GEODRILL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIRST QUARTER ENDED MARCH 31, 2012

Management's discussion and analysis ("MD&A") is a review of the operations, the liquidity and the results of operations and capital resources of Geodrill Limited ("Geodrill", the "Company" or the "Group"). The condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS")**.** This discussion contains forward-looking information. Please see "Forward-Looking Information" for a discussion of the risks, uncertainties and assumptions relating to this MD&A.

This MD&A is a review of activities and results for the 3 months ended March 31, 2012 as compared to the corresponding period in the previous year and should be read in conjunction with, the comparative condensed interim consolidated financial statements for the three months ended March 31, 2011 and also in conjunction with the audited annual consolidated financial statements and corresponding MD&A for the year ended December 31, 2011.

This MD&A is dated May 11, 2012. Disclosure contained in this document is current to that date unless otherwise stated.

Additional information relating to Geodrill, including the Company's Annual Information Form for the most recently completed financial year, can be found on SEDAR at www.sedar.com.

All references to "US$" are to United States dollars and all references to "CDN$" are to Canadian dollars.

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its subsidiaries, future growth, results of operations, capital needs, performance, business prospects and opportunities. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected ", "budget", "scheduled ", "estimates", "forecasts", "intends", "anticipates" or "believes" or variations (including negative variations) of such words or by the use of words or phrases that state that certain actions, events or results "may", "could ", "would ", "might" or "will " be taken, occur or be achieved.

Forward-looking information is based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in such forward-looking information, there may be other factors that may cause actions, events or results to differ from those anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize or should assumptions underlying such forward-looking information prove incorrect, actual results,

performance or achievements may vary materially from those expressed or implied by the forward-looking information contained in this MD&A.

Forward-looking information contained herein is made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

Corporate Overview

An experienced workforce and management, a modern fleet of drill rigs and a state-of- the-art workshop and supply base have contributed to Geodrill's reputation as a results-oriented drilling company that strives to achieve greater drilling depths and provide better quality samples than its competitors in the shortest possible time, safely and in a cost-effective and environmentally conscious manner.

Geodrill operates a fleet of multipurpose, core and air-core drill rigs. The multipurpose rigs can perform both reverse circulation ("RC") and diamond core ("Core") drilling and can switch from one to the other with little effort or downtime. Multipurpose rigs provide clients with the efficiency and high productivity of RC drilling and the depth and accuracy of Core drilling without the need to have two different drill rigs on site.

Business Strategy

The Company competes with other drilling companies on the basis of price, accuracy, reliability and experience in the marketplace. The Company's competitors in West Africa consist of both large public companies as well as small, local operators.

The Company continually improves its operation including the following recent and ongoing developments:

- Increase in the number of drill rigs in operation from 21 in the 1st quarter of 2011 to 28 in the 1st quarter of 2012;
- Increased inventory levels to maintain high levels of mechanical availability for ongoing rig expansion;
- Construction of a 50 man camp and workshop facilities at North West Ghana, for drilling in the Wa Gold Project currently underway;
- Increased footprint in Burkina Faso with additional drills being deployed and construction of an 80-man camp and workshop facilities, currently underway;
- Deployed one drill rig into Niger during the second quarter of 2012 and plans to re-enter Cote D'Ivoire during the third quarter of 2012; and
- Securing in Ghana an iron ore drill contract and the deployment of one drill rig.

Market Participants and Geodrill's Client Base

Approximately 90% of the Company's current revenues are derived from ongoing, continuous work programs with existing repeat-business clients. These clients have been renewed from initial three to twelve month contracts, into long-standing loyal customers.

The diversity of major, intermediate and junior mining clients, coupled with the different drilling services that Geodrill provides, allows the Company to minimize its exposure to the cyclical nature of the commodities industry. The Company has the ability to service junior mining companies that typically undertake higher margin exploratory work during periods of expansion, and intermediate and major mining companies that are typically better positioned to maintain stable operations during all phases of the industry cycle. This diverse client base better enables the Company to maintain a steady and reliable income stream during all stages of the commodities cycle more effectively than drilling companies that focus on a specific client type or service.

West Africa has become the scene of intense competition amongst international mining companies as the price of minerals has risen following the 2009 global financial crisis. At the center of this development is the recognition that West Africa hosts some of the largest remaining undeveloped mineral deposits in the world, containing gold, iron ore and bauxite. The drilling services provided by Geodrill can be applied to both precious and base metals.

Management's expansion plans include taking advantage of opportunities in other minerals, including iron ore, which may not follow the same economic cycles as precious metals. The proximity of Ghana to countries such as Mauritania, Guinea, Liberia, Sierra Leone, the Democratic Republic of the Congo, Niger, Nigeria, Cameroon and Togo positions the Company favorably in its ability to service these markets as well, if it so chooses. In the short-term expansion has commenced with the plan deployment of one drill rig into Niger, on a short term contract and to re-enter Cote d'Ivoire in the third quarter of 2012.

The Company commenced a new project with Cardero, an iron ore client, in the 2nd half of March 2012. The terms are similar to those of gold drilling contracts. The initial contract requirement is for three rigs to drill 10,000m of core, with the potential to increase.

There continues to be an increase demand for drill rigs in Burkina Faso. This accounted for 56% of the Company's revenue for 1st quarter of 2012 compared to 37% of revenue for 1st quarter of 2011 and compared to 44% for the 4th quarter of 2011. Given the short-term nature of drilling contracts, there can be no assurance that any contract that the Company currently services will be extended or renewed on terms favorable to the Company. However, on account of: (i) the robust demand for Geodrill's services with existing and potential new clients; (ii) the number of tender proposals that Geodrill has historically been asked to bid on; and (iii) the high success rate of the Company in past competitive tender processes (more than a 95% success rate), the Company is confident that it can redeploy its drill rigs to other locations without a significant interruption to the Company's operations in the event that any of its current contracts are not extended, or renewed on favorable terms.

There are four customers who individually contributed 10% or more to the Company's revenue for the three months ended 31 March 2012. One customer contributed 27%, one customer contributed 22%, one customer contributed 15% and one customer contributed 12% to Geodrill's revenue for the three months ended 31 March 2012.

Other than the above, the economic and industry factors facing the Company remains substantially unchanged to what was discussed in the Company's annual MD&A which is available at www.sedar.com

OUSTANDING SECURITIES AS OF MAY 11, 2012

The Company is authorized to issue an unlimited number of Ordinary Shares. As of May 11, 2012 the Company has the following securities outstanding:

Number of Ordinary Shares	42,476,000
Number of Options	2,790,000
Fully Diluted	45,266,000

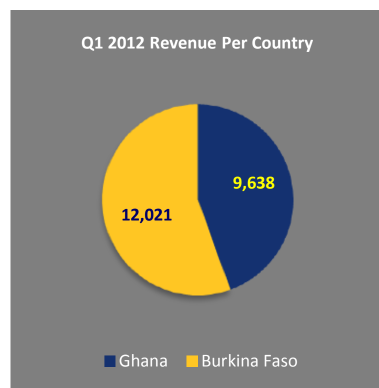
From January 1, 2012 to May 11, 2012, no options were exercised.

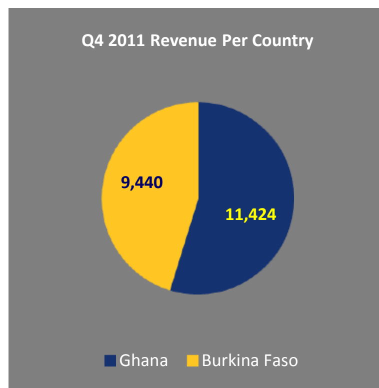
The Company issued 180,000 options during the quarter ended March 31, 2012.

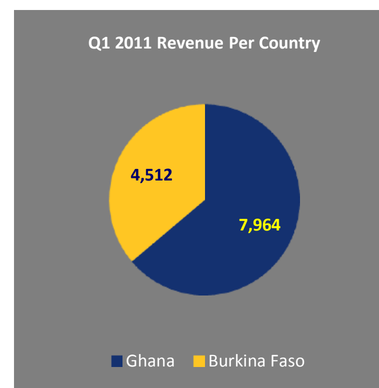
OVERALL PERFORMANCE

Revenue Per Country

LOCATION	Fiscal 2012 Quarter 1 US$ 000's	% Revenue	Fiscal 2011 Quarter 4 US$ 000's	% Revenue	Fiscal 2011 Quarter 1 US$ 000's	% Revenue
Ghana	9,638	44%	11,424	55%	7,964	64%
Burkina Faso	12,021	56%	9,440	45%	4,512	36%
	21,659	100%	20,864	100%	12,476	100%

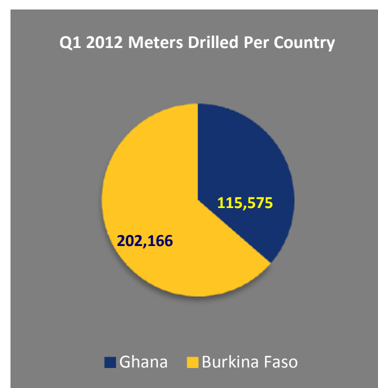


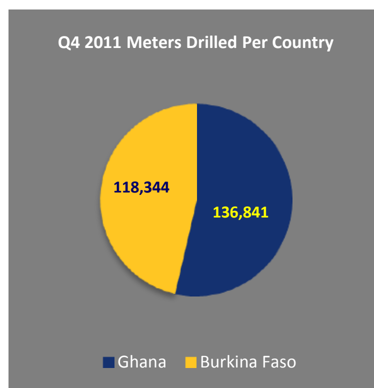


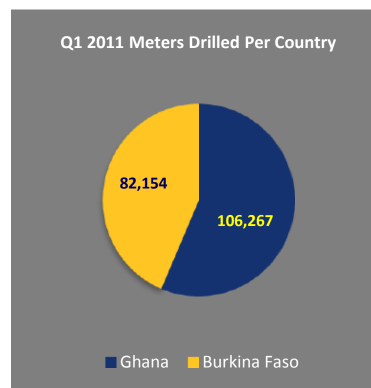


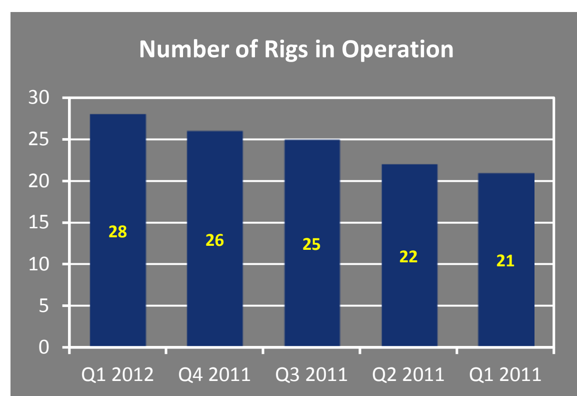
Meters Drilled Per Country

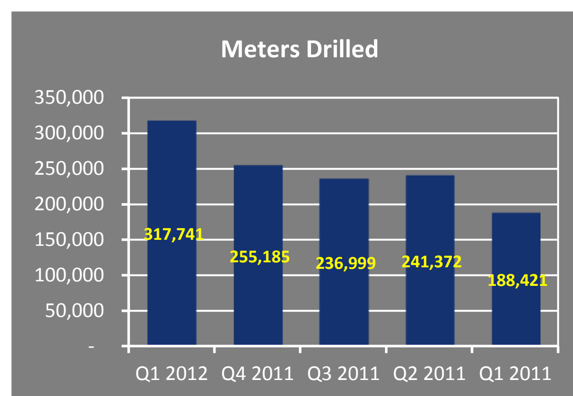
LOCATION	Fiscal 2012 Quarter 1	%	Fiscal 2011 Quarter 4	%	Fiscal 2011 Quarter 1	%
Ghana	115,575	36%	136,841	54%	106,267	56%
Burkina	202,166	64%	118,838	46%	82,154	44%
	317,741	100%	255,679	100%	188,421	100%











Geodrill continues its strong performance as demonstrated by its operational efficiency (reflected by the annual average income per rig, operationally available and working, which at approximately US$3M is three times what management has determined to be industry average of US$1M per rig) and in financial terms (EBITDA (as defined below) margin for the 1st quarter of 2012 being 37% compared to the 1st quarter of 2011 margin of 47%). The EBITDA margin for the 1st quarter of 2011 reflects the reduction in cost of sales associated with the reversal of US$2.05M of VAT and salary taxes by then no longer considered to be an obligation of the Company. Without this impact, the EBITDA margin would have been 31% for the 1st quarter of 2011. See "Supplementary Disclosure - Non - IFRS Measures" on page 19.

The number of drill rigs in operation increased from 26 to 28 during the 1st quarter of 2012. As the Company continues to experience strong demand drilling service, the Company plans to add 12 additional drill rigs during the remainder of 2012, bringing the total number of operational drill rigs to 40, representing a 54% increase from the end of 2011.

The Company continued to improve its operations in the 1st quarter of 2012 with revenue generated of US$21.66M, an increase of 74% when compared to US$12.48M in the 1st quarter of 2011 and an increase of 4% compared to the 4th quarter of 2011. Meters drilled for the 1st quarter of 2012 totaled

317,741 compared to 188,421 for the 1st quarter of 2011 and 255,679 compared to the 4th quarter of 2011. This has been achieved with a rig fleet which stood at 21 by March 31, 2011, rising to 26 in operation at December 31, 2011, and 28 in operation as at March 31, 2012. The increase in meters drilled in the 1st quarter of 2012 compared to 4th quarter of 2011 was due to a change in the service mix with a decrease in RC drilling and an increase in air core drilling as air core is the most economical method of drilling however provides the capability to drill the most meters in the shortest period of time.

The gross profit in the 1st quarter of 2012 of US$11.52M, being 53% of revenue, improved by 30% as compared to US$8.84M in the 1st quarter of 2011 and has also improved by 7% as compared to US$10.74M in the 4th quarter of 2011. The improvement over the 1st quarter of 2011 reflects the increase in the drill rig fleet combined with operational efficiencies and price increases, while the improvement over the 4th quarter of 2011 reflects the increase in the drill rig fleet. Also, the 1st quarter of 2011 reflects the reduction in cost of sales associated with the reversal of US$2.05M of VAT and salary taxes by then no longer considered to be an obligation of the Company.

The EBIT (as defined herein) in the 1st quarter of 2012 of US$6.23M, being 29% of revenue, increased by 27% as compared to US$4.91M, being 39% of revenue, in the 1st quarter of 2011 and increased by 9% as compared to US$5.71M, being 27% of revenue, in the 4th quarter of 2011. The improvement on the 1st quarter of 2011 reflects the increase in the drill rig fleet combined with operational efficiencies and price increases, while the improvement over the 4th quarter of 2011 reflects the increase in drill rig fleet. See “Supplementary Disclosure - Non - IFRS Measures" on page 19.

Net earnings for the 1st quarter of 2012 was US$4.43M or US$0.10 per Ordinary Share (US$0.10 per Ordinary Share fully diluted), compared to US$4.87M for the 1st quarter of 2011 or US$0.11 per Ordinary Share (US$0.11 per Ordinary Share fully diluted) and compared to US$1.22M for the 4th quarter of 2011 or US$0.03 per Ordinary Share (US$0.03 per Ordinary Share fully diluted). Also, the net earnings for the 1st quarter of 2011 reflects the reduction in cost of sales associated with the reversal of US$2.05M of VAT and salary taxes by then no longer considered to be an obligation of the Company.

EBITDA margin for the 1st quarter of 2012 was 37% compared to 47% for the 1st quarter of 2011 and 38% for the 4th quarter of 2011. The EBITDA margin for the 1st quarter of 2011 reflects the reduction in cost of sales associated with the reversal of US$2.05M of VAT and salary taxes by then no longer considered to be an obligation of the Company. Without this impact, the EBITDA margin would have been 31% for the 1st quarter of 2011 and would have shown an increase of 6% in the 1st quarter of 2012. The increase reflects the: (i) revenue per shift increasing as a result of rig fleet increasing and price increases introduced during the 2nd quarter of 2011; and (ii) overall operational improvements through the commissioning of the Company’s third CNC machine and the addition of a night shift in Kumasi engineering facility, thus reducing reliance on overseas suppliers. See “Supplementary Disclosure - Non - IFRS Measures" on page 19.

SELECTED FINANCIAL INFORMATION

(in US$ 000's)	Three Months Ended March 31 2012	 March 31 2011	% Change	Three Months Ended March 31 2012	 December 31 2011	% Change
Revenue	**21,659**	**12,476**	*74%*	**21,659**	**20,863**	*4%*
Cost of Sales	**10,136**	**3,638**	*179%*	**10,136**	**10,120**	*0%*
Cost of Sales (%)	*47%*	*29%*		*47%*	*49%*	
Gross Profit	**11,523**	**8,838**	*30%*	**11,523**	**10,743**	*7%*
Gross Margin (%)	*53%*	*71%*		*53%*	*51%*	
Other Income	**-**	**10**	*-100%*	**-**	**-**	*0%*
Other Income (%)	*0%*	*0%*		*0%*	*0%*	
Selling, General and Administrative Expenses	**5,298**	**3,939**	*35%*	**5,298**	**5,039**	*5%*
Selling, General and Administrative Expenses (%)	24%	32%		24%	24%	
Results from Operating Activities	**6,225**	**4,899**	*27%*	**6,225**	**5,704**	*9%*
Results from Operating Activities (%)	*29%*	*39%*		*29%*	*27%*	
Finance Income	**4**	**10**	*-60%*	**4**	**8**	*-50%*
Finance Income (%)	*0%*	*0%*		*0%*	*0%*	
EBIT*	**6,229**	**4,909**	*27%*	**6,229**	**5,712**	9%
EBIT (%)	*29%*	*39%*		*29%*	*27%*	
Finance Cost	**510**	**109**	*368%*	**510**	**25**	*1940%*
Finance Cost (%)	*2%*	*1%*		*2%*	*0%*	
Profit Before Taxation	**5,719**	**4,800**	*19%*	**5,719**	**5,687**	*1%*
Profit Before Taxation (%)	*26%*	*38%*		*26%*	*27%*	
Income Tax Expense	**1,290**	**(66)**	*-2055%*	**1,290**	**4,466**	*-71%*
Income Tax Expense (%)	*6%*	*-1%*		*6%*	*21%*	
Net Earnings	**4,429**	**4,866**	*-9%*	**4,429**	**1,221**	*263%*
Net Earnings (%)	*20%*	*39%*		*20%*	*6%*	
EBITDA**	**7,943**	**5,926**	*34%*	**7,943**	**7,864**	*1%*
EBITDA (%)	*37%*	*47%*		*37%*	*38%*	
EBITDA (before dissolution of Cote D'Ivoire)	**7,943**	**3,879**	*105%*	**7,943**	**7,864**	*1%*
EBITDA (before dissolution of Cote D'Ivoire) (%)	*37%*	*31%*		*37%*	*38%*	
Meters Drilled	**317,741**	**188,421**	*69%*	**317,741**	**255,679**	*24%*
Earnings Per Share						
- Basic	**0.10**	**0.11**	*-9%*	**0.10**	**0.03**	*233%*
- Diluted	**0.10**	**0.11**	*-9%*	**0.10**	**0.03**	*233%*
Total Assets	**88,026**	**57,050**	*54%*	**88,026**	**73,775**	*19%*
Total Long-Term Liabilities (Deferred Tax)	**5,406**	**2,786**	*94%*	**5,406**	**5,347**	*1%*
Cash Dividend Declared	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**

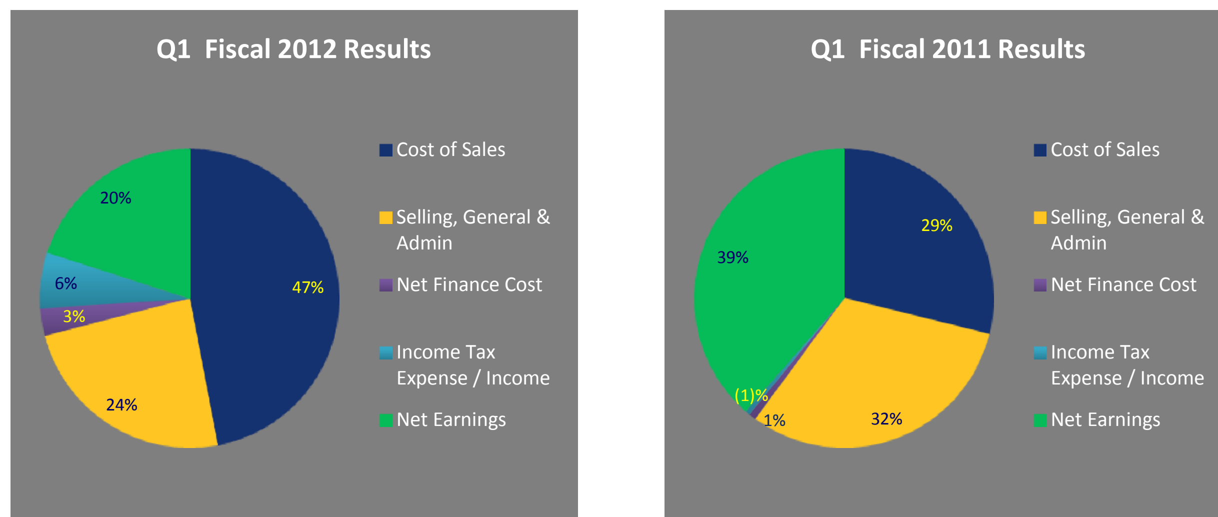
*EBIT = Earnings before interest and taxes

**EBITDA = Earnings before interest, taxes, depreciation and amortization

See "Supplementary Disclosure - Non-IFRS Measures" on page 20.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2012 COMPARED TO THREE MONTHS ENDED MARCH 31, 2011



Revenue

During the 1st quarter of 2012, the Company recorded revenue of US$21.66M, as compared to, US$12.48M in the 1st quarter of 2011, representing an increase of 74%. The increase in revenue is attributable to new drilling contracts and the deployment of 7 new drill rigs resulting in a 69% increase in the number of meters drilled from 188,421 in the 1st quarter of 2011 to 317,741 in the 1st quarter of 2012. The service/drilling mix provided to clients slightly changed between the quarters with an increase in air core and RC and a decrease in Core. Meters drilled for the 1st quarter of 2012 were 52% air core, 34% RC and 14% Core as compared to the 1st quarter of 2011 which were 50% air core, 30% RC and 20% Core. Pricing continues to generally improve, but continues to be competitive. In part, the increase in revenue allows for and offsets the increase in costs of hiring, training and mobilization of new drillers, staff and associated consumable costs necessary to accommodate growth. The increase in meters drilled and pricing accounts for the revenue increase.

Cost of Sales and Gross Profit

Gross profit for the 1st quarter of 2012 was US$11.52M, as compared to US$8.84M for the 1st quarter of 2011, being an increase of 30%.

The gross profit percentage for the 1st quarter of 2012 was 53% compared to 71% for the 1st quarter of 2011. The decrease in the gross profit percentage reflects the dissolution of the Cote d'Ivoire operation in 2011, which triggered the positive resolution of VAT and salary tax obligations, that positively impacted gross profit by 17%. The net effect of this positive resolution was a decrease in the cost of sales in the 1st quarter of 2011 of US$2.05M.

Cost of sales and staffing costs have increased with general inflation and both local and worldwide demand for drilling and support staff. Also, the increase reflects a number of new staff recruited that are being trained in advance of new rigs being received and becoming operational.

The increase in cost of sales for the 1st quarter of 2012 as compared to the 1st quarter of 2011 includes the following:

- Drill rig expense increased by US$2.76M which reflects the expansion of the Company's drill rig fleet through the addition of 7 new drill rigs from the end of the 1st quarter of 2011 to the end of the 1st quarter of 2012. Cost of consumables has increased over the 12 months by approximately 12% plus adverse fluctuations in the Australian Dollar/US Dollar exchange rate.

- Salaries expense increased by US$0.60M due to the hiring of new workers over the period of 1st quarter 2011 to the end of 1st quarter 2012, a 10% increase in salaries for Ghanaian workers and a 20-25% increase in expatriate salaries in the first quarter of 2012.

- Depreciation expense increased by US$0.48M due to higher depreciation costs associated with the number of additional drill rigs and equipment deployed.

- Fuel expenses increased by US$0.46M due to the expansion of operations and increased drilling activities. The cost of fuel has increased by approximately 10%.

- Meals expense increased by US$0.27M due to the increased number of workers and the deployment of 7 additional drill rigs.

- Repairs and maintenance increased by US$0.21M and includes the repair of 2 drill rigs' rotation heads in the 1st quarter of 2012.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses were US$5.30M for the 1st quarter of 2012, compared to US$3.94M for the 1st quarter of 2011. Costs increased due to inflation and also reflects the costs of hiring, training and mobilization of management and support staff necessary to accommodate growth and geographical footprint. The increase in SG&A expenses for the 1st quarter of 2012 as compared to the 1st quarter of 2011 includes the following:

- Salaries and wages, including provident fund contribution, SSNIT contribution and PAYE expenses, increased by US$0.5M due to the hiring of new staff and an additional member of management staff to manage the expansion of the business, Also, a 10% increase in salaries for all Ghanaian staff, effective January 1, 2012.

- Repairs and maintenance increased by US$0.23M due to general running repairs of 69 light vehicles used in operations. The number of light vehicles increased by 57 over the period of 1st quarter 2011 to the end of 1st quarter 2012.

- Depreciation expense on motor vehicles allocated to SG&A increased by US$0.22M due to higher depreciation costs associated with 45 additional new vehicles in 2011 acquired after the end of the 1st quarter of 2011 and 12 additional new vehicles in 2012. Also, the increase reflects the change in depreciation policy of motor vehicles from 5 years to 3 years which became

effective in the 3rd quarter of 2011. The increase was in part offset by the lack of depreciation attributable to motor vehicles which became fully depreciated as of December 31, 2011.

- Safety expenses increased by US$0.15M which relates to the enhancement of the Company's Security Procedures & Crisis Management which has improved security and safety and the purchase of safety items during the 1st quarter of 2012.

- Telecommunication expense increased by US$.09M which reflects the costs attributed to the expansion of business operation.

Results from operating activities (after cost of sales and SG&A expenses) for the 1st quarter of 2012 were US$6.23M, being 29% of revenue, as compared to the 1st quarter of 2011 of US$4.90M, being 39% of revenue.

EBITDA Margin (see "Supplementary Information – Non-IFRS Measures" on page 19)

The EBITDA margin for the 1st quarter of 2012 was 37% compared to 47% for the 1st quarter of 2011. The decrease reflects the reduction in cost of sales associated with the reversal of US$2.05M of VAT and salary taxes in the 1st quarter of 2011 by then no longer considered to be an obligation of the Company. Without this impact, EBITDA margin would have been 31% for the 1st quarter of 2011 and would have shown an increase of 6% in the 1st quarter of 2012. The increase reflects the: (i) revenue per shift increasing as a result of rig fleet increasing and price increased introduced during the 2nd quarter of 2011; and (ii) overall operational improvements through the commissioning of the Company's third CNC machine and the addition of a night shift in Kumasi engineering facility, thus reducing reliance on overseas suppliers. See "Supplementary Disclosure - Non - IFRS Measures" on page 19.

EBIT Margin (see Supplementary Information – Non-IFRS Measures on page 19)

EBIT margin for the 1st quarter of 2012 was 29% compared to 39% for the 1st quarter of 2011. The decrease reflects the reduction in cost of sales associated with the reversal of US$2.05M of VAT and salary taxes in the 1st quarter of 2011 then no longer considered to be an obligation of the Company. See Supplementary Disclosure - "Non-IFRS Measures" on pages 19.

Depreciation and Amortization

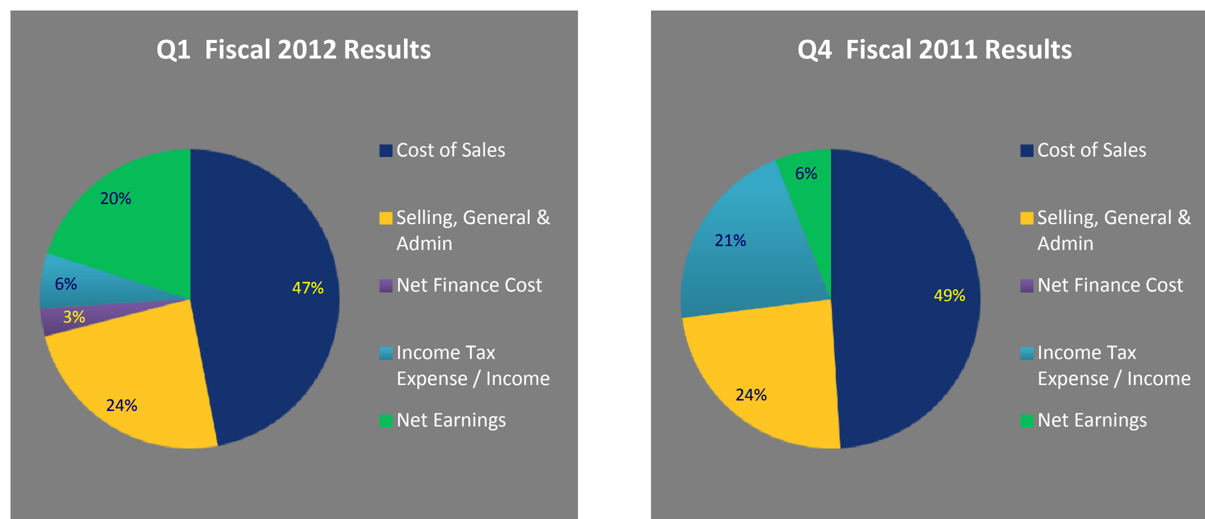
Depreciation and amortization of property, plant and equipment was US$1.71M (US$1.39M in cost of sales and US$0.33M in SG&A) for 1st quarter of 2012 compared to US$1.02M for the 1st quarter of 2011. The increase in depreciation is primarily due to additional property, plant and equipment purchases which reflects greater demand for the Company's drilling services and the changes in period of depreciation for drill rigs and motor vehicles effected in the 3rd quarter of 2011.

(in US$ 000's)	**Q1 2012**	**Q1 2011**
Depreciation - Cost of Sales	1,389	912
Depreciation - SG&A	325	105
Total	**1,714**	**1,017**

Net Earnings

Net earnings were US$4.43M, being 20% of revenue, for the 1st quarter of 2012, or US$0.10 per Ordinary Share (US$0.10 per Ordinary Share fully diluted), compared to US$4.87M, being 39% of revenue, for the 1st quarter of 2011, or US$0.11 per Ordinary Share (US$0.11 per Ordinary Share fully diluted). The decrease reflects the reduction in cost of sales associated with the reversal of US$2.05M of VAT and salary taxes in the 1st quarter of 2011 by then no longer considered to be an obligation of the Company. Without these changes, the net earnings for the 1st quarter of 2011 would have been US$2.82M, being 23% of revenue, or US$0.07 per Ordinary Share (US$0.06 per Ordinary Share fully diluted).

THREE MONTHS ENDED MARCH 31, 2012 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2011



Revenue

During the 1st quarter of 2012, the Company recorded revenue of US$21.66M, as compared to, US$20.86M in the 4th quarter of 2011, representing an increase of 4%. The increase in revenue includes the new iron ore drilling contract with Cardero that started in the 2nd half of March 2012 and the deployment of two new drill rigs in the 2nd half of March 2012. The number of meters drilled increased from 255,679 in the 4th quarter of 2011 to 317,741 in the 1st quarter of 2012. The increase in revenue does not perfectly correlate with the increase in meters drilled due to the service/drilling mix provided to clients. The meters drilled for the 1st quarter of 2012 were 52% air core, 34% RC and 14% Core as compared to the 4th quarter of 2011 which were 38% air core, 45% RC and 17% Core. The cost of the three services ranked in order of most-economical to most-expensive, are: (i) Air-core, (ii) RC, and (iii) Core. Air-core being the most economical method of drilling, provides highest level of productivity (meters drilled in the shortest period of time); typically twelve times quicker than Core and three times quicker than RC, and is typically used in shallower reconnaissance type programs. Pricing did not change in the 1st quarter of 2012 as compared to 4th quarter of 2011.

Cost of Sales and Gross Profit

Gross profit for the 1st quarter of 2012 was US$11.52M, as compared to US US$10.74M for the 4th quarter of 2011, being an increase of 7%. The gross profit percentage for the 1st quarter of 2012 was 53% compared to 51% for the 4th quarter of 2011.

Cost of sales and staffing costs have increased with general inflation and as a result of both local and worldwide demand for drilling and support staff and also takes into account a number of new staff that are being trained in advance of new rigs being received and becoming operational.

The increase in cost of sales for the 1st quarter of 2012 as compared to the 4th quarter of 2011 includes the following:

- Salaries and wages increased by US$0.89M due to the hiring of additional staff for the quarter and a 10% increase in salaries for Ghanaian workers and a 20-25% wage increase for expatriate workers in the first quarter of 2012. The increase also reflects the reversal of a US$0.6M adjustment in the 4th quarter for the over provision of staff costs in 2011, which in effect netted (decreased) the cost for the 1st quarter of 2012 by this amount**.**

- Repairs and maintenance increased by US$0.15M and includes the repair of 2 drill rigs rotation heads in the 1st quarter of 2012.

- Obsolescence provision increased by US$0.67M. In the 4th quarter of 2011, there was a net write back against cost of sales of US$0.5M, due to the change in, and decrease of the percentage of the obsolescence provision. In the 1st quarter of 2012, gross inventory rose by US$5.9M compared to 4th quarter of 2011, after an increase of US$0.17M in the obsolescence provision.

- Depreciation allocated to cost of sales decreased by US$0.38M due to certain assets being fully depreciated as at December 31, 2011.

- Although fuel costs in general increased, the 1st quarter of 2012 as compared to the 4th quarter of 2011, showed a decreased of US$0.67M. This was due to a full year correction adjustment having taken place in the 4th quarter of 2011, being the grossing of a fuel cost having been previously being netted from gross revenues in 2011.

Results from operating activities (after cost of sales and SG&A expenses) for the 1st quarter of 2012 were US$6.23M, being 29% of revenue, as compared to the 4th quarter of 2011 of US$5.70M, being 27% of revenue.

Selling, General and Administrative Expenses

SG&A expenses were US$5.30M for the 1st quarter of 2012, compared to US$5.04M for the 4th quarter of 2011. Higher SG&A expenses in the 1st quarter of 2012 resulted primarily from increases in number of personnel and a 10% increase in salaries for Ghanaian staff, effective January 1, 2012.

EBITDA Margin (See “Supplementary Disclosure – Non-IFRS Measures” on page 19)

EBITDA margin for the 1st quarter of 2012 was 37% compared to 38% for the 4th quarter of 2011. EBITDA margin in the 4th quarter of 2011 was affected by the reduction in the percentage of obsolescence provision resulting in additional income of US$0.55M and the reversal of a provision for staff cost resulting in additional income of US$0.84M. Without these changes, the EBITDA margin for the 4th quarter of 2011 would have been 31% and would have shown an increase of 6% in the 1st quarter of 2012. The increase reflects the: (i) revenue per shift increasing as a result of rig fleet increasing and price increases introduced during the 2nd quarter of 2011; (ii) overall operational improvements through the commissioning of the Company’s third CNC machine and the addition of a night shift in Kumasi engineering facility, thus reducing reliance on overseas suppliers; and (iii) finance and administrative costs (which are relatively fixed) defrayed across a higher revenue figure. See “Supplementary Disclosure - Non - IFRS Measures" on page 19.

EBIT Margin (See “Supplementary Information – Non-IFRS Measures” on page 19)

EBIT margin for the 1st quarter of 2012 was 29% compared to 27% for the 4th quarter of 2011. See “Supplementary Disclosure - Non - IFRS Measures" on page 19.

Depreciation and Amortization

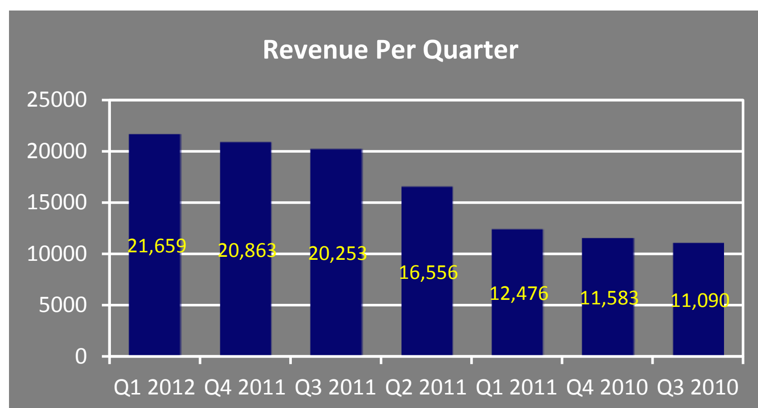
Depreciation and amortization of property, plant and equipment was US$1.71M (US$1.39M in cost of sales and US$0.33M in SG&A) for 1st quarter of 2012 compared to US$2.15M for the 4th quarter of 2011. The decrease in depreciation reflects assets which became fully depreciated as at December 31, 2011.

(in US$ 000's)	**Q1 2012**	**Q4 2011**
Depreciation - Cost of Sales	1,389	1,773
Depreciation - SG&A	325	379
Total	**1,714**	**2,152**

Net Earnings

Net earnings were US$4.43M, being 20% of revenue, for the 1st quarter of 2012, or US$0.10 per Ordinary Share (US$0.10 per Ordinary Share fully diluted), compared to US$1.22M, being 6% of revenue, for the 4th quarter of 2011 or US$0.03 per Ordinary Share (US$0.03 per Ordinary Share fully diluted). The increase is due to the recognition of deferred tax in the 4th quarter of 2011 resulting in additional tax expense of US$3.48M.

SUMMARY OF QUARTERLY RESULTS



	2012	2011				2010	
(in US$ 000's)	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Revenue	21,659	20,863	20,253	16,556	12,476	11,583	11,090
Revenue Increase (%)	*4%*	*3%*	*22%*	*33%*	*8%*	*4%*	
Gross Profit	11,523	10,743	9,737	8,738	8,838	8,813	3,595
Gross Margin (%)	*53%*	*51%*	*48%*	*53%*	*71%*	*76%*	*32%*
Net Earnings	4,429	1,221	3,088	3,238	4,866	(586)	1,001
Per Share - Basic	0.10	0.03	0.07	0.08	0.11	(0.02)	0.03
Per Share - Diluted	0.10	0.03	0.07	0.07	0.11	(0.02)	0.03

The Company's operations have tended to exhibit a seasonal pattern whereby the second quarter (April to June) is the strongest, but sometimes this includes the Easter holiday shutdown of exploration activities affecting some of the rigs for up to one week over the Easter holiday. The fourth quarter is normally the Company's weakest quarter, due to the shutdown of exploration activities, often for extended periods over the holiday season (Christmas and New Year of up to two weeks over the period). Revenue patterns can also be impacted by the number of new rigs and the timing of their deployment during a year.

The wet season occurs (in some geographical areas where the company operates, particularly in Burkina Faso) normally in the third quarter, but in recent years the global weather pattern has become somewhat erratic. The wet season is likely to affect the Company's drilling operations and revenue as companies generally slow operations during this time. However, this is dependent upon the severity of the weather and if alternate contracts can be found, in less affected areas of operation. The Company has historically taken advantage of the wet season and has scheduled the 3rd quarter for maintenance and rebuild programs for drill rigs and equipment.

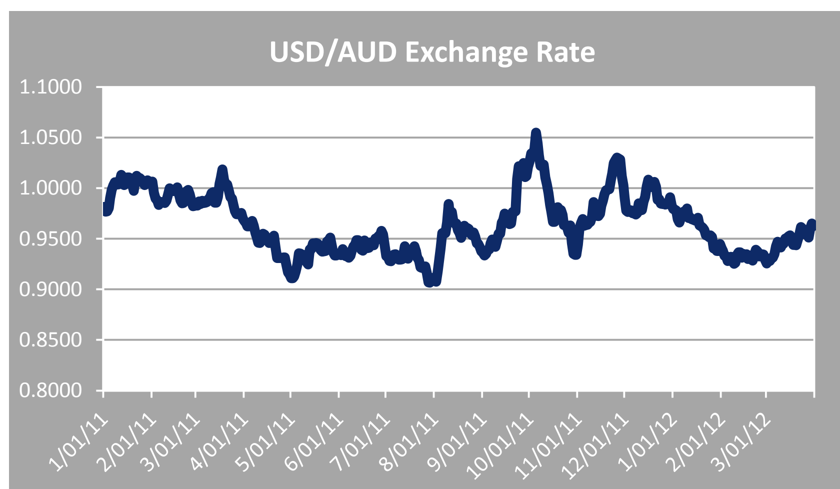
Effect of Exchange Rate Movements

The Company's revenues and disbursements are denominated in US Dollars and local currencies. The Company's main exposure to exchange rate fluctuations arises from certain capital costs, wage costs and purchases denominated in other currencies.

During the 1st quarter of 2012, the Company incurred a foreign exchange loss of US$0.41M.

The Company's revenue is invoiced in US Dollars. The Company's main purchases were in US Dollars and Australian Dollars, with less than 20% of the purchases in other major (mainly Euros) and local currencies. Other local expenses include purchases and wages which are paid in the local currency. Fluctuations in the US Dollar against the Australian Dollar and local currencies were the cause of the foreign exchange loss in the quarter.

Comparison of the exchange rate of US dollars versus the Australian dollar over the period 01/01/2011 to 03/31/2012



SELECTED INFORMATION FROM CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended			Three Months Ended		
(in US$ 000's)	**Mar 2012**	**Mar 2011**	***% Change***	**Mar 2012**	**Dec 2011**	***% Change***
Net cash from (used in) operating activities	6,899	(4,173)	-265%	6,899	6,500	6%
Net cash used in investing activities	(10,580)	(1,853)	471%	(10,580)	(3,895)	172%
Net cash used in financing activities	-	(142)	-100%	-	-	0%
Effect of movement in exchange rates on cash and cash equivalents	107	-	0%	107	-	0%
Net (decrease) increase in cash and cash equivalents	**(3,574)**	**(6,168)**	**-42%**	**(3,574)**	**2,605**	**-237%**

LIQUIDITY AND CAPITAL RESOURCES – FIRST QUARTER ENDED MARCH 31, 2012

Liquidity

As at March 31, 2012, the Company had cash and cash equivalents equal to US$4.59M. In anticipation of possible need to fund purchases of additional, previously ordered drill rigs, the Company is actively exploring financing alternative options including traditional bank debt, equity, vendor financing, prepayment arrangements with customers and private financing. The Company believes that, based on efforts to date, accessing such funding at acceptable rates and on acceptable terms should be

achievable; however, no assurance can be given in this regard. In the unlikely event that the Company is unable to secure acceptable financing arrangements or is unable to pay for the previously ordered drill rigs, the Company may cancel or delay the arrival of the previously ordered drill rigs.

THREE MONTHS ENDED MARCH 31, 2012 COMPARED TO THREE MONTHS ENDED MARCH 31, 2011

Operating Activities

In the 1st quarter of 2012, the Company generated positive operating cash flow of US$6.9M, as compared to US$4.17M negative operating cash flow incurred in the 1st quarter of 2011. Cash inflow in the 1st quarter of 2012 from operating activities was driven mainly by the general increase in revenues. These funds were used to finance the advance payments for drill rigs ordered, increases in inventories, increases in trade receivables less the increases in payables due to the expansion of the drill rig fleet. It is anticipated that cash flows from operating activities will continue to be fully utilized to fund growth.

Investing Activities

Cash outflow related to investing activities mainly relates to the Company's incremental investment in property, plant and equipment.

In the 1st quarter of 2012, the Company's investment in property, plant and equipment was US$10.58M compared to US$1.85M in the 1st quarter of 2011. Plant and equipment expenditure in the 1st quarter of 2012 included the part costs of the additional nine drill rigs, twelve light motor vehicles and six trucks.

Financing Activities

There were no financing activities during the 1st quarter of 2012, compared to a cash outflow of US$0.14M in the 1st quarter of 2011. The outflow consisted of expenses related to the initial public offering in 2010 paid in the 1st quarter of 2011.

Effective April 27, 2012, the Company entered into a pre-payment agreement (the "2012 Prepayment Agreement") with Azumah Resources Limited (ASX:AZM) ("Azumah") on the same terms as the prepayment agreement entered into between the Company and Azumah on August 26, 2011. Pursuant to the terms of the 2012 Prepayment Agreement, Azumah agreed to prepay up to US$3.0M for drilling services and in return, Geodrill agreed to provide Azumah access to at least three drill rigs and fixed contract rates for Azumah's drilling requirements for 12 months. Performance of the terms of prepayment contract is secured by the three drill rigs.

As at March 31, 2012, the Company was at a near final legal execution of a financing arrangement with a supplier to finance the purchase of six drill rigs. The cost of the six drill rigs for US$4.43M was included in Trade and other payables of the balance sheet of the first quarter balance sheet. Once the financing arrangement is finalized, this amount will be transferred from other payables to loans payable. The loan is expected to be completed on standard commercial terms for the industry.

THREE MONTHS ENDED MARCH 31, 2012 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2011

Operating Activities

In the 1st quarter of 2012, the Company generated a positive cash flow being US$6.9M, as compared to a US$6.50M positive operating cash flow generated in the 4th quarter of 2011. The increase is attributable to increases in drilling activities offset by the decision to replenish consumable products to ensure sufficient supplies to meet additional operational requirements.

Investing Activities

Cash outflow from investing activities mainly relates to the Company's investment in property, plant and equipment.

In the 1st quarter of 2012, the Company's investment in property, plant and equipment was US$10.58M compared to US$3.94M in the 4th quarter of 2011. Plant and equipment expenditure in the 1st quarter of 2012 included the part costs of the additional nine drill rigs, twelve light motor vehicles and six trucks.

Financing Activities

There were no financing activities during the 1st quarter of 2012 and there were none in the 4th quarter of 2011.

Contractual Obligations

	Payments Due by Period					
Contractual Obligations	**Total**	**04.01.2012 to 12.31.2012**	**01.01.2013 to 12.31.2013**	**01.01.2014 to 12.31.2014**	**01.01.2015 to 12.31.2015**	**After 5 years**
in US$ thousands						
Finance Leases Obligations	N/A	N/A	N/A	N/A	N/A	N/A
Operating Leases (1)	600,000	120,000	160,000	160,000	160,000	N/A
Purchase Obligations (2)	4,879,766	4,879,766	N/A	N/A	N/A	N/A
Other Short Term Obligations (3)	3,304,551	3,304,551	N/A	N/A	N/A	N/A
Total Contractual Obligations	**8,784,317**	**8,304,317**	**160,000**	**160,000**	**160,000**	**N/A**

Notes:

(1) The operating leases relate to the lease payments for the two real estate properties, as fully disclosed under "Transactions with Related Parties".

(2) The purchase obligations refer to the purchase of drill rigs and equipment.

(3) The other short term obligations refer to the private loan agreement with Silverwood Ventures Limited, including the related interest.

Contractual obligations will be funded in the short-term by cash flows from operations, the Silverwood Loan, the Prepayment Agreement and other agreements to provide financing as discussed above, subject to final execution. Any additional obligations will be funded by cash flows from operations and other sources which are actively explored. See discussion on page 15 under the heading "Liquidity" in regards to the anticipated sources of funding for the Company.

OUTLOOK

The Company views the industry dynamics underlying demand for its services to be favorable and, accordingly, has added significantly to its drilling capacity through the acquisition of additional drill rigs and staff. All of the Company's drill rigs as at March 31, 2012 were committed to contracts. With 28 of the Company's drill rigs commissioned and being utilized on client sites, three drill rigs in the workshop, five drill rigs in transit and four drill rigs on order and with the supplier under manufacturing (of which three are expected to arrive in Ghana and be operational in the 3rd quarter of 2012 and 1 in the 4th quarter of 2012), the Company will be able to leverage increased capacity.

The Company's drill rig fleet and the drill rigs deployed or planned to be operational in the field are noted below:

Make - Model	Type	In Operation as at Dec 31, 2011 No. of Rigs		In Operation as at Mar 31, 2012 No. of Rigs		Planned to be Operational by June 30, 2012 No. of Rigs		Planned to be Operational by Sep 30, 2012 No. of Rigs		Planned to be Operational by Dec 31, 2012 No. of Rigs	
UDR - 650	Multi-Purpose	2	1 X 2003 1 X 1993								
UDR - KL900	Multi-Purpose	4	1 X 2007 1 X 2003 1 X 1999 1 X 1998								
Sandvik - DE820	Multi-Purpose	4	1 X 2010 3 X 2008								
Sandvik - DE810	Multi-Purpose					3	3 X 2012	3	3 X 2012		
EDM - 2000	Multi-Purpose	2	2 X 2011			2	2 X 2012				
Austex - X900	Multi-Purpose	3	3 X 2011	1	1 X 2012	1	1 X 2012	1	1 X 2012	1	1 X 2012
Sandvik - DE710	Core	8	2 X 2011 5 X 2010 1 X 2009								
Austex - X300	Aircore	3	1 X 2011 2 X 2010	1	1 X 2012	1	1 X 2012				
Total Drill Rigs		**26**		**2**		**7**		**4**		**1**	
Cumulative		**26**		**28**		**35**		**39**		**40**	

	As at Dec 31, 2011		As at Mar 31, 2012		Planned as at Jun 30, 2012		Planned as at Sep 30, 2012		Planned as at Dec 31, 2012	
	No. of Rigs	**Type**	**No. of Rigs**	**Type**	**No. of Rigs**	**Type**	**No. of Rigs**	**Type**	**No. of Rigs**	**Type**
Operational	15	Multi-Purpose	16	Multi-Purpose	22	Multi-Purpose	26	Multi-Purpose	27	Multi-Purpose
	8	Core Only	8	Core Only	8	Core Only	8	Core Only	8	Core Only
	3	Air core	4	Air core	5	Air core	5	Air core	5	Air core
TOTAL OPERATIONAL	**26**		**28**		**35**		**39**		**40**	
In transit	1	Air core	5	Multi-Purpose	1	Multi-Purpose				
Total In Transit	**1**		**5**		**1**		**0**		**0**	
In W/Shop			2	Multi-Purpose	4	Multi-Purpose	1	Multi-Purpose		
			1	Air core						
Total In W/Shop			**3**		**4**		**1**		**0**	
Under Manufacturing	10	Multi-Purpose	3	Multi-Purpose						
	1	Aircore								
Total Under Manufacturing	**11**		**3**		**0**		**0**		**0**	
TOTAL DRILL RIGS	**38**		**39**		**40**		**40**		**40**	

Split										
Multi-Purpose	25		26		27		27		27	
Core Only	8		8		8		8		8	
Air Core	5		5		5		5		5	
TOTAL	**38**		**39**		**40**		**40**		**40**	

The number of drill rigs in operation increased to 28 in the 1st quarter of 2012, representing a 33% increase from 21 drill rigs in the 1st quarter of 2011. Also, as at March 31, 2012, three new drill rigs were received and were in the workshop and five drill rigs were in transit.

Management plans to have 40 rigs operational by December 31, 2012.

SUPPLEMENTARY DISCLOSURE - NON-IFRS MEASURES

EBIT is defined as Earnings before Interest and Taxes and EBITDA is defined as Earnings before Interest, Taxes, Depreciation, and Amortization. The definitions are used in this MD&A as measures of financial performance. The Company believes EBIT and EBITDA are useful to investors because they are frequently used by securities analysts, investors and other interested parties to evaluate companies in the same industry. However, EBIT and EBITDA are not measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. EBIT and EBITDA should not be viewed in isolation and do not purport to be alternatives to net income or gross profit as indicators of operating performance or cash flows from operating activities as a measure of liquidity. EBIT and EBITDA do not have standardized meanings prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies. Also, EBIT and EBITDA should not be construed as alternatives to other financial measures determined in accordance with IFRS.

Additionally, EBIT and EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not consider certain cash requirements such as capital expenditures, contractual commitments, interest payments, tax payments and debt service requirements.

The following table is a reconciliation of Geodrill's results from operations to EBIT and EBITDA.

(US$ thousands)	March 31 2012	December 31 2011	March 31 2011
Results from Operating Activities	6,225	5,704	4,899
Add: Finance Income	4	8	10
Earnings Before Interest and Taxes (EBIT)	**6,229**	**5,712**	**4,909**
Add: Depreciation and Amortization	1,714	2,152	1,017
Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)	**7,943**	**7,864**	**5,926**

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO") of the Company are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") for the Company as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. The CEO and the CFO have designed such DC&P, or caused them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

As at March 31, 2012, the CEO and CFO evaluated the design and operation of the Company's DC&P. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P were effective as at March 31, 2012.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its condensed interim consolidated financial statements in accordance with IFRS.

There were no changes in the Company's internal control over financial reporting during the quarter beginning on January 1, 2012 and ended on March 31, 2012, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISK FACTORS

A complete discussion of general risks and uncertainties may be found in the Company's Annual Information Form for the fiscal year ended December 31, 2011, which can be found on the SEDAR website at www.sedar.com, and which continue to apply to the business of the Company. The Company is not aware of any significant changes to risk factors from those disclosed at that time.

RELATED PARTY TRANSACTIONS

The following table provides an overview of the Company's related party transactions.

Related party	Relationship	Country of Incorporation	Ownership Interest at 31 March	
			2011	**2010**
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
Geodrill Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	-	100%
DSI Services Limited	Subsidiary	British Virgin Islands	100%	100%
Geotool Limited	Subsidiary	British Virgin Islands	100%	-
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	-
Geo-Forage Cote d'Ivoire	Subsidiary	Cote d'Ivoire	100%	-
Transtraders Limited	Related party	Isle of Man	-	-
Bluecroft Limited	Significant shareholder	Isle of Man	-	-
Redcroft Limited	Significant shareholder	Isle of Man	-	-
Harper Family Settlement	Significant indirect shareholder	Isle of Man	-	-

(i) **Transactions with Related Parties**

Transtraders Limited ("TTL") is a company which is owned by Redcroft Limited and Bluecroft Limited who also, collectively, own 41.2% (December 31, 2010: 41.2%) of the issued share capital of Geodrill. TTL had historically been responsible for centralized offshore procurement for the Group. TTL ceased to be the purchasing arm of the Group in June 2010.

Subsequent to the distribution of the Real Estate Dividend in 2010, Geodrill Ghana Limited entered into an agreement with the Harper Family Settlement to lease the Anwiankwanta property for US$112,000 per annum and the Accra property for US$48,000 per annum. The material terms of the 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 operating lease commitments related to the properties are:

	March 31, 2012	March 31, 2011
Payable within one year	160,000	160,000
Payable between 1 and 5 years	440,000	600,000
Total	600,000	760,000

During the three months period ended March 31, 2012 lease payments amounted to US$40,000 (2011: US$40,000).

(ii) Key Management Personnel and Directors' Transactions

On March 13, 2012, the Company granted an aggregate of 180,000 options to purchase Ordinary Shares to the new director of the Company.

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

	March 31, 2012 US$	March 31, 2011 US$
Short-term employee benefits	554,046	446,345
Share-based payment arrangements	347,126	500,070
	----------------	---------------
Total	901,172	946,415
	==========	=========

(iii) Related Party Balances

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

	March 31, 2012 US$	March 31, 2011 US$
Balances outstanding as at 31 March		
Transtraders Limited	(923,025)	(923,025)
	=========	=========

The intercompany payable to Transtraders Limited is unsecured and is interest free.

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

SIGNIFICANT ACCOUNTING POLICIES / CRITICAL ACCOUNTING ESTIMATES

a. Approval of condensed interim consolidated financial statements

The condensed interim consolidated financial statements were approved by the board of directors and authorized for issue on May 11, 2012.

b. Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

c. Basis of preparation

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

d. Foreign currency translation

The condensed interim consolidated financial statements are presented in United States Dollars which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are recorded using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the parent company functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to profit or loss with the exception of all monetary items that form part of a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other 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 recognized in other comprehensive income, or profit or loss, as appropriate.

During the 1st quarter of 2012, approximately 18.76% of revenue generated was in Ghana Cedis with the balance of 81.24% being earned in US Dollars. Since most of the input costs related to this revenue is denominated in Ghana Cedis, there was an exchange gain difference of US$0.06M. Also, part of the input costs are denominated in Australian Dollars, Euros and Sterling Pounds where exchange differences were made. The total unfavorable foreign exchange translation impact on comprehensive income during the 1st quarter of 2012 was US$0.41M.

e. Use of estimates and judgments

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the condensed interim consolidated financial statements are described in notes 2.i, 2.j, 2.l, and 4 to the annual consolidated financial statements of the Company as at and for the year ended December 31, 2011.

f. Basis of consolidation

(i) Subsidiaries

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

(ii) Special purpose entities

A special purpose entity (a “SPE”) is consolidated, if based on evaluation of the substance of its relationship with the Group and the SPE’s risk and rewards, the Group concludes that it controls the SPE.

(iii) Transactions eliminated on consolidation

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

g. Financial instruments

(i) Recognition

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

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

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

Subsequent to initial recognition, the treatment of financial assets depends on their classification. Those recognized as FVTL are carried in the condensed interim consolidated statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the condensed interim consolidated statement of comprehensive income. AFS financial assets are recognized in the condensed interim consolidated statement of financial position at fair value with unrealized gains and losses recognized as other comprehensive income until the investment is derecognized or impaired at which time gains

and losses are recognized in or reclassified to profit or loss. Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest rate method, less impairment.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Subsequent to initial recognition, the treatment of financial liabilities depends on their classification. Those recognized as FVTL are carried in the condensed interim consolidated statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the condensed interim consolidated statement of comprehensive income. Other financial liabilities are measured at amortized cost using the effective interest rate method.

(ii) Derecognition

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

Financial liabilities are derecognized when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(iii) Classification

The Group applies a hierarchy to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques using significant observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices), or valuations that are based on quoted prices for similar instruments; and

Level 3: Valuation techniques using significant inputs that are not based on observable market data (unobservable inputs).

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

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

Further information relating to the fair values of financial instruments is provided in notes 4 and 17 to the condensed interim consolidated financial statements.

(iv) Amortized cost measurement

The amortized 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 amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(v) Offsetting

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

Income and expenses on financial instruments are presented on a net basis when permitted by accounting standards.

(vi) Share capital

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

(vii) Compound financial instruments

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

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

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

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

h. 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 condensed interim consolidated statement of financial position as a finance lease obligation. Finance costs are charged to the condensed interim consolidated 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 condensed interim consolidated statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place. Minimum lease payments made under finance leases are apportioned between 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.

i. Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. The cost of self-constructed assets includes the cost of materials and direct labor, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within

the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day maintenance, repair and servicing expenditures incurred on property, plant and equipment are recognized in the condensed interim consolidated statement of comprehensive income, as incurred.

(iii) Depreciation

Depreciation is recognized in the condensed interim consolidated 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. Capital work in progress is not depreciated.

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

Motor Vehicles	3 years
Furniture and Fittings	5 years
Plant and Equipment	5 years
Building and Structures	20 years
Drill Rigs	10 years
Drill Rig Components/Rebuilds	5 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 programs. Changes in estimates can result in significant variations in the carrying value and amounts charged, on account of depreciation, to the condensed interim consolidated statement of comprehensive income in specific periods. The following changes were adopted effective July 1, 2011 on a prospective basis:

a. The estimated useful life of all motor vehicles was changed from 5 years to 3 years.

b. The drill rig components were estimated to be 25% of the drill costs, separately classified and depreciated over 5 years. These components had previously been depreciated, together with the drill rigs, over 10 years.

c. Residual values of the drill rigs are estimated to be 25% of the costs, after deducting the drill rig components.

The amount of the expected effect of the changes in estimates is unknown.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from disposal with the carrying amounts of property, plant and equipment, and are recognized profit or loss.

(iv) Impairment

The Group considers at each reporting date whether there is an indication of impairment to any of its assets. If any such indication exists or an annual impairment test is required, the asset's or cash-generating unit's recoverable amount is estimated. The recoverable amount of the asset

or cash-generating unit is based on the higher of a value-in-use calculation or fair value less cost to sell. The value-in-use calculation requires an estimation of the future cash flows expected to arise from the asset or cash generating unit and a suitable discount rate in order to calculate present value. Fair values less cost to sell are based on recent market transactions where available and where not available appropriate valuation models are used. Changes in these estimates can result in significant variations in the carrying value and amounts charged to the condensed interim consolidated statement of comprehensive income in specific periods.

j. Inventories

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

Inventory is assessed on a per unit basis to determine whether indicators exist which would lead to a revision in the net realizable value of inventory. This assessment is performed on an annual basis.

k. Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution schemes are recognized as an expense in the condensed interim consolidated 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 recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. Estimations are made of at the end of each reporting period of the number of instruments which will eventually vest. The impact of any revision is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

l. Income tax

Income tax expense comprises current and deferred tax expenses.

Current tax and deferred tax are recognized in the condensed interim consolidated statement of comprehensive income except to the extent that they relate to items recognized directly in other comprehensive income or equity.

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

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

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

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

m. Dividends

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

n. 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 recognized 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; and

- the costs incurred for and to complete the drilling can be measured reliably.

o. Finance income

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

p. 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 recognized in the condensed interim consolidated statement of comprehensive income using the effective interest method.

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

q. Post statement of financial position events

Events subsequent to the statement of financial position date are reflected in the condensed interim consolidated financial statements only to the extent that they relate to the period under consideration and the effect is material.

r. Earnings per share

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

s. Comparatives

Where necessary, the comparative information has been changed to agree to the current year presentation. In such a case, the nature of the reclassification; the amount of each item that is reclassified; and, the reason for the reclassification, is disclosed.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a. New and revised IFRSs applied with no material effect on the condensed interim consolidated financial statements

The following new and revised IFRSs have been adopted in these condensed interim consolidated financial statements. The application of these new and revised IFRSs have not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Standard / Interpretation		Effective Date
IAS 24 (revised)	Related Party Disclosure	Annual periods beginning on or after January 1, 2011*
IAS 32 Amendment	IAS 32 Financial Instrument Presentation: Classification of Rights Issues	Annual periods beginning on or after Febuary 1, 2010*
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Annual periods beginning on or after July 1, 2010*
11 individual amendments to 6 standards	Improvements to International Financial Reporting Standards 2010	Amendments are effective for annual periods beginning on or after July 1, 2010 or for annual periods beginning on or after January 1, 2011*
Amendment to IFRS 7	Disclosure - Transfer of Financial Assets	Annual periods beginning on or after July 1, 2011
Amendments to IAS 12	Deferred Tax - Recovery of Underlying Assets	Annual periods beginning on or after January 1, 2012

* All Standards and Interpretations were adopted at their effective date.

IAS 24 (revised)

IAS 24 (as revised in 2009) has been revised in the following two respects:
- IAS 24 (as revised in 2009) has changed the definition of a related party; and
- IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The revisions to this standard were adopted by the Company in 2011. The adoption of these revisions did not have a material impact in the period of adoption.

IAS 32 Amendment

The amendment addresses the classification of certain right issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendment to IAS32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for

a fixed amount in foreign currency were classified as derivatives. The amendment requires retrospective application.

The amendments to this standard were adopted by the Company in 2011. The adoption of these amendments did not have a material impact in the period of adoption.

IFRIC 19

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognized in profit or loss.

This interpretation was adopted by the company in 2011. The adoption of this interpretation did not have a material impact in the period of adoption.

Improvements to IFRS issued in 2010

The changes to these standards were adopted by the Company in 2011. The adoption of these changed standards did not have a material impact in the period of adoption.

IFRS 7 Amendment

The amendments to IFRS 7 increase the disclosure requirements for transactions involving the transfers of financial assets.

The amendment was adopted by the company in 2012. The adoption of this interpretation did not have a material impact in the period of adoption.

IAS 12 Amendments

Under these amendments, investment properties that are measured using the fair value model in accordance with IAS 40, Investment Property, are presumed to be recovered through sale for the purposes of measuring deferred taxes.

The amendment was adopted by the company in 2012. The adoption of this interpretation did not have a material impact in the period of adoption.

b. New and revised IFRSs issued but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Standard / Interpretation		Effective Date
IFRS 9	Financial Instruments	Annual periods beginning on or after January 1, 2015
IFRS 10	Consolidated Financial Statements	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
IFRS 11	Joint Arrangements	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
IFRS 13	Fair Value Measurement	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
Amendments to IAS 1	Presentation of items of other comprehensive income	Annual periods beginning on or after July 1, 2012
Amendments to IAS 12	Deferred Tax - Recovery of Underlying Assets	Annual periods beginning on or after January 1, 2012
IAS 19 (as revised in 2011)	Employee Benefits	Annual periods beginning on or after January 1, 2013
IAS 27 (as revised in 2011)	Separate Financial Statements	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
IAS 28 (as revised in 2011)	Investment in associates and joint ventures	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
Amendment to IAS 32	Offsetting financial assets and financial liabilities	Annual periods beginning on or after January 1, 2014 (early adoption permitted)
Amendment to IFRS 7	Disclosure-offsetting financial assets and financial liabilities	Annual periods beginning on or after January 1, 2013
Amendment to IFRS 9 and 7	Mandatory effective date and transition disclosures	Effective date for IFRS 9 deferred to January 1, 2015
IFRIC 20	Stripping costs in the production phase of a surface mine	Annual periods beginning on or after January 1, 2013 (early adoption permitted)
IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards.	Annual periods beginning on or after January 1, 2013 (early adoption permitted)

IFRS 9:

IFRS 9 will be adopted by the Group for the first time for its financial reporting period ending December 31, 2015. 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 amortized cost or at fair value. Financial assets are measured at amortized 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 will no longer be separated from hybrid contracts that have a financial asset host.

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

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. The remaining change is recognized 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 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, if any, has not yet been estimated.

IFRS 10:

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

It is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted, provided IFRS 11, IFRS 12 and the related amendments to IFRS 27 and 28 are adopted at the same time.

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

IFRS 11

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of

IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 11 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted, provided IFRS 10, IFRS 12 and the related amendments to IFRS 27 and 28 are adopted at the same time.

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

IFRS 12

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards

IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted, provided IFRS 10, IFRS 11 and the related amendments to IFRS 27 and 28 are adopted at the same time.

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

IFRS 13

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures, will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

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

Amendments to IAS 1

The amendments retain the option to present profit or loss and other comprehensive income either in one continuous statement or in two separate but consecutive statements.

Items of other comprehensive income are required to be grouped into those that will and will not be subsequently reclassified to profit or loss.

Tax on items of other comprehensive income is required to be allocated on the same basis.

The measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendments.

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

IAS 19 (as revised in 2011)

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under the previous version of IAS 19, and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions

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

IAS 27 (as revised in 2011)

IAS 27 was re-issued by the IASB on May 13, 2011 in order to conform to changes as a result of the issuance of IFRS 10, IFRS 11, and IFRS 12. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements, as the consolidation guidance will now be included in IFRS 10.

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

IAS 28 (as revised in 2011)

IAS 28 was re-issued by the IASB on May 13, 2011 in order to conform to changes as a result of the issuance of IFRS 10, IFRS 11, and IFRS 12. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.

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

Amendment to IAS 32

The amendment to IAS 32 pertains to the situations where offsetting of financial assets and liabilities is appropriate and specifically clarifies:

- the meaning of currently has a legally enforceable right of set-off; and
- that some gross settlement systems may be considered equivalent to net settlement.

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

Amendment to IFRS 7

The amended disclosure requirements are intended to aid the assessment of the effect of offsetting arrangements on a company's financial position. The eligibility criteria for offsetting are different in IFRS and U.S. Generally Accepted Accounting Principles ("US GAAP"). Offsetting, otherwise known as netting, is the presentation of assets and liabilities as a single net amount in the statement of financial position. To address the differences between IFRSs and US GAAP offsetting criteria, new disclosure requirements enable comparison of financial statements prepared in accordance with IFRSs and US GAAP have been added to IFRS 7.

The common disclosure requirements also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received.

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

Amendment to IFRS 9 and 7

On December 16, 2011, the IASB issued Mandatory Effective Date of IFRS 9 and Transition Disclosures, which amends IFRS 9 to require application for annual periods beginning on or after January 1, 2015, rather than January 1, 2013. Early application of IFRS 9 is still permitted. The amendments also provide relief from restating comparative information and require disclosures (in IFRS 7) to enable users of financial statements to understand the effect of beginning to apply IFRS 9.

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

IFRIC 20

IFRIC 20 deals with waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

There will be no impact on the financial statements for the Group.

Amendments to IFRS 1

The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRS relief from full retrospective application of IFRSs when accounting for these loans in transition. This is the same relief as was given to existing preparers of IFRS financial statements.

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

Additional Information

Additional information relating to Geodrill, including the Company's Annual Information Form for the most recently completed financial year, can be found on SEDAR at www.sedar.com.