

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended September 30, 2023 and 2022

(unaudited)
(in United States dollars)

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
As at September 30, 2023 and December 31, 2022

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

As at September 30, 2023 and December 31, 2022

	<i>Note</i>	September 30, 2023 US\$	December 31, 2022 US\$
Assets			
Non-current assets			
Deferred tax asset	8(iv)	700,440	-
Property, plant and equipment	9	61,928,854	57,058,742
Right-of-use assets	10	886,393	1,302,488
Total non-current assets		63,515,687	58,361,230
Current assets			
Financial assets at fair value through profit or loss	11	345,173	720,511
Inventories	12	34,162,968	31,552,877
Prepayments		1,972,392	1,905,736
Trade and other receivables	13	37,055,571	34,297,462
Cash		16,158,686	14,391,470
Total current assets		89,694,790	82,868,056
Total assets		153,210,477	141,229,286
Equity and liabilities			
Equity			
Share capital		28,258,711	28,106,386
Share-based payment reserve		3,674,246	3,379,386
Retained earnings		79,453,404	75,589,126
Capital and reserves attributable to owners of Geodrill Limited		111,386,361	107,074,898
Non-controlling interests	14	(107,457)	(17,376)
Total equity		111,278,904	107,057,522
Liabilities			
Non-current liabilities			
Deferred tax liability	8(iv)	2,676,231	3,267,679
Loans payable	15	500,000	1,980,303
Lease liabilities		225,391	591,458
Total non-current liabilities		3,401,622	5,839,440
Current liabilities			
Trade and other payables	16	25,284,463	22,136,451
Loans payable	15	12,137,121	2,627,273
Lease liabilities		572,676	620,037
Taxes payable	8(ii)	535,691	2,948,563
Total current liabilities		38,529,951	28,332,324
Total equity and liabilities		153,210,477	141,229,286
Contingency	24		

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

For the three and nine months ended September 30, 2023 and 2022

	Note	Three-month period ended September 30		Nine-month period ended September 30	
		2023 US\$	2022 US\$	2023 US\$	2022 US\$
Revenue		30,291,546	35,165,910	100,482,503	107,725,649
Cost of sales	7	(24,487,072)	(24,254,159)	(74,744,237)	(74,584,516)
Gross profit		5,804,474	10,911,751	25,738,266	33,141,133
Selling, general and administrative expenses	7	(7,658,575)	(3,867,312)	(16,076,581)	(9,671,569)
Foreign exchange (loss) / gain		(58,257)	(139,141)	384,018	(720,196)
Other (loss) / income	11	(217,153)	(59,171)	(713,221)	384,734
Results from operating activities		(2,129,511)	6,846,127	9,332,482	23,134,102
Finance costs		(283,532)	(195,135)	(628,760)	(556,680)
(Loss) / income before taxation		(2,413,043)	6,650,992	8,703,722	22,577,422
Income tax expense	8(i)	(537,102)	(3,031,972)	(3,562,368)	(7,100,149)
(Loss) / income and total comprehensive (loss) / income for the period		(2,950,145)	3,619,020	5,141,354	15,477,273
(Loss) / income and total comprehensive (loss) / income for the period is attributable to:					
Owners of Geodrill Limited		(2,893,061)	3,610,709	5,231,435	15,453,010
Non-controlling interests		(57,084)	8,311	(90,081)	24,263
		(2,950,145)	3,619,020	5,141,354	15,477,273
(Loss) / earnings per share					
Basic	21(i)	\$(0.06)	\$0.08	\$0.11	\$0.33
Diluted	21(ii)	\$(0.06)	\$0.08	\$0.11	\$0.33

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

For the nine months ended September 30, 2023 and 2022

	<u>Attributable to owners of Geodrill Limited</u>				Total Equity US\$
	Share Capital US\$	Share-based Payment Reserve US\$	Retained Earnings US\$	Non- controlling interests US\$	
Balance at January 1, 2023	28,106,386	3,379,386	75,589,126	(17,376)	107,057,522
Income and total comprehensive income for the period	-	-	5,231,435	(90,081)	5,141,354
Dividends (Note 22)	-	-	(1,367,157)	-	(1,367,157)
Exercise of stock options	152,325	(33,746)	-	-	118,579
Share-based payment expense	-	328,606	-	-	328,606
Balance at September 30, 2023	28,258,711	3,674,246	79,453,404	(107,457)	111,278,904
Balance at January 1, 2022	24,858,172	3,857,405	58,830,570	(19,612)	87,526,535
Income and total comprehensive income for the period	-	-	15,453,010	24,263	15,477,273
Dividends (Note 22)	-	-	(2,157,007)	-	(2,157,007)
Exercise of stock options	3,248,214	(739,718)	-	-	2,508,496
Share-based payment expense	-	211,569	-	-	211,569
Balance at September 30, 2022	28,106,386	3,329,256	72,126,573	4,651	103,566,866

GEODRILL LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2023 and 2022

	September 30, 2023 US\$	September 30, 2022 US\$
Cash flows from operating activities		
Income before taxation	8,703,722	22,577,422
<i>Adjustments for:</i>		
Depreciation expense	7,974,927	7,709,377
Movement in expected lifetime credit losses	4,852,924	502,131
Change in provision for inventory obsolescence	38,305	67,979
Equity-settled share-based payment expense	328,606	211,569
Finance costs	628,760	556,680
Loss / (gains) on financial assets at fair value through profit and loss	713,221	(384,734)
Unrealized foreign exchange (gain) / loss	(240,710)	1,426,065
	22,999,755	32,666,489
Change in financial assets at fair value through profit and loss	(337,883)	3,643,951
Change in inventories	(2,648,396)	(2,453,636)
Change in prepayments	(66,656)	(260,124)
Change in trade and other receivables	(7,611,033)	(16,617,545)
Change in trade and other payables	2,529,094	4,546,296
	14,864,881	21,525,431
Finance costs paid	(571,049)	(501,732)
Income taxes paid	(7,267,128)	(5,556,541)
Net cash generated from operating activities	7,026,704	15,467,158
Investing activities		
Purchase of property, plant and equipment	(11,321,683)	(12,137,282)
Net cash used in investing activities	(11,321,683)	(12,137,282)
Financing activities		
Loans received	10,000,000	10,113,955
Loan payments	(1,970,455)	(3,637,121)
Cash received on exercise of options	118,579	2,508,496
Dividends paid	(1,367,157)	(1,069,391)
Lease liabilities payments	(575,464)	(736,503)
Net cash generated from financing activities	6,205,503	7,179,436
Effect of movement in exchange rates on cash	(143,308)	(705,869)
Net increase in cash	1,767,216	9,803,443
Cash at beginning of the period	14,391,470	9,275,316
Cash at end of the period	16,158,686	19,078,759

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and nine months ended September 30, 2023 and 2022

1. GENERAL INFORMATION

Geodrill Limited (the “Company” or “Geodrill”) is a company registered and domiciled in the Isle of Man. The address of the Company’s registered office is Ragnall House, 18 Peel Road, Douglas, Isle of Man, IM1 4LZ. The unaudited condensed interim consolidated financial statements of the Company for the periods ended September 30, 2023 and 2022 comprise the interim financial statements of the Company and its wholly owned subsidiaries, Geodrill Ghana Ltd, Geodrill Mauritius Limited, Geodrill Cote d’Ivoire SARL, Drilling Services Malta Limited, Vannin Resources, Unipessoal Limitada, Geodrill Sondagens LTDA, Silver Back Egypt for Mining and Drilling Services S.A.E., Geodrill for Leasing and Specialized Services Freezone LLC, Geodrill Leasing Company Limited, Geodrill Senegal SARL, 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 Egypt Branch Limited 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 Group is primarily a provider of mineral exploration drilling services. These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Geodrill on November 11, 2023.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 have been prepared in accordance with IAS 34, Interim Financial Reporting, on a basis consistent with the accounting policies as presented in Note 2 disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2022. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) has been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited 2022 annual consolidated financial statements of the Company. A number of amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2023 and 2022

2. BASIS OF PREPARATION (CONTINUED)

(d) Critical accounting estimates and judgments

In preparing these unaudited condensed interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2022.

(e) Impairment testing

The Company's market capitalization is currently below the Company's net book value which is considered to be an indicator of potential impairment of the carrying value of the Company's property, plant and equipment as at September 30, 2023. The outcome of the analysis was such that the expected net recoverable amount exceeded the carrying value of the property, plant and equipment and, accordingly, no impairment loss was recognized in the period.

(f) Trade receivables

Trade receivables are initially stated at their fair value. The carrying amounts for accounts receivable are net of allowances for doubtful accounts, which represent management's estimate of lifetime expected credit losses ("ECL"). The Company uses the simplified approach to recognizing ECLs for its trade receivables that don't have a significant financing component. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience applied to the aging of receivables, 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 each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENTS

These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended December 31, 2022.

Critical estimates and judgements applicable to these financial statements remain consistent with those disclosed in the annual consolidated financial statements of the Company as at and for the year ended December 31, 2022. The financial position and performance of the Company as at and for the period ended September 30, 2023 was particularly affected by the impairment of certain accounts receivable.

Trade receivables are initially recorded at fair value. The carrying amounts for trade accounts receivable are net of lifetime expected credit losses ("ECL"). The measurement of the ECL allowance for trade accounts receivable requires the use of management judgment in choosing estimation techniques, selecting key inputs and making significant assumptions about future economic conditions and credit behavior of the customers, including the likelihood of customers defaulting and the resulting losses.

Management uses a provision matrix to determine the ECL for trade receivables. The provision matrix is used to estimate future credit losses based on the Company's historical credit loss experience. The ECL determined by the provision matrix is adjusted for current and forward-looking information relating to future economic conditions and factors specific to individual debtors that were identified to be higher risk of default. Significant judgements are made in determining the adjustments for these factors. Although the company does not have a history of significant write offs 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.

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For the three and nine months ended September 30, 2023 and 2022

4. DETERMINATION OF FAIR VALUES

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

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

(a) Trade and other receivables

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

(b) Cash

Cash consists of cash at bank and cash on hand. The fair value of cash approximates its carrying values due to its short term nature.

(c) Trade and other payables

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

(d) Loans payable

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

(e) Share-based payment transactions

The fair value of 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.

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

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

5. SEASONALITY OF OPERATIONS

The operations have tended to exhibit a seasonal pattern. The first and fourth quarters are affected due to shutdown of exploration activities, often for extended periods over the holiday season, however the first quarter of 2023 was busy and not affected by the shutdown. The second quarter is typically affected by the Easter shutdown of exploration activities affecting some of the rigs for up to one week, however, the second quarter was not affected by Easter. The wet season occurs (in some geographical areas where the Group operates, particularly in Mali) normally in the third quarter, but in recent years the global weather pattern has become somewhat erratic, however, the third quarter was affected by the wet season. 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.

GEODRILL LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2023 and 2022

6. SEGMENT REPORTING

The primary format of operating segments is based on the Company's management and internal reporting structure, which is submitted to the Chief Executive Officer (CEO) who is the Chief Operating Decision Maker. Due to the integrated nature of the Company's operations and re-deployment of drill rigs within Africa, the Company maintains only one operating segment. The Company has operations in South America, however, this is not material to the Company's operations and therefore not considered to be a reportable segment.

For the three months ended September 30 30, 2023, four customers individually contributed 10% or more to the Group's revenue. One customer contributed 21%, one customer contributed 16%, one customer contributed 14% and one customer contributed 11%.

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

For the nine months ended September 30, 2023, two customers individually contributed 10% or more to the Group's revenue. One customer contributed 19% and one customer contributed 13%.

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and nine months ended September 30, 2023 and 2022

7. EXPENSES BY NATURE

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

	Three month period ended September 30,		Nine month period ended September 30,	
	2023	2022	2023	2022
	US\$	US\$	US\$	US\$
Expenses				
Wages and employee benefits	10,386,717	9,771,909	32,614,137	31,523,260
Drill rig expenses	7,569,349	8,963,732	24,931,518	26,275,365
External services, contractors and others	6,274,206	5,242,905	16,512,719	14,232,654
Depreciation	2,775,204	2,456,576	7,974,926	7,709,377
Repairs and maintenance	1,495,824	1,476,377	3,934,594	4,013,297
Expected lifetime credit losses	3,644,347	209,972	4,852,924	502,131
	<u>32,145,647</u>	<u>28,121,471</u>	<u>90,820,818</u>	<u>84,256,084</u>

	Three month period ended June 30,		Nine month period ended June 30,	
	2023	2022	2023	2022
	US\$	US\$	US\$	US\$
Cost of sales	24,487,072	24,254,159	74,744,237	74,584,516
Selling, general and administrative expenses	7,658,575	3,867,312	16,076,581	9,671,569
	<u>32,145,647</u>	<u>28,121,471</u>	<u>90,820,818</u>	<u>84,256,085</u>

8. TAXATION

(i) Income tax expense

	Three month period ended September 30,		Nine month period ended September 30,	
	2023	2022	2023	2022
	US\$	US\$	US\$	US\$
Current tax expense (iii)	2,821,450	4,188,137	4,854,256	7,295,762
Deferred tax recovery (iv)	(2,284,348)	(1,156,165)	(1,291,888)	(195,613)
	<u>537,102</u>	<u>3,031,972</u>	<u>3,562,368</u>	<u>7,100,149</u>

GEODRILL LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three and nine months ended September 30, 2023 and 2022

8. TAXATION (CONTINUED)

(ii) Taxes payable

	Balance at Jan. 1 US\$	Payments during the period US\$	Charge for the period US\$	Balance at September 30, US\$
2023	2,948,563	(7,267,128)	4,854,256	535,691
2022	999,847	(5,556,541)	7,295,762	2,739,068

(iii) Reconciliation of effective tax rate

	Three month period ended September 30,		Nine month period ended September 30,	
	2023 US\$	2022 US\$	2023 US\$	2022 US\$
(Loss) / income before tax	(2,413,043)	6,650,992	8,703,722	22,577,422
Corporate tax at 25%	(603,261)	1,662,748	2,175,930	5,644,356
Add:				
Effect of different rate tax countries	161,128	436	(1,946,273)	(2,016,950)
Adjustment for current tax of prior years	400,000	-	589,606	(187,632)
Tax effect of amounts that are not deductible in calculating taxable income	(340,277)	121,635	314,879	221,355
Tax expense before withholding tax	(382,410) 15.8%	1,784,819 26.8%	1,134,142 13.0%	3,661,129 16.2%
Add:				
Withholding tax ⁽¹⁾	919,512	1,247,153	2,428,226	3,439,020
Total tax expense	537,102	3,031,972	3,562,368	7,100,149
Effective tax rate	(22.3)%	45.6%	40.9%	31.4%

⁽¹⁾ Certain amounts relating to tax on undistributed profits from subsidiaries have been presented within withholding tax in the current period. Prior period comparatives have been reclassified to reflect the current presentation. This reclassification had no impact on total tax expense for the periods presented in the table above.

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8. TAXATION (CONTINUED)

(iv) Deferred tax asset / (liability)

	September 30, 2023	December 31, 2022
	US\$	US\$
Deferred tax asset	700,440	-
Deferred tax liability	(2,676,231)	(3,267,679)
Balance at end of the period	(1,975,791)	(3,267,679)

(v) Recognized deferred tax assets and liabilities and movement in the period

Deferred tax assets and liabilities are attributable to the following:

	September 30, 2023	December 31, 2022
	US\$	US\$
Tax losses carried forward ⁽¹⁾	2,660,222	2,211,822
Deferred tax asset not recognized ⁽²⁾	(2,417,064)	(2,211,822)
Property, plant and equipment	(3,401,343)	(3,643,725)
Movement in expected lifetime credit losses	1,033,222	241,370
Provision for inventory obsolescence	149,172	134,676
Total	(1,975,791)	(3,267,679)

	September 30, 2023	December 31, 2022
	US\$	US\$
Balance at January 1	(3,267,679)	(3,381,671)
Recovery for the period	1,291,888	113,992
Balance at end of the period	(1,975,791)	(3,267,679)

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

⁽²⁾ 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. Deferred tax assets have been recognized where it is considered probable that the Group will generate sufficient future taxable income to utilize the related tax benefits.

(vi) Tax, Customs and Transfer Pricing audits

The Group is subject to certain tax, customs and transfer pricing audits in the normal course of its business. Management believes that the ultimate amount of liability, if any, for any pending assessments (either alone or combined) would not materially affect the Group's operations, liquidity or financial position taken as a whole. However, the ultimate outcome of these audits is uncertain.

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9. PROPERTY, PLANT AND EQUIPMENT

2023	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Land & Leasehold Improvements US\$	Capital Work in Progress (CWIP) US\$	Total US\$
Cost						
Balance at January 1, 2023	11,468,172	31,476,900	75,706,489	7,873,539	11,010,796	137,535,896
Additions	-	-	-	-	12,320,119	12,320,119
Reclassifications from CWIP	472,716	3,133,863	7,250,291	1,859,778	(12,716,648)	-
Assets retired during the period	(140,326)	(1,050,701)	(2,966,856)	-	-	(4,157,883)
Balance at September 30, 2023	11,800,562	33,560,062	79,989,924	9,733,317	10,614,267	145,698,132
Accumulated Depreciation						
Balance at January 1, 2023	8,639,853	25,545,523	42,452,897	3,838,881	-	80,477,154
Charge for the period	720,603	1,718,097	4,435,100	576,207	-	7,450,007
Assets retired during the period	(140,326)	(1,050,701)	(2,966,856)	-	-	(4,157,883)
Balance at September 30, 2023	9,220,130	26,212,919	43,921,141	4,415,088	-	83,769,278
Carrying amounts at September 30, 2023	2,580,432	7,347,143	36,068,783	5,318,229	10,614,267	61,928,854

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

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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2022	Motor Vehicles US\$	Plant & Equipment US\$	Drill Rigs (1) US\$	Land & Leasehold Improvements US\$	Capital Work in Progress (CWIP) US\$	Total US\$
Cost						
Balance at January 1, 2022	10,137,793	28,899,347	71,540,790	5,692,392	9,272,044	125,542,366
Additions	-	-	-	-	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)
Balance at December 31, 2022	11,468,172	31,476,900	75,706,489	7,873,539	11,010,796	137,535,896
Accumulated Depreciation						
Balance at January 1, 2022	7,989,295	23,957,606	41,159,378	3,350,930	-	76,457,209
Charge for the 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)
Balance at December 31, 2022	8,639,853	25,545,523	42,452,897	3,838,881	-	80,477,154
Carrying amounts at December 31, 2022	2,828,319	5,931,377	33,253,592	4,034,658	11,010,796	57,058,742

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

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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation has been charged in comprehensive income as follows:

	Three month period		Nine month period	
	ended September 30,		ended September 30,	
	2023	2022	2023	2022
	US\$	US\$	US\$	US\$
Cost of sales	2,458,688	2,136,613	6,873,801	6,710,635
Selling, general and administrative expenses	192,959	119,560	576,206	358,030
	<u>2,651,647</u>	<u>2,256,173</u>	<u>7,450,007</u>	<u>7,068,665</u>

As at September 30, 2023, property, plant and equipment with a carrying amount of US\$21,306,531 (December 31, 2022: US\$20,974,019) have been pledged as security for certain loans (Note 15).

10. RIGHT-OF-USE ASSETS

	September 30, 2023	December 31, 2022
	US\$	US\$
Cost		
Balance at January 1,	3,345,828	2,035,908
Additions	361,290	1,379,472
Disposals	(367,343)	(66,107)
Movement in foreign exchange	-	(3,445)
Balance at the end of the period	3,339,775	3,345,828
Accumulated Depreciation		
Balance at January 1,	2,043,340	1,224,237
Charge for the period	524,920	841,139
Assets expired in the period	(114,878)	(22,036)
Balance at the end of the period	2,453,382	2,043,340
Carrying amounts at the end of the period	886,393	1,302,488

The amount of depreciation recognized as an expense in the three and nine months ended September 30, 2023 was US\$123,558 and US\$524,920 respectively (2022: US\$200,403 and US\$640,712, respectively).

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11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	September 30, 2023	December 31, 2022
	US\$	US\$
Balance at January 1,	720,511	4,253,119
Additions	656,066	40,103
Disposals	(318,183)	(3,820,638)
(Loss) / gain through profit and loss	(713,221)	247,927
Balance at end of the period	345,173	720,511

12. INVENTORIES

	September 30, 2023	December 31, 2022
	US\$	US\$
Inventories on hand	34,247,898	31,342,809
Inventories in transit	911,422	1,169,396
Provision for obsolescence	(996,352)	(959,328)
	34,162,968	31,552,877

The amount of inventories recognized as expense in the three and nine months ended September 30, 2023 is US\$9,575,399 and US\$29,970,841, respectively (three and nine months ended September 30, 2022: US\$10,213,472 and US\$30,291,043, respectively).

13. TRADE AND OTHER RECEIVABLES

	September 30, 2023	December 31, 2022
	US\$	US\$
Trade receivables	41,577,651	34,898,206
Expected life time credit losses	(6,242,558)	(1,389,634)
Net trade receivables	35,335,093	33,508,572
Sundry receivables	1,720,478	788,890
	37,055,571	34,297,462

As at September 30, 2023, trade receivables with a carrying amount of US\$15,438,936 (December 31, 2022: US\$8,762,966) have been pledged as security for certain loans (Note 15).

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations. 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 historically experienced significant write offs relating to trade receivables.

The Group provides for expected credit losses for trade receivables based on the aging of trade receivables as described in Notes 2 and 3. As at September 30, 2023, an amount of US\$15.4M or 37% of the trade accounts receivable are aged over 90 days. As at September 30, 2023 the Group has approximately US\$6.1M in provisions against its greater than 90 day category of trade receivables.

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13. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at September 30, 2023, the aging of the trade receivable balances aged over 90 days has increased from December 31, 2022 as follows:

	September 30, 2023		December 31, 2022	
	US\$ Gross	US\$ Net of ECL	US\$ Gross	US\$ Net of ECL
Less than 30 days	14,303,057	14,299,006	11,280,758	11,278,002
31 - 60 days	6,807,295	6,805,347	10,634,892	10,629,948
61 - 90 days	5,073,411	4,967,020	5,387,768	5,274,693
91 days and greater	15,393,888	9,263,720	7,594,788	6,325,929
	<u>41,577,651</u>	<u>35,335,093</u>	<u>34,898,206</u>	<u>33,508,572</u>

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

	September 30, 2023 US\$	December 31, 2022 US\$
Balance at January 1	1,389,634	716,642
Movement in expected lifetime credit losses in the period	4,852,924	672,992
Balance at end of period	<u>6,242,558</u>	<u>1,389,634</u>

14 NON-CONTROLLING INTERESTS

	September 30, 2023 US\$	December 31, 2022 US\$
Recon Drilling S.A.C. (5%)	(68,130)	(10,749)
Recon Drilling Chile SPA (5%)	(68,430)	(12,225)
Geo-Drill SARL (5%)	29,103	5,598
Balance at end of period	<u>(107,457)</u>	<u>(17,376)</u>

15. LOANS PAYABLE

	September 30, 2023 US\$	December 31, 2022 US\$
US\$6.0M Medium Term Loan (i)	1,470,455	2,940,910
US\$4.0M Medium Term Loan (ii)	1,166,666	1,666,666
US\$10M Revolving Line of Credit (iii)	10,000,000	-
Total	<u>12,637,121</u>	<u>4,607,576</u>
Current portion of loans	<u>12,137,121</u>	<u>2,627,273</u>
Non-current portion of loans	<u>500,000</u>	<u>1,980,303</u>

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15. LOANS PAYABLE (CONTINUED)**(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. The US\$6.0M Medium Term Loan has been extended to November 30, 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 9.0% per annum (effective May 15, 2023) and is subject to periodic review in line with market conditions. The US\$6.0M Medium Term Loan is secured by certain assets of the Group (Note 9 and Note 13). The US\$6.0M Medium Term Loan may be repaid prior to maturity by the Group without penalty or other costs other than interest accrued to the date of such repayment. The effective interest rate of the US\$6.0M Medium Term Loan is 8.3%. The US\$6.0M Medium Term Loan is subject to, and as at September 30, 2023, the Group was in compliance with normal course covenants. As at September 30, 2023, the Group had drawn US\$5.5M on the US\$6.0M Medium Term Loan; the Group had repaid US\$4.0M leaving US\$1.5M still outstanding and US\$0.5M still available for drawdown.

(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 until August 31, 2023. The US\$4.0M Medium Term Loan has been extended to November 30, 2023. 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 9.0% per annum (effective May 15, 2023) 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 8.3%. The US\$4.0M Medium Term Loan is subject to, and as at September 30, 2023, the Group was in compliance with normal course covenants. As at September 30, 2023, the Group had drawn US\$2.0M on the US\$4.0M Medium Term Loan; the Group had repaid US\$0.8M leaving US\$1.2M still outstanding and US\$2.0M still available for drawdown.

(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. The US\$10.0M Revolving Line of Credit has been extended to November 30, 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 9.0% per annum (effective May 15, 2023) on any utilized portion and is subject to periodic review in line with market conditions. The US\$10.0M Revolving Line of Credit is secured by certain assets of the Group (Note 9 and Note 13). The US\$10.0M Revolving Line of Credit may be repaid prior to maturity by the Group without penalty or other costs other than interest accrued to the date of such repayment. The US\$10.0M Revolving Line of Credit is subject to, and as at September 30, 2023, the Group was in compliance with normal course covenants. As at September 30, 2023, the Group had drawn US\$10.0M on the US\$10.0M Revolving Line of Credit.

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16. TRADE AND OTHER PAYABLES

	September 30, 2023 US\$	December 31, 2022 US\$
Trade payables	12,239,990	9,437,336
Other creditors and accrued expenses	10,595,924	9,894,818
VAT liability	2,448,549	2,804,297
	25,284,463	22,136,451

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

There were no financial instruments classified as level 2 or 3 in the fair value hierarchy at September 30, 2023 and December 31, 2022.

18. RELATED PARTY TRANSACTIONS

Related party	Relationship	Location	2023	2022
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%	100%
Geodrill Leasing Company Limited	Subsidiary	Isle of Man	100%	100%
Geodrill Senegal SARL	Subsidiary	Senegal	100%	N/A
Recon Drilling S.A.C.	Subsidiary	Peru	95%	95%
Geo-Drill SARL	Subsidiary	Mali	95%	95%
Recon Drilling Chile SPA	Subsidiary	Chile	95%	95%
Geodrill BF	Branch	Burkina Faso	100%	100%
Geodrill Mali	Branch	Mali	100%	100%
Geodrill Limited Zambia	Branch	Zambia	100%	100%
Geodrill Mauritius Egypt Branch Limited	Branch	Egypt	100%	100%
The Harper Family Settlement	Significant shareholder	Isle of Man	-	-
GTS Drilling Ltd	Common Control	Ghana	-	-

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18. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Transactions with related parties

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

The Harper Family Settlement owns 37.3% (December 31, 2022: 37.4%) of the issued share capital of Geodrill Limited.

On October 1, 2022, Geodrill Ghana Ltd entered into new lease agreements with The Harper Family Settlement for the Anwiankwanta property and for the Accra property, both for a two year term and rent for the Anwiankwanta property of US\$230,000 per annum and rent for the Accra property of US\$93,000 per annum. The material terms of the two year lease agreements include: (i) the annual rent payable shall be reviewed on an upward only basis on or before October 1, 2024; and (ii) only Geodrill Ghana Ltd can terminate the leases by giving twelve months' notice. It was also agreed that all future rent increases will be based on USA inflation data.

For the period ending September 30, 2023, the right-of-use assets relating to the properties above was US\$302,942 (December 31, 2022: US\$530,148) and the related lease liabilities were US\$314,192 (December 31, 2022: US\$534,780).

The Group has paid fees to MS Risk Limited during the nine month period ended September 30, 2023 of US\$Nil (September 30, 2022 of US\$36,677). One of the directors of MS Risk Limited is also a director of Geodrill Limited.

(ii) Key management personnel and directors' transactions

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

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

	Three month period		Nine month period	
	ended September 30,		ended September 30,	
	2023	2022	2023	2022
	US\$	US\$	US\$	US\$
Short-term benefits	861,074	1,345,433	3,736,264	4,643,801
Share-based payment arrangements	62,794	52,082	328,607	211,570
	923,868	1,397,515	4,064,871	4,855,371

19. COMMITMENTS

As at September 30, 2023, the Group had capital commitments of US\$1,850,000 (December 31, 2022: US\$830,000) relating to a new drill rig.

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20. SHARE CAPITAL AND RESERVES

(i) Share capital

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

Share capital	September 30, 2023	December 31, 2022
Shares issued and fully paid	46,921,400	46,836,400
Shares reserved for share option plan	4,692,140	4,683,640
Total shares issued and reserved	51,613,540	51,520,040

Reconciliation of changes in issued shares

	September 30, 2023	December 31, 2022
Shares issued at January 1,	46,836,400	45,316,400
Stock options exercised	85,000	1,520,000
Shares issued at end of period	46,921,400	46,836,400

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

During the period ended September 30, 2023, the Company did not re-purchase nor cancel any shares under its NCIB (for the year ended December 31, 2022, the Company did not re-purchase nor cancel any shares under its NCIB).

(ii) Share-based payment reserve

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

The share-based payment expense for the three and nine month periods ended September 30, 2023 amounted to US\$62,794 and US\$328,606, respectively (September 30, 2022: US\$52,082 and US\$211,569, respectively) and was included in selling, general and administrative expenses in the Condensed Interim Consolidated Statements of Comprehensive Income.

(iii) Retained earnings

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

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21. (LOSS) / EARNINGS PER SHARE

(i) Basic (loss) / earnings per share

The calculation of basic (loss) / earnings per share for the three and nine month periods ended September 30, 2023 was based on the loss attributable to ordinary shareholders of US\$(2,893,061) (2022: income of US\$3,610,709) and income attributable to ordinary shareholders of US\$5,231,435 (2022: US\$15,453,010), respectively and on the weighted average number of ordinary shares outstanding of 46,921,400 (2022: 46,836,400) and 46,896,179 (2022: 46,148,662), respectively, calculated as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2023 US\$	2022 US\$	2023 US\$	2022 US\$
(Loss) / income attributable to ordinary shareholders	(2,893,061)	3,610,709	5,231,435	15,453,010
Weighted average number of ordinary shares	Three month period ended September 30,		Nine month period ended September 30,	
	2023 Shares	2022 Shares	2023 Shares	2022 Shares
Issued ordinary shares	46,921,400	46,836,400	46,896,179	46,148,662
(Loss) / earnings per share	\$(0.06)	\$0.08	\$0.11	\$0.33

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21. (LOSS) / EARNINGS PER SHARE (CONTINUED)

(ii) Diluted (loss) / earnings per share

The calculation of diluted (loss) / earnings per share for the three and nine month period ended September 30, 2023 was based on the loss attributable to ordinary shareholders of US\$(2,893,061) (2022: income of US\$3,610,709) and income attributable to ordinary shareholders of US\$5,231,435 (2022: US\$15,453,010), respectively and on the weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares outstanding of 47,684,378 (2022: 47,431,706) and 47,815,560 (2022: 46,775,929), respectively, calculated as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2023	2022	2023	2022
	US\$	US\$	US\$	US\$
(Loss) / income attributable to ordinary shareholders	(2,893,061)	3,610,709	5,231,435	15,453,010

Weighted average number of ordinary shares - diluted

	Three month period ended September 30,		Nine month period ended September 30,	
	2023	2022	2023	2022
	Shares	Shares	Shares	Shares
Weighted average number of ordinary shares - basic	46,921,400	46,836,400	46,896,179	46,148,662
Effect of share options in issue	762,978 ⁽¹⁾	595,306 ⁽²⁾	919,381 ⁽³⁾	627,267 ⁽⁴⁾
	47,684,378	47,431,706	47,815,560	46,775,929
Diluted earnings per share	\$(0.06)	\$0.08	\$0.11	\$0.33

(1) For the three months ended September 30, 2023, 2,495,000 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

(2) For the three months ended September 30, 2022, 2,600,000 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

(3) For the nine months ended September 30, 2023, 2,495,000 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

(4) For the nine months ended September 30, 2022, 2,600,000 options in issue were dilutive but they did not have an effect on the calculation of the diluted earnings per share.

22. DIVIDENDS

The Company declared a dividend of CAD\$0.04 on March 4, 2023.

The Company declared a dividend of CAD\$0.03 on September 23, 2022.

The Company declared a dividend of CAD\$0.03 on March 18, 2022.

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23. EQUITY-SETTLED SHARE-BASED PAYMENTS

Share Option Plan (“SOP”)

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

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

	September 30, 2023		December 31, 2022	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance beginning, Jan. 1	2,600,000	CAD\$1.89	3,450,000	CAD\$1.93
Total granted in the period	780,000	CAD\$3.05	780,000	CAD\$2.20
Total exercised in the period	(85,000)	CAD\$1.89	(1,520,000)	CAD\$2.12
Total cancelled in the period	(20,000)	CAD\$2.00	(110,000)	CAD\$2.14
Balance ending	3,275,000	CAD\$2.17	2,600,000	CAD\$1.89

The following table summarizes the options outstanding at September 30, 2023:

Options	Exercise prices	Number of options outstanding	Weighted average remaining contractual life	Number of options exercisable
Granted on May 15, 2019	CAD\$1.36	275,000	8 mos	275,000
Granted on March 9, 2020	CAD\$1.71	750,000	1 Yr & 6 mos	600,000
Granted on March 15, 2021	CAD\$1.94	690,000	2 Yrs & 6 mos	570,000
Granted on May 16, 2022	CAD\$2.20	780,000	3 Yrs & 8 mos	520,000
Granted on March 13, 2023	CAD\$3.05	780,000	4 Yrs & 6 mos	260,000

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23. EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

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

Granted on	May 15, 2019	March 9, 2020	March 15, 2021	May 16, 2022	March 13, 2023
Risk free interest rate	1.54%	0.53%	1.02%	2.73%	2.90%
Expected dividend yield	0%	0%	1%	3%	3%
Stock price volatility	42%	43%	40%	38%	39%
Expected life of options	5 years	5 years	5 years	5 years	5 years
Forfeiture rate	30%	30%	30%	30%	30%

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

24. CONTINGENCY

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

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

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

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

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

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.

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24. CONTINGENCY (CONTINUED)

The Burkina Faso tax authorities have appealed the administrative court ruling and Geodrill's legal council is reviewing the notice of appeal. As at November 11, 2023, the administrative courts have not responded to the appeal nor have they set a trial date.