

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2021 and 2020

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at June 30, 2021 and December 31, 2020

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

As at June 30, 2021 and December 31, 2020

	Note	June 30, 2021 US\$	December 31, 2020 US\$
Assets			
Non-current assets			
Property, plant and equipment	9	43,588,926	42,355,271
Right-of-use assets	10	1,010,531	711,590
Total non-current assets		44,599,457	43,066,861
Current assets			
Financial assets at fair value through profit or loss	11	3,792,367	2,066,648
Inventories	12	25,557,066	22,498,525
Prepayments		3,931,854	1,493,013
Loan receivable	26	646,345	-
Trade and other receivables	13	30,520,192	22,650,964
Cash		10,155,490	6,564,525
Total current assets		74,603,314	55,273,675
Total assets		119,202,771	98,340,536
Equity and liabilities			
Equity			
Share capital		24,858,172	23,378,281
Share-based payment reserve		3,772,138	4,270,588
Retained earnings		54,671,255	45,410,722
Capital and reserves attributable to owners of Geodrill Limited		83,301,565	73,059,591
Non-controlling interests	14	(1,311)	119
Total equity		83,300,254	73,059,710
Liabilities			
Non-current liabilities			
Deferred tax liability	8(iv)	3,368,344	3,312,310
Loans payable	15	1,666,667	-
Lease liabilities		465,070	321,941
Total non-current liabilities		5,500,081	3,634,251
Current liabilities			
Trade and other payables	16	19,268,312	16,474,655
Loans payable	15	8,833,333	3,083,333
Lease liabilities		430,117	343,949
Taxes payable	8(ii)	1,870,674	1,294,638
Related party payables	18(iii)	-	450,000
Total current liabilities		30,402,436	21,646,575
Total equity and liabilities		119,202,771	98,340,536
Contingency	24		

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

For the three and six months ended June 30, 2021 and 2020

	Note	Three-month period ended June 30		Six-month period ended June 30	
		2021 US\$	2020 US\$	2021 US\$	2020 US\$
Revenue		30,575,963	20,862,098	61,241,104	38,865,424
Cost of sales	7	(22,243,186)	(14,227,307)	(43,275,920)	(29,115,363)
Gross profit		8,332,777	6,634,791	17,965,184	9,750,061
Selling, general and administrative expenses	7	(3,438,585)	(2,146,054)	(6,484,184)	(4,884,343)
Foreign exchange gain / (loss)		192,481	(349,271)	(7,861)	(159,652)
Other income	11	28,613	128,118	1,312,562	70,412
Results from operating activities		5,115,286	4,267,584	12,785,701	4,776,478
Finance income		-	196	-	362
Finance costs		(158,220)	(60,892)	(251,052)	(131,071)
Income before taxation		4,957,066	4,206,888	12,534,649	4,645,769
Income tax expense	8(i)	(992,486)	(926,296)	(2,917,181)	(1,248,134)
Income and total comprehensive income for the period		3,964,580	3,280,592	9,617,468	3,397,635
Income and total comprehensive income for the period is attributable to:					
Owners of Geodrill Limited		3,965,389	3,280,592	9,618,898	3,397,635
Non-controlling interests		(809)	-	(1,430)	-
		3,964,580	3,280,592	9,617,468	3,397,635
Earnings per share					
Basic	21(i)	\$0.09	\$0.07	\$0.21	\$0.08
Diluted	21(ii)	\$0.09	\$0.07	\$0.21	\$0.08

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

For the three and six months ended June 30, 2021 and 2020

	<u>Attributable to owners of Geodrill Limited</u>				
	Share Capital US\$	Share-based Payment Reserve US\$	Retained Earnings US\$	Non- controlling interests US\$	Total Equity US\$
Balance at January 1, 2021	23,378,281	4,270,588	45,410,722	119	73,059,710
Income and total comprehensive income for the period	-	-	9,618,898	(1,430)	9,617,468
Dividend provided for or paid (Note 22)	-	-	(358,154)	-	(358,154)
Share buy-back and cancellation	(160)	-	(211)	-	(371)
Exercise of stock options	1,480,051	(641,480)	-	-	838,571
Share-based payment expense	-	143,030	-	-	143,030
Balance at June 30, 2021	24,858,172	3,772,138	54,671,255	(1,311)	83,300,254
Balance at January 1, 2020	23,204,469	4,351,899	38,242,108	-	65,798,476
Income and total comprehensive income for the period	-	-	3,397,635	-	3,397,635
Non-controlling interest recognized on acquisition of subsidiary	-	-	-	4,805	4,805
Share buy-back and cancellation	(12,275)	-	(15,309)	-	(27,584)
Exercise of stock options	84,040	(30,525)	-	-	53,515
Share-based payment expense	-	84,544	-	-	84,544
Balance at June 30, 2020	23,276,234	4,405,918	41,624,434	4,805	69,311,391

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2021 and 2020

	June 30, 2021 US\$	June 30, 2020 US\$
Cash flows from operating activities		
Income before taxation	12,534,649	4,645,769
<i>Adjustments for:</i>		
Depreciation expense	4,626,022	3,907,394
Movement in expected lifetime credit losses	641,357	(59,709)
Change in provision for inventory obsolescence	(87,603)	132,292
Equity-settled share-based payment expense	143,030	84,544
Finance income	-	(362)
Finance costs	251,052	131,071
Fair value gains on non-current financial assets at fair value through profit and loss	(1,312,562)	(70,413)
Unrealized foreign exchange gain	85,781	176,567
	16,881,726	8,947,153
Change in financial assets at fair value through profit and loss	(413,157)	(298,873)
Change in inventories	(2,970,938)	(168,434)
Change in prepayments	(2,469,030)	(245,463)
Change in trade and other receivables	(8,510,585)	(3,915,420)
Change in trade and other payables	2,137,778	(1,566,813)
	4,655,794	2,752,150
Finance income received	-	362
Finance costs paid	(223,392)	(121,115)
Income taxes paid	(2,285,111)	(2,067,142)
Net cash generated from operating activities	2,147,291	564,255
Investing activities		
Purchase of property, plant and equipment	(4,950,458)	(2,405,443)
Net cash used in investing activities	(4,950,458)	(2,405,443)
Financing activities		
Loans received	8,500,000	-
Loan repayments	(1,083,333)	(1,203,856)
Cash received on exercise of options	838,571	53,515
Lease liabilities payments	(320,119)	(239,517)
Share buy-back	(371)	(27,584)
Transactions with non-controlling interest	-	4,805
Dividends paid to company's shareholders	(358,154)	-
Loans issued	(646,345)	-
Change in related party payables	(450,000)	-
Net cash generated from / (used in) financing activities	6,480,249	(1,412,637)
Effect of movement in exchange rates on cash	(86,117)	(16,522)
Net increase in cash	3,590,965	(3,270,347)
Cash at beginning of the period	6,564,525	10,558,184
Cash at end of the period	10,155,490	7,287,837

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2021 and 2020

1. GENERAL INFORMATION

Geodrill Limited (the “Company” or “Geodrill”) is a company registered and domiciled in the Isle of Man. The address of the Company’s registered office is Ragnall House, 18 Peel Road, Douglas, Isle of Man, IM1 4LZ. The unaudited condensed interim consolidated financial statements of the Company for the periods ended June 30, 2021 and 2020 comprise the interim financial statements of the Company and its wholly owned subsidiaries, Geodrill Ghana Ltd, Geodrill Mauritius Limited, Geodrill Cote d’Ivoire SARL, Drilling Services Malta Limited, Vannin Resources, Unipessoal Limitada, Geodrill Sondagens LTDA, Geodrill Zambia Limited being Geodrill Limited’s registered foreign Zambian operating entity, Geodrill BF SARL being Geodrill Cote d’Ivoire SARL’s registered foreign Burkina Faso operating entity, Geodrill Mali SARL being Geodrill Cote d’Ivoire SARL’s registered foreign Mali operating entity, Recon Drilling S.A.C. of which the Company owns a 95% shareholding and Geo-Drill SARL of which the Company owns a 95% shareholding, collectively referred to as the “Group”.

The Group is primarily a provider of mineral exploration drilling services. These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill on August 11, 2021.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2021 have been prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies as presented in Note 2 disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2020. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) has been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited 2020 annual consolidated financial statements of the Company.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Critical accounting estimates and judgments

In preparing these unaudited condensed interim consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2020.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended December 31, 2020.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The following sets out the Group's basis of determining fair values of:

(a) Trade and other receivables

The fair value of trade and other receivables approximates their carrying value due to their short term nature.

(b) Cash

Cash consists of cash at bank and cash on hand.

(c) Trade and other payables

The fair value of trade and other payables approximates their carrying values, due to their short term nature.

(d) Loans payable

The fair value of the loans payable approximates their carrying value.

(e) Share-based payment transactions

The fair value of share options is measured using the Black-Scholes model. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility, expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(f) Financial assets held at fair value through profit and loss

Financial assets held at fair value through profit and loss consist of listed equity securities and their fair value is measured using quoted market prices.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2021 and 2020

5. SEASONALITY OF OPERATIONS

The operations have tended to exhibit a seasonal pattern. The first and fourth quarters are affected due to shutdown of exploration activities, often for extended periods over the holiday season, however the first quarter of 2021 was extremely busy and not affected by the shutdown. The second quarter is typically affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week, however, the second quarter of 2021 was extremely busy and was not affected by Easter. The wet season occurs (in some geographical areas where the Group operates, particularly in Burkina Faso and Mali) normally in the third quarter, but in recent years the global weather pattern has become somewhat erratic. The Group has historically taken advantage of the wet season and has scheduled the third quarter for maintenance and rebuild programs for drill rigs and equipment.

6. SEGMENT REPORTING

The primary format of operating segments is based on the Company's management and internal reporting structure, which is submitted to the Chief Executive Officer (CEO) who is the Chief Operating Decision Maker. Due to the integrated nature of the Company's operations and re-deployment of drill rigs within Africa, the Company maintains only one operating segment.

For the three months ended June 30, 2021, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 26%, one customer contributed 14% and one customer contributed 11%.

For the three months ended June 30, 2020, two customers individually contributed 10% or more to the Company's revenue. One customer contributed 38% and one customer contributed 17%.

For the six months ended June 30, 2021, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 27%, one customer contributed 14% and one customer contributed 11%.

For the six months ended June 30, 2020, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 34% and two customers contributed 14% each.

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

For the three and six months ended June 30, 2021 and 2020

7. EXPENSES BY NATURE

The Group presents certain expenses in the Condensed Interim Consolidated Statements of Comprehensive Income by function. The following table presents those expenses by nature:

	Three month period		Six month period	
	ended June 30,		ended June 30,	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Expenses				
Wages and employee benefits	9,207,208	6,284,438	18,505,471	13,225,660
Drill rig expenses and fuel	8,363,841	4,722,080	15,729,550	9,271,852
External services, contractors and others	4,335,479	2,602,308	7,976,678	6,141,297
Depreciation	2,274,982	2,201,549	4,626,022	3,907,397
Repairs and maintenance	1,120,701	631,217	2,281,028	1,513,208
Allowance for doubtful accounts and expected lifetime credit loss / (recovery)	379,560	(68,231)	641,357	(59,708)
	25,681,771	16,373,361	49,760,106	33,999,706

	Three month period		Six month period	
	ended June 30,		ended June 30,	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Cost of sales	22,243,186	14,227,307	43,275,920	29,115,363
Selling, general and administrative expenses	3,438,585	2,146,054	6,484,186	4,884,343
	25,681,771	16,373,361	49,760,106	33,999,706

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

	Three month period		Six month period	
	ended June 30,		ended June 30,	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Current tax expense (iii)	1,161,001	806,980	2,861,147	1,407,622
Deferred tax (recovery) / expense (iv)	(168,515)	119,316	56,034	(159,488)
	992,486	926,296	2,917,181	1,248,134

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8. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Jun. 30 US\$
2021	1,294,638	(2,285,111)	2,861,147	1,870,674

	Balance at Jan. 1 US\$	Payments during the year US\$	Charge for the year US\$	Balance at Dec. 31 US\$
2020	1,689,566	(3,545,705)	3,150,777	1,294,638

(iii) Reconciliation of effective tax rate

	Three month period ended June 30,		Six month period ended June 30,	
	2021 US\$	2020 US\$	2021 US\$	2020 US\$
Income before tax	4,957,066	4,206,888	12,534,649	4,645,769
Corporate tax at 25%	1,239,267	1,051,722	3,133,662	1,161,442
Add:				
Effect of different rate tax countries	(1,214,630)	(881,056)	(2,445,865)	(1,295,759)
Adjustment for current tax of prior years	(192,073)	(133,692)	(263,052)	(133,692)
Tax effect of amounts that are not deductible in calculating taxable income	119,012	52,817	202,477	106,064
Tax expense before withholding tax	(48,425) (1.0)%	89,791 2.1%	627,222 5.0%	(161,945) (3.5)%
Add:				
Withholding tax	1,040,911	836,505	2,289,959	1,410,079
Total tax expense	992,486	926,296	2,917,181	1,248,134
Effective tax rate	20.0%	22.0%	23.3%	26.9%

GEODRILL LIMITED
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8. TAXATION (CONTINUED)

(iv) Deferred tax liability

	June 30, 2021	December 31, 2020
	US\$	US\$
Balance at January 1	3,312,310	3,383,765
Expense / (recovery) for the period	56,034	(71,455)
	<u>3,368,344</u>	<u>3,312,310</u>

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	June 30, 2021	December 31, 2020
	US\$	US\$
Tax losses carried forward (1)	713,893	989,698
Provision for inventory obsolescence	121,133	172,311
Movement in expected lifetime credit losses	27,676	9,179
Property, plant and equipment	(3,999,857)	(3,889,321)
Deferred tax asset not recognized (2)	(231,189)	(594,177)
	<u>(3,368,344)</u>	<u>(3,312,310)</u>

(1) The Group has tax losses in Ghana available for a period of five years expiring on December 31, 2025.

The Group also has tax losses in Zambia available for a period of five years expiring during the years December 31, 2021 through December 31, 2025.

(2) The deferred tax asset has not been recognized in the financial statements because it is not probable that future taxable profit will be available against which the Group can utilize the related tax benefits.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and six months ended June 30, 2021 and 2020

9. PROPERTY, PLANT AND EQUIPMENT

2021	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Land & Leasehold Improvements US\$	Capital Work in Progress (CWIP) US\$	Total US\$
Cost						
Balance at January 1, 2021	9,381,753	26,900,039	66,680,227	5,395,227	5,788,812	114,146,058
Additions	-	-	-	-	5,599,893	5,599,893
Reclassifications from CWIP	591,283	1,351,411	2,287,185	118,936	(4,348,815)	-
Assets retired during the period	(11,140)	(398,042)	(1,225,865)	-	-	(1,635,047)
Balance at June 30, 2021	9,961,896	27,853,408	67,741,547	5,514,163	7,039,890	118,110,904
Accumulated Depreciation						
Balance at January 1, 2021	7,140,065	22,733,466	39,006,535	2,910,721	-	71,790,787
Charge for the period	525,196	935,637	2,689,738	215,667	-	4,366,238
Assets retired during the period	(11,140)	(398,042)	(1,225,865)	-	-	(1,635,047)
Balance at June 30, 2021	7,654,121	23,271,061	40,470,408	3,126,388	-	74,521,978
Carrying amounts at June 30, 2021	2,307,775	4,582,347	27,271,139	2,387,775	7,039,890	43,588,926

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

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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2020	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Land & Leasehold Improvements US\$	Capital Work in Progress (CWIP) US\$	Total US\$
Cost						
Balance at January 1, 2020	8,153,967	26,098,680	64,487,594	5,165,301	4,517,783	108,423,325
Additions	-	-	-	-	8,349,249	8,349,249
Reclassifications from CWIP	1,270,913	1,463,184	4,114,197	229,926	(7,078,220)	-
Assets retired during the year	(43,127)	(661,825)	(1,921,564)	-	-	(2,626,516)
Balance at December 31, 2020	9,381,753	26,900,039	66,680,227	5,395,227	5,788,812	114,146,058
Accumulated Depreciation						
Balance at January 1, 2020	6,305,651	21,505,127	36,464,660	2,449,660	-	66,725,098
Charge for the year	877,541	1,890,164	4,463,439	461,061	-	7,692,205
Assets retired during the year	(43,127)	(661,825)	(1,921,564)	-	-	(2,626,516)
Balance at December 31, 2020	7,140,065	22,733,466	39,006,535	2,910,721	-	71,790,787
Carrying amounts at December 31, 2020	2,241,688	4,166,573	27,673,692	2,484,506	5,788,812	42,355,271

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

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

For the three and six months ended June 30, 2021 and 2020

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in comprehensive income as follows:

	Three month period ended June 30,		Six month period ended June 30,	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Cost of sales	2,020,723	1,936,081	4,150,570	3,446,477
Selling, general and administrative expenses	108,169	149,429	215,668	238,526
	<u>2,128,892</u>	<u>2,085,510</u>	<u>4,366,238</u>	<u>3,685,003</u>

As at June 30, 2021, property, plant and equipment with a carrying amount of US\$16,266,696 (December 31, 2020: US\$10,351,586) have been pledged as security for certain loans (Note 15).

10. RIGHT-OF-USE ASSETS

	June 30, 2021 US\$	December 31, 2020 US\$
Cost		
Balance at January 1,	1,579,632	880,749
Additions	559,919	694,744
Movement in foreign exchange	(1,194)	4,139
Balance at the end of the period	2,138,357	1,579,632
Accumulated Depreciation		
Balance at January 1,	868,042	420,464
Charge for the period	259,784	447,578
Balance at the end of the period	1,127,826	868,042
Carrying amounts at the end of the period	1,010,531	711,590

The amount of depreciation recognized as an expense in the three and six months ended June 30, 2021 was US\$146,090 and US\$259,784 respectively (2020: US\$116,040 and US\$222,391, respectively).

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

For the three and six months ended June 30, 2021 and 2020

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies listed equity investments that are held for trading as financial assets at fair value through profit or loss (FVTPL). Movements in the year are shown in the table below:

	June 30, 2021 US\$	December 31, 2020 US\$
Balance at January 1,	2,066,648	428,787
Additions	1,481,917	1,313,868
Disposals	(1,068,760)	-
Gain recognized through profit and loss	1,312,562	323,993
	3,792,367	2,066,648

12. INVENTORIES

	June 30, 2021 US\$	December 31, 2020 US\$
Inventories on hand	25,175,047	21,148,660
Inventories in transit	1,103,883	2,165,087
Provision for obsolescence	(721,864)	(815,222)
	25,557,066	22,498,525

The amount of inventories recognized as expense in the three and six months ended June 30, 2021 is US\$9,519,023 and US\$18,229,248, respectively (three and six months ended June 30, 2020: US\$5,508,786 and US\$11,255,968, respectively). Inventory write downs in the three and six months ended June 30, 2021 amounted to US\$215 and US\$5,755, respectively (three and six months ended June 30, 2020: US\$24,145 and US\$69,775, respectively).

13. TRADE AND OTHER RECEIVABLES

	June 30, 2021 US\$	December 31, 2020 US\$
Trade receivables	30,799,543	22,268,758
Expected life time credit losses	(823,040)	(181,683)
Net trade receivables	29,976,503	22,087,075
Sundry receivables	543,689	563,889
	30,520,192	22,650,964

As at June 30, 2021, trade receivables with a carrying amount of US\$8,625,010 (December 31, 2020: US\$7,922,813) have been pledged as security for certain loans (Note 15).

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

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13. TRADE AND OTHER RECEIVABLES (CONTINUED)

The movements in the expected lifetime credit losses is as follows:

	June 30, 2021 US\$	December 31, 2020 US\$
Balance at January 1	181,683	303,884
Movement in expected lifetime credit losses in the period	265,170	(122,201)
Specific provisions made in the period	376,187	233,246
Amounts written off in the period	-	(233,246)
	823,040	181,683

14 NON-CONTROLLING INTERESTS

Non-controlling interest relates to 5% of Recon Drilling S.A.C not owned by the Group of US\$(2,306) and 5% of Geo-Drill SARL not owned by the Group of US\$876.

15. LOANS PAYABLE

	June 30, 2021 US\$	December 31, 2020 US\$
US\$10.0M Revolving Line of Credit (i)	8,000,000	2,000,000
US\$6.0M Medium Term Loan (ii)	2,500,000	-
US\$6.5M Medium Term Loan (iii)	-	1,083,333
Total	10,500,000	3,083,333
Current portion of loans	8,833,333	3,083,333
Non-current portion of loans	1,666,667	-

(i) US\$10.0M Revolving Line of Credit

On May 11, 2021, the Group increased the US\$7.5M Revolving Line of Credit with Ecobank Ghana Limited to US\$10.0M (the "US\$10.0M Revolving Line of Credit"). The US\$10.0M Revolving Line of Credit matures on April 30, 2022. Interest is repayable monthly and principal is repayable one year after drawdown. The US\$10.0M Revolving Line of Credit bears interest at a rate of 7.5% per annum on any utilized portion and is subject to periodic review in line with market conditions. The US\$10.0M Revolving Line of Credit is secured by certain assets of the Group (Note 9 and Note 13). The US\$10.0M Revolving Line of Credit may be repaid prior to maturity by the Group without penalty or other costs other than interest accrued to the date of such repayment. As at June 30, 2021, the Group had drawn US\$8.0M on the US\$10.0M Revolving Line of Credit. The US\$10.0M Revolving Line of Credit is subject to, and as at June 30, 2021, the Group was in compliance with normal course covenants.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and six months ended June 30, 2021 and 2020***15. LOANS PAYABLE (CONTINUED)****(ii) US\$6.0M Medium Term Loan**

On May 11, 2021, the Group entered into a new US\$6.0M Medium Term Loan (the “US\$6.0M Medium Term Loan”) with Ecobank Ghana Limited to finance the cost of property, plant and equipment to support the Group’s operations. Multiple drawings are permitted under the US\$6.0M Medium Term Loan and principal amounts are repayable quarterly over twelve quarters whereas interest is repayable monthly. The US\$6.0M Medium Term Loan is available until April 30, 2022. The US\$6.0M Medium Term Loan bears interest at a rate of 7.5% per annum and is subject to periodic review in line with market conditions. The US\$6.0M Medium Term Loan is secured by certain assets of the Group (Note 9 and Note 13). The US\$6.0M Medium Term Loan may be repaid prior to maturity by the Group without penalty or other costs other than interest accrued to the date of such repayment. The effective interest rate of the US\$6.0M Medium Term Loan is 8.1%. As at June 30, 2021, the Group had drawn US\$2.5M on the US\$6.0M Medium Term Loan. The US\$6.0M Medium Term Loan is subject to, and as at June 30, 2021, the Group was in compliance with normal course covenants.

(iii) US\$6.5M Medium Term Loan

On April 24, 2018, the Group entered into a Medium Term Loan with Ecobank Ghana Limited. The Medium Term Loan in the amount of US\$6.5 million (the “US\$6.5M Medium Term Loan”) matured on April 30, 2021. Principal was repaid in 12 equal quarterly instalments required to satisfy the principal over the term of the loan commencing on July 31, 2018. Interest was payable monthly in arrears. The US\$6.5M Term Loan bore interest at a rate of 8.5% per annum and was subject to periodic review in line with market conditions. The US\$6.5M Term Loan was secured by certain assets of the Group. The US\$6.5M Term Loan could have been repaid prior to maturity by the Group without penalty or other costs other than interest accrued to the date of such repayment. The effective interest rate of the US\$6.5M Term Loan was 9.1%. The US\$6.5M Medium Term Loan was repaid on April 30, 2021.

16. TRADE AND OTHER PAYABLES

	June 30, 2021	December 31, 2020
	US\$	US\$
Trade payables	9,862,457	9,282,353
Other creditors and accrued expenses	8,555,586	6,284,294
VAT liability	850,269	908,008
	19,268,312	16,474,655

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying values of cash, trade and other receivables, trade and other payables and related party payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of loans payable approximates their fair value as the fixed rate loans have been acquired recently and their carrying value continues to reflect fair value. The fair value of financial assets held at fair value through profit and loss are measured using quoted market prices.

There were no financial instruments classified as level 2 or 3 in the fair value hierarchy at June 30, 2021 and December 31, 2020.

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18. RELATED PARTY TRANSACTIONS

Related party	Relationship	Incorporation	2021	2020
Geodrill Mauritius Limited	Subsidiary	Mauritius	100%	100%
Geodrill Ghana Ltd	Subsidiary	Ghana	100%	100%
Geodrill Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	100%	100%
Geodrill BF SARL	Registered foreign operating entity	Cote d'Ivoire	100%	100%
Geodrill Mali SARL	Registered foreign operating entity	Cote d'Ivoire	100%	100%
Geodrill Limited Zambia	Registered foreign operating entity	Zambia	100%	100%
Drilling Services Malta Limited	Subsidiary	Malta	100%	100%
Vannin Resources, Unipessoal Limitada	Subsidiary	Madeira	100%	100%
Geodrill Sondagens LTDA	Subsidiary	Brazil	100%	100%
Recon Drilling S.A.C.	Subsidiary	Peru	95%	95%
Geo-Drill SARL	Subsidiary	Mali	95%	-
The Harper Family Settlement	Significant shareholder	Isle of Man	-	-
Geotool Limited	Subsidiary	British Virgin Islands	N/A ⁽¹⁾	100%
D.S.I. Services Limited	Subsidiary	British Virgin Islands	N/A ⁽²⁾	N/A ⁽²⁾
D.S.I. Services (IOM) Limited	Subsidiary	Isle of Man	N/A ⁽²⁾	N/A ⁽²⁾
Geo-Forage BF SARL	Subsidiary	Burkina Faso	N/A ⁽²⁾	N/A ⁽²⁾
Geo-Forage Cote d'Ivoire SARL	Subsidiary	Cote d'Ivoire	N/A ⁽²⁾	N/A ⁽²⁾
Geo-Forage Mali SARL	Subsidiary	Mali	N/A ⁽²⁾	N/A ⁽²⁾
Geo-Forage Senegal SARL	Subsidiary	Senegal	N/A ⁽²⁾	N/A ⁽²⁾

⁽¹⁾ Geotool Limited has been dissolved during 2021.

⁽²⁾ These companies have been dissolved during 2020.

(i) Transactions with related parties

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

The Harper Family Settlement owns 38.6% (December 31, 2020: 39.3%) of the issued share capital of Geodrill Limited.

On October 1, 2020, Geodrill Ghana Ltd entered into new lease agreements with The Harper Family Settlement for the Anwiankwanta property and for the Accra property, both for a two year term and rent for the Anwiankwanta property of US\$202,000 per annum and rent for the Accra property of US\$82,000 per annum. The material terms of the two year lease agreements include: (i) the annual rent payable shall be reviewed on an upward only basis on or before October 1, 2022; and (ii) only Geodrill Ghana Ltd can terminate the leases by giving twelve months' notice. It was also agreed that all future rent increases will be based on USA inflation data.

For the period ending June 30, 2021, the right-of-use assets relating to the properties above was US\$332,955 (December 31, 2020: US\$466,136) and the related lease liabilities were US\$342,171 (December 31, 2020: US\$470,385).

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and six months ended June 30, 2021 and 2020***18. RELATED PARTY TRANSACTIONS (CONTINUED)****(ii) Key management personnel and directors' transactions**

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

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

	Three month period		Six month period	
	ended June 30,		ended June 30,	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Short-term benefits	1,270,980	913,965	2,833,505	1,835,259
Share-based payment arrangements	44,243	25,076	143,030	84,544
	<u>1,315,223</u>	<u>939,041</u>	<u>2,976,535</u>	<u>1,919,803</u>

(iii) Related party balances

The related party payables balance payable to The Harper Family Settlement as at June 30, 2021 amounts to US\$Nil (December 31, 2020: US\$450,000). The related party payable balance was unsecured, interest free and was repayable on demand at the option of The Harper Family Settlement.

19. COMMITMENTS

As at June 30, 2021, the Group had capital commitments of US\$500,000 relating to the purchase of a new drill rig (December 31, 2020: US\$1,000,000).

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20. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital	June 30, 2021	December 31, 2020
Shares issued and fully paid	45,316,400	44,309,100
Shares reserved for share option plan	4,531,640	4,430,910
Total shares issued and reserved	49,848,040	48,740,010

Reconciliation of changes in issued shares

	June 30, 2021	December 31, 2020
Shares issued at January 1,	44,309,100	44,430,400
Stock options exercised	1,007,600	274,100
Share buy-back	(300)	(395,400)
Shares issued at end of period	45,316,400	44,309,100

All shares rank equally with regards to the Group's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholders' meetings of the Company.

During the period ended June 30, 2021, the Company re-purchased and cancelled 300 shares at an average price of C\$1.57 (for the year ended December 31, 2020, the Company re-purchased and cancelled 395,400 shares under its NCIB at an average price of C\$1.86).

(ii) Share-based payment reserve

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

The share-based payment expense for the three and six month periods ended June 30, 2021 amounted to US\$44,243 and US\$143,030, respectively (June 30, 2020: US\$25,076 and US\$84,544, respectively) and was included in selling, general and administrative expenses in the Condensed Interim Consolidated Statements of Comprehensive Income.

(iii) Retained earnings

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

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21. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share for the three and six month periods ended June 30, 2021 was based on the income attributable to ordinary shareholders of US\$3,965,389 (2020: US\$3,280,592) and US\$9,618,898 (2020: US\$3,397,635), respectively and on the weighted average number of ordinary shares outstanding of 45,076,567 (2020: 44,528,567) and 44,843,299 (2020: 44,491,229), respectively, calculated as follows:

	Three month period ended June 30,		Six month period ended June 30,	
	2021 US\$	2020 US\$	2021 US\$	2020 US\$
Income attributable to ordinary shareholders	3,965,389	3,280,592	9,618,898	3,397,635
Weighted average number of ordinary shares	Three month period ended June 30,		Six month period ended June 30,	
	2021 Shares	2020 Shares	2021 Shares	2020 Shares
Issued ordinary shares	45,076,567	44,528,567	44,843,299	44,491,229
Earnings per share	\$0.09	\$0.07	\$0.21	\$0.08

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21. EARNINGS PER SHARE (CONTINUED)

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three and six month period ended June 30, 2021 was based on the income attributable to ordinary shareholders of US\$3,965,389 (2020: US\$3,280,592) and US\$9,618,898 (2020: US\$3,397,635), respectively and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 45,076,567 (2020: 44,883,015) and 44,843,299 (2020: 44,913,481), respectively, calculated as follows:

	Three month period ended June 30,		Six month period ended June 30,	
	2021 US\$	2020 US\$	2021 US\$	2020 US\$
Income attributable to ordinary shareholders	3,965,389	3,280,592	9,618,898	3,397,635
Weighted average number of ordinary shares - diluted				
	Three month period ended June 30,		Six month period ended June 30,	
	2021 Shares	2020 Shares	2021 Shares	2020 Shares
Weighted average number of ordinary shares - basic	45,076,567	44,528,567	44,843,299	44,491,229
Effect of share options in issue	504,690 ⁽¹⁾	354,448 ⁽²⁾	136,418 ⁽³⁾	422,252 ⁽⁴⁾
	45,581,257	44,883,015	44,979,717	44,913,481
Diluted earnings per share	\$0.09	\$0.07	\$0.21	\$0.08

(1) For the three months ended June 30, 2021, 3,450,000 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

(2) For the three months ended June 30, 2020, 845,700 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

(3) For the six months ended June 30, 2021, 1,855,000 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

(4) For the six months ended June 30, 2020, 1,190,700 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

22. DIVIDENDS

On April 2, 2021 the Company paid a semi-annual dividend of CDN\$0.01 per share, to shareholders of record at the close of business on March 26, 2021.

On August 11, 2021, the Geodrill Board of Directors declared a semi-annual dividend of CDN\$0.01 per share, payable on September 8, 2021, to shareholders of record at the close of business on August 25, 2021.

No dividends were declared or paid in 2020.

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23. EQUITY-SETTLED SHARE-BASED PAYMENTS**Share Option Plan (“SOP”)**

The Company has established a SOP, which is intended to aid in attracting, retaining and motivating the Group’s employees, directors, consultants and advisors through the granting of stock options.

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

	June 30, 2021		December 31, 2020	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	3,816,600	CDN\$1.67	3,370,700	CDN\$1.58
Total granted in the period	690,000	CDN\$1.94	750,000	CDN\$1.71
Total exercised in the period	(1,007,600)	CDN\$1.04	(274,100)	CDN\$0.80
Total cancelled in the period	(49,000)	CDN\$0.79	(30,000)	CDN\$0.51
Balance ending	3,450,000	CDN\$1.89	3,816,600	CDN\$1.67

The following table summarizes the options outstanding at June 30, 2021:

Options	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
Granted on May 12, 2017	CDN\$2.14	1,595,000	11 mos	1,595,000
Granted on May 16, 2018	CDN\$2.00	90,000	1 Yr & 11 mos	90,000
Granted on May 15, 2019	CDN\$1.36	325,000	2 Yrs & 11 mos	325,000
Granted on March 9, 2020	CDN\$1.71	750,000	3 Yrs & 9 mos	300,000
Granted on March 15, 2021	CDN\$1.94	690,000	4 Yrs & 9 mos	190,000

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and six months ended June 30, 2021 and 2020***23. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)**

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

Granted on	May 12, 2017	May 16, 2018	May 15, 2019	March 9, 2020	March 15, 2021
Risk free interest rate	1.04%	1.04%	1.54%	0.53%	1.02%
Expected dividend yield	0%	0%	0%	0%	1%
Stock price volatility	50%	40%	42%	43%	40%
Expected life of options	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	30%	30%	30%	30%	30%

Where relevant, the expected life used in the model used to determine the accounting value attributable to the options has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on historical share price volatility over relevant periods.

24. CONTINGENCY

On December 20, 2019, the Burkina Faso Tax Authority's Head of Taxpayers Management Department ("BFTA") made an assessment on Geodrill claiming tax and penalties of \$17.9 million (10,460,774,574 CFA) for the years 2016 through 2018.

On December 28, 2020, the Burkina Faso Tax Authority's Head of Taxpayers Management Department ("BFTA") issued a revised assessment on Geodrill claiming reduced tax and penalties of \$9.7 million (5,232,253,593 CFA) for the years 2016 through 2018, a reduction from the original December 20, 2019 assessment.

For the years of the revised assessment, the BFTA has assessed that Geodrill had a permanent establishment in Burkina Faso and was subject to taxes, penalties and interest provided in Burkina Faso's tax legislation. Geodrill maintains that it did not have a permanent establishment in Burkina Faso in the years of the revised assessment and operated in Burkina Faso as a non-resident tax payer. As a non-resident tax payer, Geodrill was subject to a withholding tax on a percentage of its revenue as it was not registered with the BFTA and had never obtained a unique financial identification number. During the years 2016 and 2017, Geodrill was subject to a non-resident ten percent (10%) withholding tax and during the year 2018, Geodrill was subject to a twenty percent (20%) non-resident withholding tax. The non-resident withholding tax is paid to the Director General of taxes directly from Geodrill's clients on Geodrill's behalf.

Geodrill has reviewed the BFTA revised assessment and continues to disagree with the BFTA's conclusion and believes it is without merit. Geodrill maintains that it does not have a permanent establishment in Burkina Faso and believes it was appropriately taxed for the years 2016 – 2018 through the non-resident withholding tax system.

On March 7, 2021 Geodrill filed its Notice of Request for a discharge for the amounts owing under the revised assessment with the administrative courts in Burkina Faso. Geodrill as part of its notice for discharge filing highlighted for the courts that it has already been taxed for the years 2016 – 2018 through the non-resident withholding tax system and maintains its position that the revised assessment is without merit.

As at August 11, 2021, Geodrill is waiting for ruling from the administrative courts in Burkina Faso.

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25. COVID-19

The initial outbreak of COVID-19 (novel Coronavirus) had an adverse impact on global economic conditions which impacted the Company's drilling activities during the first three quarters of 2020. During the fourth quarter of 2020 and throughout the first six months of 2021, the Company was able to return to normal operations, although all six countries in which we currently have operations in continued to restrict travel for all persons and in most cases required entrants to complete a negative polymerase chain reaction ("PCR") test before entry is allowed into that country. There remains a risk that any future travel bans may impact the ability of the Company to provide drilling services to our customers.

From the onset of the pandemic, management provided a bi-monthly COVID-19 brief to the Board of Directors, outlining the safety and the wellbeing of our employees and the impact COVID-19 has had on operations. Geodrill liaised closely with our customers to understand their COVID-19 policies and procedures to ensure the Company complied with these policies and procedures. The Company has adhered to increased government stipulations on travel restrictions and curfews where required and has significantly increased our health and safety spending as required.

26. SUBSEQUENT EVENTS

On July 13, 2021 the Group purchased a used drill rig. The Group expects the drill rig to be received and available for use in the third quarter of 2021.

On July 26, 2021, the Group entered into a share sale and purchase agreement relating to the acquisition of Silver Back Egypt for Mining and Drilling Services S.A.E. ("Silver Back"). The Group expects the transaction to close in Q3 2021, upon which Silver Back will be a wholly owned subsidiary operating in Egypt. The loan receivable issued to Silver Back will be treated as a related party transaction and will be eliminated on consolidation in Q3 2021.

On August 2, 2021, the Group repaid US\$1M on the US\$10M Revolving Line of Credit. As at August 11, 2021, US\$7M has been drawn on the US\$10M Revolving Line of Credit.