GEODRILL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 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 three and nine months ended September 30, 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 and nine months ended September 30, 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 November 8, 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 available for operation from 25 in the 3rd quarter of 2011 to 32 in the 3rd quarter of 2012;
- Increase in our geographic footprint in West Africa, as the Company has maintained its strong presence in both Ghana and Burkina Faso and has signed new contracts in Niger and will re-enter Cote d'Ivoire in the 4th quarter of 2012;
- Expansion of drilling for other minerals, as the Company has successfully obtained new clients and contracts to drill for iron ore, uranium and manganese;
- Securing of a US$10 Million Term Facility in the 3rd quarter of 2012 to assist the Company with managing our working capital and financing of our capital expenditures;
- Finalization of a financing arrangement with a supplier relating to the financing of six drill rigs on standard commercial terms for the industry; and
- Repayment of the £2 Million Silverwood Ventures Limited loan during the 3rd quarter of 2012.

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.

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.

The Company's client base is predominately in Ghana and Burkina Faso. For the 3rd quarter of 2012, Ghana accounted for 55% and Burkina Faso accounted for 45% of the Company's revenue compared to 51% and 49% respectively, of its revenue for the 3rd quarter of 2011.

Management's expansion plans include taking advantage of opportunities in other minerals, including iron ore, manganese and uranium which may not follow the same economic cycles as precious metals. In addition, the proximity of Ghana to countries such as Niger, Cote d'Ivoire, Mauritania, Guinea, Liberia, Sierra Leone, the Democratic Republic of the Congo, Nigeria, Cameroon and Togo positions the Company favorably in its ability to service these markets as well, if it so chooses. The Company's drilling focus is still predominately for gold and is still predominately in Ghana and Burkina Faso. The Company has recently successfully diversified into drilling for other minerals and has increased its footprint in West Africa as follows:

- In the 1st and 2nd quarter of 2012, the Company completed a project in Ghana for an iron ore client. The contract was for four rigs to drill 10,000 meters of core, with the potential to increase the amount of drilling required.

- In the 2nd quarter of 2012, the Company signed an agreement with a new client for an iron ore project in Cote d'Ivoire. The initial requirement is for three rigs to drill 15,000 meters of core with the potential to increase to 30,000 meters of drilling or more. The Company believes that the current political and economic climate in Cote d'Ivoire is appropriate for the Company to re-enter and the Company expects to deploy three rigs and start the project in the 4th quarter of 2012.

- In the 3rd quarter of 2012, the Company signed an agreement with a new client for a uranium project in Niger. The Company expects to deploy three rigs and start the project in the 4th quarter of 2012.

- In the 3rd quarter of 2012, the Company signed an agreement with an existing client for a manganese project in Burkinsa Faso. The initial requirement is for 30,000 meters of drilling with the potential to increase. The Company expects to deploy three rigs and start the project in the 4th quarter of 2012.

The signing of a drilling contract and the actual commencement of drilling do not always happen simultaneously, and in numerous situations there may be a two to three month internal between the signing of an agreement and the commencement of drilling. In addition, 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. In the event that any of its current contracts are not extended, or renewed on favorable terms this could have a significant impact on the Company's operations.

There are five customers who individually contributed 10% or more to the Company's revenue for the three months ended September 30, 2012. One customer contributed 33%, one customer contributed 20%, one customer who contributed 14%, and two customers contributed 13% each to Geodrill's revenue for the three months ended September 30, 2012.

OUSTANDING SECURITIES AS OF NOVEMBER 9, 2012

The Company is authorized to issue an unlimited number of Ordinary Shares. As of November 8, 2012 the Company has the following securities outstanding:

Number of Ordinary Shares	42,512,000
Number of Options	2,730,000
Fully Diluted	45,240,000

From January 1, 2012 to November 8, 2012, 36,000 options were exercised.
From January 1, 2012 to November 8, 2012, 294,000 options were forfeited.
From January 1, 2012 to November 8, 2012, 450,000 options were issued.

OVERALL PERFORMANCE

Revenue Per Country

	Nine Months Ended				Three Months Ended			
	Sep 30, 2012		Sep 30, 2011		Sep 30, 2012		Sep 30, 2011	
LOCATION	US$ 000's	%	US$ 000's	%	US$ 000's	%	US$ 000's	%
Ghana	23,742	45%	28,091	57%	5,539	55%	10,405	51%
Burkina Faso and other [1]	28,923	55%	21,194	43%	4,607	45%	9,848	49%
	52,665	100%	49,285	100%	10,146	100%	20,253	100%

[1] Included in Burkina Faso and other is Niger

Meters Drilled Per Country

	Nine Months Ended				Three Months Ended			
LOCATION	Sep 30, 2012	%	Sep 30, 2011	%	Sep 30, 2012	%	Sep 30, 2011	%
Ghana	218,322	32%	318,485	48%	36,831	43%	90,399	38%
Burkina Faso and other [1]	471,677	68%	348,307	52%	48,166	57%	146,600	62%
	689,999	100%	666,792	100%	84,997	100%	236,999	100%

[1] Included in Burkina Faso and other is Niger

The number of drill rigs available for operation increased to 32 during the 3rd quarter of 2012. The Company had five rigs in the workshop (two new rigs getting ready for operation and three rigs that were undergoing rebuilds). In addition to the 37 rigs, the Company plans to add two additional drill rigs by March 31, 2013, bringing the total number of drill rigs available to operate to 39.

The Company generated revenue of US$10.15M in the 3rd quarter of 2012, a decrease of 50% when compared to US$20.25M in the 3rd quarter of 2011. The Company was affected by the industry wide slowdown in drilling activities in the quarter. In general, there continues to be pressure on early stage exploration companies as financing from the capital markets continues to be challenging and there is also pressure on producing companies as they continue to need to manage their exploration costs in light of increasing costs on the production side of their business. Specifically, in the 3rd quarter of 2012, the Company’s revenue decreased as certain customers’ jobs came to an end and certain continuing customers have significantly reduced the number of drill rigs operating on their sites. The continuing customers have still elected to continue drilling, but with much fewer rigs. Meters drilled for the 3rd quarter of 2012 totaled 84,997 a decrease of 64% when compared to 236,999 meters drilled for the 3rd quarter of 2011. Although meters drilled decreased by 64%, revenue decreased by 50% since no air core meters were drilled due to the prolonged wet season and there was a greater proportion of the more expensive core and RC meters drilled in the 3rd quarter of 2012.

The negative gross profit in the 3rd quarter of 2012 was US$0.99M, being (10%) of revenue compared to a positive gross profit of US$9.74M in the 3rd quarter of 2011. The negative gross profit reflects the significant decrease in revenue. The negative gross profit had two very identifiable contributors that totaled $2.1M that negatively affected gross profit this quarter but will positively affect gross profit next quarter and will immediately improve the quality of our drill rig fleet today and into the future. The Company incurred an additional US$1.2M in repairs and maintenance expense in the 3rd quarter of 2012 compared to the 2nd quarter of 2012. Due to the slowdown in the drilling activity in the quarter, the Company returned certain rigs to the base and has taken the opportunity to bring the maintenance schedule forward on numerous rigs while they were not working. The Company also incurred an additional US$0.92M in drill rig expenses as the Company has requisitioned inventory to numerous rigs in the 3rd quarter as part of the mobilization effort to new sites, resulting in recognition of cost of sales without the corresponding recognition of revenue. In addition to increasing certain cost of sales items to benefit future periods, the Company has certain fixed costs such as depreciation that are not related to revenue.. In the 3rd quarter, depreciation expense included in cost of goods sold was US$1.71M, whereas in the 3rd quarter of 2011, depreciation expense included in cost of goods sold was US$1.43. In reaction to the slowdown, the Company was able to significantly reduce certain discretionary expenses such as wages and salaries, fuel, and meals in the 3rd quarter of 2012 versus the 3rd quarter of 2011.

EBITDA (as defined herein) in the 3rd quarter of 2012 was US$(3.99)M, being (39%) of revenue compared to US$6.02M, being 30% of revenue in the 3rd quarter of 2011. The EBITDA decreased by US$10.01M in the 3rd quarter of 2012 compared to the 3rd quarter of 2011. See “Supplementary Disclosure – Non-IFRS Measures” on page 16.

The EBIT (as defined herein) in the 3rd quarter of 2012 was US$(6.05)M, being (60%) of revenue compared to US$3.90M, being 19% of revenue, in the 3rd quarter of 2011. The EBIT decreased by US$9.96 in the 3rd quarter of 2012 compared to the 3rd quarter of 2011. See “Supplementary Disclosure - Non - IFRS Measures" on page 16.

The net loss for the 3rd quarter of 2012 was US$(4.99)M or US$(0.12) per Ordinary Share (US$(0.12) per Ordinary Share fully diluted), compared to a profit of US$3.09M for the 3rd quarter of 2011 or US$0.07 per Ordinary Share (US$0.07 per Ordinary Share fully diluted).

SELECTED FINANCIAL INFORMATION

(in US$ 000's)	Nine Months Ended 30-Sep-12	Nine Months Ended 30-Sep-11	% Change	Three Months Ended 30-Sep-12	Three Months Ended 30-Sep-11	% Change
Revenue	**52,665**	**49,285**	7%	**10,146**	**20,253**	(50%)
Cost of Sales	**32,621**	**21,972**	48%	**11,136**	**10,516**	6%
Cost of Sales (%)	62%	45%		110%	52%	
Gross Profit	**20,044**	**27,313**	(27%)	**(990)**	**9,737**	(110%)
Gross Margin (%)	38%	55%		(10%)	48%	
Selling, General and Administration Expenses	**14,867**	**14,498**	3%	**4,445**	**5,761**	(23%)
Selling, General and Administration Expenses (%)	28%	29%		44%	28%	
Foreign Exchange Gain (Loss)	**(475)**	**(514)**	(8%)	**(618)**	**(77)**	703%
Foreign Exchange Gain (Loss) (%)	(1%)	(1%)		(6%)	(0%)	
Profit (Loss) from Operating Activities	**4,702**	**12,301**	(62%)	**(6,053)**	**3,899**	(255%)
from Operating Activities	9%	25%		(60%)	19%	
Finance Income	**6**	**16**		**1**	**5**	
Finance Income (%)	0%	0%		0%	0%	
EBIT*	**4,708**	**12,317**	(62%)	**(6,052)**	**3,904**	(255%)
EBIT (%)	9%	25%		(60%)	19%	
Finance Cost	**(499)**	**(54)**		**(173)**	**(54)**	
Finance Cost (%)	(1%)	0%		(2%)	0%	
Profit (Loss) Before Taxation	**4,209**	**12,263**	(66%)	**(6,225)**	**3,850**	(262%)
Profit Before Taxation (%)	8%	25%		(61%)	19%	
Income Tax Expense (Recovery)	**1,992**	**1,071**	86%	**(1,231)**	**762**	(262%)
Income Tax Expense (%)	4%	2%		(12%)	4%	
Net Earnings (Loss)	**2,217**	**11,192**	(80%)	**(4,994)**	**3,088**	(262%)
Net Earnings (%)	4%	23%		(49%)	15%	
EBITDA **	**10,275**	**16,801**	(39%)	**(3,988)**	**6,022**	(166%)
EBITDA (%)	20%	34%		(39%)	30%	
EBITDA (before Dissolution of Cote D'Ivoire)		**14,754**			**6,022**	
EBITDA (before Dissolution of Cote D'Ivoire) (%)		30%			30%	
Meters Drilled	**689,999**	**666,792**	3%	**84,997**	**236,999**	(64%)
Earnings (Loss) Per Share						
Basic	**0.05**	**0.26**	(81%)	**(0.12)**	**0.07**	(271%)
Diluted	**0.05**	**0.25**	(80%)	**(0.12)**	**0.07**	(271%)
Total Assets	**93,609**	**72,509**	29%	**93,609**	**72,589**	29%
Total Long - Term Liabilities	**11,832**	**1,919**	517%	**11,832**	**1,919**	517%
Cash Dividend Declared	**NIL**	**NIL**		**NIL**	**NIL**	

*EBIT = Earnings before interest and taxes
**EBITDA = Earning before interest, tax, depreciation and amortization
See "Supplementary Disclosure - Non-IFRS Measures" on page 16

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMER 30, 2012 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2011

Revenue

During the 3rd quarter of 2012, the Company recorded revenue of US$10.15M, as compared to US$20.25M in the 3rd quarter of 2011, representing a decrease of 50%. The decrease in revenue is attributable to the number of meters drilled decreasing from 236,999 meters in the 3rd quarter of 2011 to 84,997 in the 3rd quarter of 2012. The percentage of meters drilled for the 3rd quarter of 2012 were 74% RC, 26% Core and Nil for air core as compared to the 3rd quarter of 2011 which were 40% RC, 23% Core and 37% air core. In the 3rd quarter of 2012, the Company's revenue decreased as certain customers jobs came to an end and certain continuing customers have significantly reduced the number of drill rigs operating on their sites. In addition, due to the severe wet season, no air core meters were drilled in the 3rd of 2012 as compared to 88,415 meters of air core in the 3rd of 2011.

Cost of Sales and Gross Profit

The negative gross profit for the 3rd quarter of 2012 was US$0.99M, as compared to a positive gross profit of US$9.74M for the 3rd quarter of 2011, being a decrease of US$10.73M. The gross profit percentage for the 3rd quarter of 2012 was (10%) compared to 48% for the 3rd quarter of 2011. The decrease in the gross profit margin reflects the significant decrease in revenue and the increase in cost of sales.

The increase in cost of sales for the 3rd quarter of 2012 as compared to the 3rd quarter of 2011 includes the following:

- Drill rig expense increased since the Company's drill rig fleet through the addition of six additional rigs (nine new drill rigs less three drill rigs that are in the workshop undergoing rebuilds) from the end of the 3rd quarter of 2011 to the end of the 3rd quarter of 2012. Included in drill rig expense in the 3rd quarter of 2012 is an amount of US$0.92M relating to the issuance of stock to new jobs that have not yet started to produce revenue.

- Repairs and maintenance increased by US$1.12M. The Company incurred an increase of US$0.56M as a result of current repairs and maintenance which have not yet been completed and was previously included in capital work in process. The Company also incurred an increase of US$0.45M in repairs and maintenance that was completed during the quarter relating to rigs and US$0.15 M for trucks and other equipment.

- Salaries expense decreased by US$0.88M due to the reduction of workers over the period of 3rd quarter 2011 to the end of 3rd quarter 2012. In relation to the decrease in revenue, certain operating personnel were made redundant, our strong performers were kept working on shared and reduced shifts and the Company also completed training and health and safety courses for the operating staff.

- Depreciation expense increased by US$0.28M due to higher depreciation costs associated with the number of additional drill rigs and related equipment deployed.

- Fuel expenses decreased by US$0.19M due to the reduction in the number of rigs actively drilling and the decrease drilling activities in the 3rd quarter of 2012.

- Meals expense decreased by US$0.12M due to less rigs working and the decrease number of workers.

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

SG&A expenses were US$4.45M for the 3rd quarter of 2012, compared to US$5.76M for the 3rd quarter of 2011. The decrease in SG&A expenses for the 3rd quarter of 2012 as compared to the 3rd quarter of 2011 includes the following:

- Salaries and wages decreased by US$0.14M and other employee related expenses also decreased.

- Depreciation expense on motor vehicles allocated to SG&A decreased by US$0.33M due to change in depreciation policy of motor vehicles from 5 years to 3 years which became effective in the 3rd quarter of 2011 offset by higher depreciation costs associated with new vehicles acquired.

Foreign Exchange Loss

The Company realized a foreign exchange loss for the 3rd quarter of 2012 of US$0.62M compared to a foreign exchange loss of US$0.08M for the 3rd quarter of 2011. The loss is a result of fluctuations in the US Dollar against the Australian Dollar and the British Pound. The Company repaid the £2M Silverwood Ventures Limited loan during the 3rd quarter of 2012.

Results from Operating Activities

Results from operating activities (after cost of sales, SG&A expenses and foreign exchange gain (loss)) for the 3rd quarter of 2012 was a loss of US$(6.05)M, being (60%) of revenue, as compared to a profit in the 3rd quarter of 2011 of US$3.90M, being 19% of revenue.

EBITDA Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 16)

EBITDA margin for the 3rd quarter of 2012 was (39%) compared to 30% for the 3rd quarter of 2011. See “Supplementary Disclosure - Non - IFRS Measures" on page 16.

EBIT Margin (see “Supplementary Disclosure – Non-IFRS Measures” on page 16)

EBIT margin for the 3rd quarter of 2012 was (60%) compared to 19% for the 3rd quarter of 2011. See Supplementary Disclosure - "Non-IFRS Measures" on page 16.

Depreciation and Amortization

Depreciation and amortization of property, plant and equipment was US$2.06M (US$1.71M in cost of sales and US$0.35M in SG&A) for the 3rd quarter of 2012 compared to US$2.12M (US$1.43M in cost of sales and US$0.69M in SG&A) for the 3rd quarter of 2011. The decrease in depreciation is primarily due to the changes in the period of depreciation for drill rigs and motor vehicles in the 3rd quarter of 2011 partially offset by increased depreciation associated with additional property, plant and equipment purchases.

Income Tax Expense

Income tax recovery was US$1.23M for the 3rd quarter of 2012 compared to an income tax expense of US$0.76M for the 3rd quarter of 2011. The income tax recovery of US$1.23M is comprised of a deferred tax recovery of US$1.71M, offset by withholding taxes of US$0.48M. The Company pays a 10% withholding tax in Burkina Faso. On March 9, 2012, the Company's corporate tax rate in Ghana changed from 25% to 35%.

Net (Loss) Earnings

The net loss was US$(4.99)M, being (49%) of revenue for the 3rd quarter of 2012, or US$(0.12) per Ordinary Share (US$(0.12) per Ordinary Share fully diluted), compared to US$3.09M, being 15% of revenue, for the 3rd quarter of 2011, or US$0.07 per Ordinary Share (US$0.07 per Ordinary Share fully diluted).

NINE MONTHS ENDED SEPTEMBER 30, 2012 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2011

Revenue

The Company recorded revenue of US$52.67M for the nine months ended September 30, 2012, as compared to US$49.28M for the nine months ended September 30 2011, representing an increase of 7%. The increase in meters drilled over this period to the same period the previous year from 666,792 meters to 689,999 meters and modest pricing increases accounts for the revenue increase. The breakdown of the 2012 year to date revenue of US$52.76M was US$21.66M (41%) in the first quarter, US$20.86 (40%) in the second quarter and US$10.15M (19%) in the third quarter. The quarterly revenue percentages are consistent with the industry wide slowdown experienced in the 3rd quarter of 2012.

Cost of Sales and Gross Profit

Gross profit for the nine months ended September 30, 2012 was US$20.04M, compared to US$27.31M for the nine months ended September 30, 2011, being a decrease of 27%. The gross profit percentage for the nine months ended September 30, 2012 was 38% compared to 55% for the nine months ended September 30, 2011. A unique component of the decrease in the gross profit percentage was 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 margin by 6%. The net effect of this positive resolution was a decrease in the cost of sales in the nine months ended September 30, 2011 of US$1.93M

The increase in cost of sales for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011 includes the following:

- Drill rig expense increased since the Company's drill rig fleet through the addition of six additional rigs (nine new drill rigs less three drill rigs that are in the workshop undergoing rebuilds) from the end of the 3rd quarter of 2011 to the end of the 3rd quarter of 2012. Specifically, drill rig expenses increased by US$3.3M relating to inventory on the additional rigs in operation since the 3rd quarter of 2011 and an additional US$0.92M relating to the issuance of stock to new jobs that have not yet started to produce revenue.

- Repairs and maintenance increased by US$1.4M. The Company incurred an increase of US$0.56M as a result of current repairs and maintenance that has not yet been completed and was previously included in capital work in process. The Company also incurred an increase of US$0.76M in repairs and maintenance that was completed during the quarter relating to the Company's rig and truck fleet.

- Salaries and wages increased by US$1.06M due to the hiring of additional staff for the period and a 10% increase in salaries for Ghanaian workers and a 20-25% wage increase for expatriate workers which were implemented in the first quarter of 2012. This was partially offset by the reduction of the workers and related salaries and wages during the 3rd quarter of 2012.

- Depreciation expense increased by US$0.8M due to higher depreciation costs associated with the number of additional drill rigs and related equipment deployed.

- Fuel expenses increased by US$0.63M due to the expansion of operations and increased drilling activities. Fuel prices have also increased by approximately 10%. In addition, in the nine months ended September 30, 2011, the Company had previously netted certain fuel against gross revenue.

- Meals expense increased by US$0.43M due to the deployment of additional rigs and the hiring of additional staff in the 1st and 2nd quarter of 2012, partially offset by the reduction in staff in the 3rd quarter of 2012.

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

SG&A expenses were US$14.87M for the nine months ended September 30, 2012, compared to US$14.50M for the nine months ended September 30, 2011. SG&A expenses have remained fairly consistent.

Foreign Exchange Loss

The Company realized a foreign exchange loss for the nine months ended September 30, 2012 of US$0.48M compared US$0.51M for the nine months ended September 30, 2011. The loss is a result of fluctuations in the US Dollar against the Australian Dollar and the British Pound. The Company repaid the £2M Silverwood Ventures Limited loan during the nine months ended September 30, 2012

Results from Operating Activities

Results from operating activities (after cost of sales, SG&A expenses and foreign exchange gain (loss)) for the nine months ended September 30, 2012 were US$4.70M, being 9% of revenue, as compared to the nine months ended September 30, 2011 of US$12.30M, being 25% of revenue.

EBITDA Margin (See "Supplementary Disclosure – Non-IFRS Measures" on page 16)

EBITDA margin for the nine months ended September 30, 2012 was 20% compared to 34% for the nine months ended September 30, 2011. See "Supplementary Disclosure - Non - IFRS Measures" on page 16.

EBIT Margin (See "Supplementary Information – Non-IFRS Measures" on page 16)

EBIT margin for the nine months ended September 30, 2012 was 9% compared to 25% for the nine months ended September 30, 2011. See "Supplementary Disclosure - Non - IFRS Measures" on page 16.

Depreciation and Amortization

Depreciation and amortization of property, plant and equipment was US$5.57M (US$4.60M in cost of sales and US$0.97 in SG&A) for nine months ended September 30, 2012 compared to US$4.48M (US$3.53M in cost of sales and US$0.95M in SG&A) for the nine months ended September 30, 2011. The increase in depreciation is primarily due to additional property, plant and equipment purchases from September 30, 2011 to September 30, 2012.

Income Tax Expense

Income tax expense was US$1.99M for the nine months ended September 30, 2012 compared to US$1.07M for the nine months ended September 30, 2011. For the nine months ended September 30, 2012, the income tax expense of US$1.99M is comprised of the withholding taxes of US$2.98M and deferred tax recovery of US$0.99M. The Company pays a 10% withholding tax in Burkina Faso. On March 9, 2012, the Company's corporate tax rate in Ghana changed from 25% to 35%.

Net Earnings

Net earnings were US$2.22M, being 4% of revenue, for the nine months ended September 30 2012, or US$0.05 per Ordinary Share (US$0.05 per Ordinary Share fully diluted), compared to US$11.19M, being 23% of revenue, for the nine months ended September 30, 2011 or US$0.26 per Ordinary Share (US$0.25 per Ordinary Share fully diluted).

SUMMARY OF QUARTERLY RESULTS

	2012			2011				2010
(in US$ 000's)	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenue	10,146	20,860	21,659	20,863	20,253	16,556	12,476	11,583
Revenue Increase (Decrease)	*(51%)*	*(4%)*	*4%*	*3%*	*22%*	*33%*	*8%*	*4%*
Gross (Loss) Profit	(990)	9,512	11,523	10,743	9,737	8,738	8,838	8,813
Gross Margin (%)	*(10%)*	*46%*	*53%*	*51%*	*48%*	*53%*	*71%*	*76%*
Net (Loss) Earnings	(4,994)	2,781	4,429	1,221	3,088	3,238	4,866	(586)
Per Share - Basic	(0.12)	0.07	0.10	0.03	0.07	0.08	0.11	(0.02)
Per Share - Diluted	(0.12)	0.06	0.10	0.03	0.07	0.07	0.11	(0.02)

The Company's revenue decreased by US$10.7M in the 3rd quarter of 2012 compared to the 2nd quarter of 2012. The Company continues to believe that there is an industry wide slowdown in drilling activities as there is pressure on early stage exploration companies as financing from the capital markets becomes more challenging and there is also pressure on producing companies as they continue to need to manage their exploration costs in light of increasing costs on the production side of their business. The Company had certain customers reduce the number of drill rigs operating at their sites and have parked certain rigs. The Company believes that the slowdown in drilling activity will continue into the 4th quarter of 2012 and as such the Company continues to actively bid on new jobs and has taken immediate steps to reduce costs, reduce its contract workforce and is reviewing certain capital expenditures throughout the remainder of the year and into 2013.

The Company’s operations have tended to exhibit a seasonal pattern whereby the second quarter (April to June) is typically strongest, but sometimes this includes the Easter 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 for up to two weeks over the period). Revenue patterns can also be impacted by the number of new rigs and the timing of their deployment during a year.

The wet season occurs (in some geographical areas where the Company operates, particularly in Burkina Faso) normally in the third quarter, but in the recent years the global weather pattern has become somewhat erratic. In the 3rd quarter of 2012, the wet season affected the Company’s drilling operations and revenue. No air core meters were drilled due to the prolonged wet season, however, the Company took advantage of the wet season in the 3rd quarter of 2012 by undertaking maintenance and rebuild programs for drill rigs and equipment.

Effect of Exchange Rate Movements

The Company’s receipts 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 purchases denominated in other currencies and borrowings denominated in other currencies.

The Company's revenue is invoiced in US Dollars. The Company’s main purchases are 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. During the 3rd quarter of 2012, the Company incurred a foreign exchange loss of US$0.62M predominately as a result of fluctuations in the US Dollar against the Australian Dollar and the British Pound.

SELECTED INFORMATION FROM CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended		Nine Months Ended	
(in US$ 000's)	30-Sep-12	Sep 30, 2011	30-Sep-12	Sep 30, 2011
Net Cash from operating activities	829	1,065	14,576	1,442
Net Cash used in investing activities	(1,515)	(3,602)	(17,927)	(9,048)
Net Cash from financing activities	6,705	3,125	6,777	2,984
Effect of movement in exchange rates on cash and cash equivalents	71	-	103	-
Net increase (decrease) in cash and cash equivalents	**6,090**	**588**	**3,529**	**(4,622)**

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As at September 30, 2012 the Company had cash and cash equivalents equal to US$11.69M. In response to the need to finance general corporate expenditures including working capital needs and capital expenditures the Company closed a US$10 Million Term Loan during the 3rd quarter of 2012. The Company repaid the £2M Silverwood Ventures Limited loan during the 3rd quarter of 2012.

THREE MONTHS ENDED SEPTEMBER 30, 2012 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2011

Operating Activities

In the 3rd quarter of 2012, the Company generated positive operating cash flow of US$0.83M, as compared to US$1.07M operating cash flow generated in the 3rd quarter of 2011. The Company incurred a loss of US$4.99M for the period but adjustments for non-cash items such as depreciation, share based payments reserves, inventory obsolescence provisions and changes in working capital items contributed to the positive operating cash flow of US$0.83M.

Investing Activities

In the 3rd quarter of 2012, the Company's investment in property, plant and equipment was US$1.52M compared to US$3.60M in the 3rd quarter of 2011. Plant and equipment expenditures in the 3rd quarter of 2012 mainly included the costs of additional drill rigs and related equipment.

Financing Activities

During the 3rd quarter of 2012, the Company received a net cash inflow of US$6.71M, being net proceeds of US$9.98M from the Zenith Term Loan less the cash incurred to repay the Silverwood Ventures Loan of US$3.27M compared to a cash inflow of US$3.13M in the 3rd quarter of 2011.

NINE MONTHS ENDED SEPTEMBER 30, 2012 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2011

Operating Activities

In the nine months ended September 30, 2012 the Company generated a positive cash flow of US$14.58M as compared to a US$1.44M positive operating cash flow generated in the nine months ended September 30, 2011. The majority of the increase relates to cash generated due to the increase in working capital items of US$6.62M as at September 30, 2012 compared to the decrease in working capital items of US$14.15M as at September 30, 2011.

Investing Activities

In the nine months ended September 30, 2012, the Company's investment in property, plant and equipment was US$17.9M compared to US$9.05M in the nine months ended September 30, 2011. Plant and equipment purchases in the nine months ended September 30, 2012 mainly included the cost of additional drill rigs and related equipment.

Financing Activities

During the nine months ended September 30, 2012 the Company received a net cash inflow of US$6.78M from the net proceeds from the Zenith Term Loan of US$9.98M, the exercise of employee stock options of US$0.07M, less the repayment of the Silverwood Ventures Loan of US$3.27M compared to a net cash inflow of US$2.98M for the nine months ended September 30, 2011 that related to the net proceeds received from the Silverwood Ventures Loan of US$3.3M offset by expenses of the initial public offering of US$0.14M that were paid in the first quarter of 2011.

Contractual Obligations

Contractual Obligations in US$ thousands	Payments Due by Period				
	Total	Q4 2012	2013	2014	2015
Operating Leases [1]	520,000	40,000	160,000	160,000	160,000
Purchase Obligations [2]	1,930,300	1,930,300	N/A	N/A	N/A
Loans [3]	15,273,300	1,899,391	7,252,846	5,748,597	372,396
Total Contractual Obligations	17,723,600	3,869,691	7,412,846	5,908,597	532,396

Notes:
(1) The operating leases relate to the lease payments for the two real estate properties, as fully disclosed under "Transactions with Related Parties". The annual rent payable shall be reviewed on an upward only basis every two years, the rental payments may be adjusted for Q4 2012 and subsequent years depending on the average price of two firms of real estate valuators/surveyors or real estate agents.
(2) The purchase obligations refer to the purchase of additional drill rigs.
(3) Loans refer to the Zenith Term Loan and the Sandvik Equipment Loans, including the related interest.

Contractual obligations will be funded in the short-term by cash and cash equivalents as at September 30, 2012 of US$11.7M and cash flow generated from operations.

OUTLOOK

The Company continues to believe that there is an industry wide slowdown in drilling activities as there is pressure on early stage exploration companies as financing from the capital markets becomes more challenging and there is also pressure on producing companies as they continue to need to manage their exploration costs in light of increasing costs on the production side of their business. The Company had certain customers reduce the number of drill rigs operating at their sites and have parked certain rigs. The Company believes that the slowdown in drilling activity will continue into the 4th quarter of 2012 and as such the Company continues to actively bid on new jobs and has taken immediate steps to reduce costs, reduce its contract workforce and is reviewing certain capital expenditures throughout the remainder of the year and into 2013.

As at September 30, 2012 the Company had 32 drill rigs that were available for operation, five drill rigs in the workshop (two new rigs were getting ready to be operational and three rigs were undergoing rebuilds), and two drill rigs were on order and with the supplier under manufacturing. As at September 30, 2012, out of the 32 drill rigs there were available for operation, eight drill rigs were being utilized on client sites, five of the rigs that were available for operation were air core rigs and were parked due to the wet season and 19 drill rigs were waiting to be put back in use at sites or redeployed to new sites.

The Company's drill rig fleet available for operation or planned to be available for operation is noted below:

Make - Model	Type	Available for Operation as at Dec 31, 2011 No. of Rigs		Available for Operation as at Mar 31, 2012 No. of Rigs		Available for Operation as at June 30, 2012 No. of Rigs		Available for Operation as at Sep 30, 2012 No. of Rigs		Planned to be Operational by Dec 31, 2012 No. of Rigs	
UDR - 650	Multi-Purpose	2	1x2003 1x1993								
UDR - KL900	Multi-Purpose	4	1x2007 1x2003 1x1999 1x1998			(3)	1x2003 1x1999 1x1998	1	1x1998	2	1x2003 1x1999
Sandvik - DE820	Multi-Purpose	4	1x2010 3x2008								
Sandvik - DE810	Multi-Purpose					2	2x2012	2	2x2012	2	2x2012
EDM - 2000	Multi-Purpose	2	2x2011							1	1x2011
Austex - X900	Multi-Purpose	3	3x2011	1	1x2012			1	1x2012		
Sandvik - DE710	Core	8	2x2011 5x2010 1x2009								
Austex - X300	Aircore	3	1x2011 2x2010	1	1x2012	1	1x2012				
Total Drill Rigs		**26**		**2**		**0**		**4**		**5**	
Cumulative		**26**		**28**		**28**		**32**		**37**	

	As at Dec 31, 2011		As at Mar 31, 2012		As at Jun 30, 2012		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	15 8 5	Multi-Purpose Core Only Air core	19 8 5	Multi-Purpose Core Only Air core	24 8 5	Multi-Purpose Core Only Air core
TOTAL OPERATIONAL	26		28		28		32		37	
In transit	1	Air core	5	Multi-Purpose	2	Multi-Purpose			1	Multi-Purpose
Total in Transit	1		5		2				1	
In W/Shop			2 1	Multi-Purpose Air core	7	Multi-Purpose	5	Multi-Purpose		
Total in W/Shop			3		7		5			
Under Manufacturing	10 1	Multi-Purpose Air core	3	Multi-Purpose	2	Multi-Purpose	2	Multi-Purpose	1	Multi-Purpose
Total Under Manufacturing	11		3		2		2		1	
TOTAL DRILL RIGS	38		39		39		39		39	

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

The number of drill rigs available for operation increased to 32 in the 3rd quarter of 2012, representing a 28% increase from 25 drill rigs in the 3rd quarter of 2011. Also, as at September 30, 2012, there were two new drill rigs that were received and were in the workshop, three drill rigs in the workshop were undergoing rebuilds and two drill rigs were still under manufacture. Management plans to have 37 drill rigs available for operation by December 31, 2012 and another two drill rigs, that are currently under manufacture, are expected to be available for operation in 2013.

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.

	Nine months ended		Three months ended	
(US$ thousands)	**Sep 30, 2012**	**Sep 30, 2011**	**Sep 30, 2012**	**Sep 30, 2011**
Profit (Loss) from Operating Activities	4,702	12,301	(6,053)	3,899
Add: Finance Income	6	16	1	5
Earnings (Loss) Before Interest and Taxes (EBIT)	**4,708**	**12,317**	**(6,052)**	**3,904**
Add: Depreciation and Amortization	5,567	4,484	2,064	2,118
Earnings Before Interest, Taxes, Depreciation & Amortization (EDBITDA)	**10,275**	**16,801**	**(3,988)**	**6,022**

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 September 30, 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 September 30, 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 July 1, 2012 and ended on September 30, 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.

FAIR VALUES OF FINANCIAL INSTRUMENTS

Trade and other receivables, cash and cash equivalents, trade and other payables and related party payables are recorded at their carrying values, which approximate fair value due to their short-term nature and generally negligible credit losses.

On September 19, 2012 the Group entered into a Term Loan with a third party whereby it secured net funds in the amount of US$9.98M. This balance is recognized at amortized cost.

During the nine months period, the Group incurred a foreign exchange loss in the amount of US$0.48M (September 30, 2011: (US$0.51M)) related to the timing of payments made to satisfy foreign currency obligations.

The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of financial position are as follows:

	Loans and Receivables US$	Other Financial Liabilities US$	Carrying Amount US$	Total Fair Value US$
September 30, 2012				
Financial assets				
Trade and other receivables	7,503,637	-	7,503,637	7,503,637
Cash and cash equivalents	11,694,522	-	11,694,522	11,694,522
	19,198,159	-	19,198,159	19,198,159
Financial liabilities				
Trade and other payables	-	15,392,268	15,392,268	15,392,268
Related party payables	-	923,025	923,025	923,025
Loan payable	-	13,740,183	13,740,183	13,740,183
	-	30,055,476	30,055,476	30,055,476

December 31, 2011				
Financial assets				
Trade and other receivables	8,213,010	-	8,213,010	8,213,010
Cash and cash equivalents	8,165,394	-	8,165,394	8,165,394
	16,378,404	-	16,378,404	16,378,404
Financial liabilities				
Trade and other payables		6,404,367	6,404,367	6,404,367
Related Party payables	-	923,025	923,025	923,025
Loan payable	-	3,091,142	3,091,142	3,091,142
	-	10,418,534	10,418,534	10,418,534

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 September 30	
			2012	2011
Geodrill Ghana Limited	Subsidiary	Ghana	100%	100%
DSI Services Limited	Subsidiary	British Virgin Islands	100%	100%
Geotool Limited	Subsidiary	British Virgin Islands	100%	100%
Geo-Forage BF SARL	Subsidiary	Burkina Faso	100%	100%
Geo-Forage Cote d'Ivoire	Subsidiary	Cote d'Ivoire	100%	100%
Transtraders Limited	Related party	Isle of Man	-	-
Bluecroft Limited	Significant shareholder	Isle of Man	-	-
Redcroft Limited	Significant shareholder	Isle of Man	-	-
Harper Family Settlement	Significant indirect shareholder	Isle of Man	-	-

(i) Transactions with Related Parties

Transtraders Limited ("TTL") is a company which is owned by Redcroft Limited and Bluecroft Limited who also, collectively, own 41.2% (December 31, 2011: 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:

	September 30, 2012 US$	December 31, 2012 US$
Payable within one year	160,000	160,000
Payable between 1 and 5 years	360,000	480,000
Total	520,000	640,000

During the three months period ended September 30, 2012 lease payments amounted to US$40,000 (2011: US$40,000). During the nine months period ended September 30, 2012 lease payments amounted to US$120,000 (2011: US$120,000). The future operating lease payments may be adjusted upward effective October 1, 2012 based on the average price of two firms of real estate valuators/surveyors or real estate agents.

(ii) Key Management Personnel and Directors' Transactions

During the nine month period ended September 30, 2012, the Company granted 180,000 options (2011: 450,000), 294,000 options were forfeited (2011: NIL) and 36,000 options were exercised (2011: NIL)

The Group pays management fees to Kingston Management (Isle of Man) which is also the licensed and regulated fiduciary service provider of Harper Family Settlement and two of the directors of Kingston Management (Isle of Man) are also directors of Geodrill Limited as well as management fees to City Trust Limited for which one director is also a director of Geodrill Limited.

Management fees incurred during the three and nine months ended September 30, 2012 amounted to US$13,335 and US$97,975, respectively (2011: US$33,603 and US$90,323, respectively). As at September 30, 2012 a balance of US$12,955 was due to Kingston Management and included in trade payables (2011: US$32,590).

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

	Nine-month period ended September 30	
	2012	2011
	US$	US$
Short-term employee benefits	1,370,793	303,119
Share-based payment arrangements	816,243	1,037,507
Total	2,187,036	1,340,626

(iii) Related Party Balances

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

	September 30 2012	December 31 2011
	US$	US$
Balances outstanding to 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

The Company's IFRS significant accounting policies are provided in Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2011 and can be found on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The preparation of 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 are described in notes 2.i, 2.j, 2.l, and 4 of the audited annual consolidated financial statements for the year ended December 31, 2011.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's application of new and revised IFRS are provided in Note 3 to the audited annual consolidated financial statements for the year ended December 31, 2011 and can be found on SEDAR at www.sedar.com. There have been no material effects on the condensed interim consolidated financial statements.

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.