ENERGOLD DRILLING CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

Unaudited

NOTICE OF NO REVIEW BY AUDITOR

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

Energold Drilling Corp.

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

ASSETS		**June 30, 2018**		December 31, 2017
Current assets				
Cash and cash equivalents	**$**	**4,777**	$	7,653
Restricted cash		**148**		234
Trade and other receivables		**18,987**		12,685
Income tax receivable		**2,555**		2,666
Investments		**2,792**		2,897
Inventories		**43,874**		44,947
		73,133		71,082
Non-current assets				
Property, plant and equipment		**13,796**		15,858
Goodwill and intangible assets		**5,149**		5,190
Deferred income tax assets		**111**		32
		19,056		21,080
	$	**92,189**	$	92,162
LIABILITIES				
Current liabilities				
Bank indebtedness *(Note 5)*	**$**	**146**	$	-
Trade and other payables		**18,548**		13,401
Current income tax payable		**108**		541
Deferred revenue		**440**		3,095
		19,242		17,037
Non-current liabilities				
Bank indebtedness *(Note 5)*		**2,634**		2,509
Trade and other payables		**132**		-
Due to related party *(Note 11)*		**1,003**		1,490
Finance leases *(Note 7)*		**799**		623
Convertible debentures *(Note 8)*		**16,529**		15,440
Convertible debentures derivative *(Note 8)*		**1,586**		1,690
Deferred income tax liabilities		**3,326**		3,032
		26,009		24,784
		45,251		41,821
SHAREHOLDERS' EQUITY				
Share capital		**95,379**		95,368
Contributed surplus		**11,155**		9,233
Warrants		**514**		2,277
Equity component of convertible debentures *(Note 8)*		**896**		896
Accumulated other comprehensive income		**(1,898)**		(3,195)
Accumulated deficit		**(59,108)**		(54,238)
		46,938		50,341
	$	**92,189**	$	92,162

ON BEHALF OF THE BOARD:

"F.W. Davidson", Director

"M.A. Corra", Director

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

Energold Drilling Corp.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
Revenue	**$ 23,788**	$ 17,849	**$ 47,644**	$ 36,913
Direct costs	**20,082**	16,037	**38,243**	30,601
Gross profit (excluding amortization)	**3,706**	1,812	**9,401**	6,312
Indirect and administrative expenses				
Accounting, audit and legal	**140**	247	**384**	462
Amortization	**1,819**	2,056	**3,543**	4,158
Bad debt expense (recovery)	**121**	(74)	**230**	(109)
Investor relations, marketing and travel	**245**	370	**539**	677
Management fees and consulting	**376**	315	**825**	552
Office, rent, insurance and sundry	**849**	842	**1,658**	1,745
Office salaries and services	**2,303**	2,160	**4,190**	4,347
Share-based payments	**-**	18	**-**	18
	5,853	5,934	**11,369**	11,850
Operating loss	**(2,147)**	(4,122)	**(1,968)**	(5,538)
Other income (expenses)				
Foreign exchange gain (loss)	**143**	609	**(425)**	(144)
Finance and other income *(Note 6)*	**32**	13	**68**	29
Finance cost *(Note 6)*	**(1,156)**	(843)	**(2,149)**	(1,552)
Other expense	**-**	(122)	**-**	(116)
Gain on derivative component of debentures	**1,182**	-	**211**	-
Loss on disposal of assets	**(9)**	(18)	**(10)**	(338)
	192	(361)	**(2,305)**	(2,121)
Loss before taxes	**(1,955)**	(4,483)	**(4,273)**	(7,659)
Deferred income taxes expense (recovery)	**578**	(229)	**141**	(748)
Current income and other taxes expense	**233**	350	**272**	739
Net loss	**$ (2,766)**	$ (4,604)	**$ (4,686)**	$ (7,650)
Attributable to:				
Equity holders of Energold Drilling Corp.	**$ (2,766)**	$ (4,604)	**$ (4,686)**	$ (7,630)
Non-controlling interest	**$ -**	$ -	**$ -**	$ (20)

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

Energold Drilling Corp.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
Net loss	**$ (2,766)**	$ (4,604)	**$ (4,686)**	$ (7,650)
Other comprehensive loss				
Items that will not be reclassified to net loss				
Changes in fair value of investments	**(145)**	(1,099)	**245**	(1,009)
Items that may be reclassified to net loss				
Cumulative translation adjustment	**(2,194)**	(1,166)	**1,052**	103
Total comprehensive loss	**$ (5,105)**	$ (6,869)	**$ (3,389)**	$ (8,556)
Attributable to:				
Equity holders of Energold Drilling Corp.	**$ (5,105)**	$ (6,869)	**$ (3,389)**	$ (8,536)
Non-controlling interest	**-**	-	**-**	(20)
	$ (5,105)	$ (6,869)	**$ (3,389)**	$ (8,556)

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

Energold Drilling Corp.

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

	Shares Outstanding	Share Capital ($)	Contributed Surplus ($)	Warrants ($)	Equity component of convertible debentures ($)	Accumulated Other Comprehensive Income ($)	Non-controlling interest ($)	Retained Earnings ($)	Total Shareholders' Equity ($)
Balance at January 1, 2017	54,659,939	95,368	8,664	1,747	375	674	(422)	(37,280)	69,126
Impact of adopting IFRS 9	-	-	-	-	-	(499)	-	640	141
Balance at January 1, 2017 (restated)	54,659,939	95,368	8,664	1,747	375	175	(422)	(36,640)	69,267
Net loss for the period (restated)	-	-	-	-	-	-	(20)	(7,630)	(7,650)
Share-based payments	-	-	18	-	-	-	-	-	18
Fair value and reclassification of equity component of convertible debentures	-	-	375	-	660	-	-	-	1,035
Warrants issued and reclassified in relation to convertible debentures	-	-	(179)	550	-	-	-	-	371
Allocation of transaction costs in relation to convertible debentures	-	-	-	(20)	(58)	-	-	-	(78)
Write-off of receivable from NCI partner	-	-	-	-	-	-	143	-	143
Other comprehensive loss (restated)	-	-	-	-	-	(906)	-	-	(906)
Balance at June 30, 2017	**54,659,939**	**95,368**	**8,878**	**2,277**	**977**	**(731)**	**(299)**	**(44,270)**	**62,200**
Balance at January 1, 2018	54,659,939	95,368	9,233	2,277	896	(3,195)	-	(54,238)	50,341
Impact of adopting IFRS 15	-	-	-	-	-	-	-	(184)	(184)
Balance at January 1, 2018 (restated)	54,659,939	95,368	9,233	2,277	896	(3,195)	-	(54,422)	50,157
Net loss for the period	-	-	-	-	-	-	-	(4,686)	(4,686)
Stock options exercised	20,000	7	-	-	-	-	-	-	7
Fair value assigned to stock options exercised	-	4	(4)	-	-	-	-	-	-
Reclassification of expired warrants	-	-	1,926	(1,926)	-	-	-	-	-
Warrants issued	-	-	-	163	-	-	-	-	163
Other comprehensive income	-	-	-	-	-	1,297	-	-	1,297
Balance at June 30, 2018	**54,679,939**	**95,379**	**11,155**	**514**	**896**	**(1,898)**	**-**	**(59,108)**	**46,938**

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

Energold Drilling Corp.

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

Cash provided by (used in)		**Three Months Ended June 30** **2018**		2017		**Six Months Ended June 30** **2018**		2017
Operating activities								
Net loss	**$**	**(2,766)**	$	(4,604)	**$**	**(4,686)**	$	(7,650)
Items not affecting cash:								
Amortization		**1,819**		2,056		**3,543**		4,158
Finance costs		**92**		-		**183**		-
Share-based payments		**-**		18		**-**		18
Deferred income taxes expense (recovery)		**578**		(229)		**141**		(748)
Loss on disposal of assets		**9**		18		**10**		338
Gain on derivative component of debentures		**(1,182)**		-		**(211)**		-
Bad debt expense (recovery)		**121**		(74)		**230**		(109)
Accretion related to convertible debentures *(Note 8)*		**296**		85		**574**		121
Unrealized loss (gain) on foreign exchange		**165**		(949)		**828**		(613)
Change in non-cash working capital *(Note 12)*		**1,202**		6,112		**(3,504)**		185
		334		2,433		**(2,892)**		(4,300)
Investing activities								
Proceeds on sale of assets		**5**		-		**7**		261
Proceeds on sale of financial instruments		**136**		15		**390**		65
Purchase of property, plant and equipment		**(687)**		(79)		**(968)**		(368)
Capitalized development costs		**(155)**		-		**(155)**		-
Restricted cash		**(7)**		(77)		**91**		(69)
		(708)		(141)		**(635)**		(111)
Financing activities								
Convertible debentures issuance (net of transactions costs) *(Note 8)*		**-**		18,778		**-**		18,778
Repayment of convertible debentures *(Note 8)*		**-**		(13,500)		**-**		(13,500)
(Repayment of) proceeds from bank facilities		**(1,260)**		(2,134)		**146**		-
(Repayment of) proceeds from credit facilities		**-**		(3,323)		**123**		(3,692)
Proceeds from (repayment of) finance leases		**282**		(186)		**164**		(448)
Proceeds from loan from related party		**211**		-		**211**		-
Proceeds from shares issued		**2**		-		**7**		-
		(765)		(365)		**651**		1,138
Net (decrease) increase in cash		**(1,139)**		1,927		**(2,876)**		(3,273)
Cash at the beginning of the period		**5,916**		8,515		**7,653**		13,715
Cash at the end of the period	**$**	**4,777**	$	10,442	**$**	**4,777**	$	10,442

Interest paid	**$**	**681**	$	787	**$**	**1,246**	$	1,293
Income taxes paid		**5**		605		**473**		1,574

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

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

3. Significant accounting policies

Change in accounting policies

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

<u>Manufacturing revenue</u>

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

<u>Minerals and energy revenue</u>

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

Canadian dollars in thousands except for shares and per share data

4. Business combination

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

5. Bank indebtedness

		June 30, 2018		December 31, 2017
Current	**$**	**146**	$	-
Non-current		**2,634**		2,509
	$	**2,780**	$	2,509

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 June 30, 2018, the amount outstanding on this credit facility is $0.1 million. Bertram also had a term loan of $1.5 million that bore an interest rate at the bank's prime rate plus 1.75%. The loan was fully repaid in June 2017, as part of the convertible debenture financing. A general security agreement and a second ranking floating charge on all present and after-acquired real property have been pledged as security for the credit facility. Royal Bank of Canada ("RBC") has a first ranking security interest in all cash, accounts receivables and the assets leased pursuant to the lease facility. Energold Drilling Corp., as Bertram's parent company, has provided a guarantee and postponements of claim and general security agreements to a maximum of $9.0 million.

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

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

Canadian dollars in thousands except for shares and per share data

5. Bank indebtedness - *continued*

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

6. Finance income and cost

	Three Months Ended June 30				Six Months Ended June 30			
		2018		2017		**2018**		2017
Bank fees and interest expense	**$**	**329**	$	286	**$**	**554**	$	487
Finance lease expense		**25**		10		**41**		25
Interest and accretion expense on convertible debt		**802**		547		**1,554**		1,040
Finance cost	**$**	**1,156**	$	843	**$**	**2,149**	$	1,552
Finance income	**$**	**14**	$	13	**$**	**26**	$	29

7. Finance lease arrangements

The Company's finance lease liabilities are as follows:

	Minimum lease payments				Present value of minimum lease payments			
		June 30 2018		December 31 2017		**June 30 2018**		December 31 2017
Not more than one year (included in trade payables)	$	**575**	$	534	$	**568**	$	529
Later than one year and not later than five years		**814**		632		**799**		623
	$	**1,389**	$	1,166	$	**1,367**	$	1,152
Less: future finance charges		**(22)**		(14)		**-**		-
Present value of minimum lease payments	$	**1,367**	$	1,152	$	**1,367**	$	1,152

8. Convertible Debentures ("CDs")

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

Canadian dollars in thousands except for shares and per share data

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

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

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

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

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

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

Convertible debentures as of January 1, 2017	$	13,419
Accretion of debt discount to maturity of 2014 convertible debentures		81
Repayment of 2014 convertible debentures in June 2017		(13,500)
Amounts advanced for June 2017 convertible debentures		20,000
Equity portion of conversion feature		(1,035)
Derivative portion of conversion feature		(2,266)
Warrant value		(359)
Allocation of transactions costs		(908)
Accretion of debt discount for the twelve months of 2017		556
Foreign exchange		(548)
Convertible debentures as of December 31, 2017	$	15,440
Accretion of debt discount for the six months of 2018		574
Foreign exchange		515
Convertible debentures as of June 30, 2018	**$**	**16,529**

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

Canadian dollars in thousands except for shares and per share data

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

The Company has determined that the conversion options in the U.S. convertible debentures are embedded derivatives that are required to be separated from the convertible debentures' obligations and recorded at fair value initially and at each statement of financial position date, with changes in fair value recorded in profit or loss. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative. The embedded derivatives are recorded on the statement of financial position as non-current liabilities at the fair value on the transaction date of June 15, 2017. For the six months ended June 30, 2018, the change in fair value of these embedded derivatives was $0.2 million (June 30, 2017 – nil).

Convertible debentures derivative as of January 1, 2017	$	-
Derivative portion of conversion feature		2,266
Gain on derivative component		(458)
Foreign exchange		(118)
Convertible debentures derivative as of December 31, 2017	$	1,690
Gain on derivative component		(211)
Foreign exchange		107
Convertible debentures derivative as of June 30, 2018	**$**	**1,586**

9. Equity

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

a) Stock Options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Under the stock option plan 5,467,993 options have been authorized for issuance, of which 3,887,500 have been allocated at June 30, 2018. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors and are settled in cash. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. The directors, subject to the policies of the TSX Venture Exchange, may determine and impose terms upon how each grant of options shall become vested.

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

	Number	Weighted Average Exercise Price
At January 1, 2017	2,280,000	0.84
Granted	1,887,500	0.35
Expired	(30,000)	5.13
Forfeited	(190,000)	0.45
At December 31, 2017	3,947,500	0.59
Exercised	(20,000)	0.35
Forfeited	(40,000)	0.45
At June 30, 2018	**3,887,500**	**0.60**

Canadian dollars in thousands except for shares and per share data

9. Equity - *continued*

a) Stock Options - *continued*

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

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable
$0.45	1,520,000	0.97	1,520,000
$2.01	500,000	0.16	500,000
$0.35	1,867,500	2.15	1,867,500
	3,887,500	3.28	3,887,500

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

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

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

b) Warrants

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

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

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

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

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

Canadian dollars in thousands except for shares and per share data

9. Equity - *continued*

b) Warrants - *continued*

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

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

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

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

c) Loss per share

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

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	**2018**	2017
Net loss	**$ (2,766)**	$ (4,604)	**$ (4,686)**	$ (7,650)
Attributable to non-controlling interest	**-**	-	**-**	20
Attributable to shareholders of EGD	**(2,766)**	(4,604)	**(4,686)**	(7,630)
Weighted average number of shares – basic and diluted	**54,679,664**	54,659,939	**54,670,519**	54,659,939
Loss per share – basic and diluted	**(0.05)**	(0.08)	**(0.09)**	(0.14)

Canadian dollars in thousands except for shares and per share data

10. Key management personnel compensation

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

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	**2018**	2017
Salaries and fees	**$ 632**	$ 403	**$ 903**	$ 795
Share-based compensation	**-**	10	**-**	10
	$ 632	$ 413	**$ 903**	$ 805
Amounts payable to related parties	**$ 200**	$ 33	**$ 200**	$ 33

11. Related party transactions

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

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

b) On March 1, 2018, the Company entered into a working capital facility of up to $2.0 million with Extract Capital Master Fund Ltd. (“Extract”) and Sprott Hedge LP1 and Sprott Hedge LP2 (together, now “Ninepoint”). The loan is unsecured and has a term of 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 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 date of issuance. To date, the Company has issued 1,200,000 warrants at an exercise price of $0.54 per share split evenly between Extract and Ninepoint, and 762,660 warrants at an exercise price of $0.415 per share split evenly between Extract and Ninepoint. As of June 30, 2018, the amount outstanding on this credit facility is $0.9 million (December 31, 2017 - $nil) to Extract and $0.9 million (December 31, 2017 - $nil) to Ninepoint. The total of these loans ($1.8 million) is included in trade and other payables.

c) During the six months ended June 30, 2018, no fees were incurred (June 30, 2017 - $0.4 million) from a company related to an officer of Bertram for helicopter services performed in Canada and the U.S. As at June 30, 2018, there was a net payable balance of $nil (December 31, 2017 – $0.8 million).

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

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

Canadian dollars in thousands except for shares and per share data

11. Related party transactions - *continued*

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

12. Additional information to the statements of cash flows

Changes in non-cash working capital:

	For the three months ended June 30 **2018**	2017	For the six months ended June 30 **2018**	2017
Trade and other receivables	**$ (2,109)**	$ 2,740	**$ (7,137)**	$ (2,306)
Income tax receivable	**354**	(418)	**161**	31
Inventories	**1,278**	310	**2,262**	882
Trade and other payables	**3,123**	2,116	**4,029**	1,992
Current income tax payable	**(219)**	(1)	**(436)**	(1,237)
Due to (from) related party	**159**	(143)	**378**	(768)
Deferred revenue	**(1,384)**	1,508	**(2,761)**	1,591
	$ 1,202	$ 6,112	**$ (3,504)**	$ 185

13. Economic dependence

Significant customers

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

	For the three months ended June 30, **2018**		2017		For the six months ended June 30, **2018**		2017	
	$	**%**	$	%	**$**	**%**	$	%
Customer A	**2**	**1.9**	-	-	**6,859**	**14.4**	4,013	10.9
Customer B	**2,466**	**10.4**	-	-	**2,466**	**5.2**	-	-

Canadian dollars in thousands except for shares and per share data

14. Segmented information

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

Details are as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	**2018**	2017
Revenue				
Minerals	**12,434**	13,141	**23,250**	22,764
Energy and Infrastructure	**8,124**	3,511	**16,763**	11,263
Manufacturing	**3,230**	1,197	**7,631**	2,886
	$ 23,788	$ 17,849	**$ 47,644**	$ 36,913
Income (Loss)				
Minerals	**273**	433	**1,147**	850
Energy and Infrastructure	**(1,798)**	(2,655)	**(1,144)**	(2,361)
Manufacturing	**512**	(849)	**569**	(1,644)
General and corporate expenses (1)	**(1,134)**	(1,051)	**(2,540)**	(2,383)
Operating loss	**$ (2,147)**	$ (4,122)	**$ (1,968)**	$ (5,538)
Foreign exchange loss	**143**	609	**(425)**	(144)
Finance and other costs	**(1,133)**	(970)	**(2,091)**	(1,977)
Gain on derivative component of debentures	**1182**	-	**211**	-
Income tax (expense) recovery	**(811)**	(121)	**(413)**	9
	$ (2,766)	$ (4,604)	**$ (4,686)**	$ (7,650)
Amortization				
Minerals	**419**	355	**741**	730
Energy and Infrastructure	**1,365**	1,648	**2,707**	3,323
Manufacturing	**18**	36	**62**	72
Unallocated and corporate assets	**17**	17	**33**	33
	$ 1,819	$ 2,056	**$ 3,543**	$ 4,158

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

Canadian dollars in thousands except for shares and per share data

14. Segmented information – *continued*

As at		June 30 2018		December 31 2017
Assets				
Minerals	$	**62,959**	$	61,286
Energy and Infrastructure		**19,271**		19,569
Manufacturing		**4,574**		4,855
Unallocated and corporate assets		**5,385**		6,452
	$	**92,189**	$	92,162
Property, plant and equipment				
Minerals	$	**6,334**	$	6,702
Energy and Infrastructure		**7,192**		8,884
Manufacturing		**219**		220
Unallocated and corporate assets		**51**		52
	$	**13,796**	$	15,858
Intangibles				
Minerals	$	**1,710**	$	1,710
Energy and Infrastructure		**3,039**		3,227
Manufacturing		**400**		253
	$	**5,149**	$	5,190

Geographic information

	For the three months ended June 30				For the six months ended June 30			
Revenue		**2018**		2017		**2018**		2017
Mexico and the Caribbean	$	**5,154**	$	9,353	$	**10,113**	$	15,029
South America		**2,432**		1,153		**5,017**		1,787
Africa and Other		**6,996**		3,407		**14,389**		8,110
Canada		**3,043**		1,539		**11,204**		8,674
United States of America		**5,081**		1,972		**5,558**		2,589
United Kingdom and Europe		**1,082**		425		**1,363**		724
	$	**23,788**	$	17,849	$	**47,644**	$	36,913

As at	June 30			December 31			
		2018	**2018**		2017		2017
		Property, plant and equipment	Intangible assets		Property, plant and equipment		Intangible assets
Mexico and the Caribbean	$	**1,943**	**-**	$	1,908	$	-
South America		**880**	**1,710**		1,002		1,710
Africa and Other		**3,071**	**-**		3,073		-
Canada		**4,798**	**3,039**		6,504		3,227
United States of America		**2,445**	**-**		2,433		-
United Kingdom and Europe		**659**	**400**		938		253
	$	**13,796**	**5,149**	$	15,858	$	5,190