

**Energold Mining Ltd.**  
**Form 51-102F1**  
**Management Discussion and Analysis**  
**For the Period Ended September 30, 2004**

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### **Forward Looking Information**

This interim management discussion and analysis ("MD & A") contains certain forward-looking statements and information relating to Energold Mining Ltd. ("Energold" or the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to Energold. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to Energold or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of Energold's exploration properties. Such statements reflect the current views of Energold with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Energold to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the annual MD&A, additional important factors, if any, are identified here.

### **Corporate**

The Company is conducting mineral exploration in Latin America primarily in the Dominican Republic and Mexico both directly and through its interest in IMPACT Minerals International Inc. ("IMPACT") a 38.79% subsidiary, while continuing to expand its activities in its 50% subsidiary, Kluane International Drilling Inc. and its affiliates ("Kluane"). The Company's consolidated operations include both IMPACT and Kluane. The residual equity interests not owned by Energold are recorded either as non-controlling interests or accounts payable, depending upon their nature, in the Consolidated Financial Statements.

### **Highlights for the Nine Months**

- Record gross drilling revenues in Kluane for the third quarter in a row, or a total of approximately \$12.4 million on 97,700m drilled for the year to date.
- The Company earned \$1,695,990 for the nine-month period, or \$0.11 per share after exploration expenditures.
- Drilling was completed at the Real de Belem silver /gold project in Mexico and the option dropped.
- Energold completed a private placement of 1.0 million units for \$700,000.
- IMPACT completed a private placement of 3 million units for \$450,000.
- IMPACT acquired an option on the Zacualpan silver district in Central Mexico, including two producing mines and a 500 t/d mill.
- Subsequent to the quarter IMPACT announced a second private placement of 2,500,000 units at \$0.30 per unit.

### **Strategy**

The Company has met with notable success in 2004 more than doubling its revenue from drilling, generating earnings of \$0.11 a share for the nine months. Ongoing contracts and current tenders for future contracts indicates a continuation of demand for the Company's contract drilling services well into 2005. During the same period IMPACT succeeded in the obtaining an option of the Zacualpan silver mine.

The Company's obvious success with its highly successful contract drilling group Kluane International Drilling group is causing it to focus more capital and time on that division. Exploration and development of its Dominican Republic property portfolio is being conducted primarily through third party participation with some success however our exploration services group is providing logistical assistance. Over the last year the Company through IMPACT has focused on a limited program of investigation and acquisition of advanced properties in Latin America. More recently the Company has conducted a program of earlier stage higher risk exploration primarily focused in Mexico. This resulted in IMPACT's acquisition of an option on Zacualpan, encompassing an entire historic silver mining district with two active mines and a 500 t/d mill. The acquisition appears to be highly significant for the Company's future with the possibility of production as early as 2005.

## **EXPLORATION**

### **Energold Properties**

#### **Mexico**

In 2003 the Company commenced a regional review of mineral prospects in Mexico, primarily focused on precious metals in historic mining districts known for epithermal silver and gold mines. In December 2003, the Company acquired an option on the Real de Belem high-grade silver/gold project 60 km west of Taxco. Under the terms of the Option Agreement, Energold advanced US\$70,000 to fund property maintenance and completion of mine permitting. During the period Energold conducted an exploration program consisting of trenching, mapping, mining and metallurgical review. In the second quarter the Company completed a 1,500 m. drill program to verify the existing drill results and expand our knowledge of the mineralized structures on the property.

A total of 15 holes (approximately 1,500 m.) were drilled at Real de Belem testing the Belem and San Antonio Vein systems. Results demonstrated that the high-grade mineralization in the Belem Vein was restricted to small shoots with limited size potential. Based on these results Energold has terminated the Real de Belem property option.

The Belem project is part of a larger strategic program searching for exploration projects in Latin America using in-house and contract personnel. This program is ongoing and currently is now being primarily conducted by IMPACT (see below).

#### **Dominican Republic**

The Dominican Republic remains one of the principal targets of the Company's exploration activities. The country continues to attract considerable interest from the industry, with the recent announcement of the Goldfields exploration joint venture with MinMet plc. and the ongoing activities of Placer Dome at Pueblo Viejo, and Falconbridge as well as a number of juniors including Unigold, Globestar, Linear, Energold and Everton.

##### **San Antonio Project**

The San Antonio project is located in the central Dominican Republic. Eight contiguous concessions approximately 19,879 hectares are underlain by the Maimon and Peralvillo Formations. Past exploration including IP surveys and core drilling has identified at least three zones of VMS mineralization, two of which, the Parcela and Copper Zones, have been defined over 400-metre strike lengths and to 250-metre down dip and are up to 9.6 and 3.0- metre true thickness, respectively. Past drill intercepts include 5.9% Cu, 3.5 % Zn, 2.3 g/t Au and 86 g/t Ag over 3.4 metres at the La Parcela Zone and 1.5% Cu, 14.6% Zn, 2.9 g/t Au and 78 g/t Ag over 3.1 metres at the Copper Zone.

Twenty kilometres to the northwest of the San Antonio Project is Globestar Mining Corporation's Cerro de Maimon deposit. Globestar reports Cerro de Maimon to contain a measured and indicated oxide resource of 664,000 tonnes grading 2.54 g/t Au and 63.80 g/t Ag at a 1.0 g/t Ag cut-off and a measured and indicated sulphide resource of 4,111,000 tonnes grading 2.93% Cu, and 1.75% Zn at a 1.0% copper cut-off. (Globestar Mining Corp., July 15, 2003). Globestar is currently completing a feasibility study with the intention of taking Cerro Maimon into production.

#### **Optioned Properties**

##### **Los Ranchos Properties**

As part of its strategy to use third parties where possible to conduct ongoing exploration, in April 2001 Energold entered into a letter agreement with Exploration & Discovery Latin America (Panama) Inc. ("E&D") now a subsidiary of Dublin based GoldQuest Mining Corp. ("Goldquest"). Under the terms of the agreement E&D earned a 51% interest in two properties Bacco y Ofir and Josephina by making specified exploration expenditures on each concession by late 2003. The Bacco y Ofir property was drilled by E&D in a 400 m. 5 hole program, the results of which demonstrated a copper gold porphyry.

##### **Longyear**

In late 2003 the Company also granted an option to E&D for the highly strategic Longyear I concession that lies adjacent to the Pueblo Viejo mine concession now under feasibility study by Placer Dome. Previous work by Energold at Longyear I included soil sampling, trenching and drilling of 20 short diamond drillholes and defined low - grade gold mineralization on Loma la Mina. Drill highlights include 2.83 g/t Au, 29.73 g/t Ag and 0.96% Cu over 3 metres and 1.5 g/t Au, 19.5 g/t Ag and 1.49% Cu over 16 metres. Geology, alteration and favourable geochemistry identified a further as yet untested drill target within 2,500 metres of the old Pueblo Viejo pit.

The Agreement commits E&D to drilling 1000 metres within six months of the signing of the agreement (subsequently extended to allow for completion of permitting), and for a total expenditure of US\$1.5 million the right to earn 60% of the project over three years. Subsequently E&D shall have the right to earn to 80% by taking the project to a bankable feasibility study. Upon receipt of a bankable feasibility study Energold may elect to be carried to production or convert its interest to a 2% NSR. Amongst other benefits, Energold also received 250,000 shares of GoldQuest as an option payment.

#### El Centenario

In January 2004 under a third option agreement, the El Centenario (a concession which is currently under application) was optioned to E&D. The agreement envisages E&D making a total exploration expenditure of US\$1.0 million over three years to earn 60% of the project. Subsequently E&D has the right to earn to 80% by taking the project to feasibility study. The Company can elect to be funded through production or to hold a 2% NSR.

In a news release dated November 3, 2004, GoldQuest advises that they have completed a preliminary resources calculation under NI 43-101 standards for the Oro Verde deposit in the El Centenario concession of 1.65 million tonnes grading 2.8 gms gold per tonne (g/tAu) for 149,030 oz of contained gold using a 1 g/t Au cut-off.

*The National Policy technical information related to the Oro Verde deposit and the report prepared by Brian Cole P. Geo., the Qualified Person, was disclosed in the GoldQuest news release.*

#### IMPACT Properties

As discussed previously Energold is now focusing its silver exploration efforts through IMPACT. On June 14, 2004 IMPACT signed two option agreements with private Mexican companies for two producing silver mines, a processing plant lease, smelter contract and properties covering much of the Royal Mines of Zacualpan Silver Mining District in central Mexico. Under the terms of the Agreement IMPACT will make lease payments of US\$3,000 per month and issue 100,000 shares of IMPACT per year and conduct a minimum of US\$ 1 million in exploration for a period of three years. IMPACT has an option to acquire a 100% interest in the mining leases and concessions including the lease on the Alacran mine and plant for US\$1.5 million. During the quarter IMPACT staked additional concessions in its own name that gave it control over a total of 125km<sup>2</sup> and a dominant land position in the District. Maps showing mines and concessions are available for viewing on IMPACT's website at [www.impactminerals.com](http://www.impactminerals.com).

#### Production and Development

Under terms of the agreements, the Mexican companies may continue mining and processing material from the properties until IMPACT exercises its purchase options. During the last quarter mining continued at the Cuchara and Alacran Mines with material being trucked to the central processing plant. Development in preparation for mining was begun on the Compadres Vein and Negra Vein with plans to shift the bulk of production in 2005 to these higher grade zones. IMPACT geologists periodically visit and sample the active areas in these mines to keep informed of developments. Significant results are reported as they are received and compiled.

In late 2003 a horizontal mine drift was driven 95m along the Compadres Vein where an old mine stope was encountered (Silver Shoot #1). Sampling of this shoot returned assays ranging up to 1,128g/t Ag and 0.2g/t Au over 1.9m with a median value of 680g/t Ag and 0.3g/t Au over 0.90m in the central portion of the vein. A single drill hole intersection 50m below this old stope by the Mexican owners is reported to have intersected 3.3m grading 1,463g/t Ag and 0.2g/t.

During the quarter this Drift was further advanced and work also begun on a decline to access the high grade zone at depth indicated by the drill hole. In the drift, Silver Shoot #1 was fully exposed and shown to be a 35m long, 1-2m wide high grade lens in the central portion of the Compadres Vein which in total, is at least 8m wide here (the lower (footwall) portion of the vein has yet to be exposed). Grades vary from high values in this central portion (see above) decreasing to low values (less than 100g/t silver) toward the exposed upper contact of the vein.

At the time of IMPACT's last examination of the drift, it had been advanced 20m beyond Silver Shoot #1. Samples collected from a recent large muck (blasted rock) pile at the end of the drift returned assays of 658 g/t silver, 0.47 g/t gold and 235 g/t silver, 0.19 g/t gold. Two chip samples across a partial exposure of the vein at the end of the Drift returned assays of 177 g/t silver, 0.22 g/t gold across 1.8m (TW) and 80 g/t silver, 0.17 g/t gold across 1.5m (TW).

## Exploration Work

During the quarter IMPACT crews began exploration work at the Zacualpan Silver Project. Phase One of the exploration program was planned to include data compilation, mapping and extensive sampling in order to catalogue and evaluate the numerous old silver prospects and former mines on IMPACT's properties. The results of this work will outline priority targets to be tested by a Phase Two drill program planned to begin in January 2005. Mapping and sampling will continue during Phase Two in preparation for further drilling later in 2005.

Exploration on the Compadres Vein beyond the active mine development area returned significant results from surface sampling. Sampling in a trench 165m southeast of the mine drift entrance returned 265 g/t silver, 0.77 g/t gold across 5.6m. In the same area a panel sample in surface outcrop returned 343 g/t silver and 0.32 g/t gold over an area of 8 x 3m. A sample from a small old shaft 350m southeast of the Drift entrance returned 352 g/t silver, 0.28g/t gold across 1.2m and 321 g/t silver and 0.12 g/t gold from the rock dump beside the shaft.

Other veins in the Compadres area have also been mapped and sampled. Highlights of this work include: the Nacho Vein exposed in the mine drift just beyond its intersection with Silver Shoot #1 returned 460 g/t silver, 0.13 g/t gold across 1.2m (TW); and an unnamed vein in an old inclined shaft 90m east of the Drift entrance returned 447g/t silver, 0.31g/t gold across 2.2m.

Elsewhere on the property early stage exploration work has uncovered significant veins. The Condesa Prospect is an old mine working in the Northeast Quadrant of the property 360m southwest of the operating Cuchara Mine. Assays from seven chip samples along the 55m long exposed portion of the main vein at Condesa averaged 363g/t silver and 0.03g/t gold across 0.8m (TW) ranging up to a high of 992g/t silver and 0.05g/t gold across 0.25m (TW). Work is continuing in this area.

The Santiago Vein is exposed in an old mine working in the Southeast Quadrant of the property about one kilometre north of the Compadres Mine. Assays from seven chip samples along a 40m long exposed portion of the Santiago Vein averaged 235g/t silver and 0.31g/t gold across 0.9m (TW) ranging up to a high of 1,320g/t silver and 0.99g/t gold across 0.3m (TW). A grab sample from a small mine dump at Santiago returned 345g/t silver, 0.27g/t gold, 3.18% zinc and 0.67% lead. Work is continuing to trace the Santiago and Compadres Veins on surface toward their projected intersection which is a structurally favourable site for mineralized shoots.

The discovery of veins with significant silver values in structures well away from the known zones of mining and development work has begun to demonstrate the upside exploration potential of the under explored parts of the Royal Mines of Zacualpan Silver District. To date over 100 old silver prospects and historic mine workings have been catalogued by IMPACT geologists in the District. The ongoing Phase One work program is continuing to map and sample select numbers of these prospects and workings. This data will then be used to define priority targets for testing by a Phase Two drill program scheduled to begin in January. Mapping and sampling will continue during Phase Two in preparation for further drilling later in 2005.

## History

Zacualpan is one of the oldest mining districts in North America with Spanish Colonial mining dating back to at least 1528. In 1531 it was the first mining district in the Americas to be bestowed the title of 'Royal Mines' of Zacualpan by proclamation under the Spanish Crown. It is located 100km southwest of Mexico City and 25km northwest of the famous Taxco Silver Mine. Zacualpan is a classic Mexican epithermal silver district with an abundance of veins that have seen historic production. Statistics for the early centuries of production are sporadic but in modern times recorded production between 1975-2004 was about 17 million ounces of silver (26 million ounces silver equivalent with by-product gold, lead and zinc credits). Veins presently being mined on the property typically vary from 2 to 5 metres in width. Individual production shoots are often 50 to 150 metres long and predominantly steeply dipping.

IMPACT's plans are to carry out extensive exploration and engineering studies in order to evaluate and make a purchase decision on the Zacualpan operations. Near term plans are to begin a drill program in January 2005 to test high priority silver targets.

*The National Policy technical information related to the Zacualpan project above was disclosed in a News Release issued by IMPACT June 17, 2004.*

## **The Dominican Republic**

The exploration concessions in the Dominican Republic held by IMPACT constitute a block covering highly favourable stratigraphy in the eastern end of the Los Ranchos formation. The area has been tectonically active in the past with numerous faults and cross-faults, which IMPACT believes offers the opportunity for mineralization. IMPACT holds a block of concessions in the Los Ranchos Formation, some 100 kilometres east of Pueblo Viejo gold deposit hosted in the same rocks, including a number of which are currently under reapplication. The block of concessions includes El Brujo and La Bruja located on a distinctive Northwest trending structure. South of El Brujo, separated by another of IMPACT's concessions, lies the Baritina concession where previous work identified at least two zones of mineralization.

IMPACT is awaiting licence renewals for its Dominican Republic concessions and did not carry out any work on these projects in this quarter.

## **CONTRACT DRILLING**

### **Kluane International Drilling**

Contract drilling activities achieved a record of over 97,000 m. of drilling completed during the nine months in 2004 compared to 34,000 m. in the same period last year. Drill utilization continues at relatively high levels. The fourth quarter is generally slower as exploration budgets expire and both clients and crews take seasonal holidays. Initial contracts and request for tenders in 2005 suggest that at least for the first six months it will be extremely active. As at the end of the quarter the Company owned fifteen drills with two more being mobilized and with two more under construction. The Company's equipment is amongst the newest and its drillers amongst the best in the industry, however it continues to redesign its rigs and is now producing a new Series III rig with additional power and pull back while retaining its high degree of mobility.

In Ecuador, Kluane continued to expand its client base and new contracts during the year while our existing client's success there has generated additional metres. Mineral exploration along Ecuador's southern and south eastern borders has expanded dramatically in the last year; the area includes mountainous terrain and areas of heavy forestation, ideal for our approach to exploration. Kluane currently has three drills working in the country with a fourth currently being mobilized.

Activities in Peru continue to expand as this mineral rich country develops. In spite of intensive competition, increasing permitting requirements and social issues have provided an excellent opportunity to develop new business. The Company currently has four drills working in Peru, including our largest version with 126 hp. A fifth rig is scheduled for delivery in 2005.

In the Caribbean basin, and Central America Kluane has drilled for a number of clients and has a number of contracts either under way or programmed. This is proving to be a very exciting area of growth for our activities, as it involves environmental and social issues that our approach can help solve. There are currently six rigs located in this area, four in the Dominican Republic and one each in Guatemala and in Nicaragua. Additional drills are anticipated being placed there in the first quarter of 2005.

Kluane is also active in both Vietnam and Brazil on individual projects. Brazil especially is very suitable for the type of work we specialize in and represents a significant growth opportunity.

While our activity has expanded significantly in most of our markets, revenues are generally denominated in US\$ and a number of our operating costs are Canadian \$ based. The Company's margins remain sensitive to foreign exchange variations as well as price variations in direct costs especially fuel and down hole supplies. (see Risk Factors).

Equipment suppliers are also increasing prices on downhole supplies however with the shortage of drill rigs worldwide the Company has been able to pass some of the price increases on to the clients or absorb them with improved operating efficiencies.

## **OTHER**

### **Investor Relations**

During the last nine months, the Company's officers and employees attended a number of industry and investor conferences in Canada and Latin America on behalf of Energold, Kluane and IMPACT. Energold conducts its own investor relations and communications in house. IMPACT has entered into an agreement for conducting Investor relations with *Fryban Corp. of Switzerland* for a period of 2 years to provide ongoing consultation on investor

services and communications in the European and international markets. Subsequent to the end of the year IMPACT engaged SRW Capital for a minimum of 3 months to assist in investor communications in Canada. Both contracts are subject to regulatory approvals.

## **Social and Environmental Policy**

Exploration and drilling create a physical change within the area of work. The Company believes in its responsibility to ensure that it minimizes the environmental impact of its work. Kluane was a founding sponsor of the Prospector and Developers Association of Canada "E3" initiative of Environmental Excellence in Exploration. The development of the Kluane drill is a direct successful offshoot of the need to explore with a light footprint. The rigs, however, are only a part of the equation. Our employees and contract personnel are aware and continually reminded that environmental issues and safety cannot be compromised. Further, we work in the community whose members must be kept informed and involved in our activities and, wherever possible, participate in the benefits that may flow from the Company's activities.

## **FINANCIAL DISCUSSION AND ANALYSIS**

### **Risk Factors**

#### **1. Exploration Stage Properties**

The Company's properties are in the exploration stage and are without a known body of commercial ore. Development of any of the Company's properties will only follow upon obtaining satisfactory exploration results. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. The amounts attributed to the Company's interest in the mineral property as reflected in its financial statements represents acquisition and exploration expenses and should not be taken to represent realizable value. There are no known reserves of ore on the Company's properties and the proposed work programs thereon are exploratory in nature.

#### **2. Additional Funding Requirements**

Future mineral property acquisitions and exploration programs will require additional financing. If the Company's exploration programs are successful, additional funds will be required to develop the properties and, if successful, to place them into commercial production. The only sources of funds presently available to the Company are from its share of earnings in its contract diamond drilling group, Kluane, the exercise of outstanding share purchase warrants and stock options, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. While the Company may generate additional working capital from its activities in contract diamond drilling and through the development or sale of its properties in whole or in part, there is no assurance that any such funds will be sufficient for operations. There is no assurance that the Company will be successful in raising additional funds or that additional funds can be obtained on terms acceptable to the Company. Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration and the possible partial or total loss of the Company's interest in certain properties.

#### **3. Mineral Exploration And Development Risks**

Mineral exploration and mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations and other conditions are involved. The Company may become subject to liability for pollution, cave-ins and other accidents, environmental hazards, the discharge of toxic chemicals and other hazards. Such occurrences, against which it cannot insure, or may elect not to insure, may delay production, increase production costs or result in liability. The payment of such liabilities may have a material, adverse effect on the Company's financial position.

#### **4. Exploration For And Development Of Mineral Deposits Is Speculative**

The exploration for and development of mineral deposits is a speculative venture necessarily involving substantial risks. There is no certainty that the expenditures to be made by the Company will result in discoveries of commercially viable mineral deposits. Few properties, which are explored, are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, develop metallurgical processes and construct mining and processing facilities at a particular site. In developing its geological resources the Company will be subjected to an array of complex economic factors and accordingly there can be no assurance that feasibility studies will be carried out on any of its properties or that results projected by any feasibility study will be attained in the event that the Company commences production on any of its properties. Effectively, there is no assurance that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

#### **5. Title Matters**

The Company has taken and will continue to take all reasonable steps, in accordance with the laws and regulations of the jurisdictions in which its properties are located, to ensure proper title of the properties it may acquire in the future, either at the time of acquisition or prior to any major expenditures thereon. This, however, should not be construed as a guarantee of title. There are no assurances that the Company will obtain title. Both presently owned and after-acquired properties may be subject to prior unregistered agreements, transfers, land claims or other claims or interests and title may be affected by undetected defects. In addition, third parties may dispute the

rights of the Company to its mining and other interests. The Company will attempt to clear title and obtain legal opinions commensurate to the intended level of expenditures required on areas that show promise. There can be no assurance, however, that the Company will be successful in doing so.

#### 6. Foreign Countries And Regulatory Requirements

Contract drilling, mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry and foreign investors therein. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. The developing country status or political climate of some of these countries may make it more difficult for the Company to obtain any required project financing from senior lending institutions because such lending institutions may not be willing to finance projects in these countries due to the possible investment risk. To date, the Company has not applied to any such senior lending institutions for financing.

#### 7. Environmental and Other Regulatory Requirements

The current or future operations of the Company, including contract drilling, exploration, development activities and commencement of production on its properties, require permits from various federal, provincial, and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

The Company believes it is in substantial compliance with all material laws and regulations, which currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for exploration, or construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities undertaken in connection with any mining operation, the extent of which cannot be predicted. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Regulatory requirements and environmental standards are subject to constant evaluation and may be significantly increased, which could significantly adversely affect the business of the Company.

#### 8. Permits and Licences

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

#### 9. Metal Prices and Marketability of Minerals

Metal prices fluctuate widely and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectation of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities, and world wide production levels. The marketability of minerals which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations (including price), the proximity of metal markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, the import and export of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

#### 10. Competition

Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mineral properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company's exploration and acquisition programs will yield any new reserves or result in any commercial mining operation.

Contract drilling is a highly competitive industry, where numerous competitors tender bids for contracts. The Company's ongoing ability to continue to secure profitable contracts on an ongoing basis is not assured.

#### 11. Repatriation Of Earnings & Foreign Exchange

There is no assurance that any of the other countries in which the Company operates or may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities. The Company may be subject from time to time to foreign exchange controls in countries outside of Canada.

#### 12. Currency Fluctuations & Foreign Exchange

The operations of the Company in countries other than Canada are subject to currency fluctuations and such fluctuations may materially affect the financial position and results of the Company. The Company does not currently take any steps to hedge against currency fluctuations although it may elect to hedge against the risk of currency fluctuations in the future. There can be no assurance that steps taken by the Company to address foreign currency fluctuations will eliminate all adverse effects and, accordingly, the Company may suffer losses due to adverse foreign currency fluctuations.

#### Selected Annual Information (Canadian \$)

(Note 1)

Description	2003	2002	2001
Net revenues	2,554,334	1,662,371	750,594
Net income (loss)	559,157	199,337	(1,396,089)
Net income (loss) per share - Basic	0.04	0.01	(0.09)
Net income (loss) per share - Diluted	0.03	0.01	(0.09)
Dividends	Nil	Nil	Nil
Total assets	8,957,503	6,950,598	5,876,389
Total long-term financial liabilities – (Note 2)	1,245,155	882,791	598,972
Cash dividends declared	N/A	N/A	N/A

#### Notes

Note 1: The Company has not paid any dividend for the last three fiscal years.

Note 2: Total long-term liabilities include non-controlling interest on consolidation.

In 2001, the Company made a strategic decision to refocus its activities more towards drill contracting and less towards mineral exploration on its own behalf. During the year the Company also wrote down its exploration properties by \$1,315,774, resulting in a loss for the year of \$1,396,089.

As discussed extensively, over the last three years the Company has seen a rather dramatic growth in its activities as 50% owner of the drill contracting entities Kluane International Drilling Inc. and Pac Rim Drilling, S.A.C. Net revenues have increased from \$750,594 to \$2,554,334 over that period. This resulted in increased earnings and cash flows.

With the positive cash flow during 2001 and early 2002, the Company through a normal course issuer bid repurchased approximately 663,000 of its own shares, continued limited exploration on its properties and constructed additional drill rigs for the contracting division. Third parties conducted additional exploration, under option agreements, on a number of the Company's properties in the Dominican Republic, while in each year the Company capitalized approximately \$274,000 in resource property costs.

In 2003, the Company also expanded its exploration activities to Mexico and continued a limited program on its own properties in the Dominican Republic capitalizing a further \$219,406 in exploration expenditures. The balance of the exploration in the Dominican Republic was funded by third part optionees. In 2003, the drill contracting division continued its expansion into new market areas. Due to weak stock market conditions, the Company did not fund any of its activities through equity issues during this period, instead relying upon cash flow from operations, option payments and field operating activities.

During these years, the Company did not have any long-term debt. However, as a result of consolidating the drilling entities and IMPACT Minerals International Inc., the Company has recorded a non-controlling interest payable as a long term liability.

In 2003, the Company adopted the new recommendations of CICA Handbook Section 3870, stock-based compensation and other stock-based payments, which applies to all awards granted on or after January 1, 2002. This new standard requires that all stock-based awards made to employees and non-employees be measured and recognized using a fair value based method. In prior years, stock-based compensation expense was recognized only when stock-based compensation awards were made to non-employees, while pro-forma disclosure was acceptable for awards made to employees. For 2003, no stock options were granted, but stock options were granted to the employees of IMPACT. This resulted in a charge of \$34,246 to income during the year.

## Summary of Quarterly Results (Canadian \$)

(Note 1)

Period	Net Revenues	Net Income (loss)	Net Income (Loss) per Share	Fully diluted Net Income (Loss) Per Share	Total Assets	Total Long-term Liabilities (Note 2)
3 <sup>rd</sup> Quarter 2003	2,251,883	794,475	0.05	0.04	13,946,514	4,069,926
2 <sup>nd</sup> Quarter 2004	2,303,934	408,292	0.03	0.02	13,330,523	3,174,105
1 <sup>st</sup> Quarter 2004	1,503,979	493,223	0.03	0.03	11,375,119	1,874,190
4 <sup>th</sup> Quarter 2003	101,206	125,184	0.01	0.01	8,957,503	1,245,155
3 <sup>rd</sup> Quarter 2003	747,891	197,902	0.01	0.01	8,110,709	1,694,204
2 <sup>nd</sup> Quarter 2003	870,306	41,224	0.00	0.00	7,589,331	1,360,212
1 <sup>st</sup> Quarter 2003	834,929	194,847	0.01	0.01	7,300,601	1,432,075
4 <sup>th</sup> Quarter 2002	317,178	58,050	0.00	0.00	6,950,598	1,245,155

### Notes

Note 1: The Company has not paid any dividend for the last three fiscal years.

Note 2: Total long-term liabilities include non-controlling interest on consolidation.

### Results of Operations

Gross drill revenues for the nine months of \$12.4 million were approximately \$7.87 million more than in the comparative period in 2003. Earnings for the quarter were \$794,475 or \$0.05 per share (2003 - earnings of \$197,902 or \$0.01 per share), and year to date were \$1,695,990 or \$0.11 per share (2003-earnings of \$433,973 or \$0.03 per share). Margins were slightly down due to a weakening US dollar and rising supplier costs. The Company however was able to counter some of this through the use of alternative sources of supply and improved labour efficiencies.

These positive earnings, in spite of the adverse effect of the write-off of the Belem expenditures, demonstrate the robustness of the Company's strategic plan. Earnings year to date without taking into account the write-off of \$544,302 of exploration expenditures were \$2,240,292.

The Company also realized a small gain on the disposal of short-term investments of \$2,675. Other revenues were not significant.

For the nine months ended September 30, 2004, indirect and administrative expenses were \$1,349,535, up from \$1,174,300 in the comparative period in 2003.

1. In the last three months of the current period the Company recognized a foreign exchange loss of \$148,547, and for the nine months \$105,925 compared to \$236,100 incurred in 2003. Net revenues were \$6.059 million for 2004 (2003 - \$2.453 million). The international industry generally works in US dollars and as it fluctuates against the Canadian dollar, the stated values of the Company's foreign working capital including significant inventories are affected. Indirect and administrative costs, net of foreign exchange gains or losses in 2004, were \$1,243,610 or 21% of net revenues, compared to \$938,200 or 38% of net revenues in 2003.
2. Accounting, audit and legal fees increased for a total of \$182,593, due to additional statutory reporting requirements and costs related to operating subsidiaries, financings and due diligence involving mineral activities in Mexico.
3. Insurance premiums continue to increase as a result of increasing pressure on premiums in general and the size of the Company's activities. As part of its efforts to avoid the impact of some of the more extreme insurance premium increases, the Company has a policy of self-insuring its rigs on site.

4. As anticipated, investor relations, promotion and travel costs rose to a total of \$91,458. Most of these costs related to industry conferences, and marketing efforts for Kluane, and as part of a corporate strategy to expand and diversify exploration activities of Energold. In the third quarter IMPACT engaged the services of Fryban Corp of Switzerland to assist in investor relations.
5. The cost of office and sundry increased to \$150,247 or 2.5% of net revenues (2003-\$84,762 – 3.5%) with the upgrading of computer services, communication and the reorganization of the office facilities in Vancouver and costs related to activities in the company's operating subsidiaries.
6. Year to date, management fees and consulting, and office salaries and services increased by \$46,329 from the comparative period in 2003. Further increases are expected however as a result of additional staff requirements in Peru, Guatemala, Ecuador and Vancouver to service drill contracts for Kluane, and to conduct project reviews for Energold and IMPACT. The figure also includes a performance bonus for senior management and a stipend for directors totalling \$77,500, comprised of \$42,500 in common shares and \$35,000 in cash.
7. During the period the Company recognized the cost of stock options in the amount of \$72,258 to certain officers and employees in IMPACT. The "value" ascribed to the grant is expensed when vested.

### **Liquidity and Capital Resources**

Consolidated cash and cash equivalents were \$1,500,821 as at September 30, 2004 (September 30, 2003-\$778,285), up \$649,021 from December 31, 2003. As expected, working capital increased significantly as a result of the expanded level of activities with an expectation of continued cash flow in the fourth quarter. Net working capital was \$6,867,493 over double compared to September 2003 (\$2,331,569). Most of the difference was attributable to increases in inventories and accounts receivable. Current liabilities include amounts owing to suppliers, and current advances by Kluane Drilling Ltd. Non-current items include non-controlling interests which increased \$2,375,722 from September 2003.

The Company spent \$601,431 in exploration related expenditures during the period, of which \$364,882 was related to the Real de Belem project, and through IMPACT a further \$154,727 on Zacualpan. The Company wrote down \$544,302, including the investment in Real de Belem.

During the same period the Company invested a further \$391,435 in property, plant, and equipment, the majority of which related to new drill rigs.

In the first quarter of 2004, Energold closed a 1.0 million unit private placement at the price of \$0.70 per unit. Each unit consists of one common share and one-half warrant, each whole warrant entitling the holder to purchase one additional share at a price of \$0.75 per share until March 11, 2006. Energold issued a further 60,000 shares upon the exercise of employee stock options at \$0.15, and issued 74,562 shares as a bonus to officers and directors.

In April, IMPACT closed its announced private placement of 3.0 million units at \$0.15 per unit. Each unit consists of one share and one share purchase warrant. One share purchase warrant entitles the holder to acquire one common share at a price of \$0.165 per share for 2.5 million units and \$0.185 per share for 500,000 units. IMPACT granted a further 214,166 warrants at \$0.165 as a finder's fee. All the warrants expire April 14, 2005. Energold acquired 333,334 units resulting in the Company maintaining its equity in IMPACT at approximately 39%.

## Share capital

a) Details are as follows:

	Number	Amount
Authorized:		
30,000,000 shares without par value		
Issued and outstanding:		
Balance – September 30, 2003	14,507,396	\$ 9,417,664
Share purchase options exercised	250,000	37,500
Balance – December 31, 2003	14,757,396	9,455,164
Issued as bonus to officers and directors	74,562	42,500
Private placement	1,000,000	700,000
Share purchase options exercised	60,000	9,000
Balance – September 30, 2004	15,891,958	\$ 10,206,664

b) Contributed Surplus

Balance – September 30, 2003	\$ 348,695
Stock-based compensation - IMPACT	16,000
Balance – December 31, 2003	364,695
Stock-based compensation - IMPACT	30,068
Balance – September 30, 2004	\$ 394,763

The addition to Contributed Surplus for 2004 and 2003 is for the Company's proportionate share of the stock-based compensation relating to the stock options issued in IMPACT.

c) During the period ended September 30, 2004, 500,000 warrants were issued with respect to a non-brokered private placement. One warrant entitles the holder to purchase an additional share of the Company until March 11, 2006 at a price of \$0.75 per share.

## Share Purchase Options

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or 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. Options vest 25% on the date granted and 12½% every quarter thereafter.

a) A summary of the Company's options at September 30, 2004 and the changes for the period are as follows:

Number Outstanding September 30, 2003	Granted	Exercised	Forfeited	Expired	Number Outstanding September 30, 2004	Exercise Price Per Share	Expiry Date
215,000	-	(195,000)	-	(20,000)	-	\$ 0.15	December 14, 2003
1,310,000	-	(115,000)	-	-	1,195,000	\$ 0.15	June 14, 2006
865,000	-	-	-	-	865,000	\$ 0.16	April 29, 2007
2,390,000	-	(310,000)	-	(20,000)	2,060,000	- 0.16	June 14, 2006 – April 29, 2007

## Subsequent Events

- Subsequent to the quarter, IMPACT announced a second private placement of 2,500,000 units at \$0.30 per unit for a total of \$750,000. Each unit consisting of one share and one warrant, each warrant being exercisable for one additional share at a price of \$0.30 for the first year, and \$0.35 for the second.
- Subsequent to the end of the quarter in IMPACT 425,000 employee stock options were exercised at a price of \$0.10, with the remaining 175,000 options expiring October 20, 2004.

- Subsequent to the end of the quarter, a total of 3,155,479 stock options were approved for issuance under the Company's Stock Option Plan by regulatory authorities.

### **Changes in Accounting Policies**

The interim consolidated financial statements for the quarter ended September 30, 2004 follow the same accounting policies and methods of application in the most recent annual financial statements.

### **Off-balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Financial Instruments and Other Instruments**

Energold's financial instruments consist of cash and short-term deposits, restricted cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that while Energold is exposed to interest, currency or credit risks arising from the financial instruments the fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

### **Approval**

The Board of Directors of Energold has approved the disclosure contained in this interim MD&A. A copy of this interim MD & A will be provided to anyone who requests it.

### **Additional Information**

Additional information relating to Energold is on SEDAR at [www.sedar.com](http://www.sedar.com)

On behalf of the board of directors,

"Frederick W. Davidson", President, CEO, CFO  
November 15, 2004