

ENERGOLD DRILLING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008 and 2007

Unaudited

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements have been prepared by management and are in accordance with Canadian generally accepted accounting principles ("GAAP"). Other information contained in this document has also been prepared by management and is consistent with the data contained in the consolidated financial statements. A system of internal control is maintained by management to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has a process in place to evaluate internal control over financial reporting. Based on that evaluation, management has concluded that internal control over financial reporting was effective as of March 31, 2008.

The board of directors approves the financial statements and ensures that management discharges its financial responsibilities. The board's review is accomplished principally through the audit committee. The audit committee meets periodically with management and the auditors to review financial reporting and control matters.

"F.W. Davidson"
President and Chief Executive Officer

"R. S. Younker"
Chief Financial Officer

May 15, 2008

Energold Drilling Corp.

Statement 1

Consolidated Balance Sheets As at March 31

Canadian Dollars
Unaudited

	March 31, 2008	March 31, 2007	December 31, 2007 <i>Audited</i>
ASSETS			
Current			
Cash and cash equivalents	\$ 20,672,794	\$ 7,095,044	\$ 20,757,510
Restricted cash – (Note 3)	2,022,309	6,129	2,011,618
Accounts receivable and prepaid expenses	8,942,877	6,205,918	8,052,365
Short-term investments	35,996	43,130	60,078
Inventory	11,124,783	6,733,144	8,713,404
Future income taxes	253,725	-	253,725
Current assets of discontinued operations - (Note 15)	-	5,007,666	-
	43,052,484	25,091,031	39,848,700
Investment in IMPACT Silver Corp. - (Note 4)	3,327,592	2,845,386	3,367,340
Resource Properties - (Note 5)	1,472,789	2,189,233	1,494,548
Property, Plant and Equipment - (Note 6)	4,884,284	2,420,216	3,907,896
Goodwill - (Note 14)	1,710,000	-	1,710,000
Non-Current Assets of Discontinued Operations - (Note 15)	-	457,182	-
	\$ 54,447,149	\$ 33,003,048	\$ 50,328,484
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 3,784,662	\$ 2,857,058	\$ 3,237,483
Income taxes payable	1,077,382	981,237	541,690
Deferred revenue – current portion	933,817	780,000	1,151,950
Due to related parties – (Note 7)	-	750,000	-
Future income taxes	1,090,464	-	1,090,464
Current liabilities of discontinued operations – (Note 15)	-	115,380	-
	6,886,325	5,483,675	6,021,587
Future Income Taxes	98,265	288,627	98,265
Deferred Revenue	40,264	120,000	60,390
Due to Related Parties – (Note 7)	-	1,554,272	-
Non-Controlling Interests - (Note 8)	-	6,555,743	-
	7,024,854	14,002,317	6,180,242
Commitments - (Note 12)			
SHAREHOLDERS' EQUITY			
Share Capital – (Notes 9)	33,606,430	15,290,239	31,880,253
Warrants – (Note 9(c))	841,991	-	1,030,222
Contributed Surplus – (Note 9(b))	823,390	1,002,879	832,461
Retained Earnings – Statement 2	12,132,618	2,707,613	10,363,358
Accumulated Other Comprehensive Income - Statement 3	17,866	-	41,948
	47,422,295	19,000,731	44,148,242
	\$ 54,447,149	\$ 33,003,048	\$ 50,328,484

ON BEHALF OF THE BOARD:

“F.W. Davidson” _____, Director

“H.W. Sellmer” _____, Director

Energold Drilling Corp.

Statement 2

Consolidated Statements of Income and Retained Earnings For the Three Months Ended March 31

Canadian Dollars
Unaudited

	2008	2007
Revenue from Drilling Contracts	\$ 8,624,897	\$ 5,844,134
Direct Drilling Costs	5,160,139	3,636,311
Indirect and Administrative Expenses		
Accounting, audit and legal	85,293	159,509
Amortization	201,758	105,293
Investor relations, promotion and travel	67,450	61,840
Investigations	497,353	-
Management fees and consulting	46,792	29,400
Office, rent, insurance and sundry	199,293	116,718
Office salaries and services	363,828	233,149
	<u>1,461,767</u>	<u>705,909</u>
Income Before the Following	<u>2,002,991</u>	<u>1,501,914</u>
Other Income (Expenses)		
Dilution gain on investment in IMPACT Silver Corp. – (Note 4)	8,623	38,539
Foreign exchange (loss) gain	535,020	(120,835)
Gain on disposal of assets	-	974
Interest income	123,563	70,732
(Loss) income in IMPACT Silver Corp. – (Note 4)	(48,371)	43,742
Other income	8,290	6,825
Write-off of resource properties	-	(780)
	<u>627,125</u>	<u>39,197</u>
Income from Continuing Operations before Taxes and Non-Controlling Interest	<u>2,630,116</u>	<u>1,541,111</u>
Future income taxes	-	(6,575)
Current income and other taxes	(860,856)	(410,933)
Non-controlling interest – (Note 8)	-	(609,069)
Net Income from Continuing Operations	<u>1,769,260</u>	<u>514,534</u>
Discontinued operations, net of income tax – (Note 15)	-	304,372
Net Income for the Period	<u>1,769,260</u>	<u>818,906</u>
Retained Earnings – Beginning of period	<u>10,363,358</u>	<u>1,888,707</u>
Retained Earnings - End of Period	<u>\$ 12,132,618</u>	<u>\$ 2,707,613</u>
Earnings per Share – Basic		
Continuing operations	\$ 0.06	\$ 0.02
Discontinued operations	\$ -	\$ 0.01
Earnings per Share – Diluted		
Continuing operations	\$ 0.05	\$ 0.02
Discontinued operations	\$ -	\$ 0.01
Weighted Average Number of Shares Outstanding - Basic	31,648,238	22,399,241
Weighted Average Number of Options Outstanding	507,176	324,740
Weighted Average Number of Warrants Outstanding	714,048	-
Weighted Average Number of Shares Outstanding - Diluted	<u>32,869,462</u>	<u>22,723,981</u>

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

Energold Drilling Corp.

Statement 3

Consolidated Statements of Comprehensive Income For the Three Months Ended March 31

Canadian Dollars
Unaudited

	2008	2007
Net Income for the Period	\$ 1,769,260	\$ 818,906
Other Comprehensive Income		
Unrealized gains on short-term investments	<u>17,866</u>	<u>-</u>
Total Comprehensive Income	\$ 1,787,126	\$ 818,906

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

Energold Drilling Corp.

Statement 4

Consolidated Statements of Cash Flows For the Three Months Ended March 31

Canadian Dollars

Unaudited

Cash Resources Provided By (Used In)	2008	2007
Operating Activities		
Income for the period	\$ 1,769,260	\$ 818,906
Items not affecting cash		
Amortization	201,758	105,293
Dilution gain on investment in IMPACT Silver Corp.	(8,623)	(38,539)
Future income taxes	-	6,575
Loss (income) in IMPACT Silver Corp.	48,371	(43,742)
Gain on disposal of assets	-	974
Non-controlling interest	-	918,191
Write-off of resource properties	-	780
Deferred revenue	(20,126)	-
Changes in non cash working capital – (Note 13)	(2,437,153)	193,889
	(446,513)	1,962,327
Investing Activities		
Purchase of property, plant and equipment	(1,178,146)	(8,354)
Resource property costs	21,759	(9,556)
Restricted cash	(10,691)	(6,129)
	(1,167,078)	(24,039)
Financing Activities		
Due to related parties	-	(510,922)
Share capital issued	1,528,875	152,000
	1,528,875	(358,922)
Cash provided by continuing operations	(84,716)	1,579,366
Cash (used in) discontinued operations	-	(3,021,472)
	(84,716)	(1,442,106)
Net Increase in Cash and Cash Equivalents	(84,716)	(1,442,106)
Cash and cash equivalents - Beginning of period	20,757,510	10,864,516
Cash and Cash Equivalents – End of Period	\$ 20,672,794	\$ 9,422,410
Consists of:		
Cash and cash equivalents of continuing operations	\$ 20,672,794	\$ 7,095,044
Cash and cash equivalents of discontinued operations	-	2,327,366
Total	\$ 20,672,794	\$ 9,422,410

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

Energold Drilling Corp.

Notes to the Consolidated Financial Statements March 31, 2008 and 2007

Canadian Dollars
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1. Significant Accounting Policies

Basis of Presentation

These interim financial statements follow the same accounting policies and methods of their application of the most recent annual financial statements. These financial statements should be read in conjunction with the audited statements as at December 31, 2007.

2. Changes in Accounting Policies

On January 1, 2008, the Company adopted three new presentation and disclosure standards issued by the Canadian Institute of Chartered Accountants: Handbook Sections 3862 *Financial Instruments – Disclosure*, and 3863 *Financial Instruments – Presentation*, have replaced Section 3861, *Financial Instruments – Disclosure and Presentation*. These new sections incorporate many of the disclosure requirements of Section 3861, but place an emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments. Section 1535, *Capital Disclosures*, establishes disclosure requirements about the Company's objectives, policies and processes for managing capital, quantitative data about what the Company regards as capital, whether the Company has complied with capital requirements and, if the entity has not complied, the consequences of such non-compliance (*Notes 16, 17*).

Section 3031, *Inventories*, which replaces Section 3030, establishes standards for the measurement and disclosure of inventories. The new standard provides more extensive guidance on the determination of cost, including allocation of overhead and requires impairment testing. The adoption of this new accounting policy did not have any impact on the Company's consolidated financial statements.

3. Restricted Cash

Restricted cash represents funds held as follows:

	<u>2008</u>	<u>2007</u>
Funds held in trust pending investment in third party initial public offering – (<i>Note 5(e)</i>)	\$ 2,000,000	\$ -
Funds held as collateral pending resolution of outstanding tax appeal by EDP	<u>22,309</u>	<u>6,129</u>
	<u>\$ 2,022,309</u>	<u>\$ 6,129</u>

Energold Drilling Corp.

Notes to the Consolidated Financial Statements March 31, 2008 and 2007

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4. Investment in IMPACT Silver Corp. (IMPACT)

The Company recorded its investment in IMPACT on a fully consolidated basis until June 30, 2005. Thereafter, the Company's investment in IMPACT was determined by management to have converted from a controlled entity to an equity investment. At both March 31, 2008 and 2007, the Company owned 6,610,001 shares of IMPACT Silver Corp. The Company's interest in IMPACT declined from 16.41% to 13.96% during the year as a result of share issuances of common shares by IMPACT and from the exercise of stock options and warrants. The Company, through mutual management at the executive level and its shareholding and directorship in IMPACT, exercises significant influence over that company. As a result, the investment in IMPACT is accounted for using the equity method. The dilution gain represents the fair value of the Company's share of the consideration paid by the new investors in IMPACT in excess of the carrying value of the Company's investment in IMPACT. Details of the investment in IMPACT are as follows:

Balance – March 31, 2007	\$ 2,845,386
Equity (loss) for the period	(76,188)
Dilution gain	598,142
Balance – December 31, 2007	3,367,340
Equity (loss) for the period, net of profits on intercompany drilling revenues	(48,371)
Dilution gain	8,623
Balance – March 31, 2008	\$ 3,327,592

Based upon year end TSX.V closing market prices of \$1.48 and \$1.82 per share, this investment has a quoted market value of \$9,782,801 at March 31, 2008 and \$12,030,201 at March 31, 2007. Subsequent to the quarter, the Company purchased 40,000 shares of IMPACT through the market.

5. Resource Properties

a) Details are as follows:

i) As at March 31, 2008:

	Acquisition Costs	Deferred Exploration	Sale of Resource Properties	Accumulated Write-off	2008
Dominican Republic Concessions					
Actividades Mineras, S.A. ("AMSA")	\$ 142,640	\$ 201,616	\$ -	\$ -	\$ 344,256
Casa Real, S.A. ("Casa")	302,694	622,064	-	-	924,758
Energold Drilling Dominicana, S.A. ("EDD")	1,265,275	2,366,375	(684,074)	(2,743,801)	203,775
	\$ 1,710,609	\$ 3,190,055	\$ (684,074)	\$ (2,743,801)	\$1,472,789

ii) As at March 31, 2007:

	Acquisition Costs	Deferred Exploration	Accumulated Write-off	2007
Dominican Republic Concessions				
AMSA	\$ 142,640	\$ 203,057	\$ -	\$ 345,697
Casa	302,694	618,777	-	921,471
EDD	1,265,275	2,397,243	(2,740,453)	922,065
	\$ 1,710,609	\$ 3,219,077	\$(2,740,453)	\$2,189,233

Energold Drilling Corp.

Notes to the Consolidated Financial Statements March 31, 2008 and 2007

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5. Resource Properties – *continued*

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 EDD. EDD 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 EDD as at January 20, 1995, 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 the vendors retain a 1% net smelter return royalty capped at US\$1,000,000.

c) AMSA

By agreement dated July 25, 1996 and subsequently amended, the Company acquired the right from MJD Agency Ltd. to purchase a 40% interest in the Dominican Republic company, AMSA for an exploration work commitment of \$300,000 to be completed by July 25, 2008. To March 31, 2008, a total of \$294,256 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, 2008. 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)(ii)*)

- 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 concession had a minimum amount that was to 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) In January, 2004, the Company entered into an option agreement 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.
- iii) In May 2006, the Company entered into an option agreement with a third party, giving that party the right to acquire up to 100% interest in any nickel laterite deposits within four mineral concessions, Elsa 1, Loma Bombara, Loma Cambronal and La Parcela. The third party may earn an initial 75% interest by completing a US\$900,000 work program and making payments of US\$50,000 per year for three years (US\$50,000 paid). The third party has the right to purchase the Company's remaining 25% interest for cash consideration of US\$500,000, thus converting its interest into a 2% smelter return which can be halved anytime in consideration of an amount of US\$1,000,000. Payments may be made in cash or in shares.

Energold Drilling Corp.

Notes to the Consolidated Financial Statements March 31, 2008 and 2007

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5. Resource Properties – continued

iv) In November 2007, the Company entered into an option agreement with a third party on the Majagual concession in the Dominican Republic. The third party is required to pay \$25,000 (paid) and issue 100,000 shares upon signing, and pay \$75,000 and 100,000 shares on the first anniversary, and then make annual payments of \$50,000 and 100,000 shares on the second through fourth anniversaries. In addition, the third party must spend \$500,000 on the property over a period of four years.

e) Purchase Agreement – Dominican Republic (Note 5(b)(i))

The Company entered into a binding letter of agreement, effective June 29, 2007 and amended December 21, 2007, with a Canadian controlled private corporation (“CCPC”) to transfer all of its rights and obligations in the La Parcela Concession, located in the Dominican Republic, in exchange for \$2.0 million Canadian. The Company in turn agreed to invest in an initial public offering (“IPO”) to be undertaken by that CCPC, provided that such offering takes place by June 30, 2008. The \$2.0 million has been received and recorded against the carrying cost of the property with the remaining amount of \$1,315,926 recorded as gain on sale of assets. The funds have been placed in trust for the benefit of the Company pending completion of the IPO. Should the IPO not complete, the money will be released to the Company. As consideration for extending the IPO completion date requirement from the original December 2007 date to June 30, 2008, the Company received \$20,000 and the additional consideration of 150,000 warrants of the CCPC at the strike price equal to the IPO price expiring one year after the IPO date.

As part of this purchase price, the Company has undertaken to provide nonexclusive access to its Dominican Republic intellectual portfolio, including access to its property data base of mineral properties in the Dominican Republic until June 30, 2009. Under the agreement, the CCPC agrees to assume all of the rights and obligations maintaining the La Parcela mineral exploration concession.

6. Property, Plant and Equipment

	Cost \$	Accumulated amortization \$	2008 Net Book Value \$	Cost \$	Accumulated amortization \$	2007 Net Book Value \$
Drilling Equipment	6,363,345	1,941,952	4,421,393	3,543,817	1,285,069	2,258,748
Exploration Equipment	48,293	44,928	3,365	51,416	44,673	6,743
Vehicles	409,543	110,598	298,945	143,842	83,314	60,528
Office Furniture and Equipment	441,529	280,948	160,581	340,455	246,258	94,197
	<u>7,262,710</u>	<u>2,378,426</u>	<u>4,884,284</u>	<u>4,079,530</u>	<u>1,659,314</u>	<u>2,420,216</u>

7. Due to Related Parties

	2008		2007	
Total	\$	-	\$	2,304,272
Less: current portion		-		<u>750,000</u>
Long-term portion	\$	-	\$	<u>1,554,272</u>

Monies owed to former related parties, who owned interests directly or indirectly in KID, were unsecured, non-interest bearing and without specific repayment terms. By agreement dated September 30, 2007, all amounts due were settled in full (Note 14).

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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Canadian Dollars

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8. Non-Controlling Interests

The non-controlling interests were initially recorded at the carrying values in the records of the subsidiary. This amount was 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. By agreement dated September 30, 2007, all amounts due to non-controlling interests were settled in full (*Note 14*).

EDP

	2008	2007
Total net assets as at the date of acquisition at carrying value	\$ -	\$ 1
Multiplied by the non-controlling interest – 49.99%	-	1
Prior years income allocated to non-controlling interest, net of distributions	-	2,985,145
Current years income allocated to non-controlling interest, net of distributions	-	401,206
Total non-controlling interest – EDP	\$ -	\$ 3,386,352

KID

Total assets as at the date of incorporation	\$ -	\$ 100
Multiplied by the non-controlling interest – 50.00%	-	50
Prior years income allocated to non-controlling interest	-	2,652,357
Current years (loss) income allocated to non-controlling interest	-	516,984
Total non-controlling interest – KID	-	3,169,391
Total non-controlling interest	\$ -	\$ 6,555,743

Energold Drilling Corp.

Notes to the Consolidated Financial Statements March 31, 2008 and 2007

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9. Share Capital

a) Details are as follows:

	Number	Amount
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
Balance – March 31, 2007	22,925,352	\$ 15,290,239
Agent's compensation options exercised	478,100	1,051,820
Agent's compensation warrants exercised	239,050	681,293
Fair value of agent's compensation options exercised		291,045
Fair value assigned to warrants exercised		268,749
Fair value of warrants issued		(1,298,971)
Private Placement	6,830,000	15,026,000
Share issue costs		(1,445,647)
Share purchase options exercised	310,000	372,000
Fair value assigned to options exercised		170,417
Warrants exercised	516,950	1,473,308
Balance – December 31, 2007	31,299,452	31,880,253
Fair value assigned to warrants exercised		188,231
Share purchase options exercised	16,500	19,800
Fair value assigned to options exercised		9,071
Warrants exercised	529,500	1,509,075
Balance – March 31, 2008	31,845,452	\$ 33,606,430

b) Contributed Surplus

Balance – March 31, 2007	\$ 1,002,879
Fair value of stock options exercised	170,418
Balance – December 31, 2007	832,461
Fair value of stock options exercised	(9,071)
Balance – March 31, 2008	\$ 823,390

c) Warrants

	Number	Amount
Balance March 31, 2007	-	\$ -
Private placement (i)	3,415,000	1,213,992
Compensation warrants (i)	239,050	84,979
Warrants exercised	(756,000)	(268,749)
Balance December 31, 2007	2,898,050	1,030,222
Warrants exercised	(529,500)	(188,231)
Balance March 31, 2008	2,368,550	\$ 841,991

i) The Company determined the fair value of the May 15, 2007 private placement and agent's compensation warrants and options based upon a Black-Scholes model using the following weighted average assumptions: expected life of 12 months, expected volatility 58.18%, risk free interest rate 4.57%, dividend yield of 0%.

Energold Drilling Corp.

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9. Share Capital - continued

- d) On May 15, 2007, the Company issued a private placement of 6,830,000 units at a price of \$2.20 per unit, of which 1,370,000 units were sold to the agent. Each unit consists of one common share and one-half share purchase warrant. One share purchase warrant entitles the holder to acquire one common share at a price of \$2.85 per share until May 15, 2008. The Company paid a cash commission to the agent of 7% of the gross proceeds of the placement, and issued the agent 478,100 compensation units which entitle the holder to purchase units at a price of \$2.20 per unit until May 18, 2008. To March 31, 2008 all of the compensation options and their respective warrants have been exercised, and 1,046,450 of the share purchase warrants have been exercised. Subsequent to the end of the quarter, an additional 2,127,700 warrants were exercised, and 240,850 warrants expired.
- e) 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 ended December 31, 2007, 490,000 warrants were exercised, of which 485,000 were exercised by directors and officers. All the warrants were exercised prior to the expiry date.

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. Under the stock option plan 4,286,766 options have been authorized, however as of March 31, 2008, only 718,500 have been allocated. 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 are as follows:

- i) At March 31, 2008 and changes for the period

Number Outstanding March 31, 2007				Number Outstanding March 31, 2008			
Granted	Exercised	Expired		Exercise Price Per Share	Expiry Date		
-	(326,500)	(15,000)	1,060,000	\$ 1.20	May 3, 2010		

All options are fully vested at March 31, 2008.

- ii) At March 31, 2007 and changes for the period

Number Outstanding March 31, 2006				Number Outstanding March 31, 2007			
Granted	Exercised	Expired		Exercise Price Per Share	Expiry Date		
-	(720,000)	(20,000)	740,000	\$ 0.15	June 14, 2006		
-	(650,000)	-	650,000	\$ 0.16	April 29, 2007		
-	(40,000)	(50,000)	1,150,000	\$ 1.20	May 3, 2010		
-	-	(150,000)	150,000	\$ 1.14	December 21, 2006		
-	(1,410,000)	(220,000)	2,690,000	\$ 1.20	May 3, 2010		

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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10. Share Purchase Options - *continued*

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

The total value of stock compensation expense on stock options granted to employees and consultants of the Company for the year ended March 31, 2008 is \$nil (2007 - \$nil).

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

- a) During the quarter, the Company had an employment contract with one director and officer for fees of \$17,500 per month. During the period ended March 31, 2008, fees, salary and cash bonus in the amount of \$52,500 (2007 - \$45,750) were accrued or paid to this director and officer. In addition fees of \$43,781 (2007 - \$31,164) were also paid to another officer of the Company. Salary of \$32,500 (2007 - \$26,000) was accrued or paid to an individual related to a director.
- b) During the quarter, legal fees in the amount of \$247,578 (2007 - \$100,192) were accrued or paid to a firm related to a director.
- c) During the quarter, fees in the amount of \$579,520 (2007 - \$157,018) 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. Commitments

- a) The Company has signed a lease for office premises which commenced June 1, 2007 and ends May 31, 2010. Lease obligations, net of operating costs, are \$112,185 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.
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Energold Drilling Corp.

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13. Additional Information to the Statements of Cash Flows

Changes in non-cash working capital:

	<u>2008</u>		<u>2007</u>
Accounts receivable	\$ (890,512)	\$	(1,890,817)
Inventories	(2,411,379)		1,465,461
Accounts payable and accrued charges	547,179		469,438
Income tax	535,692		(150,193)
Deferred revenue	(218,133)		300,000
	<u>\$ (2,437,153)</u>	<u>\$</u>	<u>193,889</u>

Income tax paid:

	<u>2008</u>		<u>2007</u>
Income tax paid	<u>\$ 325,164</u>	<u>\$</u>	<u>536,852</u>

14. Corporate Reorganization

On September 30, 2007, the Company's 50% owned subsidiary KID entered into an agreement with KID's shareholders holding the non-controlling interest ("NCI"). Under the terms of the agreement, NCI acquired 100% of the assets, liabilities and activities of Cienminas S.A. and Kluane Guatemala S.A. In return NCI surrendered, by way of sale and share redemption, their respective interests in all the other assets of KID and EDP, plus their 50% net profit interest in the drilling rigs being operated by EDD in the Dominican Republic. After the share purchase and redemption, KID owned 100% of the assets, liabilities and activities of KID plus the 49.99% interest that it had acquired in EDP.

Prior to this transaction, the Company held a 50% interest in all these subsidiaries, but fully consolidated 100% of the assets and liabilities of the subsidiaries, recording the 50% interest held by NCI as non-controlling interest. As part of this agreement, all amounts due to related parties and NCI were settled in full.

The net consideration paid on the corporate reorganization was \$1,424,471. This included a payment of \$1,529,126 for income earned on the drilling services in Ecuador and Guatemala from January 1, 2007 to September 30, 2007. Part of the purchase consideration was in the form of dividends in the amount of \$3,173,069 paid to NCI.

The sale and purchase of the 50% interest in the subsidiaries resulted in a gain of \$2,527,044 for the year ended December 31, 2007. The details are as follows:

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14. Corporate Reorganization – continued

Net consideration (paid)	\$ (1,424,471)
Fair value of the 50% of the net assets acquired:	
Working capital	4,528,734
Other assets	540,684
Drilling contracts	252,000
Goodwill	1,710,000
Fair value of net assets acquired	<u>7,031,418</u>
Net book value of the 50% of the net assets disposed of:	
Working capital	2,233,962
Other assets	207,462
	<u>2,441,424</u>
Income taxes	<u>638,479</u>
Gain on corporate reorganization	<u>\$ 2,527,044</u>

15. Discontinued Operations

Effective September 30, 2007, KID, a now wholly owned subsidiary of the Company, disposed by way of sale two of its wholly owned subsidiaries, Kluane Guatemala, S.A. and Cienminas, S.A. As a result the related assets, liabilities and operations have been recorded as discontinued operations.

The assets and liabilities of discontinued operations are as follows:

	March 31, 2008	March 31, 2007
Current Assets		
Cash and cash equivalents	\$ -	\$ 2,327,366
Accounts receivable, prepaid and inventory	-	2,680,240
		<u>5,007,606</u>
Non-Current Assets	-	457,182
	<u>\$ -</u>	<u>\$ 5,464,788</u>
Current Liabilities	-	115,380
	<u>\$ -</u>	<u>\$ 115,380</u>
Net Assets	<u>\$ -</u>	<u>\$ 5,349,408</u>

Net income from discontinued operations is as follows:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Revenue	\$ -	\$ 1,629,316
Direct Costs	-	(986,824)
Indirect and administrative expenses	-	(32,981)
Non-controlling interest expense	-	(304,372)
Provision for income tax	-	(767)
Net income from discontinued operations	<u>\$ -</u>	<u>\$ 304,372</u>

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16. Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return to shareholders, and to meet external capital requirements on our debt and credit facilities.

In the management of its capital, the Company includes its cash and cash equivalent balances. The Company monitors capital based on the debt to debt-plus-equity ratio. Debt is total debt shown on the balance sheet, less free cash and cash equivalents. Debt-plus-equity is calculated as debt shown on the balance sheet, plus total shareholders' equity which includes accumulated other comprehensive income, share capital, warrants, contributed surplus and retained earnings or deficit.

The Company's policy is to keep its debt to debt-plus-equity ratio at a manageable level consistent with the current business cycle, and the business opportunities outlook foreseen by the Company. As a general guideline, the Company's policy will be to keep its debt to debt-plus-equity ratio below 50%, except in unusual circumstances such as a major acquisition. Currently the Company has no debt and is in full compliance with its capital risk management policies. The Company's Board of Director's approves management's annual capital expenditures plans and reviews and approves any material debt borrowing plans proposed by the Company's management.

17. Management of Financial Risk

The Company's financial instruments are exposed to a number of financial and market risks including credit, liquidity, foreign exchange, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk is primarily attributable to short term deposits and accounts receivable. The Company's primary counterparties related to its money market investments carry investment grade ratings. The Company manages credit risk for trade and other receivables through established credit monitoring activities. The Company concentrates cash management of some of its offshore subsidiaries principally through its Canadian banking relationships for cash investment management purposes. The Company does not have any significant concentration of credit risk exposure to any single counterparty or group of counterparties other than with its principal Canadian banker. The Company's maximum exposure to credit risk at the reporting date is the carrying value of its receivables and short term deposits.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity by maintaining cash and cash equivalent balances available to meet its anticipated operational needs. The Company has not been required to establish available or committed credit facilities but will do so as necessary. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short term and long term obligations.

Market Risks

The significant market risks to which the Company is exposed are foreign exchange risk, interest rate risk and commodity price risk.

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17. Management of Financial Risk - *continued*

Foreign Exchange Risks

The Company operates on an international basis on five continents and therefore, foreign exchange risk exposures arise from transactions denominated in foreign currencies. The majority of its international business is conducted in US dollars. Thus its foreign exchange risk arises primarily with respect to the US dollar, although the Company also incurs operating costs in local currencies in various countries in which it carries on active business operations.

At March 31, 2008, the Company is exposed to currency risk through the following assets and liabilities held in US and other foreign currencies:

	March 31, 2008	March 31, 2007
Cash and cash equivalents	\$ 10,522,079	\$ 6,593,319
Other assets	7,533,524	5,661,918
Accounts payable	(1,738,766)	(1,302,594)
	\$ 16,316,837	\$ 10,952,643

The Company elected not to actively manage our foreign exchange risk at this time.

Interest Rate Risk

The Company's interest rate risk arises primarily from the interest received on cash and short-term deposits. The floating rate deposits expose the Company to cash flow interest rate risk. The Company does not currently have any short or long term interest borrowings.

The deposits are invested on a short term basis to enable liquidity for payment of operational and capital expenditures. As a result of rapid rollover of short term investments there is little risk of capital loss as a result of changes in interest rates.

Commodity Price Risk

The Company is subject to price risk for certain input costs involved in its business operations such as fuel for its drilling operations. The Company has a policy of contractually transferring the responsibility of fuel supply costs to its clients so as to reduce its business risk.

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18. Segmented Information

Details at March 31 are as follows:

	2008	2007
Revenue by geographic area		
Caribbean	\$ 4,716,890	\$ 2,778,647
Other	933,223	157,360
South America	2,974,784	2,908,127
	\$ 8,624,897	\$ 5,844,134
Net income (loss) by geographic area		
Caribbean	\$ 1,435,629	\$ 538,531
Canada	(1,084,720)	(693,791)
Orient	98,605	-
Middle East/Africa	359,536	40,974
South America	960,210	628,820
Discontinued operations	-	304,372
	\$ 1,769,260	\$ 818,906
Revenue by industry		
Drilling	\$ 8,624,897	\$ 5,844,134
Net income (loss) by industry		
Drilling	\$ 1,809,608	\$ 440,183
Exploration and mining	(40,348)	74,351
Discontinued operations	-	304,372
	\$ 1,769,260	\$ 818,906
Assets by geographic area		
Caribbean	\$ 11,764,871	\$ 7,364,852
Canada	29,785,213	12,406,537
South America	12,897,065	7,180,520
Discontinued operations	-	6,051,139
	\$ 54,447,149	\$ 33,003,048
Property, plant and equipment by geographic area		
Caribbean	\$ 2,232,266	\$ 1,150,885
Canada	1,695,630	822,214
South America	956,388	447,117
	\$ 4,884,284	\$ 2,420,216
Amortization by geographic area		
Caribbean	\$ 653,592	\$ 388,059
Canada	1,361,192	1,009,581
South America	363,642	261,675
	\$ 2,378,426	\$ 1,659,315
Goodwill by geographic area		
South America	\$ 1,710,000	\$ -
Assets by industry		
Drilling	\$ 49,190,894	\$ 21,582,106
Exploration and mining	5,256,255	5,369,803
Discontinued operations	-	6,051,139
	\$ 54,447,149	\$ 33,003,048
Property, plant and equipment by industry		
Drilling	\$ 4,821,183	\$ 2,358,170
Exploration and mining	63,101	62,046
	\$ 4,884,284	\$ 2,420,216

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19. Subsequent Event

On May 1, 2008, the Company entered into an agreement with a third party in sub-Saharan Africa to acquire six diamond and reverse circulation rigs, with related support equipment and operations teams. The Company anticipates entering into a management services agreement with the vendor to utilize administrative and logistics personnel and existing facilities. The purchase price for the transaction is \$1.0 million, one-half of which will be in cash, the balance in 126,367 shares of the Company at a price of \$3.96 per share.
