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

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

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

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 –

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").

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.

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.

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.

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.

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

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.

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.

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

IFRS 9 – Financial Instruments – classification and measurement

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.

Canadian dollars in thousands except for shares and per share data

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).

Canadian dollars in thousands except for shares and per share data

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.

Canadian dollars in thousands except for shares and per share data

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.

Canadian Dollars in thousands except for shares and per share data

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.

Canadian Dollars in thousands except for shares and per share data

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).

Canadian dollars in thousands except for shares and per share data

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.

Canadian dollars in thousands except for shares and per share data

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.

Canadian dollars in thousands except for shares and per share data

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

Canadian dollars in thousands except for shares and per share data

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

Canadian Dollars in thousands except for shares and per share data

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

Canadian dollars in thousands except for shares and per share data

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%

Canadian dollars in thousands except for shares and per share data

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**

Canadian dollars in thousands except for shares and per share data

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).

Canadian dollars in thousands except for shares and per share data

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)

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) 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.

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.

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

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

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.