



## FOR IMMEDIATE RELEASE

### GEODRILL REPORTS 74% INCREASE IN REVENUE FOR FIRST QUARTER 2012

TORONTO, ON – May 14, 2012 - Geodrill Limited (“Geodrill” or the “Company”) (TSX: GEO), a leading West African based drilling company, reported its financial results for the three-month period ended March 31, 2012. All figures are reported in US dollars (US\$), unless otherwise indicated. Geodrill’s financial statements are prepared in accordance with IFRS.

#### Financial Highlights

US\$ millions (except earnings per share)	For the three months ended March 31, 2012	For the three months ended March 31, 2011
	Q1-12	Q1-11
Revenue	\$21.66	\$12.48
Gross profit	\$11.52	\$8.84
As percentage of revenue	53%	71%
Net Earnings	\$4.43	\$4.87
Earnings per share – basic	\$0.10	\$0.11
EBITDA <sup>(1)</sup>	\$7.94	\$5.93
EBITDA margin (adjusted) <sup>(2)</sup>	37%	31%

**Notes:**

(1) Please see “Non-IFRS Measures” below for additional discussion.

(2) EBITDA margin was 47% of revenue in Q1-2011. The margin reflects the reduction in cost of sales associated with the reversal of \$2.05M of VAT and salary taxes no longer considered to be an obligation of the Company. Without this impact, the adjusted EBITDA margin would have been 31% for Q1-2011.

#### First Quarter 2012 Operational Highlights:

- Revenue up 74% to \$21.66M;
- Increased rig fleet and rigs deployed from 21 in Q1-2011 to 28 in Q1-2012;
- Secured new drilling contracts with Goldstone Resources, Cardero Resources Corp., Taruga Gold Ltd., Romex Mining Corp., and Gondwana Gold Inc.;
- Deployment of 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;
- Strengthened management team with addition of Stephan Rodrigue, Business Development Manager;
- Completed 317,741 meters of drilling a 69% increase from Q1-2011; and

- Subsequent to the quarter-end, renewed the pre-payment agreement with Azumah Resources (ASX: AZM) (“Azumah”) for a \$3.0M advance in drilling services.

“We continue to generate industry-leading revenue per rig and profitability. Our first quarter of this year reflects the strength of our business model and geographic concentration in West Africa. With rig demand continuing to exceed supply in the region, we are focused on fully utilizing our increased capacity to gain larger market share in our primary markets, Ghana and Burkina Faso, as well as extending our reach into equally prospective neighbouring regions,” said David Harper, President and CEO of Geodrill Limited.

## **Financial Review**

### ***Revenue***

Q1-2012 revenue increased 74% to \$21.66M compared to \$12.48M in Q1-2011. 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 Q1-2011 to 317,741 in Q1-2012.

### ***Gross Profit***

Gross profit increased 30% to \$11.52M for Q1-2012 or 53% of revenue compared to \$8.84M or 30% for Q1-2011. The gross profit percentage for Q1- 2012 was 53% compared to 71% for Q1-2011. 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 Q1-2011 of \$2.05M.

### ***Selling, General and Administrative (“SG&A”) Expenses***

SG&A expenses were \$5.30M in Q1-2012 compared to \$3.94M for Q1-2011. Costs increased due to inflation and also reflects costs of hiring, training, and mobilization of management and support staff necessary to accommodate growth and geographical expansion.

### ***Depreciation and Amortization***

Depreciation and amortization of property, plant and equipment increased slightly to \$1.71M for Q1-2012 compared to \$1.02M during for Q1-2011 as a result of additional drill rigs and property, plant and equipment purchases.

### ***EBITDA***

EBITDA was \$7.94M or 37% of revenue in Q1-2012, compared to \$5.93M or 47% of revenue in Q1-2011. The decrease reflects the reduction in cost of sales associated with the reversal of \$2.05M of VAT and salary taxes no longer considered to be an obligation of the Company. Without this impact, the adjusted EBITDA margin would have been 31% for Q1-2011.

### ***Net Earnings***

Net earnings were \$4.43M or \$0.10 per share in Q1-2012, compared to \$4.87M or \$0.11 per share for Q1-2011. The decrease reflects the reduction in cost of sales associated with the reversal of \$2.05M of VAT and salary taxes 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).

### **Cash from Operations**

During the Q1-2012, the Company generated a positive operating cash flow of \$6.9M, compared to a negative operating cash flow of \$4.17M incurred in Q1-2011. Cash inflow in Q1-2012 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 and 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.

The Company currently has 42,476,000 ordinary shares issued and outstanding.

### **Outlook**

The Company's business strategy is focused on continued growth through the development and optimization of its service offering across geographical regions and industry segments, as well through the expansion of its customer base. To support this growth Geodrill has added significant capacity through the acquisition of additional drill rigs. All of the Company's drill rigs as at March 31, 2012, are currently committed to contracts. With 28 of the Company's drill rigs commissioned and being utilized on client sites, 3 drill rigs in workshop undergoing modifications, 5 drill rigs in transit and 4 drill rigs on order and with the supplier under manufacturing, (3 drill rigs are expected to arrive in Ghana, of which 2 of them will be operational in Q3-2012 and 1 in Q4-2012), the Company will be able to leverage increased capacity.

The number of drill rigs in operation has increased to 28 in Q1-2012 or 33% increase from 21 drill rigs in Q1-2011.

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

	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 8 3	Multi-Purpose Core Only Air core	16 8 4	Multi-Purpose Core Only Air core	22 8 5	Multi-Purpose Core Only Air core	26 8 5	Multi-Purpose Core Only Air core	27 8 5	Multi-Purpose Core Only Air core
<b>TOTAL OPERATIONAL</b>	<b>26</b>		<b>28</b>		<b>35</b>		<b>39</b>		<b>40</b>	
In transit	1	Air core	5	Multi-Purpose	1	Multi-Purpose				
<b>Total In Transit</b>	<b>1</b>		<b>5</b>		<b>1</b>		<b>0</b>		<b>0</b>	
In W/Shop			2 1	Multi-Purpose Air core	4	Multi-Purpose	1	Multi-Purpose		
<b>Total In W/Shop</b>			<b>3</b>		<b>4</b>		<b>1</b>		<b>0</b>	
Under Manufacturing	10 1	Multi-Purpose Aircore	3	Multi-Purpose						
<b>Total Under Manufacturing</b>	<b>11</b>		<b>3</b>		<b>0</b>		<b>0</b>		<b>0</b>	
<b>TOTAL DRILL RIGS</b>	<b>38</b>		<b>39</b>		<b>40</b>		<b>40</b>		<b>40</b>	

<b>Split</b>										
Multi-Purpose	25		26		27		27		27	
Core Only	8		8		8		8		8	
Air Core	5		5		5		5		5	
<b>TOTAL</b>	<b>38</b>		<b>39</b>		<b>40</b>		<b>40</b>		<b>40</b>	

Geodrill's interim financial statements and management's discussion & analysis ("MD&A"), for the three-month period ended March 31, 2012, are available via Geodrill's website at [www.geodrill-gh.com](http://www.geodrill-gh.com) and will be available on SEDAR at [www.sedar.com](http://www.sedar.com).

Following the release, the Company will host its Annual Meeting of Shareholders at the TMX Broadcast Centre, the Exchange Tower, 130 King St. West, Toronto at 10:00 am (EST) in which management will discuss the quarterly financial results.

A live audio webcast will be available through:

<http://www.newswire.ca/en/webcast/detail/965423/1035663>

An archived replay of the webcast will be available for 90 days. Operator Assisted Toll-Free Dial-In Number: (888) 231-8192.

## **Non-IFRS Measures**

EBITDA is defined as Earnings before Interest, Taxes, Depreciation, and Amortisation and is used as a measure of financial performance. The Company believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to evaluate companies in the Company's industry. However, EBITDA is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. EBITDA should not be viewed in isolation and does not purport to be an alternative to net income or gross profit as an indicator of operating performance or cash flows from operating activities as a measure of liquidity. EBITDA does not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and EBITDA should not be construed as an alternative to other financial measures determined in accordance with IFRS.

Additionally, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as capital expenditures, contractual commitments, interest payments, tax payments and debt service requirements. Please see the Company's MD&A for the three-month period ended March 31, 2012 for the EBITDA reconciliation.

## **About Geodrill Limited**

Geodrill Limited is a leading West African based drilling company currently operating in Ghana and Burkina Faso. Geodrill provides exploration and development drilling services to major, intermediate and junior mining companies with exploration and development operations in West Africa. The Company specializes in providing reverse circulation, diamond core and air-core drilling services using a modern fleet of drill rigs. The Company plans to grow organically and build its current client base while continuing to assess expansion opportunities throughout West Africa and other jurisdictions of Africa, to meet demand for its services and expertise.

## **Forward Looking Information**

*This press release and the management's discussions may contain "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, performance, business prospects and opportunities. Often, but not always, forward-looking statements 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 and phrases, 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 statements are 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*

*statements involve 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 statements contained in this press release including, without limitation those described in the Management's Discussion & Analysis for the quarter ended March 31, 2012 and the Company's Annual Information Form dated March 28, 2012 under the heading "Risk Factors". 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 statements, 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 statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this press release. The forward-looking information and forward-looking statements contained herein and statement which may be made on the conference call are made as of the date of this press release and the Company disclaims any obligation to update or review such information or statements, whether as a result of new information, future events or results of otherwise, except as required by law.*

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