Energold Drilling Corp.

Form 51-102F1
Management's Discussion and Analysis
For the year ended December 31, 2016

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the year ended December 31, 2016 of Energold Drilling Corp. ("Energold" or the "Company") prepared as at April 3, 2017 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016 and 2015 and the related notes contained therein. All amounts referred to herein are in Canadian dollars unless otherwise specified. Additional information relating to the Company including material change notices, certifications of annual and interim filings, and press releases are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

This document contains forward-looking statements. Please refer to "NOTE REGARDING FORWARD-LOOKING STATEMENTS."

CORPORATE OVERVIEW

Energold is proud to have been named to the 2017 TSX Venture 50, a ranking of the top performers on the TSX Venture exchange over the last year. The Company's share price closed the year at $0.75, a 121% increase over 2015's closing price of $0.34. In May 2016, the share price reached its highest level in two years at $1.46.

Recognized internationally for its sustainable, community-based drilling and manufacturing practices, Energold serves a broad market base in the Americas, Africa and Europe. Energold's unique approach to drilling is focused on social and environmental awareness while adhering to the highest standards for health and safety. By broadening the base of the Company's activities, Energold is positioning itself to become a larger drilling company for various industries. Management is continuing to investigate ways to adapt its drills to alternative methods of drilling in order to mitigate the effects created from the downturn of the mining and oil and gas industries. Energold has over 270 drill rigs in over 25 countries and provides a comprehensive range of drilling services. As a diversified global drilling provider, the Company serves a number of sectors and its services include the following:

Mineral drilling: Servicing mining and mineral exploration companies, the Company provides easily portable diamond drilling rigs, deep hole rigs, mobile underground drilling rigs, highly portable reverse-circulation ("RC") rigs, and conventional RC and reverse-air-blast rigs ("RAB"). The type of rig provided for drilling is dependent on the clients' needs as each is unique and applied in specific situations.

Water well drilling: The Company's wide range of water well drilling services includes fresh water drilling, mine pit dewatering, mine water supplies and mine hydrological characterization and well monitoring.

Ground loop geothermal drilling: Ground loop geothermal energy is becoming an integral element of many development projects by extracting energy from the earth's latent ground temperature, either through gradient heat exchange or a full passive system through convection. Energold's access to energy drilling technologies and expertise, combined with larger drill rigs, are used to service the geothermal drilling market.

Geotechnical drilling: The Company's geotechnical teams work with geotechnical, civil or geological engineers to retrieve information on physical properties of soil, foundation and rock. We build specialized rigs and provide drilling services in preparation for building engineering, footings for wind farms, bridges and other foundation construction. In mining and natural resources, geotechnical drilling is carried out as part of soil and rock mechanical studies. Energold also conducts geotechnical drilling to measure thermal resistivity of soil for underground transmission lines, oil and gas lines, solar and thermal storage facilities, etc.

Energy drilling: Energold serves the industry with oil sands coring rigs, shot-hole seismic rigs and other specialty rigs.

Horizontal directional drilling: Using highly specialized equipment, we have developed a trenchless method of installing cables and piping systems underground in a shallow arc along a predetermined path.

Manufacturing: The Company manufactures drilling rigs and equipment for water well, mineral exploration, geotechnical and geothermal applications. It's multipurpose mineral exploration rigs are capable of a wide range of drilling techniques including wireline coring, RAB and RC.

OVERALL PERFORMANCE

In 2016, the Company faced challenges in all of its divisions. While activity levels increased slightly in the minerals division as evident by its increase in meters drilled and revenues earned, the energy division faced continued challenges due to depressed oil and gas prices and activities. However, there was some recovery through year-end leading into 2017 in Western Canada. It was also a difficult year for the manufacturing division as it continued to suffer from exploration budget cuts across the mineral, oil and gas and water industries. The Company is implementing changes to its operations to reduce its costs and to ensure its projects are profitable.

- The Company's overall 2016 revenues decreased by 20% to $65.4 million from $82.0 million in 2015 as a result of challenges facing the energy and manufacturing divisions.

- The Company's overall 2016 gross margin decreased slightly to 14% from 16% in 2015 due to declines in margins from the energy division as a result of economic challenges in the oil and gas sector and decline in activity in the manufacturing division both of which have fixed costs regardless of revenue activities.

- Net loss for 2016 was $18.6 million compared to $23.7 million in 2015. Loss before interest, taxes, depreciation and amortization[1] was $5.4 million in 2016 compared to $8.5 million in 2015.

- During 2016, Energold's mineral division drilled 232,600 meters compared to 202,800 meters in 2015. As a result, revenues increased to $37.1 million in 2016 from $32.5 million in 2015.

- The Company's oil sands and seismic operations generated revenues of $5.5 million in 2016 compared to $10.6 million 2015. The decline in activity in the oil and gas sectors and the wild fires in Northern Alberta during the period has continued to affect the Company's financial performance.

- The Company's green drilling operations revenues included within the energy division were $9.6 million in 2016 compared to $16.6 million in 2015. The Company is continuing to explore opportunities in this growing industry.

- The Company's manufacturing operations generated revenues of $10.1 million in 2016 compared to $20.9 million in 2015.

[1] Loss before interest, taxes, depreciation and amortization is a non-IFRS measure which the Company believes provides meaningful information about the Company's financial performance.

- On March 4, 2016, the Company acquired all of the issued and outstanding shares of Cros-Man Direct Underground Ltd. ("Cros-Man"). Founded in 2005, Cros-Man expands Energold's services in more diverse drilling sectors. Cros-Man's primary service is horizontal directional drilling for telecommunications, water, sewage, hydro and oil and gas markets in central Canada. Since its acquisition, this division generated revenues of $3.1 million.

- The Company had cash of $13.7 million at December 31, 2016 (December 31, 2015 – $13.6 million) and net working capital of $46.9 million (December 31, 2015 - $72.6 million). The majority of the reduction in working capital is related to the reclassification of the convertible debenture from long-term to short-term liabilities and a decrease of trade and other receivables and inventories.

- 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.

- On July 25, 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.

SELECT OPERATING INFORMATION

	Dec 2016	Sept 2016	June 2016	Mar 2016	Dec 2015	Sept 2015	June 2015	March 2015
Mineral								
Drill rig fleet	139	139	138	137	137	138	138	139
Meters drilled	59,400	66,300	61,000	45,900*	57,400	65,000	50,500	29,900
Energy								
Drill rig fleet	133	133	133	133	128	128	128	128
Meters drilled	34,200*	41,400*	42,000*	43,600*	35,700	66,200	91,300	165,100

*Water, geothermal, geotechnical and horizontal drilling meters are included in these figures

MINERAL DRILLING

Demand for Energold's services in the mineral sector has been derived traditionally from three groups of customers: precious metal mining companies, base metal mining companies and junior exploration companies. Each of these groups is impacted by distinct market forces from the industry level and also by capital market demand for its equity and debt. Exploration for precious metals continues to represent the largest demand with respect to mineral drilling activity.

The business mix of the Company's mineral drilling activity has favoured well-funded, intermediate and senior miners as a result of miners shifting their focus from grassroots exploration to capital expenditures on advanced assets and mine development. There has been a significant uptick in activity in this sector as a result of new funding for the junior and intermediate mining sector, which should translate into better financial performance in 2017. There have been an increasing number of financings completed in the industry as a result of strengthening precious metal prices. While the tender opportunities have increased in some regions, cost control remains the top priority at most mining companies. However, management is beginning to see a return to exploration activities in some of the Company's key markets. New opportunities are presenting themselves as commodity prices recover from multi-year lows. The Company is also actively pursuing opportunities in Europe and increasing its presence in Africa. Some programs the Company is taking on are smaller in nature with an opportunity to become larger contracts over the coming year. Management expects an ongoing recovery from the negative effects experienced in the last few years due to the uptick in market activity. Pricing remains competitive but improvements in certain regions are likely to continue through 2017.

Over the long term, management continues to believe that the vast majority of new exploration and development opportunities lie in underdeveloped regions in Latin America, Africa, the Middle East and parts of South East Asia. There is also growing opportunity in the green drilling industry including geothermal and water as well as infrastructure-related drilling.

Outlook and Business Strategy

The Company continues to see demand for its services despite current market conditions but the Company cautions that actual results may vary substantially from all forward-looking information in this MD&A.

While the environment for mineral drilling remains impacted by the downturn of previous years, it appears that there is more positivity in the industry and there is an improvement in exploration spending worldwide. Revenue per meter has been steady with the previous year and management expects margins to continue to expand due to its efforts to improve productivity and monitor costs. Continued investment in new equipment is being considered to address market shortages in regions where few drilling companies are present. As well, management has been moving rigs to stronger markets in Central America and the Caribbean where the strongest areas of recovery are occurring. There has been a demand for complementary drill rigs from existing clients including underground drill rigs, more conventional diamond drill and reverse circulation rigs. The Company is focused on reducing inventory levels by consolidating its inventory from various sites and by minimizing its purchases.

Energold continues to maintain a well-capitalized balance sheet and remains committed to investing in areas where economic and relationship benefits exist. This advantage has provided management with the ability to manage the downturn and leverage the earliest stages of the ongoing recovery.

Mexico, the Caribbean and Central America

This continues to be one of the most important markets for the Company with 53 rigs located in the region. Originally pioneered with its “S” style rigs, which still constitute the majority of the fleet, the Company has introduced underground rigs and larger conventional rigs to meet our clients’ demands.

The regional fleet remains active, particularly in Mexico where the Company has long held a leading market share position, especially for its frontier style, man-portable drilling rigs. In Q4-2016, the Company transferred one additional rig into the country to meet growing demand. While pricing pressure persists in the region, activity levels are improving with new contract generation and aggressive marketing activity and the Company remains competitive in the bidding processes. Approximately 83% of global meters drilled by the Company in the fourth quarter of 2016 were in this region, compared to 70% in the fourth quarter of 2015. This region accounted for 79% of year-to-date 2016 global meters drilled compared to 65% in 2015.

South America

The Company has 37 drill rigs in the region. No meters were drilled in this region in the fourth quarter of 2016, compared to 16% in the fourth quarter of 2015. This region accounted for 3% of year-to-date 2016 global meters drilled compared to 23% in 2015.

Social and political issues play a major role in this region. Following a period of uncertainty in Argentina over the last several years, activity rebounded in the first half of the year of 2016. However, the latter half of the year was inactive. The weather in Q3 also negatively affected drilling activity in Argentina. Peru has suffered from local, political and social issues that resulted in the suspension of several potential drilling opportunities. However, management is expecting a slight recovery in this country in 2017. In Brazil, the Company has reduced exposure in the country by storing certain drill rigs, reducing overheads and laying off a significant number of field personnel until the market recovers. The Company is exploring opportunities to lease its rigs in certain regions.

The Company remains the driller of choice for several key clients, especially in frontier regions where the vast majority of future exploration will take place. In each of these markets, our primary rig is the “S” style rig servicing more difficult and remote programs.

Europe, Middle East, Africa (EMEA) & Canada

The Company has 29 rigs in Africa, 14 rigs in the United Kingdom and Europe and 6 rigs in Canada. Meters drilled in EMEA was approximately 17% of global meters drilled for the fourth quarter of 2016, compared to 14% in the fourth quarter of 2015. This region accounted for 18% of year-to-date 2016 global meters drilled compared to 12% in 2015.

Almost two thirds of meters drilled in the EMEA group were in Africa with the remaining meters being drilled in Europe. Management continues to seek opportunities to drill in European markets and also expects more drilling work to be done in Europe and a slight recovery in some of its African markets. West Africa which is where the Company mainly operates remains heavily exposed to junior miners. The financial environment surrounding that market has impacted activity levels but there are indications that exploration activity is in the recovery phase. The Company continues to see a stable flow of opportunities in other parts of the continent where its frontier rigs are ideal given challenging infrastructure and social issues. The Company's fully developed logistical network in Africa allows management to move equipment and personnel quickly to new markets on the continent as dictated by demand.

Drill Fleet

At December 31, 2016, the Company had 139 rigs in its mineral drilling fleet. The Company intends to add new equipment on an as-needed basis and can do so on a cost-advantaged basis through Dando. The Company will continue to work with certain clients who require specific equipment to meet challenging conditions at various projects. Typically, the cost of the Company retrofitting existing or building new equipment is more than offset by the value of the particular contract. The Company is continuing a modification program to increase the operational and depth capabilities of its standard S-2 and S-3 rigs. Recently, the Company has developed a conversion kit for its S rigs allowing them to conduct limited reverse circulation and open hole drilling.

The Company is developing additional technical ability in complementary activities including underground drilling. Included in the total rig count are 9 underground rigs. The expansion into underground drilling was in response to certain clients' requests that we provide full service to their operations. The majority of the underground rigs are similar to our existing surface rigs, using substantially the same equipment and supplies. This significantly reduces crew training time and inventory requirements.

Seasonality

There is a reduction in drilling for most of the Company's operations in Africa during the months of June/July through to September/October due to rain. In South America, a seasonal slowdown in activity occurs around year-end due to the onset of the holiday season and weather conditions in some locations. Traditionally, lower-margin brownfield work continues throughout the year with the exception of the seasonal shutdowns in the last month of the year. Frontier exploration is generally based on exploration campaigns. The highest activity levels in the mining category tend to occur in the second and the third quarters of the year, whereas the first and especially the last quarter of the year are typically the slowest.

ENERGY DRILLING

Oil and Gas Drilling

Oil Sands

The Canadian government seeks to reduce and ultimately eliminate the discount applied to Canadian crude as pipeline projects that head south, west and east are negotiated. The Canadian government has identified the oil sands as a strategic asset supporting long-term economic growth for all of Canada and has approved several energy pipeline projects. Recent political developments in the United States indicate a greater willingness to promote new pipelines from Canada although the effects of that potential policy change will take some time.

Natural Gas

While gas inventories have remained larger over recent years than in the previous decade, the technical developments related to shale gas have opened up a new market for further seismic exploration, especially in the United States ("U.S."). and in Latin America. There is growing demand for the resource as power generating companies are now able to plan and build facilities reliant on this cleaner burning, abundant and cheap energy source that supports ongoing exploration activity throughout North America. In Canada, liquefied natural gas export terminals are being planned and considered by foreign corporations to meet energy requirements overseas. These developments should have a positive impact on exploration and seismic activity in Western Canada where Bertram Drilling Corp. ("Bertram") can deploy its fleet of seismic equipment. The environment for conventional seismic equipment is competitive in North America, although Bertram has an advantage where it can offer heli-portable services that are in short supply to access environmental and societal concerns in certain areas.

Outlook and Business Strategy

Overall, lower oil and gas prices have significantly impacted the Company's activity levels and financial performance and recovery remains uncertain. Larger companies operating in the oil sands region have reduced development budgets in accordance with lower profit forecasts over the near to medium term. Some recovery started to take hold in late 2017 as major oil and gas companies began to increase spending compared to previous years in order to meet spending commitments as well as having somewhat adapted exploration costs in accordance with new global oil price levels. Management is engaged with its long-term customers in the region who have indicated work programs are expected to increase in 2017 as long as oil prices stabilize.

Prior to the downturn in the oil industry in 2015, the performance of the energy division since its acquisition in July 2011 had shown its value in terms of diversifying revenues and offsetting seasonality of Energold's mineral division while providing a platform for continued growth using the Company's strong balance sheet. Energold's management continues to work aggressively to capitalize on the potential synergies between the various divisions. The sharing of equipment, expertise, contacts, crews and logistical infrastructure helps drive revenues, operating margins and overall long term shareholder value. Furthermore, management feels it can increase revenue using the current fleet of equipment by growing market share in current businesses while penetrating new markets outside North America with the Company's know-how when operating in remote regions. Management endeavours to keep costs under control in the Energy business although a particular level of fixed costs are required to meet day-to-day needs of the business on a year-round basis. Significant cost reductions have been implemented since Q2-2016 and better financial performance is expected to resume in 2017.

Seasonality

The ability to move heavy equipment into Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring break-up" and associated road bans has a direct impact on activity levels. Many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. As a result, most of the drilling occurs in the first quarter of the calendar year with April through May traditionally being the slowest time in this region. There is a current trend for increased activity in the summer and fall months, although management must consider this strategy on a case-by-case basis with the customer, as logistical costs to operate could be higher than in the winter season.

The first quarter tends to be the strongest period in terms of activity for energy drilling. Cold temperatures create ideal working conditions as the frozen ground allows for near full deployment of the Company's oil sands coring fleet. The fourth quarter tends to be much quieter although the post-winter business is usually available to help offset costs of demobilizing equipment from the winter period.

Green Drilling - Water, Ground Loop Geothermal (“geothermal”) and Geotechnical

Recently, management has focused on growing other areas including commercial green drilling. Worldwide, demand for geothermal and water drilling continues to grow in regions where the Company currently operates and excess rig capacity from those regions can be utilized. Historically, Bertram has been able to generate consistent operating margins on its geothermal programs.

The water market in particular can provide the Company with new revenue sources with tender opportunities across some of its traditional markets in Africa, as well as in North America. In doing so, management can effectively redeploy idle drilling rigs to take advantage of growth in new markets elsewhere while more traditional commodity markets recover.

In the longer term, as society looks for alternative sources of energy, geothermal programs reduce energy demands and are becoming an integral part of a number of development projects and are regarded as “clean” from an environmental point of view. The opportunity to submit bids on new projects in the U.S. is substantial. The Company is in a strong position to participate in multi-year programs that may potentially help offset seasonality effects that take place in the oil sands coring business during the winter months.

Energy and Infrastructure Meters Drilled

In 2016, Bertram drilled 18,000 meters in Canada and approximately 112,700 in the U.S. compared to 94,900 meters in Canada and approximately 263,400 in the U.S. in 2015. The decline is primarily due to depressed hydrocarbon prices and the forest fires impacting Northern Alberta in Q2-2016. Activity levels are not always reflective of revenues due to the type of drilling the division offers. Oil sands and geothermal drilling are more technical and require specialized equipment and skilled labour. For those reasons, pricing per meter is much higher than other types of drilling. Seismic drilling is not a highly technical process; therefore, drilling rates are priced much lower due to the speed of drilling and type of labour skills required to perform the work. Since its acquisition on March 4, 2016, Cros-man, which does infrastructure drilling in Central Canada, drilled 30,500 meters year to date and 11,700 meters in Q4-2016.

Meters were drilled in the following areas:

	For the three months ended December 31		For the year ended December 31	
	2016	2015	**2016**	2015
Infrastructure	11,700	-	30,500	-
Oil sands	700	-	5,600	17,900
Seismic (Track and Heli-portable)	-	2,800	-	69,100
Water wells	600	-	1,700	-
Geothermal, Geotechnical and other	21,200	32,900	123,400	271,300
	34,200	35,700	161,200	358,300

MANUFACTURING DIVISION

Outlook and business strategy

The principal activity of Dando remains the design, manufacture and sale of mobile drilling rigs and associated equipment for water wells, mineral exploration, geotechnical investigation and environmental monitoring.

Dando has an excellent reputation in Africa, South East Asia and Australia. The utilization of the Company’s contacts and expertise in Latin and North America has led to significant interest from previously untapped geographical markets.

Dando continues to receive growing interest for its products but revenue growth has been affected by a number of factors. Dando has been adversely affected by worldwide complex geo-political issues, a general nervousness in the market and lack of client funding or availability of foreign currency, especially for some of the large projects in the water sector. The fluctuation of commodity prices has resulted in a volatile mineral market. The drop in oil prices has also affected Dando's ability to generate revenue in the geotechnical and seismic industry space. However, Dando continues to build relationships with clients in this sector in the pursuit of securing new and long term contracts in Western Canada. The water markets are also changing and growing as shallow aquifers have been exhausted, or have become harder to find. As a result, demand is increasing for more powerful and higher priced machinery to access deeper water reserves which is a further strain on the potential customers who already find it difficult to finance their purchases.

Management is focused on continuing to develop relationships across the financial community to enable competitive financing programs to help grow market share in the current weak environment. Along with other Energold subsidiaries, Dando has been using various financial instruments from Export Development Canada to assist new customers and generate contracts.

Seasonal trends affect the performance of the manufacturing business in each quarter. The beginning of the year is typically reserved for participating in the annual tendering process with non-government organizations and various layers of governments worldwide. Contracts are awarded in the second and fourth quarters and revenue recognition is usually loaded in the latter portion of the year. Towards the end of the year, sales are reduced due to the holiday season. The majority of the division's tenders are in the water well manufacturing segment of the market where Dando enjoys brand name recognition for quality and longevity of equipment.

RESULTS OF OPERATIONS

For the year ended December 31, 2016 compared to the year ended December 31, 2015

	For the year ended December 31		
(in thousands)	**2016**	2015	2014
Revenue			
Mineral	**$ 37,075**	$ 32,548	$ 34,532
Energy	**18,229**	28,537	54,702
Manufacturing	**10,096**	20,891	12,067
	$ 65,400	$ 81,976	$ 101,301
Loss			
Mineral	**$ (2,273)**	$ (7,505)	(5,007)
Energy	**(7,457)**	(9,076)	(2,163)
Manufacturing	**(5,023)**	(2,425)	(5,116)
Corporate	**(3,808)**	(4,727)	(1,767)
	$ (18,561)	$ (23,733)	$ (14,053)
Loss per share – basic and diluted[2]	**$ (0.36)**	$ (0.49)	$ (0.28)
Total assets	**$ 108,981**	$ 130,313	$ 150,857
Non-current financial liabilities	**$ 3,123**	$ 14,596	$ 15,002

Net loss for the year ended 2016 was impacted by the following factors:

[2] Loss per share is calculated based on losses attributable to equity shareholders of Energold Drilling Corp.

- Mineral
  - Revenues increased to $37.1 million in 2016 from $32.5 million in 2015 as a result of a 15% increase in meters drilled. Average revenue per meter in 2016 was $159 compared to $160 in 2015. Although the market is recovering slightly, there is still excess rig capacity in the industry. As capacity utilization rises, pricing and margins are expected to expand as the mineral division strives to maintain low operating costs. The margin for this division improved as a result of increased productivity and monitoring costs. The margin for the year ended December 31, 2016 was $4.9 million or 13%, an improvement over the comparable period of $2.2 million or 7%. Management continues to try and improve its margin by evaluating a number of ways to increase productivity and control its costs without sacrificing the quality of its drilling.

- Energy & Infrastructure
  - Revenues for the year ended December 31, 2016 were $18.2 million compared to $28.5 million in 2015. The majority of the decrease is due to major operators delaying projects due to the continued low price of oil which affected performance in Q1-2016, when the majority of drilling activity in western Canada takes place. The wild fires in Northern Alberta in Q2-2016 also impacted revenues. Gross margin was $3.3 million or 18% in 2016 compared to a $7.7 million or 27% in 2015. The decrease in revenue from the oil sands resulted in a lower gross margin as Bertram still has certain fixed costs in its operations although significant measures have been taken over the last two quarters to materially lower costs associated with the ongoing functioning of the business.

  - On March 4, 2016, the Company acquired all the outstanding shares of Cros-man. Cros-man has been fully consolidated in the group's results from March 4, 2016. The net assets acquired and recorded at estimated fair values totalled $4.1 million including intangible assets of $2.3 million. Consideration for this acquisition was $5.7 million in which $3.5 million was paid in cash and the balance to be paid over a period of three years ($0.6 million included in current trade and other payables and $1.6 million included in non-current trade and other payables). Since its acquisition, Cros-man earned revenues of $3.1 million which is included in the Energy revenue segment.

- Manufacturing
  - Revenues for Dando for the year ended December 31, 2016 were $10.1 million with a margin of 11% compared to revenues of $20.9 million with a gross margin of 17% in the comparable period in 2015. The combination of depressed minerals and oil and gas industry in addition to inability for Dando's clients to finance its projects impacted Dando's revenues.

- Indirect and administrative expenses in 2016 were $26.5 million compared to $28.0 million in 2015. Overall, the Company has been working towards reducing its expenses. The Company has managed to reduce expenses while taking on $1.4 million of costs due to the acquisition of Cros-man in 2016.

- The Company recorded finance costs related to interest payments on the convertible debentures, loans and leases of $3.1 million in 2016 compared to $2.8 million in 2015.

- In 2016, current and deferred income tax expenses were $1.0 million compared to $3.1 million in 2015.

- Other comprehensive loss totaled $9.4 million in 2016 compared to a $7.7 million income in 2015. Other comprehensive loss/income is related to unrealized gains or losses on short-term investments held net of taxes and cumulative translation adjustments on foreign currency translation. The Company's subsidiaries hold balances in their functional currency; therefore upon translation to presentation currency, which is the Canadian dollar, balances on the balance sheet may increase or decrease depending on the foreign exchange rate at that time.

For the three months ended December 31, 2016 compared to the three months ended December 31, 2015

(in thousands)		For the three months ended December 31 2016		2015		2014
Revenue						
Mineral	**$**	**8,857**	$	9,986	$	9,876
Energy		**4,034**		4,586		11,465
Manufacturing		**1,448**		4,728		1,922
	$	**14,339**	$	19,300	$	23,263
Income/(loss)						
Mineral	**$**	**1,043**	$	(2,423)	$	(1,695)
Energy		**(865)**		(4,800)		(2,038)
Manufacturing		**(1,655)**		(1,079)		(2,399)
Corporate		**(2,434)**		(3,389)		365
	$	**(3,911)**	$	(11,691)	$	(5,767)
Loss per share – basic and diluted[3]	**$**	**(0.07)**	$	(0.24)	$	(0.12)

Net loss for quarter-to-date 2016 was impacted by the following factors:

- Mineral
  - Revenues increased to $8.9 million in Q4-2016 from $10.0 million in the comparable period of 2015. Average revenue per meter for Q4-2016 was $149 compared to $174 in Q4-2015. The difference in revenue per meter is due to the different mixture of diamond drilling and RC drilling. Pricing still remains competitive and there is still excess rig capacity in the industry. As capacity utilization rises, pricing will continue to strengthen and margins will expand as the mineral division strives to maintain low operating costs. The margin for the three months ended December 31, 2016 in this division was $1.3 million or 14% compared to $1.0 million or 10% in the comparable period in 2015. Drilling programs have started to grow in size as the recovery continues and margin expansion is expected to continue as costs remain low and pricing becomes more firm in several key markets. Management continues to try and improve its margin by evaluating a number of ways to control its costs without sacrificing the quality of its drilling. The Company maintains a strong infrastructure network in all regions where it operates, which allows for relatively lean operations and enables the Company to respond quickly to new opportunities.

- Energy & Infrastructure
  - Revenues for the three months ended December 31, 2016 were $4.0 million compared to $4.6 million in same period for 2015. Activity levels are still lower than what the Company has experienced in previous years due to continued challenging times for the industry. Gross margin was $0.9 million or 23% in 2016 compared to a break-even in the comparable period of 2015. The division still has certain fixed costs in its operations, although significant efforts have been made to reduce costs over the past year.

- Manufacturing
  - Revenues for Dando in Q4-2016 were $1.4 million with a margin of 11% compared to revenues of $4.7 million with a gross margin of 16% in Q4-2015. Several orders that management had expected did not materialize; therefore performance in this division has not met expectations.

[3] Loss per share is calculated based on losses attributable to equity shareholders of Energold Drilling Corp.

- Indirect and administrative expenses were reduced in Q4-2016 to $6.3 million compared to $7.7 million in Q4-2015 due to the Company's efforts in monitoring and reducing its expenses. $0.3 million related to expenses from the Cros-man acquisition.

- The Company recorded finance costs related to interest payments on the convertible debentures, loans and leases were comparable at $0.7 million in Q4-2016 and Q4-2015.

- Current and deferred income tax expenses were $0.2 million in Q4-2016 and $1.8 million in Q4-2015.

- Other comprehensive loss totaled $2.4 million in 2016 compared to $0.9 million income in the comparable period of 2015. Other comprehensive loss/income is related to unrealized gains or losses on short-term investments held net of taxes and cumulative translation adjustments on foreign currency translation. The Company's subsidiaries hold balances in their functional currency; therefore upon translation to presentation currency, which is the Canadian dollar, balances on the balance sheet may increase or decrease depending on the foreign exchange rate at that time.

OTHER FINANCIAL INFORMATION

Summary of Quarterly Results

The following table represents our unaudited quarterly results of operations for each of the last eight quarters. All figures are in thousands of Canadian dollars except loss per share:

	Dec 31 2016	Sept 30 2016	June 30 2016	Mar 31 2016	Dec 31 2015	Sept 30 2015	June 30 2015	Mar 31 2015
Revenue	14,339	18,888	15,561	16,612	19,300	22,814	20,249	19,613
Net loss	(3,911)	(3,336)	(4,979)	(6,335)	(11,691)	(3,877)	(4,757)	(3,408)
Loss per share – Basic and Diluted*	(0.07)	(0.06)	(0.10)	(0.13)	(0.24)	(0.08)	(0.10)	(0.07)

* Per share numbers have been rounded to two decimal places

FINANCING

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 an aggregate gross proceeds of $5.8 million, including the full exercise of the agents' option to increase the offering in the amount of $0.8 million. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $1.75 per share for a period of 18 months from the date of issuance. The Offering was conducted through a syndicate of agents led by Clarus Securities Inc. and including M Partners Inc. (together, the "Agents").

In consideration for their services in connection with the offering, the agents received a cash commission of 6% of the gross proceeds raised under the offering as well as compensation warrants equal to 6% of the number of units sold under the offering. Each compensation warrant is exercisable by the agents to acquire one share at a price of $1.00 per share for a period of 18 months following the closing of the offering.

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 for a period of 18 months from the date of issuance.

The net proceeds of the offering was intended to be used by the Company to fund a portion of the Company's capital program, which includes the purchase of drilling rigs and ancillary supplies, and for working capital purposes. The objective is to extend the Company's capability in technical mineral and water drilling programs in Africa.

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 acquire Cros-man Direct Underground Ltd. The loan bears 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. has provided a guarantee and postponements of claim. As of December 31, 2016, the amount outstanding on this credit facility was $2.0 million. In October 2016, one of the Company's subsidiaries renegotiated its credit facility with the Royal Bank of Canada for the amount of $1.5 million. As of December 31, 2016, the amount outstanding on this facility was $1.1 million. As of December 31, 2016, the Company was not in compliance with one of its financial covenants on both of the above credit facilities and has received a waiver from the bank stating it will not recall the loan. The Company has classified the full amount of the loans as current. The balance is to be repaid upon receipt of proceeds from the convertible debenture refinancing (see subsequent event below related to new financing).

On July 21, 2014, the Company completed a $13.5 million secured convertible debenture issue which bears interest at 12.85% calculated annually, payable quarterly, with a maximum term of three years (Energold holds a call provision). The debentures are convertible into common shares of the Company at a conversion price of $3.00 per share subject to a minimum conversion of $50,000 (if converted in part). The Company fair valued the debt component using a discounted cash flow model at a current interest rate of 14% on July 21, 2014, the closing date of the convertible debenture. The value of the debt component was $13.1 million and the equity component was assigned the residual amount of $0.4 million. At December 31, 2016, the current liability of the convertible debenture was $13.4 million.

Subsequent to December 31, 2016, on February 14, 2017, the Company announced that it had entered into a binding term sheet with Extract Advisors LLC ("Extract"), a New York and Toronto-based natural resources investment fund manager, for a $20 million, secured convertible loan ("Convertible Loan"). Extract, through funds it manages, has agreed to finance $15 million principal amount of the Convertible Loan and the balance will be provided by a syndicate of lenders to include existing debenture holders, new investors and insiders of the Company.

Energold intends to use the proceeds to repay its certain current loans including $13.5 million of secured convertible debenture due July 2017, as well as certain credit facilities with Royal Bank of Canada and EDC. The deal is anticipated close in Q2-2017.

In conjunction with operational performance and financings done over the past three years, management believes it has a strong balance sheet that will allow for continued growth amidst a more challenging environment. Management continues to make a conscious effort to use financial leverage where possible while keeping the Company's financial structure on a balanced basis in accordance with its near and long term industry outlooks.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES

Cash flows from operations were $1.6 million in Q4-2016 compared to using cash flows from operations of $2.9 million in Q4-2015. Cash flows used in operations for year-to-date 2016 were $2.8 million compared to cash flows from operations of $4.2 million in 2015.

In Q4-2016, the Company invested cash of $0.1 million compared to $0.6 million in the same period in Q4-2015. In Q4-2016, the Company invested $0.5 million in property, plant and equipment (net of proceeds and capitalized development cost) compared to $0.5 million in the comparable period of 2015. In Q4-2016, the Company received restricted cash of $0.3 million compared to using cash of $0.1 million in a comparable period.

In 2016, the Company used $3.1 million for investing activities compared to $1.8 million in the same period of 2015. $3.0 million (net of cash acquired) was invested to purchase Cros-man. The Company received proceeds from sale of available for sale investments (net of purchases) $0.9 million, mainly from the sale of its 1 million shares in IMPACT Silver Corp. compared to $0.1 million in the comparable period of 2015. In 2016, the Company purchased $1.0 million in property, plant and equipment (net of proceeds) compared to $1.4 million in the comparable period of 2015.

The Company used cash from financing activities of $0.1 million in Q4-2016 compared to receiving cash of $1.5 million in Q4-2015. It repaid $0.8 million of its bank and credit facilities in Q4-2016 compared to receiving bank loan proceeds of $1.9 million in Q4-2015. It received a loan by way of promissory note for $0.7 million from a related party. The Company made capital lease payments (net of proceeds) of $0.01 million in Q4-2016 and $0.4 million in Q4-2015.

During 2016, the Company received proceeds of $6.0 million for financing activities compared to using $3.9 million in the comparable period of 2015. The increase in proceeds is mainly due to proceeds received from its private placements of $5.8 million in Q3-2016. In 2016, the Company received cash of $0.4 million from its credit facilities (net of repayment of credit / bank facilities) compared to repaying $2.2 million of its bank / credit facility (net of proceeds of credit facility) in the comparable period of 2015. The Company made capital lease payments (net of proceeds) of $1.1 million in 2016 compared to $1.8 million in the comparable period of 2015.

The Company has the following financial liabilities and commitments as of December 31, 2016:

(in millions $)	Less than one year	1-5 years	Total
Finance lease obligation	0.7	0.6	1.3
Debt	6.3	0.1	6.4
Convertible debenture	13.4	-	13.4
	20.4	0.7	21.1

Going concern

The Company's 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 2016, the Company incurred a net loss of $18.6 million and had cash outflows from operating activities of $2.8 million. At December 31, 2016, the Company had unrestricted cash of $13.7 million, current assets of $80.2 million and working capital of $46.9 million. The Company is due to repay its existing convertible debenture of $13.5 million in July 2017. Based on existing unrestricted cash balances and expected cash flows from operations, the Company will need to generate funds from other sources in order to repay the entire obligation. . On February 14, 2017, the Company announced a $20 million convertible debt financing (see Financing section) to replace the existing facility and various other bank loans. As of the date of this document, the financing had not closed.

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 significant doubt on the validity of the going concern assumption.

OUTSTANDING SHARE DATA

The following common shares, warrants and stock options of the Company were issued and outstanding at April 3, 2017:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	54,659,939		
Stock options outstanding	1,750,000	0.45	December 23, 2020
Stock options outstanding	500,000	2.01	October 1, 2019
Compensation warrants outstanding	345,000	1.00	January 6, 2018
Warrants outstanding	5,000,000	1.75	January 6, 2018
Agent warrants outstanding	750,000	1.75	January 6, 2018
Warrants outstanding	716,192	1.75	January 22, 2018
Fully diluted	63,721,131		

1,806,875 stock options outstanding have vested at April 3, 2017.

EQUITY HOLDINGS

IMPACT Silver Corp. (IPT: TSX.V) ("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 available-for-sale investment.

SAFETY, SOCIAL AND ENVIRONMENTAL POLICY

The Company is committed to ongoing research programs on equipment safety on all of its rigs. The Company has developed and maintains an active safety audit program.

Exploration and drilling create a physical change within the area of work. The Company believes in its responsibility to ensure that it minimizes the environmental impact of its efforts. The development of our drills is a direct successful offshoot of the need to explore with a light footprint using a drill pad of very limited size, which does not require the construction of roads and complex access. Additives used are non-toxic, and contaminants from petroleum based products are contained with a dual retention system.

Our employees and contract personnel are aware and continually reminded that environmental issues and safety cannot be compromised. The Company has published safety, social, and environmental policies related to its operations and is currently implementing an ISO 14001 program throughout the Company.

The Company works as part of the community whose members must be kept informed of our activities and their concerns addressed. Wherever possible the local community participates in the benefits that may flow from the Company's activities. The use of local personnel as drillers, driller's helpers and workers fosters direct involvement in the programs conducted by the Company. For instance, in previous years, as part of its overall community programs in Mexico, the Company drilled and equipped three water wells for remote communities without adequate clean water. In Haiti, the Company participated in the construction of the almost 50-meter long Elizabeth foot bridge in the Limbe Municipality. In Peru and the Dominican Republic, the Company provided school supplies to children and in West Africa, the Company assisted in financing and equipping an elementary school.

The Company has published specific policies and regulations to address the above, as well as our ongoing concern for safety. Work being conducted by or on behalf of the Company must be well planned, safe and with a concern for the environment and communities surrounding us.

CONTRACT DRILLING RISK FACTORS

The Company is faced with a number of risks with respect to its contract drilling operations. Contract drilling is a highly competitive industry, where numerous competitors may tender bids for contracts. The Company's ability to continue to secure profitable contracts on an ongoing basis is not assured. Like every business operating internationally, the Company faces numerous risks in its day-to-day business operations which are highlighted in the headings below and briefly summarized.

Cyclical Industry Risks

The mineral contract drilling industry is reliant on demand from two primary categories of commodities, precious and base metals, while certain industrial minerals may also be tested. Under favourable market conditions, rising commodity prices normally spur an increased demand for drilling services. However, cyclical downturns in commodity prices can have the opposite effect and the Company could be exposed to an investment in drilling equipment and supplies which might not be able to be utilized to their full capacity.

The oil and gas drilling industry is reliant on the level of activity by oil and gas companies. This level of activity has traditionally been volatile as a result of fluctuations in oil and gas prices and their uncertainty in the future. The purchase of the services the Company provides are, to a substantial extent, deferrable in the event oil and gas companies reduce capital expenditures. Therefore, the willingness of the Company's customers to make expenditures is critical to our operations. The levels of such capital expenditures are influenced by, among other things: 1) oil and gas prices and industry perceptions of future prices; 2) the cost of exploring for, producing and delivering oil and gas; 3) the ability of oil and gas companies to generate capital; 4) the discovery rate of new oil and gas reserves in offshore areas; and 5) local, federal and international political and economic conditions. Producers generally react to declining oil and gas prices by reducing expenditures and this has in the past and may in the future adversely affect our business. We are unable to predict future oil and gas prices or the level of oil and gas industry activity. A prolonged low level of activity in the oil and gas industry may adversely affect the demand for services and may impact the financial condition and results of operations of the Company.

Reliance on Key Accounts

From time to time, the Company may be dependent on a small number of customers for a significant portion of its overall drilling revenues and net earnings.

Workforce Availability

Drilling is as much an art as a science and it takes considerable time and experience for an individual to become a well-qualified driller. In certain countries, it is developing and training a local work force. It is also hiring overseas and developing incentive programs to retain drillers. If the Company cannot hire or train a sufficient quantity of drillers, it may result in lower rig utilization and revenues.

Extreme Weather Conditions

The Company operates in a variety of locations and areas in the world, some of which are subject to extreme weather conditions which can have a significant impact on operations.

Foreign Countries and Regulatory Requirements

Contract drilling, mineral exploration and mining activities may be affected in varying degrees by political instability and government regulations relating to the mining industry and foreign investors therein. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its own, or its clients' business outlook. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, mine safety, environmental legislation, and expropriation of property.

Environmental and Other Regulatory Requirements

The current or future operations of the Company and its clients involving contract drilling, exploration, development activities, production and mining on their properties require permits from various federal, state, and local governmental authorities. Such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Regulatory requirements and environmental standards are subject to constant evaluation and may change significantly, which could have adverse effects on the business of the Company and its clients in any jurisdiction in which the Company operates.

Permits and Licenses

The operations of the Company and its clients may require licenses and permits from various governmental authorities. There can be no assurance that the Company or its clients will be able to obtain all necessary licenses and permits that they may require to carry out contract drilling or exploration, development and mining operations on their mineral properties.

Political, Regulatory & Security Issues

The Company's operations are subject to control and scrutiny by several levels of government, various departments within each level, and corporate, environmental and mining regulations. Permission must also sometimes be secured from local people for exploration and drilling permits, water and land surface use rights. Risk exists that the Company might fail to be fully compliant in all respects in this political and regulatory environment or that permits might not be issued on a timely basis to facilitate the Company's planned development activities. In addition, social and political unrest may exist within a region covered by the Company's operations and such events may affect the feeling of safety and security of the local people and may affect the operating activities of the Company. From time-to-time, government regulatory agencies may review the books and records of the Company, which may result in changes in the Company's operating results. There is also potential risk of tax policy changes by the government in the various countries the Company operates in which may impact the Company's operating results.

FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

Financial assets and liabilities

The Company's financial instruments consist of cash and cash equivalents, restricted cash, trade receivable, available for sale financial instruments, trade and other payables, bank indebtedness, and convertible debenture. The Company has designated cash and cash equivalents, restricted cash and trade receivables as loans and receivables, which are measured at amortized cost. Available for sale financial assets are designated as available for sale and December 31value of the Company's cash and cash equivalents, restricted cash, trade and other receivables, available for sale investments trade and other payables, bank indebtedness, and convertible debenture approximate fair values.

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 allowance for doubtful accounts. The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents and accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. 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, 2016, the Company's total liabilities were $39.9 million, of which $31.3 million is current. The Company has debt of $6.4 million, finance lease obligations of $1.3 million and convertible debt of $13.4 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. At December 31, 2016, 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, 2016, 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 $0.2 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 and finance leases are not subject to interest rate risk because they are at fixed rates.

RELATED PARTY DISCLOSURE

Related party transactions not disclosed elsewhere are as follows:

In 2014, five directors of the Company, the chief executive officer, the chairman of the board, the audit committee chair, the former audit committee chair (retired from the position in 2014), and a general director, purchased a total of $1.9 million of the CD. In addition, a person related to the chief executive officer purchased $0.1 million CD. A trust related to officers of Bertram Drilling Corp., purchased $1.0 million of the CD. As of December 31, 2016, the outstanding payable to related parties on the CD was $3.0 million (December 31, 2015 - $3.0 million).

During the year ended December 31, 2016, net fees in the amount of $0.4 million were incurred (December 31, 2015 - $0.2 million) from a company related to an officer of Bertram for helicopter services performed in Canada and the U.S. As of December 31, 2016, there was a net payable balance of $0.5 million (December 31, 2015 – $0.1 million).

In November 2016, the Company entered into a loan facility with a company related to an officer of Bertram. The loan bears interest at 4.7% per annum, and expires on March 15, 2018. As of December 31, 2016, the amount outstanding on this loan facility is $0.8 million.

As part of the acquisition of Cros-man, the Company has a deferred payment outstanding of $2.2 million as of December 31, 2016 to the vendor of Cros-man who remains a director of Cros-man.

APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of Energold have approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

NON-IFRS MEASURES

The non-IFRS measures presented do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be directly comparable to similar measures presented by other issuers. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Company uses both IFRS and non-IFRS measures to assess performance and believes the non-IFRS measures provide useful information to investors to help in evaluating the Company's performance. Following are the non-IFRS measures the Company uses in assessing performance:

EBITDA is a measure that the Company believes is a useful indicator of its operating (loss)/income and considers it to be a meaningful supplement to net loss as a performance measurement. The Company believes that, in additional to conventional measures prepared in accordance with IFRS, the Company and certain investors use this information to evaluate the Company's performance. As the Company incurs significant depreciation and amortization, EBITDA eliminates the non-cash impact and allows the Company and investors to evaluate the operating results of the underlying core operations.

	For the year ended December 31	
	2016	2015
Net loss	**$ (18,379)**	$ (23,623)
Add (deduct):		
Finance income	**(128)**	(77)
Finance cost	**3,085**	2,830
Amortization	**9,205**	9,376
Deferred income taxes recovery	**(249)**	2,302
Current income and other taxes expense	**1,216**	812
EBITDA	**$ (5,250)**	$ (8,380)

Gross margin and gross margin percentage are measures which the Company believes provides a useful indicator of how the Company's operations are performing. These measures are calculated as follows:

- Gross margin: Calculated as revenue less direct costs, excluding amortization.
- Gross margin percentage: Calculated as (gross margin divided by revenue) x 100.

In thousands		Mineral	Energy	Manufacturing	**YTD 2016**
Revenue	$	37,075	18,229	10,096	**65,400**
Direct Costs		32,211	14,968	9,024	**56,203**
Gross Margin	$	4,864	3,261	1,072	**9,197**
Gross Margin %		13.1%	17.9%	10.6%	**14.1%**

In thousands		Mineral	Energy	Manufacturing	**YTD 2015**
Revenue	$	32,548	28,537	20,891	**81,976**
Direct Costs		30,366	20,807	17,378	**68,551**
Gross Margin	$	2,182	7,730	3,513	**13,425**
Gross Margin %		6.7%	27.1%	16.8%	**16.4%**

In thousands		Mineral	Energy	Manufacturing	**Q4 2016**
Revenue	$	8,857	4,034	1,448	**14,339**
Direct Costs		7,604	3,098	1,291	**11,993**
Gross Margin	$	1,253	936	157	**2,346**
Gross Margin %		14.1%	23.2%	10.8%	**16.4%**

In thousands		Mineral	Energy	Manufacturing	**Q4 2015**
Revenue	$	9,986	4,586	4,728	**19,300**
Direct Costs		9,011	4,514	3,990	**17,515**
Gross Margin	$	975	72	738	**1,785**
Gross Margin %		9.8%	1.6%	15.6%	**9.2%**

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information, this MD&A may contain forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "estimates", "plans", "intends", "anticipates", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments.

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments in countries in which the Company operates; changes in regulatory requirements impacting the Company's operations; the ability to properly and efficiently staff the Company's operations; the sufficiency of current working capital; and demand for the Company's drill rigs.

The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to be incorrect, include but are not limited to, the various assumptions set forth herein and in the MD&A, or as otherwise expressly incorporated herein by reference as well as (1) there being no significant disruptions or adverse conditions; (2) fluctuations in the price and demand for commodities; (3) fluctuations in the level of mineral and oil and gas exploration and development activities; (4) fluctuations in the demand for contract drilling; (5) the exchange rate between the Canadian Dollar, U.S. Dollar, Mexican Peso and various currencies that the Company operates in being approximately consistent with current levels; (6) capital market liquidity available to fund customer drilling programs; (7) prices for and availability of equipment, labour, fuel, oil, electricity and other key supplies remaining consistent with current levels; (8) labour and materials costs increasing on a basis consistent with the Company's current expectations; (9) tax policy changes by the government in the various countries the Company operates; and (10) other unforeseen conditions which could impact the use of services supplied by the Company.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law. The forward looking statements contained herein are based on information available as of April 3, 2017.

Additional Information

Additional information relating to Energold is on SEDAR at *www.sedar.com*.

On behalf of the Board of Directors,

"Frederick W. Davidson",
President and Chief Executive Officer
April 3, 2017