the years ended 31 December 2010 and 2009

I N D E X

GEODRILL LIMITED

REPORT OF THE DIRECTORS TO THE MEMBERS OF GEODRILL LIMITED

for the years ended 31 December 2010 and 2009

The Directors present the consolidated financial statements of Geodrill Limited for the years ended 31 December 2010 and 2009. The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and also has the responsibility for approving the financial information included in the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY STATEMENT

Management is responsible for the preparation and fair presentation of the consolidated financial statements, comprising the consolidated statements of financial position at 31 December 2010 and 2009, consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

Management's responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Management's responsibility also includes maintaining adequate accounting records and an effective system of risk management.

Management's has made an assessment of Group's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the foreseeable future.

FINANCIAL STATEMENTS

The results for the year are as set out in the attached financial statements.

NATURE OF BUSINESS

The Group provides exploration, drilling and mining support services.

APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group were approved by the Board of Directors on March 11, 2011 and are signed on their behalf by:

(signed) "*John Bingham*"
DIRECTOR

(signed) "*Allen Palmiere*"
DIRECTOR

KPMG

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Independent Auditor's Report

To the Members of Geodrill Limited

Report on the Audit of Financial Statements

We have audited the accompanying consolidated financial statements of Geodrill Limited and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position at 31 December 2010 and 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 50.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at 31 December 2010 and 2009, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG Inc.

Per RG Stoltz
Chartered Accountant (SA)
Registered Auditor
Director
11 March 2011

GEODRILL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the years ended 31 December 2010 and 2009

	Note	2010 US$	2009 US$
Assets			
Non-current assets			
Property, plant and equipment	12	29 908 832	18 827 365
Long term prepayment	13	-	65 183
Total non-current assets		29 908 832	18 892 548
Current assets			
Inventories	14	7 581 220	401 243
Trade and other receivables	15	7 130 906	6 885 240
Cash and cash equivalents	16	10 183 088	655 617
Total current assets		24 895 214	7 942 100
Total assets		54 804 046	26 834 648
Equity and liabilities			
Equity			
Share capital		21 184 590	4
Share based payment reserve		490 990	-
Retained earnings		20 319 955	17 588 092
Total equity		41 995 535	17 588 096
Liabilities			
Non-current liabilities			
Deferred tax liability	11(iv)	3 040 338	2 806 008
Total non-current liabilities		3 040 338	2 806 008
Current liabilities			
Trade and other payables	17	8 845 148	4 701 876
Bank overdraft	18	-	463 994
Related party payables	21(iii)	923 025	615 371
Short-term loan	31	-	600 000
Income tax liability	11(ii)	-	59 303
Total current liabilities		9 768 173	6 440 544
Total liabilities		12 808 511	9 246 552
Total liabilities and equity		54 804 046	26 834 648

GEODRILL LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the years ended 31 December 2010 and 2009

	Note	2010 US$	2009 US$
Revenue	6	45 062 630	25 629 542
Cost of sales		(22 669 109)	(15 342 543)
Gross profit		22 393 521	10 286 999
Selling, general and administrative expenses		(12 166 142)	(5 179 566)
Other income	7	15 116	1 973
Results from operating activities		10 242 495	5 109 406
Finance income	10(i)	52 244	2 922
Finance cost	10(ii)	(2 464 558)	(341 601)
Net finance cost	10	(2 412 314)	(338 679)
Profit before taxation	8	7 830 181	4 770 727
Income tax expense	11(i)	(2 748 318)	(751 320)
Profit for the year		5 081 863	4 019 407
Other comprehensive income		-	-
Total comprehensive income for the year		5 081 863	4 019 407
Earnings per share			
Basic	26 (i)	0.17	0.13
Diluted	26 (ii)	0.16	0.13

GEODRILL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the years ended 31 December 2010 and 2009

	Share Capital	Share Based Payment Reserve	Retained Earnings	Total Equity
	US$	US$	US$	US$
Balance at 1 January 2010	4	-	17 588 092	17 588 096
Total comprehensive income for the year	-	-	5 081 863	5 081 863
Transactions with owners, recorded directly in equity				
Issue of ordinary shares / (net of transaction costs)	17 233 376	-	-	17 233 376
Convertible loan exercised (net of transaction costs)	3 951 210	-	-	3 951 210
Share base payment transactions	-	490 990	-	490 990
Dividends to equity holders	-	-	(2 350 000)	(2 350 000)
Balance at 31 December 2010	21 184 590	490 990	20 319 955	41 995 535
Balance at 1 January 2009	4	-	13 568 685	13 568 689
Total comprehensive income for the year	-	-	4 019 407	4 019 407
Balance at 31 December 2009	4	-	17 588 092	17 588 096

GEODRILL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW
for the years ended 31 December 2010 and 2009

	Note	2010 US$	2009 US$
Cash flows from operating activities			
Profit before taxation		7 830 181	4 770 727
Adjustments for:			
Depreciation charges		4 060 081	3 147 541
Amortisation charges		1 089	3 725
Loss on disposal of property, plant and equipment		208 576	10 664
Transfer from Property Plant and Equipment to inventory		294 781	-
Provision for obsolescence (reversed)/raised		(100 371)	25 138
Equity-settled share based payment transaction		490 990	-
Net finance cost		2 412 314	338 679
		15 197 641	8 296 474
Change in inventories		(7 079 606)	(125 449)
Change in trade and other receivables		(245 666)	(2 394 540)
Change in trade and other payables		4 143 272	1 830 876
Change in related party payables		307 654	(488 583)
Cash generated from operations		12 323 295	7 118 778
Finance income		52 244	2 922
Finance expense		(476 977)	(341 601)
Income tax paid		(2 573 291)	(794 778)
Net cash from operating activities		9 325 271	5 985 321
Cash flows from investing activities			
Acquisition of property, plant and equipment		(17 726 801)	(6 634 048)
Proceeds from sale of property, plant and equipment		1 000	3 779
Long term prepayment		(5 010)	(4 069)
Net cash used in investing activities		(17 730 811)	(6 634 338)
Cash flows from financing activities			
Change in short-term loan		(600 000)	600 000
Net proceed from issue of share capital		19 197 005	-
Dividends declared	28	(2 350 000)	-
Dividends settled in specie	28	2 150 000	-
Net cash from financing activities		18 397 005	600 000
Net increase / (decrease) in cash and cash equivalents		9 991 465	(49 017)

GEODRILL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)
for the years ended 31 December 2010 and 2009

Analysis of changes in cash and cash equivalents during the year		
Balance at 1 January	191 623	240 640
Net cash inflow / (outflow)	9 991 465	(49 017)
Balance at 31 December	10 183 088	191 623

Analysis of balances of cash and cash equivalents as shown in the statement of financial position		
Cash and cash equivalents	10 183 088	655 617
Bank overdraft	-	(463 994)
	10 183 088	191 623

1. REPORTING ENTITY

Geodrill Limited ("the company") is a company registered and domiciled in Isle of Man. The address of the company's registered office is *First Floor, 18 Peel Road, Ragnall House, Isle of Man, IM1 4LZ*. The consolidated financial statements of the company as at and for the year ended 31 December 2010 comprises the company and its subsidiaries, Geodrill Ghana Limited, Geodrill Cote d'Ivoire SARL and Drill Supplies International Services Ltd ("DSI") together referred to as the "Group". The Group is primarily involved in the provision of exploration, drilling and other mining services.

2. BASIS OF PREPARATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

b. Basis of measurement

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

c. Functional and presentational currency

The financial statements are presented in United States Dollars which is the company's functional and presentational currency.

d. Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are described in notes 3.e, 3.f, 4 and 20.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a. Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Special purpose entities

A special purpose entity (SPE) is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

(iii) Transactions eliminated on consolidation

Intra-Group balances and any unrealised income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Financial Instruments

(i) Recognition

Non-derivative financial instruments are recognised on the date that they are originated. Initially, they are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less impairment losses, if any.

(ii) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows or the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities are derecognised when its contractual obligation are discharged, cancelled or expired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Classification

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents (including bank overdrafts), loans and borrowings and trade and other payables.

Non-derivative financial instruments are categorised as follows:

- Loans and receivables – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest rate method and for receivables less appropriate allowances for doubtful receivables. Allowances for doubtful receivables represents the Group's estimate of incurred losses arising from the failure or inability of customers to make payments when due. These estimates are based on ageing of customer's balances, specific credit circumstances, and the Group's receivables historical experience. An allowance is reduced directly against the carrying amount.

- Cash and cash equivalents

  Cash and cash equivalents comprise cash on hand and bank balances and are stated at the carrying value which approximates fair value, in the statement of financial position.

- Other financial liabilities - this relates to all financial liabilities not carried at fair value through profit or loss.

(iv) Amortised cost measurement

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The fair values of financial instruments are determined using market prices for quoted instruments and widely accepted valuation techniques for other instruments. Valuation techniques include discounted cash flows, standard valuation models based on market parameters, dealer quotes for similar instruments and expert valuation.

When fair values of unquoted instruments cannot be measured with sufficient reliability, such instruments are carried at cost less impairments, if applicable.

(v) Off setting

Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Off setting (Continued)

Income and expenses are presented on a net basis when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(vi) Share capital

Proceeds from the issue of ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(vii) Compound financial instrument

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity component in the proportion of their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and gains and losses related to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

c. Foreign Currency Transactions

Foreign currency transactions are translated to the functional currency of the Group using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the statement of comprehensive income. Non-monetary assets and liabilities are translated at historical exchange rates, if held at historical cost or at exchange rates at the date that fair value was determined if held at fair value. The resulting foreign exchange gains and losses are recognised in the statement of comprehensive income or shareholders' equity as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. **Leases**

(i) Classification

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are stated as assets of the Group at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs are charged to the statement of comprehensive income over the term of the relevant lease so as to produce a constant periodic interest charge on the remaining balance of the obligations for each accounting period.

Leases where significant portions of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(ii) Lease payments

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. Minimum lease payments made under finance leases are apportioned between the finance expense and a reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

e. **Property, Plant and Equipment**

(i) Recognition and measurement

Items of property, plant and equipment (PPE) are measured at acquisition or construction cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Property, Plant and Equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day maintenance, repair and servicing expenditures incurred on property, plant and equipment are recognised in the statement of comprehensive income, as incurred.

(iii) Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Assets leased under a finance lease are depreciated over their useful lives.

The estimated useful lives of major classes of depreciable property, plant and equipment are:

Motor Vehicles	-	5 years
Furniture and Equipment	-	5 years
Plant and Machinery	-	5 years
Building and Structures	-	20 years
Drilling Rigs	-	3-12 years

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from disposal with the carrying amounts of property, plant and equipment and are charged to income.

(iv) Impairment

The carrying amount of the Group's property, plant and equipment is reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of the cash-generating units is based on value-in-use calculations. These calculations require an estimation of the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Changes in these estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of spare parts is based on the first-in first-out principle and includes expenditure incurred in acquiring/building the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

g. Employee Benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution schemes are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

h. Income tax

Income tax expense comprises current and deferred tax. The Group provides for income taxes at the current tax rates on the taxable profits of the Group entities.

Current tax and deferred tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Income tax (Continued)

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax that arise from the distribution of dividends, are recognised at the same time as the liability to pay the related dividend is recognised.

i. Dividends

Dividends payable/receivable is recognised as an expense/income in the period in which the dividend is appropriately authorised.

j. Revenue – Drilling income

Revenue from the provision of service in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Drilling income is recognised as revenue when the outcome of the drilling can be estimated reliably and by reference to stage of completion of the drilling at the end of the reporting period. The stage of completion is assessed by reference to the actual chargeable meters drilled.

The outcome can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the drilling service rendered will flow to the Group
- the stage of completion of the drilling service at the end of the reporting period can be measured reliably
- the costs incurred for and to complete the drilling can be measured reliably

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Finance income

Finance income comprises interest income on funds invested or held in bank accounts. Interest income is recognised in the statement of comprehensive income using the effective interest method.

l. Finance cost

Finance expenses comprise interest expense on borrowings including all financing arrangements. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of comprehensive income using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

m. Post balance sheet events

Events subsequent to the balance sheet date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

n. Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential shares, which comprise of convertible notes and share options granted to employees.

o. Comparatives

Where necessary, the comparative information has been changed to agree to the current year presentation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. New Standards and Interpretations not yet adopted

At the date of authorisation of the financial statements of the Group for the year ended 31 December 2010 the following Standards and Interpretations, which are applicable to the Group, were in issue but not yet effective:

Standard/Interpretation		Effective date
IAS 24 (revised)	*Related Party Disclosures*	Annual periods beginning on or after 1 January 2011*
IAS 32 amendment	*IAS 32 Financial Instruments: Presentation: Classification of Rights Issues*	Annual periods beginning on or after 1 February 2010*
11 individual amendments to 6 standards	*Improvements to International Financial Reporting Standards 2010*	Amendments are effective for annual periods beginning on or after 1 July 2010 or for annual periods beginning on or after 1 January 2011*
IFRS 7 amendment	*Disclosures – Transfers of Financial Assets*	Annual periods beginning on or after 1 July 2011*
IFRS 9	*Financial Instruments*	Annual periods beginning on or after 1 January 2013*
IFRS 9	*Additions to IFRS 9 Financial Instruments*	Annual periods beginning on or after 1 January 2013*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*	Annual periods beginning on or after 1 July 2010*

* All Standards and Interpretations will be adopted at their effective date.

The directors are of the opinion that the impact of the application of the Standards and Interpretations will be as follows:

<u>IAS 24 (revised):</u>

IAS 24 (revised) will be adopted by the Group for the first time for its financial reporting period ending 31 December 2011. The standard will be applied retrospectively.

IAS 24 (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities.

The change in the definition of a related party will not result in any new related party relationships being identified by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. New Standards and Interpretations not yet adopted (continued)

IAS 32 amendment:

The amendment to IAS 32 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2011.

IAS 32 requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants *pro rata* to all of its existing owners of the same class of its own non-derivative equity instruments.

The impact on the financial statements for the Group has not yet been estimated.

Improvements to IFRS 2010:

If an improvement will be material to an entity in the first period of adoption, disclosure of this amendment will be made.

The impact on the financial statements for the Group has not yet been estimated.

IFRS 7 amendment:

The amendments to IFRS 7 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2012.

In terms of the amendments additional disclosure will be provided regarding transfers of financial assets that are:
- not derecognised in their entirety; and
- derecognised in their entirety but for which the Group retains continuing involvement.

Additional disclosures will be made by the Group, as required, if the above situations arise.

IFRS 9:

IFRS 9 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2013. The standard will be applied retrospectively, subject to transitional provisions.
IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements for the Group has not yet been estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. New Standards and Interpretations not yet adopted (continued)

Additions to IFRS 9:

The additions to IFRS 9 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2013. The standard will be applied retrospectively, subject to transitional provisions.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, barring the following two aspects:

- fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining change is recognised in profit or loss. However, if the requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

- Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement, derivatives embedded in host contracts that are not financial assets, and the requirements of IFRIC 9 *Reassessment of Embedded Derivatives.*

The impact on the financial statements for the Group has not yet been estimated.

IFRIC 19:

IFRIC 19 will be adopted by the Group for the first time for its financial reporting period ending 31 December 2011. The standard will be applied retrospectively.

IFRIC 19 addresses the accounting treatment for the extinguishment of financial liabilities with equity instruments.

Under IFRIC 19 (AC 452), equity instruments issued to a creditor to extinguish all or part of a financial liability would represent “consideration paid”. The equity instruments will be measured on initial measurement at their fair value, unless such fair value cannot be reliably measured, in which case the fair value of the financial liability will be used. The difference between the carrying amount of the financial liability (or part thereof) extinguished and the initial measurement amount of the equity instruments shall be recognised in profit or loss.

The impact on the financial statements for the Group has not yet been estimated.

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 disclosed under note 20.

(a) Loans and 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. Receivables due within 60 days are not discounted as the carrying values approximate their fair values.

(b) Cash and cash equivalents

The fair value of cash and cash equivalents approximates their carrying values.

(c) Other financial liabilities

Fair value, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows, discounted at the market rates of interest at the reporting date. Instruments with maturity period of 6 months are not discounted as their carrying values approximate their fair values.

(d) Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility (based on an evaluation of similar entities volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. 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 categorised as Ghana and outside Ghana.

5. SEGMENT REPORTING (CONTINUED)

Class of Business *(The reported numbers are in US$ thousands)*

	Ghana		Outside Ghana		Intra-group transactions		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
Revenue	27 752	13 460	20 130	16 820	(2 820)	(4 650)	45 062	25 630
Cost of sales	(13 474)	(9 347)	(14 865)	(12 345)	5 670	6 350	(22 669)	(15 342)
Selling, general and administrative	(10 091)	(4 497)	(2 630)	(683)	555	-	(12 166)	(5 180)
Segment results	4 187	(384)	2 635	3 792	3 405	1 700	10 227	5 108
Other income	2 850	1 702	570	-	(3 405)	(1 700)	15	2
Operating profit before finance cost	7 037	1 318	3 205	3 792	-	-	10 242	5 110
Finance income	23	2	2 379	1	(2 350)	-	52	3
Finance cost	(99)	(330)	(2 365)	(12)	-	-	(2 464)	(342)
Segmented results	6 961	990	3 219	3 781	(2 350)	-	7 830	4 771
Total assets	44 610	27 349	41 599	12 877			86 209	40 226
Intra-group balances							(31 405)	(13 391)
Per statement of financial position							54 804	26 835
Total liabilities	28 385	13 952	15 598	8 455			43 983	22 407
Intra-group balances							(31 174)	(13 160)
Per statement of financial position							12 809	9 247

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	2010 US$	2009 US$
6. REVENUE		
Drilling income	45 062 630	25 629 542
	========	========
7. OTHER INCOME		
Sundry income	15 116	1 973
	=======	========
8. PROFIT BEFORE TAXATION is stated after charging:		
Depreciation charges	4 060 081	3 147 541
Amortisation charges	1 089	3 725
Personnel costs (Note 9)	8 234 809	3 006 967
Provision for inventory obsolescence (reversed)/raised	(100 371)	25 138
(Profit)/Loss on sale of property, plant and equipment (Note 12b)	208 576	10 664
Doubtful debts written off	-	302 634
	=======	=======
9. PERSONNEL COSTS		
Wages and salaries	7 101 307	2 591 335
Social security contributions	108 002	74 304
Contributions to provident fund	48 372	25 118
Bonuses	682 391	271 583
Other staff expenses	110 616	44 627
Equity settled share based payment transactions (excluding directors)	184 121	-
	------------	-------------
	8 234 809	3 006 967
	=======	========
10. FINANCE INCOME AND COSTS		
(i) Finance income		
Interest income on cash and cash equivalents	52 244	2 922
	-----------	-----------

	2010 US$	2009 US$

10. FINANCE INCOME AND COSTS (CONTINUED)

(ii) Finance cost

	2010 US$	2009 US$
Interest expense on financial liabilities	346 678	128 059
Net exchange loss	130 299	213 542
	476 977	341 601
Fair value determination on convertible loan note	1 987 581	-
	2 464 558	341 601
Net finance cost	2 412 314	338 679

11. TAXATION

(i) **Income tax expense**

	2010 US$	2009 US$
Current tax expense (ii)	2 513 988	700 271
Deferred tax expense (iv)	234 330	51 049
	2 748 318	751 320

Deferred tax credit/expense relates to the origination and reversals of temporary differences.

(ii) **Taxation payable**

	Balance at 1 January US$	Payments during the year US$	Charge for the year US$	Balance at 31 December US$
Income Tax				
2010	59 303	(2 573 291)	2 513 988	-
2009	153 810	(794 778)	700 271	59 303

Tax liabilities up to and including the 2008 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.

11. TAXATION (CONTINUED)

(iii) Reconciliation of effective tax rate

	2010 US$	2009 US$
Profit before taxation	7 830 181	4 770 727
Proportion of profit before taxation subject to no corporate taxation	868 591	3 780 808
Proportion of profit before taxation subject to corporate taxation at a rate of 25%	6 961 590	989 919
	7 830 181	4 770 727
Current year taxation per tax jurisdiction		
- Ghana Corporate taxation (including deferred tax)	1 783 115	503 951
- Burkina Faso minimum withholding tax	965 203	247 369
Total tax charge	2 748 318	751 320
Reconciliation of taxation expense		
Income tax using the domestic tax rate (Isle of Man)	-	-
Income tax at rate for Ghana taxable earnings		
- Using Ghana tax rate	1 740 398	247 479
- Non-temporary differences	42 717	256 472
Minimum withholding tax (Burkina Faso)	965 203	247 369
	2 748 318	751 320
Effective tax rate	35.1%	15.7%

(iv) Deferred taxation

	2010 US$	2009 US$
Balance at 1 January	2 806 008	2 754 959
Charge for the year	234 330	51 049
Balance at 31 December	3 040 338	2 806 008

11. TAXATION (CONTINUED)

(v) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

		2010	
	Asset	**Liability**	**Net**
	US$	**US$**	**US$**
Property, plant and equipment	-	3 040 338	3 040 338
	=======	=======	=======

		2009	
	Asset	**Liability**	**Net**
	US$	**US$**	**US$**
Property, plant and equipment	-	2 806 008	2 806 008
	=======	=======	=======

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. PROPERTY, PLANT AND EQUIPMENT

	Buildings US$	Motor Vehicles US$	Plant & Equipment US$	Furniture & Fittings US$	Drilling Rigs US$	Capital Work in Progress (CWIP) US$	Total US$
2010							
Cost							
Balance at 1 January	1 976 831	2 497 022	6 584 026	80 603	17 653 474	287 529	29 079 485
Additions	575 402	639 229	2 881 779	48 231	4 459 272	9 122 888	17 726 801
Transfers from CWIP	-	-	287 529	-	-	(287 529)	-
Distribution to shareholders/disposals	(2 552 233)	(269 440)	-	-	-	-	(2 821 673)
Written-off	-	-	(54 194)	(128 834)	-	-	(183 028)
Reclassification to Inventory	-	-	(728 843)	-	-	-	(728 843)
Balance at 31 December	-	2 866 811	8 970 297	-	22 112 746	9 122 888	43 072 742
Accumulated Depreciation							
Balance at 1 January	249 413	1 457 720	3 443 975	58 497	5 042 515	-	10 252 120
Charge for the year	79 416	404 388	1 455 737	70 337	2 050 203	-	4 060 081
Released on distribution/disposals	(328 829)	(202 372)	-	-	-	-	(531 201)
Released on write-off	-	-	(54 194)	(128 834)	-	-	(183 028)
Reclassification to Inventory	-	-	(434 062)	-	-	-	(434 062)
Balance at 31 December	-	1 659 736	4 411 456	-	7 092 718	-	13 163 910
Carrying Amounts							
At 31/12/10	-	1 207 075	4 558 841	-	15 020 028	9 122 888	29 908 832
At 31/12/09	1 727 418	1 039 302	3 140 051	22 106	12 610 959	287 529	18 827 365

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2009	Buildings US$	Motor Vehicles US$	Plant & Equipment US$	Furniture & Fittings US$	Drilling Rigs US$	Capital Work in Progress (CWIP) US$	Total US$
Cost							
Balance at 1 January	1 503 408	2 141 017	5 303 841	76 373	13 521 379	-	22 546 018
Additions	473 423	456 586	1 280 185	4 230	4 132 095	287 529	6 634 048
Disposals	-	(100 581)	-	-	-	-	(100 581)
Balance at 31 December	1 976 831	2 497 022	6 584 026	80 603	17 653 474	287 529	29 079 485
Accumulated Depreciation							
Balance at 1 January	150 572	1 210 797	2 272 718	50 460	3 506 170	-	7 190 717
Charge for the year	98 841	333 061	1 171 257	8 037	1 536 345	-	3 147 541
Released on disposals	-	(86 138)	-		-	-	(86 138)
Balance at 31 December	249 413	1 457 720	3 443 975	58 497	5 042 515	-	10 252 120
Carrying Amounts							
At 31/12/09	1 727 418	1 039 302	3 140 051	22 106	12 610 959	287 529	18 827 365
At 31/12/08	1 352 836	930 220	3 031 123	25 913	10 015 209	-	15 355 301

	2010	**2009**
	US$	**US$**

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The original cost of fully depreciated property, plant and equipment are as follows:

	2010 US$	2009 US$
Drill rigs	874 384	-
Plant and equipment	1 283 916	881 163
Motor vehicles	763 673	662 928
Furniture and fittings	-	40 407
	2 921 973	1 584 498

12a. Depreciation has been charged in the statement of comprehensive income as follows:

	2010 US$	2009 US$
Cost of sales	3 505 940	2 707 602
Selling, general and administrative expenses	554 141	439 939
	4 060 081	3 147 541

12b. Disposal of property, plant and equipment

	2010 US$	2009 US$
Cost (Including long term lease pre-payment)	2 901 176	100 581
Accumulated depreciation (Including long term lease pre-payment)	(541 600)	(86 138)
Net book value	2 359 576	14 443
Distribution of dividend in specie	(2 150 000)	-
Proceeds on disposal	(1 000)	(3 779)
Loss/(Profit) on disposal	208 576	10 664

On 1 November 2010, the board of directors of Geodrill Limited ratified, confirmed and approved a resolution passed by Geodrill Ghana Limited on 30 September 2010 declaring a dividend to its shareholder, Geodrill Limited, of US$2 350 000 which was satisfied by the distribution of Geodrill Ghana Limited's real estate assets, comprised of long-term leases of the supply base and workshop located in Anwiankwanta and the operational base located in Accra, which assets were subsequently distributed to Geodrill Limited's shareholders in specie as detailed in note 28.

13. LONG TERM PREPAYMENT

	2010 US$	2009 US$
Amount paid		
Balance at 1 January	74 493	70 424
Additions	5 010	4 069
Disposal	(79 503)	-
Balance at 31 December	-	74 493
Accumulated Amortisation		
Balance at 1 January	9 310	5 585
Charge for the year	1 089	3 725
Release on disposal	(10 399)	-
Balance at 31 December	-	9 310
Closing balance	-	65 183

The long term prepayment was in respect of land which Geodrill Ghana Limited, a wholly owned subsidiary of Geodrill Limited, leased for 50 years. Land held under lease was disposed as detailed in note 28.

14. INVENTORIES

	2010 US$	2009 US$
Spare parts and sundry materials on hand	4 398 276	501 614
Spare parts and materials in transit	3 182 944	-
Less: Provision for obsolescence	-	(100 371)
	7 581 220	401 243

15. TRADE AND OTHER RECEIVABLES

	2010 US$	2009 US$
Trade receivables	6 008 074	4 977 374
Staff debtors	81 970	28 091
Sundry receivables	1 982	4 611
Payments in advance	1 038 880	1 875 164
	7 130 906	6 885 240

Bad debts written off during the year amounted to US$ Nil (2009: US$302 634). The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 20. A portion of trade receivables has been assigned to Ecobank Ghana Limited to secure overdraft facilities as noted in note 18 and in 2009 the short-term loan as noted in Note 31.

16. CASH AND CASH EQUIVALENTS

	2010 US$	2009 US$
Bank balances	10 033 529	490 265
Cash balances	149 559	165 352
	10 183 088	655 617

Bank balances denominated in currencies other than the functional currency are detailed in note 20(v).

17. TRADE AND OTHER PAYABLES

	2010 US$	2009 US$
Trade payables	2 413 182	639 670
Sundry creditors and accrued expenses	3 526 811	1 302 709
VAT liability	2 905 155	2 759 497
	8 845 148	4 701 876

Trade and other payables denominated in currencies other than the functional currency are detailed in note 20(v).

	2010 US$	2009 US$

18. BANK OVERDRAFT

	2010 US$	2009 US$
Ecobank Ghana Limited	-	463 994
	======	=====
Facilities granted	333 890	344 424
Amount utilised	-	463 994
	----------	-----------
Under/(Over) utilisation	333 890	(119 570)
	======	======

Bank overdraft balances denominated in currencies other than the functional currency are detailed in note 20(v).

Geodrill Ghana Limited has an overdraft facility amounting to GH¢500 000 (approximately US$333 890) with the bank to finance operating expenditure. Interest rate is at GH¢ base rate minus 1% payable monthly in arrears. This facility is secured through the assignment and domiciliation of contract proceeds from Golden Star Resources (Bogoso/Prestea) Limited, Newmont Ghana Limited and Castle Minerals Limited (see note 15). This agreement expires on 31 May 2011.

19. EMPLOYEE BENEFIT OBLIGATION

<u>*Defined Contribution Plans*</u>

(i) *Social Security*

The Group contributes to various defined contributions and social security schemes. Under the schemes, the Group makes fixed contributions into a separate fund. The Group's obligation is limited to the relevant contributions which have been recognised in the financial statements.

(ii) *Provident Fund*

The Group has a provident fund scheme for staff under which the Group contributes 10% of staff basic salaries. The Group's obligation under the plan is limited to the relevant contributions, which have been recognised in the financial statements.

20. FINANCIAL RISK MANAGEMENT

(i) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's management team is responsible for developing and monitoring the Group's risk management policies. The team meets periodically to discuss corporate plans, evaluate progress reports and action plans to be taken. The day-to-day implementation of the board's decisions rests with the Chief Executive Officer (CEO).

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents.

Trade and other receivables

The Group's exposure to credit risk is minimised as customers are given 30 to 60 days credit period for services rendered. Trade receivables are monitored closely by the CEO to minimise credit risk.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risks

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2010 US$	2009 US$
Trade and other receivables	6 092 026	5 010 076
Cash and Cash equivalents	10 183 088	655 617

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2010 US$	2009 US$
Mining & Exploration Companies	6 008 074	4 977 374

The ageing of trade receivables at the reporting dates was:

	2010 US$	2009 US$
Less than 30 days	3 790 365	2 936 577
Between 31 and 90 days	2 217 709	2 040 797
	6 008 074	4 977 374

Based on historical default rates, the Group believes that no impairment is necessary in respect of trade receivables past due up to 180 days.

The maximum exposure to credit risk for trade receivable at the reports date by country of operation was:

	2010 US$	2009 US$
Ghana	4 562 146	3 081 180
Cote d'Ivoire	-	1 630 277
Burkina Faso	1 445 928	265 917
	6 008 074	4 977 374

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk

Liquidity risk is the risk that the Group either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost. The Group's approach to managing liquidity is to ensure that it will maintain adequate liquidity to meet its liabilities when due.

The following are contractual maturities of financial liabilities:

31 December 2010

	Carrying Amount US$	Within One Year US$
Non-derivative financial liability		
Trade and other payables	5 939 993	5 939 993
Bank overdraft	-	-
Short-term loan	-	-
Related party payables	923 025	923 025
Balance at 31 December 2010	6 863 018	6 863 018

31 December 2009

	Carrying Amount US$	Within One Year US$
Non-derivative financial liability		
Trade and other payables	1 942 379	1 942 379
Bank overdraft	463 994	463 994
Short-term loan	600 000	600 000
Related party payables	615 371	615 371
Balance at 31 December 2009	3 621 744	3 621 744

(iv) Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Foreign currency risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in currencies other than the functional currency. The currencies in which these transactions are primarily denominated are Ghana Cedis (GH¢), Great British Pound (GB£), EURO, Australian Dollar (AUD), Central African Franc (CFA) and Canadian Dollar (CAD).

The Group's exposure to foreign currency risk was as follows based on foreign currency amounts.

31 December 2010

	EURO	GH¢	GBP	CFA	AUD	CAD
Cash and cash equivalents	4 919	826 705	1 054	22 979 377	12 671	7 879 238
Trade payables	(755)	(601 052)	-	-	(1 522 179)	-
Gross exposure	4 164	225 653	1 054	22 979 377	(1 509 508)	7 879 238

31 December 2009

	EURO	GH¢	GBP	CFA	AUD	CAD
Cash and cash equivalents	63	49 087	80	57 805 870	2 490	994
Overdraft	-	(663 796)	-	-	-	-
Trade payables	(189 379)	(177 448)	(23 475)	-	(80)	-
Gross exposure	(189 316)	(792 157)	(23 395)	57 805 870	(2 410)	994

The following significant exchange rates applied during the years:

	2010		2009	
US$1=	Reporting Rate	Average Rate	Reporting Rate	Average Rate
Euro	0.7546	0.75488	0.6977	0.7192
GH¢	1.4975	1.44903	1.4517	1.4496
CFA	505.1236	504.08828	466.7800	480.5796
GBP	0.6465	0.64754	0.6279	0.6412
AUD	0.9841	1.09055	1.1199	1.2812
CAD	1.0002	1.03075	1.0494	1.1417

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) **Currency risk (continued)**

Sensitivity analysis on currency risks

The following table shows the effect of a strengthening or weakening of US$ against all other currencies on equity and profit or loss. This sensitivity analysis indicates the potential impact on equity and profit or loss based upon the foreign currency exposures recorded at 31 December, (see "currency risk" above) and it does not represent actual or future gains or losses. The sensitivity analysis is based on a change of 200 basis points in the closing exchange rate per currency recorded in the course of the respective financial year.

A strengthening/weakening of the US$, by the rates shown in the table, against the following currencies at 31 December would have increased/decreased equity and profit and loss by the amounts shown below.

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

As of 31 Dec	**2010**			**2009**		
	% Change	Profit or Loss impact US$	Equity US$	% Change	Profit or Loss impact US$	Equity US$
Euro	±2	±108	±108	±2	±5 320	±5 320
GH¢	±2	±2 953	±2 953	±2	±10 700	±10 700
CFA	±2	±892	±892	±2	±24 781	±24 781
GBP	±2	±32	±32	±2	±731	±731
AUD	±2	±30 064	±30 064	±2	±42	±42
CAD	±2	±154 402	±154 402	±2	±19	±19

(vi) **Interest rate risk**

The Group is exposed to interest rate risk on its Bank balances, Bank overdraft, Loans and borrowings and related party payables.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Interest rate risk (continued)

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments were:

	Carrying amounts 2010 US$	2009 US$
Variable rate instruments		
Bank balances	10 033 529	490 265
Bank overdraft	-	(463 994)
Loans and borrowings	-	(600 000)
	10 033 529	(573 729)
Fixed rate instrument		
Related party payables	923 025	615 371

Sensitivity analysis for variable rate instruments

A change of 200 basis points in the interest rate at the reporting date would have an increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables in particular foreign currency rates remain constant. The analysis is performed on the same basis for 2010 and 2009.

As of 31 Dec	**2010**			**2009**		
in US$	% Change	Profit or Loss impact US$	Equity US$	% Change	Profit or Loss impact US$	Equity US$
Cash & Bank,	±2%	±37 021	±37 021	-	-	-
Overdraft and loans	-	-	-	±2%	±12 802	±12 802

Sensitivity analysis for fixed rate instrument

The Group has a fixed rate instruments with Transtraders Limited, a related party which attracts interest at 4.75% per annum. No change in interest rates will therefore be ordinarily expected. This fixed rate instrument (line of credit) with Transtraders Limited ceased in June 2010.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(vii) **Fair Values**

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$	Total Carrying Amount US$	Total Fair Value US$
31 December 2010				
Financial assets				
Trade and other receivables	6 092 026	-	6 092 025	6 092 025
Cash and cash equivalents	10 183 088	-	10 183 088	10 183 088
	16 275 114	-	16 275 113	16 275 113
Financial liabilities				
Trade and other payables	-	5 939 993	5 939 993	5 939 993
Related Party payables	-	923 025	923 025	923 025
	-	6 863 018	6 863 018	6 863 018
31 December 2009				
Financial assets				
Trade and other receivables	5 010 076	-	5 010 076	5 010 076
Cash and cash equivalents	655 617	-	655 617	655 617
	5 665 693	-	5 665 693	5 665 693
Financial liabilities				
Trade and other payables	-	1 942 379	1 942 379	1 942 379
Bank overdraft	-	463 994	463 994	463 994
Short-term loan	-	600 000	600 000	600 000
Related Party payables		615 371	615 371	615 371
	-	3 621 744	3 621 744	3 621 744

21. RELATED PARTY TRANSACTIONS

Related party	Relationship	Country of Incorporation	Ownership Interest 2010	Ownership Interest 2009
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
Geodrill Cote d'Ivore SARL	Subsidiary (a)	Cote d'Ivoire	100%	-
Drill Supplies International Services Limited	Subsidiary (b)	British Virgin Islands	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	-	-

(a) Although Geodrill Limited did not hold any ownership interest in Geodrill Cote d'Ivoire SARL as at 31 December 2009, Geodrill Limited and its subsidiaries received substantially all of Geodrill Cote d'Ivoire SARL's benefits relating to its operations and net assets based upon agreements with the companies in the group. In addition, the operations of Geodrill Cote d'Ivoire SARL have always been managed by Geodrill Limited's management team. Consequently, Geodrill Cote d'Ivoire SARL was consolidated with the results of Geodrill Limited, since its incorporation. Geodrill Limited formally acquired 100% of the issued share capital of Geodrill Cote d'Ivoire SARL on 13 July 2010 for no consideration.

(b) Drill Supplies International Services Limited ("DSI") was a shelf company obtained by Geodrill Limited in November 2010. DSI did not trade nor did it have any assets or liabilities prior to its acquisition by Geodrill Limited.

(i) Transactions with related parties

Geodrill Ghana Limited buys PVC pipes and caters for some travelling expenses on behalf of the Geodrill Cote d'Ivoire SARL and Geodrill Limited. Drilling expenses incurred in a period (expenses on the drill rig) are apportioned amongst the various Geodrill companies and its branch on the basis of income generated in the period.

Transtraders Limited (TTL) is a company which is owned by Redcroft Limited and Bluecroft Limited who also, collectively, own 41.2% (2009:100%) of the issued share capital of Geodrill Limited. TTL was responsible for centralised off shore procurement for Geodrill Limited. TTL ceased to be the purchasing arm of Geodrill Limited in June 2010.

Drill Supplies International Services Limited acts as the new purchasing arm of the Group, responsible for centralised procurement.

Geodrill Limited operates a branch in Burkina Faso. Geodrill Limited is in charge of all contractual arrangements and rights whilst the execution of the contract is done in Burkina Faso. Geodrill Limited's branch in Burkina Faso does not have any non-current assets and as such currently rents drill rigs from Geodrill Ghana Limited.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

Geodrill Limited charges a management fee of 2% of gross revenue earned by Geodrill Ghana Limited.

Geodrill Limited subcontracted its contract in Cote d'Ivoire to Geodrill Cote d'Ivoire SARL at 50% of the contract sum. Geodrill Cote d'Ivoire SARL also rents all its required drilling equipment from Geodrill Ghana Limited at predetermined rates. Operations in Cote d'Ivoire have, however, been temporarily suspended during the fourth quarter of 2010.

On November 17, 2010, in order to assist the Company's working capital position in advance of the Initial Pulic Offering, the Harper Family Settlement, the then ultimate beneficial shareholder of the Company, provided the Bridge Loan to the Company in the amount of AUD$2 million. The Bridge Loan accrued interest at a rate of 6% per annum, was unsecured and repayable on demand. The Bridge Loan was repaid in full from the proceeds of the Initial Public Offering.

On November 1, 2010, the board of directors of Geodrill ratified, confirmed and approved a resolution passed by Geodrill Ghana Limited on September 30, 2010 declaring a dividend to its shareholder, Geodrill, of US$2,350,000, which was satisfied by the distribution of the following Geodrill Ghana Limited's real estate assets: (i) administrative office buildings owned and a long-term lease in respect to the land situated at 20B Aviation Road, Airport Residential Area, Accra, Ghana; and (ii) operations base and workshop owned and a long-term lease in respect to the land located in Anwiankwanta, Ghana, which assets were subsequently distributed to Geodrill's shareholders and are currently held by the Harper Family Settlement, the then ultimate beneficial shareholder of the Company.

Subsequent to the distribution of the Real Estate Dividend, Geodrill Ghana Limited entered into an agreement with the Harper Family Settlement to lease the Anwiankwanta property at US$112 000 per annum and the Accra property at US$48 000 per annum. The material terms of the 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 valuators/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.

Future lease commitments related to the properties are:

	US$
Payable within one year	160 000
Payable between 1 and 5 years	640 000
Total	800 000

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Key management personnel and directors transactions

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

Geodrill Limited pays management fees to Kingston Management (Isle of Man) which is the fiduciary service provider of Harper Family Settlement and has its officials as Directors of Geodrill Limited. Management fees paid during the year amounted to US$23 574 (2009: US$14 647). Remuneration paid to directors (including share base payment transactions) was as follows:

	2010 US$	2009 US$
Samuel John Bingham	35 687	-
Victoria Kay Prentice	35 437	-
David Harper	693 285	-
Colin Jones	66 123	-
Allen Palmiere	66 124	-
	896 656	-

At the closing date of the Initial Public Offering, the Company granted an aggregate of 1 440 000 options to purchase Ordinary Shares in the amount and to the persons as set forth in note 30(i).

Key management personnel compensation for the period comprised:

	2010 US$	2009 US$
Short-term employee benefits	1 220 442	172 311
Share based payment transactions	490 990	-
	1 711 432	172 311

On 14 July 2010, the Company received the AUD$2,000,000 Convertible Loan Note from Terry Burling (the Chief Operating Officer of the Company) to finance operating activities. The Convertible Loan Note was unsecured and paid interest at a rate of 8% per annum. On closing of the Initial Public Offering, the principal amount owing under the Convertible Loan Note was automatically converted into Ordinary Shares of the Company at 50% of the Offering Price. Based on the Offering Price of CAD2, the Company issued 1 976 000 Ordinary Shares to Mr. Burling on closing of the Initial Public Offering. The share based payment expense relating to this financing arrangement amounted to US$1 987 581 (2009: $ nil) and was recognised in statement of comprehensive income as detailed in note 30(ii).

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Related party balances

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

Identify of related party	**Nature of transaction**	**2010 US$**	**2009 US$**
Transtraders Limited	Purchase of goods and items of Property, Plant and Equipment	6 193 705	7 722 955
Balances outstanding as at 31 December			
Transtraders Limited - payable	Line of credit	(3 646 925)	(4 482 860)
Transtraders Limited - receivable	Other transactions	2 723 900	3 867 489
		(923 025)	(615 371)

The line of credit with Transtraders Limited attracts interest of 4.7% per annum. This amounted to interest charge of US$164 860 (2009: US$64 052).

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

22. EXCHANGE CONTROL

All remittances from operating geographical jurisdictions are subject to the approval of the relevant exchange control authorities.

23. CONTINGENT LIABILITIES

There were no contingent liabilities arising from legal suits and other matters against the group at the reporting date and at 31 December 2010.

24. CAPITAL COMMITMENTS

Drill Supplies International Services Limited contracts with Australian Exploration Engineering for the purchase of 8 drill rigs to be delivered in 2011 and with Tilly's Crawler for the purchase of track bases. Total commitments amount to US$8 359 281 (2009: US$Nil).

25. CAPITAL AND RESERVES

(i) Share capital

Shares have no par value and authorised shares are unlimited.

	2010	**2009**
Shares issued	42 476 000	2
Shares reserved for Share option plan	4 247 600	-
Total shares	46 723 600	2

Reconciliation of changes in issued shares

	2010	**2009**
Shares on issue and fully paid at 1 January	2	2
Effect of share split	29 999 998	-
Issued for cash	10 500 000	-
Convertible Loan Note converted	1 976 000	-
Shares on issue and fully paid at 31 December	42 476 000	2

All shares rank equally with regards to the Company'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.

On the 9th of December 2010 the company listed on the Toronto Stock Exchange (trading in shares commenced on 16 December 2010). Prior to the listing, the company converted the 2 issued shares to shares of no par value and split the shareholding into 30 000 000 shares by sub dividing each ordinary share into 15 000 000 (1:15 000 000) ordinary shares of the same class. The directors and shareholders passed a resolution to approve the above on 1 November 2010. A further 10 500 000 shares were issued as part of the Initial Public Offering and the Convertible Loan Note was also successfully converted into 1 976 000 ordinary shares.
The impact of subdividing the shares on earnings per share is detailed in note 26.

(ii) Share Based Payment Reserve

The Share Based Payment Reserve comprise of the equity portion of the share-based payment transaction as per the Group's share option plan.

(iii) Retained earnings

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

26. EARNINGS PER SHARE

(i) Earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of US$7 069 444 (2009: US$4 019 407) and on the weighted average number of ordinary shares outstanding of 30 786 159 (2009: 30 000 000), calculated as follows:

	2010 US$	2009 US$
Profit attributable to ordinary shareholders	5 081 863	4 019 407
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	30 000 000	2
Effect of share split	-	29 999 998
Effect of share shares issued for cash	661 644	-
Effect of Convertible Loan exercised	124 515	-
	30 786 159	30 000 000
Earnings per share	16.51c	13.40c

Comparative earnings per share

Prior to the listing, the company converted the 2 issued shares to shares of no par value and split the shareholding into 30 000 000 shares by sub dividing each ordinary share into 15 000 000 (1:15 000 000) ordinary shares of the same class. The subdivision of the shares had no corresponding change in resources and accordingly the weighted average number of shares outstanding for the entire period of 2009 was adjusted as if the change had occurred at the beginning of 2009.

(ii) Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of US$7 069 444 (2009: US$4 019 407) and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 31 170 159 (2009: 30 000 000), calculated as follows:

Earnings per share - diluted		
Net earnings attributable to ordinary shareholders	5 081 863	4 019 407
Weighted average number of ordinary shares - diluted		
Weighted average number of ordinary shares - basic	30 786 159	30 000 000
Effect of share options on issue	384 000	-
	31 170 159	30 000 000
Diluted Earnings per share	16.30c	13.40c

27. EBITDA

The Group uses EBITDA as a non-financial measure that provides useful information, to management and investors, in measuring the operating performance and financial condition of the Group. Accordingly, as an alternative measure of performance, EBITDA is defined by the Group as earnings before interest, taxation, depreciation and amortisation.

EBITDA is calculated as follows:

	2010 US$	2009 US$
Earnings before interest and taxation	10 242 495	5 109 406
Add back:		
Depreciation and amortisation	4 061 170	3 151 266
Total EBITDA	14 303 665	8 260 672

28. DIVIDENDS

On 1 November 2010, the board of directors of Geodrill ratified, confirmed and approved a resolution passed by Geodrill Ghana Limited on 30 September 2010 declaring a dividend to its shareholder, Geodrill Limited, of US$2 350 000 which was satisfied by the distribution of Geodrill Ghana Limited's real estate assets, comprised of long-term leases of the supply base and workshop located in Anwiankwanta and the operational base located in Accra, which assets were subsequently distributed to Geodrill's shareholders and are currently held by the Harper Family Settlement. The fair value of the real estate assets as at 30 September 2010 was determined as US$2 150 000, with the balance of US$200 000 being a tax provision based on the Real Estate Dividend. The dividend declared of US$2 350 000 was thus settled in specie of US$2 150 000 (value of the real estate assets) and in taxes of US$200 000 (being due to local tax authorities).

Subsequent to the distribution of the dividend, Geodrill Ghana Limited entered into an agreement with the Harper Family Settlement to lease the Anwiankwanta property at US$112 000 per annum and the Accra property at US$48 000 per annum. The material terms of the 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 the firms of real estate valuators/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.

29. SUBSEQUENT EVENTS

The company is currently defending a third party claim resulting from a motor accident in Burkina Faso. The claim has not been settled as yet and without admitting to any portion of responsibility, management estimates the total resultant cost to be less than US$10 000.

30. SHARE BASED PAYMENTS

(i) Employee Share Option Plan

The Company has established a share option plan, 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.

At the closing date of the Initial Public Offering (closing date being 16 December 2010), the Company granted an aggregate of 1 440 000 options that entitles key management personnel to purchase Ordinary Shares in the amount and to the persons set forth below. Each outstanding option has an exercise price equal to the Initial Offering Price and shall be exercisable by the holder thereof within a period of five years following the closing date of the Initial Public Offering (closing date). The options shall vest as to 1/3 on the closing date, 1/3 on the first anniversary of the closing date and 1/3 on the second anniversary of the closing date.

The maximum aggregate number of Ordinary Shares reserved for issuance pursuant to the Share Option Plan shall not exceed 10% of the total number of Ordinary Shares then outstanding. The maximum number of Ordinary Shares reserved for issuance pursuant to the Share Option Plan and any other security based compensation arrangements of the Company is 10% of the total number of Ordinary Shares then outstanding.

Name	Number of securities underlying Unexercised Options	Option exercise price (CAD)	Option Expiration Date
David Harper	360 000	$2.00	Five years following the closing date
Ian Lacey	270 000	$2.00	Five years following the closing date
Terry Burling	270 000	$2.00	Five years following the closing date
John Bingham	90 000	$2.00	Five years following the closing date
Colin Jones	180 000	$2.00	Five years following the closing date
Allen Palmiere	180 000	$2.00	Five years following the closing date
Victoria Prentice	90 000	$2.00	Five years following the closing date

No options were exercised in the current financial year.

The grant-date fair value of the share-based payment plan was measured on the Black-Scholes Formula. Expected volatility is estimated by considering historic average share price volatility of similar entities.

30. SHARE BASED PAYMENTS (CONTINUED)

The inputs used in the measurement of the fair values at grant date of the share-based payment plan were as follows:

Fair value at grant date	CAD1.02
Share price at grant date	CAD2.00
Expected volatility	30.00%
Option life	5 Years
Expected dividends	Nil
Risk-free interest rate	3.00%

The total share-based payment expenses recognised as personnel costs in the current year amounted to US$184 121 and US$306 869 (2009: US$ Nil) to directors. The related share-based payment reserve is detailed in note 25(ii).

(ii) Convertible Loan Note share based payment

On 14 July 2010, the Company received an AUD$2,000,000 Convertible Loan Note from Terry Burling, the Chief Operating Officer of the Company to finance operating activities. The Convertible Loan Note was unsecured and paid interest at a rate of 8% per annum. This financing arrangement determined that on closing of the Initial Public Offering, the principal amount owing under the Convertible Loan Note will automatically converted into Ordinary Shares of the Company at 50% of the Offering Price. Based on the Offering Price of CAD$2, the Company issued 1 976 000 Ordinary Shares to Mr. Burling on closing of the Initial Public Offering.

The fair value of the Convertible Loan Note was measured with reference to the Group's suggested initial offer price (for purposes of the Initial Public Offering). On closing of the Initial Public offering shares were issued at a price comparable to the initial suggested offer price and accordingly the suggested initial offer price was deemed to be an approximate of the market price on inception.

The total share-based payment expense, in relation to the convertible loan note, was recognised as a finance cost in the statement of comprehensive income and amounted to US$1 987 581 (2009: US$ Nil).

31. SHORT-TERM LOAN

	2010 US$	**2009 US$**
Ecobank Ghana Limited – Short term loan	-	600 000
	=====	======

The loan of US$600 000 was granted by Ecobank Ghana Limited in December 2009. This was used to finance the acquisition of motor vehicles to support the Group's operations. The loan was repaid in May 2010. The facility was secured by a legal mortgage over Geodrill Limited's buildings on leased properties and through the assignment and domiciliation of contract proceeds from Golden Star Resources Limited, Newmont Ghana Limited and Castle Minerals Limited.