  

Energold Drilling Corp.

2005 Annual Report

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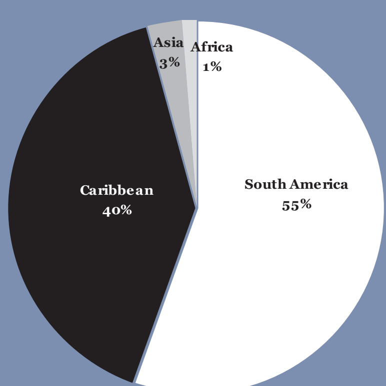
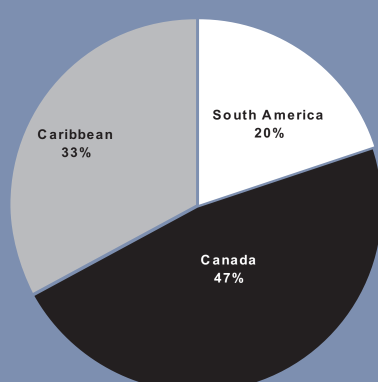
2005 ACCOMPLISHMENTS

- **Third consecutive year of profitability**
- **Foundation for future growth was built through significant investments in infrastructure and inventories**
- **Net income was $902,000 ($0.04 EPS) after $762,000 stock based compensation expense**
- **Ended the year with working capital position of $13.5 million and consolidated group cash and cash equivalents of $5.4 million**
- **Established a 100% owned drilling subsidiary in Mexico**
- **At year end, the Company's IMPACT shareholding is carried on its balance sheet at $942,000 while having a market value of approximately $13.5 million on April 10, 2006**

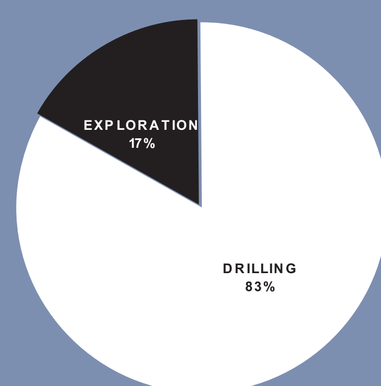
REVENUE BY REGION



ASSETS BY GEOGRAPHIC REGION



ASSETS BY INDUSTRY



Energold Drilling Corp. (EGD:TSX.V) is an environmentally and socially sensitive contract diamond drilling company. Energold services the mining industry worldwide with 24 drills and eight offices.

MESSAGE TO SHAREHOLDERS

Drill Mobilization in Peru

Water Hose carried by Locals

Mobilization in Progress

Local Helpers at Exploration Camp

2005 was a year of building and investing in the future of Energold. Substantive steps were taken to build the foundation for future growth. While 2004 was a year of tremendous revenue and profit growth, it occurred on the back of infrastructure virtually unchanged from previous levels of demand. Realizing that such growth is unsustainable without a commensurate investment in logistics, the Company invested in inventories, new warehouses in Vancouver and Ecuador, an office in Mexico and the purchase of a deep-hole rig. Energold also added new staff including a new CFO, and signed a technology and services contract with an outside party to act as Operations Manager to Energold.

Our belief that we are still in the early stages of the cyclical bull market in the mining industry led us to make the necessary capital investments. The need for major mining companies to replace depleted reserves, increased Asian demand, and the strength of commodity prices are the primary factors behind this recovery we are now witnessing.

Overall meters drilled in 2005 approximated 2004 totals. While we expected a significant increase over the prior year, the incremental change was eliminated by temporary socio-political difficulties in certain markets, a slow start to the first quarter, and a stock based compensation expense of $762,000. Excluding the latter expense, earnings for the year would have been $1,665,000 compared to $1,886,000 for 2004. The Company ended the year with a very strong balance sheet with a net working capital position of about $13.5 million at December 31, 2005, an increase of just over $4.0 million from its net working capital position of $9.5 million at December 31, 2004. Consolidated group cash and cash equivalents on hand at December 31st are about $5.4 million. A significant portion of our increased working capital position reflects our increased investment to $6.3 million in drilling inventories.

Energold continues to provide investors exposure to the Mining Sector without the commensurate risk. Our drills can be utilized for exploration across a broad spectrum of metals and minerals including gold, silver, diamonds, uranium, and base metals. The Company can benefit from increased exploration and development activity in any of these commodities. In fact, in the first quarter 2006, we drilled in excess of 32,000m, compared to 20,800m in 2005, a fifty-percent increase in our first quarter activity level.

As indicated by its recent name change to Energold Drilling Corp., the Company has conducted a strategic shift in its activities. Energold is actively developing its potential as a contract diamond drilling company. As of this date, the Company has a total of 24 drills either operating or mobilizing and two additional drills under construction.

The Company has set a number of objectives for the next 12 to 18 months. Energold will be increasing its research and development to continue to keep it ahead of the industry as well as expanding product lines to better serve our clients.

MESSAGE TO SHAREHOLDERS

The Company anticipates the addition of approximately six to seven of its Series II & III rigs during that period, and plans to more deeply penetrate existing markets while expanding into at least one new market. Additional heavy rigs will be added only in response to demand.

Commencing in 2004, the Company redirected its exploration efforts to focus more specifically on silver through its investment in IMPACT Silver Corp. ("IMPACT"), with the acquisition of an option on the Royal Mines of Zacualpan ("Zacualpan") in Mexico. The Company believed that silver represented 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, IMPACT provides Energold the maximum flexibility in asset management.

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 21st century, and in doing so create real value for all the stakeholders, including our shareholders. Zacualpan represents multiple exploration opportunities for IMPACT: a small but high-grade silver mine; an asset that is sensitive to a rising silver price where historical mining has left large lower-grade targets; and the exploration potential for new and larger deposits. The Company was fortunate in terms of its timing in acquiring the option to purchase the Zacualpan mining properties in mid-2004 when silver prices were trading at approximately $5.00 to $5.50 US per ounce. In recent months almost all metal commodity prices have been rising including silver, which recently (in April 2006) started trading at over $12.00 US per ounce.

Subsequent to the year-end and in conjunction with completing two private placements totaling $10.5 million, IMPACT has acquired Zacualpan and funded the future exploration and development of the project.

Energold's employees, Canadian and local nationals, continue to be the integral part of our strength and we would like to express our ongoing appreciation to all. We also wish to thank our investors for their continued support.

On behalf of the board of directors,

"Frederick W. Davidson", President, CEO
April 14, 2006

Drill Pad Being Constructed

View of Rig Operating

Drill being Disassembled

Pad after Demobilization

DRILLING OPERATIONS


Site prior to Drilling


Drill Pad and Rig Assembly


Drilling in Progress


Drill Pad Rehabilitation

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. This year, the drilling activities were generally slower in the first four months, compared to the similar period last year. This appears to be consistent with the experience of the industry as a whole. Gross drilling revenues for the year were $14.9 million on 118,036m (2004 - $15.4 million on 121,000m).

The slow first four months related in large 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, was extremely active and we achieved over 37,000 meters drilled. We mobilized a number of the rigs during that period, although at least two were delayed due to shipping and customs issues. This resulted in our experiencing an abnormal number of start-up costs in the quarter, and correspondingly was partially responsible for higher than normal operating costs for the period.

Third quarter levels were approximately 30,000 meters with continued delays in delivering equipment to contracts. Drilling continued at a good level (29,000m) in the fourth quarter and remained active later than in the prior year.

Social and political issues are actively interfering with the industry throughout the world and during the past year some of our larger projects have been temporarily delayed, despite responsible efforts on our clients' part to address local concerns. Overall, new contracts and requests for tenders suggest that 2006 will be extremely busy, with the first quarter appearing to be well in excess of the comparative quarter for 2005. With new rigs in place and new ones under construction we hope to capitalize on the continuing demand.

Revenues are generally denominated in US dollars and the Company's margins remain sensitive to foreign exchange variations. Some of our operating costs are US$ denominated which provides a partial natural hedge against such fluctuations. Nonetheless the relative rise in the value of the Canadian dollar to the US dollar in the past year has had a significant impact on our overall profitability. We estimate that our overall net realized revenues in Canadian dollar terms have been reduced by about $250,000 to $300,000 as a result of exchange rate changes in 2005 and this has had a direct impact on our net income.

Margins were slightly weaker for the year to date due to the change in the mix of contracts, rising prices for down-hole supplies, and extreme fluctuations in fuel costs. Although equipment suppliers are also increasing prices, with the increasing demand for drill rigs worldwide it is shortages of quality crews and down-hole supplies which remain

DRILLING OPERATIONS

the critical items. To further counteract increasing delays in shipping and customs that has led to excessive downtime, the Company is expanding its satellite inventories in the field. As we advised earlier, the Company commenced expanding its physical and administrative infrastructure to catch up with the significant increase in volume generated over the last year. This includes improved communications systems and warehouse facilities, and increased inventories at a number of strategic locations. Our investment in drilling supplies inventories to support our operations has increased by more than $2.5 million in the past twelve months from $3.8 million at December 31, 2004 to $6.3 million at December 31, 2005. Part of this increase in inventory carrying value is attributable to higher supplier prices and part is due to our decision to put more inventories into the field to have supplies closer to hand to service our client drilling needs. Because of the man portable nature of our equipment and the need to be self sustaining in remote operating locations; we estimate that we require an investment in inventory of approximately $300,000 for each new drill that we put into the field.

The Company's equipment is amongst the newest in design and performance, but we continue to redesign our rigs and are now producing a new Series III rig with additional power and pull back while retaining its high degree of mobility. We anticipate that we will build approximately six to eight more of the Series II and Series III rigs during the next eighteen months. The Company is continuing to conduct research and development to keep its equipment on the leading edge technically.

By working in less developed countries we have a market niche that allows us to maintain reasonable margins. Local competition is limited and new competitors from outside are generally unwilling to invest the time and energy to establish themselves in these markets.

Our crews 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. Especially for smaller programs these personnel can substantially reduce our mobilization costs and at the same time provide an effective statement as to our willingness to ensure there are social benefits to the local communities from our activities.

Energold Drilling Division (100%)

In 2005, the Company expanded into Mexico through its 100% subsidiary Minera Monte Plata de Mexico de C.V., S.A. Contract drilling in Mexico by Energold complements the exploration activities of IMPACT and enjoys a number of administrative synergies. An initial 1,800+ m program was conducted for IMPACT at Zacualpan in April of 2005. A second modular rig was delivered early in the third quarter to help service the demand and a third rig was shipped to Mexico just prior to the year end. The Company also sent its recently acquired SS-51 heavy rig to Mexico in December. Because of the need to build infrastructure the Company incurred start-up costs in Mexico during the second, third, and fourth quarters. The Company now

Energold Heavy Drilling's SS-51 Rig

Interior View of the SS-51 Rig

Drilling on a Steep Slope

Drill Rig Supply Depot in Guatemala

expects to add two to three more rigs to this division in 2006 and expects that with an increased activity level this operating division should soon begin to make a positive contribution to earnings.

The Company is also looking at developing at least one new market in the 2006 year.

Recognizing that Energold is in a service industry, the Company is intent upon expanding its product lines, to build on an already established clientele. These will include some high margin complementary services.

Technical developments are continuing to improve the competitive position of the Company. The recent introduction of our Series III model will provide enhanced depth capabilities. Combined with a new program of redesign and retrofitting older models we anticipate improved performance capabilities from our rigs in the coming year.

Kluane International Drilling Division (50%)

In Ecuador, the Company continued to expand its client base and generate new contracts during the year, while drilling additional meters for existing clients. Mineral exploration throughout Ecuador has expanded dramatically in the last year. The area includes mountainous terrain and areas of heavy forestation, ideal for our approach to exploration. Kluane had four drills in Ecuador and completed close to 50,000m of drilling in 2005. We are anticipating that work levels in 2006 will exceed those achieved in 2005. To service the increased demand we have added a fifth drill to the Ecuador operations in 2006.

In the Dominican Republic, Guatemala and Nicaragua, we have drilled for a number of clients and have various contracts either under way or programmed. These countries, while limited in size, represent an excellent opportunity as they have experienced environmental and social issues that our approach can help solve. As a group the level of activity is similar to the prior year's experience.

Kluane is also active in Vietnam, Zambia and Brazil on individual projects. Brazil especially is very suitable for the type of work we specialize in and represents a significant growth opportunity. We experienced a number of problems with logistics and crews during the year, issues which we believe we have now resolved. To increase our service capabilities, we shipped a second drilling rig to Brazil in early 2006.

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

Peru represents an excellent opportunity to develop new business as this mineral rich country develops. However, in spite of the importance of mining in the economy as a whole, critical social and permitting issues delayed certain exploration activities in 2005. Two of our larger contracts start-ups were delayed or cancelled which impacted our utilization of our equipment and inventory assets and reduced our overall revenues for the year. Fortunately some smaller new contracts were found to replace some of this lost business in 2005 but both we and our clients were disappointed that we could not proceed as initially planned.

The Company currently has four drills located in Peru, including our largest version of the modular rigs with 126 hp. Initial activity in the first quarter suggests that 2006 will provide better opportunities for utilization of this equipment than we were able to achieve in 2005. Peruvian voters are expected to go to the polls in a general election in May of 2006. These election results may, or may not, have a subsequent influence over the pace of mining exploration and drilling activities in Peru.

CONDUCT AND PRACTICES

ENVIRONMENTAL POLICY

At ENERGOLD, we recognize that our business activities have direct and indirect environmental impacts and that we have a duty to manage these in a responsible manner. We are committed to continuous improvement to minimise our impact on the environment. Compliance with or exceeding of all applicable environmental laws, statutory obligations and relevant voluntary codes of practice is a minimum requirement and an integral part of our policy. The following environmental guidelines are followed in all of ENERGOLD projects and activities:

- Environmental protection and waste minimization is the responsibility of every employee.
- In situations where environmental regulations are absent, or less than ENERGOLD's standards, apply best management practices to achieve environmental protection.
- Wherever possible supplies and materials are sourced locally to minimise transport impacts and support the local community.
- Assess environmental risks and impacts from all activities. Establish and maintain appropriate emergency response plans for all activities which involve potentially hazardous substances such as chemicals or petroleum products.
- Biodegradable drilling fluids are specified where feasible.
- Wherever possible waste is recycled, reclaimed or reused.
- Any spill, accident or violation is to be reported to the ENERGOLD management and to regulatory authorities as required.
- Restoration of drill and camp locations to acceptable environmental conditions on termination of project.

At ENERGOLD we are proud of our commitment to the protection of the environment and continuously work to develop our responsibility in all environmental, social and community issues.

This Policy will be reviewed annually to monitor its effectiveness and to ensure that it reflects changing needs and circumstances.

HEALTH AND SAFETY POLICY

EVERYONE HAS THE RIGHT TO A SAFE AND HEALTHY WORKPLACE

ZERO INCIDENTS IS OUR OBJECTIVE

To achieve this objective, this statement of policy and the accompanying Health and Safety Standards and Guidelines (Appendix 1, Safety Manual) must influence all our daily activities and decisions, including those to do with the selection of resources and information, the design and operation of working systems, and the design and delivery of products and services. The challenge of implementation into effective practice must be supported by communications and the promotion of competence enabling everyone to make a responsible and informed contribution to the zero incidents objective. Everyone at every work site must be fully committed in this effort to attain the desired health and safety performance.

CONDUCT AND PRACTICES

ENERGOLD therefore commits to:

1. Implement the company wide Health and Safety Program Standards.
2. Provide the necessary resources to satisfy the requirements of the Standards.
3. Measure performance against these Standards.
4. Clearly identify accountability for Health and Safety.

Everyone in our workplaces commits to actively participate in the Health and Safety program by:

1. Taking a moment at the start of each day to think about their safety and the safety of their coworkers.
2. Working in compliance with established work procedures.
3. Recognizing hazards and striving to minimize the risks associated with these hazards.
4. Asking for guidance or information if there is any uncertainty.
5. Assisting in the search for better ways of doing things.
6. Demonstrating leadership by setting a good example.

Visible and active leadership by all is required to maintain the Focus of the Health and Safety Program performance.
This Policy will be reviewed annually to monitor its effectiveness and to ensure that it reflects changing needs and circumstances.

COMMUNITY RELATIONS POLICY

Energold Drilling Corp. recognizes that development, control and management of an effective Community Relations Policy is essential to the Company's current and future success. We acknowledge that we have a clear responsibility towards our host communities and we are committed to being a good neighbour. It is the policy of Energold Drilling Corp. to build a workable relationship born out of respect for the fundamental human rights of its employees, contractors and communities in which it operates.

To fulfill this commitment we will:

- Recognise that each community is unique.
- Welcome open and honest dialogue with all groups affected by our activities.
- Listen to community needs and expectations and respond to them in a timely and respectful manner.
- Respect the traditional rights of indigenous peoples.
- Contribute to the economic well being of host communities through the employment and training of local residents and support of local businesses.
- Safeguard and, where possible, enhance their social well being.
- Ensure that our activities are compliant with local laws and regulations.
- Realize that values, standards and practices of some communities are different to ours and work within those of the community where possible.
- Treat any complaint from local residents, businesses or community groups as a complaint from our client, because we know that our performance and presentation on site is a reflection of our client.

The Community Relations Policy is a procedural policy whereby staff at all levels share responsibility in carrying out all its requirements.

This Policy will be reviewed annually to monitor its effectiveness and to ensure that it reflects changing needs and circumstances.

CONDUCT AND PRACTICES

CONDUCT AND DISCIPLINE POLICY

It is in the interest of Energold Drilling Corp. (the Company) and its employees to encourage standards of work and behavior conducive to the efficient operation of the Company's business and the safety and security of its property and employees. It is the Company's intention, therefore, to ensure that its employees are fully aware of the standards of work and conduct required of them.

Further to the above statement it is the Company's policy to ensure that employees know what is expected of them and be given ample opportunity to improve their job performance:

- Employees are expected to perform their work efficiently and effectively and to be mindful of the expectations of the Company and its clients.
- Employees are expected to conduct themselves in accordance with applicable laws, regulations, generally acceptable work behaviors and Companys policies.
- Supervisors are expected to provide leadership for the groups they supervise, to respect the dignity and rights of employees as individuals, and to set an example by their own conduct, attitude, and work habits.
- Appropriate disciplinary measures should be applied firmly, consistently and impartially.

Disciplinary measures will be justified where an employee:

- Deliberately disobeys or ignores any of the terms or conditions of employment, or any other applicable rules or statutory regulations.
- Is guilty of any act of disorder or misconduct, including any violent or aggressive behavior, against the Company, another employee, client or site visitor.
- Is careless in their duty to an extent likely to cause loss to the Company or danger to other employees or members of the public.
- Deliberately neglects or disobeys any proper order or reasonable instruction given to him/her.
- Is guilty of any act of dishonesty against the Company, another employee, client or site visitor.

Each breach of conduct will be considered on its merits, taking into account the particular circumstances of the individual case.

Disciplinary measures will depend on the nature of the action that warrants discipline. The Company will not apply any disciplinary measure without just and sufficient cause, for which the Company has the burden of proof.

IMPACT Silver Corp. (IPT:TSX.V)


Geologist Mapping


Ore Bin


Exploring old Workings


Delivering ore to Processing Facility

Energold increased its investment in IMPACT during 2005 through the exercise of 798,334 share purchase warrants. At December 31, 2005, Energold had ownership or control over 6,610,001 shares of IMPACT. At April 13, 2006, the Company owned approximately 17% of the issued and outstanding shares, after giving effect to the shares issued by IMPACT in its two recently completed private placements as more specifically discussed in the IMPACT subsequent events notice reported below. This investment which is carried on the Company's balance sheet at a year end cost of $942,000 had a market value of approximately $13.5 million based upon market closing prices on April 10, 2006.

Highlights

In 2005

- In April 2005, IMPACT using Energold Drilling completed a 1,866 meter 12-hole core drilling program on the Zacualpan property. Two areas in the San Ramon (Compadres) Vein System were tested with ten drill holes. All holes intersected multiple stacked veins carrying significant silver mineralization with multiple high grade sections ranging up to 27,793 g/t silver across 0.4m true width.
- In August 2005, the Company changed its name to IMPACT Silver Corp. to better reflect the nature of its business.
- In September 2005, results from new high grade silver prospects were announced. Sampling of the historic Chivo mine workings returned 1,095g/t silver and 0.38g/t gold across 1.25m true width. Sampling of the historic Santa Isabela mine workings averaged 830g/t silver and 0.56g/t gold across 0.8m true width over a strike length of 50m in nine samples ranging up to 3,020g/t silver and 0.13g/t gold across 0.7m true width.
- In November 2005, IMPACT announced its intention to raise $2.5 million Canadian by way of private placement which was fully subscribed and subsequently closed on January 10, 2006.

Subsequent to 2005

- On January 16, 2006 IMPACT purchased the Royal Mines of Zacualpan Silver Project in central Mexico. The project includes two operating silver mines, a 500-tonne-per-day processing plant lease and mineral concessions covering 124.5 km2 over most of the silver district.

George Gorzynski, P. Eng., a Qualified Person under the meaning of NI 43-101, is responsible for the technical information described in this Annual Report for the Royal Mines of Zacualpan Silver Project.

IMPACT Silver Corp.

- On March 14, 2006 IMPACT announced signing of an option agreement to purchase the 500 tonne per day processing plant plus certain mineral concessions and surface rights for US$1,140,000 and 100,000 shares at any time before December 2, 2006. IMPACT also announced signing an option agreement to purchase certain mining equipment for US$500,000 any time before July 16, 2006.
- On April 6, 2006 IMPACT announced the closing of an $8.03 million financing.

Future Plans

- It is IMPACT's intention to complete the purchases of both the processing plant and mining equipment in 2006. With these purchases IMPACT will own all the equipment and surface rights related to its Royal Mines of Zacualpan operations and will have a 100% interest with no underlying royalties in 124.5 km^2 of mineral concessions comprising most of the silver district.
- Extensive exploration is planned for the district with the aim to increase volume and the number of sources for production. This work will include surface and underground drill programs.
- IMPACT plans to grow into a premier producer of silver by expanding and upgrading the Royal Mines of Zacualpan operations and through acquisitions.

Introduction

IMPACT holds option agreements (subsequently exercised) 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 100km southwest of Mexico City and 25km 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.

History

On June 14, 2004, IMPACT signed two option agreements with two private Mexican companies for two producing silver mines, a processing plant lease and properties covering much of the Royal Mines of Zacualpan Silver Mining District in central Mexico. In total, under terms of the original two option agreements, IMPACT could purchase all rights of the Mexican owners for US$1.6 million plus 300,000 IMPACT shares. To augment these property concessions, IMPACT staked additional mineral concessions in 2004 that gave it control over a total of 125 km^2 and a dominant land position in the District.

Activity at the San Ramon Mine

Processing Facility

VP of Exploration in Town Square

San Ramon Decline

IMPACT Silver Corp. (IPT:TSX.V)

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 from 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 meters in width. Individual production shoots are often 30 to 150m long and predominantly steeply dipping.

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.

Due diligence

Following the significant progress that was made in terms of exploration and engineering studies on this property in the first ten months of the year, management of IMPACT made a decision in November of 2005 to proceed with the acquisition of this property through the exercise of its purchase option. However after carrying out due legal diligence work management found that restrictive covenants on certain plant lease agreements as well as operating permits were not transferable to a new party unless they were acquired as a result of a share purchase. As a consequence, management of IMPACT decided that it would be necessary to change from an asset to a share purchase.

Amended Purchase Agreement

Under an amended agreement, the Company, through its 100% subsidiary Minera Aguila Plateada S.A. de C.V., (“MAP”) was to purchase all the issued and outstanding shares of Minera El Porvenir de Zacualpan, S.A. de C.V., (“MPZ”) which owns the Royal Silver Mines of Zacualpan, including the Capela Assets of Zacualpan Mines (mining concessions, mining equipment, and surface rights). Subsequent to the year end, on January 16, 2006 this purchase transaction was closed.

Purchase Price

The total consideration paid to the shareholders of MPZ was the issuance of 300,000 shares of IMPACT together with the payment of US$1,877,445 as well as the assumption of certain liabilities in MPZ totalling approximately US$552,000 of which US$465,000 pertains to hedging contracts. The 200,000 shares of the Company previously issued to, and owned by, MPZ under the original contract of purchase and sale, were returned to IMPACT's treasury.

PROJECT PORTFOLIO

Dominican Republic

Initially, the Dominican Republic was the principal target of the Company's exploration and business activities. The country continues to attract considerable interest from the industry, with the ongoing activities of Barrick and Goldcorp at Pueblo Viejo, and Falconbridge as well as a number of juniors including GoldQuest, Unigold, Globestar, Linear, IMPACT, and Everton. Energold as part of it overall strategy has optioned some of its projects and is currently reviewing how best to enhance the shareholders value in its property holdings there. Active exploration during the year occurred at both the Longyear and the Centenario projects where each property has been drill tested by our partners GoldQuest using Kluane. Beyond limited reconnaissance programs, the Company has not conducted any significant work on the balance of its property portfolio during the period.

Longyear

A program of 1002.6m of diamond drilling in 14 holes was completed in Spring 2005 by GoldQuest on the Longyear project, 4km west of the Pueblo Viejo gold deposit (15.2 M oz gold resource, Barrick/Goldcorp.) using the Company's drilling division. Subsequent to the year end, a second program of approximately the same number of meters was drilled on the property by GoldQuest. Results are pending.

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.

Centenario

After completing a 43-101 resource estimate on the original discovery zone at Centenario, GoldQuest has completed a drill program on a new target approximately 7km east, part of which is on the Centenario concession. GoldQuest, for a total expenditure of US$1.0 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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Forward-Looking Information

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Energold Drilling Corp. (formerly 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 a diamond drilling contractor operating directly and through its subsidiaries, Pac Rim Drilling S.A. (50.01%) , Kluane International Drilling (50%) and its affiliates. It also holds mineral exploration properties in Latin America primarily in the Dominican Republic and Mexico both directly and through its equity interest in IMPACT. The Company's consolidated operations include Pac Rim, Kluane and until June 30th this year, IMPACT. After June 30th, the Company's interest in IMPACT has been accounted for on an equity basis. The residual equity interests not owned by Energold in the consolidated entities are recorded either as non-controlling interests or accounts payable, depending upon their nature, in the Consolidated Financial Statements.

Summary

Earnings for the year were $902,000 (2004- $1,790,000), which includes a "stock based compensation expense" of $762,000. Excluding that deemed (non-cash) expense, earnings for the year would have been $1,665,000 compared to $1,886,000 for 2004.

The Company has maintained a very strong balance sheet with a net working capital position of about $13.5 million at December 31, 2005 an increase of just over $4.0 million from its net working capital position of $9.5 Million at December 31, 2004. Consolidated group cash and cash equivalents on hand at December 31st are about $5.4 Million. A significant portion of our increased working capital position reflects our increased investment to $6.3 Million in drilling supplies inventories to better service our clients needs. Amounts shown as due to a related party and non-controlling interests (i.e. long term indebtedness) at $5.4 Million have remained in total at the same level at December 31, 2005 as at the prior year end. In addition, our balance sheet strength does not reflect the current market value of our equity investment in IMPACT as discussed below under investing activities.

The Company's results were achieved in spite of executing a number of smaller drilling contracts rather than the large contracts we experienced in 2004. With smaller contracts, the start-up costs are higher, the relative administrative costs are higher and overall drill utilization is reduced. What appears to have been a temporary decline in activity in Peru also meant that our strongest division did not provide the contribution we anticipated, but new contracts and increased activity in Guatemala and Ecuador offset most of this 2005 decrease in activity in Peru.

As indicated by its recent name change to Energold Drilling Corp., the Company has conducted a strategic shift in its activities. Energold is actively developing its potential as a contract diamond drilling company through its interest in Pac Rim and Kluane, and commencing from early 2005, through a 100% owned subsidiary in Mexico.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of this date, the Company has a total of 24 drills either operating or mobilizing and two additional drills under construction.

Included in that total is the Company's new SS-51 drill rig which is a departure from its traditional man portable rigs. Acquired to service contracts that exceed the capabilities of our man portable units, the SS-51 is one of the most powerful diamond drill rigs in Mexico where it already has its first contract. The SS-51 is operated in conjunction with Suisse Diamond Drilling Ltd. of Smithers, B.C. and will be the start of a new but limited division of heavy rigs for the Company. The SS-51 was acquired in late 2005 but did not enter service in Mexico until early 2006.

The Company has set a number of objectives for the next 12 to 18 months. Energold will be increasing its research and development to continue to keep it ahead of the industry as well as expanding product lines to better serve our clients. The Company anticipates the addition of approximately six to eight of its new Series II and III rigs during that period, and plans to penetrate more deeply some existing markets while expanding into at least one new market. Additional heavy rigs will be added only in response to demand.

Anticipating the weak equity markets during the spring and summer of 2005, Energold completed a private placement of 2,400,000 units at $1.25 per unit in March 2005 to raise $2.65 million net of share issue costs of $0.35 million. This allowed the Company to continue to expand its drill fleet and be in a position to invest in opportunities as they became available.

In November, the Company appointed Richard S. Younker MBA, CA as Chief Financial Officer. As well, the Company entered into a technology and services contract with an outside party to act as an Operations Manager to Energold to develop and improve the Company's drilling services capacity and capabilities.

Commencing in 2004, the Company redirected its exploration efforts, to focus more specifically on silver through its investment in IMPACT, with the acquisition of an option on the Royal Mines of Zacualpan in Mexico. The Company believed that silver represented 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 IMPACT provides Energold the maximum flexibility in asset management.

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 21st 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 there. The Company was fortunate in terms of its timing in acquiring the option to purchase the Zacualpan mining properties. This option was acquired in mid 2004 when silver prices were trading at approximately $5.00-$5.50 U.S. per ounce and the property vendor was apparently only breaking even on his mining operations. In recent months almost all metal commodity prices have been rising, including silver which recently (in April 2006) has started trading at over $12.00 U.S. per ounce.

Because the Company's holdings was approximately 31% of IMPACT at December 31st and with the intention of building IMPACT as a stand alone mining company the Company now records IMPACT's activities on the equity basis where its results since June 30th are recorded as a single line on the Statement of Income and the Balance Sheet rather than fully consolidated. More details about IMPACT's operations and outlook are discussed separately below.

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 while minimizing further dilution toEnergold. We have already successfully optioned out four of the projects to technically competent partners.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

OTHER

Investor Relations

Over the past 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. Energold also assists IMPACT with its day to day investor relations.

In December, Energold engaged Ascenta Capital Partners to assist in its investor relations program. Ascenta receives a monthly retainer of $5,000 and an option to purchase 150,000 common shares of the Company for $1.14.

With the recent change in name to Energold Drilling Corp. the drilling group hopes to establish itself as the name plate for its new approach to drilling.

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. The development of our drill is a direct successful offshoot of the need to explore with a light footprint using a drill pad size of only 4m by 4m which does not require the construction of roads and complex access.

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 of 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 was a founding sponsor of the Prospectors and Developers Association of Canada "E3" initiative of Environmental Excellence in Exploration.

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. During the year the Company developed and published a driller's safety manual for all of its staff.

FINANCIAL DISCUSSION AND ANALYSIS

Risk Factors

The Company is faced with a number of risks with respect to its contract drilling operations as well as its property exploration activities. Contract drilling is a highly competitive industry, where numerous competitors may tender bids for contracts. The Company's ongoing ability to continue to secure profitable contracts on an ongoing basis is not assured.

Cyclical Industry Risks

The contract drilling industry is reliant on demand from two primary categories of commodities, gold and base metals. Under favourable market conditions rising commodity prices normally spur an increased demand for drilling services, however cyclical down turns in commodity prices can have the opposite effect and the Company could be exposed to an investment in drilling equipment and supplies which might not be able to be utilized to their full capacity.

The Company believes that it has a competitive advantage through diversifying its operations to a number of areas of the world with high prospects for mineral exploration and development. This necessitates however building up inventories of drilling equipment and supplies in each of those areas in which we operate and maintaining long supply chains in order to maintain and provide an adequate level of service to our drilling clients. Transportation and value added taxes imposed by importing countries can add significantly to the landed cost of drilling equipment and supplies. The cost of building, maintaining, and monitoring control over the utilization of inventory supplies held in remote areas is a significant factor in the cost of business operations. In the event of a sudden downturn of activities related to a particular project, country, or industry sector as a whole it can be more costly and difficult to redeploy this remote inventory to other regions where it can be better utilized.

Reliance on Key Accounts

From time to time, the Company may be dependent on a small number of customers for a significant portion of its overall drilling revenues and net income. When contracts expire or are terminated there can be no guarantee that the Company will obtain sufficient replacement contracts to maintain its existing revenue and income levels. With the trend towards increased consolidation within the gold and base metal sectors of the mining industry control of major exploration operations is falling into fewer hands. While recognizing the business risk of relying on key clients, the Company's approach to dealing with this risk it is to develop a reputation for business fairness in pricing its drilling services while providing an outstanding level of service to its clients. The Company also emphasizes the fact that its drilling approach, using man portable drills, is more environmentally friendly and socially responsible in terms of the local population than some alternative drilling approaches that potential clients might otherwise consider using.

Workforce Availability

The Company, like all other drilling companies, has been impacted by the shortage of qualified skilled drillers as the industry adjusts from a period of many years of low mining exploration activity to a new cyclical upturn. Drilling is as much an art as a science and it takes considerable time and experience for an individual to become a well qualified driller. The Company is addressing this issue in a number of ways including an effort to hire and train more locally based drillers in the countries in which it operates. This issue however is likely to continue to persist for at least the next several years while the industry trains sufficient new drillers to catch up with the growth in demand for drilling services.

Extreme Weather Conditions

The Company operates in a variety of locations and areas in the world, some of which are subject to extreme weather conditions which can have a significant impact on operations. In addition, natural and other disasters could have an adverse financial impact on operations should an incident occur affecting the Company's operations.

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 own, or its clients business outlook. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, 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 or its clients 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.

Environmental and Other Regulatory Requirements

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

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.

Repatriation of Earnings and Foreign Exchange

There is no assurance that any of the 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.

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.

Mineral Exploration and Development Risks

In addition to these risks with respect to its contract drilling operations, the Company also faces certain additional risks to those already identified above, with to respect to its mineral exploration activities. These include the following:

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.

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.

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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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.

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.

Selected Annual Information (Canadian $ 000's except per share amounts)

Description	**2005**	**2004**	**2003**
Total revenues (net of direct costs)	5,359	5,395	2,554
Net income (loss)	902	1,790	559
Net income (loss) per share	0.04	0.11	0.04
Dividends	Nil	Nil	Nil
Total assets	20,524	16,165	8,958
Total long-term financial liabilities	5,408	5,462	1,245
Cash dividends declared	N/A	N/A	N/A

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Quarterly Results (Canadian $ 000's except per share amounts)

Quarter	Net Revenues	Net Income (loss)	Net Income per Share (Note 1)	Fully diluted Net Income Per Share (Note 1)	Total Assets	Total Long-term Liabilities (Note 2)
4th 2005	540 (Note 3)	(94)	0.00	0.00	20,524	5,408
3rd	1,957	412	0.02	0.02	19,862	5,376
2nd	1,865	345	0.02	0.01	21,097	6,647
1st	997	239	0.01	0.01	20,057	5,937
4th 2004	(665) (Note 3)	95	0.00	0.00	16,165	5,462
3rd	2,252	794	0.05	0.04	13,947	5,632
2nd	2,304	408	0.03	0.02	13,331	4,737
1st	1,504	493	0.03	0.03	11,375	1,874

Notes:

1: These numbers have been rounded to 2 decimal places.
2: Total long-term liabilities include non-controlling interest on consolidation, and the long-term portion due to a related party.
3: Net revenue for the fourth quarter is calculated as gross revenues less direct costs. At the year end, a fee to the non-controlling interest in Kluane was made for $874 (2004 - $1,673) and included in direct costs. Net revenue for the quarter before that provision would be $1,413 (2004 - $ 1,008).

Results of Operations

The Company ceased consolidating IMPACT as of June 30, 2005 due to a number of factors including a decline in the percentage shareholding interest held by Energold. This resulted in recording the expenses incurred in IMPACT during the third and fourth quarter on a single line basis rather than on a line by line basis as was done for the first six months of 2005. The balance sheet no longer consolidates the respective assets and liabilities of IMPACT and instead records the Company's net interest as an investment in IMPACT.

Gross drill revenues and meters drilled for the year were similar in 2005 compared to 2004. Net income for the year declined to $902,000 or $0.04 per share after exploration expenditures from $1,790,000 or $0.11 per share in 2004. As previously discussed, the earnings for the year are net of a stock based compensation expense of $762,000 (2004-$96,000), representing a non cash expense of almost $0.04 per share.

Drilling activity for the year was comparable to the prior year, but lower than anticipated as a result of the slow first four months. Margins were only slightly down from the previous year despite rising supplier costs. These positive earnings, despite the significant delays in a number of the Company's contracts and the stock option expense, demonstrate the robustness of the Company's business operations.

Consolidated indirect and administrative expenses for the year were $3,142,000 an increase of $1,133,000 from $2,009,000 in the prior year. The results from IMPACT were consolidated for the first six months of 2005 and thereafter recorded on an equity basis. An explanation of significant factors contributing to the $1,133,000 of expense increases is discussed below. The most significant of all, a non-cash expense item, was the $666,000 of increased cost incurred in 2005 over fiscal 2004, to recognize the value for accounting purposes of stock options granted to directors, officers and employees. This one item accounted for 59% of the expense increase in 2005 compared to the prior year. Other items contributing to the increase in expenses are discussed individually below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. The Company recognized a foreign exchange loss of $382,000 in 2005 compared to a foreign exchange loss of $309,000 in 2004. This contributed $73,000 of the expense increase. The international industry generally works in US dollars and as the US dollar fluctuates against the Canadian dollar, the stated values of the Company's foreign working capital, including significant inventories, are affected. A significant portion of the companies expenditures i.e. fuel are US$ denominated and represented a partial hedge against US$ fluctuations.

2. Accounting, audit and legal fees increased by about $22,000 in 2005 from the prior year total of about $251,000 to $273,000 in 2005. This increase is largely attributable to greater audit time and fees now being charged by auditors for work on public company audits. Both 2004 and 2005 had private placement financing activities which also contributed to higher legal fees than we might anticipate on an ongoing basis. Included in the 2005 costs is about $56,000 of costs related to IMPACT's financings and due diligence involving mineral activities in Mexico during the first half of 2005.

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 insuring its drilling rigs and drilling supplies for physical loss, only during transportation.

4. As anticipated, investor relations, promotion and travel costs rose by about $43,000 to a total of about $200,000 in 2005 from a total of around $157,000 in the prior year. Approximately 40% of these costs relate to industry conferences, and marketing efforts on behalf of the Company's drilling activities. The majority of the balance, $56,000 related to the activities of IMPACT to improve market awareness during the first half of the year. Going forward, we would anticipate that these costs will continue to increase as the Company expands its operations and incurs higher costs in servicing its customer and investor base.

5. The cost of office and sundry increased by about $23,000 in 2005 over 2004 to about $206,000. This level of costs is anticipated to be maintained as the Company continues to upgrade its computer services and communication systems, and to reorganize its warehouse facilities in Vancouver and overseas.

6. Management fees and consulting, and office salaries and services increased by about $202,000 from the prior year to a total of about $795,000 in 2005 compared to $593,000 in 2004. Part of this increase reflected bonuses and stipends paid to directors and officers in shares early in the year. Costs were also increased as a result of the mandated stock exchange requirement to split the role of Chief Executive Officer and Chief Financial Officer which roles, up until mid year had both been performed by the Company's CEO. This requirement led the Company to hire Richard S. Younker M.B.A., C.A., CMC who was appointed as a new chief financial officer of the Company in the fall of 2005. As discussed earlier, the Company also hired under the auspices of a management services and technology agreement contract, the services of an individual to act as an Operations Manager to develop and improve Energold's drilling services capacity and capabilities. This engagement was effective from September 1, 2005 and as a result of these senior hires and the need to hire other support staff we expect that the Company's staff support costs in 2006 will be significantly greater than the costs incurred in 2005. 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. For the 2005 calendar year, the Company recognized the value of stock options granted in the amount of $762,000 (2004-$96,000) to directors, officers and employees of both Energold and IMPACT. The calculation does not appear appropriate for a company of our size; however, we are obliged to record it by regulation. The "value" ascribed to the grant is expensed when vested and the corresponding credit is included in contributed surplus.

8. During the year the Company earned about $112,000 in interest income on its cash accounts. Taxes increased to about $170,000 from about $42,000 in the prior year. This primarily related to taxes paid by offshore subsidiaries.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As described earlier the Company ceased consolidating the results of IMPACT on a line by line basis and instead recorded the net result for the third and fourth quarter on a single line equity basis. As a result the expenses for the last half of the year were not included in the above expenses but rather as a single line amount of $61,000 as the loss for the year on IMPACT after deconsolidation.

Liquidity and Capital Resources

Consolidated cash and cash equivalents at year end were $5,410,000 up from $5,170,000 as at December 31, 2004. Due to a positive contribution from drilling activities and the completion of a brokered private placement of 2,400,000 units at $1.25 per unit, the Company was able to generate sufficient funds to finance an increased investment of about $1.0 million in new drilling equipment, $1.4 million in accounts receivable and $2.5 million in drilling inventory supplies over the December 21, 2004 comparables. Each private placement unit consisted of a common share and one-half share purchase warrant exercisable up to December 31, 2005 at $1.50 per share. (In November 2005, the Company extended the expiry date on 1,200,000 of the warrants until September 30, 2006 while leaving the exercise price unchanged.) Working capital now exceeds $13.5 million compared to $9.5 million at December 31, 2004.

Monies owed to a related party are due from the Company's subsidiary Kluane International Drilling Inc. 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, subject to other cash flow requirements in the same period. In 2004, the directors of Kluane International Drilling Inc. 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 $772,000 in exploration related expenditures during the year, of which $661,000 was related to the Zacualpan project in IMPACT during the first six months prior to deconsolidation. The Company also wrote down $93,000 in exploration costs, representing certain minor holding costs in the Dominican Republic.

During the year, the Company invested a further $1,070,000 in property, plant, and equipment almost all 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 April 13, 2006:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at April 13, 2006	21,433,833		
Employee and consultants stock options	740,000	$ 0.15	June 14, 2006
	650,000	$ 0.16	April 29, 2007
	1,150,000	$ 1.20	May 3, 2010
	150,000	$ 1.14	December 21, 2006
Warrants	1,200,000	$ 1.50	September 30, 2006
Fully Diluted at April 13, 2006	25,323,833		

Transactions with Related Parties

During the year, 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 $15,250 per month, three year employment contract. Fees and salary in the amount of $174,750 were accrued or paid to this director and officer in 2005. (2004-$192,500 was paid to two directors and officers under management consulting agreements). The Company also paid $37,800 in fees to another officer. Salary of $92,100 (2004-$85,610) was accrued or paid to an individual related to a director.

In addition, $75,000 (2004 - $77,500) was recorded as a bonus to directors and officers, of which $56,250 was paid in the form of 46,875 shares of the Company at a value of $1.20 per share (2004-$42,500 was paid for 74,562 shares at an average value of $0.57 per share).

In May 2005, the Company issued 50,000 shares at a price of $1.15 per share to a director and officer in relation to a private placement. The value of $57,500 is shown as share issue costs. These shares were subject to a four month hold period.

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 consisted 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. Prior to expiry, 490,000 warrants were exercised.

During the year, legal fees in the amount of $75,989 (2004 - $35,637) were accrued or paid to a firm related to a director.

Changes in Accounting Policies

The consolidated financial statements for the year ended December 31, 2005 followed the same accounting policies and methods of application as in the prior year's annual financial statements, with the exception of variable interest entities, and the Company's investment in IMPACT Silver Corp. which was deemed by management to have converted from a controlled entity to an equity investment during the period.

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 as well as its estimate of the appropriate allowance for inventory obsolescence. 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.

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AUDITORS' REPORT

To the Shareholders of Energold Drilling Corp.:

We have audited the consolidated balance sheets of Energold Drilling Corp. as at December 31, 2005 and 2004 and the consolidated statements of income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Staley, Okada & Partners"

Vancouver, B.C.
April 7, 2006

"STALEY, OKADA & PARTNERS"
CHARTERED ACCOUNTANTS

Energold Drilling Corp.

Statement 1

(formerly Energold Mining Ltd.)

Consolidated Balance Sheets
As at December 31
Canadian Dollars

ASSETS		2005		2004
Current				
Cash and term deposits	$	**5,409,616**	$	5,170,450
Accounts receivable and prepaid expenses		**3,346,516**		1,909,050
Short-term investments		**62,505**		62,505
Inventory		**6,344,636**		3,833,730
		15,163,273		10,975,735
Investment in IMPACT Silver Corp. - *(Note 4)*		**942,163**		-
Resource Properties - *Schedule (Note 5)*		**2,155,887**		3,674,967
Property, Plant and Equipment - *(Note 6)*		**2,263,124**		1,514,469
	$	**20,524,447**	$	16,165,171

LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**976,608**	$	865,445
Due to related party – *(Note 7)*		**600,000**		600,000
		1,576,608		1,465,445
Due to Related Party – *(Note 7)*		**2,529,281**		2,428,518
Non-Controlling Interests - *(Note 8)*		**2,878,635**		3,033,450
		6,984,524		6,927,413
Commitments - *(Note 13)*				

SHAREHOLDERS' EQUITY				
Share Capital - *(Notes 9, 10)*		**14,539,849**		11,729,848
Contributed Surplus - *(Note 9b)*		**992,498**		402,734
Deficit - *Statement 2*		**(1,992,424)**		(2,894,824)
		13,539,923		9,237,758
	$	**20,524,447**	$	16,165,171

ON BEHALF OF THE BOARD:

"F.W. Davidson", Director

"H.W. Sellmer", Director

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

Energold Drilling Corp.

Statement 2

(formerly Energold Mining Ltd.)

Consolidated Statements of Income and Deficit
For the Years Ended December 31

Canadian Dollars

	2005	2004
Revenue from Drilling Contracts, *net of direct costs*	$ 5,359,140	$ 5,395,535
Indirect and Administrative Expenses		
Accounting, audit and legal	273,043	250,970
Amortization	303,942	234,890
Foreign exchange	382,361	308,695
Insurance	98,993	86,270
Investor relations, promotion and travel	199,643	156,797
Management fees and consulting	135,540	263,500
Office and sundry	206,244	182,607
Office salaries and services	659,928	329,525
Rent	120,189	100,336
Stock-based compensation expense – *(Note 10b)*	762,356	95,797
	3,142,239	2,009,387
Income Before the Following	2,216,901	3,386,148
Other Income (Expenses)		
Withholding and other taxes	(170,117)	(41,867)
Gain on disposal of short-term investments	15,394	9,856
Interest income	111,855	(18,498)
Loss in IMPACT Silver Corp.	(61,296)	-
Non-controlling interest	(1,144,427)	(955,026)
Other income	27,514	(1,937)
Write-off of resource properties	(93,424)	(588,457)
	(1,314,501)	(1,595,929)
Net Income for the Year – *(Note 12)*	902,400	1,790,219
Deficit – Beginning of year	(2,894,824)	(4,685,043)
Deficit - End of Year	$ (1,992,424)	$ (2,894,824)
Weighted Average Number of Shares Outstanding	20,293,669	15,667,891
Diluted Number of Shares Outstanding	25,413,833	20,326,958
Earnings per Share – Basic	$ 0.04	$ 0.11
– Diluted	$ 0.04	$ 0.09

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

Energold Drilling Corp.

Statement 3

(formerly Energold Mining Ltd.)

Consolidated Statements of Cash Flows
For the Years Ended December 31
Canadian Dollars

Cash Resources Provided By (Used In)		2005		2004
Operating Activities				
Income for the year	$	902,400	$	1,790,219
Items not affecting cash				
Amortization		303,942		234,890
Bonus issued in shares		56,250		42,500
(Gain) on disposal of short-term investments		(15,394)		(9,856)
Non-controlling interest		1,346,585		1,730,536
Stock-based compensation expense		762,356		95,797
Write-off of resource properties		93,424		588,457
Changes in non cash working capital		(3,736,932)		(3,384,902)
		(287,369)		1,087,641
Investing Activities				
Deconsolidation of IMPACT Silver Corp.		(441,668)		-
Investment in IMPACT Silver Corp.		(60,204)		-
Purchase of property, plant and equipment		(1,069,752)		(642,322)
Proceeds on sale of short-term investments		15,394		36,121
Resource property costs		(771,749)		(823,492)
		(2,327,979)		(1,429,693)
Financing Activities				
Due to related party		100,763		2,428,518
Share capital		2,753,751		2,232,184
		2,854,514		4,660,702
Net Increase (Decrease) in Cash and Term Deposits		239,166		4,318,650
Cash and term deposits - Beginning of year		5,170,450		851,800
Cash and Term Deposits – End of Year	$	5,409,616	$	5,170,450
Non-Cash Financing/Investing Activities				
Deconsolidation of IMPACT Silver Corp.	$	(440,291)	$	-
Property, plant and equipment	$	(8,801)	$	(7,570)
Resource properties	$	(569)	$	-
Shares issued as bonus to officers and directors	$	56,250	$	42,500
Shares issued to a director in relation to a private placement	$	57,500	$	-
Stock-based compensation included in contributed surplus	$	589,764	$	38,038

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

Schedule

Energold Drilling Corp.

(formerly Energold Mining Ltd.)

Consolidated Schedules of Resource Properties
For the Years Ended December 31

Canadian Dollars

	2005	2004
Concessions, Dominican Republic – *(Notes 5(b)(i), 5(d))*		
Deferred exploration costs		
Field office, rent and costs	**$ 50,529**	$ 49,184
Vehicles	**7,843**	6,169
Wages and consulting	**53,300**	46,033
	111,672	101,386
Recoveries	**-**	(75,000)
Write-off of resource properties	**(93,424)**	(87,921)
	18,248	(61,535)
Real de Belem, Mexico– *(Note 5(e))*		
Acquisition costs	**-**	72,907
Deferred exploration costs		
Drilling	**-**	176,508
Field office, rent and costs	**-**	34,076
Travel and accommodation	**-**	25,541
Wages and consulting	**-**	128,757
	-	364,882
Write-off of resource properties	**-**	(474,797)
	-	(37,008)
IMPACT Silver Corp. Properties	**660,646**	333,578
Resource Property Costs for the Year	**678,894**	235,035
Balance – Beginning of year	**3,674,967**	3,439,932
Deconsolidation of IMPACT Silver Corp.	**(2,197,974)**	-
Balance – End of Year	**$ 2,155,887**	$ 3,674,967

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

1. Nature of Operations

Energold Drilling Corp. (the "Company") engages in contract drilling and the acquisition, exploration and development of resource properties.

Since 1999, the Company's principal source of revenue has been contract diamond drilling for third parties. During the year, the Company conducted drilling services in the Caribbean, Orient, Africa and South America.

As discussed in the notes to the financial statements, the recovery of the Company's investment in resource properties and the attainment of profitable operations is dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production. The ultimate outcome of these matters cannot presently be determined because they are contingent on future events.

2. Significant Accounting Policies

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and the following subsidiaries:

- 100% of Minera Hispaniola, S.A. ("Minera"), located in the Dominican Republic.
- 100% of FMI Technologies Inc. ("FMI"), located in Canada, and it's wholly owned subsidiary Casa Real, S.A. ("Casa"), located in the Dominican Republic.
- 100% of Minera Monte Plata de Mexico S.A. de C.V., located in Mexico.
- 50% of Kluane International Drilling Inc. ("Kluane"), located in Canada. This company has been consolidated because the Company controls day to day operations.

  Kluane has three wholly owned subsidiaries:

  - Cienminas, S.A. ("Cienminas"), located in Ecuador.
  - Kluane Guatemala S.A., located in Guatemala.
  - Kluane Sondagem E Perfuracao de Solo do Brasil Ltda., located in Brazil.

  The non-controlling interest has been recorded at carrying values in the Company's consolidated financial statements.

- 50.01% of Pac Rim Drilling S.A.C. ("Pac Rim"), located in Peru. This company has been consolidated because the Company controls day to day operations. These consolidated financial statements include results of operations of Pac Rim from the date of acquisition of May 15, 2002.

  The non-controlling interest has been recorded at carrying values in the Company's consolidated financial statements.

All of the subsidiaries are accounted for using the purchase method.

2. Significant Accounting Policies – *continued*

b) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, term deposits and short-term highly liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk or change in value.

c) **Inventory**

The principal component of inventories consists of drill tubes, drill rods, casing, drill bits and consumable supplies and lubricants necessary to carry out drilling operations which are normally consumed as part of drilling operations either in a single drilling contract or over the course of a business year.

The Company also maintains inventories in all countries, in which it operates, of significant drilling equipment and parts and supplies (including pumps, motors, generators, and other similar individual large value items), water and hydraulic hoses together with a base inventory of smaller value parts and equipment necessary to allow its drilling staff to provide field support and maintenance for its man portable drilling equipment. These items are classified as inventory because, due to frequently difficult field drilling conditions, these assets are subject to obsolescence and are often worn out within one to several years of field operation.

Procurement, transportation and duties on importing inventories are included in inventory carrying costs. As these costs can often be quite significant, inventory items are not normally redeployed from one country to another, even if there is a business slowdown in a particular country's drilling operations.

The Company applies the following policies with respect to inventory accounting and valuation:

i) Significant higher value drilling equipment parts and supplies as well as the Company's consumable inventories are valued at landed cost on a first-in, first-out basis, based upon country of use, less an accumulated allowance for obsolescence (wear and tear) based upon management's judgment of the expected remaining field service life of the significant equipment and consumable supplies inventory in that particular country, which we estimate to be fair value.

ii) The base field inventory of smaller value equipment parts and supply items is valued at landed cost based upon using the Company's overall most recent replacement cost for those items. These inventories are counted at least once annually to confirm that at least the base value of small value inventory items is being maintained in each country.

d) **Investments**

Investments in entities over which the Company exercises significant influence are accounted for using the equity method. Investments in joint ventures and partnerships which the Company jointly controls are accounted for using the proportionate consolidation method of accounting. Other investments are recorded at cost and written down only when there is evidence that a decline in value that is other than temporary has occurred.

2. Significant Accounting Policies – *continued*

e) **Resource Properties**

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Resource exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Management reviews the carrying values of resource properties on a regular basis to determine whether any write downs are necessary. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing, except for certain exploration concessions in the Dominican Republic where renewal permits have been reapplied for in the normal course of business.

f) **Property Option Agreements**

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received. The Company does not accrue the estimated costs of maintaining its mineral interests in good standing.

g) **Amortization**

The Company provides for amortization on the declining balance method as follows:

- Exploration and drilling equipment - 20% per annum
- Computer equipment - 30% per annum
- Office furniture and equipment - 20% per annum
- Vehicles – 20% per annum

One-half of the amortization is recorded in the year of acquisition.

h) **Short-Term Investments**

Investments are recorded at cost and written down to market value when there is a decline in value which is deemed to be other than temporary.

2. Significant Accounting Policies – *continued*

i) **Earnings per Share**

Earnings per share amounts have been calculated and presented in accordance with the recommendations of the Canadian Institute of Chartered Accountants. Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

j) **Management's Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

k) **Share Capital**

i) The proceeds from the exercise of stock options, warrants and the purchase of escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value when issuing shares for cash, as determined by the board of directors of the Company.

l) **Revenue and Cost Recognition**

Revenues from drilling contracts are recognized based on the performance factor of meters drilled and billable costs recovered on each contract. Changes in contract settlements may result in a revision to contract income and are recognized in the period in which revisions are determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

m) **Income Taxes**

The Company accounts for income taxes using the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

n) **Foreign Exchange**

The Company has determined that all of its subsidiaries are integrated; therefore local currencies are translated into Canadian dollars under the temporal method as follows:

- Monetary assets and liabilities at year-end rates,
- All other assets and liabilities at historical rates, and
- Revenue and expense and exploration and development items at the average rate of exchange prevailing during the year.

Exchange gains and losses arising from these transactions are reflected in income or expense in the year.

2. Significant Accounting Policies – *continued*

o) Stock-based Compensation

Effective August 1, 2003, the Company has adopted the Canadian Institute of Chartered Accountants (CICA) amendments to Section 387, "Stock-based Compensation and Other Stock-based Payments", which requires an expense to be recognized in the consolidated financial statements for all forms of employee-based compensation, including stock options.

p) Asset Retirement Obligations

The recommendations of CICA Handbook Section 3110, Asset Retirement Obligations ("CICA 3110"), became effective on January 1, 2004. This section requires the recognition of a legal liability for obligations relating to the retirement of property, plant and equipment and obligations arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset, where one is identifiable, is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, changes in the extent of the environmental remediation required, changes in the means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised.

No liability or accrual has been recorded as the Company is in the exploration stage on its properties and no reasonable estimate of the fair value of the liability can be estimated. There is no effect on prior years, as a result of adopting this new recommendation.

l) Change in Accounting Policy

The Accounting Standards Board (AcSB) issued Accounting Guideline AcG 15 "*Consolidation of Variable Interest Entities*," to harmonize the Guideline with the equivalent FASB Interpretation No. 46R, "*Consolidation of Variable Interest Entities*." The Guideline provides criteria for identifying VIEs and further criteria for determining what entity, if any, should consolidate them. The Guideline is effective for annual and interim periods beginning on or after 1 November 2004, and upon adoption, will not materially impact the Company's results of operations and financial position. The Guideline is effective 1 January 2005 for the Company.

3. Financial Instruments

The Company's financial instruments consist of cash and term deposits, accounts receivable, short-term investments, accounts payable and due to a related party. As at December 31, 2005, the Company holds an equivalent of CAD$8,555,085 in financial instruments held in U.S. and other foreign currencies, which is exposed to currency risk based on fluctuations in the prevailing foreign exchange rates. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

4. Investment in IMPACT Silver Corp. (IMPACT)

In prior years, the Company recorded its investment in IMPACT on a fully consolidated basis. During the current year, the Company's investment in IMPACT was determined by management to have converted from a controlled entity to an equity investment. At December 31, 2005 the Company owned 6,610,001 shares of IMPACT Silver Corp,. recorded at $942,163 *(Note 2d)*.

Subsequent to the year end, IMPACT issued two private placements and as a result the Company's share position decreased to approximately 18% of the issued and outstanding shares of IMPACT.

5. Resource Properties

a) Details are as follows:

	Acquisition Costs	Deferred Exploration	Accumulated Write-off	Deconsoldiation of IMPACT Silver Corp	**2005**	2004
Dominican Republic Concessions						
Actividades	$ 142,640	$ 201,699	$ -	$ -	**$ 344,339**	$ 344,121
Casa Real	302,694	615,799	-	-	**918,493**	916,050
Los Pedregones	353,038	217,150	(239,531)	-	**330,657**	329,690
La Parcela	597,007	77,443	-	-	**674,450**	665,034
Other	315,230	2,066,398	(2,493,680)	-	**(112,052)**	(117,256)
	1,710,609	3,178,489	(2,733,211)	-	**2,155,887**	2,137,639
Mexico						
Real de Belem	99,173	375,624	(474,797)	-	**-**	-
Other properties	-	19,060	(19,060)	-	**-**	-
	99,173	394,684	(493,857)	-	**-**	-
IMPACT Silver Corp. Properties	747,534	1,457,119	(6,679)	(2,197,974)	**-**	1,537,328
	$ 2,557,316	$ 5,030,292	$ (3,233,747)	$ (2,197,974)	**$ 2,155,887**	$ 3,674,967

b) **Royalty Agreements**

By various agreements dated between January 20, 1995 and October 26, 1998, the Company purchased 100% of the issued and outstanding shares of Minera. Minera is the holder of several exploration concessions located in the Dominican Republic. These exploration concessions are subject to the following terms:

i) On the properties already granted to Minera as at January 20, 1995 *(Schedule)*, the Company agrees to make the following cash payments:

- Upon commencement of commercial production US$250,000
- On the first anniversary of commercial production US$250,000

The vendors also retain a 1% net smelter return capped at US$4,000,000 on these properties.

ii) On any additional properties acquired directly or indirectly by the Company from January 20, 1995 to October 26, 1998 *(Schedule)* the vendors retain a 1% net smelter return royalty capped at US$1,000,000.

5. Resource Properties – *continued*

c) **MJD Agency Ltd.** ("MJD")

By agreement dated July 25, 1996 and amended November 4, 1998, March 28, 2002, and July 9, 2004, the Company acquired the right from MJD to purchase a 40% interest in the Dominican Republic company, Actividades Mineras, S.A. ("AMSA") for an exploration work commitment of $300,000 to be completed by July 25, 2006. To December 31, 2005, a total of $294,339 has been spent by the Company, including allowable acquisition costs of $92,640. The 40% interest will be earned proportionately as the $300,000 is spent. Once complete, the Company has the right to purchase another 20% for an additional $300,000 work commitment to be completed by July 25, 2006. All costs spent to date with regard to the purchase of AMSA have been recorded as resource property costs. This agreement is subject to the 1% net smelter royalty *(Note 5(b))*.

d) **Option Agreements – Dominican Republic** *(Note 5(b)(i))*

i) The Company entered into an agreement with a third party who, by October 2003, was to incur, at its option, exploration expenditures of US$1,300,000 on certain concessions located in the Dominican Republic, to earn a 51% interest in the concessions. Each concessesion had a minimum amount that must be incurred to be included in the option. In October 2003, the optionee confirmed that it met the minimum amount required on Bacco y Ofir and Josephina, but failed to meet the threshold expenditures on the remaining concessions, which were then returned to the Company.

ii) On December 1, 2003, the Company entered into a joint venture with a third party on the Longyear concession in the Dominican Republic. The third party is required to spend $US1.5 million over three years and to issue 250,000 shares (paid) to earn a 60% interest in the project including the commitment to drill 1,000 metres. The third party can earn an 80% interest by taking the project to a bankable feasibility study.

iii) In January, 2004, the Company entered into a joint venture with a third party on the Centenario concession in the Dominican Republic. The third party is required to spend US$1.0 million over three years to earn a 60% interest in the project. The third party can earn an 80% interest by taking the project to a bankable feasibility study.

e) **Real de Belem**

On December 22, 2003, the Company acquired an option from a third party on the Real de Belem project in Mexico. Under the terms of the agreement, the Company was to advance US$70,000 (paid) and complete an exploration program and a 1,500 metre drill program in the following six months. Upon completion of this program, the Company, at its option, could opt to loan US$1.43 million to the third party after which the third party had two years to achieve commercial production. At any time, the Company had the right to acquire a 100% interest in the project for an additional US$5.0 million, expiring three months following the commencement of commercial production.

In June 2004, the Company terminated its option agreement on the Belem project and as a result wrote-off resource properties in the amount of $474,797.

6. Property, Plant and Equipment

		2005		2004
Drilling Equipment	**$**	**3,043,907**	$	2,032,419
Exploration Equipment		**51,417**		39,036
Vehicles		**165,109**		154,832
Office Furniture and Equipment		**310,561**		316,063
		3,570,994		2,542,350
Accumulated amortization		**(1,307,870)**		(1,027,881)
Net Book Value	**$**	**2,263,124**	$	1,514,469

7. Due to Related Party

		2005		2004
Total	**$**	**3,129,281**	$	3,028,518
Less: current portion		**(600,000)**		(600,000)
Long-term portion	**$**	**2,529,281**	$	2,428,518

Monies owed to a related party are unsecured, non-interest bearing and without specific repayment terms. Currently management and the related party have 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.

8. Non-Controlling Interests

The non-controlling interests are initially recorded at the carrying values in the records of the subsidiary. This amount is adjusted by the non-controlling interest's portion of the income (loss) and certain other adjustments that occur subsequent to the acquisition of control of the company.

On May 15, 2002, the Company acquired 50.01% of the issued and outstanding shares of Pac Rim by paying $11,635.

Pac Rim

Total net assets as at the date of acquisition at carrying value	$ 1
Multiplied by the non-controlling interest – 49.99%	1
2002-2004 income allocated to non-controlling interest, net of distributions	1,873,342
2005 income allocated to non-controlling interest, net of distributions	161,401
Total non-controlling interest – Pac Rim	$ 2,034,744

Kluane

Total assets as at the date of incorporation	$ 100
Multiplied by the non-controlling interest – 50.00%	50
1999-2004 losses allocated to non-controlling interest	(97,525)
2005 income allocated to non-controlling interest	941,366
Total non-controlling interest – Kluane	$ 843,891
Total non-controlling interest	$ 2,878,635

9. Share Capital

a) Details are as follows:

	Number		Amount
Authorized:			
Unlimited common shares without par value			
Issued and outstanding:			
Balance – December 31, 2003	14,757,396	$	9,455,164
Issued as bonus to officers and directors	74,562		42,500
Private placement at $0.70 per unit - *(Note 9(c))*	1,000,000		700,000
Private placement at $0.80 per share	1,875,000		1,500,000
Share purchase options exercised	310,000		46,500
Share issue costs	-		(14,316)
Balance – December 31, 2004	18,016,958		11,729,848
Issued as bonus to officers and directors	46,875		56,250
Issued to a director in relation to a private placement	50,000		57,500
Private placement at $1.25 per unit - *(Note 9(d))*	2,400,000		3,000,000
Share purchase options exercised	250,000		39,250
Share purchase warrants exercised	10,000		7,500
Share issue costs			(350,499)
Balance – December 31, 2005	20,773,833	$	14,539,849

b) **Contributed Surplus**

Balance – December 31, 2003	$	364,696
Fair value of stock options issued - IMPACT		38,038
Balance – December 31, 2004		402,734
Deconsolidation of IMPACT Silver Corp.		(54,038)
Fair value of stock options issued		643,802
Balance – December 31, 2005	$	992,498

c) In March 2004, the Company issued 500,000 warrants 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. During the year, 10,000 warrants were exercised. Subsequent to the year end, 490,000 warrants were exercised, of which 485,000 were exercised by directors and officers.

d) In March 2005, the Company issued 1,200,000 warrants with respect to a brokered private placement, entitling the holder to acquire one common share at a price of $1.50 per share until December 31, 2005. In addition the Company also granted 90,000 broker's warrants and 180,000 broker's shares in connection with the placement. Each broker's share entitles the holder to acquire one common share at a price of $1.40 and one broker's warrant entitles the holder to purchase an additional share of the Company at a price of $1.50 per share, until December 31, 2005. In November 2005, the Company extended 1,200,000 warrants until September 30, 2006. The remaining warrants expired.

10. 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.

a) A summary of the Company's options at December 31, 2005 and the changes for the year are as follows:

Number Outstanding December 31, 2004	Granted	Exercised	Expired	Number Outstanding December 31, 2005	Exercise Price Per Share	Expiry Date
945,000	-	(75,000)	-	870,000	$ 0.15	June 14, 2006
865,000	-	(175,000)	-	690,000	$ 0.16	April 29, 2007
-	1,150,000	-	-	1,150,000	$ 1.20	May 3, 2010
-	150,000	-	-	150,000	$ 1.14	December 21, 2006
1,810,000	1,300,000	(250,000)	-	2,860,000	$ 0.15 – 1.20	June 14, 2006 – May 3, 2010

b) The fair value of stock options used to calculate compensation for employees and consultants is estimated using the Black-Scholes Option Pricing Model.

   i) In May 2005, the Company granted additional stock options under its Stock Option Plan to directors and employees exercisable for up to 1,150,000 shares of the Company. The fair value of these stock options was estimated at $632,197 on the grant date. These options were fully vested on the grant date.

   ii) In December 2005, the Company granted additional stock options under its Stock Option Plan to a consultant exercisable for up to 150,000 shares of the Company. The fair value of these stock options was estimated at $43,976 on the grant date ($11,605 expensed in 2005). These options vest 25% on the date granted and 25% every quarter thereafter.

   The total value of stock compensation expense on stock options granted to employees and consultants of the Company for the year ended December 31, 2005 is $643,802 (2004 - $nil), which has been recorded in the accounts of the Company. This value is estimated at the date of the grant with the following weighted average assumptions:

Number of options granted	1,150,000	150,000
Risk-free interest rate	3.30%	3.80%
Expected dividend yield	NIL	NIL
Expected stock price volatility	65.61%	61.82%
Expected option life in years	3	1

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

11. Related Party Transactions

Related party balances not disclosed elsewhere are as follows:

a) During the year, 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 $15,250 per month, three year employment contract. During the year ended December 31, 2005, fees and salary in the amount of $174,750 (2004 – ($192,500 to two directors and officers) were accrued or paid to this director and officer. In addition fees of $37,800 were also paid to another officer of the Company. Salary of $92,100 (2004 - $85,610) was accrued or paid to an individual related to a director.

b) During the year ended December 31, 2005, $75,000 (2004 - $77,500) was recorded as a bonus to directors and officers, of which $56,250 was paid in the form of 46,875 shares (2004 – $42,500 paid in the form of 74,562 shares) of the Company at a value of $1.20 per share.

c) In May 2005, the Company issued 50,000 shares at a price of $1.15 per share to a director and officer in relation to a private placement. The value of $57,500 is shown as share issue costs. These shares were subject to a four month hold period.

d) 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 consisted 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.

e) During the year legal fees in the amount of $75,989 (2004 - $35,637) were accrued or paid to a firm related to a director.

f) During the year, fees in the amount of $183,020 (2004 – nil) were charged to IMPACT for contract drilling services performed in Mexico.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. Income Taxes

The Company operates in several tax jurisdictions and is subject to varying rates of taxation. In addition, the Company has various non-capital losses and deferred exploration expenditures that are available for carry forward to reduce taxable income of the current and future years. Details of income taxes for the year are as follows:

	2005	2004
Income before income taxes for accounting purposes	$ 902,400	$ 1,790,219
Adjustments for differences between accounting and taxable income:		
Non-controlling interest in accounting income	1,144,427	955,026
Amortization	(7,921)	(58,266)
Stock-based compensation	762,356	95,797
Resource property costs written off	-	481,476
Unrealized foreign exchange gain/loss	382,361	308,696
Non-taxable gains/losses	7,800	7,919
Other	2,694	-
Share issuance costs	(58,600)	-
	3,135,517	3,580,867
Non-controlling interest in taxable income	(1,344,900)	(1,260,811)
Consolidated income for tax purposes	1,790,617	2,320,056
Tax rate	35.6%	35.6%
Expected tax expense for the year	637,460	825,940
Reductions in tax due to:		
Foreign income at different rates	(129,751)	(174,765)
Deduction of deferred exploration expenditures	-	(271,974)
Application of non-capital loss carry-forwards	(507,709)	(379,201)
Tax expense for the year	$ -	$ -

Future income taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income taxes. The significant components of the Company's Canadian future tax assets as a December 31, 2005 are as follows:

	2005	2004
Non-capital loss carry-forwards	$ 5,984	$ 64,054
Resource property exploration expenditures	1,361,084	1,711,865
Capital assets	39,743	32,520
	1,406,811	1,808,439
Valuation allowance	(1,406,811)	(1,808,439)
	$ -	$ -

The Company's Canadian non-capital loss carry-forwards expire between 2005 and 2015 while the Canadian exploration expenditures may be carried forward indefinitely.

In addition, the Company also has various non-capital loss carry-forwards and deferred exploration expenditures that are available to reduce income in future years in Peru and the Dominican Republic. The benefits of these future tax assets have not been recorded in the accounts of the Company.

13. Commitment

a) The Company has signed a lease for office premises which commenced May 15, 2002 and ends May 14, 2007. Lease obligations, net of operating costs, are $65,441 per year during this period.

b) The Company has signed a lease for warehouse premises which commenced July 1, 2005 and ends June 30, 2008. Lease obligations, net of operating costs, are $16,149 per year for the first two years and $16,726 per year for the third year.

14. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

Energold Drilling Corp.
(formerly Energold Mining Ltd.)

Notes to the Consolidated Financial Statements
December 31, 2005 and 2004
Canadian Dollars

15. Segmented Information

Details at December 31 are as follows:

		2005		2004
Revenue by geographic area				
Caribbean	$	**2,161,550**	$	1,303,271
Orient		**164,240**		191,797
Middle East/Africa		**63,742**		-
South America		**2,969,608**		3,900,467
	$	**5,359,140**	$	5,395,535
Net income (loss) by geographic area				
Caribbean	$	**1,107,287**	$	411,299
Canada		**(2,006,343)**		(1,047,739)
Orient		**121,427**		124,868
Middle East/Africa		**44,974**		-
South America		**1,635,055**		2,301,791
	$	**902,400**	$	1,790,219
Revenue by industry				
Drilling	$	**5,359,140**	$	5,395,535
Net income (loss) by industry				
Drilling	$	**2,680,512**	$	3,165,431
Exploration		**(1,778,112)**		(1,375,212)
	$	**902,400**	$	1,790,219
Assets by geographic area				
Caribbean	$	**6,771,839**	$	4,215,306
Canada		**9,607,573**		8,124,655
South America		**4,145,035**		3,825,210
	$	**20,524,447**	$	16,165,171
Property, plant and equipment by geographic area				
Caribbean	$	**478,358**	$	111,318
Canada		**1,398,481**		967,102
South America		**386,285**		436,049
	$	**2,263,124**	$	1,514,469
Assets by industry				
Drilling	$	**16,965,543**	$	9,744,844
Exploration		**3,558,904**		6,420,327
	$	**20,524,447**	$	16,165,171
Property, plant and equipment by industry				
Drilling	$	**2,197,837**	$	1,374,027
Exploration		**65,287**		140,442
	$	**2,263,124**	$	1,514,469

CORPORATE INFORMATION

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