

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2022 and 2021

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at September 30, 2022 and December 31, 2021

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

As at September 30, 2022 and December 31, 2021

	Note	September 30, 2022 US\$	December 31, 2021 US\$
Assets			
Non-current assets			
Property, plant and equipment	9	55,190,338	49,085,157
Right-of-use assets	10	940,924	811,671
Total non-current assets		56,131,262	49,896,828
Current assets			
Financial assets at fair value through profit or loss	11	993,902	4,253,119
Inventories	12	30,218,065	27,832,408
Prepayments		1,850,762	1,590,638
Trade and other receivables	13	39,822,847	23,707,433
Cash		19,078,759	9,275,316
Total current assets		91,964,335	66,658,914
Total assets		148,095,597	116,555,742
Equity and liabilities			
Equity			
Share capital		28,106,386	24,858,172
Share-based payment reserve		3,329,256	3,857,405
Retained earnings		72,126,573	58,830,570
Capital and reserves attributable to owners of Geodrill Limited		103,562,215	87,546,147
Non-controlling interests	14	4,651	(19,612)
Total equity		103,566,866	87,526,535
Liabilities			
Non-current liabilities			
Deferred tax liability	8(iv)	3,186,058	3,381,671
Loans payable	15	2,637,121	2,940,909
Lease liabilities		417,861	405,823
Total non-current liabilities		6,241,040	6,728,403
Current liabilities			
Trade and other payables	16	24,425,069	17,037,523
Loans payable	15	10,741,228	3,960,606
Lease liabilities		382,326	302,828
Taxes payable	8(ii)	2,739,068	999,847
Total current liabilities		38,287,691	22,300,804
Total equity and liabilities		148,095,597	116,555,742
Contingency	24		

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

For the three and nine months ended September 30, 2022 and 2021

	Note	Three-month period ended September 30		Nine-month period ended September 30	
		2022 US\$	2021 US\$	2022 US\$	2021 US\$
Revenue		35,165,910	27,231,896	107,725,649	88,473,000
Cost of sales	7	(24,254,159)	(21,591,486)	(74,584,516)	(64,867,406)
Gross profit		10,911,751	5,640,410	33,141,133	23,605,594
Selling, general and administrative expenses	7	(3,867,312)	(2,717,461)	(9,671,569)	(9,201,645)
Foreign exchange loss		(139,141)	(147,917)	(720,196)	(155,778)
Other (loss) / income	11	(59,171)	(183,530)	384,734	1,129,032
Results from operating activities		6,846,127	2,591,502	23,134,102	15,377,203
Finance costs		(195,135)	(215,075)	(556,680)	(466,127)
Income before taxation		6,650,992	2,376,427	22,577,422	14,911,076
Income tax expense	8(i)	(3,031,972)	(634,017)	(7,100,149)	(3,551,198)
Income and total comprehensive income for the period		3,619,020	1,742,410	15,477,273	11,359,878
Income and total comprehensive income for the period is attributable to:					
Owners of Geodrill Limited		3,610,709	1,750,163	15,453,010	11,353,555
Non-controlling interests		8,311	(7,753)	24,263	6,323
		3,619,020	1,742,410	15,477,273	11,359,878
Earnings per share					
Basic	21(i)	\$0.08	\$0.04	\$0.33	\$0.25
Diluted	21(ii)	\$0.08	\$0.04	\$0.33	\$0.25

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

For the nine months ended September 30, 2022 and 2021

	<u>Attributable to owners of Geodrill Limited</u>				Total Equity US\$
	Share Capital US\$	Share-based Payment Reserve US\$	Retained Earnings US\$	Non- controlling interests 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	-	-	15,453,010	24,263	15,477,273
Dividends (Note 22)	-	-	(2,157,007)	-	(2,157,007)
Exercise of stock options	3,248,214	(739,718)	-	-	2,508,496
Share-based payment expense	-	211,569	-	-	211,569
Balance at September 30, 2022	28,106,386	3,329,256	72,126,573	4,651	103,566,866
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
Dividends (Note 22)	-	-	(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

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2022 and 2021

	September 30, 2022 US\$	September 30, 2021 US\$
Cash flows from operating activities		
Income before taxation	22,577,422	14,911,076
<i>Adjustments for:</i>		
Depreciation expense	7,709,377	6,769,599
Movement in expected lifetime credit losses	502,131	689,973
Change in provision for inventory obsolescence	67,979	56,439
Equity-settled share-based payment expense	211,569	185,619
Finance costs	556,680	466,127
Fair value gains on financial assets at fair value through profit and loss	(384,734)	(1,129,032)
Unrealized foreign exchange loss	1,426,065	521,615
	32,666,489	22,471,416
Change in financial assets at fair value through profit and loss	3,643,951	(330,867)
Change in inventories	(2,453,636)	(4,845,601)
Change in prepayments	(260,124)	(52,481)
Change in trade and other receivables	(16,617,545)	(781,260)
Change in trade and other payables	4,546,296	2,179,284
	21,525,431	18,640,491
Finance costs paid	(501,732)	(423,066)
Income taxes paid	(5,556,541)	(3,476,569)
Net cash generated from operating activities	15,467,158	14,740,856
Investing activities		
Purchase of property, plant and equipment	(12,137,282)	(11,490,244)
Net cash used in investing activities	(12,137,282)	(11,490,244)
Financing activities		
Loans received	10,113,955	10,500,000
Loans repaid	(3,637,121)	(3,291,666)
Cash received on exercise of options	2,508,496	838,571
Share buy-back	-	(371)
Dividends paid	(1,069,391)	(717,836)
Change in related party payables	-	(450,000)
Lease liabilities payments	(736,503)	(495,210)
Net cash generated from financing activities	7,179,436	6,383,488
Effect of movement in exchange rates on cash	(705,869)	(365,837)
Net increase in cash	9,803,443	9,268,263
Cash at beginning of the period	9,275,316	6,564,525
Cash at end of the period	19,078,759	15,832,788

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 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 September 30, 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 Leasing Company Limited, 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, Recon Drilling Chile SPA of which the Company owns a 95% shareholding, Geo-Drill SARL of which the Company owns a 95% shareholding and GTS Drilling Ltd a company under common control, 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, 2022.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

For the three and nine months ended September 30, 2022 and 2021

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, 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 and nine months ended September 30, 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 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 2022 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. 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 September 30, 2022, two customers individually contributed 10% or more to the Group's revenue. One customer contributed 19% and one customer contributed 11%.

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 nine months ended September 30, 2022, two customers individually contributed 10% or more to the Group's revenue. One customer contributed 17% and one customer contributed 10%.

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%.

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

For the three and nine months ended September 30, 2022 and 2021

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		Nine month period	
	ended September 30,		ended September 30,	
	2022	2021	2022	2021
	US\$	US\$	US\$	US\$
Expenses				
Wages and employee benefits	9,771,909	9,144,803	31,523,260	27,650,275
Drill rig expenses	8,963,732	7,514,854	26,275,365	23,244,404
External services, contractors and others	5,242,905	4,273,336	14,232,654	12,250,011
Depreciation	2,456,576	2,143,577	7,709,377	6,769,599
Repairs and maintenance	1,476,377	1,183,761	4,013,297	3,464,789
Expected lifetime credit loss	209,972	48,616	502,131	689,973
	28,121,471	24,308,947	84,256,084	74,069,051

	Three month period		Nine month period	
	ended September 30,		ended September 30,	
	2022	2021	2022	2021
	US\$	US\$	US\$	US\$
Cost of sales	24,254,159	21,591,486	74,584,516	64,867,406
Selling, general and administrative expenses	3,867,312	2,717,461	9,671,569	9,201,645
	28,121,471	24,308,947	84,256,085	74,069,051

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

	Three month period		Nine month period	
	ended September 30,		ended September 30,	
	2022	2021	2022	2021
	US\$	US\$	US\$	US\$
Current tax expense	4,188,137	860,739	7,295,762	3,721,886
Deferred tax recovery (iv)	(1,156,165)	(226,722)	(195,613)	(170,688)
	3,031,972	634,017	7,100,149	3,551,198

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and nine months ended September 30, 2022 and 2021

8. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at January 1, US\$	Payments during the period US\$	Charge for the period US\$	Balance at September 30, US\$
2022	999,847	(5,556,541)	7,295,762	2,739,068

	Balance at January 1, US\$	Payments during the year US\$	Charge for the year US\$	Balance at December 31, US\$
2021	1,294,638	(5,901,164)	5,606,373	999,847

(iii) Reconciliation of effective tax rate

	Three month period ended September 30,		Nine month period ended September 30,	
	2022 US\$	2021 US\$	2022 US\$	2021 US\$
Income before tax	6,650,992	2,376,427	22,577,422	14,911,076
Corporate tax at 25%	1,662,748	594,107	5,644,356	3,727,769
Add:				
Effect of different rate tax countries	436	(452,770)	(2,016,950)	(2,955,597)
Adjustment for current tax of prior years	-	(68,073)	(187,632)	(331,125)
Deferred tax liability on undistributed profits of subsidiary	(1,125,000)	-	-	-
Tax effect of amounts that are not deductible in calculating taxable income	121,635	90,518	221,355	349,957
Tax expense before withholding tax	659,819	163,782	3,661,129	791,004
	9.9%	6.9%	16.2%	5.3%
Add:				
Withholding tax	2,372,153	470,235	3,439,020	2,760,194
Total tax expense	3,031,972	634,017	7,100,149	3,551,198
Effective tax rate	45.6%	26.7%	31.4%	23.8%

During the nine months ended September 30, 2022, the Group recognized a withholding tax in the amount of US\$1,966,656 (September 30, 2021: US\$Nil) in relation to withholding tax on an intercompany dividend.

8. TAXATION (CONTINUED)

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and nine months ended September 30, 2022 and 2021

(iv) Deferred tax liability

	September 30, 2022	December 31, 2021
	US\$	US\$
Balance at January 1	3,381,671	3,312,310
(Recovery) / expense for the period	(195,613)	69,361
	<u>3,186,058</u>	<u>3,381,671</u>

(v) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	September 30, 2022	December 31, 2021
	US\$	US\$
Tax losses carried forward (1)	1,415,759	1,276,192
Provision for inventory obsolescence	126,894	120,464
Movement in expected lifetime credit losses	212,939	129,631
Property, plant and equipment	(3,525,891)	(3,631,766)
Deferred tax on undistributed profits	-	-
Deferred tax asset not recognized (2)	(1,415,759)	(1,276,192)
	<u>(3,186,058)</u>	<u>(3,381,671)</u>

(1) The Group has tax losses in numerous jurisdictions that are available for the years December 31, 2022 through December 31, 2026.

(2) The deferred tax assets have 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)
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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					13,173,846	13,173,846
Reclassifications from CWIP	1,500,471	2,618,781	6,343,629	405,705	(10,868,586)	-
Assets retired during the period	(236,413)	(585,948)	(3,451,847)	(39,849)		(4,314,057)
Balance at September 30, 2022	11,401,851	30,932,180	74,432,572	6,058,248	11,577,304	134,402,155
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	646,222	1,647,045	4,417,369	358,029	-	7,068,665
Assets retired during the period	(236,413)	(585,948)	(3,451,847)	(39,849)	-	(4,314,057)
Balance at September 30, 2022	8,399,104	25,018,703	42,124,900	3,669,110	-	79,211,817
Carrying amounts at September 30, 2022	3,002,747	5,913,477	32,307,672	2,389,138	11,577,304	55,190,338

(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)
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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.

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

For the three and nine months ended September 30, 2022 and 2021

9. 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,	
	2022	2021	2022	2021
	US\$	US\$	US\$	US\$
Cost of sales	2,136,613	1,893,758	6,710,635	6,044,328
Selling, general and administrative expenses	119,560	111,037	358,030	326,705
	2,256,173	2,004,795	7,068,665	6,371,033

As at September 30, 2022, property, plant and equipment with a carrying amount of US\$20,775,010 (December 31, 2021: US\$11,755,282) have been pledged as security for certain loans (Note 15).

10. RIGHT-OF-USE ASSETS

	September 30, 2022	December 31, 2021
	US\$	US\$
Cost		
Balance at January 1,	2,035,908	1,579,632
Additions	773,413	646,251
Disposals	-	(185,268)
Movement in foreign exchange	(3,448)	(4,707)
Balance at the end of the period	2,805,873	2,035,908
Accumulated Depreciation		
Balance at January 1,	1,224,237	868,042
Charge for the period	640,712	541,463
Assets expired in the period	-	(185,268)
Balance at the end of the period	1,864,949	1,224,237
Carrying amounts		
at the end of the period	940,924	811,671

The amount of depreciation recognized as an expense in the three and nine months ended September 30, 2022 was US\$200,403 and US\$640,712 respectively (2021: US\$138,782 and US\$398,566, respectively).

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

For the three and nine months ended September 30, 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 are shown in the table below:

	September 30, 2022 US\$	December 31, 2021 US\$
Balance at January 1,	4,253,119	2,066,648
Additions	40,103	1,954,725
Disposals	(3,684,054)	(1,796,393)
Gain recognized through profit and loss	384,734	2,028,139
	993,902	4,253,119

12. INVENTORIES

	September 30, 2022 US\$	December 31, 2021 US\$
Inventories on hand	30,848,037	27,545,221
Inventories in transit	302,632	1,152,296
Provision for obsolescence	(932,604)	(865,109)
	30,218,065	27,832,408

The amount of inventories recognized as expense in the three and nine months ended September 30, 2022 is US\$10,213,472 and US\$30,291,043, respectively (three and nine months ended September 30, 2021: US\$8,710,225 and US\$27,131,345, respectively). Inventory write downs in the three and nine months ended September 30, 2022 amounted to US\$Nil and US\$483, respectively (three and nine months ended September 30, 2021: US\$1,579 and US\$7,334, respectively).

13. TRADE AND OTHER RECEIVABLES

	September 30, 2022 US\$	December 31, 2021 US\$
Trade receivables	40,508,114	23,498,809
Expected life time credit losses	(1,218,773)	(716,642)
Net trade receivables	39,289,341	22,782,167
Sundry receivables	533,506	925,266
	39,822,847	23,707,433

As at September 30, 2022, trade receivables with a carrying amount of US\$18,237,360 (December 31, 2021: US\$9,047,720) have been pledged as security for certain loans (Note 15).

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For the three and nine months ended September 30, 2022 and 2021

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	September 30, 2022 US\$	December 31, 2021 US\$
Balance at January 1	716,642	181,683
Movement in expected lifetime credit losses in the period	238,626	120,401
Specific provisions made in the period	263,505	414,558
	1,218,773	716,642

14 NON-CONTROLLING INTERESTS

Non-controlling interest relates to 5% of Recon Drilling S.A.C not owned by the Group of US\$2,411, 5% of Recon Drilling Chile SPA not owned by the Group of US\$Nil and 5% of Geo-Drill SARL not owned by the Group of US\$2,240.

15. LOANS PAYABLE

	September 30, 2022 US\$	December 31, 2021 US\$
US\$6.0M Medium Term Loan (i)	3,431,060	4,901,515
US\$10.0M Revolving Line of Credit (ii)	4,000,000	2,000,000
US\$4.0M Medium Term Loan (iii)	1,833,334	
US\$5.0M Bridge Loan (iv)	4,113,955	-
Total	13,378,349	6,901,515
Current portion of loans	10,741,228	3,960,606
Non-current portion of loans	2,637,121	2,940,909

(i) US\$6.0M Medium Term Loan

On July 25, 2022, the Group renewed the US\$6.0M Medium Term Loan (the “US\$6.0M Medium Term Loan”) with Ecobank Ghana Limited until August 31, 2023. 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 April 30, 2023. 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%. The US\$6.0M Medium Term Loan is subject to, and as at September 30, 2022, the Group was in compliance with normal course covenants. As at September 30, 2022, the Group had drawn US\$5.5M on the US\$6.0M Medium Term Loan.

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and nine months ended September 30, 2022 and 2021***15. LOANS PAYABLE (CONTINUED)****(ii) US\$10.0M Revolving Line of Credit**

On July 25, 2022, the Group renewed the US\$10.0M Revolving Line of Credit (the “US\$10.0M Revolving Line of Credit”) with Ecobank Ghana Limited until August 31, 2023. 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. The US\$10.0M Revolving Line of Credit is subject to, and as at September 30, 2022, the Group was in compliance with normal course covenants. As at September 30, 2022, the Group had drawn US\$4.0M on the US\$10.0M Revolving Line of Credit.

(iii) US\$4.0M Medium Term Loan

On July 25, 2022, the Group renewed the US\$4.0M Medium Term Loan (the “US\$4.0M Medium Term Loan”) with Ecobank Ghana Limited. 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 April 30, 2023. 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%. The US\$4.0M Medium Term Loan is subject to, and as at September 30, 2022, the Group was in compliance with normal course covenants. As at September 30, 2022, the Group had drawn US\$2.0M on the US\$4.0M Medium Term Loan.

(iv) US\$5.0M Bridge Loan

On September 13, 2022, the Group entered into a US\$5.0M Bridge Loan (the “US\$5.0M Bridge Loan”) with the parent company of one of the Group’s customers. Multiple drawings are permitted under the US\$5.0M Bridge Loan. The US\$5.0M Bridge Loan bears no interest on outstanding drawn amounts prior to the repayment date. The US\$5.0M Bridge Loan is repayable December 31, 2022. The US\$5.0M Bridge Loan is secured by certain assets of the Group (Note 13). The US\$5.0M Bridge Loan is subject to, and as at September 30, 2022, the Group was in compliance with normal course covenants. The US\$5.0M Bridge Loan is repayable December 31, 2022. As at September 30, 2022, the Group had drawn US\$4.1M on the US\$5.0M Bridge Loan.

16. TRADE AND OTHER PAYABLES

	September 30, 2022	December 31, 2021
	US\$	US\$
Trade payables	9,575,471	7,079,819
Other creditors and accrued expenses	11,692,421	8,729,145
VAT liability	3,157,177	1,228,559
	<hr/> 24,425,069	<hr/> 17,037,523

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

For the three and nine months ended September 30, 2022 and 2021

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 September 30, 2022 and December 31, 2021.

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%
Geodrill Leasing Company Limited	Subsidiary	Isle of Man	100%	-
Recon Drilling S.A.C.	Subsidiary	Peru	95%	95%
Geo-Drill SARL	Subsidiary	Mali	95%	95%
Recon Drilling Chile SPA	Subsidiary	Chile	95%	-
The Harper Family Settlement	Significant shareholder	Isle of Man	-	-
GTS Drilling Ltd	Common Control	Ghana	-	-
Geotool Limited	Subsidiary	British Virgin Islands	N/A ⁽¹⁾	N/A ⁽¹⁾

⁽¹⁾ Geotool Limited was dissolved during 2021.

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

For the three and nine months ended September 30, 2022 and 2021

18. RELATED PARTY TRANSACTIONS (CONTINUED)**(i) Transactions with related parties**

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

The Harper Family Settlement owns 37.4% (December 31, 2021: 38.6%) of the issued share capital of Geodrill Limited.

On October 1, 2022, 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\$230,000 per annum and rent for the Accra property of US\$93,000 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, 2024; 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, 2022, the right-of-use assets relating to the properties above was US\$Nil (December 31, 2021: US\$199,773) and the related lease liabilities were US\$Nil (December 31, 2021: US\$209,104).

The Group has paid fees to MS Risk Limited during the nine month period ended September 30, 2022 of US\$34,250 (September 30, 2021 of US\$Nil). One of the directors of MS Risk Limited is also a director of Geodrill Limited.

The Group has paid fees to Clearwater Limited during the nine month period ended September 30, 2022 of US\$36,677 (September 30, 2021 of US\$Nil). One of the directors of Clearwater Limited is also a director of Geodrill Limited.

(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,	
	2022	2021	2022	2021
	US\$	US\$	US\$	US\$
Short-term benefits	1,345,433	1,135,246	4,643,801	3,968,750
Share-based payment arrangements	52,082	42,589	211,570	185,619
	1,397,515	1,177,835	4,855,371	4,154,369

19. COMMITMENTS

As at September 30, 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	September 30, 2022	December 31, 2021
Shares issued and fully paid	46,836,400	45,316,400
Shares reserved for share option plan	4,683,640	4,531,640
Total shares issued and reserved	51,520,040	49,848,040

Reconciliation of changes in issued shares

	September 30, 2022	December 31, 2021
Shares issued at January 1,	45,316,400	44,309,100
Stock options exercised	1,520,000	1,007,600
Share buy-back	-	(300)
Shares issued at end of period	46,836,400	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 September 30, 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 three and nine month periods ended September 30, 2022 amounted to US\$52,082 and US\$211,569, respectively (September 30, 2021: US\$42,589 and US\$185,619, 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 nine month periods ended September 30, 2022 was based on the income attributable to ordinary shareholders of US\$3,610,709 (2021: US\$1,750,163) and US\$15,453,010 (2021: US\$11,353,555), respectively and on the weighted average number of ordinary shares outstanding of 46,836,400 (2021: 45,316,400) and 46,148,662 (2021: 45,003,319), respectively, calculated as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2022 US\$	2021 US\$	2022 US\$	2021 US\$
Income attributable to ordinary shareholders	3,610,709	1,750,163	15,453,010	11,353,555
Weighted average number of ordinary shares	Three month period ended September 30,		Nine month period ended September 30,	
	2022 Shares	2021 Shares	2022 Shares	2021 Shares
Issued ordinary shares	46,836,400	45,316,400	46,148,662	45,003,319
Earnings per share	\$0.08	\$0.04	\$0.33	\$0.25

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

For the three and nine months ended September 30, 2022 and 2021

21. 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, 2022 was based on the income attributable to ordinary shareholders of US\$3,610,709 (2021: US\$1,750,163) and US\$15,453,010 (2021: US\$11,353,555), respectively and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 47,431,706 (2021: 45,897,262) and 46,775,929 (2021: 45,212,045), respectively, calculated as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2022 US\$	2021 US\$	2022 US\$	2021 US\$
Income attributable to ordinary shareholders	3,610,709	1,750,163	15,453,010	11,353,555
Weighted average number of ordinary shares - diluted				
	Three month period ended September 30,		Nine month period ended September 30,	
	2022 Shares	2021 Shares	2022 Shares	2021 Shares
Weighted average number of ordinary shares - basic	46,836,400	45,316,400	46,148,662	45,003,319
Effect of share options in issue	595,306 ⁽¹⁾	580,862 ⁽²⁾	627,267 ⁽¹⁾	208,726 ⁽³⁾
	47,431,706	45,897,262	46,775,929	45,212,045
Diluted earnings per share	\$0.08	\$0.04	\$0.33	\$0.25

(1) For the three and nine months ended September 30, 2022, 2,600,000 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, 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.

(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.

22. DIVIDENDS

On September 23, 2022, the Company declared a semi-annual dividend of CAD\$0.03 per share, to shareholders of record on the close of business on October 7, 2022, payable on October 21, 2022.

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 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.

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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.

	September 30, 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	780,000	CAD\$2.20	690,000	CAD\$1.94
Total exercised in the period	(1,520,000)	CAD\$2.12	(1,007,600)	CAD\$1.04
Total cancelled in the period	(110,000)	CAD\$2.14	(49,000)	CAD\$0.79
Balance ending	2,600,000	CAD\$1.89	3,450,000	CAD\$1.93

The following table summarizes the options outstanding at September 30, 2022:

Options	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
Granted on May 16, 2018	CAD\$2.00	90,000	8 mos	90,000
Granted on May 15, 2019	CAD\$1.36	290,000	1 Yrs & 8 mos	290,000
Granted on March 9, 2020	CAD\$1.71	750,000	2 Yrs & 6 mos	450,000
Granted on March 15, 2021	CAD\$1.94	690,000	3 Yrs & 6 mos	380,000
Granted on May 16, 2022	CAD\$2.20	780,000	4 Yrs & 8 mos	260,000

GEODRILL LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***For the three and nine months ended September 30, 2022 and 2021***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 16, 2018	May 15, 2019	March 9, 2020	March 15, 2021	May 16, 2022
Risk free interest rate	1.04%	1.54%	0.53%	1.02%	2.73%
Expected dividend yield	0%	0%	0%	1%	2.72%
Stock price volatility	40%	42%	43%	40%	38%
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 November 10, 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. SUBSEQUENT EVENTS

On October 14, 2022, the Group repaid US\$4.0M on the US\$10.0M Revolving Line of Credit, resulting in US\$10.0M still being available for drawdown as at November 10, 2022.