

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2022 and 2021

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at March 31, 2022 and December 31, 2021

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

As at March 31, 2022 and December 31, 2021

	Note	March 31, 2022 US\$	December 31, 2021 US\$
Assets			
Non-current assets			
Property, plant and equipment	9	51,610,464	49,085,157
Right-of-use assets	10	1,142,184	811,671
Total non-current assets		52,752,648	49,896,828
Current assets			
Financial assets at fair value through profit or loss	11	2,358,205	4,253,119
Inventories	12	28,129,720	27,832,408
Prepayments		1,966,272	1,590,638
Trade and other receivables	13	31,711,352	23,707,433
Cash		14,965,186	9,275,316
Total current assets		79,130,735	66,658,914
Total assets		131,883,383	116,555,742
Equity and liabilities			
Equity			
Share capital		25,222,156	24,858,172
Share-based payment reserve		3,810,207	3,857,405
Retained earnings		63,713,662	58,830,570
Capital and reserves attributable to owners of Geodrill Limited		92,746,025	87,546,147
Non-controlling interests	14	(20,922)	(19,612)
Total equity		92,725,103	87,526,535
Liabilities			
Non-current liabilities			
Deferred tax liability	8(iv)	3,712,837	3,381,671
Loans payable		2,450,758	2,940,909
Lease liabilities		465,707	405,823
Total non-current liabilities		6,629,302	6,728,403
Current liabilities			
Trade and other payables	16	23,385,366	17,037,523
Loans payable	15	6,960,606	3,960,606
Lease liabilities		562,424	302,828
Taxes payable	8(ii)	1,620,582	999,847
Total current liabilities		32,528,978	22,300,804
Total equity and liabilities		131,883,383	116,555,742
Contingency	24		

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

For the three months ended March 31, 2022 and 2021

	Note	March 31, 2022 US\$	March 31, 2021 US\$
Revenue		33,408,743	30,665,141
Cost of sales	7	(23,597,908)	(21,032,734)
Gross profit		9,810,835	9,632,407
Selling, general and administrative expenses	7	(3,151,182)	(3,045,600)
Foreign exchange loss		(12,316)	(200,342)
Other gain	11	1,064,317	1,283,949
Results from operating activities		7,711,654	7,670,414
Finance costs		(161,418)	(92,831)
Income before taxation		7,550,236	7,577,583
Income tax expense	8(i)	(1,599,063)	(1,924,695)
Income and total comprehensive income for the period		5,951,173	5,652,888
Income and total comprehensive income for the period is attributable to:			
Owners of Geodrill Limited		5,952,483	5,655,127
Non-controlling interests		(1,310)	(2,239)
		5,951,173	5,652,888
Earnings per share for income attributable to the ordinary equity holders of the Company			
Basic	21(i)	\$0.13	\$0.13
Diluted	21(ii)	\$0.13	\$0.13

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

For the three months ended March 31, 2022 and 2021

	<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, 2022	24,858,172	3,857,405	58,830,570	(19,612)	87,526,535
Income and total comprehensive income for the period	-	-	5,952,483	(1,310)	5,951,173
Dividends (Note 22)	-	-	(1,069,391)	-	(1,069,391)
Exercise of stock options	363,984	(81,654)	-	-	282,330
Share-based payment expense	-	34,456	-	-	34,456
Balance at March 31, 2022	25,222,156	3,810,207	63,713,662	(20,922)	92,725,103
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	-	-	5,655,127	(2,239)	5,652,888
Dividends (Note 22)	-	-	(354,499)	-	(354,499)
Share buy-back and cancellation	(160)	-	(211)	-	(371)
Exercise of stock options	947,355	(508,227)	-	-	439,128
Share-based payment expense	-	98,786	-	-	98,786
Balance at March 31, 2021	24,325,476	3,861,147	50,711,139	(2,120)	78,895,642

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2022 and 2021

	March 31, 2022 US\$	March 31, 2021 US\$
Cash flows from operating activities		
Income before taxation	7,550,236	7,577,583
<i>Adjustments for:</i>		
Depreciation expense	2,639,979	2,351,037
Movement in expected lifetime credit losses	(98,715)	261,796
Change in provision for inventory obsolescence	(985)	(46,603)
Equity-settled share-based payment expense	34,456	98,786
Finance costs	161,418	92,831
Fair value gains on financial assets at fair value through profit and loss	(1,064,317)	(1,283,949)
Unrealized foreign exchange gain / (loss)	257,679	(24,803)
	9,479,751	9,026,678
Change in financial assets at fair value through profit and loss	2,959,231	627,288
Change in inventories	(296,327)	(1,862,866)
Change in prepayments	(375,634)	(305,464)
Change in trade and other receivables	(7,905,204)	(12,175,490)
Change in trade and other payables	4,535,737	2,240,255
	8,397,554	(2,449,599)
Finance costs paid	(136,791)	(84,393)
Income taxes paid	(647,162)	(500,455)
Net generated from / (cash used in) operating activities	7,613,601	(3,034,447)
Investing activities		
Purchase of property, plant and equipment	(4,201,709)	(1,396,438)
Net cash used in investing activities	(4,201,709)	(1,396,438)
Financing activities		
Loans received	3,000,000	4,000,000
Loan payments	(490,151)	(541,666)
Cash received on exercise of options	282,330	439,128
Lease liabilities payments	(268,838)	(89,432)
Share buy-back	-	(371)
Related party payables payments	-	(225,000)
Net cash generated from financing activities	2,523,341	3,582,659
Effect of movement in exchange rates on cash	(245,363)	211,657
Net increase / (decrease) in cash	5,689,870	(636,569)
Cash at beginning of the period	9,275,316	6,564,525
Cash at end of the period	14,965,186	5,927,956

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2022 and 2021

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 March 31, 2022 and 2021 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 being Geodrill Cote d’Ivoire SARL’s registered foreign Burkina Faso operating entity, Geodrill Mali 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 May 7, 2022.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2022 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, 2021. 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 2021 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, 2021.

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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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 March 31, 2022. 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. 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, 2021.

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. The fair value of cash approximates its carrying values due to its short term nature.

(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.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2022 and 2021

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(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.

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 2022 was extremely busy and not affected as much by the holiday season as in prior years. The second quarter is typically affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week. 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. The Company has operations in South America, however, this is not material to the Company's operations and therefore not considered to be a reportable segment.

For the three months ended March 31, 2022, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 19%, one customer contributed 14% and one customer contributed 10%.

For the three months ended March 31, 2021, three customers individually contributed 10% or more to the Group's revenue. One customer contributed 27%, one customer contributed 15% and one customer contributed 12%.

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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:

	March 31, 2022	March 31, 2021
	US\$	US\$
Expenses		
Wages and employee benefits	10,572,674	9,298,266
Drill rig expenses	7,547,586	7,365,709
External services, contractors and others	4,804,688	3,641,198
Depreciation	2,639,979	2,351,037
Repairs and maintenance	1,282,878	1,160,327
Expected lifetime credit (recovery) / losses	(98,715)	261,797
	<hr/> 26,749,090	<hr/> 24,078,334
	March 31, 2022	March 31, 2021
	US\$	US\$
Cost of sales	23,597,908	21,032,734
Selling, general and administrative expenses	3,151,182	3,045,600
	<hr/> 26,749,090	<hr/> 24,078,334

8. TAXATION

(i) Income tax expense

	March 31, 2022	March 31, 2021
	US\$	US\$
Current tax expense (iii)	1,267,897	1,700,146
Deferred tax expense (iv)	331,166	224,549
	<hr/> 1,599,063	<hr/> 1,924,695

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three months ended March 31, 2022 and 2021

8. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Mar. 31 US\$
2022	999,847	(647,162)	1,267,897	1,620,582

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at Dec. 31 US\$
2021	1,294,638	(5,901,164)	5,606,373	999,847

(iii) Reconciliation of effective tax rate

	March 31, 2022 US\$	March 31, 2021 US\$
Income before tax	7,550,236	7,577,583
Corporate tax at 25%	1,887,559	1,894,396
Add:		
Effect of different rate tax countries	(1,144,771)	(1,231,235)
Adjustments for current tax of prior years	-	(70,979)
Deferred tax liability on undistributed profits of subsidiary	450,000	-
Tax effect of amounts that are not deductible in calculating taxable income	16,848	83,465
Tax expense before withholding tax	1,209,636	675,647
	16.0%	8.9%
Add:		
Withholding tax	389,427	1,249,048
Total tax expense	1,599,063	1,924,695
Effective tax rate	21.2%	25.4%

During the period ended March 31, 2022, the Group recognized deferred tax in the amount of US\$450,000 (March 31, 2021: US\$Nil) in relation to undistributed profits at certain subsidiaries.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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8. TAXATION (CONTINUED)

(iv) Deferred tax liability

	March 31, 2022	December 31, 2021
	US\$	US\$
Balance at January 1	3,381,671	3,312,310
Net expense for the period	331,166	69,361
	<u>3,712,837</u>	<u>3,381,671</u>

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	March 31, 2022	December 31, 2021
	US\$	US\$
Tax losses carried forward (1)	1,205,547	1,276,192
Provision for inventory obsolescence	117,985	120,464
Movement in expected lifetime credit losses	105,838	129,631
Property, plant and equipment	(3,486,660)	(3,631,766)
Deferred tax on undistributed profits	(450,000)	-
Deferred tax asset not recognized (2)	(1,205,547)	(1,276,192)
	<u>(3,712,837)</u>	<u>(3,381,671)</u>

(1) The Group has tax losses in Zambia available for a period of five years expiring during the years December 31, 2022 through December 31, 2026.

(2) The deferred tax asset in Zambia 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 months ended March 31, 2022 and 2021

9. PROPERTY, PLANT AND EQUIPMENT

2022	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, 2022	10,137,793	28,899,347	71,540,790	5,692,392	9,272,044	125,542,366
Additions	-	-	-	-	4,929,400	4,929,400
Reclassifications from CWIP	385,803	1,128,156	3,218,489	295,670	(5,028,118)	-
Assets retired during the period	-	(157,108)	(1,776,864)	-	-	(1,933,972)
Balance at March 31, 2022	10,523,596	29,870,395	72,982,415	5,988,062	9,173,326	128,537,794
Accumulated Depreciation						
Balance at January 1, 2022	7,989,295	23,957,606	41,159,378	3,350,930	-	76,457,209
Charge for the period	206,443	531,093	1,549,675	116,882	-	2,404,093
Assets retired during the period	-	(157,108)	(1,776,864)	-	-	(1,933,972)
Balance at March 31, 2022	8,195,738	24,331,591	40,932,189	3,467,812	-	76,927,330
Carrying amounts at March 31, 2022	2,327,858	5,538,804	32,050,226	2,520,250	9,173,326	51,610,464

(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 months ended March 31, 2022 and 2021

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	-	-	-	-	15,194,053	15,194,053
Reclassifications from CWIP	895,451	2,688,999	7,829,206	297,165	(11,710,821)	-
Assets retired during the year	(139,411)	(689,691)	(2,968,643)	-	-	(3,797,745)
Balance at December 31, 2021	10,137,793	28,899,347	71,540,790	5,692,392	9,272,044	125,542,366
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 year	988,641	1,913,831	5,121,486	440,209	-	8,464,167
Assets retired during the year	(139,411)	(689,691)	(2,968,643)	-	-	(3,797,745)
Balance at December 31, 2021	7,989,295	23,957,606	41,159,378	3,350,930	-	76,457,209
Carrying amounts at December 31, 2021	2,148,498	4,941,741	30,381,412	2,341,462	9,272,044	49,085,157

(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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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in the Condensed Interim Consolidated Statements of Comprehensive Income as follows:

	March 31, 2022	March 31, 2021
	US\$	US\$
Cost of sales	2,287,209	2,129,844
Selling, general and administrative expenses	116,884	107,499
	<u>2,404,093</u>	<u>2,237,343</u>

As at March 31, 2022, property, plant and equipment with a carrying amount of US\$21,835,133 (December 31, 2021: US\$11,755,282) have been pledged as security for certain loans (Note 15).

10. RIGHT-OF-USE ASSETS

	March 31, 2022	December 31, 2021
	US\$	US\$
Cost		
Balance at January 1,	2,035,908	1,579,632
Additions	566,173	646,251
Disposals	-	(185,268)
Movement in foreign exchange	226	(4,707)
Balance at the end of the period	<u>2,602,307</u>	<u>2,035,908</u>
Accumulated Depreciation		
Balance at January 1,	1,224,237	868,042
Charge for the period	235,886	541,463
Assets expired in the year	-	(185,268)
Balance at the end of the period	<u>1,460,123</u>	<u>1,224,237</u>
Carrying amounts at the end of the period	<u>1,142,184</u>	<u>811,671</u>

The amount of depreciation recognized as an expense in the three month period ended March 31, 2022 was US\$235,886 (March 31, 2021: US\$113,694).

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2022 and 2021***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 period are shown in the table below:

	March 31, 2022 US\$	December 31, 2021 US\$
Balance at January 1,	4,253,119	2,066,648
Additions	40,103	1,954,725
Disposals	(2,999,334)	(1,796,393)
Gain recognized through profit and loss	1,064,317	2,028,139
	2,358,205	4,253,119

12. INVENTORIES

	March 31, 2022 US\$	December 31, 2021 US\$
Inventories on hand	28,122,960	27,545,221
Inventories in transit	870,884	1,152,296
Provision for obsolescence	(864,124)	(865,109)
	28,129,720	27,832,408

The amount of inventories recognized as expense in the three months ended March 31, 2022 is US\$8,936,202, (March 31, 2021: US\$8,710,225). Inventory write downs in the three months ended March 31, 2022 amounted to US\$Nil (March 31, 2021: US\$5,540).

13. TRADE AND OTHER RECEIVABLES

	March 31, 2022 US\$	December 31, 2021 US\$
Trade receivables	31,525,006	23,498,809
Expected lifetime credit losses	(617,927)	(716,642)
Net trade receivables	30,907,079	22,782,167
Sundry receivables	804,273	925,266
	31,711,352	23,707,433

As at March 31, 2022, trade receivables with a carrying amount of US\$10,109,634 (December 31, 2021: US\$9,047,720) have been pledged as security for certain loans (Note 15).

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13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	March 31, 2022 US\$	December 31, 2021 US\$
Balance at January 1	716,642	181,683
Movement in expected lifetime credit losses in the period	(68,715)	120,401
Specific (recovery) / provisions made in the period	(30,000)	414,558
	617,927	716,642

14 NON-CONTROLLING INTERESTS

Non-controlling interests relates to 5% of Recon Drilling S.A.C not owned by the Group of US\$(22,397) and 5% of Geo-Drill SARL not owned by the Group of US\$1,475.

15. LOANS PAYABLE

	March 31, 2022 US\$	December 31, 2021 US\$
US\$6.0M Medium Term Loan (i)	4,411,364	4,901,515
US\$10M Revolving Line of Credit (ii)	5,000,000	2,000,000
US\$4.0M Medium Term Loan (iii)	-	-
Total	9,411,364	6,901,515
Current portion of loans	6,960,606	3,960,606
Non-current portion of loans	2,450,758	2,940,909

(i) 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 for drawdown until June 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 March 31, 2022, the Group had drawn US\$5.5M on the US\$6.0M Medium Term Loan. The US\$6.0M Medium Term Loan is subject to, and as at March 31, 2022, the Group was in compliance with normal course covenants.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2022 and 2021***15. LOANS PAYABLE (CONTINUED)****(ii) 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 June 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 March 31, 2022, the Group had drawn US\$5.0M on the US\$10.0M Revolving Line of Credit. The US\$10.0M Revolving Line of Credit is subject to, and as at March 31, 2022, the Group was in compliance with normal course covenants.

(iii) US\$4.0M Medium Term Loan

On March 10, 2022, the Group entered into a new US\$4.0M Medium Term Loan (the "US\$4.0M 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\$4.0M Medium Term Loan and principal amounts are repayable quarterly over twelve quarters whereas interest is repayable monthly. The US\$4.0M Medium Term Loan is available for drawdown until June 30, 2022. The US\$4.0M 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\$4.0M Medium Term Loan is secured by certain assets of the Group (Note 9 and Note 13). The US\$4.0M 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\$4.0M Medium Term Loan is 8.1%. As at March 31, 2022, the Group had not drawn any amount on the US\$4.0M Medium Term Loan. The US\$4.0M Medium Term Loan is subject to, and as at March 31, 2022, the Group was in compliance with normal course covenants.

16. TRADE AND OTHER PAYABLES

	March 31, 2022	December 31, 2021
	US\$	US\$
Trade payables	8,948,083	7,079,819
Other creditors and accrued expenses	11,678,746	8,729,145
VAT liability	2,758,537	1,228,559
	<u>23,385,366</u>	<u>17,037,523</u>

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 March 31, 2022 and December 31, 2021.

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18. RELATED PARTY TRANSACTIONS

Related party	Relationship	Incorporation	2022	2021
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	Registered foreign operating entity	Cote d'Ivoire	100%	100%
Geodrill Mali	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%	100%
Recon Drilling S.A.C.	Subsidiary	Peru	95%	95%
Geo-Drill SARL	Subsidiary	Mali	95%	95%
The Harper Family Settlement	Significant shareholder	Isle of Man	-	-
Geotool Limited	Subsidiary	British Virgin Islands	N/A ⁽¹⁾	N/A ⁽¹⁾

⁽¹⁾ Geotool Limited was dissolved during 2021.

(i) Transactions with related parties

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

The Harper Family Settlement owns 38.5% (December 31, 2021: 38.6%) 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 March 31, 2022, the right-of-use assets relating to the properties above was US\$133,182 (December 31, 2021: US\$199,773) and the related lease liabilities were US\$140,693 (December 31, 2021: US\$209,104).

The Group has paid fees to MS Risk Limited during the three month period ended March 31, 2022 of US\$8,500 (March 31, 2021 of US\$Nil). One of the directors of MS Risk Limited is also a director of Geodrill Limited.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three months ended March 31, 2022 and 2021***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 Company 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 Company.

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

	March 31, 2022	March 31, 2021
	US\$	US\$
Short-term benefits	1,816,690	1,562,525
Share-based payment arrangements	34,456	98,786
	<hr/> 1,851,146	<hr/> 1,661,311

19. COMMITMENTS

As at March 31, 2022, the Group had capital commitments of US\$340,000 relating to the balance of the purchase of a new drill rig (December 31, 2021: US\$Nil).

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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	March 31, 2022	December 31, 2021
Shares issued and fully paid	45,491,400	45,316,400
Shares reserved for share option plan	4,549,140	4,531,640
Total shares issued and reserved	50,040,540	49,848,040

Reconciliation of changes in issued shares

	March 31, 2022	December 31, 2021
Shares issued at January 1,	45,316,400	44,309,100
Stock options exercised	175,000	1,007,600
Share buy-back	-	(300)
Shares issued at end of period	45,491,400	45,316,400

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 March 31, 2022, the Company did not re-purchase nor cancel any shares under its NCIB (for the year ended December 31, 2021, the Company re-purchased and cancelled 300 shares under its NCIB at an average price of CAD\$1.57).

(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 period ended March 31, 2022 amounted to US\$34,456 (March 31, 2021: US\$98,786) 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 month period ended March 31, 2022 was based on the income attributable to ordinary shareholders of US\$5,952,483 (2021: US\$5,655,127) and on the weighted average number of ordinary shares outstanding of 45,335,897 (2021: 44,605,466) calculated as follows:

	March 31, 2022	March 31, 2021
	US\$	US\$
Income attributable to ordinary shareholders	5,952,483	5,655,127
Weighted average number of ordinary shares		
	March 31, 2022	March 31, 2021
	Shares	Shares
Issued ordinary shares	45,335,897	44,605,466
Earnings per share	\$0.13	\$0.13

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three month period ended March 31, 2022 was based on the income attributable to ordinary shareholders of US\$5,952,483 (2021: US\$5,655,127) and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 46,081,781 (2021: 44,724,500), calculated as follows:

	March 31, 2022	March 31, 2021
	US\$	US\$
Income attributable to ordinary shareholders	5,952,483	5,655,127
Weighted average number of ordinary shares - diluted		
	March 31, 2022	March 31, 2021
	Shares	Shares
Weighted average number of ordinary shares - basic	45,335,897	44,605,466
Effect of share options in issue	745,884 ⁽¹⁾	119,034 ⁽²⁾
	46,081,781	44,724,500
Diluted earnings per share	\$0.13	\$0.13

(1) For the three months ended March 31, 2022, 3,275,000 options in issue were dilutive and were included in the calculation of the diluted earnings per share, however, they did not have an effect on the diluted earnings per share amount.

(2) For the three months ended March 31, 2021, 1,375,000 options in issue were dilutive and were included in the calculation of the diluted earnings per share, however, they did not have an effect on the diluted earnings per share amount.

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22. DIVIDENDS

On March 4, 2022, the Company declared a semi-annual dividend of CAD\$0.03 per share, payable on April 8, 2022, to shareholders of record on the close of business on March 18, 2022.

On September 8, 2021, the Company paid a semi-annual dividend of CAD\$0.01 per share, to shareholders of record on the close of business on August 25, 2021.

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

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.

	March 31, 2022		December 31, 2021	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	3,450,000	CAD\$1.93	3,816,600	CAD\$1.67
Total granted in the period	-	-	690,000	CAD\$1.94
Total exercised in the period	(175,000)	CAD\$2.05	(1,007,600)	CAD\$1.04
Total cancelled in the period	-	-	(49,000)	CAD\$0.79
Balance ending	3,275,000	CAD\$1.92	3,450,000	CAD\$1.93

The following table summarizes the options outstanding at March 31, 2022:

Options	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
Granted on May 12, 2017	CAD\$2.14	1,440,000	2 mos	1,440,000
Granted on May 16, 2018	CAD\$2.00	90,000	1 Yrs & 2 mos	90,000
Granted on May 15, 2019	CAD\$1.36	305,000	2 Yrs & 2 mos	305,000
Granted on March 9, 2020	CAD\$1.71	750,000	3 Yrs	450,000
Granted on March 15, 2021	CAD\$1.94	690,000	4 Yrs	380,000

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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 19, 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 May 7, 2022, Geodrill is waiting for ruling from the administrative courts in Burkina Faso.

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

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25. COVID-19

The COVID-19 (novel Coronavirus) virus had an adverse impact on global economic conditions which impacted the Company's drilling activities during 2020. In 2021 and through the first quarter of 2022 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 was allowed into that country. The restrictions on travel have begun to ease in the first quarter of 2022, however, 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 government stipulations on travel restrictions and curfews where required and has significantly increased our health and safety spending as required.

26. GUARANTEE

The Group has 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 March 31, 2022, the Group had not drawn on the Guarantee and no liability is expected to arise.

27. SUBSEQUENT EVENTS

On April 8, 2022, the Company paid a semi-annual dividend of CAD\$0.03 per share, to shareholders of record on the close of business on March 18, 2022.

On April 26, 2022, the Group drew down US\$1.0M on the US\$4.0M Medium Term Loan, resulting in US\$3.0M still being available for drawdown on the US\$4.0M Medium Term Loan as at May 7, 2022.

On May 5, 2022, the Group repaid US\$2.0M on the US\$10.0M Revolving Line of Credit resulting in US\$7.0M still being available for drawdown on the US\$10.0M Revolving Line of Credit as at May 7, 2022.