

**GEODRILL LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended December 31, 2022 and 2021

(in United States dollars)

**GEODRILL LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
*As at December 31, 2022 and 2021*

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**GEODRILL LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**

*As at December 31, 2022 and 2021*

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## Independent auditor's report

To the Shareholders of Geodrill Limited

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Geodrill Limited and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How our audit addressed the key audit matter

#### Revenue recognition for drilling revenue

*Refer to note 2 – Significant accounting policies and note 3 – Critical accounting estimates and judgments to the consolidated financial statements.*

For the year ended December 31, 2022, the Company recognized revenue from drilling services of \$138.6 million. Revenue is measured based on the consideration specified in contracts with customers. The Company has service contracts with customers with varying terms. Judgment is required when considering contractual terms that may impact performance obligations and the amount of revenue that can be recognized. Drilling service is recognized as revenue when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the drilling service rendered will flow to the Company; and
- control of the service has passed to the customer and the work performed of the drilling service at the end of the reporting period has been agreed with the customer.

We determined that this is a key audit matter due to the audit effort required to assess the revenue that is generated from customers with contracts having varying terms, which require judgment in the applicability of the revenue recognition criteria.

Our approach to addressing the matter included the following procedures, among others:

- For a sample of revenue transactions, tested the revenue recognized, which included the following:
  - Agreed key contractual terms to signed contracts with customers.
  - Evaluated the contractual terms against revenue recognition criteria.
  - Agreed the drilled meters to customer-approved daily drill reports.
- Tested that revenue recognized, for a period close to year-end, was recognized in the correct period by comparing, for a sample of transactions before and subsequent to year-end, the date the revenue was recognized to the date of the drilling service as per the customer-approved daily drill report



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## **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eric Clarke.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 4, 2023



**GEODRILL LIMITED**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*As at December 31, 2022 and 2021*

|   | <i>Note</i> | December 31,<br>2022<br>US\$    | December 31,<br>2021<br>US\$ |
|---|-------------|---------------------------------|------------------------------|
| <b>Assets</b>   |             |                                 |                              |
| <b>Non-current assets</b>                                       |             |                                 |                              |
| Property, plant and equipment                                   | 10          | 57,058,742                      | 49,085,157                   |
| Right-of-use assets   | 11          | 1,302,488                       | 811,671                      |
| <b>Total non-current assets</b>                                 |             | <b>58,361,230</b>               | <b>49,896,828</b>            |
| <b>Current assets</b>   |             |                                 |                              |
| Financial assets at fair value through profit or loss           | 12          | 720,511                         | 4,253,119                    |
| Inventories   | 13          | 31,552,877                      | 27,832,408                   |
| Prepayments   |             | 1,905,736                       | 1,590,638                    |
| Trade and other receivables                                     | 14          | 34,297,462                      | 23,707,433                   |
| Cash  |             | 14,391,470                      | 9,275,316                    |
| <b>Total current assets</b>                                     |             | <b>82,868,056</b>               | <b>66,658,914</b>            |
| <b>Total assets</b>   |             | <b>141,229,286</b>              | <b>116,555,742</b>           |
| <b>Equity and liabilities</b>                                   |             |                                 |                              |
| <b>Equity</b>   |             |                                 |                              |
| Share capital   |             | 28,106,386                      | 24,858,172                   |
| Share-based payment reserve                                     |             | 3,379,386                       | 3,857,405                    |
| Retained earnings   |             | 75,589,126                      | 58,830,570                   |
| Capital and reserves attributable to owners of Geodrill Limited |             | 107,074,898                     | 87,546,147                   |
| Non-controlling interests                                       | 15          | (17,376)                        | (19,612)                     |
| <b>Total equity</b>   |             | <b>107,057,522</b>              | <b>87,526,535</b>            |
| <b>Liabilities</b>  |             |                                 |                              |
| <b>Non-current liabilities</b>                                  |             |                                 |                              |
| Deferred tax liability  | 9(iv)       | 3,267,679                       | 3,381,671                    |
| Loans payable   | 16          | 1,980,303                       | 2,940,909                    |
| Lease liabilities   |             | 591,458                         | 405,823                      |
| <b>Total non-current liabilities</b>                            |             | <b>5,839,440</b>                | <b>6,728,403</b>             |
| <b>Current liabilities</b>                                      |             |                                 |                              |
| Trade and other payables  | 17          | 22,136,451                      | 17,037,523                   |
| Loans payable   | 16          | 2,627,273                       | 3,960,606                    |
| Lease liabilities   |             | 620,037                         | 302,828                      |
| Taxes payable   | 9(ii)       | 2,948,563                       | 999,847                      |
| <b>Total current liabilities</b>                                |             | <b>28,332,324</b>               | <b>22,300,804</b>            |
| <b>Total equity and liabilities</b>                             |             | <b>141,229,286</b>              | <b>116,555,742</b>           |
| <b>Contingency</b>  | 27          |                                 |                              |
| Approved by the Board of Directors                              |             |                                 |                              |
| "signed"  |             | "signed"                        |                              |
| _____<br>John Bingham   |             | _____<br>Ron Sellwood           |                              |
| Chairman of the Board of Directors                              |             | Chairman of the Audit Committee |                              |

**GEODRILL LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the years ended December 31, 2022 and 2021

|   | Note   | December 31,<br>2022<br>US\$ | December 31,<br>2021<br>US\$ |
|---|--------|------------------------------|------------------------------|
| Revenue   |        | 138,625,412                  | 115,214,415                  |
| Cost of sales   | 8      | (98,047,949)                 | (85,116,161)                 |
| <b>Gross profit</b>   |        | <b>40,577,463</b>            | <b>30,098,254</b>            |
| Selling, general and administrative expenses  | 8      | (12,959,471)                 | (11,241,632)                 |
| Foreign exchange gain / (loss)  |        | 179,625                      | (436,670)                    |
| Other income  |        | 523,521                      | 2,028,139                    |
| <b>Results from operating activities</b>  |        | <b>28,321,138</b>            | <b>20,448,091</b>            |
| Finance costs   |        | (690,840)                    | (654,193)                    |
| <b>Income before taxation</b>   |        | <b>27,630,298</b>            | <b>19,793,898</b>            |
| Income tax expense  | 9(i)   | (8,712,499)                  | (5,675,734)                  |
| <b>Income and total comprehensive income for the year</b>                                       |        | <b>18,917,799</b>            | <b>14,118,164</b>            |
| <b>Income and total comprehensive income for the year is attributable to:</b>                   |        |                              |                              |
| Owners of Geodrill Limited  |        | 18,915,563                   | 14,137,895                   |
| Non-controlling interests   |        | 2,236                        | (19,731)                     |
|   |        | <b>18,917,799</b>            | <b>14,118,164</b>            |
| <b>Earnings per share for income attributable to the ordinary equity holders of the Company</b> |        |                              |                              |
| Basic   | 24(i)  | \$0.41                       | \$0.31                       |
| Diluted   | 24(ii) | \$0.40                       | \$0.31                       |

**GEODRILL LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
*For the years ended December 31, 2022 and 2021*

|  | <u>Attributable to owners of Geodrill Limited</u> |   |                              |  | Total<br>Equity<br>US\$ |
|--|---|---|------------------------------|--|-------------------------|
|  | Share<br>Capital<br>US\$                          | Share-based<br>Payment<br>Reserve<br>US\$ | Retained<br>Earnings<br>US\$ | Non-<br>controlling<br>interests<br>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 year | -   | -   | 18,915,563                   | 2,236                                    | 18,917,799              |
| Dividends (Note 25)                                | -   | -   | (2,157,007)                  | -  | (2,157,007)             |
| Exercise of stock options                          | 3,248,214   | (739,718)                                 | -                            | -  | 2,508,496               |
| Share-based payment expense                        | -   | 261,699                                   | -                            | -  | 261,699                 |
| <b>Balance at December 31, 2022</b>                | <b>28,106,386</b>                                 | <b>3,379,386</b>                          | <b>75,589,126</b>            | <b>(17,376)</b>                          | <b>107,057,522</b>      |
| 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 year | -   | -   | 14,137,895                   | (19,731)                                 | 14,118,164              |
| Dividends (Note 25)                                | -   | -   | (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                        | -   | 228,297                                   | -                            | -  | 228,297                 |
| <b>Balance at December 31, 2021</b>                | <b>24,858,172</b>                                 | <b>3,857,405</b>                          | <b>58,830,570</b>            | <b>(19,612)</b>                          | <b>87,526,535</b>       |

**GEODRILL LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*For the years ended December 31, 2022 and 2021*

|   | December 31,<br>2022<br>US\$ | December 31,<br>2021<br>US\$ |
|---|------------------------------|------------------------------|
| <b>Cash flows from operating activities</b>                             |                              |                              |
| Income before taxation  | 27,630,298                   | 19,793,898                   |
| <i>Adjustments for:</i>   |                              |                              |
| Depreciation expense  | 10,029,400                   | 9,005,630                    |
| Movement in expected lifetime credit losses                             | 672,992                      | 534,959                      |
| Change in provision for inventory obsolescence                          | 94,703                       | 81,505                       |
| Equity-settled share-based payment expense                              | 261,699                      | 228,297                      |
| Finance costs   | 690,840                      | 654,193                      |
| Gains on current financial assets at fair value through profit and loss | (247,927)                    | (2,028,139)                  |
| Unrealized foreign exchange loss  | 254,933                      | 706,507                      |
|   | <b>39,386,938</b>            | <b>28,976,850</b>            |
| Change in financial assets at fair value through profit and loss        | 3,780,535                    | (158,332)                    |
| Change in inventories   | (3,815,172)                  | (5,415,388)                  |
| Change in prepayments   | (315,098)                    | (97,625)                     |
| Change in trade and other receivables                                   | (11,263,021)                 | (1,591,426)                  |
| Change in trade and other payables                                      | 5,004,613                    | (437,734)                    |
|   | <b>32,778,795</b>            | <b>21,276,345</b>            |
| Finance costs paid  | (615,042)                    | (593,231)                    |
| Income taxes paid   | (6,877,775)                  | (5,901,164)                  |
| <b>Net cash generated from operating activities</b>                     | <b>25,285,978</b>            | <b>14,781,950</b>            |
| <b>Investing activities</b>   |                              |                              |
| Purchase of property, plant and equipment                               | (16,884,780)                 | (14,631,830)                 |
| <b>Net cash used in investing activities</b>                            | <b>(16,884,780)</b>          | <b>(14,631,830)</b>          |
| <b>Financing activities</b>   |                              |                              |
| Loans received  | 11,000,000                   | 11,500,000                   |
| Loan payments   | (13,293,939)                 | (7,681,818)                  |
| Cash received on exercise of options                                    | 2,508,496                    | 838,571                      |
| Dividends paid  | (2,157,007)                  | (717,836)                    |
| Lease liabilities payments  | (908,036)                    | (658,038)                    |
| Change in related party payables  | -                            | (450,000)                    |
| Share buy-back  | -                            | (371)                        |
| <b>Net cash (used in) / generated from financing activities</b>         | <b>(2,850,486)</b>           | <b>2,830,508</b>             |
| <b>Effect of movement in exchange rates on cash</b>                     | <b>(434,558)</b>             | <b>(269,837)</b>             |
| <b>Net increase in cash</b>   | <b>5,116,154</b>             | <b>2,710,791</b>             |
| Cash at beginning of the year   | 9,275,316                    | 6,564,525                    |
| <b>Cash at end of the year</b>  | <b>14,391,470</b>            | <b>9,275,316</b>             |

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 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 audited consolidated financial statements of the Company for the years ended December 31, 2022 and 2021 comprise the 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 for Leasing and Specialized Services Freezone LLC, 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, Geodrill Mauritius Limited Egypt being Geodrill Mauritius Limited’s registered foreign Egypt 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 and Geo-Drill SARL of which the Company owns a 95% shareholding, GTS Drilling Ltd a company under common control, collectively referred to as the “Group”.

The Company is primarily a provider of mineral exploration drilling services. These audited consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill on March 4, 2023.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB). The financial statements are prepared on a going concern basis.

**b. Basis of measurement**

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

**c. Functional and presentation currency**

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

**d. Basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Consistent accounting policies and the same reporting period are used for all Group entities.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2022 and 2021*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d. Basis of consolidation (continued)**

(ii) Transactions eliminated on consolidation

Intra-Group balances, intercompany gains and losses, transactions and dividends are eliminated in preparing the consolidated financial statements.

**e. Financial instruments**

(i) Recognition

Financial assets and financial liabilities are recognized in the Statement of Financial Position when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the Statement of Comprehensive Income.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), financial assets 'at fair value through other comprehensive income' ("FVTOCI"), and financial assets at 'amortized cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Subsequent to initial recognition, the treatment of financial assets depends on their classification. Those recognized as FVTPL and FVTOCI are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognized in the Statement of Comprehensive Income. Financial assets at amortized cost are measured at amortized cost using the effective interest method, less impairment.

Financial liabilities are classified as either financial liabilities "at FVTPL" or financial liabilities at "amortized cost".

Subsequent to initial recognition, the treatment of financial liabilities depends on their classification. Those recognized as FVTPL are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognized in the Statement of Comprehensive Income. Financial liabilities at amortized cost are measured at amortized cost using the effective interest method.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2022 and 2021*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e. Financial instruments (continued)**

(ii) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows or the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the Statement of Comprehensive Income.

(iii) Measurement

The Company applies a hierarchy to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques using significant observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices), or valuations that are based on quoted prices for similar instruments; and

Level 3: Valuation techniques using significant inputs that are not based on observable market data (unobservable inputs). The fair values of financial instruments are determined using market prices for quoted instruments and widely accepted valuation techniques for other instruments. Valuation techniques include discounted cash flows, standard valuation models based on market parameters, dealer quotes for similar instruments and expert valuations.

When fair values of unquoted instruments cannot be measured with sufficient reliability, such instruments are carried at cost less impairments, if applicable.

Trade and other receivables, Cash, Trade and other payables, Related party payables and Loans payable are all measured at amortized cost.

Further information relating to the fair values of financial instruments is provided in notes 5 and 19.

(iv) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2022 and 2021*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e. Financial instruments (continued)**

(v) Offsetting

Financial assets and liabilities are set off and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(vi) Share capital

Proceeds from the issue of ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

(vii) Compound financial instruments

From time to time the Company may issue compound financial instruments such as convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Any directly attributable transaction costs are allocated to the liability and equity component in the proportion of their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, and gains and losses related to the financial liability, are recognized in the Statement of Comprehensive Income. On conversion, the financial liability is reclassified to equity.

(viii) Trade receivables

Trade receivables are initially stated at their fair value. The carrying amounts for accounts receivable are net of allowances for doubtful accounts. The Company recognizes lifetime expected credit losses ("ECL") for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.



**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2022 and 2021*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f. Property, plant and equipment**

(i) Recognition and measurement

Items of property, plant and equipment are measured at acquisition or construction cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and, for qualifying assets, capitalized borrowing costs. The cost of self-constructed assets includes the cost of materials and direct labor, and any other costs directly attributable to bringing the asset to a working condition for its intended use. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of overhauls and of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day maintenance, repair and servicing expenditures incurred on property, plant and equipment are recognized in the Statement of Comprehensive Income, as incurred.

(iii) Depreciation

Depreciation is recognized in comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Assets leased under a finance lease are depreciated over the shorter of their useful lives and the term of the lease. Land and capital work in progress are not depreciated. The estimated useful lives of major classes of depreciable property, plant and equipment are:

|                        |                            |
|------------------------|----------------------------|
| Motor vehicles         | 5 years                    |
| Plant and equipment    | 5 years                    |
| Leasehold improvements | over the term of the lease |
| Buildings              | 15 years                   |
| Drill rigs             | 10 years                   |
| Drill rig components   | 5 years                    |

Depreciation methods, useful lives and residual values of property plant and equipment are reassessed at each reporting date. The useful lives of these assets and residual values can vary depending on a variety of factors, including technological innovation and maintenance programs. Changes in estimates can result in significant variations in the carrying value and amounts charged, on account of depreciation, to profit or loss in specific periods.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from disposal with the carrying amounts of property, plant and equipment, and are recognized in the Statement of Comprehensive Income.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2022 and 2021*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f. Property, plant and equipment (continued)**

(iv) Impairment

The Company's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the respective asset's or cash-generating unit's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amounts. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups. Due to the integrated nature of operations and re-deployment of drill rigs between countries, property, plant and equipment is tested as a single cash generating unit.

The recoverable amount of the asset or cash-generating unit is based on the higher of value-in-use and fair value less costs to sell. The value-in-use calculation requires an estimation of the future cash flows expected to arise from the asset or cash-generating unit and a pre-tax discount rate in order to calculate the present value. Fair values less costs to sell are based on recent market transactions where available and, where not available, appropriate valuation models are used. An impairment loss is recognized immediately in the Statement of Comprehensive Income.

At the end of each reporting period, the Company assesses whether there is any indication that an impairment loss recognized in prior periods for an asset or cash-generating unit may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of the asset or cash-generating unit. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Comprehensive Income.

**g. Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of spare parts is based on the first-in first-out principle and includes expenditures incurred in acquiring/building the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

Inventory is assessed on a per unit basis to determine whether indicators exist which would lead to a downward revision in the net realizable value of inventory. This assessment is performed at each reporting date.

**h. Employee benefits**

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution schemes are recognized as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**h. Employee benefits (continued)**

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in share based payments reserve, over the period that the employees unconditionally become entitled to the awards. Estimations are made at the end of each reporting period of the number of instruments which will eventually vest. The impact of any revision is recognized in the Statement of Comprehensive Income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

**i. Income tax**

Income tax expense comprises current and deferred tax expenses.

Current tax and deferred tax are recognized in comprehensive income except to the extent that they relate to items recognized directly in other comprehensive income or equity. Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**j. Dividends**

Dividends payable are recognized in the period in which the dividend is appropriately authorized.

**k. Revenue – drilling revenue**

Revenue is measured based on the consideration specified in contracts with customers. The Company provides drillings services to its customers. Drilling service is recognized as revenue when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the drilling service rendered will flow to the Company; and
- control of the service has passed to the customer and the work performed of the drilling service at the end of the reporting period has been agreed with the customer.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the years ended December 31, 2022 and 2021*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**k. Revenue – drilling revenue (continued)**

Payment for drilling services is not due from the customer until the drilling service has been performed and invoiced. Revenue from the provision of services in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

**l. Finance costs**

Finance costs comprise interest expense on borrowings, including all financing arrangements.

**m. Foreign exchange**

Monetary assets and liabilities denominated in foreign currencies have been translated into United States dollars using the reporting date exchange rate, with realized and unrealized gains and losses included in the determination of profit and loss. Revenues and expenses denominated in foreign currencies are translated at the average exchange rate for the period which approximate date of transaction exchange rates.

**n. Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**o. Earnings per share**

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential shares, which currently comprise stock options granted to employees, consultants and directors.

**p. Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**q. Leases**

(i) Classification

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are stated as assets of the Company at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease obligation. Finance costs are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic interest charge on the remaining balance of the obligations for each accounting period.

(ii) Lease payments

Payments made under operating leases are charged to comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place. Minimum lease payments made under finance leases are apportioned between finance expense and a reduction of the outstanding lease liability.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**a. Revenue**

The Company's revenue is generated from drilling services. The Company has service contracts with customers with varying terms. Judgment is required when considering contractual terms that may impact performance obligations and the amount of revenue that can be recognized.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**

**b. Depreciation of property, plant and equipment**

Property, plant and equipment are often used in demanding environments and may be subject to accelerated depreciation. Management considers the reasonableness of useful lives and whether known factors reduce or extend the lives of certain assets. This is accomplished by assessing the changing business conditions, examining the level of expenditures required for additional improvements, observing the patterns of gains or losses on disposals, and considering the various components of the assets.

**c. Net realizable value of inventory**

Management reviews inventories at each reporting period to determine whether indicators exist which would lead to a downward revision in the net realizable value of the inventory. Management's estimate of net realizable value of such inventories is based primarily on sales price and current market conditions.

**d. Impairment provision for trade receivables**

Trade receivables are initially recorded at fair value. The carrying amounts for trade accounts receivable are net of lifetime expected credit losses ("ECL"). Management has set up a provision matrix to determine the allowance for ECL for trade receivables and uses specific matrices for individual large customers. The provision matrices are derived from the Company's historical credit loss experience and are adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current economic conditions as well as estimates of forward looking economic conditions at the reporting date. Significant judgements are made in determining the adjustments for these factors. Although there are no significant historical write off of trade receivables there are large aged trade receivable balances for which judgement is required to determine the measurement of the impairment provision at the reporting date.

**e. Income tax**

Tax interpretations, regulations and legislation in the various countries in which the Company operates are subject to change and management uncertainty. Current income tax expense is based on tax currently payable or current withholding tax rates in countries in which the Company operates. In addition, deferred income tax liabilities are assessed by management at the end of the reporting period and are measured at the tax rates that are expected to be applied to the temporary differences when they reverse. The sufficiency of estimated future taxable income is also assessed by management in the context of the recognition of deferred tax assets attributable to unused tax losses.

The amount recognized as accrued liabilities is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Company assesses its liabilities at each reporting period, based upon the best information available, relevant to the tax laws and other appropriate requirements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**

**f. Assessment of impairment of property, plant and equipment**

The Company tests at each reporting period whether there are indicators of impairment with respect to its property, plant and equipment, in accordance with the accounting policy stated in Note 2f(iv). If such indicators are identified, the recoverable amounts of each cash-generating unit have been determined based on value-in-use calculations. These determinations require the use of judgment.

Where indicators of impairment exist, the Company tests impairment based on the discounted cash flows related to each cash generating unit. Discount rates applied to the Company's cash-generating units ("CGUs") represent the Company's assessment of the risks specific to each group of CGUs regarding the time value of money and individual risks of the underlying assets. The Company used discount rates between 15% and 16.5% (2021: between 15% and 16.5%), and perpetual growth rate of 5% (2021: 5%). No impairment charge has been recognized in the periods presented.

**g. Uncertain tax positions**

The Company operates in a number of African countries and South America. The Company measures the impact of the uncertainty using the method that best predicts the resolution of the uncertainty; either the most likely amount method or the expected value method. The judgments and estimates made to recognize and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgments.

**h. Share-based payment transactions**

The fair value of share-based payment transactions is based on certain assumptions determined by management. The main areas of estimate relate to the determination of the risk free interest rate, stock price volatility and the forfeiture rate.

**i. Functional currency**

The Company applied judgment in determining its functional currency. Functional currency was determined based on the currency that mainly influences sales prices, labor, material and other costs of providing services.

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**4. NEW AND FUTURE ACCOUNTING STANDARDS**

**Adoption of new and amended accounting pronouncements**

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022:

2022 Amendments to IAS 16, IFRS 3, IAS 37 and Annual Improvements to IFRS standards 2018-2020.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

**New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**5. DETERMINATION OF FAIR VALUES**

A number of the Company'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 Company's basis of determining fair values:

**a. Trade and other receivables**

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

**d. Loans payable**

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

**e. Share-based payment transactions**

The fair value of stock 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, expected forfeiture rates 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 values.



**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**5. 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.

**6. 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. The second quarter may be affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week, however, the second quarter was extremely busy and was not affected by Easter. The wet season occurs (in some geographical areas where the Company operates, particularly in Mali and Burkina Faso) normally in the third quarter, but in the recent years the global weather pattern has become somewhat erratic. In the third quarter of 2022, 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. In the fourth quarter of 2022, the Company slowed in December as a result of the holiday season.

**7. 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 year ended December 31, 2022, one customer individually contributed 10% or more to the Group's revenue. That customer contributed 16%.

For the year ended December 31, 2021, four customers individually contributed 10% or more to the Group's revenue. One customer contributed 21% and three customers contributed 11%.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**8. EXPENSES BY NATURE**

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

|   | <b>2022</b>        | <b>2021</b>       |
|---|--------------------|-------------------|
|   | <b>US\$</b>        | <b>US\$</b>       |
| <b>Expenses</b>                           |                    |                   |
| Wages and employee benefits               | 40,907,771         | 36,905,277        |
| Drill rig expenses                        | 34,699,648         | 29,114,531        |
| External services, contractors and others | 19,283,568         | 16,221,058        |
| Depreciation                              | 10,029,400         | 9,005,630         |
| Repairs and maintenance                   | 5,414,041          | 4,576,338         |
| Expected lifetime credit loss             | 672,992            | 534,959           |
|   | <u>111,007,420</u> | <u>96,357,793</u> |

|  | <b>2022</b>        | <b>2021</b>       |
|--|--------------------|-------------------|
|  | <b>US\$</b>        | <b>US\$</b>       |
| Cost of sales                                | 98,047,949         | 85,116,161        |
| Selling, general and administrative expenses | 12,959,471         | 11,241,632        |
|  | <u>111,007,420</u> | <u>96,357,793</u> |

**9. TAXATION**

**(i) Income tax expense**

|  | <b>2022</b>      | <b>2021</b>      |
|--|------------------|------------------|
|  | <b>US\$</b>      | <b>US\$</b>      |
| Current tax expense (iii)              | 8,826,491        | 5,606,373        |
| Deferred tax (recovery) / expense (iv) | (113,992)        | 69,361           |
|  | <u>8,712,499</u> | <u>5,675,734</u> |

**(ii) Taxes payable**

|      | <b>Balance at</b> | <b>Payments</b>   | <b>Charge for</b> | <b>Balance at</b> |
|------|-------------------|-------------------|-------------------|-------------------|
|      | <b>Jan. 1</b>     | <b>during the</b> | <b>the year</b>   | <b>Dec. 31</b>    |
|      | <b>US\$</b>       | <b>year</b>       | <b>US\$</b>       | <b>US\$</b>       |
|      |                   | <b>US\$</b>       |                   |                   |
| 2022 | 999,847           | (6,877,775)       | 8,826,491         | 2,948,563         |
| 2021 | 1,294,638         | (5,901,164)       | 5,606,373         | 999,847           |

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. TAXATION (CONTINUED)**

**(iii) Reconciliation of effective tax rate**

|   | <b>2022</b><br><b>US\$</b> | <b>2021</b><br><b>US\$</b> |
|---|----------------------------|----------------------------|
| Income before tax   | 27,630,298                 | 19,793,898                 |
| Corporate tax at 25%  | 6,907,575                  | 4,948,475                  |
| Add:  |                            |                            |
| Effect of different rate tax countries                                      | (2,202,654)                | (3,547,509)                |
| Adjustments for current tax of prior years                                  | (401,523)                  | (458,290)                  |
| Tax effect of amounts that are not deductible in calculating taxable income | 43,223                     | 331,910                    |
| Tax expense before withholding tax  | 4,346,621<br>15.7%         | 1,274,586<br>6.4%          |
| Add:  |                            |                            |
| Withholding tax   | 4,365,878                  | 4,401,148                  |
| Total tax expense   | 8,712,499                  | 5,675,734                  |
| Effective tax rate  | 31.5%                      | 28.7%                      |

During the year ended December 31, 2022, the Group recognized a withholding tax in the amount of US\$2,622,208 (2021: US\$1,350,000) in relation to withholding tax on an intercompany dividend.

**(iv) Deferred tax liability**

|                                   | <b>2022</b><br><b>US\$</b> | <b>2021</b><br><b>US\$</b> |
|-----------------------------------|----------------------------|----------------------------|
| Balance at January 1              | 3,381,671                  | 3,312,310                  |
| (Recovery) / expense for the year | (113,992)                  | 69,361                     |
| Balance at end of the year        | 3,267,679                  | 3,381,671                  |

**GEODRILL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. TAXATION (CONTINUED)**

**(v) Recognized deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

|   | <b>2022</b>        | <b>2021</b>        |
|---|--------------------|--------------------|
|   | <b>US\$</b>        | <b>US\$</b>        |
| Tax losses carried forward (1)              | 2,211,822          | 1,276,192          |
| Deferred tax asset not recognized (2)       | (2,211,822)        | (1,276,192)        |
| Property, plant and equipment               | (3,643,725)        | (3,631,766)        |
| Movement in expected lifetime credit losses | 241,370            | 129,631            |
| Provision for inventory obsolescence        | 134,676            | 120,464            |
| <b>Total</b>                                | <b>(3,267,679)</b> | <b>(3,381,671)</b> |

(1) The Group has tax losses in numerous jurisdictions that are available for the years December 31, 2023 through December 31, 2027.

(2) The deferred tax assets in numerous jurisdictions 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 CONSOLIDATED FINANCIAL STATEMENTS**  
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**10. PROPERTY, PLANT AND EQUIPMENT**

| <b>2022</b>                                      | <b>Motor<br/>Vehicles<br/>US\$</b> | <b>Plant &amp;<br/>Equipment<br/>US\$</b> | <b>Drill<br/>Rigs (1)<br/>US\$</b> | <b>Land &amp; Leasehold<br/>Improvements<br/>US\$</b> | <b>Capital Work in<br/>Progress<br/>(CWIP)<br/>US\$</b> | <b>Total<br/>US\$</b> |
|--|------------------------------------|---|------------------------------------|---|---|-----------------------|
| <b>Cost</b>                                      |                                    |   |                                    |   |   |                       |
| Balance at January 1, 2022                       | 10,137,793                         | 28,899,347                                | 71,540,790                         | 5,692,392   | 9,272,044   | 125,542,366           |
| Additions  | -                                  | -   | -                                  | -   | 17,161,846  | 17,161,846            |
| Reclassifications from CWIP                      | 1,578,877                          | 3,171,816                                 | 8,451,405                          | 2,220,996   | (15,423,094)  | -                     |
| Assets retired during the year                   | (248,498)                          | (594,263)                                 | (4,285,706)                        | (39,849)  | -   | (5,168,316)           |
| <b>Balance at December 31, 2022</b>              | <b>11,468,172</b>                  | <b>31,476,900</b>                         | <b>75,706,489</b>                  | <b>7,873,539</b>                                      | <b>11,010,796</b>                                       | <b>137,535,896</b>    |
| <b>Accumulated Depreciation</b>                  |                                    |   |                                    |   |   |                       |
| Balance at January 1, 2022                       | 7,989,295                          | 23,957,606                                | 41,159,378                         | 3,350,930   | -   | 76,457,209            |
| Charge for the year                              | 899,056                            | 2,182,180                                 | 5,579,225                          | 527,800   | -   | 9,188,261             |
| Assets retired during the year                   | (248,498)                          | (594,263)                                 | (4,285,706)                        | (39,849)  | -   | (5,168,316)           |
| <b>Balance at December 31, 2022</b>              | <b>8,639,853</b>                   | <b>25,545,523</b>                         | <b>42,452,897</b>                  | <b>3,838,881</b>                                      | <b>-</b>  | <b>80,477,154</b>     |
| <b>Carrying amounts<br/>at December 31, 2022</b> | <b>2,828,319</b>                   | <b>5,931,377</b>                          | <b>33,253,592</b>                  | <b>4,034,658</b>                                      | <b>11,010,796</b>                                       | <b>57,058,742</b>     |

(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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**10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

| <b>2021</b>                                      | <b>Motor<br/>Vehicles<br/>US\$</b> | <b>Plant &amp;<br/>Equipment<br/>US\$</b> | <b>Drill<br/>Rigs (1)<br/>US\$</b> | <b>Land &amp; Leasehold<br/>Improvements<br/>US\$</b> | <b>Capital Work in<br/>Progress<br/>(CWIP)<br/>US\$</b> | <b>Total<br/>US\$</b> |
|--|------------------------------------|---|------------------------------------|---|---|-----------------------|
| <b>Cost</b>                                      |                                    |   |                                    |   |   |                       |
| 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)           |
| <b>Balance at December 31, 2021</b>              | <b>10,137,793</b>                  | <b>28,899,347</b>                         | <b>71,540,790</b>                  | <b>5,692,392</b>                                      | <b>9,272,044</b>  | <b>125,542,366</b>    |
| <b>Accumulated Depreciation</b>                  |                                    |   |                                    |   |   |                       |
| 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)           |
| <b>Balance at December 31, 2021</b>              | <b>7,989,295</b>                   | <b>23,957,606</b>                         | <b>41,159,378</b>                  | <b>3,350,930</b>                                      | <b>-</b>  | <b>76,457,209</b>     |
| <b>Carrying amounts<br/>at December 31, 2021</b> | <b>2,148,498</b>                   | <b>4,941,741</b>                          | <b>30,381,412</b>                  | <b>2,341,462</b>                                      | <b>9,272,044</b>  | <b>49,085,157</b>     |

(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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**10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Depreciation has been charged in the Statement of Comprehensive Income as follows:

|  | <b>2022</b><br><b>US\$</b> | <b>2021</b><br><b>US\$</b> |
|--|----------------------------|----------------------------|
| Cost of sales                                | 8,660,461                  | 8,023,958                  |
| Selling, general and administrative expenses | 527,800                    | 440,209                    |
|  | <u>9,188,261</u>           | <u>8,464,167</u>           |

As at December 31, 2022, property, plant and equipment with a carrying amount of US\$20,974,019 (December 31, 2021: US\$11,755,282) has been pledged as security for certain loans (Note 16).

The Company's market capitalization was below the Company's net book value at December 31, 2022 which is considered to be an indicator of potential impairment of the carrying value of the Company's property, plant and equipment as at December 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 year.

**11. RIGHT-OF-USE ASSETS**

|  | <b>2022</b><br><b>US\$</b> | <b>2021</b><br><b>US\$</b> |
|--|----------------------------|----------------------------|
| <b>Cost</b>                                    |                            |                            |
| Balance at January 1,                          | 2,035,908                  | 1,579,632                  |
| Additions                                      | 1,379,472                  | 646,251                    |
| Disposals                                      | (66,107)                   | (185,268)                  |
| Movement in foreign exchange                   | (3,445)                    | (4,707)                    |
| <b>Balance at the end of the year</b>          | <b><u>3,345,828</u></b>    | <b><u>2,035,908</u></b>    |
| <b>Accumulated Depreciation</b>                |                            |                            |
| Balance at January 1,                          | 1,224,237                  | 868,042                    |
| Charge for the year                            | 841,139                    | 541,463                    |
| Assets expired in the year                     | (22,036)                   | (185,268)                  |
| <b>Balance at the end of the year</b>          | <b><u>2,043,340</u></b>    | <b><u>1,224,237</u></b>    |
| <b>Carrying amounts at the end of the year</b> | <b><u>1,302,488</u></b>    | <b><u>811,671</u></b>      |

The amount of depreciation recognized as expense in the year ended December 31, 2022 was US\$841,139 (December 31, 2021: US\$541,463).

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**12. 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:

|                                   | <b>2022</b><br><b>US\$</b> | <b>2021</b><br><b>US\$</b> |
|-----------------------------------|----------------------------|----------------------------|
| Balance at January 1,             | 4,253,119                  | 2,066,648                  |
| Additions                         | 40,103                     | 1,954,725                  |
| Disposals                         | (3,820,638)                | (1,796,393)                |
| Gain through profit and loss      | 247,927                    | 2,028,139                  |
| <b>Balance at end of the year</b> | <b>720,511</b>             | <b>4,253,119</b>           |

**13. INVENTORIES**

|                            | <b>2022</b><br><b>US\$</b> | <b>2021</b><br><b>US\$</b> |
|----------------------------|----------------------------|----------------------------|
| Inventories on hand        | 31,342,809                 | 27,545,221                 |
| Inventories in transit     | 1,169,396                  | 1,152,296                  |
| Provision for obsolescence | (959,328)                  | (865,109)                  |
|                            | <b>31,552,877</b>          | <b>27,832,408</b>          |

The amount of inventories recognized as expense for the year is US\$40,149,099 (2021: US\$34,390,240). Inventory write downs in the year amounted to US\$483 (2021: US\$31,618).

**14. TRADE AND OTHER RECEIVABLES**

|                                  | <b>2022</b><br><b>US\$</b> | <b>2021</b><br><b>US\$</b> |
|----------------------------------|----------------------------|----------------------------|
| Trade receivables                | 34,898,206                 | 23,498,809                 |
| Expected life time credit losses | (1,389,634)                | (716,642)                  |
| Net trade receivables            | 33,508,572                 | 22,782,167                 |
| Sundry receivables               | 788,890                    | 925,266                    |
|                                  | <b>34,297,462</b>          | <b>23,707,433</b>          |

As at December 31, 2022, trade receivables with a carrying amount of US\$8,762,966 (December 31, 2021: US\$9,047,720) have been pledged as security for certain loans (Note 16).



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**14. TRADE AND OTHER RECEIVABLES (CONTINUED)**

The movements in the expected life time credit losses is as follows:

|   | <b>2022</b>      | <b>2021</b>    |
|---|------------------|----------------|
|   | <b>US\$</b>      | <b>US\$</b>    |
| Balance at January 1                                    | 716,642          | 181,683        |
| Movement in expected lifetime credit losses in the year | 322,414          | 120,401        |
| Specific provisions made in the year                    | 350,578          | 414,558        |
| <b>Balance at end of year</b>                           | <b>1,389,634</b> | <b>716,642</b> |

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in Note 20.

**15. NON-CONTROLLING INTERESTS**

Non-controlling interest relates to 5% of Recon Drilling S.A.C not owned by the Group of US\$(10,749) (2021: US\$(20,193)), 5% of Recon Drilling Chile SPA not owned by the Group of US\$(12,225) (2021: US\$Nil) and 5% of Geo-Drill SARL not owned by the Group of US\$5,598 (2021: US\$581).

**16. LOANS PAYABLE**

|  | <b>2022</b>      | <b>2021</b>      |
|--|------------------|------------------|
|  | <b>US\$</b>      | <b>US\$</b>      |
| US\$6.0M Medium Term Loan (i)          | 2,940,910        | 4,901,515        |
| US\$4.0M Medium Term Loan (ii)         | 1,666,666        | -                |
| US\$10M Revolving Line of Credit (iii) | -                | 2,000,000        |
| US\$5.0M Bridge Loan (iv)              | -                | -                |
| <b>Total</b>                           | <b>4,607,576</b> | <b>6,901,515</b> |
| <b>Current portion of loans</b>        | <b>2,627,273</b> | <b>3,960,606</b> |
| <b>Non-current portion of loans</b>    | <b>1,980,303</b> | <b>2,940,909</b> |

**(i) US\$6.0M Medium Term Loan**

During 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 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 10 and Note 14). 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 December 31, 2022, the Group was in compliance with normal course covenants. As at December 31, 2022, the Group had drawn US\$5.5M on the US\$6.0M Medium Term Loan.

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**16. LOANS PAYABLE (CONTINUED)**

**(ii) US\$4.0M Medium Term Loan**

During 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 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 December 31, 2022, the Group was in compliance with normal course covenants. As at December 31, 2022, the Group had drawn US\$2.0M on the US\$4.0M Medium Term Loan.

**(iii) US\$10.0M Revolving Line of Credit**

During 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 December 31, 2022, the Group was in compliance with normal course covenants. As at December 31, 2022, the Group had US\$Nil drawn on the US\$10.0M Revolving Line of Credit.

**(iv) US\$5.0M Bridge Loan**

During 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 bore no interest on outstanding drawn amounts prior to the repayment date. The US\$5.0M Bridge Loan was repayable December 31, 2022. The US\$5.0M Bridge Loan was secured by certain assets of the Group. The US\$5.0M Bridge Loan was subject to normal course covenants. As at December 31, 2022, the Group had fully repaid the US\$5.0M Bridge Loan.

**17. TRADE AND OTHER PAYABLES**

|                                      | <b>2022</b>      | <b>2021</b>      |
|--------------------------------------|------------------|------------------|
|                                      | <b>US\$</b>      | <b>US\$</b>      |
| Trade payables                       | 9,437,336        | 7,079,819        |
| Other creditors and accrued expenses | 9,894,818        | 8,729,145        |
| VAT liability                        | 2,804,297        | 1,228,559        |
|                                      | <hr/> 22,136,451 | <hr/> 17,037,523 |

Trade and other payables denominated in currencies other than the Group’s functional currency are detailed in Note 20iii(a).

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**18. EMPLOYEE BENEFIT OBLIGATIONS**

*Defined Contribution Plans*

*(i) Social Security*

The Group contributes to various social security plans. Under the plans, the Group makes contributions into government funds. The amounts contributed during the year were US\$76,741 (2021: US\$75,359). The Group's obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities if due but not paid.

*(ii) Provident Fund*

The Group contributes for certain staff to a provident fund plan. The amounts contributed during the year were US\$21,588 (2021: US\$24,760). The Group's obligation is limited to the relevant contributions which have been recognized in the year-end financial statements as expenses, and liabilities if due but not paid.

**19. 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 December 31, 2022 and 2021.

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**20. FINANCIAL RISK MANAGEMENT**

**Overview**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for managing risk, methods used to measure the risks and the Group's management of capital.

**Risk management framework**

The Board of Directors has overall responsibility for the oversight of the Group's risk management framework.

The Group's management team is responsible for developing and monitoring the Group's risk management policies. The team meets periodically to discuss corporate plans, evaluate progress reports and establish action plans to be taken. The day-to-day implementation of risk management rests with the CEO.

**(i) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash.

*Trade and other receivables*

The Group's customers are given 30 to 60 day credit periods for services rendered. Certain customers take longer than 60 days to settle their accounts, however, the Group has not experienced significant write offs relating to trade receivables.

As at December 31, 2022, three customers individually contributed 10% or more to the Group's trade receivables. One customer contributed 18%, one customer contributed 11% and one customer contributed 10%.

As at December 31, 2021, one customer individually contributed 10% or more to the Group's trade receivables. That customer contributed 30%.

*Exposure to credit risks*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|                             | <b>2022</b>      | <b>2021</b>      |
|-----------------------------|------------------|------------------|
|                             | <b>US\$</b>      | <b>US\$</b>      |
| Trade and other receivables | 34,297,462       | 23,707,433       |
| Cash                        | 14,391,470       | 9,275,316        |
|                             | <hr/> 48,688,932 | <hr/> 32,982,749 |

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**20. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(i) Credit risk (continued)**

The maximum exposure to credit risk for trade and other receivables at the reporting dates by type was:

|                                  | <b>2022</b>       | <b>2021</b>       |
|----------------------------------|-------------------|-------------------|
|                                  | <b>US\$</b>       | <b>US\$</b>       |
| Mining and exploration companies | 33,508,572        | 22,782,167        |
| Others                           | 788,890           | 925,266           |
|                                  | <u>34,297,462</u> | <u>23,707,433</u> |

The ageing of trade receivables due from mining and exploration companies at the reporting dates was:

|                     | <b>2022</b>       | <b>2021</b>       |
|---------------------|-------------------|-------------------|
|                     | <b>US\$</b>       | <b>US\$</b>       |
| Less than 30 days   | 11,278,003        | 8,944,272         |
| 31 - 60 days        | 10,629,948        | 7,279,133         |
| 61 - 90 days        | 5,274,693         | 3,285,566         |
| 91 days and greater | 6,325,928         | 3,273,196         |
|                     | <u>33,508,572</u> | <u>22,782,167</u> |

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group either does not have sufficient financial resources available to meet all of its obligations and commitments as they fall due, or can access them only at excessive cost. The Group's approach to managing liquidity is to ensure that it will maintain adequate liquidity to meet its liabilities when due by monitoring and scheduling cash in bank movements and reinvesting profits earned.

The Group's obligation and principal repayments on its financial liabilities are presented in the following table:

|   | <b>Total</b>      | <b>Within</b>     | <b>Greater than</b> |
|---|-------------------|-------------------|---------------------|
|   | <b>US\$</b>       | <b>One Year</b>   | <b>One Year</b>     |
|   |                   | <b>US\$</b>       | <b>US\$</b>         |
| <b>December 31, 2022</b>                  |                   |                   |                     |
| <b>Non-derivative financial liability</b> |                   |                   |                     |
| Trade and other payables                  | 19,332,154        | 19,332,154        | -                   |
| Loans payable                             | 4,607,576         | 2,627,273         | 1,980,303           |
| Lease liabilities                         | 1,211,495         | 620,037           | 591,458             |
| Balance at December 31, 2022              | <u>25,151,225</u> | <u>22,579,464</u> | <u>2,571,761</u>    |
| <b>December 31, 2021</b>                  |                   |                   |                     |
| <b>Non-derivative financial liability</b> |                   |                   |                     |
| Trade and other payables                  | 15,808,964        | 15,808,964        | -                   |
| Loans payable                             | 6,901,515         | 3,960,606         | 2,940,909           |
| Lease liabilities                         | 708,651           | 302,828           | 405,823             |
| Balance at December 31, 2021              | <u>23,419,130</u> | <u>20,072,398</u> | <u>3,346,732</u>    |

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**20. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns. Management regularly monitors the level of market risk and considers appropriate strategies to mitigate those risks. Sensitivity analysis relating to key market risks has been provided below.

**(a) Foreign currency risk**

The Group is exposed to currency risk on cash, financial assets at fair value through profit and loss, trade receivables, trade payables and taxes payable that are denominated in currencies other than the functional currency. The other currencies in which these transactions are denominated are EURO, Ghana Cedis (GHS), British Pound (GBP), Central African Franc (CFA), Australian Dollar (AUD), Canadian Dollar (CAD), Zambian Kwacha (ZMW), Egyptian Pound (EGP), Brazilian Real (BRL), Peruvian Sol (PEN) and Chilean Peso (CLP).

The Group's exposure to foreign currency risk was as follows based on foreign currency amounts.

| December 31, 2022                                      | EURO      | GHS          | GBP       | CFA             | AUD         | CAD         | ZMW       | PEN      | EGP          | BRL      | CLP           |
|--|-----------|--------------|-----------|-----------------|-------------|-------------|-----------|----------|--------------|----------|---------------|
| Cash   | 6,127     | 3,647,880    | 52,573    | 2,539,476,782   | 179,550     | 91,808      | 6,400     | 124,086  | 401,870      | 15,600   | 64,805,313    |
| Financial assets at fair value through profit and loss | -         | -            | 257,250   | -               | 195,434     | 387,823     | -         | -        | -            | -        | -             |
| Trade and other receivables                            | -         | 1,204,611    | -         | 8,715,084,542   | -           | -           | -         | -        | 636,084      | -        | -             |
| Trade payables   | (4,211)   | (14,621,931) | (41,692)  | (867,408,710)   | (3,675,937) | (1,354,221) | (133,401) | (55,019) | (8,092,913)  | (10,858) | (301,501,054) |
| Taxes payable  | -         | -            | -         | (1,169,121,423) | -           | -           | -         | -        | (17,522,967) | -        | -             |
| Gross exposure   | 1,916     | (9,769,440)  | 268,131   | 9,218,031,191   | (3,300,953) | (874,589)   | (127,001) | 69,067   | (24,577,926) | 4,742    | (236,695,741) |
| December 31, 2021                                      | EURO      | GHS          | GBP       | CFA             | AUD         | CAD         | ZMW       | PEN      | EGP          | BRL      | CLP           |
| Cash   | 8,497     | 1,049,003    | 60,302    | 2,567,796,007   | 1,512       | 7,254       | 11,081    | 525,081  | 14,248       | 20,851   | -             |
| Financial assets at fair value through profit and loss | -         | -            | 2,200,438 | -               | 537,444     | 882,979     | -         | -        | -            | -        | -             |
| Trade and other receivables                            | -         | -            | -         | 6,276,126,236   | -           | -           | 12,000    | -        | 383,631      | -        | -             |
| Trade payables   | (610,623) | (9,073,049)  | (22,214)  | (767,488,800)   | (3,232,656) | (698,955)   | (20,790)  | (11,419) | (1,292,811)  | (10,000) | -             |
| Taxes payable  | -         | -            | -         | (389,686,816)   | -           | -           | -         | -        | (244,291)    | -        | -             |
| Gross exposure   | (602,126) | (8,024,046)  | 2,238,526 | 7,686,746,627   | (2,693,700) | 191,278     | 2,291     | 513,662  | (1,139,223)  | 10,851   | -             |

The following significant exchange rates applied during the years:

| US\$1= | 2022           |              | 2021           |              |
|--------|----------------|--------------|----------------|--------------|
|        | Reporting Rate | Average Rate | Reporting Rate | Average Rate |
| EURO   | 0.9338         | 0.9456       | 0.8815         | 0.8403       |
| GHS    | 10.1866        | 8.5112       | 6.1071         | 5.8800       |
| GBP    | 0.8261         | 0.8051       | 0.7400         | 0.7263       |
| CFA    | 612.5573       | 620.2870     | 578.2319       | 551.1881     |
| AUD    | 1.4663         | 1.4346       | 1.3769         | 1.3257       |
| CAD    | 1.3541         | 1.2947       | 1.2697         | 1.2537       |
| ZMW    | 18.0647        | 16.8239      | 16.6372        | 20.3250      |
| PEN    | 3.7675         | 3.8169       | 3.9585         | 3.8127       |
| BRL    | 5.2820         | 5.1958       | 5.5700         | 5.3526       |
| EGP    | 24.7236        | 18.4199      | 15.6796        | 15.6826      |
| CLP    | 847.4950       | 923.7744     | N/A            | N/A          |

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**20. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iii) Market risk (continued)**

**(a) Foreign currency risk (continued)**

**Sensitivity analysis on currency risks**

The following table shows the effect of a strengthening or weakening US\$ against all other currencies on equity and profit or loss. This sensitivity analysis indicates the potential impact on equity and profit or loss based upon the foreign currency exposures, (see “foreign currency risk” above) and it does not represent actual or future gains or losses. The sensitivity analysis is based on a change of 10% in the closing exchange rate per currency recorded in the course of the respective financial year.

A strengthening/weakening of the US\$, by the rates shown in the table, against the following currencies would have increased/decreased equity and profit or loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

|      | As at December 31, 2022 |   |             | 2021     |   |             |
|------|-------------------------|---|-------------|----------|---|-------------|
|      | % Change                | Profit or Loss<br>impact before tax<br>US\$ | Equity US\$ | % Change | Profit or Loss<br>impact before tax<br>US\$ | Equity US\$ |
| EURO | ±10                     | ±205  | ±205        | ±10      | ±68,307                                     | ±68,307     |
| GHS  | ±10                     | ±95,905                                     | ±95,905     | ±10      | ±131,389                                    | ±131,389    |
| GBP  | ±10                     | ±32,457                                     | ±32,457     | ±10      | ±302,504                                    | ±302,504    |
| CFA  | ±10                     | ±1,504,844                                  | ±1,504,844  | ±10      | ±1,329,354                                  | ±1,329,354  |
| AUD  | ±10                     | ±225,121                                    | ±225,121    | ±10      | ±195,635                                    | ±195,635    |
| CAD  | ±10                     | ±64,588                                     | ±64,588     | ±10      | ±15,065                                     | ±15,065     |
| ZMW  | ±10                     | ±703  | ±703        | ±10      | ±14   | ±14         |
| PEN  | ±10                     | ±1,833                                      | ±1,833      | ±10      | ±12,976                                     | ±12,976     |
| EGP  | ±10                     | ±99,411                                     | ±99,411     | ±10      | ±7,266                                      | ±7,266      |
| BRL  | ±10                     | ±90   | ±90         | ±10      | ±195  | ±195        |
| CLP  | ±10                     | ±27,929                                     | ±27,929     | ±10      | N/A   | N/A         |

**(b) Interest rate risk**

The Group is exposed to interest rate risk on its bank balances and loans.

**Profile**

At the reporting dates, the interest rate profiles of the Group’s interest-bearing financial instruments were:

|                                  | 2022<br>US\$ | 2021<br>US\$ |
|----------------------------------|--------------|--------------|
| <b>Variable rate instruments</b> |              |              |
| Bank balances                    | 14,391,470   | 9,162,620    |
| <b>Fixed rate instruments</b>    |              |              |
| Loans                            | 4,607,576    | 6,901,515    |

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**20. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iii) Market risk (continued)**

**(b) Interest rate risk (continued)**

**Sensitivity analysis for variable rate instruments**

A change of 200 basis points in the interest rate at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2022 and 2021.

| As at December 31, | 2022        |   |                | 2021        |   |                |
|--------------------|-------------|---|----------------|-------------|---|----------------|
|                    | %<br>Change | Profit or<br>Loss<br>impact<br>before tax<br>US\$ | Equity<br>US\$ | %<br>Change | Profit or<br>Loss<br>impact<br>before tax<br>US\$ | Equity<br>US\$ |
| Bank balances      | ±2%         | ±287,829  | ±287,829       | ±2%         | ±183,252  | ±183,252       |

**(iv) Capital management**

The Group manages its capital structure and makes adjustments to it to effectively support the Group's operations. In the definition of capital the Group includes, as disclosed on its Consolidated Statement of Financial Position: share capital, retained earnings, reserves and loans.

The Group's capital at December 31, 2022 and 2021 is as follows:

| Capital Management          | 2022<br>US\$ | 2021<br>US\$ |
|-----------------------------|--------------|--------------|
| Loans payable               | 4,607,576    | 6,901,515    |
| Share capital               | 28,106,386   | 24,858,172   |
| Share-based payment reserve | 3,379,386    | 3,857,405    |
| Retained earnings           | 75,589,126   | 58,830,570   |
|                             | 111,682,474  | 94,447,662   |

**(c) Equity price risk**

The Group holds equity investments and is exposed to equity price risk. The equity investments are held for sale and not held for strategic purposes.

If equity prices had been 10% higher or lower and all other variables were held constant, the Groups equity and profit or loss for the year ended December 31, 2022 would increase/decrease by US\$72,051 (2021: US\$425,312).



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**21. RELATED PARTY TRANSACTIONS**

| <b>Related party</b>                                       | <b>Relationship</b>     | <b>Location</b> | <b>2022</b> | <b>2021</b> |
|--|-------------------------|-----------------|-------------|-------------|
| 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%        |
| 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 for Leasing and Specialized Services Freezone LLC | Subsidiary              | Egypt           | 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%         | -           |
| Geodrill BF  | Branch                  | Burkina Faso    | 100%        | 100%        |
| Geodrill Mali  | Branch                  | Mali            | 100%        | 100%        |
| Geodrill Limited Zambia                                    | Branch                  | Zambia          | 100%        | 100%        |
| Geodrill Mauritius Limited Egypt                           | Branch                  | Egypt           | 100%        | -           |
| The Harper Family Settlement                               | Significant shareholder | Isle of Man     | -           | -           |
| GTS Drilling Ltd   | Common Control          | Ghana           | -           | -           |

**(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 year ending December 31, 2022, the right-of-use assets relating to the properties above was US\$530,148 (December 31, 2021: US\$199,773) and the related lease liabilities were US\$534,780 (December 31, 2021: US\$209,104).

The Group has paid fees to Clearwater Limited during the year ended December 31, 2022 of US\$36,677 (2021: US\$18,510 paid to Clearwater Limited). One of the directors of Clearwater Limited is also a director of Geodrill Limited.

The Group has paid fees to MS Risk Limited during the year ended December 31, 2022 of US\$34,250 (2021: US\$11,000). One of the directors of MS Risk Limited is also a director of Geodrill Limited.

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**21. 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 year comprised:

|                                  | <b>2022</b>     | <b>2021</b>     |
|----------------------------------|-----------------|-----------------|
|                                  | <b>US\$</b>     | <b>US\$</b>     |
| Short-term benefits              | 6,023,343       | 5,474,094       |
| Share-based payment arrangements | 261,699         | 228,297         |
|                                  | <hr/> 6,285,042 | <hr/> 5,702,391 |

**22. COMMITMENTS**

As at December 31, 2022, the Group had capital commitments of US\$830,000 relating to the balance of the purchase price on a new drill rig (December 31, 2021: US\$Nil).

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**23. SHARE CAPITAL AND RESERVES**

**(i) Share capital**

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

| <b>Share capital</b>                    | <b>2022</b>       | <b>2021</b>       |
|---|-------------------|-------------------|
| Shares issued and fully paid            | 46,836,400        | 45,316,400        |
| Shares reserved for share option plan   | 4,683,640         | 4,531,640         |
| <b>Total shares issued and reserved</b> | <b>51,520,040</b> | <b>49,848,040</b> |

| <b>Reconciliation of changes in issued shares</b> | <b>2022</b>       | <b>2021</b>       |
|---|-------------------|-------------------|
| Shares issued at January 1,                       | 45,316,400        | 44,309,100        |
| Stock options exercised                           | 1,520,000         | 1,007,600         |
| Share buy-back                                    | -                 | (300)             |
| <b>Shares issued at end of year</b>               | <b>46,836,400</b> | <b>45,316,400</b> |

All shares rank equally with regards to the Company'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 year ended December 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 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 stock option plan.

The share based payment expense for the year of US\$261,699 (2021: US\$228,297) was included in selling, general and administrative expenses in the 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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**24. EARNINGS PER SHARE**

**(i) Basic earnings per share**

The calculation of basic earnings per share for the year ended December 31, 2022 was based on the income attributable to ordinary shareholders of US\$18,915,563 (2021: US\$14,137,895), and on the weighted average number of ordinary shares outstanding of 46,322,486 (2021: 45,082,449) calculated as follows:

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>US\$</b>   | <b>US\$</b>   |
| Income attributable to ordinary shareholders      | 18,915,563    | 14,137,895    |
| <hr/>   |               |               |
| <b>Weighted average number of ordinary shares</b> |               |               |
|   | <b>2022</b>   | <b>2021</b>   |
|   | <b>Shares</b> | <b>Shares</b> |
| Issued ordinary shares                            | 46,322,486    | 45,082,449    |
| <hr/>   |               |               |
| Earnings per share                                | \$0.41        | \$0.31        |

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**24. EARNINGS PER SHARE (CONTINUED)**

**(ii) Diluted earnings per share**

The calculation of diluted earnings per share for the year ended December 31, 2022 was based on the income attributable to ordinary shareholders of US\$18,915,563 (2021: US\$14,137,895), and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 46,965,880 (2021: 45,297,379), calculated as follows:

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>US\$</b> | <b>US\$</b> |
| Income attributable to ordinary shareholders | 18,915,563  | 14,137,895  |

**Weighted average number of ordinary shares - diluted**

|  | <b>2022</b>            | <b>2021</b>            |
|--|------------------------|------------------------|
|  | <b>Shares</b>          | <b>Shares</b>          |
| Weighted average number of ordinary shares - basic | 46,322,486             | 45,082,449             |
| Effect of share options in issue                   | 643,394 <sup>(1)</sup> | 214,930 <sup>(2)</sup> |
|  | <u>46,965,880</u>      | <u>45,297,379</u>      |

|                            |        |        |
|----------------------------|--------|--------|
| Diluted earnings per share | \$0.40 | \$0.31 |
|----------------------------|--------|--------|

(1) For the year ended December 31, 2022, 2,600,000 options in issue were dilutive and had a \$0.01 effect on the calculation of the diluted earnings per share amount.

(2) For the year ended December 31, 2021, 1,855,000 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.

**25. DIVIDENDS**

The Company paid two semi-annual dividends in 2022 of CAD\$0.03, totalling CAD\$0.06 (2021: two semi-dividends of CAD\$0.01, totalling CAD\$0.02).

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**26. EQUITY-SETTLED SHARE-BASED PAYMENTS**

**Stock Option Plan (“SOP”)**

The Company has established a SOP, which is intended to aid in attracting, retaining and motivating the Company’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.

|                             | 2022                               |                                 | 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 year   | 780,000                            | CAD\$2.20                       | 690,000                            | CAD\$1.94                       |
| Total exercised in the year | (1,520,000)                        | CAD\$2.12                       | (1,007,600)                        | CAD\$1.04                       |
| Total cancelled in the year | (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 December 31, 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                        | 5 mos                                       | 90,000                        |
| Granted on May 15, 2019   | CAD\$1.36       | 290,000                       | 1 Yrs & 5 mos                               | 290,000                       |
| Granted on March 9, 2020  | CAD\$1.71       | 750,000                       | 2 Yrs & 3 mos                               | 450,000                       |
| Granted on March 15, 2021 | CAD\$1.94       | 690,000                       | 3 Yrs & 3 mos                               | 380,000                       |
| Granted on May 16, 2022   | CAD\$2.20       | 780,000                       | 4 Yrs & 5 mos                               | 260,000                       |

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%             | 3%           |
| 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.

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**27. 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.

On January 12, 2023 Geodrill received the ruling from the secretariat of the administrative court dismissing the entire revised assessment and has awarded a payment of 1,500,000 CFA to Geodrill for expenses incurred. The Burkina Faso tax authorities have two months to submit an appeal regarding the ruling. As at March 4, 2023, Geodrill is unaware of the BFTA appealing the ruling.