

ENERGOLD DRILLING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008 and 2007

Unaudited

Energold Drilling Corp.

Statement 1

Consolidated Balance Sheets

As at

Canadian Dollars

Unaudited

	June 30, 2008	December 31, 2007 <i>Audited</i>
ASSETS		
Current		
Cash and cash equivalents	\$ 20,420,637	\$ 20,757,510
Restricted cash – (Note 3)	2,012,912	2,011,618
Accounts receivable and prepaid expenses	14,767,651	8,052,365
Short-term investments	30,921	60,078
Inventory	14,445,402	8,713,404
Future income taxes	253,725	253,725
	51,931,248	39,848,700
Investment in IMPACT Silver Corp. - (Note 4)	3,427,557	3,367,340
Resource Properties - (Note 5)	1,433,571	1,494,548
Property, Plant and Equipment - (Note 6)	6,348,022	3,907,896
Goodwill	1,710,000	1,710,000
Future Income Taxes	57,147	-
	\$ 64,907,545	\$ 50,328,484
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 5,294,408	\$ 3,237,483
Income taxes payable	52,197	541,690
Deferred revenue – current portion	1,048,144	1,151,950
Future income taxes	1,957,007	1,090,464
	8,351,756	6,021,587
Future Income Taxes	98,265	98,265
Deferred Revenue	-	60,390
	8,450,021	6,180,242
Commitments - (Note 10)		
SHAREHOLDERS' EQUITY		
Share Capital – (Notes 7)	41,035,907	31,880,253
Warrants – (Note 7(c))	-	1,030,222
Contributed Surplus – (Note 7(b))	906,260	832,461
Retained Earnings – Statement 2	14,502,566	10,363,358
Accumulated Other Comprehensive Income - Statement 3	12,791	41,948
	56,457,524	44,148,242
	\$ 64,907,545	\$ 50,328,484

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

Consolidated Statements of Income and Retained Earnings

Canadian Dollars

Unaudited

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Revenue from Drilling Contracts	\$ 11,398,596	\$ 6,302,334	\$ 20,023,493	\$ 12,146,468
Direct Drilling Costs	6,485,517	3,448,198	11,645,656	7,084,509
Indirect and Administrative Expenses				
Accounting, audit and legal	175,991	192,528	261,284	352,037
Amortization	212,470	109,712	414,228	215,005
Allowance for doubtful accounts	225,000	-	225,000	-
Investor relations, promotion and travel	126,892	77,541	194,342	139,381
Investigations	170,450	-	667,803	-
Management fees and consulting	173,621	175,175	220,413	204,575
Office, rent, insurance and sundry	234,484	151,917	433,777	268,635
Office salaries and services	518,963	316,597	882,791	549,746
	1,837,871	1,023,470	3,299,638	1,729,379
Income Before the Following	3,075,208	1,830,666	5,078,199	3,332,580
Other Income (Expenses)				
Dilution gain on investment in IMPACT Silver Corp. – (Note 4)	37,563	22,740	46,186	61,279
Foreign exchange (loss) gain	33,285	(1,050,400)	568,305	(1,171,235)
Gain (loss) on disposal of assets	(4,075)	1,315,926	(4,075)	1,316,900
Gain on disposal of short-term investments	-	103,406	-	103,406
Interest income	140,091	139,336	263,654	210,068
Income (loss) in IMPACT Silver Corp. – (Note 4)	18,859	(7,593)	(29,512)	36,149
Other income	154,608	79,776	162,898	86,601
Write-off of resource properties	-	(1,149)	-	(1,929)
	380,331	602,042	1,007,456	641,239
Income from Continuing Operations before Taxes and Non-Controlling Interest	3,455,539	2,432,708	6,085,655	3,973,819
Future income taxes	(809,396)	(3,880)	(809,396)	(10,455)
Current income and other taxes	(276,195)	(777,028)	(1,137,051)	(1,187,961)
Non-controlling interest – (Note 12)	-	(110,727)	-	(719,796)
Net Income from Continuing Operations	2,369,948	1,541,073	4,139,208	2,055,607
Discontinued operations, net of income tax – (Note 13)	-	295,334	-	599,706
Net Income for the Period	2,369,948	1,836,407	4,139,208	2,655,313
Retained Earnings – Beginning of period	12,132,618	2,707,613	10,363,358	1,888,707
Retained Earnings - End of Period	\$ 14,502,566	\$ 4,544,020	\$ 14,502,566	\$ 4,544,020
Earnings per Share – Basic				
Continuing operations	\$ 0.07	\$ 0.06	\$ 0.13	\$ 0.08
Discontinued operations	\$ -	\$ 0.01	\$ -	\$ 0.02
Earnings per Share – Diluted				
Continuing operations	\$ 0.07	\$ 0.06	\$ 0.13	\$ 0.08
Discontinued operations	\$ -	\$ 0.01	\$ -	\$ 0.02
Weighted Average Number of Shares Outstanding - Basic	33,077,455	26,442,138	32,362,846	24,431,858
Weighted Average Number of Shares Outstanding - Diluted	33,600,264	26,987,703	32,876,766	24,856,035

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

Energold Drilling Corp.

Statement 3

Consolidated Statements of Comprehensive Income

Canadian Dollars

Unaudited

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Net Income for the Period	\$ 2,369,948	\$ 1,836,407	\$ 4,139,208	\$ 2,655,313
Other Comprehensive Income				
Unrealized losses on short-term investments	(5,075)	60,676	(29,157)	60,676
Total Comprehensive Income	\$ 2,364,873	\$ 1,897,083	\$ 4,110,051	\$ 2,715,989

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

Energold Drilling Corp.

Statement 4

Consolidated Statements of Cash Flows

Canadian Dollars
Unaudited

Cash Resources Provided By (Used In)	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Operating Activities				
Income for the period	\$ 2,369,948	\$ 1,836,407	\$ 4,139,208	\$ 2,655,313
Items not affecting cash				
Allowance for doubtful accounts	225,000	-	225,000	-
Amortization	212,470	109,712	414,228	215,005
Dilution gain on investment in IMPACT Silver Corp.	(37,563)	(22,740)	(46,186)	(61,279)
Future income taxes	809,396	3,880	809,396	10,455
Gain on disposal of short term investments	-	(103,406)	-	(103,406)
Loss (income) in IMPACT Silver Corp.	(18,859)	7,593	29,512	(36,149)
Gain on disposal of assets	4,075	(1,317,874)	4,075	(1,316,900)
Non-controlling interest – (Note 12)	-	286,176	-	1,204,367
Write-off of resource properties	-	1,149	-	1,929
Deferred revenue	(40,264)	(120,000)	(60,390)	(120,000)
Changes in non cash working capital – (Note 11)	(8,771,503)	(5,826,153)	(11,208,656)	(5,632,264)
	(5,247,300)	(5,145,256)	(5,693,813)	(3,182,929)
Investing Activities				
Investment in IMPACT Silver Corp.	(43,543)	-	(43,543)	-
Proceeds on sale of assets	791	2,000,000	791	2,000,000
Proceeds on sale of short term investments	-	128,406	-	128,406
Purchase of property, plant and equipment	(1,180,663)	(801,258)	(2,358,809)	(809,612)
Resource property costs	39,218	51,425	60,977	41,869
Restricted cash	9,397	36,768	(1,294)	30,639
	(1,174,800)	1,415,341	(2,341,878)	1,391,302
Financing Activities				
Due to related parties – (Note 12)	-	(465,739)	-	(976,661)
Share capital issued	6,169,943	14,049,982	7,698,818	14,201,982
	6,169,943	13,584,243	7,698,818	13,225,321
Cash provided by continuing operations	(252,157)	9,854,328	(336,873)	11,433,694
Cash (used in) discontinued operations	-	2,516,606	-	(504,866)
	(252,157)	12,370,934	(336,873)	10,928,828
Net Increase in Cash and Cash Equivalents	(252,157)	12,370,934	(336,873)	10,928,828
Cash and cash equivalents - Beginning of period	20,672,794	9,422,410	20,757,510	10,864,516
Cash and Cash Equivalents – End of Period	\$ 20,420,637	\$ 21,793,344	\$ 20,420,637	\$ 21,793,344
Consists of:				
Cash and cash equivalents of continuing operations	\$ 20,420,637	\$ 19,130,664	\$ 20,420,637	\$ 19,130,664
Cash and cash equivalents of discontinued operations	-	2,662,680	-	2,662,680
Total	\$ 20,420,637	\$ 21,793,344	\$ 20,420,637	\$ 21,793,344

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

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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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 except for as disclosed in Note 2. 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 (*Note 15*). 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 (*Note 14*).

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:

	June 30, 2008	December 31, 2007
Funds held in trust pending investment in third party initial public offering – (<i>Note 5(c)</i>)	\$ 2,000,000	\$ 2,000,000
Funds held as collateral pending resolution of outstanding tax appeal by Energold Drilling Peru S.A.C.	12,912	11,618
	\$ 2,012,912	\$ 2,011,618

Energold Drilling Corp.

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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 June 30, 2008 the Company owned 6,650,001 (2007 - 6,610,001) shares of IMPACT Silver Corp. The Company's interest in IMPACT increased from 13.99% to 14.05% during the six months ended June 30, 2008 as a result of the purchase of 40,000 shares of IMPACT. 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. Equity has been reduced by the elimination of 100% of the net profits realized on drilling services provided to IMPACT. Details of the investment in IMPACT are as follows:

Balance – December 31, 2006	\$	2,763,105
Equity (loss) for the period		(32,446)
Dilution gain		636,681
Balance – December 31, 2007		<u>3,367,340</u>
Equity (loss) for the period, net of profits on intercompany drilling revenues		(29,512)
Dilution gain		46,186
Purchase of shares		43,543
Balance – June 30, 2008	\$	<u>3,427,557</u>

Based upon year end TSX.V closing market prices of \$0.94 and \$1.73 per share, this investment has a quoted market value of \$6,251,001 at June 30, 2008 and \$11,435,302 at December 31, 2007.

5. Resource Properties

a) Details are as follows:

i) As at June 30, 2008:

	Acquisition Costs	Deferred Exploration	Sale of Resource Properties	Accumulated Write-off	2008
Dominican Republic Concessions					
Actividades Mineras, S.A. ("AMSA")	\$ 142,640	\$ 176,499	\$ -	\$ -	\$ 319,139
Casa Real, S.A. ("Casa")	302,694	610,583	-	-	913,277
Energold Drilling Dominicana, S.A. ("EDD")	1,265,275	2,363,755	(684,074)	(2,743,801)	201,155
	<u>\$ 1,710,609</u>	<u>\$ 3,150,837</u>	<u>\$ (684,074)</u>	<u>\$ (2,743,801)</u>	\$1,433,571

ii) As at December 31, 2007:

	Acquisition Costs	Deferred Exploration	Sale of Resource Properties	Accumulated Write-off	2007
Dominican Republic Concessions					
AMSA	\$ 142,640	\$ 200,369	\$ -	\$ -	\$ 343,009
Casa	302,694	620,757	-	-	923,451
EDD	1,265,275	2,390,688	(684,074)	(2,743,801)	228,088
	<u>\$ 1,710,609</u>	<u>\$ 3,211,814</u>	<u>\$ (684,074)</u>	<u>\$ (2,743,801)</u>	<u>\$1,494,548</u>

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5. Resource Properties – continued

b) Option Agreements – Dominican Republic

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 I, 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\$100,000 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.

Subsequent to June 30, 2008, the third party was notified that based on the receipt and review of a work progress report, it had not complied with the terms of the agreement and that the agreement was no longer effective.

c) Purchase Agreement – Dominican Republic

The Company entered into a binding letter of agreement, effective June 29, 2007 and amended December 21, 2007 and June 30, 2008, 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 November 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 in 2007. 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 November 30, 2008, the Company received \$20,000 and the additional consideration of 300,000 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.

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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6. Property, Plant and Equipment

	June 30, 2008			December 31, 2007		Net Book Value \$
	Cost \$	Accumulated amortization \$	Net Book Value \$	Cost \$	Accumulated amortization \$	
Drilling Equipment	7,847,328	1,961,068	5,886,260	5,333,849	1,763,779	3,570,070
Exploration Equipment	48,293	44,970	3,323	48,293	44,887	3,406
Vehicles	379,695	112,483	267,212	292,971	100,589	192,382
Office Furniture and Equipment	483,949	292,722	191,227	414,010	271,972	142,038
	8,759,265	2,411,243	6,348,022	6,089,123	2,181,227	3,907,896

7. Share Capital

a) Details are as follows:

	Number	Amount
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
Balance – December 31, 2006	22,235,352	\$ 15,116,249
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	1,000,000	524,000
Fair value assigned to options exercised	-	192,408
Warrants exercised	516,950	1,473,307
Balance – December 31, 2007	31,299,452	31,880,253
Fair value assigned to warrants exercised	-	944,603
Share purchase options exercised	21,500	25,800
Fair value assigned to options exercised	-	11,820
Warrants exercised	2,657,200	7,573,020
Shares issued for property, plant and equipment	126,367	500,411
Balance – June 30, 2008	34,104,519	\$ 40,935,907
Allotted and fully paid:		
Shares to be issued to a director in relation to a private placement	23,529	100,000
	34,128,048	41,035,907

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

June 30, 2008

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7. Share Capital - continued

b) Contributed Surplus

Balance – December 31, 2006	\$	1,024,869
Fair value of agent's compensation options issued		291,045
Fair value of agent's compensation options exercised		(291,045)
Fair value of stock options exercised		(192,408)
Balance – December 31, 2007		832,461
Fair value of stock options exercised		(11,820)
Value assigned to expired warrants		85,619
Balance – June 30, 2008	\$	906,260

c) Warrants

	Number	Amount
Balance December 31, 2006	-	\$ -
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	(2,657,200)	(944,608)
Warrants expired	(240,850)	(85,619)
Balance June 30, 2008	-	\$ -

- 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 consisted of one common share and one-half share purchase warrant. One share purchase warrant entitled 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 entitled the holder to purchase units at a price of \$2.20 per unit until May 18, 2008. To June 30, 2008 all of the compensation options and their respective warrants have been exercised, and 3,174,150 of the share purchase warrants were exercised and 240,850 warrants expired.
- e) Subsequent to June 30, 2008, the Company issued a private placement to a director of 23,529 shares at a price of \$4.25 per share. The shares may not be traded until November 17, 2008.
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Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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8. 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 4,591,070 options have been authorized, however as of June 30, 2008, only 713,500 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 June 30, 2008 and changes for the period

Number Outstanding December 31, 2007	Granted	Exercised	Expired	Number Outstanding June 30, 2008	Exercise Price Per Share	Expiry Date
735,000	-	(21,500)	-	713,500	\$ 1.20	May 3, 2010

All options are fully vested at June 30, 2008.

ii) At December 31, 2007 and changes for the period

Number Outstanding December 31, 2006	Granted	Exercised	Expired	Number Outstanding December 31, 2007	Exercise Price Per Share	Expiry Date
650,000	-	(650,000)	-	-	\$ 0.16	April 29, 2007
1,100,000	-	(350,000)	(15,000)	735,000	\$ 1.20	May 3, 2010
1,750,000	-	(1,000,000)	(15,000)	735,000	\$ 1.20	May 3, 2010

All options are fully vested at December 31, 2007

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 six months ended June 30, 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.

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9. 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 until March 31, 2008, and \$25,000 per month thereafter. During the period ended June 30, 2008, fees, salary and cash bonus in the amount of \$205,000 (2007 – \$166,500) were accrued or paid to this director and officer. In addition fees of \$69,282 (2007 - \$62,750) were also paid to another officer of the Company. Salary of \$65,000 (2007 - \$52,000) was accrued or paid to an individual related to a director.
- b) During the six months ended June 30, 2008, a bonus in the amount of \$50,000 was paid to one of the directors.
- c) During the six months ended June 30, 2008, the Company allotted 23,529 shares at a price of \$4.25 to a director in relation to a private placement. The shares were issued subsequent to the end of the quarter. These shares may not be traded until November 17, 2008.
- d) During the six months ended June 30, 2008, legal fees in the amount of \$324,945 (2007 - \$260,073) were accrued or paid to a firm related to a director.
- e) During the six months ended June 30, 2008, fees in the amount of \$1,153,286 (2007 – \$662,999) 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.

10. 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.
 - c) In May 2008, the Company signed a lease for warehouse premises which commences August 1, 2008 and ends July 31, 2011. Lease obligations, net of operating costs, are \$43,009 per year for the first year, \$44,058 per year for the second year, and \$46,156 per year for the third year.
 - d) In July 2008, the Company signed a lease for office premises which commences July 15, 2008 and ends May 31, 2010. Lease obligations, net of operating costs, are \$130,200 per year during this period.
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Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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11. Additional Information to the Statements of Cash Flows

Changes in non-cash working capital:

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Accounts receivable	\$ (6,049,774)	\$ (3,257,219)	\$ (6,940,286)	\$ (5,148,036)
Inventories	(3,320,619)	(2,521,137)	(5,731,998)	(1,055,676)
Accounts payable and accrued charges	1,509,748	459,974	2,056,927	929,412
Income tax	(1,025,185)	(435,339)	(489,493)	(585,532)
Deferred revenue	114,327	(72,432)	(103,806)	227,568
	<u>\$ (8,771,503)</u>	<u>\$ (5,826,153)</u>	<u>\$ (11,208,656)</u>	<u>\$ (5,632,264)</u>

Income tax paid:

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Income tax paid	\$ 1,673,950	\$ 1,177,085	\$ 1,999,114	\$ 1,713,937

12. Corporate Reorganization

Prior to September 30, 2007, the Company shared an equal ownership interest with third parties, the non-controlling interest ("NCI"), in two companies Energold Drilling Peru S.A.C. ("EDP") and Kluane International Drilling Inc. ("KID"). EDP operated solely in Peru. KID conducted operations in various locations outside Canada as well as through its wholly owned subsidiaries in Guatemala, Ecuador and Brazil. On September 30, 2007, the Company and the NCI agreed upon and entered into a corporate reorganization agreement to split their interests between the two parties. Under the terms of the agreement, NCI acquired 100% of the assets, liabilities and activities of the Ecuadorian subsidiary Cienminas S.A., and the Guatemalan subsidiary 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.

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Unaudited

13. 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. (*Note 12*). As a result the related assets, liabilities and operations have been recorded as discontinued operations.

Net income from discontinued operations is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Revenue	\$ -	\$ 2,337,464	\$ -	\$ 3,966,780
Direct Costs	-	(1,451,081)	-	(2,437,905)
Indirect and administrative expenses	-	(186,001)	-	(218,982)
Non-controlling interest expense	-	(295,336)	-	(599,708)
Provision for income tax	-	(109,712)	-	(110,479)
Net income from discontinued operations	\$ -	\$ 295,334	\$ -	\$ 599,706

14. 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.

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15. 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.

Energold Drilling Corp.

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15. 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 June 30, 2008, the Company is exposed to currency risk through the following assets and liabilities held in US and other foreign currencies:

	June 30, 2008	December 31, 2007
Cash and cash equivalents	\$ 9,463,076	\$ 8,875,228
Other assets	12,550,026	6,586,245
Accounts payable	(2,450,557)	(889,163)
	\$ 19,562,545	\$ 14,572,310

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.

Energold Drilling Corp.

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Unaudited

16. Segmented Information

Details are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Revenue by geographic area				
Caribbean	\$ 5,866,506	\$ 3,011,186	\$ 10,583,396	\$ 5,789,833
Other	1,211,476	434,239	2,144,699	591,599
South America	4,320,614	2,856,909	7,295,398	5,765,036
	\$ 11,398,596	\$ 6,302,334	\$ 20,023,493	\$ 12,146,468
Net income (loss) by geographic area				
Caribbean	2,395,994	\$ 2,163,736	\$ 3,831,623	\$ 2,702,267
Canada	(2,020,082)	(1,124,597)	(3,104,802)	(1,818,388)
South America	1,579,446	356,817	2,539,656	985,637
Other	414,590	145,117	872,731	186,091
Discontinued operations	-	295,334	-	599,706
	\$ 2,369,948	\$ 1,836,407	\$ 4,139,208	\$ 2,655,313
Revenue by industry				
Drilling	\$ 11,398,596	\$ 6,302,334	\$ 20,023,493	\$ 12,146,468
Net income (loss) by industry				
Drilling	\$ 2,316,881	\$ 232,749	\$ 4,126,489	\$ 672,932
Exploration and mining	53,067	1,308,324	12,719	1,382,675
Discontinued operations	-	295,334	-	599,706
	\$ 2,369,948	\$ 1,836,407	\$ 4,139,208	\$ 2,655,313
Amortization by Geographic Area				
Caribbean	\$ 91,595	\$ 71,609	\$ 166,278	\$ 122,716
Canada	66,524	25,124	155,509	65,567
South America	54,351	12,979	92,441	26,722
	\$ 212,470	\$ 109,712	\$ 414,228	\$ 215,005

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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16. Segmented Information - continued

	As at June 30, 2008	As at December 31, 2007
Assets by geographic area		
Caribbean	\$ 16,209,535	\$ 9,459,848
Canada	32,748,904	30,851,225
South America	15,949,107	10,017,411
	\$ 64,907,546	\$ 50,328,484
Property, plant and equipment by geographic area		
Caribbean	\$ 2,571,017	\$ 1,669,079
Canada	2,769,085	1,399,725
South America	1,007,920	839,092
	\$ 6,348,022	\$ 3,907,896
Goodwill by geographic area		
South America	\$ 1,710,000	\$ 1,710,000
Assets by industry		
Drilling	\$ 59,500,061	\$ 44,588,754
Exploration and mining	5,407,485	5,739,730
	\$ 64,907,546	\$ 50,328,484
Property, plant and equipment by industry		
Drilling	\$ 6,285,520	\$ 3,844,196
Exploration and mining	62,502	63,700
	\$ 6,348,022	\$ 3,907,896
