This is Affidavit #1 of Mark Berger in this proceeding and was made on September 12, 2019.

No. S1910194
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c.57

AND

IN THE MATTER OF ENERGOLD DRILLING CORP., CROS-MAN DIRECT UNDERGROUND LTD., EGD SERVICES LTD., BERTRAM DRILLING CORP., AND OMNITERRA INTERNATIONAL DRILLING INC.

PETITIONERS

AFFIDAVIT #1 OF MARK BERGER

I, Mark Berger, of 543 Granville Street, Suite 1100, Vancouver, British Columbia, V6C 1X8, HEREBY SWEAR THAT:

1. I am the Chief Restructuring Officer ("**CRO**") of one of the Petitioners, Energold Drilling Corp. ("**Energold**"). I have over 14 years experience in corporate insolvency and restructuring, and since my appointment as CRO on June 28, 2019, I have worked with Energold and its subsidiaries. Accordingly, I have personal knowledge of the facts set out in this Affidavit except where stated to be based on information and belief, in which case I believe both the information and the resulting statements to be true. In preparing this Affidavit, I have also consulted with other members of the Senior Management (as defined below) of Energold and the other Petitioners and reviewed the corporate records and documents of Energold and the other Petitioners.

2. I swear this Affidavit in support of the Petitioners' application for an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**").

3. All capitalized terms used herein but not defined have the meaning set out in Affidavit #1 of Frederick W. Davidson sworn on August 22, 2019 (the "**Davidson Affidavit**").

OVERVIEW

4. The Energold Group provides drilling contracting services in respect of minerals, energy and infrastructure.

5. Energold and the other Petitioners are insolvent and are unable to pay their obligations as they become due. Details on the events leading up to this insolvency are set out in the Davidson Affidavit.

6. On or about June 28, 2019, the board of directors of Energold (the "**Board**") engaged Portage Point Partners, LLC ("**Portage Point**") to provide resources to assist the Energold Group with its restructuring. As a result of this engagement of Portage Point, the Board appointed me as CRO to assist in managing the business and affairs of Energold and to formulate and implement a restructuring plan for the Energold Group, including the Petitioners. I am advised by the Board, and believe, that Energold interviewed multiple candidates before engaging Portage Point and appointing me as CRO.

7. Based on my discussions with the Board, I believe that the Energold Group determined it was necessary to engage Portage Point and me as CRO in order to bolster and support Energold's management team. In particular, the Board determined that Energold's management team was stretched thin with many demands on their time and that they did not have the appropriate skillset to direct the restructuring effort. The additional resources were, accordingly, necessary to allow the Energold Group to continue to operate in the ordinary course while pursuing its restructuring.

8. Energold's engagement of Portage Point and my appointment as CRO was also done in consultation with and with the support of Extract Advisors LLC ("**Extract**"), the administrative agent for the Noteholders which are the primary secured creditor of the Energold Group including the Petitioners. Based on my discussions with representatives of the Noteholder group, I believe that the Noteholders were

of the view that additional resources were required to assist Energold's management through the restructuring effort and that my appointment as CRO was a condition to their continued forbearance as the Energold Group sought to effect an out-of-court restructuring.

9. Since June 28, 2019, I have worked with Senior Management and the Energold Group's stakeholders in an effort to restructure the Energold Group on an out-of-court basis. Despite these efforts, the Energold Group faces an immediate liquidity crisis, and the Petitioners require protection from their creditors in order to conduct a sale process for certain assets and restructure their affairs for the benefit of the Petitioners' stakeholders. Senior Management and I believe that this will preserve enterprise value and protect the interests of the Petitioners' stakeholders.

10. Based on my discussions with Darin Milmeister, managing partner of Extract as administrative agent for the Noteholders and Gary Katz, managing partner of Downtown Capital Partners LLC, chair of the Ad Hoc Committee of Noteholders (the "**Noteholder Committee**"), I believe that these proceedings have the support of the Energold Group's primary secured creditor. In particular, the structure for the sale process (described below) has been developed in consultation with the Energold Group's financial advisor, the proposed Monitor, Extract and the Interim Lender (defined below).

CORPORATE MATTERS

11. Details on the history of the Energold Group, its business and assets, corporate structure, and primary business divisions, are set out in the Davidson Affidavit.

Head Office

12. Energold's head office is located at Suite 1100 - 543 Granville Street, Vancouver, BC (the "**Head Office**"). As described in more detail below and in the Davidson Affidavit, the activities for each of the Petitioners are largely directed and controlled by the Head Office.

13. Despite having subsidiaries and operations in numerous countries worldwide, the Energold Group operates on a consolidated basis, with all senior management functions of the Energold Group directed and controlled from the Head Office in Vancouver, British Columbia. Further, all corporate accounting, financing, investments, shareholder relations, international or governmental relations, audit and

business strategy for the Energold Group are directed or carried out by Energold at the Head Office. In particular:

(a) the operating mind and management of the Energold Group is located in the Head Office in Vancouver, British Columbia;

(b) financing and investment decisions for the Energold Group are made by the Head Office in Vancouver, British Columbia;

(c) all management personnel of the Energold Group who are not based in Canada report directly to, and take directions from, Energold on issues affecting their operations and business activities;

(d) corporate governance functions and investor relations for the Energold Group are directed from the Head Office;

(e) strategic and key operational decisions for the Energold Group are primarily made by Senior Management located primarily in British Columbia;

(f) Senior Management based at the Head Office holds weekly conference calls with Senior Management and other management personnel of the Energold Group who are situated in foreign jurisdictions, to receive reports on financial performance and to provide strategic direction and oversight;

(g) although the human resources functions are managed locally within the Energold Group, all human resources decisions must ultimately be approved by Senior Management at the Head Office in Vancouver, British Columbia; and

(h) accounting functions are primarily controlled and directed from the Head Office, and specifically with respect to the Petitioners, all financial accounting and finance functions for Bertram Drilling, Cros-Man, EGD and Omniterra are made by the Head Office in Vancouver, British Columbia.

Senior Management and Employees

14. The current senior management team of the Petitioners (collectively, the "**Senior Management**") as of the date hereof consists of the following personnel:

Name	**Office/Title**	**Entity**	**Location**
Frederick W. Davidson	President and Chief Executive Officer	Energold	Vancouver, BC
Jerry C. Huang	Chief Financial Officer	Energold	Vancouver, BC
Mark Berger	Chief Restructuring Officer	Energold	Vancouver, BC
Marco Garrido	Director of Sales and Business Development	Energold	Vancouver, BC
Linda Woody	Director of Finance (retiring)	Energold	Vancouver, BC
Matthew Freeman	Director of Finance (effective September 3, 2019)	Energold	Vancouver, BC
Brian Bertram	President	Bertram Drilling	Carbon, Alberta
Darrell Bertram	Vice President of Operations	Bertram Drilling	Carbon, Alberta

15. Each member of Senior Management are in Vancouver, British Columbia, except for Brian Bertram and Darrel Bertram. Other than day-to-day operation decisions, all decisions made by Brian Bertram and Darrel Bertram require consultation with Senior Management based in Vancouver, British Columbia, and are subject to the overall strategic direction set by Energold from its Head Office. I am a resident of Elmhurst, Illinois, but for the purposes of work related to Energold, I work out of the Head Office in Vancouver.

16. As noted above, Linda Woody, Energold's Director of Finance, is retiring. Her last day of full-time work with Energold was Saturday, August 31, 2019. Since that time, Ms. Woody has continued to assist in transitioning her role to Matthew Freeman, the new Director of Finance.

17. The Energold Group as a whole currently employs approximately 385 full-time employees. Approximately 16 of these employees work in a management capacity. The Energold Group also employs

approximately 120 employees on a seasonal basis, however no such seasonal employees are presently employed. The seasonal employees are all in operations roles.

18. As of August 31, 2019, the Petitioners employed 81 people, with 51 in an operations role, 20 in an administrative or accounting role and 10 in an executive or management role. Within each entity, the Petitioners employ:

(a) 10 people in Energold, with 7 in an administrative/accounting role and 3 in an executive role;

(b) 9 people in EGD, with zero employees in an operations role, 6 in an administrative role, and 3 in an executive/management role;

(c) 18 people in Cros-Man, with 15 employees in an operations role, 1 employee in an administrative role, and 2 employees in an executive/management role; and

(d) 44 people in Bertram Drilling, with 36 employees in an operations role, 6 employees in an administrative role, and 2 employees in an executive/management role.

19. I am not aware of any significant changes in employee numbers since August 31, 2019.

20. Omniterra is purely a holding company and does not have any employees.

Update on Dando Sale

21. I refer to the Dando Sale as defined at paragraphs 52-54 of the Davidson Affidavit.

22. With the assistance of Extract (as administrative agent for Energold's primary secured creditor), Energold was able to amend and improve the terms of the Dando Sale beyond what was initially set out in the HoA. These amendments and improvements include, among other things:

(a) the obligations of the proposed purchaser of the Dando assets (referred to herein as the "**Dando Purchaser**") to pay the Installment Payments shall be evidenced by way of one or more promissory notes that shall be secured by way of a subordinate lien over all of the assets of Dando in favour of Energold, only junior to the £500,000 working capital loan that the Dando Purchaser made to capitalize the company;

(b) there are strict limits on compensation for insiders and management of Dando while the Installment Payments are payable and outstanding (including a prohibition on the payment of dividends by Dando); and

(c) Extract shall receive an option to purchase up to 10% of the equity in Dando for a purchase price equal to 125% of Extract's debt or equity investment in Dando, with such option exercisable over a period of 15 months.

23. The intention of the Dando Sale is to reduce expenses in relation to Dando and, over time, to bring working capital to Energold. The Dando Purchaser, Energold and Dando have encountered unexpected delays in executing a sale purchase agreement in respect of the Dando Sale, though substantially all of the definitive transaction documents have been prepared in draft. The Dando Sale has not closed as of the date of this Affidavit, and the Petitioners may seek Court approval of the Dando Sale in the course of these proceedings if it does not close prior to the commencement of these proceedings.

INSOLVENCY

24. The Petitioners are insolvent, and without access to the proceeds from the Interim Financing (as defined below), the Petitioners will be unable to meet their obligations as they come due over the coming weeks, including payroll obligations.

25. Historical details on the events that led to the insolvency of the Petitioners are set out in detail in the Davidson Affidavit.

A. <u>Liabilities</u>

Statutory Liabilities

(i) <u>Unremitted Taxes</u>

26. As of September 11, 2019, I am not aware of any of the Petitioners owing any outstanding liabilities to: (i) CRA in relation to collected but unremitted goods and services tax or harmonized sales tax; (ii) any provincial or other taxing authority in relation to collected but unremitted provincial or other sales tax; or (iii) any foreign taxing authority in relation to collected by unremitted value-added tax or sales taxes in that jurisdiction.

(ii) Workers' Compensation

27. As of August 31, 2019, I am not aware of the Petitioners owing any liabilities to WorkSafe BC or similar workers' compensation schemes in respect of unpaid premiums, other than the following amounts that have accrued but are not yet overdue:

(a) $30,993 owing by Bertram Drilling; and

(b) $4,116 owing by Cros-Man.

(iii) Unpaid Wages

28. As of September 11, 2019, none of the Petitioners owe any liabilities to present or former employees for outstanding employment compensation, vacation pay or severance obligations.

(iv) Unremitted Source Deductions

29. As of August 31, 2019, I am not aware of any Petitioner owing any unremitted source deductions to CRA.

Secured Lenders – Summary

30. I am advised by Senior Management and the Energold Group's books and records, and believe, that the Petitioners are indebted to various lenders holding security for the amounts owed. The table below provides a summary of the amount of secured indebtedness owed to each secured lender and whether the applicable Petitioner(s) are in default thereunder, in each case with reference to the applicable loan or credit agreement as defined in the Davidson Affidavit. Where the loans are in default, details of those defaults are set out below. I am advised by counsel to the Noteholders, and verily believe, that the amount owed to the Noteholders is as set out in the table below.

Loan or Credit Agreement (As defined in the Davidson Affidavit)	**Debtor Petitioners**	**Secured Creditor**	**Amount Outstanding (approx.)**	**Default Status**
RBC/Bertram Loan Agreement	Bertram Drilling and Energold	Royal Bank of Canada	$905,000 (Revolver) $53,182 (Credit Card) *As of September 3, 2019*	No Default

RBC/Cros-Man Credit Agreement	Cros-Man and Energold	Royal Bank of Canada	$495,000 (Revolver) $59,989 (Credit Card) *As of September 3, 2019*	No Default
Note Purchase Agreement and Notes	The Petitioners	Extract Advisors LLC and the Noteholders	$7,649.514.78 USD$12,425,151.44 *As of September 10, 2019*	**In Default**
EDC Loan Agreement	Energold and Bertram Drilling	Export Development Canada	USD$2,072,411 *As of August 31, 2019*	**In Default**
TOTAL:			**$9,162,712.78** **USD $14,497,562.44**	

Secured Equipment Lessors

31. I am advised by Senior Management and the Energold Group's books and records, and believe, that Cros-Man is indebted to various equipment lessors with registered security interests. Below is a chart setting out the: (i) identity of each secured equipment lessor that is known to me, and (ii) the amount owed.

Secured Equipment Lessor	Amount Outstanding (approx.)
Meridian OneCap Credit Corp.	$71,868 *As of August 31, 2019*
Brandt Finance Ltd. and Meridian OneCap Credit Corp.	$105,895 *As of August 31, 2019*
Paccar Financial Services Ltd.	$336,780 *As of August 31, 2019*
De Lage Landen Financial Services	$39,301 *As of August 31, 2019*

Caterpillar Financial Services	$140,834 *As of August 31, 2019*
TOTAL	**$694,678**

32. I am advised by information provided to me by Senior Management, and I believe such information to be true, that the amounts outstanding under the equipment leases as set out above are not expected to have changed materially since August 31, 2019.

Note Purchase Agreement – Developments since June 28, 2019

33. As set out in paragraph 85 of the Davidson Affidavit, the Petitioners and Affected Subsidiaries entered into a Forbearance Agreement with respect to their obligations under the Notes and the Note Purchase Agreement.

34. Following the June Correspondence, described at paragraph 88 and 89 of the Davidson Affidavit, the Energold Group and Extract, as administrative agent for the Noteholders, had various discussions in respect of a potential restructuring of the Energold Group outside a formal insolvency proceeding. These discussions included my appointment as CRO, and the Noteholders continuing to forbear on a day-to-day basis. However, at any time, Extract and the Noteholders could terminate the day-to-day forbearance and begin enforcement proceedings.

35. In late July, Energold, Extract and the Noteholders began discussions in respect of an amended and restated Note Purchase Agreement. These amendments were fully-negotiated and substantially settled in an Amended and Restated Note Purchase Agreement ("**Amended Note Agreement**") that contemplated, among other things, the advancement of up to USD$3,000,000 to Energold by way of the issuance of certain emergency Notes. However, I am advised by the Noteholder Committee, and believe, that certain Noteholders retracted their agreement and signatures to the Amended Note Agreement on the eve of closing. As a result, the Amended Note Agreement was ultimately never entered into and is of no force or effect, and the Petitioners are unable to borrow under the Amended Note Agreement.

EDC Loan Agreement – Developments since June 28, 2019

36. The loans under the EDC Loan Agreement became due and payable on July 10, 2019, and Energold does not have sufficient funds to repay its obligations to EDC. As such, Energold, Bertram Drilling and Energold Mexico are each in default under the EDC Loan Agreement and the EDC Security (the "**EDC Defaults**").

37. EDC has agreed in principle to forbear from enforcing the EDC Security. At this time, there is no formal forbearance agreement in place, and EDC is in a position to make demand and enforce its security at any time.

Royal Bank of Canada

38. Pursuant to the RBC/Bertram Loan Agreement, RBC has a security interest in, among other things, the accounts receivable due to Bertram Drilling. Pursuant to an inter-creditor agreement between RBC and the Noteholders, RBC is the priority creditor over the Bertram Drilling accounts receivable.

39. In the course of these proceedings, the Petitioners propose to repay the amounts due to RBC under the RBC/Bertram Loan Agreement from the accounts receivable collected by Bertram Drilling. As a result, RBC will be an unaffected creditor.

Unsecured Creditors

(i) Promissory Notes

40. I refer to the Promissory Notes (as defined in the Davidson Affidavit) granted by Energold in favour of each of Extract CMF and Sprott. I am advised by Senior Management and believe that:

(a) Neither Extract CMF nor Sprott holds security in respect of the amounts borrowed under the Extract Promissory Note; and

(b) As of August 31, 2019, Energold is indebted to each of Extract CMF and Sprott in the amount of $134,158 pursuant to the Promissory Notes.

(ii) Bertram Trust

41. I am advised by Senior Management and believe to be true that:

(a) as of August 31, 2019, Energold is indebted to The Brian and Darrell Bertram Trust (the "**Bertram Trust**") in the amount of approximately $696,121;

(b) as of August 31, 2019, Bertram Drilling is indebted to the Bertram Trust in the amount of approximately $125,043; and

(c) the Bertram Trust does not hold any security in respect of these amounts.

(iii) Trade Debt

42. I am advised by Senior Management and the Energold Group's books and records, and believe, that the Petitioners have unsecured liabilities owing to various suppliers, service providers, contractors and other trade creditors relating to outstanding accounts payable. The Energold Group accounting systems result in these amounts being tabulated on an approximately monthly basis under normal circumstances. As of August 31, 2019 (the last time accounts payable were tabulated by Energold), I estimate that the aggregate value of these unsecured liabilities of the Petitioners was approximately $5,797,801. As of August 31, 2019 (the last date on which an accounts payable consolidation was calculated for Affected Subsidiaries), I estimate that the aggregate value of these unsecured liabilities of the Affected Subsidiaries is approximately $4,021,980.

(iv) Management and the Board

43. Cros-Man owes $334,000 to Ken Hamel in respect of an earn-out amount due to Mr. Hamel following Energold's acquisition of Cros-Man.

44. Energold has not paid director fees to the Board since the first quarter of 2018. The approximate amount owed to the Board in respect of such fees is approximately $250,000.

B. Assets

Inventory

45. By book value, the most valuable assets of the Petitioners and the Affected Subsidiaries are their inventory of parts, components, and other mechanical accessories, including down-hole supplies, to the drilling rigs that certain Petitioners and the Affected Subsidiaries manufacture and sell. The inventory

is dispersed across many geographic locations, including countries in Europe, South America and Africa, stored in physical warehouses (in Canada and the UK), or secured in storage on-site at drilling locations. The below values of inventory are based on book value, and do not reflect the liquidation value of such inventory for the reasons set out below.

46. A summary of the owner, location, and book value of the Petitioner's inventory as of June 30, 2019 (the last time inventory was assessed) is set out in the table below:

Owner	**Location**	**Inventory Book Value (approx.)**
EGD	Canada	$2,623,228
Bertram Drilling	Canada	$304,955
Energold	Japan	$276,772
TOTAL:		**$3,204,955**

47. A summary of the inventory owned by Affected Subsidiaries as of June 30, 2019 (the last time inventory was assessed) is set out in the table below:

Owner	**Location**	**Inventory Book Value (approx.)**
Energold Mexico	Mexico	$7,015,253
Energold EMEA	Europe and Africa	$15,302,125
Dando Drilling	United Kingdom	$ 2,503,386
Bertram USA	United States	$156,532
TOTAL:		**$24,977,296**

48. I am advised by Senior Management and believe that these large stockpiles of inventory are meant to address the logistical difficulties in importing/exporting parts, tools and supplies used in the operation of the drill rigs in and out of various foreign jurisdictions. Specifically, moving such inventory in and out of certain locations can be cost-intensive or difficult due to, among other things, restrictions

imposed by local governments and extensive processing times at border customs. The process of replenishing such inventory stockpiles can take weeks, or even months.

49. I am advised by Senior Management and believe that Energold's inventory is generally specific to the Energold Group's equipment, such that it has a limited third-party market for resale. Accordingly, if the inventory were sold to third parties by way of liquidation sale, I believe that the recovery would be minimal compared to the potential value of the inventory in operation, or to a purchaser acquiring both the inventory and related equipment and other assets.

50. Accordingly, based on my experience in restructuring matters, I believe that the value for these assets can be maximized through a going concern sale of the relevant subsidiary.

Equipment

51. The Petitioners own certain equipment which has significant value. The majority is owned by Bertram Drilling and Cros-Man.

52. As will be described further below, the Petitioners have conducted a sale process for Bertram Drilling, which has tested the market and determined the value for Bertram Drilling and its assets.

53. In respect of Cros-Man, the Petitioners intend to conduct a sale process, described below, which will include a sale of Energold's shares in Cros-Man or a sale of Cros-Man's assets. The Petitioners obtained an appraisal of Cros-Man's assets in June 2019, indicating significant value both on a fair market and forced liquidation basis. The appraisal will be attached to a separate affidavit. The Petitioners will seek a sealing order for this affidavit in order to protect the market for Cros-Man and its assets.

Accounts Receivable

54. As of August 31, 2019, the Energold Group has approximately$9,363,853 in accounts receivable, of which approximately $3,305,389 is owed to the Petitioners. Further, approximately $1,867,942.31 of the total accounts receivable of the Energold Group consists of holdbacks pending project completion or customer approval, of which $1,080,112 is owed to the Petitioners.

Cash and Cash Equivalents

55. As of September 3, 2019, the Petitioners collectively held approximately $131,199 in cash or cash equivalents.

56. The Petitioners require these funds to meet, among other things, payroll obligations which are owed by Energold, Cros-Man, EGD, and Bertram Drilling.

Interests in Leasehold Property

57. Certain of the Petitioners have rights (as tenants) to leased real property consisting of the Field Offices and Logistical Facilities, which are integral to the business operations of the Energold Group as a whole.

58. These leasehold interests contribute significant value to the Energold Group as a going concern, but in my opinion would have marginal realization value in a liquidation scenario due to, among other things, a limited market for tenants of such properties.

C. Resignations from the Board of Directors

59. On September 3, 2019, Alastair McBain, Michael Beley, and Wayne Lenton resigned from the Board.

RESTRUCTURING PLAN

Preliminary Restructuring Plan

60. As noted above, the Board appointed me as CRO on June 28, 2019. Since that time, I have worked with the Board and Senior Management, along with the Energold Group's creditors and other stakeholders, to assess the prospects of a successful restructuring of Energold's business and affairs, and to formulate and implement a preliminary restructuring plan.

61. Given the Energold Group's limited liquidity, capital requirements, and industry sector outlook, Energold's Board of Directors and I considered various strategic alternatives, or combination of alternatives. We have also consulted with Extract, in its capacity as administrative agent for the Petitioners' primary secured creditor, to ensure their support for the proposed restructuring plan.

62. As a result of this analysis, we have concluded that the Energold Group's restructuring will include:

(a) a sale of Bertram Drilling's assets, as described below;

(b) a sale process to solicit offers for all assets and divisions of the Energold Group, with a view to concluding transactions for non-core assets and divisions of the Energold Group (particularly those with significant working capital demands) and/or surplus or redundant assets to free up funds for debt reduction and to make working capital more available for other aspects of the Energold Group's business;

(c) strategically winding down subsidiaries that are underperforming; and

(d) strategically reducing operating expenses, including closing Bertram Drilling and reducing expenses at the Head Office and making operations more efficient and cost-effective.

63. Senior Management, the Board and I believe that the above will allow a streamlined Energold Group, focused on its core areas of strength, to continue to operate for the benefit of stakeholders. We also believe that conducting a sale process for all assets and divisions will allow the Energold Group to better assess its options, preserve enterprise value and, where possible, maintain operations as a going concern. As noted above, based on my experience with the Energold Group and its business, and my experience in restructuring matters, I believe that the Energold Group's assets have the highest value as a going concern.

64. Further, the Petitioners have begun to shut-down Bertram Drilling's operations, and I believe that the stay of proceedings under the CCAA will assist with the Petitioners in an orderly wind-up of Bertram Drilling and facilitate the sale of its assets, described below.

Sale of Certain Assets or Subsidiaries

65. As an initial step to address its liquidity issues, as described in the Davidson Affidavit, the Energold Group has entered into an agreement for the Dando Sale.

66. Energold also engaged Ernst & Young Inc. and Ernst & Young Orenda Corporate Finance Inc. (together, "**EY Finance**") to assist the Energold Group in assessing its strategic alternatives and conducting

a sale process for its business units. The initial sale process conducted by EY Finance focused on Bertram Drilling.

67. The sale process for Bertram Drilling is set out in more detail in Affidavit #1 of Michael Bell sworn on September 11, 2019. That sale process included approaching 12 strategic buyers that EY Finance and the Petitioners believed were well-positioned to acquire the business and assets as a going concern.

68. While EY Finance received offers from these parties, none were for Bertram Drilling as a going concern. Each was to acquire Bertram Drilling's assets, or a sub-set of its assets. As a result, EY Finance approached four liquidators to make proposals in respect of Bertram Drilling's assets.

69. EY Finance engaged with the viable strategic bidders and liquidators in an effort to improve the offers. A summary of the offers received will be attached to a further affidavit to be filed under seal to protect the market for Bertram Drilling and its assets should the selected transaction fail to conclude.

70. The process resulted in multiple bids from prospective purchasers, and on August 31, 2019, the Board voted to approve the bid from Century Services Corp. ("**Century**").

71. Accordingly, the Petitioners seek the approval of the auction proposal by Century in respect of the Bertram Drilling assets (the "**Auction Proposal**"). The Petitioners intend to seek the approval of the Auction Proposal at the earliest available date.

72. The Auction Proposal includes a net minimum guarantee of $4.8 million, with Energold receiving 75% of auction proceeds above $4.8 million. Accordingly, the Auction Proposal will bring in proceeds of at least $4.8 million to the Petitioners. The sale of Bertram Drilling's assets will also significantly reduce the Petitioners' ongoing expenses and capital requirements since Bertram Drilling is one of the most capital-intensive business units within the Energold Group. Accordingly, I believe that concluding the transaction contemplated by the Auction Proposal is in the best interests of the Petitioners and their stakeholders.

Sale Solicitation Process

73. The Petitioners seek approval of a sale solicitation procedure (the "**SSP**"). Attached and marked as **Exhibit "A"** is a true copy of the SSP.

74. The SSP has been developed by the Petitioners in consultation with the Monitor, the Financial Advisor, Extract and the Interim Lender (defined below). The SSP will be managed by me as CRO with the assistance of the Financial Advisor and with the supervision of the Monitor.

75. The SSP provides for bidders to submit offers to acquire the Petitioners' right, title and interest in shares of subsidiaries operating outside Canada, Energold's right, title and interest in the shares of Cros-Man or Cros-Man's right, title and interest in certain assets.

76. Some of the key terms and timelines of the SSP include:

(a) September 16, 2019 – commencement of marketing activities, including delivering a draft form of purchase agreement;

(b) a four-week due diligence period for prospective bidders;

(c) October 11, 2019 – receipt of non-binding offers, including a blackline to the draft form of purchase agreement;

(d) October 28, 2019 – conclusion of definitive documents by qualified purchasers;

(e) October 31, 2019 – an auction, if appropriate;

(f) on or before November 7, 2019 – hearing for approval of the successful transaction(s); and

(g) on or before November 30, 2019 – closing of the successful transaction(s).

77. The SSP includes stalking horse bids submitted by Extract, as administrative agent for the Noteholders, in respect of certain business units. The Petitioners are not seeking approval of agreements of the stalking horse bids at this time.

78. The SSP is intended to maximize value for the Energold Group's assets, and in particular its operations outside of Canada. As noted above, the Energold Group's assets have the highest value in operation and as a going concern. The SSP is to be conducted with a short period of time in order to minimize the costs associated with these proceedings and the SSP, but it is intended to allow sufficient time for interested parties to assess the opportunity and submit offers.

79. The SSP was developed in consultation with an experienced Financial Advisor, the Monitor and the Petitioners' primary economic stakeholder. In my business judgment, the SSP is reasonable in the

circumstances and represents the best opportunity for the Petitioners to maximize enterprise value and preserve operations as a going concern. In particular, the SSP represents the best way for the Petitioners to realize the value of the Energold Group's operations outside Canada. Based on my experience in restructuring matters, I believe that conducting region-specific processes for each of the operations outside Canada would be more expensive and that doing so would not be likely to generate better value, particularly in light of the additional cost.

80. I am advised by Mr. Katz of the Noteholder Committee that Noteholder support for these proceedings requires that the Petitioners carry out the SSP, and that the Noteholders' intention in submitting the stalking horse bids is to facilitate a competitive process and maximize value for the Petitioners' stakeholders.

81. Further, based on the Draft Interim Financing Term Sheet, I believe that the SSP is a condition to the Interim Financing being made available.

Financial Statements and Cash Flow Projections

82. Attached hereto as **Exhibit "B"** are Energold's unaudited interim condensed consolidated financial statements for the three months ending March 31, 2019.

83. Attached hereto as **Exhibit "C"** are Energold's audited consolidated financial statements for the years ending December 31, 2017 and December 31, 2018.

84. Attached hereto as **Exhibit "D"** are Energold's unaudited consolidated interim financial statements for the three and nine month periods ending September 30, 2018.

85. Attached hereto as **Exhibit "E"** are Energold's audited consolidated financial statements for the years ending December 31, 2016 and December 31, 2017.

86. In consultation with the proposed monitor, FTI Consulting Canada Inc. (**"FTI"**), Energold has prepared a 13-week cash flow statement (the **"Cash Flow Statement"**) as required by the CCAA. A copy of the Cash Flow Statement is attached hereto as **Exhibit "F"**.

87. I have reviewed the Cash Flow Statement with personnel from FTI and I believe it is accurate. As evidenced by the Cash Flow Statement, the Petitioners require approximately $3,500,000 in order to meet their obligations through to November 17, 2019.

Consent of the Proposed Monitor

88. FTI has, subject to court approval, consented to be appointed monitor (in such capacity, the "**Monitor**") in these proceedings. Attached hereto as **Exhibit "G"** is a copy of the consent to act as monitor provided by FTI, dated September 12, 2019.

89. FTI is prepared to act as Monitor during the CCAA proceeding and to assist the Petitioners with all aspects in relation to a restructuring pursuant to, and subject to, the terms of the Initial Order of the Court and the statutory provisions of the CCAA.

90. I am advised by Tom Powell at FTI and believe that at no time in the past two years has FTI or any of its partners or managers been the Energold Group auditor, accountant or employee.

91. In the course of the forbearance, FTI acted as financial advisor to Extract and the Noteholders. I am advised by Darin Milmeister, managing partner of Extract, and believe that Extract and the Noteholders have waived any conflict in FTI acting as monitor in these proceedings and that Extract terminated FTI's engagement as financial advisor so that it could act as monitor in these proceedings.

Chief Restructuring Officer

92. As noted above, Energold engaged Portage Point to provide resources and support to management, including the Board appointing me as CRO.

93. I hold a Bachelor of Business Administration from the University of Iowa and have worked in the corporate insolvency and restructuring industry for over 15 years, with extensive experience in large, complex restructurings of debtor companies in capital-intensive industries. Prior to joining Portage Point, I was a Senior Director at Ankura Consulting Group LLC ("**Ankura**") in Ankura's corporate restructuring practice. At Anukra, I worked on restructurings in a range of industries. My restructuring practice at Ankura included a key role in the restructuring of the Puerto Rico Electric Power Authority (PREPA), for which I, among other things, crafted the fiscal plan, led operational improvement identification, and led the

implementation work stream. Also while with Ankura, I developed the contingency plan and business plan for the restructuring of a large market capitalization Skilled Nursing Facility. I was also previously a Director in the commercial restructuring practice of Alvarez & Marsal ("**A&M**"). At A&M, I worked closely with chief restructuring officers on all financial and operational aspects of in-court and out-of-court restructurings across a range of capital-intensive industries, including manufacturing, transportation, recycling, and aerospace. In that role, I also worked closely with the management teams of debtor companies to perform financial due diligence of potential acquisitions.

94. I have been working with Energold as its CRO since June 28, 2019. Since that time, I have worked out of the Energold Head Office and worked closely with the Board, Senior Management and the management of Energold's subsidiaries outside Canada. As a result, I understand Energold's business, management and the nature and extent of its financial distress.

95. I have also worked closely with Senior Management, and management outside Canada, to implement restructuring measures to make the business more efficient and cost-effective. Based on my experience in restructuring matters, my continued involvement as CRO enhances the likelihood of generating maximum stakeholder value and will allow the Petitioners' operations to continue in an orderly fashion through these proceedings.

96. In particular, the Energold Group's business and operations are complex, with subsidiaries operating in multiple jurisdictions, in a variety of industries and in different currencies. During my time as CRO, I have become very familiar with these structures, and how they must be addressed to maximize efficiencies and value. I have also developed a good working relationship with the management outside Canada, and we are working well together to make those businesses more efficient and cost-effective in order to drive value for the Energold Group, and ultimately Energold as the parent company of the group.

97. As noted above, the Board determined that Energold's management required additional resources and support to facilitate a restructuring. Based on my experience in restructuring matters and with Energold in particular, I believe that Energold continues to require this support and that it will be particularly important in the initial stages of the CCAA proceedings. Through my time as CRO, I have

gained a significant amount of institutional knowledge of the Energold Group and its business, which I believe will maximize the enterprise value for the Petitioners' stakeholders.

98. Part of my role has included identifying other individuals within the Energold Group whose roles could be expanded or transitioned to bolster the management team, and throughout these CCAA proceedings, it is my intention as CRO and the intention of the Board that these changes will be implemented, with a view to reducing my role over time.

99. In the time leading up to the CCAA proceedings, and during the CCAA proceedings, there will be no duplication of roles within management or other professionals involved in this matter.

100. Portage Point charges its fees on an hourly basis, with reimbursement for expenses. Based on my experience in restructuring matters, and with Energold in particular, the fees charged by Portage Point related to my role as CRO are fair and reasonable in light of the complexity of the business and work required, and the rates charged are consistent with rates charged by similar restructuring professionals.

101. Although Energold engaged Portage Point and appointed me as CRO with the support of Extract, I act independently from Extract and all other parties or stakeholders.

102. Finally, my understanding is that the proposed Monitor supports my engagement as CRO of Energold in the course of the proposed restructuring, and that the role of the Monitor will not duplicate my role within Energold's management as CRO.

Administrative Charge

103. Portage Point (through me as CRO), the Petitioners' solicitors, the Monitor and the Monitor's solicitors are each essential to the Petitioners' restructuring. They have each advised me that they are prepared to provide or continue professional services to the Petitioners only if they are protected by a charge over the assets of the Petitioners. Accordingly, the Petitioners seek a priority charge over their assets in favour of its solicitors, Portage Point, the Monitor and the Monitor's solicitors.

104. In connection with its appointment, it is contemplated that the Monitor, counsel to the Monitor, the Petitioners' counsel, and Portage Point (with respect to my engagement as CRO) will collectively be granted a court-ordered charge (the "**Administration Charge**") up to the maximum amount of $450,000,

as security for their collective fees and disbursements incurred both before and after the date of the Initial Order in connection with these proceedings. As among the beneficiaries of the charge, the aggregate amount will be divided:

(a) $150,000 as security for the fees and disbursements of Portage Point, as CRO, at standard rates and charges;

(b) $150,000 as security for the fees and disbursements of the Petitioners' legal counsel, at standard rates and charges; and

(c) $150,000 as security for the fees and disbursements of the Monitor and its legal counsel, each at their standard rates and charges.

105. This amount has been determined not on the basis of the total fees payable to these professionals during the proceedings but on an assessment of what could be an amount outstanding to these professionals at any given time in the proceedings.

106. The Administration Charge is proposed to have first priority over all other charges (*pari passu* with the Financial Advisor Charge, as defined below) and the quantum of the proposed charge was determined in consultation with the Monitor. The Petitioners believe the Administration Charge is fair and reasonable in the circumstances. Specifically, the Petitioners require the expertise, knowledge and continuing participation of the intended beneficiaries of the Administration Charge in these proceedings, and I believe that these professionals are unlikely to continue providing these essential services to the Petitioners if the Administration Charge is not granted.

Financial Advisor Charge

107. The continued involvement of EY Finance, as financial advisor to the Petitioners in the course of the sale of Bertram Drilling and the SSP, is essential to the Petitioners' restructuring. EY Finance has communicated to me that they are prepared to provide or continue professional services to the Petitioners only if they are protected by a charge over the assets of the Petitioners. Accordingly, the Petitioners seek a priority charge over their assets in favour of EY Finance.

108. In connection with its appointment, it is contemplated that EY Finance will be granted a court-ordered charge (the "**Financial Advisor Charge**") up to the maximum amount of $200,000, as security for their fees and disbursements incurred both before and after the date of the Initial Order in connection with these proceedings.

109. This amount has been determined not on the basis of the total fees payable to EY Finance during the proceedings but on an assessment of what could be an amount outstanding to these professionals at any given time in the proceedings.

110. The Financial Advisor Charge is proposed to rank *pari passu* with the Administration Charge, and the quantum of the proposed charge was determined in consultation with the Monitor. The Petitioners believe the Financial Advisor Charge is fair and reasonable in the circumstances. Specifically, the Petitioners require the expertise, knowledge and continuing participation of EY Finance in these proceedings, and I believe that EY Finance is unlikely to continue providing these essential services to the Petitioners if the Financial Advisor Charge is not granted.

Interim Financing and Interim Lender's Charge

111. The Petitioners cannot meet their obligations as they come due and their need for interim financing is severe and urgent. As indicated in the Cash Flow Statement, the Petitioners require interim financing in order to fund ongoing operations and the professional costs associated with the CCAA proceedings. Without the provision of interim financing during these proceedings, Energold and the rest of the Petitioners will not be able to carry on their business, to the detriment of all stakeholders.

112. To provide necessary liquidity, I had various discussions with Extract and other representatives of the Noteholders in respect of potential financing of Energold and its subsidiaries. These discussions included the prospect of advancing interim financing (the "**Interim Financing**") to the Petitioners.

113. Energold DIP Lender, LLC (the "**Interim Lender**") has provided Energold with a draft term sheet outlining the various terms and conditions on which it was willing to advance interim financing (the "**Interim Facility**") to Energold and the Petitioners through the CCAA proceeding.

114. The terms of the Interim Financing are still being finalized, and the final term sheet (the "**Interim Financing Term Sheet**") will be attached in a further affidavit, to be sworn, when the terms are finalized.

115. The basic terms and conditions of the Interim Financing are substantially agreed, and include, among other things:

(a) a loan in the aggregate principal amount of approximately $3,750,000 to be advanced in two tranches of $1,350,000 and $2,400,000, respectively, such amount being sufficient to satisfy the Petitioners' funding needs as evidenced by the Cash Flow Statement;

(b) interest payable at the rate of 8.00% per annum for the first 45 days post-filing, 12.00% per annum for the next 30 days, and 14.00% per annum thereafter;

(c) a closing fee in the amount of $90,000 and an agent fee in the amount of $90,000, each payable on closing of the Interim Facility and an exit fee of $90,000 payable on repayment of the Interim Facility in the amount of $90,000;

(d) the closing fee and the exit fee will not be payable if, but for that fee, the Petitioners would be able to make a distribution to their other creditors, and to the extent that the fee(s) have been paid, the Interim Lender will repay those amounts;

(e) various collateral security, including a court-ordered charge against all real and personal property now leased, owned or hereafter acquired by the Petitioners; and

(f) a maturity date of November 15, 2019, or such later date as may be agreed to in writing by the Interim Lender.

116. The Petitioners intend to use the Interim Financing to fund operations and preserve the value of the Petitioners' assets during the course of these proceedings and to implement the SSP. The Interim Financing contemplates two advances:

(a) Tranche 1, in the amount of approximately $1,300,000, which will be used to fund the Petitioners' working capital needs and the costs associated with these proceedings, including the SSP;

(b) Tranche 2, in the amount of approximately $2,400,000, which will be used, in part, to finance the working capital needs of Energold Mexico.

117. Energold Mexico is a subsidiary of Energold, and it is a significant asset of the Energold Group. Based on my discussions with Senior Management, and the management of Energold Mexico, I believe that the operations of Energold Mexico require liquidity to preserve and maximize the value of its operations. In particular, Energold Mexico has significantly increased its revenue over the last three (3) months, in part as a result of the increase in gold and silver prices. Energold Mexico has substantially increased its rig utilization, and continues to do so, but requires capital to fund the workers and equipment (including the cost to mobilize equipment) necessary to take advantage of this increased workflow. Based on my experience with the Energold Group and my experience in restructuring matters, I believe that funding Energold Mexico through these proceedings will generate positive operating cash flow, for the benefit of the Petitioners. Further, Energold Mexico is an asset being marketed for sale as part of the SSP. Accordingly, in my business judgment, financing Energold Mexico is commercially reasonable and necessary to preserve and maximize value for the Petitioners' stakeholders.

118. The cash flow statement contemplates that when Energold Mexico has surplus funds, those funds will be delivered to Energold, and in weeks where Energold Mexico has a working capital deficit, Energold will provide those funds using the borrowings under Tranche 2. It is a condition of the Tranche 2 advances that Energold Mexico give security in favour of the Interim Lender, and that Export Development Canada, which has an interest in Energold Mexico, consent to the granting of such security, the subordination of its security interest to that of the Interim Lender, and an arrangement whereby its security interest will rank *pari passu* with any security delivered to the Noteholders with respect to Energold Mexico.

119. The Interim Financing contemplates that it will be repaid from the proceeds resulting from the Auction Proposal.

120. Given the Petitioners' current financial circumstances, I believe that the proposed interim financing contemplated in the (to be finalized) Interim Financing Term Sheet is necessary to allow the Petitioners to restructure the business and affairs of the Energold Group, and complete the SSP.

121. Based on my experience in the restructuring industry and with Energold in particular, I believe that the terms of the Interim Financing Term Sheet and the Interim Facility are fair and reasonable in the circumstances, and will allow the Energold Group to implement a sale process that will preserve enterprise value.

122. The Petitioners seek a charge (the "**Interim Lender's Charge**") on their assets, properties and undertakings to secure the amounts advanced under the Interim Financing Term Sheet and the Interim Facility in the maximum principal amount of the Interim Financing plus interest and fees payable under the Interim Financing Term Sheet. It is the desire and intention of the Petitioners that the Interim Lender's Charge shall rank in priority to all other interests, with the exception of the Administration Charge and the Financial Advisor Charge.

123. The Petitioners believe the Interim Lender's Charge is fair and reasonable in the circumstances and that the Interim Lender will not make the Interim Facility available without this charge.

Director's and Officer's Charge

124. The continued participation of the Petitioners' directors and officers is essential to continuing operations and preserving value of the Petitioners while they carry out restructuring efforts. The directors and officers of Energold have expressed concern regarding the potential for personal liability, and have expressed a desire for certainty with respect to such personal liability if they continue in their current capacities in the context of a CCAA proceeding. As noted above, three of Energold's directors have recently resigned. Based on my discussions with the directors that resigned, I believe that their resignations were, at least in part, driven by concerns regarding personal liability.

125. The Petitioners intend to seek a directors' and officers' charge (the "**D&O Charge**") on their assets, properties and undertakings to indemnify its directors and officers in respect of liabilities they may incur as directors or officers of Energold which are not covered by insurance, up to the maximum principal

amount of $200,000. The directors and officers of the Energold Group who will benefit from the D&O Charge consist of the members of Senior Management defined and listed above and the directors of Energold. As of the date of this Affidavit, the directors of Energold are Frederick W. Davidson, James Coleman (chairman) and Mark Corra.

126. The Petitioners maintain insurance policies in respect of the potential liabilities of its directors and officers, but these policies contain several exclusions and limitations to the coverage provided such that there is a potential for insufficient coverage.

127. With the assistance of FTI, the Petitioners performed a calculation to determine the reasonable quantum of the potential D&O Charge, based on the estimated amount of one pay cycle for the Petitioners and sources of personal liability such as source deductions and tax liabilities. The amount sought for the D&O Charge is supported by the proposed Monitor.

128. The Petitioners believe the D&O Charge provides a reasonable level of protection for the directors and officers that are prepared to stay with the Petitioners through its CCAA process. The D&O Charge also provides protection for the directors and officers if the insurance cannot be renewed due to an increase in premiums or if they otherwise cannot rely on the insurance. The Petitioners believe the D&O Charge is fair and reasonable in the circumstances.

Priority Ranking of the Charges

129. The Petitioners propose that the charges they are seeking be secured against their assets, properties and undertakings, ranking in priority as follows:

First (*pari passu)*	Administration Charge (up to the maximum amount of $450,000)
First (*pari passu)*	Financial Advisor Charge (up to the maximum amount of $200,000)
Second	Interim Lender's Charge (up to the maximum amount of the Interim Financing), plus interest, costs, fees and disbursements under the Interim Financing Term Sheet; and
Third	D&O Charge (up to the maximum amount of $200,000).

Urgency

130. The Petitioners require CCAA protection on an urgent basis. The Petitioners require access to the proceeds from the Interim Facility to meet its obligations going forward, and the Interim Lender will not advance funds without a court-ordered charge. The Petitioners are in default of the Forbearance Agreement, and Extract and the Noteholders are entitled to terminate the Forbearance Agreement, make demand and begin enforcement proceedings. The Petitioners are also in default of the EDC Loan Agreement, and EDC is entitled to make demand and begin enforcement proceedings. The Petitioners are concerned that such realization proceedings would frustrate the Petitioners' efforts to restructure their business and affairs, and would ultimately be detrimental to the enterprise value of the Petitioners and the interests of their stakeholders.

131. The Petitioners have also developed the SSP in consultation with EY Finance, FTI and the representatives of the Noteholders. This SSP contemplates a process to be concluded quickly in order to minimize the costs associated with these proceedings. Accordingly, the Petitioners require urgent relief so that the SSP can be implemented at the earliest available date and so that the Petitioners can focus their efforts on preserving and maximizing value for the benefit of their stakeholders.

SWORN BEFORE ME at Vancouver, British Columbia, on the 12th day of September 2019.	)))))	
A commissioner for taking affidavits for British Columbia		**MARK BERGER**

LISA C. HIEBERT
Barrister & Solicitor
BORDEN LADNER GERVAIS LLP
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This is Exhibit "A" referred to
in the Affidavit #1 of Mark Berger
made before me on September 12, 2019

A Commissioner for taking Affidavits
for British Columbia

SALE SOLICITATION PROCEDURE

Pursuant to a petition filed in the Supreme Court of British Columbia (the "**Court**") on September 13, 2019 (the "**Petition**'), the Court made an order (the "**Initial Order**") granting Energold Drilling Corp. ("**Energold**"), Cros-Man Direct Underground Ltd., EGD Services, Bertram Drilling Corp. and Omniterra International Drilling Inc. (collectively, the "**Petitioners**") protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c.C-36, as amended (the "**CCAA**"). Within this Sale Solicitation Procedure ("**SSP**"), Energold and its direct and indirect wholly owned subsidiaries, including, but not limited to, the other Petitioners, are referred to collectively as the "**Energold Group**".

Pursuant to the Initial Order, FTI Consulting Canada Inc. ("**FTI**") was appointed as monitor of the Petitioners (in such capacity, the "**Monitor**") and Ernst & Young Orenda Corporate Finance and Ernst & Young Corporate Finance (Canada) Inc. (together, "**EY**") was appointed as financial advisor (in such capacity, the "**Financial Advisor**").

Pursuant to a Sale Process Order, the Petitioners through its CRO (defined below), with the assistance of the Monitor, are authorized and directed to carry out a process for the solicitation of offers to purchase all, or any part, of the Energold Property (as defined herein) (the "**Solicitation Process**").

The Sale Process Order, as it applies to the Solicitation Process and this SSP, shall exclusively govern the process for soliciting and selecting bids for the sale of all or any part of the Energold Property.

This Solicitation Process has been prepared with input from the Financial Advisor, Monitor and Extract (as defined below).

The purpose of this Solicitation Process is to govern the process for soliciting and selecting bids for the acquisition of some or all of the assets and business of the Energold Group that will benefit Energold and its stakeholders, and to facilitate negotiations that will result in one or more definitive agreements concerning a restructuring transaction with respect to the sale or liquidation of some or all of the Energold Property or Energold Business (as defined herein) for the benefit of the Petitioners and their stakeholders.

The completion of any transaction(s) will be conditional upon Court approval.

Unless otherwise indicated, all amounts set out in this SSP are in Canadian dollars and any event occurring on a day that is not a Business Day shall be deemed to occur on the next Business Day.

<u>Defined Terms</u>

"Approval Hearing" has the meaning set out in paragraph 37 herein

"Auction" has the meaning set out in paragraph 30 herein

"Auction Bidders" has the meaning set out in paragraph 30 herein

"Backup Bid" has the meaning set out in paragraph 33 herein

"Backup Bid Expiration Date" has the meaning set out in paragraph 35 herein

"BDI Unit" means the right, title and interest Bertram Drilling Corp. holds in Bertram Drilling Inc.

"Bid Deadline" means 12:00pm (Vancouver time) on October 11, 2019

"Backup Bidder" has the meaning set out in paragraph 33 herein

"Business Day" means any day other than (a) a Saturday or Sunday; or (b) a day that is a statutory holiday in Vancouver, British Columbia

"CCAA" has the meaning set out above

"Claims and Interests" has the meaning set out in paragraph 5 herein

"Confidential Information Memorandum" has the meaning set out in paragraph 8 herein

"Confidentiality Agreement" means the form of non-disclosure and confidentiality agreement to be provided to potential bidders by the Financial Advisor, and which must be executed for parties to become Potential Bidders under this SSP

"Court" has the meaning set out above

"CRO" means Portage Point Partners LLC in its capacity as Chief Restructuring Officer of the Energold Group

"Cros-Man Unit" means the right, title and interest Energold holds in Cros-Man Direct Underground Ltd. or the right title and interest of Cros-Man Direct Underground Ltd. in assets as further particularized in information from the Financial Advisor

"Data Room" means the data room to be created by the Financial Advisor which will include a detailed listing of the Energold Property, a form of Purchase Agreement and such other materials that the SSP Team deems necessary to allow Potential Bidders to conduct such due diligence as those parties may require

"Deposit" has the meaning set out in paragraph 17 herein

"DIP Lender" means Energold DIP Lender LLC

"EMEA Unit" means the right, title and interest of Energold in E-Global Drilling Corp. and its subsidiaries including Energold Drilling (EMEA) Limited

"Energold Group" has the meaning set out above

"Energold Group Insiders" means an individual that is currently a director, officer or in an executive management position of Energold or any of its direct or indirect subsidiaries, or an individual that held such a position at any time after September 1, 2018

"Energold Business' means the business carried out by the Energold Group

"Energold Property" means the property, assets and undertakings of the Energold Group or any part thereof, including without limitation the directly or indirectly wholly owned subsidiaries of Energold

"Extract" means Extract Advisors LLC, in its capacity as the administrative agent for noteholders pursuant to certain convertible secured notes issued pursuant to the note purchase agreement dated as of June 15, 2017 among Energold as issuer, certain other Energold subsidiaries as guarantors and certain noteholders

"Financial Advisor" has the meaning set out above

"Latin America Unit" means Energold's right title and interest in Energold Mexico S.A. de C.V., Energold Argentina S.A., OroEnergy S.A., Energold de Colombia S.A.S., Energold Drilling Dominicana S.R.L., and E Drilling Nicaraugua and Omniterra International Drilling Inc.'s right title and interest in Energold Drilling Peru and Energold Perfuracoes

"Leading Bid" has the meaning set out in paragraph 30 herein

"Minimal Incremental Overbid" means $100,000

"Monitor" has the meaning set out above

"Noteholders" means the noteholders pursuant to certain convertible secured notes issued pursuant to the note purchase agreement dated June 15, 2017 as amended and restated from time to time among Energold, as issuer, certain other subsidiaries as guarantors and certain noteholders

"Notice Parties" has the meaning set out in paragraph 42 herein

"Petition" has the meaning set out above

"Potential Bidder" has the meaning set out in paragraph 10 herein

"Proposal" means a proposal to purchase or liquidate some or all of the assets or business of the Energold Group, including binding term sheets and draft agreements and ancillary agreements, with a blackline to the template form of purchase agreement to be provided by the Financial Advisor

"Purchase Agreement" means a draft purchase and sale agreement in respect of the Energold Property

"Qualified Bidder" has the meaning set out in paragraph 21 herein and includes Extract

"Qualified Bid" has the meaning set out in paragraph 21 herein and, subject to a satisfactory security review by the Monitor, includes the Stalking Horse Bids

"Sale Process Order" means an order of the Court in respect of this SSP

"Sale Proposal" means an indication of interest or proposal to purchase all or substantially all, or one or more of the Energold Business or the Energold Property

"Solicitation Process" has the meaning set out in the preamble above

"SSP" means this Sale Solicitation Procedure

"SSP Team" has the meaning set out in paragraph 3 herein

"Stalking Horse Bids" means the credit bids to be submitted by Extract in connection with this SSP and which, subject to a satisfactory security review by the Monitor's legal counsel, shall be deemed to be Qualified Bids pursuant to paragraph 21 of this SSP

"Starting Bid" has the meaning set out in paragraph 30 herein

"Subsequent Bid" has the meaning set out in paragraph 30 herein

"Successful Bid" has the meaning set out in paragraph 33 herein

"Successful Bidder" has the meaning set out in paragraph 33 herein

"Teaser" has the meaning set out in paragraph 7 herein

Timeline for Solicitation Process

1. The timeline and activities for the Solicitation process are as follows:

    a. September 13, 2019: Completion of the list of potential bidders and draft marketing materials, including Purchase Agreement and Confidentiality Agreement to be provided to the Potential Bidders;

    b. September 16, 2019: Commencement of post-CCAA marketing activities;

    c. September 16, 2019 to October 11, 2019: Formal due diligence by Potential Bidders (after each has delivered an executed Confidentiality Agreement);

    d. By 5 p.m. (PST) October 11, 2019: Bid Deadline for submission of non-binding offers. A blackline of the offer to the Purchase Agreement to be provided to the Financial Advisor by Potential Bidders. Potential Bidders must submit a non-binding offer and Deposit by the Bid Deadline;

    e. October 14, 2019: Financial Advisor to provide to the SSP Team a summary of submissions and copies of offers received;

    f. Noon (PST) on October 16, 2019: SSP Team to determine which bids to qualify as Qualified Bids (or Monitor to make the determination if the SSP Team cannot agree);

    g. By noon (PST) on October 16, 2019: Financial Advisor to notify Qualified Bidders that they may proceed with their due diligence and inform those Potential Bidders who have not been approved as Qualified Bidders that their deposit will be returned;

    h. October 21, 2019: SSP Team to assess Qualified Bids for which Deposits are received;

    i. October 16, to 25, 2019: additional due diligence by Qualified Bidders and negotiation of definitive agreements;

j. October 28, 2019: conclusion and delivery of definitive documents by Qualified Bidders;

k. 9am (PST) on October 29, 2019: Financial Advisor to provide SSP Team with a summary of the material terms and conditions of the Qualified Bids which the SSP Team believes is (individually or in aggregate) the highest or otherwise best Qualified Bid(s);

l. October 31, 2019: Auction, if appropriate;

m. On or before November 7, 2019: court application for court approval of transaction(s); and

n. November 30, 2019: closing of transaction(s).

2. The SSP Team will make all reasonable efforts to carry out the Solicitation Process in accordance with the timeline set out above. However, the SSP Team may extend this timeline with the approval of the Monitor, provided the Bid Deadline may not be extended beyond October 18, 2019 and a potential Auction shall not be extended beyond November 5, 2019, without the prior written consent of Extract and the DIP Lender.

<u>Solicitation Process</u>

3. The CRO and with the assistance of the Financial Advisor (collectively, the "**SSP Team**"), and with the oversight of the Monitor, shall conduct the Solicitation Process as outlined in this SSP. The degree of oversight of the Monitor shall be as determined by the Monitor in its reasonable discretion.

<u>"As Is, Where Is"</u>

4. The sale of the Energold Property or the Energold Business will be on an "as is, where is" basis without surviving representations, warranties, covenants or indemnities of any kind, nature or description by the Monitor, the Financial Advisor, the Energold Group or any of their agents, estates, advisors, professionals or otherwise, except to the extent expressly set forth in the relevant sale agreement.

<u>"Free of any and all Claims and Interests"</u>

5. In the event of a sale, all of the rights, titles and interests of the Energold Group in and to the Energold Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, interests thereon and there against (collectively, the "**Claims and Interests**") pursuant to approval and vesting orders made by the Court. Contemporaneously with such approval and vesting orders being made, all such Claims and Interests, to the extent valid and enforceable, shall attach to the net proceeds of the sale of such property (without prejudice to any claims or causes of action regarding priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant sale agreement. Extract has confirmed that, should this SSP result in a sale of any of the Energold Property to a third party, it will discharge the Noteholders security from the underlying subsidiaries and assets.

Solicitation of Interest

6. The SSP Team is preparing, and will finalize by September 13, 2019, a list of potential bidders for the Energold Business and the Energold Property. Such list will include both strategic and financial parties who, in the SSP Team's reasonable business judgment, may be interested in acquiring the Energold Business and the Energold Property.

7. By noon PST on September 16, 2019, the Financial Advisor will prepare a solicitation letter summarizing the acquisition opportunity, notifying potential bidders of the existence of the Solicitation Process and inviting them to enter into a confidentiality agreement with the Energold Group and to express their interest in making an offer to acquire all or substantially all of the Energold Business or the Energold Property, in whole or in part (the "**Teaser**"). The Financial Advisor will distribute the Teaser to the potential bidders.

Participation Requirements

8. By noon PST on September 16, 2019, the Financial Advisor and the Energold Group will have prepared a confidential information memorandum (the "**Confidential Information Memorandum**") providing a detailed description of the Energold Business and the Energold Property, a summary of the industry and opportunities within the market and financial information including analysis of historical results and future projections.

9. Unless otherwise ordered by the Court, in order to receive the Confidential Information Memorandum, conduct its due diligence and participate in the Solicitation Process, an interested party must deliver an executed Confidentiality Agreement which shall inure to the benefit of any purchaser of the Energold Property or the Energold Business.

10. Interested parties will be deemed a "**Potential Bidder**" after having delivered the executed confidentiality agreement.

Due Diligence

11. By noon PST on September 16, 2019. the Financial Advisor will provide a Confidential Information Memorandum to each Potential Bidder describing the opportunity to acquire all or any part of the Energold Property.

12. Each Potential Bidder shall have such due diligence access to materials and information relating to the Energold Property and the Energold Business as the SSP Team, in its collective reasonable business judgment deems appropriate.

13. At the discretion of the Monitor and the SSP Team, due diligence access may include management presentations (the Energold Group agrees to participate in such presentations as is reasonably

practicable), access to physical and online data-rooms, on-site inspections and such other matters as a Potential Bidder may reasonably request and as to which the Monitor and the SSP Team, in their reasonable exercise of discretion, may agree. The Financial Advisor may also, with the consent of the Potential Bidder and Extract, facilitate discussions between a Potential Bidder and Extract in respect of financing for the Potential Bidder's offer.

14. The SSP Team (and their respective officers, directors, employees, agents, counsel and professionals) are not responsible for, and will have no liability with respect to, any information obtained by any Potential Bidder or Qualified Bidder in connection with the Energold Business or the Energold Property. The SSP Team (and their respective officers, directors, employees, agents, counsel and professionals) do not make any representations or warranties whatsoever as to the information or the material provided, except in the case of the Energold Group, to the extent expressly provided under any definitive sale agreement executed and delivered by a Successful Bidder and the applicable Energold Gold Group entity (or entities).

Bidding Process

15. On or about September 13, 2019, the Financial Advisor shall provide the Potential Bidders with the draft Purchase Agreement, which will also be made available in the Data Room.

16. The SSP Team will ensure that all Potential Bidders have access to the same information. If the SSP Team determines that it is not appropriate to provide certain information to all Potential Bidders, the SSP Team will consult with the Monitor in respect of (a) the information to be withheld; (b) the Potential Bidders that will not receive the information; and (c) the SSP Team's reasons that the information should not be provided. If the Monitor does not approve the information being provided to only some Potential Bidders, the SSP Team must either provide the information to all Potential Bidders or none of the Potential Bidders.

17. On or before October 11, 2019, the Bid Deadline, any Potential Bidders who intend to continue in the Solicitation Process must deliver (i) a Proposal to the Financial Advisor, which may be conditional or non-binding, indicating the key terms of their offer, including a blackline comparison of their Proposal to the Purchase Agreement, (ii) deliver a refundable deposit (the "**Deposit**") to the Petitioners' counsel in the form of a wire transfer (to a trust account specified by the Petitioners' counsel) in an amount equal to the lesser of 10% of the purchase price or CAD$500,000.

18. The SSP Team shall direct the Financial Advisor to review each Proposal that is submitted before the Bid Deadline and may do any of the following:

    a. Request additional information from a Potential Bidder with respect to their Proposal;

    b. Engage in discussions with the Potential Bidder in respect of their Proposal with the intention of better understanding the possible definitive agreement and offer that such Potential Bidder may make; and

c. Provide additional information in the Data Room in response to any issues raised by any Proposal.

19. If after review of a Proposal, the SSP Team determines that the Proposal is unlikely to result in a transaction, the SSP Team on October 16, 2019, shall advise the Potential Bidder of that determination and may terminate the Potential Bidder's access to due diligence information and involvement in the Solicitation Process and will instruct petitioner counsel to return the deposit.

20. The SSP Team will prepare a report of the Potential Bidders that submit Proposals and the results of its preliminary evaluation of the Proposals received and provide the report to the Monitor, the DIP Lender and Extract.

Qualified Bids

21. In order to qualify as a "**Qualified Bidder**" a Potential Bidder must deliver a Proposal by 5 p.m. (PST) October 11, 2019 on the Bid Deadline. A proposal will be considered a "**Qualified Bid**" if the following is satisfied:

(1)

a. the proposal is in the form of the Purchase Agreement, along with a blackline comparison showing the Potential Bidder's changes;

b. for parcels subject to Stalking Horse Bids, the proposal contemplates consideration of at least the Stalking Horse Bid amount plus the Minimum Incremental Overbid;

c. the proposal contemplates concluding a transaction within the timelines set out in this SSP;

d. the proposal fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Proposal, including:

   i. for Potential Bidders which are affiliated with or controlled by one or more Energold Group Insiders or one or more Noteholders, identifying the Potential Bidder's direct and indirect owners;

   ii. for all other Potential Bidders, identifying the Potential Bidder's direct and indirect owners holding more than 25% ownership in the Potential Bidder;

e. the proposal identifies whether the Proposal is subject to debt or equity financing, and if so, the expected source and amount of that funding, the status of any discussions with funding sources, the steps and timing necessary to obtain firm commitments;

f. if the Qualified Bidder is an entity newly formed for the purpose of the transaction, the proposal shall contain an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to the SSP Team that names the Energold Group as third party beneficiaries of any such commitment letter with recourse against such parent entity or sponsor or alternatively a guarantee from the parent entity or sponsor of such Qualified Bidders;

g. the proposal includes contact information for the Potential Bidder's financial advisor and legal counsel, if applicable; and
h. the proposal contains other information reasonably requested by the SSP Team.

(2) The Financial Advisor has notified in writing the Potential Bidder's proposal is a Qualified Bid.

(3)Petitioner Counsel has received the Deposit from the Potential Bidder by 5 p.m. (PST) on October 11, 2019.

22. Notwithstanding paragraph 21, the SSP Team, in consultation with the Monitor, may waive compliance with any one or more of the Qualified Bid requirements specified above, and deem such non-compliant bids to be a Qualified Bid.

23. Extract shall be deemed to be a Qualified Bidder and submits the following credit bids:

a. $1,500,000 in respect of the BDI Unit;

b. $3,000,000 in respect of the Cros-Man Unit;

c. $2,000,000 in respect of EMEA Unit; and

d. $6,800,000 in respect of the Latin America Unit

(collectively, the "**Stalking Horse Bids**" and each a "**Stalking Horse Bid**").

24. Other than the report described at paragraph 20 above, Extract shall only be entitled to receive such information as all other Qualified Bidders may receive. In submitting the Stalking Horse Bid, Extract may credit bid to the extent of the amounts outstanding to Extract, subject to a satisfactory security review by the Monitor and provided the Stalking Horse Bids contain a sufficient cash component to satisfy any priority encumbrances, including the Court-ordered charges and amounts due to the Financial Advisor.

25. The Financial Advisor will notify all Qualified Bidders that their Proposal was found to be a Qualified Bid within the meaning of this SSP.

26. The Financial Advisor may facilitate negotiations between the Energold Group and Qualified Bidders in order to negotiate binding offers in respect of the Qualified Bidder's Proposal and definitive documents in respect of the Proposal.

<u>Assessment of Qualified Bids</u>

27. The SSP Team will assess the Qualified Bids received, if any, and will determine whether it is likely that the transactions contemplated by such Qualified Bids are likely to be consummated and whether proceeding with this SSP is in the best interests of the Energold Group and its stakeholders including the DIP Lender and Extract. Such assessments will be made as promptly as practicable but no later than noon (PST) on October 16, 2019.

28. If the SSP Team, in accordance with paragraph 27 above determines that (a) no Qualified Bids were received other than Extract's; (b) at least one Qualified Bid was received but it is not likely that the transactions contemplated in any such Qualified Bids will be consummated; (c) proceeding with this SSP is not in the best interests the Energold Group and its stakeholders, including Extract, the SSP Team shall forthwith: (i) terminate this SSP; (ii) notify each Qualified Bidder that this SSP has been terminated; and (iv) subject to a satisfactory security review by the Monitor's legal counsel, consult with Extract regarding next steps, including concluding the Stalking Horse Bids.

29. If the SSP Team, in accordance with paragraph 27 above, determines that (a) one or more Qualified Bids were received, (b) it is likely that the transactions contemplated by one or more of such Qualified Bids will be consummated, and (c) proceeding with this SSP is in the best interests of the Energold Group and its stakeholders including Extract, the SSP Team will: (i) proceed to negotiate with one or more of the Qualified Bidders in an attempt to conclude definitive documents, or (ii) proceed to an Auction, in which case, the Financial Advisor will promptly notify all Qualified Bidders that they are entitled to participate in the Auction.

Auction

30. If, in accordance with paragraph 29 above, the Auction is to be held, the Financial Advisor will conduct an auction (the "**Auction**") at 9:30am (local time) on October 31, 2019, at the offices of Ernst & Young Inc., located at Pacific Centre, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1C7, or such other location as shall be communicated on a timely basis to all entities entitled to attend at the Auction. The Auction shall run in accordance with the following procedures, which may be modified by SSP Team in its discretion, after consultation with the Monitor:

    a. At least three (3) Business Days prior to the Auction, each Qualified Bidder must inform the SSP Team whether it intends to participate in the Auction (the parties who so inform the SSP Team, the "**Auction Bidders**");

    b. Extract shall be deemed to be an Auction Bidder in respect of its Stalking Horse Bids, and will be entitled to bid at the Auction, on the same terms as the other Auction Bidders;

    c. At least two (2) Business Days prior to the Auction, the Financial Advisor will provide the material terms and conditions of the Qualified Bid(s) which the SSP Team believes is (individually or in the aggregate) the highest or otherwise best Qualified Bid(s) for each Company or group of assets (the "**Starting Bid**") to all Auction Bidders;

d. Only representatives of the Auction Bidders, the Energold Group, the Financial Advisor, the Monitor, the CRO, the DIP Lender and Extract and such other persons permitted by the SSP Team and the Monitor (and the advisors to each of the forgoing) are entitled to attend the Auction. All Auction participants must attend in person, unless the Financial Advisor, in consultation with the Monitor, provides written consent for such participant to attend by phone or other electronic means;

e. At the commencement of the Auction, each Auction Bidder shall be required to confirm that it has not engaged in any collusion with any other Auction Bidder to detrimentally affect the price for any sale;

f. Only the Auction Bidders will be entitled to make any subsequent bids at the Auction;

g. All Subsequent Bids presented during the Auction shall be made and received in one room on an open basis. All Auction Bidders will be entitled to be present for all Subsequent Bids at the Auction with the understanding that the true identity of each Auction Bidder at the Auction will be fully disclosed to all other Auction Bidders at the Auction and that all material terms of each Subsequent Bid will be fully disclosed to all other Auction Bidders throughout the entire Auction;

h. All Auction Bidders must have at least one individual representative with authority to bind such Auction Bidder present in person at the Auction;

i. The SSP Team, after consultation with the Monitor, may employ and announce at the Auction additional procedural rules that are reasonable under the circumstances, (e.g. the amount of time allotted to make Subsequent Bids, requirement to bid in each round, and the ability of multiple Auction Bidders to combine to present a single bid) for conducting the Auction, provided that such rules are (i) not inconsistent with any applicable law, and (ii) disclosed to each Auction Bidder at the Auction;

j. Bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one subsequent bid is submitted by an Auction Bidder (a "**Subsequent Bid**") that the SSP Team determines, after consultation with the Monitor, is (A) for the first round, a higher or otherwise better offer than the Starting Bid, and (B) for subsequent rounds, a higher or otherwise better offer than the Leading Bid; in each case by at least the Minimum Incremental Overbid. Each bid at the Auction shall provide net value to the Energold Group of at least the Minimum Incremental Overbid over the Starting Bid or the Leading Bid, as the case may be; provided however that the SSP Team, after consultation with the Monitor, shall retain the right to modify the incremental requirements at the Auction and provided further that the SSP Team, in determining the net value of an incremental bid, shall not be limited to evaluating the incremental dollar value of such bid and may consider other factors as identified in paragraph 32 of this SSP. After each Subsequent Bid, the SSP Team shall, after consultation with the Monitor, announce whether such bid (including the value and material terms thereof) is higher or otherwise better than the prior bid (the "**Leading Bid**"). A round of bidding will conclude after each Auction Bidder has the opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid;

k. If, in any round of bidding, no new Subsequent Bid is made that becomes a Leading Bid, the Auction shall be closed;

l. The Auction shall be closed by Midnight on the day of the Auction unless extended for a further 24 hour period by the SSP Team with the approval of the Monitor; and,

m. No bids (from Qualified Bidders or otherwise) shall be considered after the conclusion of the Auction.

Selection Criteria

31. In selecting the Starting Bid, each Leading Bid, the Successful Bid and the Backup Bid, the SSP Team will review each Qualified Bid.

32. Evaluation criteria with respect to Proposals may include, but are not limited to, items such as

a. the purchase price and the net value, including assumed liabilities or other obligations to be performed or assumed by the bidder, provided by such bid;

b. the claims likely to be created by such bid in relation to the other bids;

c. the counterparties to the transaction;

d. the proposed revisions to the form of agreement provided by the SSP Team and the terms of the transaction documents;

e. other factors affecting the speed, certainty and value of the transaction, including any regulatory approvals required to close the transaction;

f. the assets included or excluded from the bid and the transaction costs and risks associated with closing multiple transactions versus a single transaction for all or substantially all of the Energold Property;

g. the estimated number of employees of the Energold Group that will be offered post-closing employment by the bidder and any proposed measures associated with their continued employment;

h. the transition services required from the Energold Group post-closing and any related restructuring costs; and

i. the likelihood and timing of consummating the transaction.

with the weight of each factor set out above, or other factors, being determined by the SSP Team in its discretion.

33. Upon the conclusion of the bidding, the Auction shall be closed and the SSP Team will identify the highest or otherwise best Qualified Bid received (such offer, the "**Successful Bid**") and the next highest or otherwise best Qualified Bid received (such offer, the "**Backup Bid**"). The Qualified Bidder(s) who made the Successful Bid is the "**Successful Bidder**" and the Qualified Bidder(s) who made the Backup Bid is the "**Backup Bidder**". At the conclusion of the Auction, the Financial Advisor will notify the Qualified Bidders of the identities of the Successful Bidder and the Backup Bidder.

34. The SSP Team shall finalize a definitive agreement in respect of the Successful Bid and the Backup Bid, if any, conditional upon the approval of the Court.

35. The Backup Bid shall remain open until the consummation of the transaction contemplated by the Successful Bid (the "**Backup Bid Expiration Date**").

36. All Qualified Bids (other than the Successful Bid and the Backup Bid) shall be deemed rejected on the earlier of: (i) the date of closing of the Successful Bid or the Backup Bid, and (ii) November 30, 2019.

<u>Approval Hearing</u>

37. The Petitioners shall seek a hearing before the Court to be heard no later than November 7, 2019 to authorize the Energold Group to enter into an agreement to conclude the Successful Bid or the Backup Bid (the "**Approval Hearing**"). The Approval Hearing may be adjourned or rescheduled with the approval of the Monitor, without further notice, by notice to the service list in the CCAA proceedings.

38. If following the approval of the Successful Bid by the Court, the Successful Bidder fails to consummate the transaction for any reason, then the Backup Bid, if there is one, will be deemed to be the Successful Bid hereunder and the SSP Team shall effect a transaction with the Backup Bidder subject to the terms of the Backup Bid, without further order of the Court.

<u>Deposits</u>

39. All Deposits shall be retained by the Petitioners' counsel and invested in an interest bearing trust account in a Schedule I Bank in Canada. If there is a Successful Bid or a definitive agreement with a Qualified Bidder, the Deposit (plus accrued interest) paid pursuant to the Approval Hearing shall be released and applied to the purchase price to be paid by the Successful Bidder or the Qualified Bidder upon closing. The Deposit (plus accrued interest) paid by the Backup Bidder shall be retained by the Petitioners' counsel until the Backup Bid Expiration Date or, if the Backup Bid becomes the Successful Bid, shall be released and applied to the purchase price to be paid by the Backup Bidder upon closing of the Backup Bid. The Deposits (plus applicable interest) of all

Qualified Bidders not selected as the Successful Bidder or Backup Bidder shall be returned to such bidders within five (5) Business Days of the earlier of (i) the date of closing of the Successful Bid or the Backup Bid; and (ii) November 30, 2019. If this SSP is terminated in accordance with the terms in this document, all Deposits shall be returned to the bidders within five (5) Business Days of the date upon which it is determined that this SSP is terminated.

40. If an entity selected as the Successful Bidder or Backup Bidder breaches its obligations to close, it shall forfeit its Deposit, provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Energold Group has against such breaching entity.

Approvals

41. For greater certainty, the approvals required pursuant to the terms of this SSP are in addition to and not in substitution for any other approvals required by the CCAA or any other statute or are otherwise required at law.

Notice Parties

42. As used herein, the "**Notice Parties**" are, collectively, the Energold Group, the CRO, the Financial Advisor and the Monitor. The addresses to be used for delivering documents to the Notice Parties are as follows:

The Energold Group and the CRO:

1100 – 543 Granville Street
Vancouver BC V6C 1X8

Attention: Mark Berger, Chief Restructuring Officer

Email: mberger@pppllc.com

with a copy to:

Borden Ladner Gervais LLP
1200 Waterfront Centre
200 Burrard Street
P.O. Box 48600
Vancouver, BC V7X 1T2

Attention: Lisa Hiebert and Ryan Laity

Email: lhiebert@blg.com and rlaity@blg.com

The Financial Advisor:

Ernst & Young Orenda Corporate Finance and Ernst & Young Corporate Finance (Canada) Inc.
Pacific Centre, 700 West Georgia Street

PO Box 10101
Vancouver BC V7Y 1C7

Attention: Mike Bell

Email: mike.bell@ca.ey.com

The Monitor:

FTI Consulting Canada Inc.
555 Burrard Street, 15th Floor
Vancouver BC V7X 1M8

Attention: Toni Vanderlaan and Tom Powell

Email: toni.vanderlaan@fticonsulting.com and tom.powell@fticonsulting.com

with a copy to:

Cassels Brock LLP
2200 HSBC Building
885 West Georgia Street
Vancouver BC V6C 3E8

Attention: Mary Buttery, Q.C. and Lance Williams

Email: mbuttery@casselsbrock.com and lwilliams@casselsbrock.com

43. Proposals shall be delivered to all Notice Parties at the same time by electronic mail, personal delivery or courier.

44. Interested bidders requesting information about the qualification process, including the form of Purchase Agreement, and information in connection with their due diligence should contact the Financial Advisor.

Reservation of Rights

45. The Monitor, after consultation with the SSP Team, may reject, at any time any bid that is (i) inadequate or insufficient; (ii) not in conformity with the requirement of the CCAA, this SSP or any orders of the Court applicable to the Energold Group; (iii) contrary to the interests of the Energold Group, its estate and stakeholders (including the DIP Lender and Extract) as determined by the SSP Team.

46. At or before the Approval Hearing, the SSP Team or the Monitor may impose such other terms and conditions as the Monitor determines to be in the best interest of the Energold Group's estates and stakeholders, provided that such terms and conditions are not inconsistent with this SSP.

47. This SSP does not, and shall not be interpreted to create any contractual or other legal relationship between the Energold Gold Group and any other party, other than as specifically set forth in definitive agreements that may be executed by the Energold Group.

Further Orders

48. At any time during this SSP, the Monitor or the Petitioners may, following consultation with the Monitor, apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

This is Exhibit "B" referred to
in the Affidavit #1 of Mark Berger
made before me on September 12, 2019

A Commissioner for taking Affidavits
for British Columbia

ENERGOLD DRILLING CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

Unaudited

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51 – 102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators **WE HEREBY GIVE NOTICE THAT** the interim condensed consolidated financial statements which follow this notice have not been reviewed by an auditor.

Energold Drilling Corp.

Interim Condensed Consolidated Statements of Financial Position
Canadian dollars in thousands except for shares and per share data
Unaudited

ASSETS		March 31, 2019	December 31, 2018
Current assets			
Cash and cash equivalents	$	**4,038**	5,040
Restricted cash		**76**	105
Trade and other receivables		**18,543**	13,464
Income taxes receivable		**1,598**	2,134
Investments		**2,262**	2,343
Inventories		**33,135**	34,149
		59,652	57,235
Non-current assets			
Inventories		**10,823**	10,823
Property, plant and equipment		**10,252**	12,684
Right-of-use assets *(Note 7)*		**2,089**	-
Goodwill and intangible assets		**3,256**	3,359
		26,420	26,866
	$	**86,072**	84,101
LIABILITIES			
Current liabilities			
Bank indebtedness *(Note 5)*	$	**7,168**	4,286
Trade and other payables		**18,751**	16,884
Current income tax payable		**1,028**	1,079
Lease liabilities *(Note 8)*		**891**	531
Deferred revenue		**2,008**	2,008
		29,846	24,788
Non-current liabilities			
Bank indebtedness *(Note 5)*		**-**	-
Trade and other payables		**327**	136
Due to related party *(Note 12)*		**-**	219
Lease liabilities *(Note 8)*		**1,176**	765
Convertible debentures *(Note 9)*		**17,706**	17,605
Convertible debentures derivative		**157**	258
Deferred income tax liabilities		**3,313**	3,303
		22,679	22,286
		52,525	47,074
SHAREHOLDERS' EQUITY			
Share capital		**95,379**	95,379
Contributed surplus		**11,318**	11,155
Warrants		**351**	514
Equity component of convertible debentures *(Note 9)*		**896**	896
Accumulated other comprehensive income		**(2,828)**	(1,893)
Accumulated deficit		**(71,569)**	(69,024)
		33,547	37,027
	$	**86,072**	84,101

ON BEHALF OF THE BOARD:

"F.W. Davidson", Director "M.A. Corra" , Director

- The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Interim Condensed Consolidated Statements of Loss
For the three months ended March 31
Canadian dollars in thousands except for shares and per share data
Unaudited

		2019		2018
Revenue	$	**21,251**	$	23,856
Direct costs		**18,316**		18,161
Gross profit (excluding amortization)		**2,935**		5,695
Indirect and administrative expenses				
Accounting, audit and legal		**210**		244
Amortization		**1,235**		1,724
Bad debt expense		**78**		109
Investor relations, marketing and travel		**121**		294
Management fees and consulting		**224**		449
Office, rent, insurance and sundry		**666**		809
Office salaries and services		**1,809**		1,887
		4,343		5,516
Operating (loss) income		**(1,408)**		179
Other income (expenses)				
Foreign exchange gain (loss)		**493**		(568)
Gain on net monetary position		**69**		-
Finance and other income		**33**		36
Finance cost *(Note 6)*		**(1,426)**		(993)
Gain (loss) on derivative component of debentures		**54**		(971)
Loss on disposal of assets		**(12)**		(1)
		(789)		(2,497)
Loss before taxes		**(2,197)**		(2,318)
Deferred income taxes expense (recovery)		**26**		(437)
Current income and other taxes expense		**140**		39
Net loss	$	**(2,363)**	$	(1,920)
Loss per share				
Loss per share – Basic and diluted *(Note 10c)*	$	**(0.04)**	$	(0.04)
Weighted average number of shares outstanding – Basic and diluted *(Note 10c)*		**54,679,939**		54,661,272

- The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
For the three months ended March 31
Canadian dollars in thousands except for shares and per share data
Unaudited

		2019		2018
Net loss	$	**(2,363)**	$	(1,920)
Other comprehensive income (loss)				
Items that will not be reclassified to net loss				
Changes in fair value of investments		**(125)**		390
Items that may be reclassified to net loss				
Cumulative translation adjustment		**(789)**		3,246
Impact of hyperinflation		**(21)**		-
Total comprehensive income (loss)	$	**(3,298)**	$	1,716

Energold Drilling Corp.

Interim Condensed Consolidated Statement of Changes in Equity
For the three months ended March 31
Canadian dollars in thousands except for shares and per share data
Unaudited

	Shares Outstanding	Share Capital ($)	Contributed Surplus ($)	Warrants ($)	Equity component of convertible debenture ($)	Accumulated Other Comprehensive Income ($)	Retained Earnings ($)	Total Shareholders' Equity ($)
Balance at January 1, 2018	54,659,939	95,368	9,233	2,277	896	(3,195)	(54,238)	50,341
Impact of adopting IFRS 15	-	-	-	-	-	-	(184)	(184)
Balance at January 1, 2018 (restated)	54,659,939	95,368	9,233	2,277	896	(3,195)	(54,422)	50,157
Net loss for the period (restated)	-	-	-	-	-	-	(1,920)	(1,920)
Stock options exercised	15,000	5	-	-				5
Fair value assigned to stock options exercised	-	3	(3)	-				-
Reclassification of expired warrants	-	-	1,926	(1,926)				-
Warrants issued	-	-	-	81				81
DIT on equity portion of convertible debenture					(131)			(131)
Other comprehensive income	-	-	-	-	-	3,636	-	3,636
Balance at March 31, 2018	**54,674,939**	**95,376**	**11,156**	**432**	**765**	**441**	**(56,342)**	**51,828**
Balance at January 1, 2019	54,679,939	95,379	11,155	514	896	(1,893)	(69,024)	37,027
Impact of adopting IFRS 16	-	-	-	-	-	-	(182)	(182)
Balance at January 1, 2019 (restated)	54,679,939	95,379	11,155	514	896	(1,893)	(69,206)	36,845
Net loss for the period	-	-	-	-	-	-	(2,363)	(2,363)
Reclassification of expired warrants	-	-	163	(163)	-	-	-	-
Impact of hyperinflation	-	-	-	-	-	(21)	-	(21)
Other comprehensive income	-	-	-	-	-	(914)	-	(914)
Balance at March 31, 2019	**54,679,939**	**95,379**	**11,318**	**351**	**896**	**(2,828)**	**(71,569)**	**33,547**

– The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Interim Condensed Consolidated Statements of Cash Flows
Canadian dollars in thousands except for shares and per share data
Unaudited

Cash provided by (used in)	For the three months ended March 31, 2019	2018
Operating activities		
Net loss	$ **(2,363)**	$ (1,920)
Items not affecting cash:		
Amortization	**1,235**	1,724
Finance costs	**-**	91
Deferred income taxes expenses (recovery)	**26**	(437)
Loss on disposal of assets	**12**	1
(Gain) loss on derivative component of debentures	**(54)**	971
Gain on net monetary position	**(69)**	-
Bad debt expense	**78**	109
Accretion related to convertible debenture *(Note 9)*	**347**	278
Unrealized (gain) loss on foreign exchange	**(378)**	663
Change in non-cash working capital *(Note 13)*	**(3,319)**	(4,706)
	(4,485)	(3,226)
Investing activities		
Proceeds on sale of assets	**68**	2
Proceeds on sale of investments	**49**	254
Purchase of property, plant and equipment	**(81)**	(281)
Restricted cash	**28**	98
	64	73
Financing activities		
Proceeds from bank facilities	**2,882**	1,406
Proceeds from credit facilities	**1,111**	123
Repayment of credit facilities	**(216)**	-
Proceeds from finance leases	**-**	65
Repayment of finance leases	**(358)**	(183)
Proceeds from shares issued	**-**	5
	3,419	1,416
Net decrease in cash	**(1,002)**	(1,737)
Cash at the beginning of the period	**5,040**	7,653
Cash at the end of the period	$ **4,038**	$ 5,916

Interest paid	$ **342**	$ 565
Income taxes paid	$ **340**	$ 466

- The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Notes to the Interim Condensed Consolidated Financial Statements
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1. Nature of operations

Energold Drilling Corp. (the "Company") provides, directly and through its subsidiaries, drilling services for parties principally in North America, Mexico, the Caribbean, Central America, South America, Europe and Africa. The Company, through its subsidiary, also designs and manufactures specialty/customized drilling rigs and associated equipment for water well, mineral exploration and geotechnical drilling companies. Additionally, the Company, through its subsidiaries, provides drilling and other services to the energy sector in Canada and the United States ("U.S."). The Company is located at 1100-543 Granville Street, Vancouver, British Columbia, Canada, V6C 1X8.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

During the three months ended March 31, 2019, the Company incurred a net loss of $2.4 million and had cash outflows from operating activities of $4.5 million. At March 31, 2019, the Company had cash and cash equivalents of $4.0 million, current assets of $59.7 million and working capital of $29.8 million.

The Company's ability to continue as a going concern is dependent upon its ability to generate cash flow from operations and, to the extent that this is not sufficient, to obtain additional funding from loans, equity financings or through other arrangements. In order to assist in managing working capital and short-term cash flows, the Company entered into a forbearance agreement with the convertible debenture holders on April 24, 2019. This agreement provides a deferral of interest payments, as well as the time and opportunity necessary to implement and execute financial and operational restructuring including equity financings, assets disposals and other sources of funding. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. These conditions cast significant doubt upon on the validity of the going concern assumptions.

These consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. Basis of presentation

Statement of compliance

The Company's interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and do not include all of the information required for annual financial statements. All material intercompany balances have been eliminated. The accounting policies applied in the preparation of these unaudited condensed financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year-ended December 31, 2018 except as described in Note 3.

As all the disclosures required by IFRS are not included, these interim statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2018, which have been prepared in accordance with IFRS. Except when otherwise stated, all amounts are presented in thousands of Canadian ("CDN") dollars, which is the presentation currency of the Company. These interim condensed consolidated financial statements were approved by the Board of Directors on May 29, 2019.

3. Significant accounting policies

Change in accounting policies

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 which sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17 – Leases and its associated interpretative guidance. The new standard applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces a single, on-balance sheet accounting model with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively.

The Company has applied IFRS 16 using the modified retrospective approach with the cumulative impact of application recognized as at January 1, 2019. The Company has elected to measure the right-of-use assets at an amount equal to their carrying amount from commencement date discounted by the incremental borrowing rate at the date of initial application. Certain practical expedients were applied allowing for the exclusion of leases with a term of less than one year remaining at the transition date and using a single discount rate for a portfolio of leases with similar characteristics.

Policy applicable from January 1, 2019

At inception of a contract, the Company assesses whether a contract is or contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is measured at cost, which is comprised of:

- The initial measurement of the lease liability
- Lease payments made at or before the commencement date less lease incentives
- Initial direct costs incurred

The right-of-use asset is depreciated using the straight-line method over the earlier of the term of the lease or the useful life of the asset determined on the same basis as the Company's property, plant and equipment.

The lease liability is initially measured at the present value of lease payments remaining at the lease commencement date, discounted using either the implicit rate of the lease or the Company's incremental borrowing rate when the implicit rate cannot readily be determined. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments
- Variable payments linked to an index or rate
- Expected payments for residual value guarantee
- Purchase option, extension option or termination option when the Company is reasonably certain to exercise

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

Energold Drilling Corp.

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3. Significant accounting policies - *continued*

Change in accounting policies - *continued*

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are expensed on a straight-line basis over the term of the lease.

4. Business combination

On March 4, 2016, the Company acquired all the outstanding shares of Cros-Man Direct Underground Ltd. ("Cros-Man"), a Manitoba, Canada based horizontal directional drilling company, servicing the telecommunications, water, sewage, hydro and energy sectors in Canada. The transaction was accounted for as a business combination. The total consideration for the acquisition was $5.7 million of which $3.5 million was paid on closing date in cash and $2.2 million is payable to the vendors over a three-year period. The deferred payment to the vendors is recorded at fair value and includes fixed payments of $0.7 million paid in 2017, and $0.8 million paid in 2018 and $0.7 million due in 2019 (of which $0.5 million was paid in Q1-2019). As well, the vendors have the opportunity to earn a performance incentive of up to $0.5 million per year for three years following the closing date as the Company targets certain growth metrics. As of March 31, 2019, the deferred payment amount of $0.2 million is included in current trade and other payables.

5. Bank indebtedness

		March 31, 2019		December 31, 2018
Current	$	**7,168**	$	4,286
Non-current		**-**		-
	$	**7,168**	$	4,286

On December 17, 2018, Bertram Drilling Corp. ("Bertram") entered into a revolving credit facility with Royal Bank of Canada ("RBC"), authorized to a maximum of $4.0 million, until April 30, 2019 when the maximum will be reduced to $3.5 million. Borrowings cannot exceed the aggregate of 75% of Canadian accounts receivable balance less than 90 days old and not from a related party. The loan bears interest at the bank's prime lending rate plus 1.0% per annum. As of March 31, 2019, the amount outstanding on this credit facility was $4.0 million. A general security agreement and a second ranking floating charge on all present and after-acquired real property have been pledged as security for the credit facility. RBC has a first ranking security interest in all cash and accounts receivables. Energold Drilling Corp., as Bertram's parent company, has provided a guarantee and postponements of claim and general security agreements to a maximum of $9.0 million.

On July 3, 2018, Cros-Man entered into a revolving credit facility with Royal Bank of Canada ("RBC") to a maximum of $0.5 million. The loan bears interest at the bank's prime lending rate plus 1.5% per annum. The Company, as Cros-man's parent company, has provided a guarantee and postponements of claim to a maximum of $0.6 million. As of March 31, 2019, the amount outstanding on this credit facility was $0.5 million.

In September 2017, a loan facility for Bertram Drilling Inc., the U.S. subsidiary of the Company, was authorized to a maximum of $0.5 million USD. This loan bore interest at 5.50% per annum and matured March 15, 2018.

Energold Drilling Corp.

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5. Bank indebtedness - *continued*

In July 2015, the Company entered into a credit facility from Export Development Canada ("EDC") in the amount of up to $2.0 million USD. The purpose of the loan was to assist in financing the general working capital of the Company's subsidiaries. In June 2017, the loan agreement was restated and amended for changes in security whereby EDC has third ranking in assets secured by Bertram. Certain covenants were also amended. Interest on the outstanding principal amount is calculated at the rate of interest equal to the sum of the U.S. Prime Rate plus 6.25% per annum. The loan is guaranteed by Bertram and Energold de Mexico, S.A. de S.V. and matures on July 10, 2019. As of March 31, 2019, $2.0 million USD is outstanding on this credit facility.

6. Finance income and cost

	For the three months ended March 31,			
		2019		2018
Bank fees and interest expense	$	**268**	$	225
Finance lease expense		**36**		16
Interest and accretion expense on convertible debenture		**1,122**		752
Finance cost	$	**1,426**	$	993
Finance income	$	7	$	12

7. Right-of-use assets

Details are as follows:

		Land and buildings		Equipment		Vehicles		Office Equipment		Total
As at December 31, 2018	$	-	$	-	$	-	$	-	$	-
Transfer from property, plant and equipment		-		1,127		310		-		**1,437**
Initial adoption of IFRS16		916		-		1		13		**930**
Amortization		(181)		(56)		(32)		(3)		**(272)**
Foreign exchange		2		(3)		(4)		(1)		**(6)**
Balance at March 31, 2019	**$**	737	**$**	1,068	**$**	275	**$**	9	**$**	**2,089**

8. Lease liabilities

Details are as follows:

Balance as at December 31, 2018	$	1,296
Initial adoption of IFRS 16		
Future aggregate minimum lease payments under operating leases		1,399
Discounted at the incremental borrowing rate		(278)
Lease liabilities arising on initial application of IFRS 16	$	1,121
Interest		36
Repayments		(391)
Foreign exchange		5
Balance at March 31, 2019	**$**	**2,067**

Energold Drilling Corp.

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8. Lease liabilities – *continued*

		March 31, 2019		December 31, 2018
Current	$	**891**	$	531
Non-current		**1,176**		765
	$	**2,067**	$	1,296

The Company's leased assets include land, buildings, vehicles, operating equipment and office equipment. The lease liabilities were discounted using the Company's incremental borrowing rate. The weighted average rate applied at January 1, 2019 was 6.0%. Operating lease expenses relating to short-term and low-value leases not included in the measurement of lease obligations for the three months ended March 31, 2019 were $1.4 million.

The expected timing of undiscounted lease payments at March 31, 2019 is as follows:

Less than one year	$	993
One to five years		1,256
More than five years		83
Total undiscounted lease obligations	$	2,332

9. Convertible Debentures ("CDs")

On June 15, 2017, the Company completed a private placement of $20.0 million convertible secured notes ("the convertible debentures or CDs"). Extract Advisors LLC ("Extract"), a natural resources investment fund manager, funded $10.3 million USD principal amount representing $13.7 million of the convertible debentures, with the remaining $6.3 million balance being provided by a syndicate of lenders. The convertible debentures mature on June 14, 2022 provided that the Company repays at least 75% of the original principal amount by June 14, 2020. The convertible debentures bear interest at a minimum U.S. London Interbank Offered Rate ("U.S. LIBOR") plus 7.5% until June 14, 2020, and U.S. LIBOR plus 11% for the remainder of the term. Interest is payable monthly. The debentures are convertible into common shares of the Company at a conversion price of $0.85 per share. The loan holders were issued purchase warrants equal to 25% of the total principal amount of the convertible debentures purchased. Each warrant is exercisable for one common share at an exercise price of $1.50 per common share for a period of 60 months from the closing date of the transaction.

The Company fair valued the $20.0 million convertible debt component and conversion option using a convertible bond model. The valuation date was June 15, 2017, the closing date of the convertible debentures. For valuation purposes, the convertible debentures had an effective interest rate of 18.31% for the U.S. debt portion and 18.21% for the Canadian debt portion. Below is a summary of the valuation between the U.S. and Canadian portions of the convertible debentures.

		U.S. debt in CDN$		Canadian debt		Total Debt
Debt value	$	11,139	$	5,201	$	16,340
Conversion option (equity)		-		1,035		1,035
Conversion option (derivative)		2,266		-		2,266
Warrant value		245		114		359
Principal amount	$	13,650	$	6,350	$	20,000

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9. Convertible Debentures ("CDs") - *continued*

In connection with the financing, Extract and its affiliates received an arrangement fee equal to 3.0% of the amount of the convertible debentures. In addition, Energold has issued 100,000 warrants to Extract affiliates, with a term of 36 months, exercisable to purchase one Energold common share at an exercise price of $0.85 per share, valued at $0.01 million.

To secure the obligations of the Company under the convertible debentures, Energold has provided perfected senior, first ranking security interest in all assets of the Company, with the exception of those assets subject to prior security interests under certain existing loans and lease commitments.

Convertible debentures as at January 1, 2018	$	15,440
Accretion of debt discount for the year ended December 31, 2018		1,217
Foreign exchange		948
Convertible debentures as at December 31, 2018	$	17,605
Accretion of debt discount for the three months of 2019		347
Foreign exchange		(246)
Convertible debentures as at March 31, 2019		**17,706**

The convertible debentures contain financial and non-financial covenants. As at March 31, 2019, the Company was not in compliance with certain covenants. However, waivers were in place to waive any non-compliance.

In order to assist in managing working capital and short-term cash flows, the Company entered into a forbearance agreement with the convertible debenture holders on April 24, 2019. This agreement provides a deferral of interest payments, as well as the time and opportunity necessary to implement and execute financial and operational restructuring including equity financings, assets disposals and other sources of funding.

The Company determined that the conversion options in the U.S. convertible debentures are embedded derivatives that are required to be separated from the convertible debentures' obligations and recorded at fair value initially and at each statement of financial position date, with changes in fair value recorded in profit or loss. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative. The embedded derivatives are recorded on the statement of financial position as non-current liabilities at the fair value on the transaction date of June 15, 2017. For the three months ended March 31, 2019, the change in fair value of these embedded derivatives was $0.1 million (March 31, 2018 – $1.0 million).

Convertible debentures derivative as at January 1, 2018	$	1,690
Gain on derivative component		(1,620)
Foreign exchange		188
Convertible debentures derivative as at December 31, 2018	$	258
Gain on derivative component		(54)
Foreign exchange		(47)
Convertible debentures derivative as at March 31, 2019	**$**	**157**

Energold Drilling Corp.

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10. Equity

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value.

a) Stock Options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Under the stock option plan 5,467,994 options have been authorized for issuance, of which 3,360,000 have been allocated at March 31, 2019. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors and are settled in cash. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. The directors, subject to the policies of the TSX Venture Exchange, may determine and impose terms upon how each grant of options shall become vested.

A summary of the Company's stock option plan at March 31, 2019 and the changes for the three months ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At January 1, 2018	3,947,500	0.59
Exercised	(20,000)	0.35
Forfeited	(227,500)	0.41
At December 31, 2018	3,700,000	0.61
Forfeited	(340,000)	0.39
At March 31, 2019	**3,360,000**	**0.63**

The following table summarizes information about the stock options outstanding at March 31, 2019:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable
$2.01	495,000	0.07	495,000
$0.45	1,352,500	0.70	1,352,500
$0.35	1,512,500	1.68	1,512,500
	3,360,000	2.45	3,360,000

The fair value of the services provided cannot be reliably measured; therefore, the fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model.

Option pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The total fair value of share-based payment expense on stock options granted to employees and consultants of the Company for the three months ended March 31, 2019 was $nil (March 31, 2018 – $nil).

b) Warrants

On May 18, 2018, the Company issued 381,330 common share purchase warrants to Extract Capital Master Fund Ltd. ("Extract Capital") and 381,330 common share purchase warrants to Sprott Hedge LP1 and Sprott Hedge LP2 (together, subsequently merged into Ninepoint Gold & Precious Minerals Fund, or "Ninepoint"), in consideration for a working capital facility. Each warrant entitled the holder to acquire one common share of the Company at an exercise price of $0.415 and expired on March 1, 2019.

Energold Drilling Corp.

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10. Equity - *continued*

b) **Warrants** - *continued*

On March 1, 2018, the Company issued 600,000 common share purchase warrants to Extract Capital and 600,000 common share purchase warrants to Ninepoint in consideration for a working capital facility. Each warrant entitled the holder to acquire one common share of the Company at an exercise price of $0.54 and expired on March 1, 2019.

On June 15, 2017, in connection with the convertible debentures, the Company issued 4,000,000 warrants to loan holders, and 100,000 warrants to Extract and their affiliates. *(See Note 9).*

On July 22, 2016, the Company completed a non-brokered private placement of 716,192 units at a price of $1.00 per unit for aggregate gross proceeds of $0.7 million. Each unit comprised one common share and one common share purchase warrant. Each warrant was exercisable for one common share at a price of $1.75 per share and expired on January 22, 2018.

On July 6, 2016, the Company completed a public offering in which the Company issued 5,750,000 units at a price of $1.00 per unit for aggregate gross proceeds of $5.8 million, including the full exercise of the agents' option to increase the public offering in the amount of $0.8 million. Each unit comprised one common share and one common share purchase warrant. Each warrant was exercisable for one common share at a price of $1.75 per share expiring January 6, 2018. In consideration for the services of the underwriters, they were paid a cash commission of 6% of the gross proceeds of the offering and non-transferable common share purchase warrants ("compensation warrant") equal to 6% of the shares issued pursuant to the offering. Each compensation warrant entitled the holder to acquire one common share of the Company at an exercise price of $1.00 and expired on January 6, 2018.

	Number	Weighted Average Exercise Price
At January 1, 2018	10,911,192	1.63
Granted	1,962,660	0.49
Expired	(6,811,192)	1.71
At December 31, 2018	6,062,660	1.16
Expired	(1,962,660)	0.49
At March 31, 2019	**4,100,000**	**1.48**

The fair value of the services provided cannot be reliably measured; therefore, the fair value of each warrant granted is estimated at the time of grant using the Black-Scholes option pricing model with assumptions as follows:

	June 15, 2017 4,000,000	June 15, 2017 100,000
Risk-free interest rate	1.50%	1.30%
Expected dividend yield	Nil	Nil
Expected share price volatility	63.4%	72.2%
Expected warrant life in years	5	3

Pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

Energold Drilling Corp.

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10. Equity - *continued*

c) Loss Per Share

Details of the calculation of loss per share are set out below:

	For the three months ended March 31,			
		2019		2018
Net loss	$	**(2,363)**	$	(1,920)
Weighted average number of shares outstanding– Basic and diluted		**54,679,939**		54,661,272
Loss per share – Basic and diluted	$	**(0.04)**	$	(0.04)

11. Key management personnel compensation

Key management includes directors and senior executives. The remuneration of directors and other members of key management personnel are as follows:

	For the three months ended March 31,			
		2019		2018
Salaries and fees	$	**351**	$	371
Share-based compensation		**-**		-
	$	**351**	$	371
Amounts payable to related parties	$	**49**	$	44

12. Related party transactions

Related party transactions are recorded at arms-length which is the amount of consideration paid or received as agreed by the parties. Related party transactions not disclosed elsewhere are as follows:

a) As at March 31, 2019, a deferred payment of $0.2 million was due to the vendor of Cros-Man who remains a director of the subsidiary (December 31, 2018 - $0.7 million). *(See Note 4).*

b) On May 22, 2018, Bertram Drilling Inc. entered into a promissory note in the amount of $0.2 million with a company that is related to five directors of Energold. The note bore an interest rate of 12.5% per annum and had a term of twenty-four months. The loan was paid in full in March 2019.

c) In October and November 2016, the Company entered into loan facilities with a company related to an officer of Bertram which expire on December 31, 2019. The loans bear interest at 4.7% per annum. As of March 31, 2019, the amount outstanding on the loan facility is $0.8 million (December 31, 2018 – $0.8 million).

d) In 2017, the chief executive officer, the chairman of the board, and the audit committee chair purchased a total of $1.0 million of the convertible debentures. In connection with the convertible debenture transaction, a partner at Extract became a general director of the Company from July 2017 to August 2018. As a result, the director and Extract became related parties to the Company during this time, after which they were no longer related parties. The total amount of CDs purchased by the director and Extract was $13.7 million. In addition, a person related to the chief executive officer and a person related to the audit committee chair of the Company purchased CD's totaling $0.15 million. A trust related to officers of Bertram, purchased $1.0 million of the CDs. In November 2018 a debenture holder of $0.05 million of the convertible debentures became an officer of the company. As of March 31, 2019, the outstanding payable to related parties on the CDs was $2.2 million (December 31, 2018 - $2.2 million).

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13. Additional information to the consolidated statements of cash flows

Changes in non-cash working capital:

	For the three months ended March 31,	
	2019	2018
Trade and other receivables	**$ (5,537)**	$ (5,028)
Income taxes receivable	**503**	(193)
Inventories	**549**	984
Trade and other payables	**1,182**	906
Current income tax payable	**(18)**	(217)
Due to related party	**-**	219
Deferred revenue	**2**	(1,377)
	$ (3,319)	$ (4,706)

14. Segmented information

The Company has three operating segments: Minerals; Manufacturing; and Energy. The segments are determined based on the reports reviewed by the Chief Executive Officer (who is considered the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Details are as follows:

	For the three months ended March 31,	
	2019	2018
Revenue		
Minerals	**$ 8,421**	$ 10,816
Energy and infrastructure	**11,371**	8,639
Manufacturing	**1,459**	4,401
	$ 21,251	$ 23,856
(Loss) gain		
Minerals	**$ 389**	$ 873
Energy and infrastructure	**(300)**	654
Manufacturing	**(284)**	57
General and corporate expenses(1)	**(1,213)**	(1,405)
Operating (loss) income	**(1,408)**	179
Foreign exchange gain (loss)	**493**	(568)
Finance and other costs	**(1,336)**	(958)
Gain (loss) on derivative component of debentures	**54**	(971)
Income tax (expense) recovery	**(166)**	398
	$ (2,363)	$ (1,920)

(1) General and corporate expenses include expenses for corporate offices, share options and certain unallocated costs.

Energold Drilling Corp.

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14. Segmented information – *continued*

	For the three months ended March 31, 2019	2018
Amortization		
Minerals	$ **376**	$ 322
Energy and infrastructure	**695**	1,341
Manufacturing	**73**	44
Unallocated and corporate assets	**91**	17
	$ **1,235**	$ 1,724

	As at March 31, 2019			
	Assets	**Property, plant and equipment**	**Right-of-use assets**	**Intangible assets**
Minerals	$ **56,493**	$ **5,395**	$ **471**	$ **-**
Energy and infrastructure	**19,558**	**4,650**	**1,085**	**2,759**
Manufacturing	**5,124**	**143**	**468**	**497**
Unallocated and corporate assets	**4,897**	**64**	**65**	**-**
	$ **86,072**	$ **10,252**	$ **2,089**	$ **3,256**

	As at December 31, 2018			
	Assets	Property, plant and equipment	Right-of-use assets	Intangible assets
Minerals	$ 57,005	$ 6,179	$ -	$ -
Energy and infrastructure	17,384	6,315	-	2,852
Manufacturing	4,501	140	-	507
Unallocated and corporate assets	5,211	50	-	-
	$ 84,101	$ 12,684	$ -	$ 3,359

Geographic information

	For the three months ended March 31, 2019	2018
Revenue		
Mexico and the Caribbean	$ **3,430**	$ 4,959
South America	**1,331**	2,585
Africa and Other	**4,105**	7,393
Canada	**9,222**	8,161
United States of America	**2,088**	478
United Kingdom and Europe	**1,075**	280
	$ **21,251**	$ 23,856

Energold Drilling Corp.

Notes to the Interim Condensed Consolidated Financial Statements
March 31, 2019
Canadian dollars in thousands except for shares and per share data
Unaudited

14. Segmented information – *continued*

Geographic information - *continued*

	As at March 31, 2019		
	Property, plant and equipment	**Right-of-use assets**	**Intangible assets**
Mexico and the Caribbean	**$ 1,630**	**$ 318**	**$ -**
South America	**683**	**61**	**-**
Africa and Other	**3,151**	**-**	**-**
Canada	**3,150**	**906**	**2,759**
United States of America	**1,564**	**245**	**-**
United Kingdom and Europe	**74**	**559**	**497**
	$ 10,252	**$ 2,089**	**$ 3,256**

	As at December 31, 2018		
	Property, plant and equipment	Right-of-use assets	Intangible assets
Mexico and the Caribbean	$ 2,067	$ -	$ -
South America	841	-	-
Africa and Other	3,184	-	-
Canada	4,315	-	2,852
United States of America	2,050	-	-
United Kingdom and Europe	227	-	507
	$ 12,684	$ -	$ 3,359

15. Economic dependence

Significant customers

The Company received revenues from the following customer in the minerals segment that amounted to greater than 10% of total Company revenues.

	For the three months ended March 31,			
	2019		2018	
	$	**%**	$	%
Customer A	**4,372**	**21**	6,857	29
Customer B	**3,824**	**18**	296	1
Customer C	**2,273**	**11**	-	-
Customer D	**2,238**	**10**	1,445	6

Energold Drilling Corp.

Notes to the Interim Condensed Consolidated Financial Statements
March 31, 2019
Canadian dollars in thousands except for shares and per share data
Unaudited

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16. Subsequent events

Forbearance Agreement

On April 24, 2019, the Company entered into a forbearance agreement with the convertible debenture holders. *(See Note 1 and Note 9)*

This is Exhibit “C” referred to
in the Affidavit #1 of Mark Berger
made before me on September 12, 2019

A Commissioner for taking Affidavits
for British Columbia

ENERGOLD DRILLING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

Management's Responsibility For Financial Reporting

The accompanying financial statements of Energold Drilling Corp. ("the Company") have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and within the framework of the summary of significant accounting policies in these consolidated financial statements, and reflect management's best estimate and judgment based on currently available information.

Management has developed and maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is accurate and reliable.

The Audit Committee of the Board of Directors meets periodically with management and with the Company's independent auditors to review the scope and results of their annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the shareholders and their report follows.

"F.W. Davidson" President and Chief Executive Officer

"J. Huang" Chief Financial Officer

April 26, 2019

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Independent auditor's report

To the Shareholders of Energold Drilling Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Energold Drilling Corp. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of loss for the years then ended;
- the consolidated statements of comprehensive loss 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 a summary of significant accounting policies.

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.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or 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 on the other information that we obtained prior to the date of this auditor's report, 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. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

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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.

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

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 26, 2019

Energold Drilling Corp.

Consolidated Statements of Financial Position
As at December 31
Canadian dollars in thousands except for shares and per share data

ASSETS		2018	2017
Current assets			
Cash and cash equivalents	$	**5,040**	7,653
Restricted cash		**105**	234
Trade and other receivables *(Note 5)*		**13,464**	12,685
Income taxes receivable		**2,134**	2,666
Investments *(Note 7)*		**2,343**	2,897
Inventories *(Note 6)*		**34,149**	44,947
		57,235	71,082
Non-current assets			
Inventories *(Note 6)*		**10,823**	-
Property, plant and equipment *(Note 8(a))*		**12,684**	15,858
Goodwill and intangible assets *(Note 9(a))*		**3,359**	5,190
Deferred income tax assets *(Note 14)*		**-**	32
		26,866	21,080
	$	**84,101**	92,162
LIABILITIES			
Current liabilities			
Bank indebtedness *(Note 10)*	$	**4,286**	-
Trade and other payables *(Note 11)*		**17,415**	13,401
Current income tax payable		**1,079**	541
Deferred revenue		**2,008**	3,095
		24,788	17,037
Non-current liabilities			
Bank indebtedness *(Note 10)*		**-**	2,509
Trade and other payables		**136**	-
Due to related party *(Note 17)*		**219**	1,490
Finance leases *(Note 15)*		**765**	623
Convertible debentures *(Note 12)*		**17,605**	15,440
Convertible debentures derivative *(Note 12)*		**258**	1,690
Deferred income tax liabilities *(Note 14)*		**3,303**	3,032
		22,286	24,784
		47,074	41,821
SHAREHOLDERS' EQUITY			
Share capital		**95,379**	95,368
Contributed surplus		**11,155**	9,233
Warrants *(Note 16(b))*		**514**	2,277
Equity component of convertible debentures		**896**	896
Accumulated other comprehensive income		**(1,893)**	(3,195)
Accumulated deficit		**(69,024)**	(54,238)
		37,027	50,341
	$	**84,101**	92,162

Nature of operations and going concern *(Note 1)*
Hyperinflation *(Note 3(q))*
Commitments *(Note 15)*
Subsequent Events *(Note 24)*

ON BEHALF OF THE BOARD:

"F.W. Davidson", Director "M.A. Corra", Director

- The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Consolidated Statements of Loss
For the years ended December 31
Canadian dollars in thousands except for shares and per share data

		2018		2017
Revenue	$	**84,079**	$	74,979
Direct costs		**70,005**		64,179
Gross profit (excluding amortization)		**14,074**		10,800
Indirect and administrative expenses				
Accounting, audit and legal		**869**		951
Amortization		**6,013**		8,384
Bad debt expense		**685**		433
Investor relations, marketing and travel		**1,012**		1,234
Management fees and consulting		**1,204**		1,293
Office, rent, insurance and sundry		**3,274**		3,741
Office salaries and services		**7,905**		8,464
Share-based payments		**-**		373
		20,962		24,873
Operating loss		**(6,888)**		(14,073)
Other income (expenses)				
Foreign exchange (loss) gain		**(1,343)**		248
Gain on net monetary position *(Note 3(q))*		**145**		-
Finance income *(Note 13)*		**56**		45
Finance cost *(Note 13)*		**(4,321)**		(3,375)
Other expenses		**(716)**		(88)
Gain on derivative component of debenture *(Note 12)*		**1,620**		458
Gain (loss) on disposal of assets		**8**		(547)
Impairment of intangible assets *(Note 9(b))*		**(1,710)**		-
		(6,261)		(3,259)
Loss before taxes		**(13,149)**		(17,332)
Deferred income taxes expense (recovery) *(Note 14)*		**115**		(404)
Current income and other taxes expense *(Note 14)*		**1,338**		670
Net loss	$	**(14,602)**	$	(17,598)
Loss per share				
Loss per share – Basic and diluted *(Note 16(c))*	$	**(0.27)**	$	(0.32)
Weighted average number of shares outstanding – Basic and diluted *(Note 16(c))*		**54,675,268**		54,659,939

- The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Consolidated Statements of Comprehensive Loss
For the years ended December 31
Canadian dollars in thousands except for shares and per share data

		2018		2017
Net loss	$	**(14,602)**	$	(17,598)
Other comprehensive (loss) income				
Items that will not be reclassified to net loss				
Changes in fair value of investments		**(457)**		(1,871)
Items that may be reclassified to net loss				
Cumulative translation adjustment		**1,622**		(1,499)
Impact of hyperinflation		**137**		-
Total comprehensive loss	$	**(13,300)**	$	(20,968)

- The accompanying notes form an integral part of these interim condensed consolidated financial statements –

Energold Drilling Corp.

Consolidated Statement of Changes in Equity

Canadian dollars in thousands except for shares and per share data

	Shares Outstanding	Share Capital ($)	Contributed Surplus ($)	Warrants ($)	Equity Component of Convertible Debentures ($)	Accumulated Other Comprehensive Income ($)	Non-controlling Interest ($)	Accumulated Deficit ($)	Total Shareholders' Equity ($)
Balance at December 31, 2016	54,659,939	95,368	8,664	1,747	375	674	(422)	(37,280)	69,126
Impact of adopting IFRS 9		-	-	-	-	(499)	-	640	141
Balance at January 1, 2017 (restated)	54,659,939	95,368	8,664	1,747	375	175	(422)	(36,640)	69,267
Net loss for the year	-	-	-	-	-	-	-	(17,598)	(17,598)
Share-based payments	-	-	373	-	-	-	-	-	373
Fair value and reclassification of equity component of convertible debentures	-	-	375	-	579	-	-	-	954
Warrants issued and reclassified in relation to convertible debentures	-	-	(179)	550	-	-	-	-	371
Allocation of transaction costs in relation to convertible debentures	-	-	-	(20)	(58)	-	-	-	(78)
Write-off of receivable from NCI partner	-	-	-	-	-	-	422	-	422
Other comprehensive loss	-	-	-	-	-	(3,370)	-	-	(3,370)
Balance at December 31, 2017	**54,659,939**	**95,368**	**9,233**	**2,277**	**896**	**(3,195)**	**-**	**(54,238)**	**50,341**
Impact of adopting IFRS 15	-	-	-	-	-	-	-	(184)	(184)
Balance at January 1, 2018 (restated)	54,659,939	95,368	9,233	2,277	896	(3,195)	-	(54,422)	50,157
Net loss for the year	-	-	-	-	-	-	-	(14,602)	(14,602)
Stock options exercised	20,000	7	-	-	-	-	-	-	7
Fair value assigned to stock options exercised	-	4	(4)	-	-	-	-	-	-
Reclassification of expired warrants	-	-	1,926	(1,926)	-	-	-	-	-
Warrants issued	-	-	-	163	-	-	-	-	163
Impact of hyperinflation *(Note 3(q))*						137			137
Other comprehensive loss	-	-	-	-	-	1,165	-	-	1,165
Balance at December 31, 2018	**54,679,939**	**95,379**	**11,155**	**514**	**896**	**(1,893)**	**-**	**(69,024)**	**37,027**

– The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Consolidated Statements of Cash Flows
For the years ended December 31
Canadian dollars in thousands except for shares and per share data

Cash provided by (used in)		2018		2017
Operating activities				
Net loss	$	**(14,602)**	$	(17,598)
Items not affecting cash:				
Amortization		**6,013**		8,384
Finance costs		**203**		-
Share-based payments		**-**		373
Management fees and consulting		**-**		92
Deferred income taxes expense (recovery)		**115**		(404)
Loss (gain) on disposal of assets		**(8)**		547
Gain on derivative portion of convertible debenture		**(1,620)**		(458)
Impairment of intangible assets		**1,710**		-
Gain on net monetary position		**(145)**		-
Bad debt expense		**685**		433
Accretion related to long term debt *(Note 12)*		**1,217**		718
Unrealized loss (gain) on foreign exchange		**1,715**		(1,285)
Change in non-cash working capital *(Note 21)*		**1,994**		2,340
		(2,723)		(6,858)
Investing activities				
Proceeds on sale of assets		**74**		294
Proceeds on sale of investments		**420**		289
Purchase of property, plant and equipment		**(2,022)**		(1,227)
Capitalized development costs		**(271)**		-
Restricted cash		**135**		(126)
		(1,664)		(770)
Financing activities				
Convertible debentures issuance (net of transaction costs) *(Note 12)*		**-**		18,900
Repayment of convertible debentures *(Note 12)*		**-**		(13,500)
Proceeds from (repayment of) bank facility		**1,558**		-
Proceeds from (repayment of) credit facilities		**123**		(3,692)
Proceeds from (repayment of) finance leases		**86**		(142)
Proceeds from shares issued		**7**		-
		1,774		1,566
Net increase (decrease) in cash		**(2,613)**		(6,062)
Cash at the beginning of the year		**7,653**		13,715
Cash at the end of the year	$	**5,040**	$	7,653

Interest paid	$	**2,564**	$	2,487
Income taxes paid		**379**		2,772

- The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2018
Canadian dollars in thousands except for shares and per share data

1. Nature of operations

Energold Drilling Corp. (the "Company") provides, directly and through its subsidiaries, drilling services for parties principally in North America, Mexico, the Caribbean, Central America, South America, Europe and Africa. The Company, through its subsidiary, also designs and manufactures specialty/customized drilling rigs and associated equipment for water well, mineral exploration and geotechnical drilling companies. Additionally, the Company, through its subsidiaries, provides drilling and other services to the energy sector in Canada and the United States ("U.S."). The Company is located at 1100-543 Granville Street, Vancouver, British Columbia, Canada, V6C 1X8.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

During the year ended December 31, 2018, the Company incurred a net loss of $14.6 million and had cash outflows from operating activities of $2.7 million. At December 31, 2018, the Company had cash and cash equivalents of $5.0 million, current assets of $57.2 million and working capital of $32.4 million.

The Company's ability to continue as a going concern is dependent upon its ability to generate cash flow from operations and, to the extent that this is not sufficient, to obtain additional funding from loans, equity financings or through other arrangements. In order to assist in managing working capital and short term cash flows, the Company entered into a forbearance agreement with the convertible debenture holders on April 24, 2019. This agreement provides a deferral of interest payments, as well as the time and opportunity necessary to implement and execute financial and operational restructuring including equity financings, assets disposals and other sources of funding. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. These conditions cast significant doubt upon on the validity of the going concern assumptions.

These consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of these consolidated financial statements. The consolidated financial statements have been prepared on a historical basis, except where otherwise indicated, and are presented in Canadian dollars and all values are rounded to the nearest thousands, except where otherwise indicated. The consolidated financial statements were authorized for issue by the Board of Directors on April 26, 2019.

Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. 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 further periods, if the review affects both current and future periods.

2. Basis of presentation - *continued*

Significant accounting judgments and estimates - *continued*

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The main judgments and estimates made by management in applying accounting policies primarily relate to the following, as applicable, and further details of assumptions made are disclosed in individual notes throughout the consolidated financial statements.

Income taxes:
The Company is subject to income taxes in numerous jurisdictions and significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain and in these cases management interprets tax legislation in forming a judgment. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. A deferred tax asset is recognized to the extent that it is probable that future taxable earnings will be available to use against the asset. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize an asset. See Note 14 for additional information.

Review of asset carrying values and impairment:
Each cash generating unit ("CGU") is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of a CGU of assets is measured at the higher of fair value less cost of disposal ("FVLCD") or value in use ("VIU").

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information including such factors as market and economic conditions and internal forecasts. The determination of FVLCD and VIU requires management to make estimates and assumptions about expected revenue, estimated operating costs, estimated meters drilled, taxes, discount rates and future sustainable capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence there is the possibility that changes in circumstances will alter these forecasts which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reversed with the impact recorded in the consolidated statement of loss.

Functional currency:
The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Trade and other receivables:
Trade receivables are financial assets recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 3(n) for further information on accounting for financial assets and a description of the Company's impairment policies. See Note 5 for further information about the Company's accounting for trade receivables.

Inventory valuation:
The Company reviews the expected remaining field service life of the equipment parts and supplies and provides an allowance for normal wear and tear.

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2018
Canadian dollars in thousands except for shares and per share data

2. Basis of presentation - *continued*

Significant accounting judgments and estimates - *continued*

Business combinations:
The Company uses estimates and assumptions for the fair value of assets and liabilities acquired in business combinations. Refer to Note 4 for additional information.

3. Significant accounting policies

a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries, the most significant of which are presented in the table below. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. When the Company ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. All intercompany transactions and balances are eliminated on consolidation.

Subsidiary	Incorporation Location	Nature of operations	Functional currency
Energold de Mexico S.A. de C.V. ("EDM")	Mexico	Mineral drilling	Mexican Peso (MXN)
Energold Drilling Dominicana, S.R.L. ("EDD")	Dominican Republic	Mineral drilling	Dominican Peso
Energold Drilling Peru, S.A.C. ("EDP")	Peru	Mineral drilling	U.S. Dollar ("USD")
Energold Perfuracoes Ltda. ("EPB")	Brazil	Mineral drilling	Brazilian Reias
Energold Argentina S.A. ("EDA")	Argentina	Mineral drilling	Argentinean Peso
Energold Drilling (EMEA) Ltd. ("EMEA")	United Kingdom	Mineral drilling	Pound Sterling ("GBP")
Dando Drilling International Ltd. ("Dando" or "DDI")	United Kingdom	Manufacturing	GBP
Bertram Drilling Corp. ("Bertram")	Canada	Energy drilling	Canadian Dollar ("CDN")
Bertram Drilling Inc. ("BDI")	United States	Energy drilling	USD
E Drilling de Nicaragua S.A. ("EDDN")	Nicaragua	Mineral drilling	Nicaraguan Cordoba
E&E International Services Ltd. ("E&E")	Canada	Energy drilling	CDN
Cros-Man Direct Underground Ltd. ("Cros-Man)"	Canada	Energy drilling	CDN
Energold de Panama S.A.	Panama	Mineral drilling	USD
EGD Services Ltd.	Canada	Drilling support services	CDN
Energold Senegal SUARL	Senegal	Mineral drilling	CFA Franc ("XOF")
Energold Cote d'Ivoire ("ECI")	Ivory Coast	Mineral drilling	XOF

Significant restrictions
The Company has subsidiaries in certain countries such as Brazil, Argentina, Senegal and Ivory Coast, which are subject to local exchange control regulations that may restrict exportation of capital from the country.

3. Significant accounting policies – *continued*

b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS-3 Business Combinations are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS-5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree being the date on which the Company gains control. The excess of the cost over the fair value of the Company's share of identifiable net assets acquired is recorded as goodwill. If, after reassessment, the consideration is less than the fair value of net assets acquired, the excess is recognized immediately in the statement of comprehensive income as a bargain purchase gain. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated are made within twelve months of the acquisition date and are effected prospectively from the date of acquisition. Where a business combination agreement provides for an adjustment to the cost of a business acquired contingent on future events, the Company accrues the fair value of the amount of any additional consideration payable in the cost of the acquisition as a liability at the acquisition date where this can be measured reliably. This amount is reassessed at each subsequent balance sheet date with any adjustments to the liability recognized in the statement of comprehensive income. To the extent that consideration is contingent upon continuing employment, the consideration is treated as post-combination consideration and recognized in the statement of comprehensive income in the period that the payment is accrued or paid.

c) Foreign currency translation

The functional currency for each of the subsidiaries and associates is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Resulting foreign exchange gains or losses are recognized in income.

The functional currency of Energold Drilling Corp., the parent entity, is the Canadian dollar, which is also the presentation currency of our consolidated financial statements.

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
(ii) Income and expenses for each statement of loss are translated at a quarterly average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
(iii) Share capital for each statement of financial position presented are translated at historical rate; and
(iv) All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

Exchange differences that arise relating to long-term intercompany balances that form part of the net investment in a foreign operation are also recognized in this separate component of equity through other comprehensive income.

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in the statement of loss.

Energold Drilling Corp.

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3. Significant accounting policies - *continued*

d) Investments

Investments in equity securities are financial assets recognized initially at fair value and subsequently measured at fair value through other comprehensive loss ("FVTOCI") because the Company does not hold these securities for the purpose of trading. Fair value is determined using quoted market prices, with gains and losses arising from changes in fair value recognized in other comprehensive loss.

e) Inventories

The Company maintains an inventory of operating supplies and drill consumables such as drill rods, tubes, bits, casings, consumable supplies and lubricants as well as pumps, motors and other drilling equipment and parts. Procurement, transportation and import duties are included in inventory cost. Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average cost method. The Company applies the following policies with respect to inventory accounting and valuation:

(i) Higher value drilling equipment parts and supplies, as well as consumable inventories are valued at landed cost, based upon country of use, less an allowance for normal wear and tear based upon management's judgment of the expected remaining field service life of the equipment parts and supplies.
(ii) Each drill has a base inventory of smaller value equipment parts and supply items which are valued at landed cost.

f) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization and applicable impairment losses. Cost includes the purchase price and directly attributable costs to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. When an item of property, plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

The costs of day-to-day servicing, commonly referred to as "repairs and maintenance", are recognized in the statement of loss as an expense, as incurred.

Subsequent costs are recognized in the carrying amount of an item of property, plant and equipment when the cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognized in the statement of loss as an expense, as incurred.

Amortization commences when property, plant and equipment are considered available for use. Amortization is recognized in earnings or loss over the estimated useful lives of each part of an item of property, plant and equipment and is in line with the pattern of use of the future economic benefits. The declining balance method is used except as otherwise indicated below.

The following rates are used in the calculation of amortization:

Building	7 years straight line
Operating equipment	20% per annum (Minerals and Manufacturing); 7 years straight line (Energy)
Vehicles	20% per annum
Office equipment	20% per annum
Computer equipment	30% per annum

3. Significant accounting policies - *continued*

f) Property, plant and equipment - *continued*

An item of property, plant and equipment and any significant parts initially recognized is derecognized upon disposal or when no future economic benefits are expected from its continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of loss.

Amortization methods, useful lives and residual values are reassessed each reporting date and any changes arising from the assessment are applied prospectively.

g) Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception date of the lease or the present value of the minimum lease payments. The corresponding liability is recognized as a finance lease obligation. Lease payments are accounted for using the effective interest rate method. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized. In a finance leaseback transaction, any profit or loss from the transaction will be deferred and amortized over the lease term.

h) Intangible assets

Intangible assets include goodwill, customer relationships, brand, and business development costs.

Goodwill

Business acquisitions are accounted for using the purchase method, whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair value is recorded as goodwill. Goodwill is identified and allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the fair value of assets and liabilities in the reporting unit. Goodwill is not amortized.

The Company assesses goodwill impairment on at least an annual basis, or more frequently if events or circumstances indicate there may be impairment. To accomplish this assessment, the Company estimates the value in use of its reporting units that include goodwill and compares those fair values to the reporting units' carrying amounts. If the carrying value of a reporting unit exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value is charged to operations. Assumptions underlying the fair value estimates are subject to significant risks and uncertainties.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition as cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category, consistent with the nature of the intangible assets.

3. Significant accounting policies - *continued*

h) Intangible assets - *continued*

The following useful lives are used in the calculation of amortization.

	Energy – Cros-man	Energy - Bertram	Manufacturing
Customer relationships	7 years	5 years	N/A
Brand	N/A	5 years	N/A
Other intangible assets	4 years	3 years	10 % per annum

i) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets might be impaired. If any such indication exists, which is often judgmental, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information including factors such as market and economic conditions, sales forecast and the physical condition and usability of the drills. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows from other assets or groups of assets.

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which future cash flows have not been adjusted. The FVLCD is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's length basis between knowledgeable, willing parties, less costs of disposal. FVLCD is primarily derived using discounted cash flow techniques, which incorporates market participant assumptions.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss recognized in prior years for long-lived assets shall be reversed only if there has been a significant change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is recognized in the statement of loss and is limited to the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. After such a reversal, any amortization charge is adjusted prospectively.

j) Revenue recognition

The Company generates revenue from mineral drilling services, energy and infrastructure drilling services, and manufacturing. Revenue is measured at the fair value of the consideration received or receivable. The Company recognizes revenue when it transfers control of a product or service to a customer using the five-step approach:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to performance obligations; and
- recognize revenue when or as a performance obligation is satisfied.

3. Significant accounting policies - *continued*

j) Revenue recognition - *continued*

Mineral and energy revenue

Revenue from the Company's mineral drilling contracts is recognized on the basis of actual meters drilled for each contract. Revenue from the Company's energy contracts is recognized based on actual meters drilled or number of wells completed depending on the type of contract. Revenue from ancillary services is recorded when the services are rendered. Contract prepayments are recorded as deferred revenue until performance is achieved and are credited against contract billings in accordance with the contract terms.

Manufacturing revenue

Revenue from the manufacturing division is recorded as the performance obligation is completed over time to the extent that the customer is obliged to pay for progress to date and the manufactured product cannot be readily reassigned to a separate customer. In cases where these criteria are not met, revenue is recognized upon delivery.

k) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. The directors, subject to the policies of the TSX Venture Exchange, may determine and impose terms upon how each grant of options shall become vested.

The fair value of the options is measured at grant date using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. When options vest in installments over the vesting period, each installment is accounted for as a separate arrangement. The fair value is recognized as expense with a corresponding increase in equity. At each reporting date, the Company revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in income, with a corresponding adjustment to equity.

l) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for tax payable with regard to previous periods.

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable earnings will be available to use against the asset. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize an asset.

Deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither accounting profit nor taxable profit.

3. Significant accounting policies - *continued*

l) Income taxes - *continued*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle its current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

m) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding on a diluted basis. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. When the effects of potential issuance of shares under options would be anti-dilutive basic and diluted loss per share are the same.

n) Financial instruments

(i) Classification and measurement

Financial instruments are classified at initial recognition into the following categories: at fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI"), or at amortized cost.

(ii) Measurement

Financial assets and liabilities at FVTPL: Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss in the period in which they arise.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive loss.

Financial assets and liabilities at amortized cost: Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest rate method less any impairment. The effective interest method allocates interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Amortization under the effective interest rate method is included in finance costs in the consolidated statement of loss.

Derivative financial instruments: Derivatives embedded in financial liabilities are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts. Embedded derivatives are classified as FVTPL with changes in value recognized in the consolidated statement of loss.

3. Significant accounting policies - *continued*

n) Financial instruments - *continued*

(iii) Impairment of financial assets

Impairment of financial assets at amortized cost: An expected credit loss is recognized on financial assets measured at amortized cost. At each reporting date, a loss allowance for the financial asset is measured at an amount equal to twelve months expected credit losses. The expected credit losses are assessed on a divisional basis. If, at the reporting date, the credit risk on the financial asset has increased significantly since initial recognition, a loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

(iv) Derecognition

Derecognition of financial assets and liabilities: Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on derecognition are recognized within finance income or finance costs, respectively. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

(v) Fair value of financial instruments

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), fair value is established by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the financial asset's specific circumstances.

o) Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity, in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. The conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion, or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized as equity will be transferred to share capital.

When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to contributed surplus. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option. Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

3. Significant accounting policies - *continued*

p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allowing resources and assessing performance of the operating segments, has been identified as the person who makes strategic decisions. Performance from both an industry and geographic perspective is examined and three reportable segments have been identified:

i) Minerals – This part of the business provides drilling services in the minerals industry for parties principally in North America, Mexico, the Caribbean, Central America, South America, Africa and Europe.
ii) Energy – This part of the business provides drilling and other services to the energy sector in Canada, the U.S. and South America.
iii) Manufacturing – This part of the business designs and manufactures specialty / customized drilling rigs and associated equipment for water well, mineral exploration and geotechnical drilling companies.

q) Change in accounting policies

IFRS 15, "Revenue from contract with customers"

The Company has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2018. The standard contains a single model that applies to contracts with customers. Revenue is recognized as control is passed to the customer, either at a point in time or over time. The Company has elected to apply IFRS 15 using a modified retrospective approach by recognizing the cumulative effect of initial adoption as an adjustment to the opening balance sheet at January 1, 2018. Therefore, the comparative information has not been restated. The details of accounting policy changes and the quantitative impact of these changes are described below.

Manufacturing revenue

The Company performed as assessment of manufacturing division sales contracts. Under IFRS 15, revenue from the manufacturing division will continue to be recognized as the performance of the contract is satisfied over time, however only to the extent that the customer is obliged to pay for progress to date and the manufactured product cannot be readily reassigned to a separate customer. In the case where these criteria are not met, revenue will be recognized upon delivery.

In 2017, revenue from the manufacturing division was recorded using the percentage of completion method in accordance with IAS 11, Construction Contracts.

The adoption of IFRS 15 resulted in an opening retained earnings adjustment of $0.2 million for a contract that was partially completed as of January 1, 2018.

Mineral and energy revenue

The Company performed an assessment of the mineral drilling and energy divisions' service agreements and has concluded there will be no impact from the adoption of IFRS 15.

IAS 29 – Financial Reporting in Hyper-Inflationary Economies

Argentina was designated a hyper-inflationary economy as of July 1, 2018 for accounting purposes as a result of various qualitative factors with respect to the economic environment. These factors include, but are not limited to, the three-year cumulative inflation rate of the local Argentine wholesale price index exceeding 100% in May 2018, and the significant devaluation of the Argentine Peso.

3. Significant accounting policies - *continued*

q) Change in accounting policies – *continued*

IAS 29 – Financial Reporting in Hyper-Inflationary Economies - *continued*

The Company's Argentine subsidiary uses the Argentine Peso as its functional currency. Accordingly, IAS 29, Financial Reporting in Hyper-Inflationary Economies, has been applied to these consolidated financial statements using the interpretive guidance for first time adoption included within IFRIC 7.

Hyperinflation accounting requires restatement of the Argentine subsidiary's non-monetary assets and liabilities, shareholders' equity and comprehensive loss items from the transaction date when they were first recognized into the current purchasing power using a price index current at the reporting period date. The Company has elected to use the Wholesale Price Index (Indice de Precios Mayoristas or "IPIM") to measure the impact of inflation on its financial position and results.

The comparative period consolidated financial statements of the Company are presented in a stable currency (Canadian dollars) and, therefore, are not required to be restated under IAS 29. At July 1, 2018 the Company applied IAS 29 and recognized hyperinflation adjustments related to the non-monetary assets held by the Argentine subsidiary of $0.1 million to other comprehensive income. For changes in the IPIM between July 1, 2018 and December 31, 2018, the Company recognized a net monetary gain of $0.1 million.

The level of the IPIM at December 31, 2018 was 184.3, which represents an increase of 27% over the IPIM at July 1, 2018 and a 10% increase over the average level of the IPIM during the period of July 1, 2018 through December 31, 2018.

r) Recent accounting pronouncements issued but not yet implemented

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2018.

IFRS 16 – Leases

In January 2016, the IASB issued a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, and must be applied retrospectively.

The Company has completed its review of all contracts to determine which ones are in scope of the new standard. Work related to the calculation and review of the lease balances under the requirements of IFRS 16 is being finalized. Adoption of the standard will result in higher assets and liabilities on the balance sheet in 2019. The present value of operating lease payments will be recognized as lease liabilities on the balance sheet. The right of use assets will be included in non-current assets. Operating cash flows will increase under the new standard as the cash paid attributed to the repayment of principal will be included in financing cash flows. The net increase/decrease in cash will remain the same.

The Company will apply a modified retrospective approach to transition with the cumulative impact of application recognized as at January 1, 2019.

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4. Business combination

On March 4, 2016, the Company acquired all the outstanding shares of Cros-Man Direct Underground Ltd. ("Cros-Man"), a Manitoba, Canada based horizontal directional drilling company, servicing the telecommunications, water, sewage, hydro and energy sectors in Canada. The transaction was accounted for as a business combination. The total consideration for the acquisition was $5.7 million of which $3.5 million was paid on closing date in cash and $2.2 million is payable to the vendors over a three-year period. The deferred payment to the vendors is recorded at fair value and includes fixed payments of $0.7 million paid in 2017, $0.8 million paid in 2018, and $0.7 million due in 2019. As well, the vendors have the opportunity to earn a performance incentive of up to $0.5 million per year for three years following the closing date as the Company targets certain growth metrics. As of December 31, 2018, the deferred payment amount of $0.7 million is included in current trade and other payables.

5. Trade and other receivables

		December 31, 2018		December 31, 2017
Trade receivables	$	**10,999**	$	10,442
Prepaid expenses		**825**		1,001
Government receivables		**991**		1,084
Other		**649**		158
	$	**13,464**	$	12,685

As of December 31, 2018, the allowance for doubtful accounts based on the expected credit losses was $0.4 million (December 31, 2017 - $0.2 million).

6. Inventories

Inventories of the Company are comprised of:

		December 31, 2018		December 31, 2017
Supplies and raw materials	$	**44,398**	$	44,285
Work in progress		**574**		662
	$	**44,972**	$	44,947
Current portion	$	**34,149**		44,947
Non-current portion	$	**10,823**		-

The cost of inventories recognized as an expense and included in direct costs for the year ended December 31, 2018 was $19.8 million (December 31, 2017 - $20.0 million).

The majority of the Company's inventory is held for mineral drilling. Supplies located in regions with no short-term planned drilling activity are classified as non-current assets.

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7. Investments

		December 31, 2018		December 31, 2017
Balance, beginning of year	$	2,897	$	4,751
Additions		321		306
Disposals		(420)		(287)
Fair value adjustments through OCI		(457)		(1,871)
Foreign exchange adjustments		2		(2)
Balance, end of year		2,343		2,897

8. Property, plant and equipment

a) Details are as follows:

	Buildings ($)	Operating equipment ($)	Vehicles ($)	Office and Computer Equipment ($)	Total ($)
Cost					
Balance at January 1, 2017	734	58,939	8,509	1,389	69,571
Additions	11	1,029	254	74	1,368
Disposals	(70)	(781)	(164)	-	(1,015)
Foreign exchange movement	5	(970)	(189)	(6)	(1,160)
Balance at December 31, 2017	680	58,217	8,410	1,457	68,764
Additions	-	1,030	1,006	54	2,090
Disposals	(60)	(487)	(130)	(30)	(707)
Hyperinflation adjustment *(Note 3(q))*	-	111	-	-	111
Foreign exchange movement	3	1,398	340	16	1,757
Balance at December 31, 2018	**623**	**60,269**	**9,626**	**1,497**	**72,015**
Accumulated amortization					
Balance at January 1, 2017	(524)	(40,386)	(4,501)	(1,103)	(46,514)
Amortization for the year	(100)	(6,838)	(895)	(96)	(7,929)
Disposals	45	517	68	-	630
Foreign exchange movement	(1)	784	130	(6)	907
Balance at December 31, 2017	(580)	(45,923)	(5,198)	(1,205)	(52,906)
Amortization for the year	(64)	(4,805)	(656)	(94)	(5,619)
Disposals	40	344	85	27	496
Foreign exchange movement	(3)	(1,065)	(214)	(20)	(1,302)
Balance at December 31, 2018	**(607)**	**(51,449)**	**(5,983)**	**(1,292)**	**(59,331)**
Net book value					
At December 31, 2017	100	12,294	3,212	252	15,858
At December 31, 2018	**16**	**8,820**	**3,643**	**205**	**12,684**

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8. Property, plant and equipment – *continued*

b) Liabilities under capitalized finance leases (Note 15b)

	Liabilities secured		Net book value of assets	
	2018	2017	**2018**	2017
At December 31, 2018	**1,296**	1,152	**1,759**	1,492

c) Impairment test

At December 31, 2018, the Company reviewed impairment indicators regarding each of its CGU's (mineral division, energy division, Cros-man and manufacturing division) and identified there were indicators of impairment on its mineral and energy CGUs.

Mineral Division
The Company completed its impairment review as at December 31, 2018, which resulted in an impairment charge of $1.7 million. This was allocated to goodwill as the carrying value of the CGU's assets exceeded its value in use of $47.5 million.

The recoverable amount for the property, plant and equipment impairment testing was determined using a VIU discounted cash flow methodology. The cash flows cover a period of five years, after which a terminal value is determined. The key assumptions used to determine VIU are as follows:

Revenue, Operating Costs and Capital Expenditures – Revenue, operating costs and capital expenditures are based on internal management forecasts. Revenue and cost assumptions incorporate management experience and expertise, current revenue and operating costs, the nature and location of each operation and the risks associated with each operation. Future capital expenditure is based on management's best estimate of required future sustaining capital requirements. All committed and anticipated capital expenditures adjusted for future cost estimates have been included in the projected cash flows.

Discount Rate - A discount rate of 11% was used for the impairment test. Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows. This rate is based on the weighted average cost of capital for a mining industry group and was calculated based on management's estimates.

Sensitivity Analysis – An increase of 1% to the discount rate would result in approximately $4.3 million of additional impairment charges to the remaining assets within the CGU.

Energy Division
The recoverable amount for the property, plant and equipment impairment testing in the energy division was determined using a fair value less costs of disposal (FVLCD) methodology. The FVLCD was based on a valuation report prepared by an independent third-party expert. The Company did not identify any impairment losses.

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9. Goodwill and intangible assets

a) Details are as follows:

	Goodwill	Customer Relationships	Brand	Non-Compete Covenant	Other	Total
Cost						
Balance at January 1, 2017	$ 3,291	$ 5,790	$ 700	$ 600	$ 576	$ 10,957
Additions	-	-	-	-	17	17
Disposals	-	-	-	-	(180)	(180)
Foreign exchange	-	-	-	-	13	13
Balance at December 31, 2017	$ 3,291	$ 5,790	$ 700	$ 600	$ 426	10,807
Additions	-	-	-	-	284	284
Impairment	(1,710)	-	-	-	-	(1,710)
Foreign exchange	-	-	-	-	11	11
At December 31, 2018	**$ 1,581**	**$ 5,790**	**$ 700**	**$ 600**	**$ 721**	**9,392**
Accumulated amortization						
Balance at January 1, 2017	$ -	$ (4,072)	$ (700)	$ (299)	$ (179)	(5,250)
Amortization for the year	-	(279)	-	(95)	(55)	(429)
Disposals	-	-	-	-	65	65
Foreign exchange	-	-	-	-	(3)	(3)
Balance at December 31, 2017	$ -	$ (4,351)	$ (700)	$ (394)	$ (172)	(5,617)
Amortization for the year	-	(279)	-	(95)	(38)	(412)
Disposals	-	-	-	-	-	-
Foreign exchange	-	-	-	-	(4)	(4)
At December 31, 2018	**$ -**	**$ (4,630)**	**$ (700)**	**$ (489)**	**$ (214)**	**(6,033)**
Net Book Value						
At December 31, 2017	$ 3,291	$ 1,439	$ -	$ 206	$ 254	$ 5,190
At December 31, 2018	**$ 1,581**	**$ 1,160**	**$ -**	**$ 111**	**$ 507**	**$ 3,359**

b) Impairment test

The Company has performed its annual goodwill impairment testing for those CGU's containing goodwill.

Mineral Division
The Company determined the goodwill associated with the mineral drilling CGU ($1.7 million) was not recoverable at December 31, 2018. The assumptions used in the goodwill impairment test for the mineral CGU was consistent with those in the impairment test on property, plant and equipment *(See Note 8(c))*.

Cros-Man Division
The Company did not identify any impairment losses associated with the Cros-Man CGU. The recoverable amount for the goodwill impairment testing was determined using a VIU discounted cash flow methodology. The cash flows cover a period of five years, after which a terminal value is determined. The key assumptions used to determine VIU are as follows:

Revenue, Operating Costs and Capital Expenditures – Revenue, operating costs and capital expenditures are based on internal management forecasts. Revenue and cost assumptions incorporate management experience and expertise, current revenue and operating costs, the nature and location of each operation and the risks associated with each operation. Future capital expenditure is based on management's best estimate of required future sustaining capital requirements. All committed and anticipated capital expenditures adjusted for future cost estimates have been included in the projected cash flows.

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9. Goodwill and intangible assets - *continued*

b) Impairment test - *continued*

Discount Rate – A discount rate of 13% was used for the impairment test. Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows. This rate is based on the weighted average cost of capital for an energy drilling industry group and was calculated based on management's estimates.

Sensitivity Analysis – An increase of 7.4% to the discount rate would result in an impairment charge to the goodwill within the CGU.

10. Bank Indebtedness

		2018		2017
Company's bank indebtedness – current	$	4,286	$	-
Company's bank indebtedness – non-current		-		2,509
	$	4,286	$	2,509

On July 3, 2018, Cros-Man entered into a revolving credit facility with Royal Bank of Canada ("RBC") to a maximum of $0.5 million. The loan bears interest at the bank's prime lending rate plus 1.5% per annum. The Company, as Cros-man's parent company, has provided a guarantee and postponements of claim to a maximum of $0.6 million. As of December 31, 2018, the amount outstanding on this credit facility was $nil.

On December 17, 2018, Bertram Drilling Corp. ("Bertram") entered into a revolving credit facility with RBC, authorized to a maximum of $4.0 million, until April 30, 2019 when the maximum will be reduced to $3.5 million. Borrowings cannot exceed the aggregate of 75% of Canadian accounts receivable balance less than 90 days old and not from a related party. The loan bears interest at the bank's prime lending rate plus 1.0% per annum. As of December 31, 2018, the amount outstanding on this credit facility was $1.6 million. Bertram also had a term loan of $1.5 million that bore an interest rate at the bank's prime rate plus 1.75%. The loan was fully repaid in June 2017, as part of the convertible debenture financing. A general security agreement and a second ranking floating charge on all present and after-acquired real property have been pledged as security for the credit facility. RBC has a first ranking security interest in all cash and accounts receivables. Energold Drilling Corp., as Bertram's parent company, has provided a guarantee and postponements of claim and general security agreements to a maximum of $9.0 million.

In July 2015, the Company entered into a credit facility from Export Development Canada ("EDC") in the amount of up to $2.0 million USD. The purpose of the loan was to assist in financing the general working capital of the Company's subsidiaries. In June 2017, the loan agreement was restated and amended for changes in security whereby EDC has third ranking in assets secured by Bertram. Certain covenants were also amended. Interest on the outstanding principal amount is calculated at the rate of interest equal to the sum of the U.S. Prime Rate plus 6.25% per annum. The loan is guaranteed by Bertram. and Energold de Mexico, S.A. de S.V. and matures on July 10, 2019. As of December 31, 2018, $2.0 million USD was outstanding on this credit facility. The December 31, 2017 classification of this facility was corrected from current to long-term.

In March 2016, one of the Company's subsidiaries entered into a credit facility with RBC in the amount of $2.5 million. The purpose of the loan was to partially finance the acquisition of Cros-Man. The loan bore interest at the bank's prime lending rate plus 1.75% per annum. A general security agreement and a floating charge on all present and after-acquired real property were pledged as security for the above borrowings. Bertram provided a guarantee and postponements of claim. The loan was fully repaid in June 2017, as part of the convertible debenture financing. In September 2017, a loan facility for Bertram Drilling Inc. ("BDI"), the U.S. subsidiary of the Company, was authorized to a maximum of $0.5 million USD. This loan bore interest at 5.50% per annum and matured on March 15, 2018.

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10. Bank Indebtedness - *continued*

In April 2015, one of the Company's subsidiaries entered into a credit facility from EDC in the amount of $0.8 million USD. The purpose of the loan was to assist in financing the acquisition of capital assets. Interest on the outstanding principal amount is calculated at the rate of interest equal to the sum of the U.S. Prime Rate plus 5% per annum. The loan was payable over a term of three years and was guaranteed by Bertram and Energold Drilling Corp. The loan was fully repaid in June 2017, as part of the convertible debenture financing.

11. Trade and other payables

		December 31, 2018		December 31, 2017
Trade payables	$	**11,947**	$	9,459
Government payables		**1,175**		1,110
Payroll accrual		**1,655**		1,161
Finance lease payables		**531**		529
Due to related parties and other		**2,107**		1,142
Current trade and other payables	$	**17,415**	$	13,401

12. Convertible Debenture ("CD")

On June 15, 2017, the Company completed a private placement of $20.0 million convertible secured notes ("the convertible debentures or CDs"). Extract Advisors LLC ("Extract"), a natural resources investment fund manager, funded $10.3 million USD principal amount representing $13.7 million of the convertible debentures, with the remaining $6.3 million balance being provided by a syndicate of lenders. The convertible debentures mature on June 14, 2022 provided that the Company repays at least 75% of the original principal amount by June 14, 2020. The convertible debentures bear interest at a minimum U.S. London Interbank Offered Rate ("U.S. LIBOR") plus 7.5% until June 14, 2020, and U.S. LIBOR plus 11% for the remainder of the term. Interest is payable monthly. The debentures are convertible into common shares of the Company at a conversion price of $0.85 per share. The loan holders were issued purchase warrants equal to 25% of the total principal amount of the convertible debentures purchased. Each warrant is exercisable for one common share at an exercise price of $1.50 per common share for a period of 60 months from the closing date of the transaction.

The Company fair valued the $20.0 million convertible debt component and conversion option using a convertible bond model. The valuation date was June 15, 2017, the closing date of the convertible debentures. For valuation purposes, the convertible debentures had an effective interest rate of 18.31% for the U.S. debt portion and 18.21% for the Canadian debt portion. Below is a summary of the valuation between the U.S. and Canadian portions of the convertible debentures.

		U.S. debt in CDN$		Canadian debt		Total Debt
Debt value	$	11,139	$	5,201	$	16,340
Conversion option (equity)		-		1,035		1,035
Conversion option (derivative)		2,266		-		2,266
Warrant value		245		114		359
Principal amount	$	13,650	$	6,350	$	20,000

In connection with the financing, Extract and its affiliates received an arrangement fee equal to 3.0% of the amount of the convertible debentures. In addition, Energold has issued 100,000 warrants to Extract affiliates, with a term of 36 months, exercisable to purchase one Energold common share at an exercise price of $0.85 per share, valued at $0.01 million.

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12. Convertible Debenture ("CD") - *continued*

To secure the obligations of the Company under the convertible debentures, Energold has provided perfected senior, first ranking security interest in all assets of the Company, with the exception of those assets subject to prior security interests under certain existing loans and lease commitments.

On July 21, 2014, the Company completed a $13.5 million secured convertible debenture issue which bore interest at 12.85% calculated annually, payable quarterly, with a maximum term of three years (Energold held a call provision). On initial recognition, the Company fair valued the debt component using a cash flow model discounted at the current interest rate of 14%. The value of the debt component was $13.1 million and the equity component was assigned the residual amount of $0.4 million. Using the effective interest rate method and the 14% rate implicit in the calculation, the difference of $0.4 million from the date of issuance, characterized as the debt discount, was accreted to income over the term of the convertible debenture. On June 15, 2017, the 2014 convertible debenture was repaid.

Convertible debentures as of January 1, 2017	$	13,419
Accretion of debt discount to maturity of 2014 convertible debentures		81
Repayment of 2014 convertible debentures in June 2017		(13,500)
Amounts advanced for June 2017 convertible debentures		20,000
Equity portion of conversion feature		(1,035)
Derivative portion of conversion feature		(2,266)
Warrant value		(359)
Allocation of transactions costs		(908)
Accretion of debt discount for the twelve months of 2017		556
Foreign exchange		(548)
Convertible debentures as of December 31, 2017	$	15,440
Accretion of debt discount for the year ended December 31, 2018		1,217
Foreign exchange		948
Convertible debentures as of December 31, 2018	**$**	**17,605**

The convertible debentures contain financial and non-financial covenants. The Company was not in compliance with certain covenants at December 31, 2018. However waivers were in place to waive any non-compliance.

The Company determined that the conversion options in the U.S. convertible debentures are embedded derivatives that are required to be separated from the convertible debentures' obligations and recorded at fair value initially and at each statement of financial position date, with changes in fair value recorded in profit or loss. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative. The embedded derivatives are recorded on the statement of financial position as non-current liabilities at the fair value on the transaction date of June 15, 2017. For the year-ended December 31, 2018 (December 31, 2017 - $0.5 million), the change in fair value of these embedded derivatives was $1.6 million.

Convertible debentures derivative as of January 1, 2017	$	-
Derivative portion of conversion feature		2,266
Gain on derivative component		(458)
Foreign exchange		(118)
Convertible debentures derivative as of December 31, 2017	$	1,690
Gain on derivative component		(1,620)
Foreign exchange		188
Convertible debentures derivative as of December 31, 2018	**$**	**258**

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13. Finance income and cost

		2018		2017
Bank fees and interest expense	$	**1,002**	$	803
Finance lease expense		**64**		68
Interest expense and accretion of convertible debt		**3,255**		2,504
Finance cost	$	**4,321**	$	3,375
Finance income	$	**56**	$	45

14. Income taxes and deferred income taxes

Total income tax expense consists of:

		2018		2017
Current income tax expense	$	**1,338**	$	670
Deferred income tax expense (recovery)		**115**		(404)
	$	**1,453**	$	266

Total income tax expense (recovery) attributed to geographical jurisdiction:

		2018		2017
Canada	$	**213**	$	(151)
Panama		**133**		71
Dominican Republic		**20**		(159)
Mexico		**241**		309
Nicaragua		**9**		49
Ivory Coast		**576**		68
Great Britain		**133**		361
United States of America		**(6)**		(310)
Senegal		**128**		21
Other		**6**		7
	$	**1,453**	$	266

Factors affecting income tax expense for the year:

		2018		2017
Loss before income taxes	$	**(13,149)**	$	(17,332)
Canadian federal and provincial income tax rates		**27%**		26%
Income tax recovery based on the above rates	$	**(3,550)**	$	(4,506)
Items that cause an increase (decrease) in income tax expense:				
Non-deductible expenses		**1,209**		248
Foreign exchange and other translation adjustments		**688**		(310)
Operating losses for which no tax benefit has been recognized		**2,633**		3,549
Change in management estimate regarding an uncertain tax position		**19**		406
Withholding taxes		**153**		399
Changes in future income tax rates		**-**		(9)
Foreign income subject to different income tax rates than Canada		**301**		489
Income tax expense	$	**1,453**		266

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14. Income taxes and deferred income taxes – *continued*

The change for the year in the Company's net deferred tax position was as follows:

	2018	2017
Deferred income tax liability	$	$
Balance at January 1	**(3,000)**	(3,374)
Deferred income tax (expense) recovery	**(115)**	404
Amounts charged to equity	**-**	(81)
Changes to foreign currency translation	**(188)**	51
Balance at December 31	$ **(3,303)**	$ (3,000)

The composition of the Company's net deferred income tax asset and liability and deferred tax expense (recovery) is as follows:

Unrecognized deferred tax assets

	2018	2017
Non-capital losses	$ **19,220**	$ 14,767
Property, plant and equipment	**1,652**	3,561
Other items	**244**	307
Total unrecognized deferred tax assets	$ **21,116**	$ 18,635

Unrecognized tax losses

As at December 31, 2018, the Company has tax losses for income tax purposes which may be used to reduce future taxable income. The income tax benefit, if any, of these losses have not been recorded in these consolidated financial statements because of the uncertainty of their recovery. The future expiration taxes and potential tax benefit are as follows:

Expiry Date	Canada	Argentina	Chile	Mexico	United Kingdom	Other	Total
Before 2031	2,466	471	-	225	-	2,906	6,068
2032	4,482	-	-	-	-	-	4,482
2033	6,144	-	-	-	-	-	6,144
2034	5,225	-	-	-	-	-	5,225
2035	8,461	-	-	-	-	-	8,461
2036	5,725	-	-	-	-	-	5,725
2037	4,948	-	-	-	-	-	4,948
2038	6,243						6,243
No expiry	-	-	3,654	-	19,992	-	23,646
	$ 43,694	$ 471	$ 3,654	$ 225	$ 19,992	$ 2,906	$ 70,942

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14. Income taxes and deferred income taxes – *continued*

Temporary differences associated with investments in subsidiaries

The Company has not recognized deferred tax liabilities in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries. At December 31, 2018, these earnings amount to $24.3 million (2017 - $19.6 million). Substantially, all of these earnings would be subject to withholding taxes if they were remitted by the foreign subsidiary.

Type of temporary differences:

	Deferred assets (liability) tax		Expense (recovery) on the statement of loss	
	2018	2017	**2018**	2017
Non-capital income (losses)	**$ 1,892**	$ 4,814	**$ 2,921**	$ (362)
Property, plant and equipment	**683**	645	**(39)**	796
Capital leases and long term debt	**216**	56	**(160)**	(10)
Accruals and other items	**970**	340	**(630)**	150
Investments	**(13)**	(55)	**(42)**	(204)
Property, plant and equipment and intangible assets	**(2,153)**	(4,728)	**(2,764)**	(602)
Inventory	**(3,757)**	(3,025)	**732**	(276)
Other items	**(1,141)**	(1,047)	**97**	104
	$ (3,303)	$ (3,000)	**$ 115**	$ (404)

Represented on the balance sheet as:

	2018	2017
Deferred income tax assets	**$ -**	$ 32
Deferred income tax liabilities	**(3,303)**	(3,032)
	$ (3,303)	$ (3,000)

15. Commitments

a) The Company signed two three-year leases for office premises in Vancouver, British Columbia from June 1, 2016 to May 31, 2019. Lease obligations, net of operating costs, are $0.2 million for 2019.

b) Finance leasing arrangements

The Company has finance leases which terminate between 2019 and 2023 and have interest rates between 2.39% and 8.0%. Since December 31, 2017, the Company's subsidiaries entered into four leases. The terms are as follows:

Company	Date of Lease	Term	Interest Rate
Cros-Man	March 26, 2018	3 years	5.72%
Cros-Man	May 14, 2018	5 years	4.06%
Cros-Man	November 8, 2018	5 years	6.50%
Cros-Man	November 26, 2018	4 years	6.99%

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15. Commitments – *continued*

b) Finance leasing arrangements – *continued*

Finance lease liabilities are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
Not more than one year	$ **540**	$ 534	$ **531**	$ 529
Later than one year and not later than five years	**780**	632	**765**	623
	$ **1,320**	$ 1,166	$ **1,296**	$ 1,152
Less: future finance charges	**(24)**	(14)	**-**	-
Present value of minimum lease payments	$ **1,296**	$ 1,152	$ **1,296**	$ 1,152

c) Litigation

The Company is subject to litigation in the normal course of business, the ultimate results of which cannot be determined at this time.

16. Equity

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value.

a) Stock Options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Under the stock option plan 5,467,994 options have been authorized for issuance, of which 3,700,000 have been allocated at December 31, 2018. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors and are settled in cash. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. The directors, subject to the policies of the TSX Venture Exchange, may determine and impose terms upon how each grant of options shall become vested.

A summary of the Company's stock option plan at December 31, 2018 and the changes for the year ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At January 1, 2017	2,280,000	0.84
Granted	1,887,500	0.35
Expired	(30,000)	5.13
Forfeited	(190,000)	0.45
At December 31, 2017	3,947,500	0.59
Exercised	(20,000)	0.35
Forfeited	(227,500)	0.41
At December 31, 2018	**3,700,000**	**0.61**

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16. Equity - *continued*

a) Stock Options - *continued*

The following table summarizes information about the stock options outstanding at December 31, 2018:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable
$0.45	1,502,500	0.80	1,502,500
$2.01	495,000	0.10	495,000
$0.35	1,702,500	1.83	1,702,500
	3,700,000	2.73	3,700,000

The fair value of the services provided cannot be reliably measured; therefore, the fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model.

Option pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The total fair value of share-based payment expense on stock options granted to employees and consultants of the Company for the year ended December 31, 2018 was $nil (December 31, 2017 – $0.4 million).

b) Warrants

On May 18, 2018, the Company issued 381,330 common share purchase warrants to Extract Capital Master Fund Ltd. and 381,330 common share purchase warrants to Sprott Hedge LP1 and Sprott Hedge LP2 (together, subsequently merged into Ninepoint Gold & Precious Minerals Fund, or "Ninepoint"), in consideration for a working capital facility. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.415 expiring March 1, 2019. *(See Note 17).*

On March 1, 2018, the Company issued 600,000 common share purchase warrants to Extract Capital Master Fund Ltd. and 600,000 common share purchase warrants to Ninepoint, in consideration for a working capital facility. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.54 expiring March 1, 2019. *(See Note 17).*

On June 15, 2017, in connection with the convertible debentures, the Company issued 4,000,000 warrants to loan holders, and 100,000 warrants to Extract and their affiliates. *(See Note 12).*

On July 22, 2016, the Company completed a non-brokered private placement of 716,192 units at a price of $1.00 per unit for aggregate gross proceeds of $0.7 million. Each unit comprised one common share and one common share purchase warrant. Each warrant was exercisable for one common share at a price of $1.75 per share and expired on January 22, 2018.

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16. Equity - *continued*

b) Warrants - *continued*

On July 6, 2016, the Company completed a public offering in which the Company issued 5,750,000 units at a price of $1.00 per unit for aggregate gross proceeds of $5.8 million, including the full exercise of the agents' option to increase the public offering in the amount of $0.8 million. Each unit comprised one common share and one common share purchase warrant. Each warrant was exercisable for one common share at a price of $1.75 per share expiring January 6, 2018. In consideration for the services of the underwriters, they were paid a cash commission of 6% of the gross proceeds of the offering and non-transferable common share purchase warrants ("compensation warrant") equal to 6% of the shares issued pursuant to the offering. Each compensation warrant entitled the holder to acquire one common share of the Company at an exercise price of $1.00 and expired on January 6, 2018.

	Number	Weighted Average Exercise Price
At January 1, 2017	6,811,192	1.71
Granted	4,100,000	1.48
At December 31, 2017	10,911,192	1.63
Granted	1,962,660	0.49
Expired	(6,811,192)	1.71
At December 31, 2018	**6,062,660**	**1.16**

The fair value of the services provided cannot be reliably measured; therefore, the fair value of each warrant granted is estimated at the time of grant using the Black-Scholes option pricing models with assumptions as follows:

	June 15, 2017 4,000,000	June 15, 2017 100,000	March 1, 2018 1,200,000	May 18, 2018 762,660
Risk-free interest rate	1.50%	1.30%	1.71%	1.90%
Expected dividend yield	Nil	Nil	Nil	Nil
Expected share price volatility	63.4%	72.2%	73.1%	80.1%
Expected warrant life in years	5	3	1	0.79

Pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

c) Loss Per Share

Details of the calculation of loss per share are set out below:

	2018	2017
Net loss attributable to shareholders of EGD	**$ (14,602)**	$ (17,598)
Weighted average number of shares outstanding– basic and diluted	**54,675,268**	54,659,939
Loss per share – basic and diluted	**$ (0.27)**	$ (0.32)

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Canadian dollars in thousands except for shares and per share data

17. Related party transactions

Related party transactions are recorded at arms-length which is the amount of consideration paid or received as agreed by the parties. Related party transactions not disclosed elsewhere are as follows:

a) On May 22, 2018, Bertram Drilling Inc. entered into a promissory note in the amount of $0.2 million with a company that is related to five directors of Energold. The note bears an interest rate of 12.5% per annum and has a term of twenty-four months.

b) During the year ended December 31, 2018, net fees in the amount of $0.02 million were incurred (December 31, 2017 - $0.9 million) from a company related to an officer of Bertram for helicopter services performed in Canada and the U.S. As at December 31, 2018, there was a net payable balance of $nil (December 31, 2017 – $0.5 million).

c) In 2017, the chief executive officer, the chairman of the board, and the audit committee chair purchased a total of $1.0 million of the convertible debentures. In connection with the convertible debenture transaction, a partner at Extract became a general director of the Company from July 2017 to August 2018. As a result, the director and Extract became related parties to the Company during this time, after which they were no longer related parties. The total amount of CDs purchased by the director and Extract was $13.7 million. In addition, a person related to the chief executive officer and a person related to the audit committee chair of the Company purchased CD's totaling $0.15 million. A trust related to officers of Bertram, purchased $1.0 million of the CDs. In November 2018 a debenture holder of $0.05 million of the convertible debentures became an officer of the company. As of December 31, 2018, the outstanding payable to related parties on the CDs was $2.2 million (December 31, 2017 - $15.9 million).

d) In October and November 2016, the Company entered into loan facilities with a company related to an officer of Bertram which expire on December 31, 2019. The loans bear interest at 4.7% per annum. As of December 31, 2018, the amount outstanding on the loan facility was $0.8 million (December 31, 2017 – $0.8 million), and is included in trade and other payables.

e) As at December 31, 2018, a deferred payment of $0.7 million was due to the vendor of Cros-Man who remains a director of the subsidiary (December 31, 2017 – $1.5 million). *(See Note 4)*.

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2018
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18. Key management personnel compensation

Key management includes directors and senior executives. The remuneration of directors and other members of key management personnel are as follows:

		December 31, 2018		December 31, 2017
Salaries and fees	$	**1,642**	$	1,513
Share based compensation		**-**		187
	$	**1,642**	$	1,700
Amounts payable to related parties	$	**315**	$	61

19. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to continue to explore financing opportunities, to provide an adequate return to shareholders and to support any growth plans.

The Company considers its capital to be share capital, bank indebtedness, convertible debentures and cash and cash equivalents. In order to facilitate the management of capital requirements, the Company's board of directors approves management's annual capital expenditures plans and reviews and approves any material debt borrowing plans proposed by the Company's management. To maintain or adjust the capital structure, the Company may, from time to time, issue new shares, issue new debt, repay debt or dispose of non-core assets.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there is sufficient cash to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. To the extent its current capital resources are not sufficient to support operations through the current operating period, the Company will seek to obtain additional funding from loans, equity financings or through other arrangements.

20. Financial instruments

Financial assets and liabilities

The Company's financial instruments consist of cash, trade and other receivables, investments, trade and other payables, convertible debentures and convertible debentures derivative. Cash, trade and other receivables, trade and other payables, and convertible debentures are measured at amortized cost. Investments are designated as FVTOCI and measured at fair value as determined by reference to quoted market prices. Convertible debentures derivative is designated as FVTPL.

Financial instrument risk exposure

The Company's financial instruments are exposed to a number of financial and market risks including credit, liquidity, currency and interest rate risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks, since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities.

20. Financial instruments - *continued*

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, restricted cash and trade receivable. The Company deposits its cash with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 Bank with ratings above A+. The Company provides credit to its customers in the normal course of its operations. The Company diversifies its credit risk by dealing with a large number of companies in various countries. The Company carries its receivables net of expected credit losses. The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents, restricted cash, and trade receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due (note 1). The Company manages liquidity by maintaining cash and cash equivalent balances available to meet its anticipated operational needs. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short-term and long-term obligations. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans. At December 31, 2018, the Company's total liabilities were $47.1 million, of which $24.8 million is current at the balance sheet date. The Company has current debt of $5.4 million and finance lease obligations of $0.5 million.

Currency risk

The Company operates on an international basis; therefore, currency risk exposures arise from transactions denominated in currencies other than the entity's functional currency. The majority of its international sales contracts are denominated in U.S. dollars. Thus its currency risk arises primarily with respect to the U.S. dollar. However, the Company also incurs operating costs in local currencies in various countries in which it carries on active business operations. At December 31, 2018, the Company is exposed to currency risk through cash and cash equivalents, trade receivable, and trade payable and accrued liabilities held in a variety of currencies, the most significant being the U.S. dollar. Based on these foreign currency exposures at December 31, 2018, a 5% depreciation or appreciation of all the above currencies against the Canadian dollar would result in a decrease or increase of the Company's net loss and equity of approximately $0.6 million.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash and its revolving demand and credit line facility. Cash and cash equivalents and restricted cash have limited interest rate risk due to their short-term nature. The Company's debt borrowings are exposed to interest rate risk as it is subject to floating interest rates. Assuming that all other variables remain constant, a 1% increase or decrease in the bank's prime lending rate does not have a significant impact on net earnings. Convertible debt is subject to fluctuations in the U.S. Libor rate. A 1% change in the U.S. Libor rate would result in an increase or decrease of the Company's net loss of approximately $0.2 million. Finance leases are not subject to interest rate risk because they are at fixed rates.

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2018
Canadian dollars in thousands except for shares and per share data

21. Additional information to the consolidated statements of cash flows

Changes in non-cash working capital:

	For the Year Ended December 31,			
		2018		2017
Trade and other receivables	**$**	**(2,193)**	$	(1,839)
Income taxes receivable		**594**		(1,451)
Inventories		**1,722**		1,894
Trade and other payables		**3,094**		2,933
Current income tax payable		**507**		(781)
Due to (from) related party		**(497)**		(582)
Deferred revenue		**(1,233)**		2,166
	$	**1,994**	$	2,340

22. Segmented information

The Company has three operating segments: Minerals, Energy and Infrastructure, and Manufacturing. The segments are determined based on the reports reviewed by the Chief Executive Officer (who is considered the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Details are as follows:

	For the year ended December 31			
		2018		2017
Revenue				
Minerals		**39,275**		45,294
Energy and Infrastructure		**35,034**		22,681
Manufacturing		**9,770**		7,004
	$	**84,079**	$	74,979
Income (Loss)				
Minerals		**432**		729
Energy and Infrastructure		**(2,272)**		(5,572)
Manufacturing		**320**		(3,231)
General and corporate expenses (1)		**(5,368)**		(5,999)
Operating loss	**$**	**(6,888)**	$	(14,073)
Foreign exchange loss		**(1,343)**		248
Finance and other costs		**(4,828)**		(3,965)
Gain on derivative component of debentures		**1,620**		458
Impairment		**(1,710)**		-
Income tax (expense) recovery		**(1,453)**		(266)
	$	**(14,602)**	$	(17,598)

(1) General and corporate expenses include expenses for corporate offices, share options and certain unallocated costs.

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2018
Canadian dollars in thousands except for shares and per share data

22. Segmented information - *continued*

	For the year ended December 31 2018	2017
Amortization		
Minerals	$ 1,546	$ 1,608
Energy and Infrastructure	4,274	6,551
Manufacturing	123	144
Unallocated and corporate assets	70	81
	$ 6,013	$ 8,384

	As at December 31 2018	2017
Assets		
Minerals	$ 57,005	$ 61,286
Energy and Infrastructure	17,384	19,569
Manufacturing	4,501	4,855
Unallocated and corporate assets	5,211	6,452
	$ 84,101	$ 92,162
Property, plant and equipment		
Minerals	$ 6,179	$ 6,702
Energy and Infrastructure	6,315	8,884
Manufacturing	140	220
Unallocated and corporate assets	50	52
	$ 12,684	$ 15,858
Intangibles		
Minerals	$ -	$ 1,710
Energy and Infrastructure	2,852	3,227
Manufacturing	507	253
	$ 3,359	$ 5,190

Geographic information

	For the year ended December 31 2018	2017
Revenue		
Mexico and the Caribbean	$ 19,335	$ 29,805
South America	5,340	6,041
Africa and Other	20,286	12,955
Canada	22,950	14,859
United States of America	12,083	7,822
United Kingdom and Europe	4,085	3,497
	$ 84,079	$ 74,979

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2018
Canadian dollars in thousands except for shares and per share data

22. Segmented information - *continued*

Geographic information - *continued*

As at	December 31 **2018** Property, plant and equipment	**2018** Intangible assets	December 31 2017 Property, plant and equipment	2017 Intangible assets
Mexico and the Caribbean	$ **2,067**	**-**	$ 1,908	$ -
South America	**841**	**-**	1,002	1,710
Africa and Other	**3,184**	**-**	3,073	-
Canada	**4,315**	**2,852**	6,504	3,227
United States of America	**2,050**	**-**	2,433	-
United Kingdom and Europe	**227**	**507**	938	253
	$ **12,684**	**3,359**	$ 15,858	$ 5,190

23. Economic dependence

Significant customers

The Company received revenues from the following customer in the minerals segment that amounted to greater than 10% of total Company revenues.

	For the year ended December 31, **2018**		2017	
Customer A	**$10,051**	**12.0%**	$5,699	7.6%
Customer B	**4,555**	**5.4%**	7,912	10.6%

24. Subsequent events

Proposed Distribution of Dando Drilling Inc.

On March 7, 2019, the Company entered into a Binding Heads of Agreement ("HoA") with a private UK based company for the acquisition of Dando Drilling International Ltd. Under the HoA the Purchaser arranged for an immediate GBP 0.5 million banking facility for Dando and upon closing of a formal Sales and Purchase Agreement will fund Dando up to an additional GBP 1.0 million. The Purchaser will hold 51% of the shares in Dando and will purchase the balance of the shares (49%) and shareholders loans from Energold for GBP 3.1 million in equal quarterly installments over a ten-year period commencing 1 year after closing.

Forbearance Agreement

On April 24, 2019, the Company entered into a forbearance agreement with the convertible debenture holders. See Note 1.

This is Exhibit "D" referred to
in the Affidavit #1 of Mark Berger
made before me on September 12, 2019

A Commissioner for taking Affidavits
for British Columbia

ENERGOLD DRILLING CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018

Unaudited

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51 – 102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators **WE HEREBY GIVE NOTICE THAT** the interim condensed consolidated financial statements which follow this notice have not been reviewed by an auditor.

Energold Drilling Corp.

Interim Condensed Consolidated Statements of Financial Position
Canadian dollars in thousands except for shares and per share data
Unaudited

ASSETS		**September 30 2018**		December 31 2017
Current assets				
Cash and cash equivalents	$	**4,118**	$	7,653
Restricted cash		**121**		234
Trade and other receivables		**19,918**		12,685
Income tax receivable		**2,497**		2,666
Investments		**2,271**		2,897
Inventories		**43,553**		44,947
		72,478		71,082
Non-current assets				
Property, plant and equipment		**12,494**		15,858
Goodwill and intangible assets		**5,042**		5,190
Deferred income tax assets		**103**		32
		17,639		21,080
	$	**90,117**	$	92,162
LIABILITIES				
Current liabilities				
Bank indebtedness *(Note 5)*	$	**5,327**	$	-
Trade and other payables		**17,252**		13,401
Current income tax payable		**558**		541
Deferred revenue		**1,593**		3,095
		24,730		17,037
Non-current liabilities				
Bank indebtedness *(Note 5)*		**-**		2,509
Trade and other payables		**129**		-
Due to related party *(Note 11)*		**999**		1,490
Finance leases *(Note 7)*		**688**		623
Convertible debentures *(Note 8)*		**16,660**		15,440
Convertible debentures derivative *(Note 8)*		**802**		1,690
Deferred income tax liabilities		**3,321**		3,032
		22,599		24,784
		47,329		41,821
SHAREHOLDERS' EQUITY				
Share capital		**95,379**		95,368
Contributed surplus		**11,155**		9,233
Warrants		**514**		2,277
Equity component of convertible debentures *(Note 8)*		**896**		896
Accumulated other comprehensive income		**(3,502)**		(3,195)
Accumulated deficit		**(61,654)**		(54,238)
		42,788		50,341
	$	**90,117**	$	92,162

ON BEHALF OF THE BOARD:

"F.W. Davidson"__________________, Director

"M.A. Corra"__________________, Director

- The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Interim Condensed Consolidated Statements of Loss
For the Three and Nine Months Ended September 30
Canadian dollars in thousands except for shares and per share data
Unaudited

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	**2018**	2017
Revenue	$ **21,915**	$ 19,783	$ **69,559**	$ 56,696
Direct costs	**18,139**	17,003	**56,382**	47,604
Gross profit (excluding amortization)	**3,776**	2,780	**13,177**	9,092
Indirect and administrative expenses				
Accounting, audit and legal	**246**	202	**630**	664
Amortization	**1,837**	2,101	**5,380**	6,259
Bad debt expense	**12**	261	**242**	152
Investor relations, marketing and travel	**232**	281	**771**	958
Management fees and consulting	**255**	217	**1,080**	769
Office, rent, insurance and sundry	**930**	800	**2,588**	2,545
Office salaries and services	**1,847**	2,178	**6,037**	6,525
Share-based payments	**-**	-	**-**	18
	5,359	6,040	**16,728**	17,890
Operating loss	**(1,583)**	(3,260)	**(3,551)**	(8,798)
Other income (expenses)				
Foreign exchange (loss) gain	**(147)**	354	**(572)**	210
Finance and other income *(Note 6)*	**10**	10	**36**	39
Finance cost *(Note 6)*	**(1,103)**	(895)	**(3,252)**	(2,447)
Other income (expense)	**115**	4	**157**	(112)
Gain on derivative component of debentures	**746**	-	**957**	-
(Loss) gain on disposal of assets	**-**	29	**(10)**	(309)
	(379)	(498)	**(2,684)**	(2,619)
Loss before taxes	**(1,962)**	(3,758)	**(6,235)**	(11,417)
Deferred income taxes (recovery) expense	**(62)**	362	**79**	(386)
Current income and other taxes expense	**646**	(58)	**918**	681
Net loss	$ **(2,546)**	$ (4,062)	$ **(7,232)**	$ (11,712)
Attributable to:				
Equity holders of Energold Drilling Corp.	$ **(2,546)**	$ (4,062)	$ **(7,232)**	$ (11,692)
Non-controlling interest	$ **-**	$ -	$ **-**	$ (20)

- The accompanying notes form an integral part of these interim condensed consolidated financial statements –

Energold Drilling Corp.

Interim Condensed Consolidated Statements of Comprehensive Loss
For the Three and Nine Months Ended September 30
Canadian dollars in thousands except for shares and per share data
Unaudited

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	**2018**	2017
Net loss	**$ (2,546)**	$ (4,062)	**$ (7,232)**	$ (11,712)
Other comprehensive loss				
Items that will not be reclassified to net loss				
Changes in fair value of investments	**(611)**	(997)	**(366)**	(2,006)
Items that may be reclassified to net loss				
Cumulative translation adjustment	**(993)**	(1,412)	**59**	(1,309)
Total comprehensive loss	**$ (4,150)**	$ (6,471)	**$ (7,539)**	$ (15,027)
Attributable to:				
Equity holders of Energold Drilling Corp.	**$ (4,150)**	$ (6,471)	**$ (7,539)**	$ (15,007)
Non-controlling interest	**-**	-	**-**	(20)
	$ (4,150)	$ (6,471)	**$ (7,539)**	$ (15,027)

- The accompanying notes form an integral part of these interim condensed consolidated financial statements –

Energold Drilling Corp.

Interim Condensed Consolidated Statement of Changes in Equity
For the Nine Months Ended September 30
Canadian dollars in thousands except for shares and per share data
Unaudited

	Shares Outstanding	Share Capital ($)	Contributed Surplus ($)	Warrants ($)	Equity component of convertible debentures ($)	Accumulated Other Comprehensive Income ($)	Non-controlling interest ($)	Retained Earnings ($)	Total Shareholders' Equity ($)
Balance at January 1, 2017	54,659,939	95,368	8,664	1,747	375	674	(422)	(37,280)	69,126
Impact of adopting IFRS 9	-	-	-	-	-	(499)	-	640	141
Balance at January 1, 2017 (restated)	54,659,939	95,368	8,664	1,747	375	175	(422)	(36,640)	69,267
Net loss for the period (restated)	-	-	-	-	-	-	(20)	(11,692)	(11,712)
Share-based payments	-	-	18	-	-	-	-	-	18
Fair value and reclassification of equity component of convertible debentures	-	-	375	-	660	-	-	-	1,035
Warrants issued and reclassified in relation to convertible debentures	-	-	(179)	550	-	-	-	-	371
Allocation of transaction costs in relation to convertible debentures	-	-	-	(20)	(58)	-	-	-	(78)
Write-off of receivable from NCI partner	-	-	-	-	-	-	143	-	143
Other comprehensive loss (restated)	-	-	-	-	-	(3,315)	-	-	(3,315)
Balance at September 30, 2017	**54,659,939**	**95,368**	**8,878**	**2,277**	**977**	**(3,140)**	**(299)**	**(48,332)**	**55,729**
Balance at January 1, 2018	54,659,939	95,368	9,233	2,277	896	(3,195)	-	(54,238)	50,341
Impact of adopting IFRS 15	-	-	-	-	-	-	-	(184)	(184)
Balance at January 1, 2018 (restated)	54,659,939	95,368	9,233	2,277	896	(3,195)	-	(54,422)	50,157
Net loss for the period	-	-	-	-	-	-	-	(7,232)	(7,232)
Stock options exercised	20,000	7	-	-	-	-	-	-	7
Fair value assigned to stock options exercised	-	4	(4)	-	-	-	-	-	-
Reclassification of expired warrants	-	-	1,926	(1,926)	-	-	-	-	-
Warrants issued	-	-	-	163	-	-	-	-	163
Other comprehensive loss	-	-	-	-	-	(307)	-	-	(307)
Balance at September 30, 2018	**54,679,939**	**95,379**	**11,155**	**514**	**896**	**(3,502)**	**-**	**(61,654)**	**42,788**

\- The accompanying notes form an integral part of these interim condensed consolidated financial statements –

Energold Drilling Corp.

Interim Condensed Consolidated Statement of Cash Flows
Canadian dollars in thousands except for shares and per share data
Unaudited

Cash provided by (used in)	Three Months Ended September 30 2018	Three Months Ended September 30 2017	Nine Months Ended September 30 2018	Nine Months Ended September 30 2017
Operating activities				
Net loss	$ **(2,546)**	$ (4,062)	$ **(7,232)**	$ (11,712)
Items not affecting cash:				
Amortization	**1,837**	2,101	**5,380**	6,259
Finance costs	**10**	-	**193**	-
Share-based payments	**-**	-	**-**	18
Deferred income taxes (recovery) expense	**(62)**	362	**79**	(386)
(Gain) loss on disposal of assets	**-**	(29)	**10**	309
Gain on derivative component of debentures	**(746)**	-	**(957)**	-
Bad debt expense	**12**	261	**242**	152
Accretion related to convertible debentures *(Note 8)*	**313**	311	**887**	432
Unrealized (gain) loss on foreign exchange	**(64)**	(699)	**764**	(1,312)
	(1,246)	(1,755)	**(634)**	(6,240)
Change in non-cash working capital *(Note 12)*	**(1,124)**	(2,730)	**(4,628)**	(2,546)
	(2,370)	(4,485)	**(5,262)**	(8,786)
Investing activities				
Proceeds on sale of assets	**30**	33	**37**	294
Proceeds on sale of financial instruments	**30**	62	**420**	127
Purchase of property, plant and equipment	**(604)**	(646)	**(1,572)**	(1,014)
Capitalized development costs	**(6)**	-	**(161)**	-
Restricted cash	**26**	(18)	**117**	(87)
	(524)	(569)	**(1,159)**	(680)
Financing activities				
Convertible debentures issuance (net of transactions costs) *(Note 8)*	**-**	122	**-**	18,900
Repayment of convertible debentures *(Note 8)*	**-**	-	**-**	(13,500)
Proceeds from bank facilities	**2,592**	279	**2,738**	279
Proceeds from (repayment of) credit facilities	**-**	-	**123**	(3,692)
(Repayment of) proceeds from finance leases	**(146)**	452	**18**	5
(Repayment of) proceeds from loan from related party	**(211)**	-	**-**	-
Proceeds from shares issued	**-**	-	**7**	-
	2,235	853	**2,886**	1,992
Net decrease in cash	**(659)**	(4,201)	**(3,535)**	(7,474)
Cash at the beginning of the period	**4,777**	10,442	**7,653**	13,715
Cash at the end of the period	$ **4,118**	$ 6,241	$ **4,118**	$ 6,241

Interest paid	$ **660**	$ 581	$ **1,897**	$ 1,874
Income taxes paid	**40**	672	**518**	2,247

- The accompanying notes form an integral part of these interim condensed consolidated financial statements –

Energold Drilling Corp.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018
Canadian dollars in thousands except for shares and per share data
Unaudited

1. Nature of operations

Energold Drilling Corp. (the "Company") provides, directly and through its subsidiaries, drilling and other services for parties principally in North America, Mexico, the Caribbean, Central America, South America, Europe and Africa. The Company, through its subsidiary, also designs and manufactures specialty/customized drilling rigs and associated equipment for water well, mineral exploration and geotechnical drilling companies. The Company is located at 1100-543 Granville Street, Vancouver, British Columbia, Canada, V6C 1X8.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

During the first nine months of 2018, the Company incurred a net loss of $7.2 million and had cash outflows from operating activities of $5.3 million. At September 30, 2018, the Company had unrestricted cash of $4.1 million, current assets of $72.5 million and working capital of $47.7 million.

The Company's ability to continue as a going concern is dependent upon its ability to generate cash flow from operations and, to the extent that this is not sufficient, to obtain additional funding from loans, equity financings or through other arrangements. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. These conditions cast doubt on the validity of the going concern assumption.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. Basis of presentation

Statement of compliance

The Company's interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting, and do not include all of the information required for annual financial statements. All material intercompany balances have been eliminated. As all the disclosures required by IFRS are not included, these interim statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2017, which have been prepared in accordance with IFRS. Except when otherwise stated, all amounts are presented in thousands of Canadian ("CDN") dollars, which is the presentation currency of the Company. These interim condensed consolidated financial statements were approved by the Board of Directors on November 23, 2018.

Energold Drilling Corp.

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3. Significant accounting policies

Change in accounting policies

The Company has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2018. IFRS 15 covers principles that an entity should apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Company elected to apply IFRS 15 using a modified retrospective approach by recognizing the cumulative effect of initially adopting IFRS 15 as an adjustment to the opening balance sheet at January 1, 2018. Therefore, the comparative information has not been restated. The details of accounting policy changes and the quantitative impact of these changes are described below.

Manufacturing revenue

The Company performed an assessment of manufacturing division sales contracts. Under IFRS 15, revenue from the manufacturing division will continue to be recognized as the performance of the contract is satisfied over time, however only to the extent that the customer is obliged to pay for progress to date and the manufactured product cannot be readily reassigned to a separate customer. In cases where these criteria are not met, revenue will be recognized upon delivery. The adoption of IFRS 15 resulted in an opening retained earnings adjustment of $0.2 million for a contract that was partially completed as at January 1, 2018.

Minerals and energy revenue

The Company performed an assessment of the mineral drilling and energy divisions' service agreements and has concluded there will be no impact from the adoption of IFRS 15.

4. Business combination

On March 4, 2016, the Company acquired all the outstanding shares of Cros-Man Direct Underground Ltd. ("Cros-Man"), a Manitoba, Canada based horizontal directional drilling company, servicing the telecommunications, water, sewage, hydro and energy sectors in Canada. The transaction was accounted for as a business combination. The total consideration for the acquisition was $5.7 million of which $3.5 million was paid on closing date in cash and $2.2 million is payable to the vendors over a three-year period. The deferred payment to the vendors is recorded at fair value and includes fixed payments of $0.7 million paid in 2017, $0.8 million paid in 2018, and $0.7 million due in 2019. As well, the vendors have the opportunity to earn a performance incentive of up to $0.5 million per year for three years following the closing date as the Company targets certain growth metrics. As of September 30, 2018, the deferred payment amount of $0.7 million is included in current trade and other payables.

5. Bank indebtedness

		September 30 2018		December 31 2017
Current	$	5,327	$	-
Non-current		-		2,509
	$	5,327	$	2,509

On July 3, 2018, Cros-Man entered into a revolving credit facility with Royal Bank of Canada ("RBC") to a maximum of $0.5 million. The loan bears interest at the bank's prime lending rate plus 1.5% per annum. The Company, as Cros-Man's parent company, has provided a guarantee and postponements of claim to a maximum of $0.6 million. As of September 30, 2018, the amount outstanding on this credit facility is $0.4 million.

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5. Bank indebtedness - *continued*

Bertram Drilling Corp. has a revolving credit facility authorized to a maximum of $3.5 million. Borrowings cannot exceed the aggregate of 75% of Canadian accounts receivable balance less than 90 days old and not from a related party. The loan bears interest at the bank's prime lending rate plus 1.0% per annum. As of September 30, 2018, the amount outstanding on this credit facility is $2.4 million. Bertram also had a term loan of $1.5 million that bore an interest rate at the bank's prime rate plus 1.75%. The loan was fully repaid in June 2017, as part of the convertible debenture financing. A general security agreement and a second ranking floating charge on all present and after-acquired real property have been pledged as security for the credit facility. Royal Bank of Canada ("RBC") has a first ranking security interest in all cash, accounts receivables and the assets leased pursuant to the lease facility. Energold Drilling Corp., as Bertram's parent company, has provided a guarantee and postponements of claim and general security agreements to a maximum of $9.0 million.

In July 2015, the Company entered into a credit facility from Export Development Canada in the amount of up to $2.0 million USD. The purpose of the loan was to assist in financing the general working capital of the Company's subsidiaries. In June 2017, the loan agreement was restated and amended for changes in security whereby EDC has third ranking in assets secured by Bertram Drilling Corp. Certain covenants were also amended. Interest on the outstanding principal amount is calculated at the rate of interest equal to the sum of the U.S. Prime Rate plus 6.25% per annum. The loan is guaranteed by Bertram Drilling Corp. and Energold de Mexico, S.A. de S.V. and matures on July 10, 2019. As of September 30, 2018, $2.0 million USD is outstanding on this credit facility.

In March 2016, one of the Company's subsidiaries entered into a credit facility with Royal Bank of Canada in the amount of $2.5 million. The purpose of the loan was to partially finance the acquisition of Cros-Man. The loan bore interest at the bank's prime lending rate plus 1.75% per annum. A general security agreement and a floating charge on all present and after-acquired real property were pledged as security for the above borrowings. Bertram Drilling Corp. provided a guarantee and postponements of claim. The loan was fully repaid in June 2017, as part of the convertible debenture financing. In September 2017, a loan facility for Bertram Drilling Inc., the U.S. subsidiary of the Company, was authorized to a maximum of $0.5 million USD. This loan bore interest at 5.50% per annum and matured March 15, 2018.

In April 2015, one of the Company's subsidiaries entered into a credit facility from Export Development Canada in the amount of $0.8 million USD. The purpose of the loan was to assist in financing the acquisition of capital assets. Interest on the outstanding principal amount is calculated at the rate of interest equal to the sum of the U.S. Prime Rate plus 5% per annum. The loan was payable over a term of three years and was guaranteed by Bertram Drilling Corp. and Energold Drilling Corp. The loan was fully repaid in June 2017, as part of the convertible debenture financing.

6. Finance income and cost

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	**2018**	2017
Bank fees and interest expense	$ **250**	$ 228	$ **813**	$ 715
Finance lease expense	**17**	19	**48**	44
Interest and accretion expense on convertible debt	**836**	648	**2,391**	1,688
Finance cost	$ **1,103**	$ 895	$ **3,252**	$ 2,447
Finance income	$ **9**	$ 10	$ **36**	$ 39

Energold Drilling Corp.

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7. Finance lease arrangements

The Company's finance lease liabilities are as follows:

	Minimum lease payments				Present value of minimum lease payments			
		September 30 2018		December 31 2017		**September 30 2018**		December 31 2017
Not more than one year (included in trade payables)	$	**532**	$	534	$	**526**	$	529
Later than one year and not later than five years		**701**		632		**688**		623
	$	**1,233**	$	1,166	$	**1,214**	$	1,152
Less: future finance charges		**(19)**		(14)		**-**		-
Present value of minimum lease payments	$	**1,214**	$	1,152	$	**1,214**	$	1,152

8. Convertible Debentures ("CDs")

On June 15, 2017, the Company completed a private placement of $20.0 million convertible secured notes ("the convertible debentures or CDs"). Extract Advisors LLC ("Extract"), a natural resources investment fund manager, funded $10.3 million USD principal amount representing Canadian ("C") $13.7 million of the convertible debentures, with the remaining $6.3 million balance being provided by a syndicate of lenders. The convertible debentures mature on June 14, 2022 provided that the Company repays at least 75% of the original principal amount by June 14, 2020. The convertible debentures bear interest at a minimum U.S. London Interbank Offered Rate ("U.S. LIBOR") plus 7.5% until June 14, 2020, and U.S. LIBOR plus 11% for the remainder of the term. Interest is payable monthly. The debentures are convertible into common shares of the Company at a conversion price of $0.85 per share. The loan holders were issued purchase warrants equal to 25% of the total principal amount of the convertible debentures purchased. Each warrant is exercisable for one common share at an exercise price of $1.50 per common share for a period of 60 months from the closing date of the transaction.

The Company fair valued the $20.0 million convertible debt component and conversion option using a convertible bond model. The valuation date was June 15, 2017, the closing date of the convertible debentures. For valuation purposes, the convertible debentures had an effective interest rate of 18.31% for the U.S. debt portion and 18.21% for the Canadian debt portion. Below is a summary of the valuation between the U.S. and Canadian portions of the convertible debentures.

		U.S. debt in CDN$		Canadian debt		Total Debt
Debt value	$	11,139	$	5,201	$	16,340
Conversion option (equity)		-		1,035		1,035
Conversion option (derivative)		2,266		-		2,266
Warrant value		245		114		359
Principal amount	$	13,650	$	6,350	$	20,000

In connection with the financing, Extract and its affiliates received an arrangement fee equal to 3.0% of the amount of the convertible debentures. In addition, Energold has issued to Extract affiliates, 100,000 warrants with a term of 36 months, exercisable to purchase one Energold common share at an exercise price of $0.85 per share, valued at $0.01 million.

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8. Convertible Debentures ("CDs") - *continued*

To secure the obligations of the Company under the convertible debentures, Energold has provided perfected senior, first ranking security interest in all assets of the Company, with the exception of those assets subject to prior security interests under certain existing loans and lease commitments.

On July 21, 2014, the Company completed a $13.5 million secured convertible debenture issue which bore interest at 12.85% calculated annually, payable quarterly, with a maximum term of three years (Energold held a call provision). On initial recognition, the Company fair valued the debt component using a cash flow model discounted at current interest rate of 14%. The value of the debt component was $13.1 million and the equity component was assigned the residual amount of $0.4 million. Using the effective interest rate method and the 14% rate implicit in the calculation, the difference of $0.4 million from the date of issuance, characterized as the debt discount, was accreted to income over the term of the convertible debenture. On June 15, 2017, the 2014 convertible debenture was repaid.

Convertible debentures as of January 1, 2017	$	13,419
Accretion of debt discount to maturity of 2014 convertible debentures		81
Repayment of 2014 convertible debentures in June 2017		(13,500)
Amounts advanced for June 2017 convertible debentures		20,000
Equity portion of conversion feature		(1,035)
Derivative portion of conversion feature		(2,266)
Warrant value		(359)
Allocation of transactions costs		(908)
Accretion of debt discount for the twelve months of 2017		556
Foreign exchange		(548)
Convertible debentures as of December 31, 2017	$	15,440
Accretion of debt discount for the nine months of 2018		887
Foreign exchange		333
Convertible debentures as of September 30, 2018	**$**	**16,660**

The convertible debentures contain financial and non-financial covenants. As at September 30, 2018, the Company was in compliance with the terms of the agreement.

The Company has determined that the conversion options in the U.S. convertible debentures are embedded derivatives that are required to be separated from the convertible debentures' obligations and recorded at fair value initially and at each statement of financial position date, with changes in fair value recorded in profit or loss. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative. The embedded derivatives are recorded on the statement of financial position as non-current liabilities at the fair value on the transaction date of June 15, 2017. For the nine months ended September 30, 2018, the change in fair value of these embedded derivatives was $1.0 million (September 30, 2017 – nil).

Convertible debentures derivative as of January 1, 2017	$	-
Derivative portion of conversion feature		2,266
Gain on derivative component		(458)
Foreign exchange		(118)
Convertible debentures derivative as of December 31, 2017	$	1,690
Gain on derivative component		(957)
Foreign exchange		69
Convertible debentures derivative as of September 30, 2018	**$**	**802**

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9. Equity

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value.

a) Stock Options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Under the stock option plan 5,467,993 options have been authorized for issuance, of which 3,840,000 have been allocated at September 30, 2018. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors and are settled in cash. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. The directors, subject to the policies of the TSX Venture Exchange, may determine and impose terms upon how each grant of options shall become vested.

A summary of the Company's stock option plan at September 30, 2018 and the changes for the nine months on these dates is as follows:

	Number	Weighted Average Exercise Price
At January 1, 2017	2,280,000	0.84
Granted	1,887,500	0.35
Expired	(30,000)	5.13
Forfeited	(190,000)	0.45
At December 31, 2017	3,947,500	0.59
Exercised	(20,000)	0.35
Forfeited	(87,500)	0.51
At September 30, 2018	**3,840,000**	**0.60**

The following table summarizes information about the stock options outstanding at September 30, 2018:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable
$0.45	1,505,000	0.88	1,505,000
$2.01	495,000	0.13	495,000
$0.35	1,840,000	2.03	1,840,000
	3,840,000	3.03	3,840,000

The fair value of the services provided cannot be reliably measured; therefore, the fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model.

Option pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The total fair value of share-based payment expense on stock options granted to employees and consultants of the Company for the nine months ended September 30, 2018 was $nil (September 30, 2017 – $0.02 million).

b) Warrants

On May 18, 2018, the Company issued 381,330 common share purchase warrants to Extract Capital Master Fund Ltd. and 381,330 common share purchase warrants to Sprott Hedge LP1 and Sprott Hedge LP2 (together, subsequently merged into Ninepoint Gold & Precious Minerals Fund, or "Ninepoint"), in consideration for a working capital facility. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.415 expiring March 1, 2019. *(See Note 11(b)).*

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9. Equity - *continued*

b) Warrants - *continued*

On March 1, 2018, the Company issued 600,000 common share purchase warrants to Extract Capital Master Fund Ltd. and 600,000 common share purchase warrants to Ninepoint, in consideration for a working capital facility. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.54 expiring March 1, 2019. *(See Note 11(b)).*

On June 15, 2017, in connection with the convertible debentures, the Company issued 4,000,000 warrants to loan holders, and 100,000 warrants to Extract and their affiliates. *(See Note 8).*

On July 22, 2016, the Company completed a non-brokered private placement of 716,192 units at a price of $1.00 per unit for aggregate gross proceeds of $0.7 million. Each unit comprised one common share and one common share purchase warrant. Each warrant was exercisable for one common share at a price of $1.75 per share and expired on January 22, 2018.

On July 6, 2016, the Company completed a public offering in which the Company issued 5,750,000 units at a price of $1.00 per unit for aggregate gross proceeds of $5.8 million, including the full exercise of the agents' option to increase the public offering in the amount of $0.8 million. Each unit comprised one common share and one common share purchase warrant. Each warrant was exercisable for one common share at a price of $1.75 per share expiring January 6, 2018. In consideration for the services of the underwriters, they were paid a cash commission of 6% of the gross proceeds of the offering and non-transferable common share purchase warrants ("compensation warrant") equal to 6% of the shares issued pursuant to the offering. Each compensation warrant entitled the holder to acquire one common share of the Company at an exercise price of $1.00 and expired on January 6, 2018.

	Number	Weighted Average Exercise Price
At January 1, 2017	6,811,192	1.71
Granted	4,100,000	1.48
At December 31, 2017	10,911,192	1.63
Granted	1,962,660	0.49
Expired	(6,811,192)	1.71
At September 30, 2018	**6,062,660**	**1.16**

The fair value of the services provided cannot be reliably measured; therefore, the fair value of each warrant granted is estimated at the time of grant using the Black-Scholes option pricing models with assumptions as follows:

	June 15, 2017 4,000,000	June 15, 2017 100,000	March 1, 2018 1,200,000	May 18, 2018 762,660
Risk-free interest rate	1.50%	1.30%	1.71%	1.90%
Expected dividend yield	Nil	Nil	Nil	Nil
Expected share price volatility	63.4%	72.2%	73.1%	80.1%
Expected warrant life in years	5	3	1	0.79

Pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

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9. Equity - *continued*

c) Loss per share

Details of the calculation of loss per share are set out below:

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	**2018**	2017
Net loss	**$ (2,546)**	$ (4,062)	**$ (7,232)**	$ (11,712)
Attributable to non-controlling interest	**-**	-	**-**	(20)
Attributable to shareholders of EGD	**(2,546)**	(4,062)	**(7,232)**	(11,692)
Weighted average number of shares – basic and diluted	**54,679,939**	54,659,939	**54,673,694**	54,659,939
Loss per share – basic and diluted	**(0.05)**	(0.07)	**(0.13)**	(0.21)

10. Key management personnel compensation

Key management includes directors and senior executives. The remuneration of directors and other members of key management personnel are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	**2018**	2017
Salaries and fees	**$ 372**	$ 353	**$ 1,275**	$ 1,148
Share-based compensation	**-**	-	**-**	10
	$ 372	$ 353	**$ 1,275**	$ 1,158
Amounts payable to related parties	**$ 211**	$ 61	**$ 263**	$ 61

11. Related party transactions

Related party transactions are recorded at arms-length which is the amount of consideration paid or received as agreed by the parties. Related party transactions not disclosed elsewhere are as follows:

a) On May 22, 2018, Bertram Drilling Inc. entered into a promissory note in the amount of $0.2 million with a company that is related to five directors of Energold. The note bears an interest rate of 12.5% per annum and has a term of twenty-four months.

b) On March 1, 2018, the Company entered into a working capital facility of up to $2.0 million with Extract Capital Master Fund Ltd. ("Extract") and Sprott Hedge LP1 and Sprott Hedge LP2 (together, now "Ninepoint"). The loan is unsecured and originally had a term of six months, which has subsequently been extended by mutual agreement. Interest on the outstanding principal amount is calculated at a rate of 14% per annum. As partial consideration for the facility, the Company may issue to the lenders an aggregate of up to 2,000,000 share purchase warrants, with each warrant exercisable to acquire one common share of Energold at a price to be determined at the time of issuance for a period of one year from date of issuance. To date, the Company has issued 1,200,000 warrants at an exercise price of $0.54 per share split evenly between Extract and Ninepoint, and 762,660 warrants at an exercise price of $0.415 per share split evenly between Extract and Ninepoint. As at September 30, 2018, the amount outstanding on this credit facility is $0.5 million (December 31, 2017 - $nil) to Extract and $0.5 million (December 31, 2017 - $nil) to Ninepoint. The total of these loans ($1.0 million) is included in trade and other payables. In October 2018, the Company paid $0.7 million. The balance of $0.3 million is due on December 21, 2018.

c) During the nine months ended September 30, 2018, net fees in the amount of $0.02 million were incurred (September 30, 2017 - $0.7 million) from a company related to an officer of Bertram for helicopter services performed in Canada and the U.S. As at September 30, 2018, there was a net payable balance of $0.02 million (December 31, 2017 – $0.8 million).

d) In 2017, the chief executive officer, the chairman of the board, and the audit committee chair purchased a total of $1.0 million of the convertible debentures. In connection with the transaction, a partner at Extract became a general director of the Company from July 2017 to August 2018. As a result, the director and Extract became related parties to the Company during this time. The total amount of CDs purchased by the director and Extract was $13.7 million. In addition, a person related to the chief executive officer and a person related to the audit committee chair of the Company purchased CD's totaling $0.2 million. A trust related to officers of Bertram Drilling Corp., purchased $1.0 million of the CDs. As of September 30, 2018, the outstanding payable to related parties on the CDs was $15.9 million (December 31, 2017 - $15.9 million).

e) In October and November 2016, the Company entered into loan facilities with a company related to an officer of Bertram which expire on December 31, 2019. The loans bear interest at 4.7% per annum. As of September 30, 2018, the amount outstanding on the loan facility is $0.8 million (December 31, 2017 – $0.8 million).

f) As at September 30, 2018, a deferred payment of $0.7 million is due to the vendor of Cros-Man who remains a director of the subsidiary (December 31, 2017 – $1.5 million). *(See Note 4).*

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12. Additional information to the statements of cash flows

Changes in non-cash working capital:

	For the three months ended September 30				For the nine months ended September 30			
		2018		2017		**2018**		2017
Trade and other receivables	$	**(1,336)**	$	(2,468)	$	**(8,473)**	$	(4,775)
Income tax receivable		**42**		(1,459)		**203**		(1,428)
Inventories		**(572)**		657		**1,690**		1,539
Trade and other payables		**(31)**		(115)		**3,998**		1,877
Current income tax payable		**458**		602		**22**		(634)
Due to (from) related party		**(854)**		43		**(476)**		(725)
Deferred revenue		**1,169**		10		**(1,592)**		1,600
	$	**(1,124)**	$	(2,730)	$	**(4,628)**	$	(2,546)

13. Economic dependence

Significant customers

The Company received revenues from the following customers that amounted to greater than 10% of total Company revenues.

	For the three months ended September 30,				For the nine months ended September 30,			
	2018		2017		**2018**		2017	
	$	%	$	%	$	%	$	%
Customer A	**1,166**	**5.3**	177	0.9	**8,024**	**11.5**	4,190	7.4
Customer B	**1,385**	**6.3**	2,298	11.6	**4,124**	**5.9**	5,806	10.2

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14. Segmented information

The Company has three operating segments: Minerals, Energy and Infrastructure, and Manufacturing. The segments are determined based on the reports reviewed by the Chief Executive Officer (who is considered the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Details are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	**2018**	2017
Revenue				
Minerals	**9,513**	11,582	**32,763**	34,346
Energy and Infrastructure	**11,107**	6,362	**27,870**	17,625
Manufacturing	**1,295**	1,839	**8,926**	4,725
	$ 21,915	$ 19,783	**$ 69,559**	$ 56,696
Income (Loss)				
Minerals	**422**	341	**1,568**	1,191
Energy and Infrastructure	**(3)**	(1,331)	**(1,147)**	(3,692)
Manufacturing	**(415)**	(669)	**155**	(2,314)
General and corporate expenses (1)	**(1,587)**	(1,601)	**(4,127)**	(3,983)
Operating loss	**$ (1,583)**	$ (3,260)	**$ (3,551)**	$ (8,798)
Foreign exchange loss	**(147)**	354	**(572)**	210
Finance and other costs	**(979)**	(852)	**(3,069)**	(2,829)
Gain on derivative component of debentures	**747**	-	**957**	-
Income tax (expense) recovery	**(584)**	(304)	**(997)**	(295)
	$ (2,546)	$ (4,062)	**$ (7,232)**	$ (11,712)
Amortization				
Minerals	**410**	442	**1,151**	1,172
Energy and Infrastructure	**1,379**	1,607	**4,085**	4,930
Manufacturing	**31**	34	**93**	106
Unallocated and corporate assets	**17**	18	**51**	51
	$ 1,837	$ 2,101	**$ 5,380**	$ 6,259

(1) General and corporate expenses include expenses for corporate offices, share options and certain unallocated costs.

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14. Segmented information – *continued*

As at		September 30 2018		December 31 2017
Assets				
Minerals	$	**61,531**	$	61,286
Energy and Infrastructure		**19,803**		19,569
Manufacturing		**3,837**		4,855
Unallocated and corporate assets		**4,946**		6,452
	$	**90,117**	$	92,162
Property, plant and equipment				
Minerals	$	**6,210**	$	6,702
Energy and Infrastructure		**6,111**		8,884
Manufacturing		**163**		220
Unallocated and corporate assets		**10**		52
	$	**12,494**	$	15,858
Intangibles				
Minerals	$	**1,710**	$	1,710
Energy and Infrastructure		**2,946**		3,227
Manufacturing		**386**		253
	$	**5,042**	$	5,190

Geographic information

	For the three months ended September 30				For the nine months ended September 30			
Revenue		**2018**		2017		**2018**		2017
Mexico and the Caribbean	$	**6,004**	$	7,827	$	**16,117**	$	22,856
South America		**450**		1,525		**5,467**		3,312
Africa and Other		**3,248**		1,589		**17,637**		9,700
Canada		**7,188**		3,122		**18,393**		11,796
United States of America		**3,919**		3,240		**9,477**		5,828
United Kingdom and Europe		**1,106**		2,480		**2,468**		3,204
	$	**21,915**	$	19,783	$	**69,559**	$	56,696

As at		September 30 **2018**	**2018**		December 31 2017		2017
		Property, plant and equipment	Intangible assets		Property, plant and equipment		Intangible assets
Mexico and the Caribbean	$	**2,140**	**-**	$	1,908	$	-
South America		**769**	**1,710**		1,002		1,710
Africa and Other		**3,051**	**-**		3,073		-
Canada		**3,700**	**2,946**		6,504		3,227
United States of America		**2,420**	**-**		2,433		-
United Kingdom and Europe		**414**	**386**		938		253
	$	**12,494**	**5,042**	$	15,858	$	5,190

This is Exhibit "E" referred to
in the Affidavit #1 of Mark Berger
made before me on September 12, 2019

A Commissioner for taking Affidavits
for British Columbia

ENERGOLD DRILLING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

Management's Responsibility For Financial Reporting

The accompanying financial statements of Energold Drilling Corp. ("the Company") have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and within the framework of the summary of significant accounting policies in these consolidated financial statements, and reflect management's best estimate and judgment based on currently available information.

Management has developed and maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is accurate and reliable.

The Audit Committee of the Board of Directors meets periodically with management and with the Company's independent auditors to review the scope and results of their annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the shareholders and their report follows.

"F.W. Davidson" President and Chief Executive Officer

"Steven Gold" Chief Financial Officer

April 16, 2018

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April 16, 2018

Independent Auditor's Report

To the Shareholders of Energold Drilling Corp.

We have audited the accompanying consolidated financial statements of Energold Drilling Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Energold Drilling Corp. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Energold Drilling Corp.

Consolidated Statements of Financial Position
As at December 31
Canadian dollars in thousands except for shares and per share data

ASSETS		2017	2016
Current assets			
Cash and cash equivalents	$	**7,653**	13,715
Restricted cash		**234**	116
Trade and other receivables *(Note 5)*		**12,685**	11,530
Income taxes receivable		**2,666**	2,124
Investments *(Note 7)*		**2,897**	4,751
Inventories *(Note 6)*		**44,947**	47,934
		71,082	80,170
Non-current assets			
Property, plant and equipment *(Note 8(a))*		**15,858**	23,057
Goodwill and intangible assets *(Note 9)*		**5,190**	5,707
Deferred income tax assets *(Note 14)*		**32**	47
		21,080	28,811
	$	**92,162**	108,981
LIABILITIES			
Current liabilities			
Bank indebtedness *(Note 10)*	$	**2,509**	6,260
Trade and other payables *(Note 11)*		**13,401**	10,953
Convertible debentures *(Note 12)*		**-**	13,419
Current income tax payable		**541**	1,742
Deferred revenue		**3,095**	937
		19,546	33,311
Non-current liabilities			
Bank indebtedness *(Note 10)*		**-**	119
Due to related party *(Note 17)*		**1,490**	2,344
Finance leases *(Note 15)*		**623**	660
Convertible debentures *(Note 12)*		**15,440**	-
Convertible debentures derivative *(Note 12)*		**1,690**	-
Deferred income tax liabilities *(Note 14)*		**3,032**	3,421
		22,275	6,544
		41,821	39,855
SHAREHOLDERS' EQUITY			
Share capital		**95,368**	95,368
Contributed surplus		**9,233**	8,664
Warrants *(Note 16(b))*		**2,277**	1,747
Equity component of convertible debentures *(Note 12)*		**896**	375
Accumulated other comprehensive income		**(3,195)**	674
Accumulated deficit		**(54,238)**	(37,280)
Total equity attributable to Energold Drilling Corp. shareholders		**50,341**	69,548
Non-controlling interest		**-**	(422)
		50,341	69,126
	$	**92,162**	108,981

Nature of operations *(Note 1)*

ON BEHALF OF THE BOARD:

"F.W. Davidson", Director

"M.A. Corra" , Director

- The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Consolidated Statements of Loss
For the years ended December 31
Canadian dollars in thousands except for shares and per share data

		2017		2016
Revenue	$	**74,979**	$	65,400
Direct costs		**64,179**		56,203
Gross profit (excluding amortization)		**10,800**		9,197
Indirect and administrative expenses				
Accounting, audit and legal		**951**		1,097
Amortization		**8,384**		9,205
Bad debt expense		**433**		416
Investor relations, marketing and travel		**1,234**		1,688
Management fees and consulting		**1,293**		1,490
Office, rent, insurance and sundry		**3,741**		3,515
Office salaries and services		**8,464**		8,852
Share-based payments		**373**		197
		24,873		26,460
Operating loss		**(14,073)**		(17,263)
Other income (expenses)				
Foreign exchange gain		**248**		2,176
Finance income		**45**		128
Finance cost *(Note 13)*		**(3,375)**		(3,085)
Other (expenses) income		**(88)**		473
Gain on derivative component of debenture *(Note 12)*		**458**		-
(Loss) gain on disposal of assets		**(547)**		146
Impairment of intangible assets		**-**		(169)
		(3,259)		(331)
Loss before taxes		**(17,332)**		(17,594)
Deferred income taxes recovery *(Note 14)*		**(404)**		(249)
Current income and other taxes expense *(Note 14)*		**670**		1,216
Net loss	$	**(17,598)**	$	(18,561)
Attributable to:				
Equity holders of Energold Drilling Corp.	$	**(17,598)**	$	(18,379)
Non-controlling interest	$	**-**	$	(182)
Loss per share attributable to equity shareholders of Energold Drilling Corp.				
Loss per share – Basic and diluted *(Note 16(c))*	$	**(0.32)**	$	(0.36)
Weighted average number of shares outstanding – Basic and diluted *(Note 16(c))*		**54,659,939**		51,304,389

- The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Consolidated Statements of Comprehensive Loss
For the years ended December 31
Canadian dollars in thousands except for shares and per share data

		2017		2016
Net loss	$	**(17,598)**	$	(18,561)
Other comprehensive (loss) income				
Items that will not be reclassified to net loss				
Changes in fair value of investments		**(1,871)**		1,304
Items that may be reclassified to net loss				
Cumulative translation adjustment		**(1,499)**		(10,700)
Total comprehensive loss	$	**(20,968)**	$	(27,957)
Attributable to:				
Equity holders of Energold Drilling Corp.	$	**(20,968)**	$	(27,775)
Non-controlling interest		**-**		(182)
	$	**(20,968)**	$	(27,957)

- The accompanying notes form an integral part of these interim condensed consolidated financial statements –

Energold Drilling Corp.

Consolidated Statement of Changes in Equity

Canadian dollars in thousands except for shares and per share data

	Shares Outstanding	Share Capital ($)	Contributed Surplus ($)	Warrants ($)	Equity Component of Convertible Debentures ($)	Accumulated Other Comprehensive Income ($)	Non-controlling Interest ($)	Accumulated Deficit ($)	Total Shareholders' Equity ($)
Balance at January 1, 2016	48,181,247	91,454	8,291	-	375	10,070	(240)	(18,901)	91,049
Net loss for the year	-	-	-	-	-	-	(182)	(18,379)	(18,561)
Share-based payments	-	-	197	-	-	-	-	-	197
Shares issued in relation to public offering	5,750,000	5,750	-	-	-	-	-	-	5,750
Shares issued in relation to private placement	716,192	716	-	-	-	-	-	-	716
Share issue costs	-	(635)	-	-	-	-	-	-	(635)
Compensation warrants issued in relation to public offering	-	(179)	179	-	-	-	-	-	-
Stock options exercised	12,500	6	-	-	-	-	-	-	6
Fair value assigned to stock options exercised	-	3	(3)	-	-	-	-	-	-
Warrants issued in relation to private placement	-	(1,747)	-	1,747	-	-	-	-	-
Unrealized gain on investments classified as AFS	-	-	-	-	-	1,304	-	-	1,304
Cumulative translation adjustment	-	-	-	-	-	(10,700)	-	-	(10,700)
Balance at December 31, 2016	54,659,939	95,368	8,664	1,747	375	674	(422)	(37,280)	69,126
Impact of adopting IFRS 9 (*Note 3(q)*)	-	-	-	-	-	(499)	-	640	141
Balance at January 1, 2017 (restated)	54,659,939	95,368	8,664	1,747	375	175	(422)	(36,640)	69,267
Net loss for the year	-	-	-	-	-	-	-	(17,598)	(17,598)
Share-based payments	-	-	373	-	-	-	-	-	373
Fair value and reclassification of equity component of convertible debentures	-	-	375	-	579	-	-	-	954
Warrants issued and reclassified in relation to convertible debentures	-	-	(179)	550	-	-	-	-	371
Allocation of transaction costs in relation to convertible debentures	-	-	-	(20)	(58)	-	-	-	(78)
Write-off of receivable from NCI partner	-	-	-	-	-	-	422	-	422
Other comprehensive loss	-	-	-	-	-	(3,370)	-	-	(3,370)
Balance at December 31, 2017	**54,659,939**	**95,368**	**9,233**	**2,277**	**896**	**(3,195)**	**-**	**(54,238)**	**50,341**

– The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Consolidated Statement of Cash Flows
For the years ended December 31
Canadian dollars in thousands except for shares and per share data

Cash provided by (used in)		**2017**		2016
Operating activities				
Net loss	$	**(17,598)**	$	(18,561)
Items not affecting cash:				
Amortization		**8,384**		9,205
Finance costs		**-**		250
Share-based payments		**373**		197
Management fees and consulting		**92**		-
Gain on derecognition of equity investment *(Note 7)*		**-**		(640)
Deferred income taxes recovery		**(404)**		(249)
Equity loss from IMPACT Silver Corp.		**-**		47
Loss (gain) on disposal of assets		**547**		(146)
Gain on derivative portion of convertible debenture		**(458)**		-
Impairment of intangible assets		**-**		169
Bad debt expense		**433**		416
Accretion related to long term debt *(Note 12)*		**718**		132
Unrealized gain on foreign exchange		**(1,285)**		(1,917)
Change in non-cash working capital *(Note 21)*		**2,340**		8,281
		(6,858)		(2,816)
Investing activities				
Acquisition of Cros-man, net of cash acquired		**-**		(3,008)
Purchase of investments		**-**		(310)
Proceeds on sale of assets		**294**		134
Proceeds on sale of investments		**289**		1,165
Purchase of property, plant and equipment		**(1,227)**		(1,089)
Capitalized development costs		**-**		(62)
Restricted cash		**(126)**		120
		(770)		(3,050)
Financing activities				
Convertible debentures issuance (net of transaction costs) *(Note 12)*		**18,900**		-
Repayment of convertible debentures *(Note 12)*		**(13,500)**		-
Proceeds from (repayment of) bank facility		**-**		(2,936)
Proceeds from credit facilities		**-**		5,197
Repayment of credit facilities		**(3,692)**		(1,824)
Repayment of finance leases		**(142)**		(1,046)
Proceeds from shares issued		**-**		5,837
Proceeds on loan from related party *(Note 17(c))*		**-**		792
		1,566		6,020
Net increase (decrease) in cash		**(6,062)**		154
Cash at the beginning of the year		**13,715**		13,561
Cash at the end of the year	$	**7,653**	$	13,715

Interest paid	$	**2,487**	$	2,150
Income taxes paid		**2,772**		714

- The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2017
Canadian dollars in thousands except for shares and per share data

1. Nature of operations

Energold Drilling Corp. (the "Company") provides, directly and through its subsidiaries, drilling services for parties principally in North America, Mexico, the Caribbean, Central America, South America, Europe and Africa. The Company, through its subsidiary, also designs and manufactures specialty/customized drilling rigs and associated equipment for water well, mineral exploration and geotechnical drilling companies. Additionally, the Company, through its subsidiaries, provides drilling and other services to the energy sector in Canada and the United States ("U.S."). The Company is located at 1100-543 Granville Street, Vancouver, British Columbia, Canada, V6C 1X8.

2. Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of these consolidated financial statements. The consolidated financial statements have been prepared on a historical basis, except where otherwise indicated, and are presented in Canadian dollars and all values are rounded to the nearest thousands, except where otherwise indicated. The consolidated financial statements were authorized for issue by the Board of Directors on April 16, 2018.

Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. 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 further periods, if the review affects both current and future periods. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The main judgments and estimates made by management in applying accounting policies primarily relate to the following, as applicable, and further details of assumptions made are disclosed in individual notes throughout the consolidated financial statements.

Income taxes:
The Company is subject to income taxes in numerous jurisdictions and significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain and in these cases management interprets tax legislation in forming a judgment. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. A deferred tax asset is recognized to the extent that it is probable that future taxable earnings will be available to use against the asset. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize an asset. See Note 14 for additional information.

Review of asset carrying values and impairment:
Each cash generating unit ("CGU") is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of a CGU of assets is measured at the higher of fair value less cost of disposal ("FVLCD") or value in use ("VIU").

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2017
Canadian dollars in thousands except for shares and per share data

2. Basis of presentation - *continued*

Significant accounting judgments and estimates - *continued*

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information including such factors as market and economic conditions and internal forecasts. The determination of FVLCD and VIU requires management to make estimates and assumptions about expected revenue, estimated operating costs, estimated meters drilled, taxes, discount rates and future sustainable capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence there is the possibility that changes in circumstances will alter these forecasts which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reversed with the impact recorded in the consolidated statement of loss.

Functional currency:
The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Trade and other receivables:
Trade receivables are financial assets recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 3(n) for further information on accounting for financial assets and a description of the Company's impairment policies. See Note 5 for further information about the Company's accounting for trade receivables.

Inventory valuation:
The Company reviews the expected remaining field service life of the equipment parts and supplies and provides an allowance for normal wear and tear.

Business combinations:
The Company uses estimates and assumptions for the fair value of assets and liabilities acquired in business combinations. Refer to Note 4 for additional information.

3. Significant accounting policies

a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries, the most significant of which are presented in the table below. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. When the Company ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. All intercompany transactions and balances are eliminated on consolidation. For subsidiaries that the Company controls, but does not own 100% of, the net assets and net profit attributable to outside shareholders are presented as amounts attributable to non-controlling interests in the consolidated balance sheet and consolidated statement of loss and comprehensive loss.

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2017
Canadian dollars in thousands except for shares and per share data

3. Significant accounting policies - *continued*

a) Basis of consolidation - *continued*

Subsidiary	Incorporation Location	Nature of operations	Functional currency
Energold de Mexico S.A. de C.V. ("EDM")	Mexico	Mineral drilling	Mexican Peso (MXN)
Energold Drilling Dominicana, S.R.L. ("EDD")	Dominican Republic	Mineral drilling	Dominican Peso
Energold Drilling Peru, S.A.C. ("EDP")	Peru	Mineral drilling	U.S. Dollar ("USD")
Energold Perfuracoes Ltda. ("EPB")	Brazil	Mineral drilling	Brazilian Reias
Energold Argentina S.A. ("EDA")	Argentina	Mineral drilling	Argentinean Peso
Energold Drilling (EMEA) Ltd. ("EMEA")	United Kingdom	Mineral drilling	Pound Sterling ("GBP")
Dando Drilling International Ltd. ("Dando" or "DDI")	United Kingdom	Manufacturing	GBP
Bertram Drilling Corp. ("Bertram")	Canada	Energy drilling	Canadian Dollar ("CDN")
Bertram Drilling Inc. ("BDI")	United States	Energy drilling	USD
E Drilling de Nicaragua S.A. ("EDDN")	Nicaragua	Mineral drilling	Nicaraguan Cordoba
E&E International Services Ltd. ("E&E")	Canada	Energy drilling	CDN
Cros-Man Direct Underground Ltd. ("Cros-man)"	Canada	Energy drilling	CDN
Energold de Panama S.A.	Panama	Mineral drilling	USD
EGD Services Ltd.	Canada	Drilling support services	CDN
Energold Senegal SUARL	Senegal	Mineral drilling	CFA Franc ("XOF")
Energold Cote d'Ivoire ("ECI")	Ivory Coast	Mineral drilling	XOF

Significant restrictions
The Company has subsidiaries in certain countries such as Brazil which are subject to local exchange control regulations that may restrict exportation of capital from the country.

b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS-3 Business Combinations are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS-5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree being the date on which the Company gains control. The excess of the cost over the fair value of the Company's share of identifiable net assets acquired is recorded as goodwill. If, after reassessment, the consideration is less than the fair value of net assets acquired, the excess is recognized immediately in the statement of comprehensive income as a bargain purchase gain. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated are made within twelve months of the acquisition date and are effected prospectively from the date of acquisition. Where a business combination agreement provides for an adjustment to the cost of a business acquired contingent on future events, the Company accrues the fair value of the amount of any additional consideration payable in the cost of the acquisition as a liability at the acquisition date where this can be measured reliably. This amount is reassessed at each subsequent balance sheet date with any adjustments to the liability recognized in the statement of comprehensive income. To the extent that consideration is contingent upon continuing employment, the consideration is treated as post-combination consideration and recognized in the statement of comprehensive income in the period that the payment is accrued or paid.

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2017
Canadian dollars in thousands except for shares and per share data

3. Significant accounting policies – *continued*

c) Foreign currency translation

The functional currency for each of our subsidiaries and associates is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Resulting foreign exchange gains or losses are recognized in income.

The functional currency of Energold Drilling Corp., the parent entity, is the Canadian dollar, which is also the presentation currency of our consolidated financial statements.

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
(ii) Income and expenses for each statement of loss are translated at a quarterly average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
(iii) Share capital for each statement of financial position presented are translated at historical rate; and
(iv) All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

Exchange differences that arise relating to long-term intercompany balances that form part of the net investment in a foreign operation are also recognized in this separate component of equity through other comprehensive income.

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in the statement of loss.

d) Investments

Investments in equity securities are financial assets recognized initially at fair value and subsequently measured at fair value through other comprehensive loss ("FVTOCI") because the Company does not hold these securities for the purpose of trading. Fair value is determined using quoted market prices.

e) Inventories

The Company maintains an inventory of operating supplies and drill consumables such as drill rods, tubes, bits, casings, consumable supplies and lubricants as well as pumps, motors and other drilling equipment and parts. Procurement, transportation and import duties are included in inventory cost. Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average cost method. The Company applies the following policies with respect to inventory accounting and valuation:

(i) Higher value drilling equipment parts and supplies, as well as consumable inventories are valued at landed cost, based upon country of use, less an allowance for normal wear and tear based upon management's judgment of the expected remaining field service life of the equipment parts and supplies.
(ii) Each drill has a base inventory of smaller value equipment parts and supply items which are valued at landed cost.

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2017
Canadian dollars in thousands except for shares and per share data

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3. Significant accounting policies - *continued*

f) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization and applicable impairment losses. Cost includes the purchase price and directly attributable costs to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. When an item of property, plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

The costs of day-to-day servicing, commonly referred to as "repairs and maintenance", are recognized in the statement of loss as an expense, as incurred.

Subsequent costs are recognized in the carrying amount of an item of property, plant and equipment when the cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognized in the statement of loss as an expense, as incurred.

Amortization commences when property, plant and equipment are considered available for use. Amortization is recognized in earnings or loss over the estimated useful lives of each part of an item of property, plant and equipment and is in line with the pattern of use of the future economic benefits. The declining balance method is used except as otherwise indicated below.

The following rates are used in the calculation of amortization:

Building	7 years straight line
Operating equipment	20% per annum (Minerals and Manufacturing); 7 years straight line (Energy)
Vehicles	20% per annum
Office equipment	20% per annum
Computer equipment	30% per annum

An item of property, plant and equipment and any significant parts initially recognized is derecognized upon disposal or when no future economic benefits are expected from its continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of loss.

Amortization methods, useful lives and residual values are reassessed each reporting date and any changes arising from the assessment are applied prospectively.

g) Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception date of the lease or the present value of the minimum lease payments. The corresponding liability is recognized as a finance lease obligation. Lease payments are accounted for using the effective interest rate method. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized. In a finance leaseback transaction, any profit or loss from the transaction will be deferred and amortized over the lease term.

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3. Significant accounting policies - *continued*

h) Intangible assets

Intangible assets include goodwill, customer relationships, brand, and business development costs.

Goodwill

Business acquisitions are accounted for using the purchase method, whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair value is recorded as goodwill. Goodwill is identified and allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the fair value of assets and liabilities in the reporting unit. Goodwill is not amortized.

The Company assesses goodwill impairment on at least an annual basis, or more frequently if events or circumstances indicate there may be impairment. To accomplish this assessment, the Company estimates the value in use of its reporting units that include goodwill and compares those fair values to the reporting units' carrying amounts. If the carrying value of a reporting unit exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value is charged to operations. Assumptions underlying the fair value estimates are subject to significant risks and uncertainties.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition as cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category, consistent with the nature of the intangible assets.

The following useful lives are used in the calculation of amortization.

	Energy – Cros-man	Energy - Bertram	Manufacturing
Customer relationships	7 years	5 years	N/A
Brand	N/A	5 years	N/A
Other intangible assets	4 years	3 years	10 % per annum

i) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets might be impaired. If any such indication exists, which is often judgmental, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information including factors such as market and economic conditions, sales forecast and the physical condition and usability of the drills. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of asset that generates cash inflows from other assets or groups of assets.

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which future cash flows have not been adjusted. The FVLCD is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's length basis between knowledgeable, willing parties, less costs

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3. Significant accounting policies - *continued*

i) Impairment of non-financial assets - *continued*

of disposal. FVLCD is primarily derived using discounted cash flow techniques, which incorporates market participant assumptions.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss recognized in prior years for long-lived assets shall be reversed only if there has been a significant change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is recognized in the statement of loss and is limited to the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. After such a reversal, any amortization charge is adjusted prospectively.

j) Revenue recognition

Revenue from services rendered is measured at the fair value of the consideration received or receivable. Revenue from services rendered is recognized when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity, when collection is reasonably assured and when specific criteria have been met for each of the Company's activities, as described below.

Revenue from the Company's mineral drilling contracts is recognized on the basis of actual meters drilled for each contract. Revenue from the Company's energy contracts is recognized based on actual meters drilled or number of wells completed depending on the type of contract. Revenue from ancillary services is recorded when the services are rendered. Contract prepayments are recorded as deferred revenue until performance is achieved and are credited against contract billings in accordance with the contract terms.

Revenue from the manufacturing division is recorded using the percentage of completion method in accordance with IAS 11, Construction Contracts. Standard accounting practices to recognize revenue with regard to construction contracts falls under IAS 11, which recommends the percentage of completion method. As the Company constructs and assembles the drills it sells to its customers, management considers it appropriate to recognize revenue under this basis.

k) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. The directors, subject to the policies of the TSX Venture Exchange, may determine and impose terms upon how each grant of options shall become vested.

The fair value of the options is measured at grant date using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. When options vest in installments over the vesting period, each installment is accounted for as a separate arrangement. The fair value is recognized as expense with a corresponding increase in equity. At each reporting date, the Company revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in income, with a corresponding adjustment to equity.

3. Significant accounting policies - *continued*

l) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for tax payable with regard to previous periods.

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable earnings will be available to use against the asset. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize an asset.

Deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle its current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

m) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding on a diluted basis. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. When the effects of potential issuance of shares under options would be anti-dilutive basic and diluted loss per share are the same.

n) Financial instruments

(i) Classification and measurement

Financial instruments are classified at initial recognition into the following categories: at fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI"), or at amortized cost.

(ii) Measurement

Financial assets and liabilities at FVTPL: Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss in the period in which they arise.

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3. Significant accounting policies - *continued*

n) Financial instruments - *continued*

(ii) Measurement - *continued*

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive loss.

Financial assets and liabilities at amortized cost: Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest rate method less any impairment. The effective interest method allocates interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Amortization under the effective interest rate method is included in finance costs in the consolidated statement of loss.

Derivative financial instruments: Derivatives embedded in financial liabilities are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts. Embedded derivatives are classified as FVTPL with changes in value recognized in the consolidated statement of loss.

(iii) Impairment of financial assets

Impairment of financial assets at amortized cost: An expected credit loss is recognized on financial assets measured at amortized cost. At each reporting date, a loss allowance for the financial asset is measured at an amount equal to twelve months expected credit losses. The expected credit losses are assessed on a divisional basis. If, at the reporting date, the credit risk on the financial asset has increased significantly since initial recognition, a loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

(iv) Derecognition

Derecognition of financial assets and liabilities: Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on derecognition are recognized within finance income or finance costs, respectively. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

(v) Fair value of financial instruments

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), fair value is established by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the financial asset's specific circumstances.

Energold Drilling Corp.

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3. Significant accounting policies - *continued*

o) Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity, in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. The conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion, or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized as equity will be transferred to share capital.

When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to contributed surplus. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option. Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allowing resources and assessing performance of the operating segments, has been identified as the person who makes strategic decisions. Performance from both an industry and geographic perspective is examined and three reportable segments have been identified:

i) Minerals – This part of the business provides drilling services in the minerals industry for parties principally in North America, Mexico, the Caribbean, Central America, South America, Africa and Europe.
ii) Energy – This part of the business provides drilling and other services to the energy sector in Canada, the U.S. and South America.
iii) Manufacturing – This part of the business designs and manufactures specialty / customized drilling rigs and associated equipment for water well, mineral exploration and geotechnical drilling companies.

q) Change in accounting policies

<u>IFRS 9 – Financial Instruments – classification and measurement</u>

The Company has early adopted all of the requirements of IFRS 9 as of October 1, 2017. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so our accounting policy with respect to financial liabilities is unchanged.

The Company has changed our accounting policy for financial assets retrospectively for assets that were recognized at the date of application. The main areas of change are the accounting for equity securities previously classified as available for sale, and the expected credit loss recognized on financial assets measured at amortized cost.

Canadian dollars in thousands except for shares and per share data

3. Significant accounting policies - *continued*

q) Change in accounting policies - *continued*

IFRS 9 – Financial Instruments – classification and measurement - *continued*

The Company completed a detailed assessment of our financial assets and liabilities as at October 1, 2017. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification – IAS 39	New classification – IFRS 9
Cash and cash equivalents	Amortized cost	Amortized cost
Restricted cash	Amortized cost	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Investments	Available for sale	FVTOCI
Bank indebtedness	Amortized cost	Amortized cost
Trade payables and other payables	Amortized cost	Amortized cost
Convertible debenture	Amortized cost	Amortized cost
Convertible debenture derivative	FVTPL	FVTPL

The Company elected to classify our marketable securities as FVTOCI as they are not considered to be held for trading.

The Company has recognized the effects of retrospective application at the beginning of the annual reporting period that includes the date of initial application. Therefore, the adoption of IFRS 9 resulted in a decrease to opening retained deficit on January 1, 2017 of $0.6 million with a corresponding adjustment of $0.5 million to accumulated other comprehensive loss and $0.1 million to accounts receivable.

r) Recent accounting pronouncements issued but not yet implemented

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2017:

IFRS 15, 'Revenue from contracts with customers'

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognize transitional adjustments in retained earnings on the date of initial application (e.g. January 1, 2018), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has reviewed its contracts and concluded that there will be no impact in the mineral drilling and energy divisions from the adoption of the standard. Revenue from the manufacturing division will continue to be recognized as the performance of a contract is satisfied over time, however only to the extent that the customer is obliged to pay for progress to date and the manufactured product cannot be readily reassigned to a separate customer. In cases where these criteria are not met, revenue will be recognized upon delivery.

Canadian dollars in thousands except for shares and per share data

3. Significant accounting policies - *continued*

r) Recent accounting pronouncements issued but not yet implemented - *continued*

IFRS 16 – Leases

In January 2016, the IASB issued a new standard which replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company has begun preliminary discussions and will need to recognize certain lease assets and liabilities upon adoption; however, the extent of the impact of adoption of the standard has not yet been determined.

4. Business combination

On March 4, 2016, the Company acquired all the outstanding shares of Cros-man Direct Underground Ltd. ("Cros-man") and accounted for the transaction as a business combination. Based in Manitoba, Canada, Cros-man is a horizontal directional drilling company, servicing the telecommunications, water, sewage, hydro and energy sectors in Canada. The results of operations of Cros-man from March 4, 2016 forward are included in these financial statements. The assets acquired and liabilities assumed were recorded at their estimated fair values.

Fair value of assets and liabilities acquired		
Cash	$	492
Trade and other receivables		706
Income taxes receivable		145
Trade and other payables		(83)
Due to vendors		(910)
Net working capital acquired		350
Other receivables		106
Property, plant and equipment		2,327
Intangible assets		2,330
Deferred income tax liability		(994)
Net assets acquired	$	4,119
Consideration		
Cash payment	$	3,500
Deferred payment		2,200
Total consideration	$	5,700
Goodwill	$	1,581

The excess of the acquisition cost of the business over the estimated fair values of the identifiable net assets acquired is recognized as goodwill. The goodwill balance arises primarily as a result of the synergies existing within the acquired business. The total consideration for the acquisition was $5.7 million of which $3.5 million was paid on closing date in cash and $2.2 million is payable to the vendors over a three-year period. The deferred payment to the vendors is recorded at fair value and includes fixed payments of $0.7 million paid in 2017 and $0.8 million due in each of 2018 and 2019. As well, the vendors have the opportunity to earn a performance incentive of up to $0.5 million per year for the next three years following the closing date as it targets certain growth metrics. As of December 31, 2017, the deferred payment amount was $1.5 million of which $0.8 million is included in current trade and other payables and $0.7 million is included in non-current liabilities as due to related party.

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5. Trade and other receivables

	December 31, 2017	December 31, 2016
Trade receivables	$ **10,442**	$ 9,187
Prepaid expenses	**1,001**	883
Government receivables	**1,084**	1,348
Other	**158**	112
	$ **12,685**	$ 11,530

As of December 31, 2017, the allowance for doubtful accounts based on the expected credit losses was $0.2 million (December 31, 2016 - $0.4 million).

6. Inventories

	December 31, 2017	December 31, 2016
Supplies and raw materials	$ **44,285**	$ 46,884
Work in progress	**662**	1,050
	$ **44,947**	$ 47,934

The cost of inventories recognized as an expense and included in direct costs for the year ended December 31, 2017 was $20.0 million (December 31, 2016 - $17.8 million).

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7. Investments

a) Details are as follows:

		December 31, 2017		December 31, 2016
Balance, beginning of period	**$**	**4,751**	$	167
Additions		**306**		15
Disposals		**(287)**		(1,165)
Reclassification of IMPACT investment *(Note 7(b))*		**-**		3,945
Fair value adjustments through OCI		**(1,871)**		1,808
Foreign exchange adjustments		**(2)**		(19)
Balance, end of period		**2,897**		4,751

b) Investment in IMPACT Silver Corp. ("IMPACT")

Prior to May 27, 2016, Energold held a significant interest in IMPACT Silver Corp. ("IMPACT"), a Canadian public company, which is an operating silver mine and has mineral exploration properties in Mexico. The Company owned 7,980,001 common shares, representing approximately 10.39% of the issued and outstanding common shares in the capital of IMPACT at that time. The Company was considered to have significant influence over IMPACT and so the investment was accounted for using the equity method due to mutual management at the executive level and its shareholding and directorships in IMPACT. Subsequent to May 27, 2016, IMPACT completed a $5.0 million private placement which diluted Energold's ownership position below 10%. As a result, the Company now accounts for IMPACT as an investment at FVTOCI.

Details of the investment in IMPACT are as follows:

Balance – January 1, 2016	$	3,326
Purchase of shares		310
Equity loss to May 27, 2016		(47)
Dilution Gain		356
Reclassification of investment		(3,945)
Balance – December 31, 2016 and December 31, 2017	$	-

Prior to the dilution of Energold's ownership position on May 27, 2016, Energold participated in IMPACT's April 19, 2016 private placement. Energold purchased 1,000,000 shares in IMPACT at a cost of $310,000 or $0.31 per share.

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8. Property, plant and equipment

a) Details are as follows:

	Buildings ($)	Operating equipment ($)	Vehicles ($)	Office and Computer Equipment ($)	Total ($)
Cost					
Balance at January 1, 2016	769	63,548	9,841	1,549	75,707
Additions	2	605	332	112	1,051
Disposals	-	(532)	(408)	(171)	(1,111)
Acquisition through business combination	-	1,418	909	-	2,327
Foreign exchange movement	(37)	(6,100)	(2,165)	(101)	(8,403)
Balance at December 31, 2016	734	58,939	8,509	1,389	69,571
Additions	11	1,029	254	74	1,368
Disposals	(70)	(781)	(164)	-	(1,015)
Foreign exchange movement	5	(970)	(189)	(6)	(1,160)
Balance at December 31, 2017	**680**	**58,217**	**8,410**	**1,457**	**68,764**
Accumulated amortization					
Balance at January 1, 2016	(438)	(38,846)	(5,316)	(1,204)	(45,804)
Amortization for the year	(118)	(6,873)	(1,137)	(159)	(8,287)
Finance costs[1]	-	(159)	-	-	(159)
Disposals	-	398	221	135	754
Foreign exchange movement	32	5,094	1,731	125	6,982
Balance at December 31, 2016	(524)	(40,386)	(4,501)	(1,103)	(46,514)
Amortization for the year	(100)	(6,838)	(895)	(96)	(7,929)
Disposals	45	517	68	-	630
Foreign exchange movement	(1)	784	130	(6)	907
Balance at December 31, 2017	**(580)**	**(45,923)**	**(5,198)**	**(1,205)**	**(52,906)**
Net book value					
At December 31, 2016	210	18,553	4,008	286	23,057
At December 31, 2017	**100**	**12,294**	**3,212**	**252**	**15,858**

[1] Related to finance leaseback transactions - the difference between the sales transaction and the net book value is deferred and amortized over the lease term and recognized as finance costs.

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8. Property, plant and equipment – *continued*

b) Liabilities under capitalized finance leases (Note 15b)

	Liabilities secured		Net book value of assets	
	2017	2016	**2017**	2016
At December 31, 2017	**1,152**	1,335	**1,492**	2,614

c) Impairment test

At December 31, 2017, the Company reviewed impairment indicators regarding each of its CGU's (mineral division, energy division, Cros-man and manufacturing division) and identified there were indicators of impairment on its mineral and energy CGUs. The Company did not identify any impairment losses.

Mineral Division
The recoverable amount for the property, plant and equipment impairment testing was determined using a VIU discounted cash flow methodology. The cash flows cover a period of five years, after which a terminal value is determined. The key assumptions used to determine VIU are as follows:

Revenue, Operating Costs and Capital Expenditures – Revenue, operating costs and capital expenditures are based on internal management forecasts. Revenue and cost assumptions incorporate management experience and expertise, current revenue and operating costs, the nature and location of each operation and the risks associated with each operation. Future capital expenditure is based on management's best estimate of required future sustaining capital requirements. All committed and anticipated capital expenditures adjusted for future cost estimates have been included in the projected cash flows.

Discount Rate - An after-tax discount rate of 11% was used for the impairment test. Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows. This rate is based on the weighted average cost of capital for a mining industry group and was calculated based on management's estimates.

Energy Division
The recoverable amount for the property, plant and equipment impairment testing in the energy division was determined using a fair value less costs of disposal (FVLCD) methodology. The FVLCD was based on a valuation report prepared by an independent third party expert.

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9. Goodwill and intangible assets

	Goodwill	Customer Relationships	Brand	Non-Compete Covenant	Other	Total
Cost						
Balance at January 1, 2016	$ 1,710	$ 3,840	$ 700	$ 220	$ 869	$ 7,339
Additions	1,581	1,950	-	380	54	3,965
Disposals	-	-	-	-	(190)	(190)
Foreign exchange	-	-	-	-	(157)	(157)
Balance at December 31, 2016	$ 3,291	$ 5,790	$ 700	$ 600	$ 576	10,957
Additions	-	-	-	-	17	17
Disposals	-	-	-	-	(180)	(180)
Foreign exchange	-	-	-	-	13	13
At December 31, 2017	**$ 3,291**	**$ 5,790**	**$ 700**	**$ 600**	**$ 426**	**10,807**
Accumulated amortization						
Balance at January 1, 2016	$ -	$ (3,446)	$ (618)	$ (220)	$ (155)	(4,439)
Amortization for the year	-	(626)	(82)	(79)	(68)	(855)
Disposals	-	-	-	-	22	22
Foreign exchange	-	-	-	-	22	22
Balance at December 31, 2016	$ -	$ (4,072)	$ (700)	$ (299)	$ (179)	(5,250)
Amortization for the year	-	(279)	-	(95)	(55)	(429)
Disposals	-	-	-	-	65	65
Foreign exchange	-	-	-	-	(3)	(3)
At December 31, 2017	**$ -**	**$ (4,351)**	**$ (700)**	**$ (394)**	**$ (172)**	**(5,617)**
Net Book Value						
At December 31, 2016	$ 3,291	$ 1,718	$ -	$ 301	$ 397	$ 5,707
At December 31, 2017	**$ 3,291**	**$ 1,439**	**$ -**	**$ 206**	**$ 254**	**$ 5,190**

Goodwill - The Company has performed its annual goodwill impairment testing and did not identify any impairment losses. The assumptions used in the goodwill impairment test for the mineral and Cros-man CGU's were consistent with those in the impairment test on property, plant and equipment (note 8c).

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10. Bank Indebtedness

		2017		2016
Company's bank indebtedness – current	$	**2,509**	$	6,260
Company's bank indebtedness – non-current		**-**		119
	$	**2,509**	$	6,379

In April 2015, one of the Company's subsidiaries entered into a credit facility from Export Development Canada ("EDC") in the amount of $0.8 million USD. The purpose of the loan was to assist in financing the acquisition of capital assets. Interest on the outstanding principal amount was calculated at the rate of interest equal to the sum of the U.S. Prime Rate plus 5% per annum. The loan was payable over a term of three years and was guaranteed by Bertram Drilling Corp. and Energold Drilling Corp. The loan was fully repaid in June 2017 as part of the convertible debenture financing.

In July 2015, the Company entered into a credit facility from Export Development Canada in the amount of up to $2.0 million USD. The purpose of the loan was to assist in financing the general working capital of the Company's subsidiaries. In June 2017, the loan agreement was restated and amended for changes in security whereby EDC has third ranking in assets secured by Bertram Drilling Corp. Certain covenants were also amended. Interest on the outstanding principal amount is calculated at the rate of interest equal to the sum of the U.S. Prime Rate plus 6.25% per annum. The loan is guaranteed by Bertram Drilling Corp. and Energold de Mexico, S.A. de S.V. As of December 31, 2017, $2.0 million USD is outstanding on this credit facility.

Bertram Drilling Corp. has a revolving credit facility authorized to a maximum of $3.5 million. Borrowings cannot exceed the aggregate of 75% of Canadian accounts receivable balance less than 90 days old and not from a related party. The loan bears interest at the bank's prime lending rate plus 1.0% per annum. As of December 31, 2017, no amount is outstanding on this credit facility. Bertram also had a term loan of $1.5 million that bore an interest rate at the bank's prime rate plus 1.75%. The loan was fully repaid in June 2017 as part of the convertible debenture financing. The Company has one finance lease outstanding that bears an interest rate of 3.92% as of December 31, 2017. A general security agreement and a second ranking floating charge on all present and after-acquired real property have been pledged as security for the credit facility. Royal Bank of Canada ("RBC") has a first ranking security interest in all cash, accounts receivables and the assets leased pursuant to the lease facility. Energold Drilling Corp., as Bertram's parent company, has provided a guarantee and postponements of claim and general security agreements to a maximum of $9.0 million.

In March 2016, one of the Company's subsidiaries entered into a credit facility with Royal Bank of Canada in the amount of $2.5 million. The purpose of the loan was to partially finance the acquisition of Cros-man. The loan bore interest at the bank's prime lending rate plus 1.75% per annum. A general security agreement and a floating charge on all present and after-acquired real property have been pledged as security for the above borrowings. Bertram Drilling Corp. provided a guarantee and postponements of claim. The loan was fully repaid in June 2017 as part of the convertible debenture financing.

A loan facility for Bertram Drilling Inc., the U.S. subsidiary of the Company, is authorized to a maximum of $0.5 million USD, bears interest at 5.50% per annum, and matured March 15, 2018. Equipment, inventories, and trade accounts receivable have been pledged as security. No amount is outstanding on this line of credit at December 31, 2017.

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11. Trade and other payables

		December 31, 2017		December 31, 2016
Trade payables	$	**9,459**	$	7,649
Government payables		**1,110**		845
Payroll accrual		**1,161**		660
Finance lease payables		**529**		675
Due to related parties and other		**1,142**		1,124
Current trade and other payables	$	**13,401**	$	10,953

12. Convertible Debenture ("CD")

On June 15, 2017, the Company completed a private placement of $20.0 million convertible secured notes ("the convertible debentures or CDs"). Extract Advisors LLC ("Extract"), a natural resources investment fund manager, funded $10.3 million USD principal amount representing $13.7 million of the convertible debentures, with the remaining $6.3 million balance being provided by a syndicate of lenders. The convertible debentures mature on June 14, 2022 provided that the Company repays at least 75% of the original principal amount by June 14, 2020. The convertible debentures bear interest at a minimum U.S. London Interbank Offered Rate ("U.S. LIBOR") of 2% plus 7.5% until June 14, 2020, and U.S. LIBOR plus 11% for the remainder of the term. Interest is payable monthly. The debentures are convertible into common shares of the Company at a conversion price of $0.85 per share. The loan holders were issued purchase warrants equal to 25% of the total principal amount of the convertible debentures purchased. Each warrant is exercisable for one common share at an exercise price of $1.50 per common share for a period of 60 months from the closing date of the transaction.

The Company fair valued the $20.0 million convertible debt component and conversion option using a convertible bond model. The valuation date was June 15, 2017, the closing date of the convertible debentures. For valuation purposes, the convertible debentures had an effective interest rate of 18.31% for the U.S. debt portion and 18.21% for the Canadian debt portion. Below is a summary of the valuation between the U.S. and Canadian portions of the convertible debentures.

		U.S. debt in CDN$		Canadian debt		Total Debt
Debt value	$	11,139	$	5,201	$	16,340
Conversion option (equity)		-		1,035		1,035
Conversion option (derivative)		2,266		-		2,266
Warrant value		245		114		359
Principal amount	$	13,650	$	6,350	$	20,000

In connection with the financing, Extract and its affiliates received an arrangement fee equal to 3.0% of the amount of the convertible debentures. In addition, Energold has issued 100,000 warrants to Extract affiliates, with a term of 36 months, exercisable to purchase one Energold common share at an exercise price of $0.85 per share, valued at $0.01 million.

To secure the obligations of the Company under the convertible debentures, Energold has provided perfected senior, first ranking security interest in all assets of the Company, with the exception of those assets subject to prior security interests under certain existing loans and lease commitments.

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12. Convertible Debenture ("CD") - *continued*

On July 21, 2014, the Company completed a $13.5 million secured convertible debenture issue which bore interest at 12.85% calculated annually, payable quarterly, with a maximum term of three years (Energold held a call provision). On initial recognition, the Company fair valued the debt component using a cash flow model discounted at the current interest rate of 14%. The value of the debt component was $13.1 million and the equity component was assigned the residual amount of $0.4 million. Using the effective interest rate method and the 14% rate implicit in the calculation, the difference of $0.4 million from the date of issuance, characterized as the debt discount, was accreted to income over the term of the convertible debenture. On June 15, 2017, the 2014 convertible debenture was repaid.

Convertible debentures as of January 1, 2016	$	13,287
Accretion of debt discount for 2016		132
Convertible debentures as of December 31, 2016	$	13,419
Accretion of debt discount to maturity of 2014 convertible debentures		81
Repayment of 2014 convertible debentures in June 2017		(13,500)
Amounts advanced for June 2017 convertible debentures		20,000
Equity portion of conversion feature		(1,035)
Derivative portion of conversion feature		(2,266)
Warrant value		(359)
Allocation of transaction costs		(908)
Accretion of debt discount for the twelve months of 2017		556
Foreign exchange		(548)
Convertible debentures as of December 31, 2017	**$**	**15,440**

The convertible debentures contain financial and non-financial covenants. As at December 31, 2017, the Company was in compliance with all covenants.

The Company determined that the conversion options in the U.S. convertible debentures are embedded derivatives that are required to be separated from the convertible debentures' obligations and recorded at fair value initially and at each statement of financial position date, with changes in fair value recorded in profit or loss. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative. The embedded derivatives are recorded on the statement of financial position as non-current liabilities at the fair value on the transaction date of June 15, 2017. From the issuance date to December 31, 2017, the change in fair value of these embedded derivatives was $0.5 million.

Convertible debentures derivative as of January 1 and December 31, 2016	$	-
Derivative portion of conversion feature		2,266
Gain on derivative component		(458)
Foreign exchange		(118)
Convertible debentures derivative as of December 31, 2017	**$**	**1,690**

13. Finance cost

		2017		2016
Bank fees and interest expense	$	**803**	$	983
Finance lease expense		**68**		235
Interest expense and accretion of convertible debt		**2,504**		1,867
Finance cost	$	**3,375**	$	3,085

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14. Income taxes and deferred income taxes

Total income tax expense consists of:

		2017		2016
Current income tax expense	$	**670**	$	1,216
Deferred income tax (recovery) expense		**(404)**		(249)
	$	**266**	$	967

Total income tax (recovery) expense attributed to geographical jurisdiction:

		2017		2016
Canada	$	**(151)**	$	793
Panama		**71**		-
Peru		**-**		(109)
Dominican Republic		**(159)**		32
Mexico		**309**		1,756
Nicaragua		**49**		(71)
Ivory Coast		**68**		-
Great Britain		**361**		39
United States of America		**(310)**		(1,486)
Other		**28**		13
	$	**266**	$	967

Factors affecting income tax expense for the year:

		2017		2016
Loss before income taxes	$	**(17,332)**	$	(17,594)
Canadian federal and provincial income tax rates		**26%**		26%
Income tax recovery based on the above rates		**(4,506)**		(4,574)
Items that cause an increase (decrease) in income tax expense:				
Non-deductible expenses		**248**		139
Foreign exchange and other translation adjustments		**(310)**		(836)
Operating losses for which no tax benefit has been recognized		**3,549**		4,927
Change in management estimate regarding an uncertain tax position		**406**		94
Withholding taxes		**399**		(98)
Derecognition of deferred tax assets		**-**		600
Changes in future income tax rates		**(9)**		-
Foreign income subject to different income tax rates than Canada		**489**		715
Income tax expense	$	**266**	$	967

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14. Income taxes and deferred income taxes – *continued*

The change for the year in the Company's net deferred tax position was as follows:

		2017		2016
Deferred income tax liability				
Balance at January 1	$	**(3,374)**	$	(3,052)
Deferred income tax recovery (expense) in the income statement		**404**		249
Amounts charged to equity		**(81)**		-
Acquisitions		**-**		(994)
Changes to foreign currency translation		**51**		423
Balance at December 31	$	**(3,000)**	$	(3,374)

The composition of the Company's net deferred income tax asset and liability and deferred tax expense (recovery) is as follows:

Unrecognized deferred tax assets

		2017		2016
Non-capital losses	$	**14,767**	$	12,482
Property, plant and equipment		**3,561**		1,718
Other items		**307**		483
Total unrecognized deferred tax assets	$	**18,635**	$	14,683

Unrecognized tax losses

As at December 31, 2017, the Company has tax losses for income tax purposes which may be used to reduce future taxable income. The income tax benefit, if any, of these losses have not been recorded in these consolidated financial statements because of the uncertainty of their recovery. The future expiration taxes and potential tax benefit are as follows:

Expiry Date	Canada	Argentina	Chile	Mexico	United Kingdom	Other	Total
Before 2031	1,170	1,241	-	207	-	2,638	5,256
2032	4,482	-	-	-	-	-	4,482
2033	6,144	-	-	-	-	-	6,144
2034	5,225	-	-	-	-	-	5,225
2035	8,461	-	-	-	-	-	8,461
2036	5,725	-	-	-	-	-	5,725
2037	5,252	-	-	-	-	-	5,252
No expiry	-	-	3,544	-	18,961	-	22,505
	$ 36,459	$ 1,241	$ 3,544	$ 207	$ 18,961	$ 2,638	$ 63,050

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14. Income taxes and deferred income taxes – *continued*

Temporary differences associated with investments in subsidiaries

The Company has not recognized deferred tax liabilities in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries. At December 31, 2017, these earnings amount to $19.6 million (2016 - $20.2 million). Substantially, all of these earnings would be subject to withholding taxes if they were remitted by the foreign subsidiary.

Type of temporary differences:

	Deferred assets (liability) tax		Expense (recovery) on the statement of loss	
	2017	2016	**2017**	2016
Non-capital losses	**$ 4,814**	$ 4,452	**$ (362)**	$ 1,897
Property, plant and equipment	**645**	1,441	**796**	(678)
Capital leases and long term debt	**56**	127	**(10)**	291
Accruals and other items	**340**	490	**150**	739
Investments	**(55)**	(258)	**(204)**	161
Property, plant and equipment and intangible assets	**(4,728)**	(5,382)	**(602)**	(1,228)
Inventory	**(3,025)**	(3,301)	**(276)**	(842)
Other items	**(1,047)**	(943)	**104**	(589)
	$ (3,000)	$ (3,374)	**$ (404)**	$ (249)

Represented on the balance sheet as:

	2017	2016
Deferred income tax assets	**$ 32**	$ 47
Deferred income tax liabilities	**(3,032)**	(3,421)
	$ (3,000)	$ (3,374)

15. Commitments

a) The Company signed two three-year leases for office premises in Vancouver, British Columbia from June 1, 2016 to May 31, 2019. Lease obligations, net of operating costs, are $0.4 million for 2018, and $0.2 million for 2019.

b) Finance leasing arrangements

The Company's subsidiaries entered into three leases during 2017. The terms are as follows:

Company	Date of Lease	Term	Interest Rate
Cros-man	June 16, 2017	4 years	5.45%
Bertram Drilling Inc.	June 29, 2017	5 years	2.89%
Energold de Mexico	July 21, 2017	2 years	8.00%

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15. Commitments – *continued*

b) Finance leasing arrangements – *continued*

Finance lease liabilities are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	December31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Not more than one year	$ **534**	$ 704	$ **529**	$ 675
Later than one year and not later than five years	**632**	670	**623**	660
	$ **1,166**	$ 1,374	$ **1,152**	$ 1,335
Less: future finance charges	**(14)**	(39)	**-**	-
Present value of minimum lease payments	$ **1,152**	$ 1,335	$ **1,152**	$ 1,335

c) Litigation

The Company is subject to litigation in the normal course of business, the ultimate results of which cannot be determined at this time.

16. Equity

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value.

a) Stock Options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Under the stock option plan 5,465,994 options have been authorized for issuance, of which 3,947,500 have been allocated at December 31, 2017. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors and are settled in cash. The exercise price of an option is not less than the closing price on the TSX Venture Exchange on the last trading day preceding the grant. The directors, subject to the policies of the Exchange, may determine and impose terms upon how each grant of options shall become vested.

A summary of the Company's stock option plan at December 31, 2017 and the changes for the year ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At January 1, 2016	3,468,125	1.85
Exercised	(12,500)	0.45
Expired	(1,165,625)	3.84
Forfeited	(10,000)	0.45
At December 31, 2016	2,280,000	0.84
Granted	1,887,500	0.35
Expired	(30,000)	5.13
Forfeited	(190,000)	0.45
At December 31, 2017	3,947,500	**0.59**

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16. Equity - *continued*

a) Stock Options - *continued*

The following table summarizes information about the stock options outstanding at December 31, 2017:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable
$0.45	1,560,000	2.98	1,560,000
$2.01	500,000	1.75	500,000
$0.35	1,887,500	4.98	1,887,500
	3,947,500	3.78	3,947,500

On December 21, 2017, the Company granted stock options under its Stock Option Plan to directors, officers, employees and consultants exercisable for up to 1,887,500 shares of the Company. The options are exercisable on or before December 20, 2022 at a price of $0.35 per share.

The Black Scholes Option Pricing Model was used to estimate the fair value of stock options for calculating stock-based compensation expense. The Company recognized a stock-based compensation expense and an increase to contribute surplus based on a grading vesting schedule using the following assumptions:

Date Granted	December 21, 2017
Number of options granted	1,887,500
Risk-free interest rate	1.66%
Expected dividend yield	Nil
Expected share price volatility	95.55%
Expected option life in years	2.5

The expected volatility is based on the historical and implied volatility of the Company's common share price on the TSX Venture Exchange. The risk-free interest rate assumption is based on the Bank of Canada marketable bonds with a remaining term equal to the stock options' expected life.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

The total fair value of share-based payment expense on stock options granted to employees and consultants of the Company for the year ended December 31, 2017 is $0.4 million (December 31, 2016 - $0.2 million).

b) Warrants

On July 6, 2016, the Company completed a public offering in which the Company issued 5,750,000 units at a price of $1.00 per unit for aggregate gross proceeds of $5.8 million, including the full exercise of the agents' option to increase the public offering in the amount of $0.8 million. Each unit comprises one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of $1.75 per share expiring on January 6, 2018. In consideration for the services of the underwriters, they were paid a cash commission of 6% of the gross proceeds of the offering and non-transferable common share purchase warrants ("compensation warrant") equal to 6% of the shares issued pursuant to the offering. Each compensation warrant entitles the holder to acquire one common share of the Company at an exercise price of $1.00 expiring on January 6, 2018 (expired).

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16. Equity - *continued*

b) Warrants - *continued*

On July 22, 2016, the Company completed a non-brokered private placement of 716,192 units at a price of $1.00 per unit for aggregate gross proceeds of $0.7 million. Each unit comprises one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of $1.75 per share expiring on January 22, 2018 (expired).

On June 15, 2017 in connection with the convertible debentures, the Company issued 4,000,000 "2017" warrants to loan holders, and 100,000 "Extract" warrants to Extract Advisors and their affiliates. See Note 12.

	Number	Weighted Average Exercise Price
At January 1, 2016	-	-
Granted	6,811,192	1.71
At December 31, 2016	6,811,192	1.71
Granted	4,100,000	1.48
At December 31, 2017	**10,911,192**	**1.63**

The fair value of the services provided cannot be reliably measured; therefore, the fair value of each warrant granted is estimated at the time of grant using the Black-Scholes (2016 and Extract warrants) or Monte Carlo (2017 warrants) option pricing models with assumptions as follows:

	July 6, 2016 5,750,000	July 6, 2016 345,000	July 22, 2016 716,192	June 15, 2017 4,000,000	June 15, 2017 100,000
Risk-free interest rate	0.48%	0.48%	0.55%	1.50%	1.30%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Expected share price volatility	120%	111%	120%	63.4%	72.2%
Expected warrant life in years	1	1.5	1	5	3

Pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

c) Loss Per Share

Details of the calculation of loss per share are set out below:

		2017		2016
Net loss:	$	**(17,598)**	$	(18,561)
Attributable to non-controlling interest		**-**		182
Attributable to shareholders of EGD	$	**(17,598)**	$	(18,379)
Weighted average number of shares outstanding– basic and diluted		**54,659,939**		51,304,389
Loss per share – basic and diluted	$	**(0.32)**	$	(0.36)

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17. Related party transactions

Related party transactions are recorded at arms-length which is the amount of consideration paid or received as agreed by the parties. Related party transactions not disclosed elsewhere are as follows:

a) In 2017, the chief executive officer, the chairman of the board and the audit committee chair purchased a total of $1.0 million of the convertible debentures. In connection with the transaction, a partner at Extract became a general director of the Company. As a result, the director and Extract became related parties to the Company. The total amount of CD's purchased by the director and Extract was $13.7 million. In addition, a person related to the chief executive officer and a person related to the audit committee chair of the Company purchased CD's totaling $0.2 million. A trust related to officers of Bertram Drilling Corp., purchased $1.0 million of the CD's. As of December 31, 2017, the outstanding payable to related parties on the CD's was $15.9 million (December 31, 2016 - $3.0 million).

b) During the year ended December 31, 2017, net fees in the amount of $0.9 million were incurred (December 31, 2016 - $0.4 million) from a company related to an officer of Bertram for helicopter services performed in Canada and the U.S. As at December 31, 2017, there was a net payable balance of $0.5 million (December 31, 2016 – $0.5 million).

c) In October and November 2016, the Company entered into loan facilities with a company related to an officer of Bertram which expire on December 31, 2019. The loans bear interest at 4.7% per annum. As of December 31, 2017, the amount outstanding on this loan facility is $0.8 million (December 31, 2016 - $0.8 million).

d) As at December 31, 2017, a deferred payment of $1.5 million is due to the vendor of Cros-man who remains a director of the subsidiary (December 31, 2016 - $2.2 million). See note 4.

18. Key management personnel compensation

Key management includes directors and senior executives. The remuneration of directors and other members of key management personnel are as follows:

		December 31, 2017		December 31, 2016
Salaries and fees	**$**	**1,513**	$	1,503
Share based compensation		**187**		109
	$	**1,700**	$	1,612
Amounts payable to related parties	**$**	**61**	$	42

19. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to continue to explore financing opportunities, to provide an adequate return to shareholders and to support any growth plans.

The Company considers its capital to be share capital, bank indebtedness, convertible debentures and cash and cash equivalents. In order to facilitate the management of capital requirements, the Company's board of directors approves management's annual capital expenditures plans and reviews and approves any material debt borrowing plans proposed by the Company's management. To maintain or adjust the capital structure, the Company may, from time to time, issue new shares, issue new debt, repay debt or dispose of non-core assets.

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19. Capital management - *continued*

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there is sufficient cash to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. The Company expects its current capital resources will be sufficient to support operations through the current operating period.

20. Financial instruments

Financial assets and liabilities

As of December 31, 2017 and 2016, the carrying value of the Company's cash and cash equivalents, restricted cash, trade and other receivables, investments, trade and other payables, bank indebtedness, and convertible debenture approximate fair values.

At December 31, 2017 and 2016, all investments held were classified as Level 2 and convertible debenture was classified as Level 3 on the fair value hierarchy of IFRS 13 – Fair value measurement.

Financial instrument risk exposure

The Company's financial instruments are exposed to a number of financial and market risks including credit, liquidity, currency and interest rate risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks, since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, restricted cash and trade receivable. The Company deposits its cash with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 Bank with ratings above A+. The Company provides credit to its customers in the normal course of its operations. The Company diversifies its credit risk by dealing with a large number of companies in various countries. The Company carries its receivables net of expected credit losses. The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents, restricted cash, and trade receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due (note 1). The Company manages liquidity by maintaining cash and cash equivalent balances available to meet its anticipated operational needs. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short-term and long-term obligations. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans. At December 31, 2017, the Company's total liabilities were $41.8 million, of which $19.5 million is current at the balance sheet date. The Company has debt of $3.3 million, finance lease obligations of $1.2 million and convertible debt of $17.1 million.

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2017
Canadian dollars in thousands except for shares and per share data

20. Financial instruments - *continued*

Currency risk

The Company operates on an international basis; therefore, currency risk exposures arise from transactions denominated in currencies other than the entity's functional currency. The majority of its international sales contracts are denominated in U.S. dollars. Thus its currency risk arises primarily with respect to the U.S. dollar. However, the Company also incurs operating costs in local currencies in various countries in which it carries on active business operations. At December 31, 2017, the Company is exposed to currency risk through cash and cash equivalents, trade receivable, and trade payable and accrued liabilities held in a variety of currencies, the most significant being the U.S. dollar. Based on these foreign currency exposures at December 31, 2017, a 5% depreciation or appreciation of all the above currencies against the Canadian dollar would result in a decrease or increase of the Company's net loss and equity of approximately $0.4 million.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash and its revolving demand and credit line facility. Cash and cash equivalents and restricted cash have limited interest rate risk due to their short-term nature. The Company's debt borrowings are exposed to interest rate risk as it is subject to floating interest rates. Assuming that all other variables remain constant, a 1% increase or decrease in the bank's prime lending rate does not have a significant impact on net earnings. Convertible debt is subject to fluctuations in the U.S. Libor rate. A 1% change in the U.S. Libor rate would result in an increase or decrease of the Company's net loss of approximately $0.2 million. Finance leases are not subject to interest rate risk because they are at fixed rates.

21. Additional information to the consolidated statements of cash flows

Changes in non-cash working capital:

	For the Year Ended December 31, **2017**	2016
Trade and other receivables	$ **(1,839)**	$ 8,877
Income taxes receivable	**(1,451)**	477
Inventories	**1,894**	170
Trade and other payables	**2,933**	(2,891)
Current income tax payable	**(781)**	404
Due to (from) related party	**(582)**	707
Deferred revenue	**2,166**	537
	$ **2,340**	$ 8,281

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2017
Canadian dollars in thousands except for shares and per share data

22. Segmented information

The Company has three operating segments: Minerals, Manufacturing, and Energy. The segments are determined based on the reports reviewed by the Chief Executive Officer (who is considered the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Details are as follows:

	For the Year Ended December 31, 2017	2016
Revenue		
Minerals	$ **45,294**	$ 37,075
Energy	**22,681**	18,229
Manufacturing	**7,004**	10,096
	$ **74,979**	$ 65,400
Loss		
Minerals	$ **(2,402)**	$ (2,273)
Energy	**(6,517)**	(7,457)
Manufacturing	**(3,912)**	(5,023)
Corporate - Canada	**(4,767)**	(3,808)
	$ **(17,598)**	$ (18,561)
Amortization		
Minerals	$ **1,608**	$ 1,694
Energy	**6,551**	7,083
Manufacturing	**144**	320
Corporate - Canada	**81**	108
	$ **8,384**	$ 9,205

Energold Drilling Corp.

Notes to the Consolidated Financial Statements
December 31, 2017
Canadian dollars in thousands except for shares and per share data

22. Segmented information – *continued*

As at		**December 31, 2017**		December 31, 2016
Assets				
Minerals	$	**61,286**	$	64,344
Energy		**19,569**		27,611
Manufacturing		**4,855**		5,582
Corporate - Canada		**6,452**		11,444
	$	**92,162**	$	108,981
Property, plant and equipment				
Minerals	$	**6,702**	$	7,425
Energy		**8,884**		15,189
Manufacturing		**220**		286
Corporate - Canada		**52**		157
	$	**15,858**	$	23,057
Intangibles				
Minerals	$	**1,710**	$	1,710
Energy		**3,227**		3,600
Manufacturing		**253**		397
	$	**5,190**	$	5,707

Geographic information

	December 31, 2017			December 31, 2016		
As at	Revenue	Property, plant and equipment	Intangible assets	Revenue	Property, plant and equipment	Intangible assets
Mexico and the Caribbean	$ **29,805**	$ **1,908**	$ -	$ 27,298	$ 1,765	$ -
South America	**6,041**	**1,002**	**1,710**	2,276	1,588	1,710
Africa, Asia and Other	**12,955**	**3,073**	-	11,967	2,853	-
Canada	**14,859**	**6,504**	**3,227**	10,322	11,027	3,600
United States of America	**7,822**	**2,433**	-	7,906	4,001	-
United Kingdom and Europe	**3,497**	**938**	**253**	5,631	1,823	397
	$ **74,979**	$ **15,858**	$ **5190**	$ 65,400	$ 23,057	$ 5,707

23. Economic dependence

Significant customers

The Company received revenues from the following customer in the minerals segment that amounted to greater than 10% of total Company revenues.

	For the year ended December 31, **2017**		2016	
Customer A	**$7,912**	**11%**	$9,124	14%

24. Subsequent event

Subsequent to December 31, 2017, on March 1, 2018, the Company entered into a working capital facility of up to $2.0 million with Extract Capital Master Fund Ltd. ("Extract") and Sprott Hedge LP 1 and Sprott Hedge LP2 (together, "Sprott"). The loan is unsecured and will mature after six months. Interest on the outstanding principal amount is calculated at a rate of 14% per annum. As partial consideration for the facility, the Company may issue to the lenders an aggregate of up to 2,000,000 common share purchase warrants, with each warrant exercisable to acquire one common share of Energold at a price of $0.54 per share for a period of one year from the date of issuance. To date, the Company has issued 600,000 warrants to Extract and 600,000 warrants to Sprott.

This is Exhibit "F" referred to
in the Affidavit #1 of Mark Berger
made before me on September 12, 2019

A Commissioner for taking Affidavits
for British Columbia

ENERGOLD
GROUP™

12-Week Cash Flow Reporting Package
9/12/2019

PORTAGE POINT PARTNERS

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DRAFT - SUBJECT TO CHANGE

Energold Drilling Corp. et al.
Combined Cash Flow Statement
For the Twelve Weeks ending December 1, 2019

Filing Entities (BDC, Cros-Man, Energold and EGD Services)		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	
Week Ending	Notes	9/15/2019	9/22/2019	9/29/2019	10/6/2019	10/13/2019	10/20/2019	10/27/2019	11/3/2019	11/10/2019	11/17/2019	11/24/2019	12/1/2019	Total
Collections														
Completed / In-Progress - Invoiced	1	100,997	61,397	81,914	150,230	17,793	185,928	65,946	98,183	7,030	78,644	183,234	76,611	1,107,907
Other Collections	2	-	-	-	172,375	3,132	20,377	2,713	654,123	25,000	58,140	58,217	210,761	1,204,836
Total Collections		**100,997**	**61,397**	**81,914**	**322,605**	**20,925**	**206,305**	**68,658**	**752,306**	**32,030**	**136,784**	**241,450**	**287,372**	**2,312,743**
Operating Disbursements														
Payroll	3	382,187	-	274,554	-	151,836	-	163,193	3,600	140,854	3,600	142,257	3,600	1,265,680
Other Recurring Disbursements	4	80,595	22,158	55,188	168,049	29,223	21,358	28,975	159,009	29,055	20,495	27,797	136,635	778,538
Operating Disbursements	5	31,558	86,727	41,709	131,796	27,480	37,525	22,128	29,667	29,538	55,556	32,367	28,706	554,756
Total Operating Disbursements		**494,340**	**108,885**	**371,451**	**299,845**	**208,539**	**58,882**	**214,296**	**192,276**	**199,447**	**79,651**	**202,422**	**168,941**	**2,598,975**
Net Operating Cash Flow		**(393,343)**	**(47,488)**	**(289,536)**	**22,760**	**(187,614)**	**147,423**	**(145,638)**	**560,030**	**(167,417)**	**57,132**	**39,028**	**118,430**	**(286,231)**
Non-Operating Disbursements														
Interest	6	-	-	-	-	9,707	-	-	-	-	27,728	-	-	37,435
Professional Fees	7	515,887	447,000	234,667	220,667	208,167	161,500	161,500	128,750	128,750	128,750	136,250	196,604	2,668,491
Total Non-Operating Disbursements		**515,887**	**447,000**	**234,667**	**220,667**	**217,874**	**161,500**	**161,500**	**128,750**	**128,750**	**156,478**	**136,250**	**196,604**	**2,705,926**
Asset Sales														
BDC Divestiture Costs / (Net Proceeds)	8	-	45,938	45,938	45,938	45,938	45,938	45,938	45,938	45,938	(5,100,000)	-	-	(4,732,500)
Net Cash Flow		**(909,230)**	**(540,425)**	**(570,140)**	**(243,844)**	**(451,426)**	**(60,014)**	**(353,075)**	**385,343**	**(342,105)**	**5,000,654**	**(97,222)**	**(78,174)**	**1,740,343**
Cash Balance														
Beginning Book Balance		921,240	221,246	100,000	100,000	100,000	100,000	486,791	100,000	197,805	100,000	1,159,044	726,549	921,240
Royal Bank of Canada Repayment	9	(100,997)	(61,397)	(81,914)	(322,605)	(20,925)	(43,783)	(68,658)	(480,865)	-	-	-	-	(1,181,144)
Net Cash Flow		(909,230)	(540,425)	(570,140)	(243,844)	(451,426)	(60,014)	(353,075)	385,343	(342,105)	5,000,654	(97,222)	(78,174)	1,740,343
Intercompany to / from Energold de Mexico	10	115,910	13,895	(304,065)	52,228	(290,519)	(164,676)	(92,273)	(205,329)	(661,947)	(107,269)	(373,586)	64,843	(1,952,788)
Intercompany to / from Bertram Drilling Inc.	11	194,323	180,822	6,866	(135,293)	(203,633)	655,264	21,911	398,655	150,066	(121,725)	38,313	(224,879)	960,689
Intercompany to Energold (EMEA) Drilling	12	-	-	-	-	-	-	-	-	-	-	-	(218,123)	(218,123)
DIP Funding	13	-	285,860	949,254	649,514	966,502	-	105,305	-	756,180	(3,712,616)	-	-	-
Ending Cash Balance		**221,246**	**100,000**	**100,000**	**100,000**	**100,000**	**486,791**	**100,000**	**197,805**	**100,000**	**1,159,044**	**726,549**	**270,217**	**270,217**

Global Assumptions:

- CCAA assumed to commence on September 13, 2019
- Interest on all credit facilities not including DIP assumed to be PIK'd throughout forecast period
- There are no cash flows considered for Omniterra as the Company is dormant over the forecast period
- Forecasted receipts do not provide for any proceeds from any potential sale of thinly traded marketable securities due to uncertainty surrounding liquidity and timing through the cash flow period
- The Combined Cash Flow Statement reflects the combined cash receipts and disbursements of Bertram Drilling Corporation, Cros-Man Direct Underground, Energold Drilling Services and EGD Services

Notes:

The Company has prepared this Combined Cash Flow Statement solely for the purposes of determining the liquidity requirements of the Company during the CCAA Proceedings. The Combined Cash Flow Statement is based on the probably and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material

1 - Completed / In-Progress - Invoiced collections is driven off of outstanding balances currently in the Company's accounts receivable. Forecasted collection dates have been established using management guidance and historical patterns

2 - Other Collections includes work that is completed / in-progress and has not been invoiced as well as contracted, and backlog that has not been invoiced. Contract level revenue forecasts were used to forecast expected invoices and subsequent collections

3 - Payroll includes administrative and hourly payroll amounts. Hourly payroll amounts are driven by contract level revenue forecasts in conjunction with estimates for labor as a percent of contract value, as provided by management

4 - Other recurring disbursements consists of items such as benefits, insurance, rent and utilities, of which estimates and cadence were provided by management

5 - Operating disbursements relates to items such as supplies / parts, fuel and shipping / freight. These are driven off of historical records of these amounts as a percentage of total revenue, applied to our revenue forecast

6 - Interest on the DIP financing is assumed to be 9% for the first 8 weeks, followed by an increase to 12% for the following 8 weeks. Interest is assumed to be paid out monthly

7 - Professional fees includes advisor / legal fees for the Company, Monitor, Monitor's counsel, Chief Restructuring Officer, Noteholder's counsel and fees related to the sales process

8 - BDC Divestiture Costs / (Net Proceeds) assumes $5.1mm in total proceeds from the auction of Bertram Drilling Corporation's assets. Additionally, it contemplates $367,500 in total expenses related to the liquidation process being paid as incurred

9 - Bertram Drilling Corporation and Cros-Man Direct Underground both currently hold credit facilities provided by the Royal Bank of Canada. It is assumed that over the forecast period these credit facilities will be repaid in full utilizing collections from Bertram Drilling Corporation and Cros-Man Direct Underground respectively

10 - Intercompany to / from Mexico shows the funding needs of the Mexican operations over the forecast period. The large funding requirements are primarily related to a large working capital building over the forecast period with minimal accounts receivable to collect in the interim

11 - Intercompany to / from Bertram Drilling Inc. shows the funding needs of the BDI operations as well as it's ability to fund the parent company over the forecast period

12 - Intercompany to / from Energold (EMEA) Drilling shows the funding needs of the EMEA operations as well as it's ability to fund the parent company over the forecast period

13 - DIP Funding totaling $3.713mm is expected to be needed on a delayed draw basis over the forecast period

Energold
DRILLING CORP.

September 12, 2019

FTI Consulting Canada Inc.
15 Floor, 555 Burrard Street
Vancouver, BC
V7X 1M8

Attention: Tom Powell, CPA•CA, CIRP, LIT

Dear Sir:

Re: Proceedings under the Companies' Creditors Arrangement Act ("CCAA") for Energold Drilling Corp., Cros-man Direct Underground Ltd., EGD Services Ltd., Bertram Drilling Corp., and Omniterra International Drilling Inc. - Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections

In connection with the application by Energold Drilling Corp., Cros-man Direct Underground Ltd., EGD Services Ltd., Bertram Drilling Corp., and Omniterra International Drilling Inc. (collectively the "Applicants") for the commencement of proceedings under the CCAA in respect of the Applicants, the management of the Applicants ("Management") has prepared the attached cash-flow statement and the assumptions on which the cash-flow statement is based.

The Applicants confirms that:

1. the cash-flow statement and the underlying assumptions are the responsibility of the Applicants;
2. all material information relevant to the cash-flow statement and to the underlying assumptions has been made available to FTI Consulting Canada Inc. in its capacity as proposed Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
   a. That the individual assumptions underlying the cash-flow statement are appropriate in the circumstances; and
   b. That the assumptions underlying the cash-flow statement, taken as a whole, are appropriate in the circumstances.
   c. That all relevant assumptions have been properly presented in the cash-flow statement or in the notes accompanying the cash-flow statement.
4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of our monitoring the on-going activities of the Debtor, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination.
5. Management understands its duties and obligations under the CCAA and that a breach of these duties and obligations could make the Applicants' Management liable to fines and imprisonment in certain circumstances.
6. The cash-flow statement and assumptions have been reviewed and approved by the Debtor's board of directors or management has been duly authorized by the Debtor's board of directors to prepare and approve the cash-flow assumptions.

Mark R Berger

Mark Berger
Chief Restructuring Officer

This is Exhibit "G" referred to
in the Affidavit #1 of Mark Berger
made before me on September 12, 2019

A Commissioner for taking Affidavits
for British Columbia

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c.57, AS AMENDED

AND

IN THE MATTER OF ENERGOLD DRILLING CORP., CROS-MAN DIRECT UNDERGROUND LTD., EGD SERVICES LTD., BERTRAM DRILLING CORP., AND OMNITERRA INTERNATIONAL DRILLING INC.

PETITIONERS

CONSENT TO ACT AS MONITOR

FTI CONSULTING CANADA INC. HEREBY CONSENTS to act as Monitor in the above-captioned proceedings.

DATED this 12th day of September, 2019.

FTI CONSULTING CANADA INC.

Per: ______________________________
Tom Powell, CPA•CA, CIRP, LIT

No. ______________
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c.57

AND

IN THE MATTER OF ENERGOLD DRILLING CORP., CROS-MAN DIRECT UNDERGROUND LTD., EGD SERVICES LTD., BERTRAM DRILLING CORP., AND OMNITERRA INTERNATIONAL DRILLING INC.

PETITIONERS

AFFIDAVIT #1 OF MARK BERGER

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