

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

(unaudited)
(in United States dollars)

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

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GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2021 and December 31, 2020

	<i>Note</i>	September 30, 2021 US\$	December 31, 2020 US\$
Assets			
Non-current assets			
Property, plant and equipment	8	47,993,521	42,355,271
Right-of-use assets	9	872,418	711,590
Total non-current assets		48,865,939	43,066,861
Current assets			
Financial assets at fair value through profit or loss	10	3,526,547	2,066,648
Inventories	11	27,287,687	22,498,525
Prepayments		1,545,494	1,493,013
Trade and other receivables	12	22,742,251	22,650,964
Cash		15,832,788	6,564,525
Total current assets		70,934,767	55,273,675
Total assets		119,800,706	98,340,536
Equity and liabilities			
Equity			
Share capital		24,858,172	23,378,281
Share-based payment reserve		3,814,727	4,270,588
Retained earnings		56,046,230	45,410,722
Capital and reserves attributable to owners of Geodrill Limited		84,719,129	73,059,591
Non-controlling interests	13	6,442	119
Total equity		84,725,571	73,059,710
Liabilities			
Non-current liabilities			
Deferred tax liability	7(iv)	3,141,622	3,312,310
Loans payable	14	2,731,061	-
Lease liabilities		369,958	321,941
Total non-current liabilities		6,242,641	3,634,251
Current liabilities			
Trade and other payables	15	19,327,338	16,474,655
Loans payable	14	7,560,606	3,083,333
Lease liabilities		404,595	343,949
Taxes payable	7(ii)	1,539,955	1,294,638
Related party payables	17(iii)	-	450,000
Total current liabilities		28,832,494	21,646,575
Total equity and liabilities		119,800,706	98,340,536
Contingency	23		

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME

For the three and nine months ended September 30, 2021 and 2020

		Three-month period ended September 30		Nine-month period ended September 30	
	Note	2021 US\$	2020 US\$	2021 US\$	2020 US\$
Revenue		27,231,896	18,864,042	88,473,000	57,729,466
Cost of sales	6	(21,591,486)	(14,603,499)	(64,867,406)	(43,718,862)
Gross profit		5,640,410	4,260,543	23,605,594	14,010,604
Selling, general and administrative expenses	6	(2,717,461)	(2,397,524)	(9,201,645)	(7,281,866)
Foreign exchange (loss) / gain		(147,917)	144,423	(155,778)	(15,229)
Other (loss) / income	10	(183,530)	471,617	1,129,032	542,029
Results from operating activities		2,591,502	2,479,059	15,377,203	7,255,538
Finance income		-	184	-	546
Finance costs		(215,075)	(46,013)	(466,127)	(177,084)
Income before taxation		2,376,427	2,433,230	14,911,076	7,079,000
Income tax expense	7(i)	(634,017)	(471,623)	(3,551,198)	(1,719,757)
Income and total comprehensive income for the period		1,742,410	1,961,607	11,359,878	5,359,243
Income and total comprehensive income for the period is attributable to:					
Owners of Geodrill Limited		1,750,163	1,962,202	11,353,555	5,359,838
Non-controlling interests		(7,753)	(595)	6,323	(595)
		1,742,410	1,961,607	11,359,878	5,359,243
Earnings per share					
Basic	20(i)	\$0.04	\$0.04	\$0.25	\$0.12
Diluted	20(ii)	\$0.04	\$0.04	\$0.25	\$0.12

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three and nine months ended September 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	-	-	11,353,555	6,323	11,359,878
Dividend provided for or paid (Note 21)	-	-	(717,836)	-	(717,836)
Share buy-back and cancellation	(160)	-	(211)	-	(371)
Exercise of stock options	1,480,051	(641,480)	-	-	838,571
Share-based payment expense	-	185,619	-	-	185,619
Balance at September 30, 2021	24,858,172	3,814,727	56,046,230	6,442	84,725,571
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	-	-	5,359,838	(595)	5,359,243
Non-controlling interest recognized on acquisition of subsidiary	-	-	-	4,805	4,805
Share buy-back and cancellation	(164,291)	-	(274,898)	-	(439,189)
Exercise of stock options	380,826	(219,099)	-	-	161,727
Share-based payment expense	-	111,002	-	-	111,002
Balance at September 30, 2020	23,421,004	4,243,802	43,327,048	4,210	70,996,064

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2021 and 2020

	September 30, 2021 US\$	September 30, 2020 US\$
Cash flows from operating activities		
Income before taxation	14,911,076	7,079,000
<i>Adjustments for:</i>		
Depreciation expense	6,769,599	5,983,458
Movement in expected lifetime credit losses	689,973	(8,921)
Change in provision for inventory obsolescence	56,439	134,083
Equity-settled share-based payment expense	185,619	111,002
Finance income	-	(546)
Finance costs	466,127	177,084
Fair value gains on non-current financial assets at fair value through profit and loss	(1,129,032)	(542,029)
Unrealized foreign exchange loss	521,615	111,841
	22,471,416	13,044,972
Change in financial assets at fair value through profit and loss	(330,867)	(743,425)
Change in inventories	(4,845,601)	(1,295,203)
Change in prepayments	(52,481)	(600,547)
Change in trade and other receivables	(781,260)	(376,445)
Change in trade and other payables	2,179,284	(859,547)
	18,640,491	9,169,805
Finance income received	-	546
Finance costs paid	(423,066)	(163,273)
Income taxes paid	(3,476,569)	(3,022,558)
Net cash generated from operating activities	14,740,856	5,984,520
Investing activities		
Purchase of property, plant and equipment	(11,490,244)	(4,136,480)
Net cash used in investing activities	(11,490,244)	(4,136,480)
Financing activities		
Loans received	10,500,000	-
Loan repayments	(3,291,666)	(1,745,523)
Shares issued on options exercised	838,571	161,727
Lease liabilities payments	(495,210)	(350,226)
Share buy-back	(371)	(439,189)
Transactions with non-controlling interest	-	4,805
Dividends paid to company's shareholders	(717,836)	-
Change in related party payables	(450,000)	-
Net cash generated from / (used in) financing activities	6,383,488	(2,368,406)
Effect of movement in exchange rates on cash	(365,837)	(93,685)
Net increase in cash	9,268,263	(614,051)
Cash at beginning of the period	6,564,525	10,558,184
Cash at end of the period	15,832,788	9,944,133

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 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 September 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, Silver Back Egypt for Mining and Drilling Services S.A.E., 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 November 10, 2021.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 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
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For the three and nine months ended September 30, 2021 and 2020

2. BASIS OF PREPARATION (CONTINUED)

(e) Impairment testing

The Company's market capitalization is currently below the Company's net book value which is considered to be an indicator of potential impairment of the carrying value of the Company's property, plant and equipment as at September 30, 2021. The outcome of the analysis was such that the expected net recoverable amount exceeded the carrying value of the property, plant and equipment and, accordingly, no impairment loss was recognized in the period.

3. 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**

For the three and nine months ended September 30, 2021 and 2020

4. 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. In the third quarter of 2021, the wet season resulted in a slowdown in activity. 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.

5. 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 September 30, 2021, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 22%, one customer contributed 13% and one customer contributed 10%.

For the three months ended September 30, 2020, three customers individually contributed 10% or more to the Company's revenue. One customer contributed 19%, one customer contributed 14% and one customer contributed 13%.

For the nine months ended September 30, 2021, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 25%, one customer contributed 12% and one customer contributed 11%.

For the nine months ended September 30, 2020, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 23%, one customer contributed 16% and one customer contributed 14%.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

6. 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		Nine month period	
	ended September 30,		ended September 30,	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Expenses				
Wages and employee benefits	9,144,803	6,949,038	27,650,275	20,174,699
Drill rig expenses and fuel	7,514,854	4,016,096	23,244,404	13,287,946
External services, contractors and others	4,273,336	3,017,399	12,250,011	9,158,696
Depreciation	2,143,577	2,076,061	6,769,599	5,983,458
Repairs and maintenance	1,183,761	891,642	3,464,789	2,404,850
Expected lifetime credit loss / (recovery)	48,616	50,787	689,973	(8,921)
	24,308,947	17,001,023	74,069,051	51,000,728

	Three month period		Nine month period	
	ended September 30,		ended September 30,	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Cost of sales	21,591,486	14,603,499	64,867,406	43,718,862
Selling, general and administrative expenses	2,717,461	2,397,524	9,201,645	7,281,866
	24,308,947	17,001,023	74,069,051	51,000,728

7. TAXATION

(i) Income tax expense

	Three month period		Nine month period	
	ended September 30,		ended September 30,	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Current tax expense (iii)	860,739	634,996	3,721,886	2,042,618
Deferred tax recovery (iv)	(226,722)	(163,373)	(170,688)	(322,861)
	634,017	471,623	3,551,198	1,719,757

GEODRILL LIMITED
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For the three and nine months ended September 30, 2021 and 2020

7. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Sep. 30 US\$
2021	1,294,638	(3,476,569)	3,721,886	1,539,955

	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 September 30,		Nine month period ended September 30,	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Income before tax	2,376,427	2,433,230	14,911,076	7,079,000
Corporate tax at 25%	594,107	608,308	3,727,769	1,769,750
Add:				
Effect of different rate tax countries	(452,770)	(867,490)	(2,955,597)	(2,163,249)
Adjustment for current tax of prior years	(68,073)	-	(331,125)	(133,692)
Tax effect of amounts that are not deductible in calculating taxable income	90,518	190,472	349,957	296,536
Tax expense before withholding tax	163,782	(68,710)	791,004	(230,655)
	6.9%	(2.8)%	5.3%	(3.3)%
Add:				
Withholding tax	470,235	540,333	2,760,194	1,950,412
Total tax expense	634,017	471,623	3,551,198	1,719,757
Effective tax rate	26.7%	19.4%	23.8%	24.3%

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

7. TAXATION (CONTINUED)

(iv) Deferred tax liability

	September 30, 2021	December 31, 2020
	US\$	US\$
Balance at January 1	3,312,310	3,383,765
Recovery for the period	(170,688)	(71,455)
	<u>3,141,622</u>	<u>3,312,310</u>

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	September 30, 2021	December 31, 2020
	US\$	US\$
Tax losses carried forward (1)	591,541	989,698
Provision for inventory obsolescence	119,311	172,311
Movement in expected lifetime credit losses	171,395	9,179
Property, plant and equipment	(3,805,393)	(3,889,321)
Deferred tax asset not recognized (2)	(218,476)	(594,177)
	<u>(3,141,622)</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
For the three and nine months ended September 30, 2021 and 2020

8. 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	-	-	-	-	12,009,283	12,009,283
Reclassifications from CWIP	743,742	2,293,916	5,016,086	227,689	(8,281,433)	-
Assets retired during the period	(11,140)	(508,673)	(2,118,391)	-	-	(2,638,204)
Balance at September 30, 2021	10,114,355	28,685,282	69,577,922	5,622,916	9,516,662	123,517,137
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	762,414	1,403,365	3,878,549	326,705	-	6,371,033
Assets retired during the period	(11,140)	(508,673)	(2,118,391)	-	-	(2,638,204)
Balance at September 30, 2021	7,891,339	23,628,158	40,766,693	3,237,426	-	75,523,616
Carrying amounts at September 30, 2021	2,223,016	5,057,124	28,811,229	2,385,490	9,516,662	47,993,521

(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
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For the three and nine months ended September 30, 2021 and 2020

8. 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.

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8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in comprehensive income as follows:

	Three month period		Nine month period	
	ended September 30,		ended September 30,	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Cost of sales	1,893,758	1,854,315	6,044,328	5,300,792
Selling, general and administrative expenses	111,037	107,512	326,705	346,041
	<u>2,004,795</u>	<u>1,961,827</u>	<u>6,371,033</u>	<u>5,646,833</u>

As at September 30, 2021, property, plant and equipment with a carrying amount of US\$16,173,315 (December 31, 2020: US\$10,351,586) have been pledged as security for certain loans (Note 14).

9. RIGHT-OF-USE ASSETS

	September 30, 2021	December 31, 2020
	US\$	US\$
Cost		
Balance at January 1,	1,579,632	880,749
Additions	564,100	694,744
Movement in foreign exchange	(4,706)	4,139
Balance at the end of the period	2,139,026	1,579,632
Accumulated Depreciation		
Balance at January 1,	868,042	420,464
Charge for the period	398,566	447,578
Balance at the end of the period	1,266,608	868,042
Carrying amounts at the end of the period	872,418	711,590

The amount of depreciation recognized as an expense in the three and nine months ended September 30, 2021 was US\$138,782 and US\$398,566 respectively (2020: US\$114,234 and US\$336,625, respectively).

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For the three and nine months ended September 30, 2021 and 2020

10. 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:

	September 30, 2021 US\$	December 31, 2020 US\$
Balance at January 1,	2,066,648	428,787
Additions	1,954,725	1,313,868
Disposals	(1,623,858)	-
Gain recognized through profit and loss	1,129,032	323,993
	3,526,547	2,066,648

11. INVENTORIES

	September 30, 2021 US\$	December 31, 2020 US\$
Inventories on hand	26,713,506	21,148,660
Inventories in transit	1,438,508	2,165,087
Provision for obsolescence	(864,327)	(815,222)
	27,287,687	22,498,525

The amount of inventories recognized as expense in the three and nine months ended September 30, 2021 is US\$8,710,225 and US\$27,131,345, respectively (three and nine months ended September 30, 2020: US\$5,200,312 and US\$16,456,280, respectively). Inventory write downs in the three and nine months ended September 30, 2021 amounted to US\$1,579 and US\$7,334, respectively (three and nine months ended September 30, 2020: US\$1,405 and US\$71,180, respectively).

12. TRADE AND OTHER RECEIVABLES

	September 30, 2021 US\$	December 31, 2020 US\$
Trade receivables	23,114,576	22,268,758
Expected life time credit losses	(871,656)	(181,683)
Net trade receivables	22,242,920	22,087,075
Sundry receivables	499,331	563,889
	22,742,251	22,650,964

As at September 30, 2021, trade receivables with a carrying amount of US\$9,047,720 (December 31, 2020: US\$7,922,813) have been pledged as security for certain loans (Note 14).

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12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	September 30, 2021 US\$	December 31, 2020 US\$
Balance at January 1	181,683	303,884
Movement in expected lifetime credit losses in the period	104,373	(122,201)
Specific provisions made in the period	585,600	233,246
Amounts written off in the period	-	(233,246)
	871,656	181,683

13. NON-CONTROLLING INTERESTS

Non-controlling interest relates to 5% of Recon Drilling S.A.C not owned by the Group of US\$5,538 and 5% of Geo-Drill SARL not owned by the Group of US\$904.

14. LOANS PAYABLE

	September 30, 2021 US\$	December 31, 2020 US\$
US\$10.0M Revolving Line of Credit (i)	6,000,000	2,000,000
US\$6.0M Medium Term Loan (ii)	4,291,667	-
US\$6.5M Medium Term Loan (iii)	-	1,083,333
Total	10,291,667	3,083,333
Current portion of loans	7,560,606	3,083,333
Non-current portion of loans	2,731,061	-

(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 September 30, 2021, the Group had drawn US\$6.0M on the US\$10.0M Revolving Line of Credit. The US\$10.0M Revolving Line of Credit is subject to, and as at September 30, 2021, the Group was in compliance with normal course covenants.

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14. 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 September 30, 2021, the Group had drawn US\$4.3M on the US\$6.0M Medium Term Loan. The US\$6.0M Medium Term Loan is subject to, and as at September 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 Medium 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 Medium Term Loan was secured by certain assets of the Group. The US\$6.5M Medium 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 Medium Term Loan was 9.1%. The US\$6.5M Medium Term Loan was repaid on April 30, 2021.

15. TRADE AND OTHER PAYABLES

	September 30, 2021	December 31, 2020
	US\$	US\$
Trade payables	8,503,955	9,282,353
Other creditors and accrued expenses	9,705,760	6,284,294
VAT liability	1,117,623	908,008
	19,327,338	16,474,655

16. 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 September 30, 2021 and December 31, 2020.

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17. 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%
Silver Back Egypt for Mining and Drilling Services S.A.E.	Subsidiary	Egypt	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 September 30, 2021, the right-of-use assets relating to the properties above was US\$266,364 (December 31, 2020: US\$466,136) and the related lease liabilities were US\$276,255 (December 31, 2020: US\$470,385).

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17. 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		Nine month period	
	ended September 30,		ended September 30,	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Short-term benefits	1,135,246	921,133	3,968,750	2,756,392
Share-based payment arrangements	42,589	26,459	185,619	111,002
	<u>1,177,835</u>	<u>947,592</u>	<u>4,154,369</u>	<u>2,867,394</u>

(iii) Related party balances

The related party payables balance payable to The Harper Family Settlement as at September 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.

18. COMMITMENTS

As at September 30, 2021, the Group had capital commitments of US\$Nil. (December 31, 2020: US\$1,000,000).

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19. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital	September 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

	September 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 September 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 nine month periods ended September 30, 2021 amounted to US\$42,589 and US\$185,619, respectively (September 30, 2020: US\$26,459 and US\$111,002, 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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20. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share for the three and nine month periods ended September 30, 2021 was based on the income attributable to ordinary shareholders of US\$1,750,163 (2020: US\$1,961,607) and US\$11,353,555 (2020: US\$5,359,838), respectively and on the weighted average number of ordinary shares outstanding of 45,316,400 (2020: 44,520,878) and 45,003,319 (2020: 44,494,185), respectively, calculated as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2021 US\$	2020 US\$	2021 US\$	2020 US\$
Income attributable to ordinary shareholders	1,750,163	1,961,607	11,353,555	5,359,838
Weighted average number of ordinary shares	Three month period ended September 30,		Nine month period ended September 30,	
	2021 Shares	2020 Shares	2021 Shares	2020 Shares
Issued ordinary shares	45,316,400	44,520,878	45,003,319	44,494,185
Earnings per share	\$0.04	\$0.04	\$0.25	\$0.12

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20. EARNINGS PER SHARE (CONTINUED)

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three and nine month period ended September 30, 2021 was based on the income attributable to ordinary shareholders of US\$1,750,163 (2020: US\$1,961,607) and US\$11,353,555 (2020: US\$5,359,838), respectively and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 45,897,262 (2020: 44,875,326) and 45,212,045 (2020: 44,916,437), respectively, calculated as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2021 US\$	2020 US\$	2021 US\$	2020 US\$
Income attributable to ordinary shareholders	1,750,163	1,961,607	11,353,555	5,359,838
Weighted average number of ordinary shares - diluted				
	Three month period ended September 30,		Nine month period ended September 30,	
	2021 Shares	2020 Shares	2021 Shares	2020 Shares
Weighted average number of ordinary shares - basic	45,316,400	44,520,878	45,003,319	44,494,185
Effect of share options in issue	580,862 ⁽¹⁾	354,448 ⁽²⁾	208,726 ⁽³⁾	422,252 ⁽⁴⁾
	45,897,262	44,875,326	45,212,045	44,916,437
Diluted earnings per share	\$0.04	\$0.04	\$0.25	\$0.12

(1) For the three months ended September 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 September 30, 2020, 2,131,600 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

(3) For the nine months ended September 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 nine months ended September 30, 2020, 1,081,600 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

21. 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 September 8, 2021, the Company paid a semi-annual dividend of CDN\$0.01 per share, 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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22. 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.

	September 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 September 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	8 mos	1,595,000
Granted on May 16, 2018	CDN\$2.00	90,000	1 Yr & 8 mos	90,000
Granted on May 15, 2019	CDN\$1.36	325,000	2 Yrs & 8 mos	325,000
Granted on March 9, 2020	CDN\$1.71	750,000	3 Yrs & 6 mos	300,000
Granted on March 15, 2021	CDN\$1.94	690,000	4 Yrs & 6 mos	190,000

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22. 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.

23. 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 November 10, 2021, Geodrill is waiting for ruling from the administrative courts in Burkina Faso.

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24. 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 nine 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.

25. GUARANTEE

On July 6, 2021, the Group entered into a Bank Guarantee with Ecobank Cote d'Ivoire ("Guarantee") for a maximum amount of US\$0.45M to guarantee the required security deposit required for all value added tax refund claims. The Guarantee commission is 2% per annum plus 0.1% of the amount drawn on the Guarantee. The Guarantee expires on June 24, 2022. As at September 30, 2021, the Group had drawn US\$0.4M on the Guarantee and no liability is expected to arise.