

**Energold Mining Ltd.**  
**Form 51-102F1**  
**Management Discussion and Analysis**  
**For the Period Ended March 31, 2005**

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### **Forward-Looking Information**

This 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.

### **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 32% subsidiary, while continuing to expand its activities in its drilling division including 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 Period**

- 11<sup>th</sup> quarter in a row of earnings for Energold, with earnings up from the previous quarter. Gross drilling revenues in Kluane for the quarter of approximately \$2.5 million on 20,682 meters (“m.”) with earnings of \$239,040 or \$0.01 per share.
- In February 2004, IMPACT commenced a 2000 m. core drilling program on the Zacualpan property. Subsequent to end of the quarter, IMPACT announced results from the first four holes of the drill program. These holes all intersected multiple stacked veins carrying medium to high grade silver mineralization with assays ranging up to 27,793g/t silver across 0.4 m. TW.
- A drill program at the Longyear concession in the Dominican Republic was completed by GoldQuest Mining Corp. (“GoldQuest”), confirming previous drilling.
- Energold completed a private placement of 2,400,000 units at \$1.25 per unit resulting in consolidated cash and cash equivalents on hand of \$7.1 million.

### **Summary**

Over the last 3½ years, Energold has conducted a strategic shift in its activities. The Company is actively developing its potential as a contract diamond drilling company through its 50% interest in Kluane, and in the first quarter of 2005, through a 100% owned subsidiary in Mexico. As of this date, the Company has a total of 19 drills either operating or mobilizing.

Our strong working capital position was further strengthened with a private placement in Energold for 2.4 million units at a price of \$1.25 per unit. This will allow the company to continue to expand its drill fleet and be in a position to invest in opportunities should they become available in spite of what we anticipated as being a generally weaker junior equity market in late spring and summer.

In 2004, the Company redirected its silver exploration efforts through its investment in IMPACT with the acquisition of an option on the Royal Mines of Zacualpan in Mexico. The Company believes that silver represents a unique product both as a store of wealth similar to gold, and as an industrial product in the growing medical and high tech industries. Holding these assets through another public company provides Energold the maximum flexibility in asset management.

At this time, the Board is reviewing a number of alternatives regarding the balance of the Company's exploration projects in the Dominican Republic that would allow us to continue to develop these assets with minimizing further dilution to Energold. We have already successfully optioned out four of the projects to technically competent partners.

The Royal Mines of Zacualpan has had five centuries of exploitation but until recently much of it was limited by technical and financial deficiencies. IMPACT hopes to bring this historic mining district into the 21<sup>st</sup> century, and in doing so create real value for all the stakeholders, including our shareholders. Zacualpan represents multiple exploration opportunities for IMPACT: that of a potentially small but high-grade silver mine; an asset that is sensitive to a rising silver price where historical mining has left large low-grade material; and the exploration potential for new and larger deposits. IMPACT has access to the necessary expertise to fully exploit any exploration success it enjoys here.

As alluded to above, with the future of the Company directed to contract drilling, we are continuing to review opportunities to ensure the shareholders realize full value for non-drilling assets.

## **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. This program is ongoing and currently is now being conducted using in-house and contract personnel by IMPACT (see below).

### **IMPACT Properties**

#### **Royal Mines of Zacualpan Silver Project, Mexico**

##### **Introduction**

IMPACT holds option agreements covering most key parts of the Royal Mines of Zacualpan Silver District in central Mexico including two operating mines and a leased mill rated at 500 tonnes per day. The project is located 100 km southwest of Mexico City and 25 km northwest of the well-known Taxco Silver Mine. Access is by paved highway that runs through the middle of the district. Infrastructure is good throughout the district with gravel road networks, electric power, ample water supplies and a trained work force.

## Option Agreements

On June 14, 2004, IMPACT signed two option agreements with two private Mexican companies for two producing silver mines, a processing plant lease, smelter contract, mining permits and properties covering much of the Royal Mines of Zacualpan Silver Mining District in central Mexico. In total under terms of the two option agreements, IMPACT may purchase all rights of the Mexican owners for US\$1.6 million plus 300,000 IMPACT shares.

In detail, the first option agreement is a three year lease with option to purchase for mining leases and concessions that include the producing Cuchara Mine and the Compadres Mine. Under terms of this agreement, IMPACT is making lease payments of US\$3,000 per month and 100,000 shares per year, as well as incurring work commitments totaling US\$1,000,000 over three years covering the properties in both agreements. In return, IMPACT has the option at any time before the end of the third year to purchase 100% interest in these mining leases and concessions for US\$1,000,000.

The second is a three-year option agreement for mining leases and concessions covering other key parts of the Zacualpan Silver District. This agreement includes the historic Guadalupe Mine, which continues to operate on limited tonnage and the 500-tonne-per-day processing plant with associated facilities. The assets in this second agreement are presently under lease by a private Mexican company and IMPACT has an option to purchase all the Mexican company's lease rights to these assets for US\$500,000. The lease rights expire in 2014 but may be extended. Under these agreements, the Mexican companies may continue mining and processing material from the properties in both agreements until IMPACT exercises its purchase options.

In 2004, IMPACT staked additional concessions for itself that gave it control over a total of 125 km<sup>2</sup> and a dominant land position in the District.

## Production and Development

Under terms of IMPACT's option agreements, the Mexican companies may continue mining and processing material from the properties until IMPACT exercises its purchase options for the operations, contracts and properties. Mining is presently continuing at the Cuchara Mine, Compadres Mine and Guadalupe Mine. Material is trucked from the three operating mines to the central processing plant. Mining and processing is often interrupted at Zacualpan due to lack of capital to maintain continuous operations. IMPACT geologists periodically visit and sample the active areas in the mines to keep directly informed of developments.

Subsequent to quarter end, the best material had been mined out between Levels 2 and 3 at the Compadres Mine and a ramp was being developed to continue mining on Level 4, planned to be about 12 m. down dip of Level 3. Prior to mining, IMPACT geologists collected three samples from a six-meter long high grade portion of Silver Shoot No. 1 exposed at the time on Level 3 to confirm the high grades reported by miners. These three Level 3 samples collected by IMPACT averaged 12,591 g/t silver and 12.07 g/t Au over 1.67 m. true width.

## **Due Diligence and Exploration Program**

### Drilling

During the quarter, IMPACT began a 2000 m. core drilling program on the property. The objective of the drill program was to test extensions of the high grade Compadres Silver Shoot No. 1 known from active mine workings and to test several early stage targets on other parts of the Compadres Vein System and on vein systems elsewhere on the property.

Subsequent to quarter end, the results of the first four drill holes were announced. These four holes targeted extensions of Compadres Silver Shoot No. 1. This drilling demonstrated that the Compadres Vein System consists of a series of stacked parallel veins as listed in the table of drilling highlights below:

Vein Name DRILL HOLE No.	TOP OF INTERCEPT (m)	ESTIMATED TRUE WIDTH (m)	SILVER (g/t)	GOLD (g/t)	ZINC (%)	LEAD (%)
AC VEIN						
2	58.7	0.6	546	0.15	0.22	0.08
CHAPARITA VEIN						
1	67.9	0.9	259	0.28	0.33	0.09
2	79.2	0.4	434	0.73	2.43	1.30
3	41.4	2.1	229	0.18	0.53	0.12
CONCEPCION VEIN						
1	138.8	1.8	293	0.40	1.25	1.40
2	163.5	0.8	6,013	2.31	0.36	0.47
3	127.8	0.4	115	0.29	3.67	1.05
4	153.6	4.4	2,713	0.36	1.01	0.74
	including:	0.4	27,793	3.40	9.47	7.52
SAN AGUSTIN VEIN						
2	174.2	1.6	3,234	0.41	2.67	1.91
	including:	0.7	7,010	0.73	5.87	4.26
3	133.5	1.2	450	0.23	2.30	0.75
4	168.4	0.6	1,140	3.68	0.56	0.23
FOOTWALL VEIN						
4	185.0	0.7	202	4.23	0.60	0.42

Drill holes 1 and 2 intersected the Concepción Vein about 70 m. and 115 m., respectively, down dip (downward along the plane of the vein) of the presently active Compadres Level 3 mine workings. (Level 3 workings lie about 65 m. below surface and the vein system dips about 50 degrees to the northeast.) Drill holes 3 and 4 were drilled 35 m. northwest of drill holes 1 and 2 and intersected the Concepción Vein 60 m. and 125 m. down dip of Level 3.

The drilling has demonstrated good continuity to the vein system and the deepest intersections in the Concepción and San Agustín Veins are also the highest grade leaving the zones open for expansion along strike and down dip.

The Compadres Vein System has now been mapped over several kilometres with higher grade sections (or shoots) occurring in a generally lower grade vein system. Silver Shoot No. 1, as observed on Level 2 of the active mine workings, is a 50 m. x 3 m. section of the vein system with medium to high grade silver values. After these four holes were completed on Silver Shoot No. 1, the drill was moved about 200 m. southeast to test another possible shoot in the Soledad section of the Compadres Vein System. Assay results from these holes are pending.

## Field Work and Engineering Studies

During the quarter, Phase 3 field work continued with mapping and sampling on surface and in historic underground workings. This work is leading to a better understanding of the geological controls on mineralization and is defining additional targets for future drilling. Assay results from this work are pending.

During the quarter, IMPACT initiated preliminary engineering studies to evaluate the active mining and metallurgical operations at Zacualpan. Site visits by IMPACT's consulting mining, metallurgical and tailings engineers established a basic understanding of the present status of the Zacualpan operations and will form a basis for further engineering work at the site.

## History

Zacualpan is one of the oldest mining districts in North America with Spanish Colonial mining dating back to at least 1527. 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. 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 m. in width. Individual production shoots are often 30 to 150m. long and predominantly steeply dipping.

## Future plans

Near term plans call for compilation of the considerable database collected over the past nine months and continued field work to establish targets for another drill program planned for later this summer. Many assays from the recently completed drill program and fieldwork are still pending. This work, along with the corporate and engineering investigations, will form the basis for making a purchase decision for the Royal Mines of Zacualpan claims, operating mines and 500-tonne-per-day processing plant lease. If IMPACT decides to purchase the Zacualpan assets, it would immediately become a significant producer of silver as well as by-product zinc, lead and gold. IMPACT is also evaluating other silver projects as possible acquisitions to continue to build the Company into a premier silver producer.

*George Gorzynski, P.Eng., a Qualified Person under the meaning of Canadian National Instrument 43-101, is responsible for the technical information described in this Management Discussion and Analysis for the Royal Mines of Zacualpan Silver Project.*

## **Exploration in the Dominican Republic**

### **Dominican Republic**

Over the last several years, the Dominican Republic was the principal target of the Company's exploration activities. The country continues to attract considerable interest from the industry, with the ongoing activities of Placer Dome at Pueblo Viejo, and Falconbridge as well as a number of juniors, including GoldQuest, Unigold, Globestar, Linear and Everton. Energold, as part of its overall strategy to focus on contract drilling, has optioned some of its projects and is currently reviewing a number of alternatives including the possibility of moving the balance of its property holdings there into a public exploration vehicle.

## 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 Maimón 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 m. strike lengths and to 250 m. down dip and are up to 9.6 and 3.0 m. 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 m. 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 m. at the Copper Zone.

Twenty kilometres to the northwest of the San Antonio Project is Globestar Mining Corporation's Cerro de Maimón deposit. Globestar reports Cerro de Maimón 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 Maimón into production.

*Nigel Hulme, P.Geol., a Qualified Person under the meaning of Canadian National Instrument 43-101, is responsible for the technical information described in this Management Discussion and Analysis for the Dominican Republic Projects.*

## Longyear

A program of 1002.6 meters of diamond drilling in 14 holes was recently completed by GoldQuest on the Longyear project, 4 km west of the Pueblo Viejo gold deposit (15.2 Moz gold resource, Placer Dome) using the Company's drilling division.

The highlights of the results are shown in the following table:

Hole	From meters	To meters	Interval meters	Au g/t	Cu %
LY-01	0	8.5	8.5	0.51	0.03
LY-03	40	46	6	0.48	0.06
LY-04	0	12	12	0.82	0.03
LY-05	0	32	32	1.08	0.66
Inc.	0	22	22	1.54	0.90
LY-11	6	52	46	0.20	0.13
Inc.	10	16	6	0.94	0.46
LY-12	0	4	4	0.68	0.03

The sample lengths are generally 2.0 m. Composite grades are length-weighted.

The principal target drilled was Au-Cu mineralization on the Loma La Mina hill. Drilling intersected low grade Au and Cu in most holes. The best intersection was 22 m. at 1.54 g/t Au and 0.81% Cu (hole LY-05 from 0 m.) and the maximum sample values were 4.95 g/t Au and 4.13% Cu. Mineralization is associated with widespread strong pyritization and quartz-sericite alteration with a stockwork of sheared quartz veinlets. The host rocks are sericite schists of the Early Cretaceous Maimón Formation with precursor felsic and less abundant mafic volcanic rocks, and quartz porphyry intrusions. The mineralization has strongly anomalous molybdenum, silver and zinc, and weaker anomalies of arsenic, bismuth, cadmium, mercury, lead, antimony and tellurium. A low-grade chalcocite enrichment zone has developed beneath the base of oxidation.

## Analyses

Drill core was cut lengthwise with a diamond saw after logging and half-core sampled at 2.0-m. intervals. The other half is kept for reference in the Company's secure storage facility. Preparation and geochemical analyses of all samples was carried out by ALS Chemex, Vancouver. Gold was assayed by fire assay on a 30-gramme aliquot with ICP-MS finish, and a suite of multi elements was analyzed by aqua regia digestion and a combination of ICP-MS and ICP-AES. Rock standards, blanks and duplicates are routinely inserted into all sample batches for quality control.

GoldQuest, for a total expenditure of US\$1.5 million, has the right to earn 60% of the project over three years. Subsequently, GoldQuest 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.

GoldQuest has indicated that it plans no further work on this property in the foreseeable future. A full review of the geology, geochemistry and drill results will be undertaken prior to any further work.

*The qualified person for the technical information from the optioned Dominican projects for the purposes of National Instrument 43-101 is Stewart D. Redwood, FIMMM.*

## **CONTRACT DRILLING**

The contract drilling industry is highly cyclical with a low season in the months on either side of the Christmas holiday period and generally a high season in late summer.

Contract drilling activities were generally slower in the first quarter of 2005 compared to last year. This appears to be consistent with the experience of the industry as a whole. Gross drilling revenues in Kluane for the quarter of approximately \$2.5 million on 20,682 m. compared to approximately 26,500 m. for the comparative period in 2004. The slow January and February related in large part to permitting issues, or weather related delays on specific properties. While frustrating, this simply reflects the increasing demand for a light impact on the environment and to address social issues in exploration. The second quarter, with the exception of Peru, appears to be extremely active and new contracts and requests for tenders suggest that the balance of 2005 will also be extremely busy. Two of the Company's new rigs are now positioned on site and two more en-route to their first contracts.

Margins were maintained despite rising prices for down hole supplies, extreme fluctuations in the US dollar, and fuel costs. Although equipment suppliers are also increasing prices, with the increasing demand for drill rigs worldwide, it is the shortage of crews and down hole supplies which remain the critical items.

Revenues are generally denominated in US dollars and a number of our operating costs are Canadian dollar 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).

Over the next few months, the Company will expand its physical and administrative infrastructure to catch up with the significant increase in volume generated over the last year. This will include improved communications systems and warehouse facilities at a number of locations.

The Company's equipment is amongst the newest in design and performance, but 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. While our drillers are some of the best in the industry,

we also continue to train personnel from local communities to fill a number of positions, including some positions as drillers.

#### Kluane International Drilling Division (50%)

In Ecuador, Kluane continues to expand its client base and generate new contracts during the year, while drilling additional meters for existing clients. Mineral exploration along Ecuador's southern and southeastern 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 four drills working in the country.

In the Caribbean basin and Central America, Kluane has drilled for a number of clients and has various contracts either under way or programmed. This is proving to be an area of growth for our activities, as this region has environmental and social issues that our approach can help solve.

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.

The Company in the past has worked in Africa and the Middle East on a project-by-project basis. We believe that in certain specific areas there is a real demand for our style of drilling and another opportunity for our drilling Group. A new rig is currently en route for Zambia. Prospective demand at this point suggests that we could have another two to three rigs in the region by year-end.

#### Pac Rim Drilling S.A. (50.01%)

Peru represents an excellent opportunity to develop new business as this mineral rich country develops. In spite of the importance of mining in the economy as a whole, critical social and permitting issues have delayed exploration activities there during the first four months. A number of our contract start-ups have been and are continuing to be delayed. The Company currently has four drills located in Peru, including our largest version with 126 hp.

#### Energold Drilling Division (100%)

Early in 2005 the Company expanded into Mexico through its 100% subsidiary Minera Monte Plata (de Mexico) S.A. Contract drilling in Mexico by Energold compliments the exploration activities of IMPACT and enjoys a number of administrative synergies. The initial 2,000 m. program was actually conducted for IMPACT at Zacualpan. A second rig is currently on its way to Mexico to help service the demand. The Company is anticipating adding a total of 3 to 4 rigs to this division during 2005.

### **OTHER**

#### **Investor Relations**

During the last twelve 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 Kluane's and its own public relations and communications in-house.

IMPACT has entered into an agreement for conducting Investor relations with Fryban Financial S.A. of Switzerland for a period of up to 2 years, at \$4,000 per month, to provide ongoing consultation on investor services and communications in the European and international markets. During the quarter, IMPACT engaged SRW Capital for a minimum of 3 months, at \$1,500 per month, to assist in investor communications in Canada

## **Safety, 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.

We work as part of the community whose members must be kept informed in our activities and their concerns addressed. Wherever possible, the local community should participate in the benefits that may flow from the Company's activities. The use of local personnel as driller's helpers and workers fosters direct involvement in the programs conducted by the Company.

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

## **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 worldwide 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 and 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 and 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 \$)

Description	2004	2003	2002
Net revenues	5,395,535	2,554,334	1,662,371
Net income (loss)	1,790,219	559,157	199,337
Net income (loss) per share	0.11	0.04	0.01
Dividends	Nil	Nil	Nil
Total assets	16,165,171	8,957,503	6,950,598
Total long-term financial liabilities (Note 2)	5,461,968	1,245,155	882,791
Cash dividends declared	N/A	N/A	N/A

### Summary of Quarterly Results (Canadian \$)

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)
1 <sup>st</sup> Quarter 2005	997,288	239,040	0.01	0.01	20,056,964	5,936,623
4 <sup>th</sup> Quarter 2004	(664,261) <i>(Note 3)</i>	94,229	0.00	0.00	16,165,171	5,461,968
3 <sup>rd</sup> Quarter 2004	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	101,208 <i>(Note 3)</i>	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	1,070,163

\* These numbers have been rounded to 2 decimal places.

#### 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, and the long-term portion due to Kluane Drilling Ltd.

Note 3: Net revenue for the fourth quarter is calculated as gross revenues less direct costs. At the year end, a deemed fee to the non-controlling interest in Kluane was made for \$1,672,500 (2003 - \$688,900) and included in direct costs. Net revenue for the quarter before that provision would be \$1,007,739, (2003 - \$790,106).

### Results of Operations

Gross drill revenues for the period of \$2.5 million were approximately \$.9 million less than in the comparative period in 2004. Earnings for the quarter were \$239,040 or \$0.01 per share (2004 - earnings of \$493,223 or \$0.03 per share) but up from the last quarter of 2004 results of \$94,229. As previously discussed, activity in the first quarter of 2005 was lower than expected as a result of deferrals in a number of proposed contracts. Margins were in line with previous quarters in spite of rising supplier costs. These positive earnings, despite the significant delays in a number of the Company's contracts, demonstrate the robustness of the Company's business operations.

Consolidated indirect and administrative expenses were \$455,928 up from \$360,397 in the comparative period in 2004.

1. During the quarter, the Company recognized a small foreign exchange gain of \$12,867 (2004-\$20,844). 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.

2. Accounting, audit and legal fees increased for a total of \$67,470 (2004 - \$63,261). Of the total for 2005, \$29,241 of this amount represented costs related to IMPACT's, 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 \$57,639. Approximately 50% of these costs relate to industry conferences, marketing efforts on behalf of Kluane, and as part of a corporate strategy to expand and diversify exploration activities of Energold. A significant portion, \$25,260 related to the activities of IMPACT to improve market awareness.

5. The cost of office and sundry was \$46,828 or 4.7% of net revenues compared to \$55,050 3.7% in the first quarter of 2004. These costs are anticipated as increasing as the Company continues to upgrade its computer services and communication systems, the reorganization of its warehouse facilities in Vancouver and overseas, and the costs related to activities in the company's expanding operating subsidiaries.

6. Management fees and consulting, and office salaries and services increased by \$36,033 from the comparative period in 2004. Further increases are expected as a result of additional staff requirements to service drill contracts for Kluane, and to conduct project reviews for Energold and IMPACT.

7. During the quarter, the Company recognized the cost of stock options in the amount of \$26,473 (2004-24,614) to certain officers and employees in IMPACT. The "value" ascribed to the grant is expensed when vested and the controlling interest's proportion \$8,531 (2004-\$11,499) is included in contributed surplus.

8. During the quarter, the Company had \$24,361 in interest income (2004 - \$(3,819) earned on its cash accounts.

### **Liquidity and Capital Resources**

Consolidated cash and cash equivalents were \$7,198,192 up from \$5,170,450 as at December 31, 2004. The principal reason for the increase from December related to the completion of a brokered private placement of 2,400,000 units at \$1.25 per unit. Each unit consists of a common share and one-half share purchase warrant exercisable up to December 31, 2005 at \$1.50 per share. The Company anticipated a weaker junior equity sector during the first half of the year and wanted to ensure it had sufficient funds on hand to continue to expand its drill fleet and be able to take advantage of opportunities that may come during the downturn that it anticipated in the equity markets for juniors.

Monies owed to Kluane Drilling Ltd. are due from the Company's consolidated drilling subsidiaries and are unsecured, non-interest bearing and without specific repayment terms. Currently management has not determined the exact repayment terms over the next five years because repayment will be dependent upon the cash flow generated from operations in Kluane International Drilling Inc., subject to other cash flow requirements in the same period. In 2004, the Company decided to invest in capital assets and working capital to carry out Kluane International Drilling Inc.'s drilling operations and therefore the 2004 current portion was not repaid.

The Company spent \$344,648 in exploration related expenditures during the period, of which \$324,753 was related to the Zacualpan project in IMPACT. During the period the Company wrote down \$19,855 in exploration costs, representing minor holding costs in the Dominican Republic.

During the same period, the Company invested a further \$242,727 in property plant, and equipment, the majority of which related to new drill rigs. The balance of the cost of equipping a drill is accumulated under inventories.

### **Outstanding Share Data**

The following common shares and convertible securities of the Company were outstanding at May 14, 2005:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at May 14, 2005	20,726,958		
Employee stock options	890,000	\$ 0.15	June 14, 2006
	670,000	\$ 0.16	April 29, 2007
	1,000,000	\$ 1.70	February 25, 2010
Warrants	490,000	\$ 0.75	March 11, 2006
	1,200,000	\$ 1.50	December 31, 2005
Broker's warrants	90,000	\$ 1.50	December 31, 2005
Broker's shares	180,000	\$ 1.40	December 31, 2005
Fully Diluted at May 14, 2005	25,246,958		

### **Subsequent Events**

The Company issued 50,000 shares at a deemed price of \$1.15 to a director as a bonus. The Company also announced the granting of a further 1,000,000 directors and employees stock options at \$1.20.

### **Transactions with Related Parties**

During the three months ended March 31, 2005, fees in the amount of \$37,500 (2004 - \$46,500) were accrued or paid to one director and officer of the Company, and fees of \$22,150 (2004- \$20,527) were accrued or paid to an individual related to a director. The Company had a management and consulting agreement with one director and officer for fees of \$12,500 per month which terminated April 1, 2005. This was replaced by a \$12,500 per month, three year employment contract. In addition, fees in the amount of \$24,990 (2004 - \$9,000) were paid or accrued to two directors of IMPACT, of which \$11,240 is shown in various administrative expenditures on the income statement, and \$13,750 is shown in mineral properties. In November 2004, IMPACT entered into a management and consulting agreement with one director and officer for fees of \$2,500 per month for a period of twenty-four months, renewing automatically on a month by month basis for one year thereafter.

In March 2004, two directors and officers acquired 870,000 units of a 1.0 million unit private placement of the Company at \$0.70 per unit. Each unit consists of one common share and one-half share purchase warrant . 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.

In April, 2004, the Company acquired through a private placement 393,334 units of IMPACT at a price of \$0.15 per unit. Each unit consists of one share and one share purchase warrant. One warrant entitles the holder to purchase an additional share of IMPACT at a price of \$0.185 per share until April 14, 2005. In March 2005, the Company exercised 393,334 warrants.

In October, 2004, the Company acquired through a private placement 405,000 units of IMPACT at a price of \$0.30 per unit. Each unit consists of one share and one share purchase warrant. One warrant entitles the holder to purchase an additional share of IMPACT at a price of \$0.35 per share until December 9, 2006.

During the three months ended March 31, 2005, legal fees in the amount of \$24,452 (2004 - \$nil) were accrued or paid to a firm related to a director, and fees in the amount of \$88,114 were charged to IMPACT for contract drilling services performed in Mexico at the Zacualpan concessions.

### **Changes in Accounting Policies**

The consolidated financial statements for the quarter ended March 31, 2005 followed the same accounting policies and methods of application as in the prior year's annual financial statements.

### **Use Of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Significant estimates that involve highly subjective assumptions by management include the Company's estimate of stock-based compensation expense and its assessment of its mineral property values. Actual results could differ from those reported.

### **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.

### **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  
May 14, 2005