

# **ENERGOLD DRILLING CORP.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2008**

Unaudited

# Energold Drilling Corp.

Statement 1

## Consolidated Balance Sheets

Canadian Dollars  
Unaudited

	September 30, 2008	December 31, 2007 <i>Audited</i>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 17,360,885	\$ 20,757,510
Restricted cash – (Note 3)	2,000,000	2,011,618
Accounts receivable and prepaid expenses	20,021,063	8,052,365
Short-term investments	14,657	60,078
Inventory	16,828,287	8,713,404
Future income taxes	1,203,450	253,725
	<b>57,428,342</b>	<b>39,848,700</b>
<b>Investment in IMPACT Silver Corp.</b> - (Note 4)	<b>3,395,887</b>	<b>3,367,340</b>
<b>Resource Properties</b> - (Note 5)	<b>1,434,556</b>	<b>1,494,548</b>
<b>Property, Plant and Equipment</b> - (Note 6)	<b>7,459,821</b>	<b>3,907,896</b>
<b>Goodwill</b>	<b>1,710,000</b>	<b>1,710,000</b>
	<b>\$ 71,428,606</b>	<b>\$ 50,328,484</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 6,763,604	\$ 3,237,483
Income taxes payable	339,802	541,690
Deferred revenue – current portion	745,170	1,151,950
Future income taxes	3,630,730	1,090,464
	<b>11,479,306</b>	<b>6,021,587</b>
<b>Future Income Taxes</b>	<b>98,265</b>	<b>98,265</b>
<b>Deferred Revenue</b>	<b>-</b>	<b>60,390</b>
	<b>11,577,571</b>	<b>6,180,242</b>
<b>Commitments</b> - (Note 10)		
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> – (Notes 7,8)	<b>41,035,907</b>	<b>31,880,253</b>
<b>Warrants</b> – (Note 7(c))	<b>-</b>	<b>1,030,222</b>
<b>Contributed Surplus</b> – (Note 7(b))	<b>906,261</b>	<b>832,461</b>
<b>Retained Earnings</b> – Statement 2	<b>17,912,340</b>	<b>10,363,358</b>
<b>Accumulated Other Comprehensive Income</b> - Statement 3	<b>(3,473)</b>	<b>41,948</b>
	<b>59,851,035</b>	<b>44,148,242</b>
	<b>\$ 71,428,606</b>	<b>\$ 50,328,484</b>

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 September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Revenue from Drilling Contracts</b>	\$ 14,264,234	\$ 6,890,501	\$ 34,287,727	\$ 19,036,969
<b>Direct Drilling Costs</b>	<b>8,128,738</b>	4,301,036	<b>19,774,394</b>	11,385,547
<b>Indirect and Administrative Expenses</b>				
Accounting, audit and legal	133,507	61,796	394,791	413,833
Amortization	283,271	148,130	697,499	363,135
Allowance for doubtful accounts	548,349	-	773,349	-
Investor relations, promotion and travel	67,399	61,518	261,741	200,899
Investigations	68,199	-	736,002	-
Management fees and consulting	106,339	63,050	326,752	267,625
Office, rent, insurance and sundry	273,650	105,353	707,427	373,988
Office salaries and services	536,300	259,725	1,419,091	809,471
	<b>2,017,014</b>	699,572	<b>5,316,652</b>	2,428,951
<b>Income Before the Following</b>	<b>4,118,482</b>	1,889,893	<b>9,196,681</b>	5,222,471
<b>Other Income (Expenses)</b>				
Dilution gain (loss) on investment in IMPACT Silver Corp. – (Note 4)	(8,509)	104,035	37,677	165,314
Foreign exchange (loss) gain	604,571	(955,314)	1,172,876	(2,126,549)
Gain (loss) on disposal of assets	-	12,368	(4,075)	1,432,674
Interest income	83,908	193,253	347,562	403,321
(Loss) in IMPACT Silver Corp. – (Note 4)	(23,161)	(43,788)	(52,673)	(7,639)
Other income	50,956	132,025	213,854	218,627
Write-off of resource properties	-	(1,046)	-	(2,975)
	<b>707,765</b>	(558,467)	<b>1,715,221</b>	82,773
<b>Income from Continuing Operations before Taxes and Non-Controlling Interest</b>	<b>4,826,247</b>	1,331,426	<b>10,911,902</b>	5,305,244
Future income taxes	(778,982)	(17,748)	(1,588,378)	(28,203)
Current income and other taxes	(637,491)	(419,580)	(1,774,542)	(1,607,541)
Non-controlling interest – (Note 12)	-	(194,533)	-	(914,329)
<b>Net Income from Continuing Operations</b>	<b>3,409,774</b>	699,565	<b>7,548,982</b>	2,755,171
Gain on corporate reorganization, net of income tax – (Note 12)	-	1,515,838	-	1,515,838
Discontinued operations, net of income tax – (Note 13)	-	540,831	-	1,140,538
<b>Net Income for the Period</b>	<b>3,409,774</b>	2,756,234	<b>7,548,982</b>	5,411,547
Retained Earnings – Beginning of period	14,502,566	4,544,020	10,363,358	1,888,707
<b>Retained Earnings - End of Period</b>	<b>\$ 17,912,340</b>	\$ 7,300,254	<b>\$ 17,912,340</b>	\$ 7,300,254
<b>Earnings per Share – Basic</b>				
Continuing operations	\$ 0.10	\$ 0.02	\$ 0.23	\$ 0.10
Discontinued operations	\$ -	\$ 0.07	\$ -	\$ 0.11
<b>Earnings per Share – Diluted</b>				
Continuing operations	\$ 0.10	\$ 0.02	\$ 0.23	\$ 0.10
Discontinued operations	\$ -	\$ 0.07	\$ -	\$ 0.10
Weighted Average Number of Shares Outstanding - Basic	34,123,956	30,068,439	32,954,168	26,331,365
Weighted Average Number of Shares Outstanding - Diluted	34,580,339	30,864,311	33,452,000	26,764,483

- 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 September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Net Income for the Period</b>	<b>\$ 3,409,774</b>	<b>\$ 2,756,234</b>	<b>\$ 7,548,982</b>	<b>\$ 5,411,547</b>
<b>Other Comprehensive Income</b>				
Unrealized gains (losses) on short-term investments	<b>(16,264)</b>	7,975	<b>(45,421)</b>	68,651
<b>Total Comprehensive Income</b>	<b>\$ 3,393,510</b>	<b>\$ 2,764,209</b>	<b>\$ 7,503,561</b>	<b>\$ 5,480,198</b>

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# Energold Drilling Corp.

Statement 4

## Consolidated Statements of Cash Flows

Canadian Dollars  
Unaudited

Cash Resources Provided By (Used In)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Operating Activities</b>				
Income for the period	\$ 3,409,774	\$ 2,756,234	\$ 7,548,982	\$ 5,411,547
Items not affecting cash				
Allowance for doubtful accounts	548,349	-	773,349	-
Amortization	283,271	148,130	697,499	363,135
Dilution (gain) loss on investment in IMPACT Silver Corp.	8,509	(104,035)	(37,677)	(165,314)
Future income taxes	778,982	17,748	1,588,378	28,203
Gain on corporate reorganization	-	(1,515,838)	-	(1,515,838)
Loss in IMPACT Silver Corp.	23,161	43,788	52,673	7,639
Loss (Gain) on disposal of assets	-	(12,368)	4,075	(1,432,674)
Non-controlling interest – (Note 12)	-	735,364	-	2,054,868
Write-off of resource properties	-	1,046	-	2,975
Deferred revenue	-	-	(60,390)	(120,000)
Changes in non cash working capital – (Note 11)	(6,728,657)	(1,128,760)	(17,937,314)	(6,787,685)
	<b>(1,676,611)</b>	941,309	<b>(7,370,425)</b>	(2,153,144)
<b>Investing Activities</b>				
Cash distribution to non-controlling interest	-	(182,031)	-	(297,168)
Cash disposal on corporate reorganization	-	(2,915,707)	-	(2,915,707)
Investment in IMPACT Silver Corp.	-	-	(43,543)	-
Proceeds on sale of assets	-	13,342	791	2,013,342
Proceeds on sale of short term investments	-	-	-	128,406
Purchase of property, plant and equipment	(1,395,068)	(437,526)	(3,753,877)	(1,247,138)
Resource property costs	(985)	(2,650)	59,992	39,219
Restricted cash	12,912	(2,000,602)	11,618	(1,969,963)
	<b>(1,383,141)</b>	(5,525,174)	<b>(3,725,019)</b>	(4,249,009)
<b>Financing Activities</b>				
Due to related parties – (Note 12)	-	(1,289,962)	-	(2,239,962)
Share capital issued	-	1,896,529	7,698,819	16,098,511
	-	606,567	7,698,819	13,858,549
Cash provided by (used in) continuing operations	(3,059,752)	(3,977,298)	(3,396,625)	7,456,396
Cash provided by (used in) discontinued operations	-	783,638	-	315,536
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(3,059,752)</b>	(3,193,660)	<b>(3,396,625)</b>	7,771,932
Cash and cash equivalents - Beginning of period	20,420,637	21,793,344	20,757,510	10,827,752
<b>Cash and Cash Equivalents – End of Period</b>	<b>\$ 17,360,885</b>	\$ 18,599,684	<b>\$ 17,360,885</b>	\$ 18,599,684

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

# Energold Drilling Corp.

Notes to the Consolidated Financial Statements

September 30, 2008

Canadian Dollars

Unaudited

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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.

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## 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.

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## 3. Restricted Cash

Restricted cash represents funds held as follows:

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

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# Energold Drilling Corp.

## Notes to the Consolidated Financial Statements September 30, 2008

Canadian Dollars  
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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 September 30, 2008 the Company owned 6,650,001 (December 31, 2007 - 6,610,001) shares of IMPACT Silver Corp. The Company's interest in IMPACT decreased from 13.99% to 13.89% during the nine months ended September 30, 2008 as a result of share issuances of common shares by IMPACT and from the exercise of stock options. During the period the Company purchased 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		3,367,340
Equity (loss) for the period, net of profits on intercompany drilling revenues		(52,673)
Dilution gain		37,677
Purchase of shares		43,543
Balance – September 30, 2008	\$	3,395,887

Based upon year end TSX.V closing market prices of \$0.58 and \$1.73 per share, this investment has a quoted market value of \$3,857,001 at September 30, 2008 and \$11,435,302 at December 31, 2007.

### 5. Resource Properties

a) Details are as follows:

i) As at September 30, 2008:

	Acquisition Costs	Deferred Exploration	Sale of Resource Properties	Accumulated Write-off	2008
<b>Dominican Republic Concessions</b>					
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	2,364,740	(684,074)	(2,743,801)	202,140
	\$ 1,710,609	\$ 3,151,822	\$ (684,074)	\$ (2,743,801)	\$1,434,556

ii) As at December 31, 2007:

	Acquisition Costs	Deferred Exploration	Sale of Resource Properties	Accumulated Write-off	2007
<b>Dominican Republic Concessions</b>					
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
	\$ 1,710,609	\$ 3,211,814	\$ (684,074)	\$ (2,743,801)	\$1,494,548

# Energold Drilling Corp.

Notes to the Consolidated Financial Statements

September 30, 2008

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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 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\$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.

During the quarter ended September 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.

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# Energold Drilling Corp.

Notes to the Consolidated Financial Statements

September 30, 2008

Canadian Dollars

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## 6. Property, Plant and Equipment

	September 30, 2008			December 31, 2007		
	Cost \$	Accumulated amortization \$	Net Book Value \$	Cost \$	Accumulated amortization \$	Net Book Value \$
Drilling Equipment	9,186,996	2,371,136	6,815,860	5,333,849	1,763,779	3,570,070
Exploration Equipment	48,293	45,011	3,282	48,293	44,887	3,406
Vehicles	569,030	135,665	433,365	292,971	100,589	192,382
Office Furniture and Equipment	512,913	305,599	207,314	414,010	271,972	142,038
	<b>10,317,232</b>	<b>2,857,411</b>	<b>7,459,821</b>	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	500,413
Shares issued to a director in relation to a private placement	23,529	99,998
Balance – September 30, 2008	34,128,048	\$ 41,035,907

# Energold Drilling Corp.

## Notes to the Consolidated Financial Statements

September 30, 2008

Canadian Dollars

Unaudited

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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		85,620
Balance – September 30, 2008	\$	906,261

#### c) Warrants

	Number	Amount
Balance December 31, 2006	-	\$ -
Private placement	3,415,000	1,213,992
Compensation warrants	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)	(944,603)
Warrants expired	(240,850)	(85,619)
Balance September 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. Prior to the expiry date all of the compensation options and their respective warrants were exercised, and 3,174,150 of the share purchase warrants were exercised and 240,850 warrants expired.
- e) On July 16, 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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Canadian Dollars  
Unaudited

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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 share purchase option plan 4,591,070 options have been authorized, however as of September 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 share purchase option plan at September 30, 2008 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At December 31, 2006	1,750,000	\$0.81
Granted	-	-
Exercised	(1,000,000)	\$0.52
Expired	(15,000)	\$1.20
At December 31, 2007	735,000	\$1.20
Granted	-	-
Exercised	(21,500)	\$1.20
At September 30, 2008	713,500	\$1.20

The following table summarizes information about the share purchase options outstanding at Sept. 30, 2008:

Expiry Date	Exercise Price Per Share	Options Outstanding	Options Exercisable
May 3, 2010	\$1.20	713,500	713,500

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

The total value of stock based compensation expense on share purchase options granted to employees and consultants of the Company for the nine months ended September 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 share purchase options.

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# Energold Drilling Corp.

## Notes to the Consolidated Financial Statements

September 30, 2008

Canadian Dollars

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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 year to date, 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 September 30, 2008, fees, salary and cash bonus in the amount of \$302,500 (2007 – \$224,625) were accrued or paid to this director and officer. In addition fees of \$105,563 (2007 - \$112,625) were also paid to another officer of the Company. Salary of \$97,500 (2007 - \$82,000) was accrued or paid to an individual related to a director.
- b) During the nine months ended September 30, 2008, a bonus in the amount of \$50,000 was paid to one of the directors.
- c) During the nine months ended September 30, 2008, the Company allotted 23,529 shares at a price of \$4.25 to a director in relation to a private placement.
- d) During the nine months ended September 30, 2008, legal fees in the amount of \$343,450 (2007 - \$257,002) were accrued or paid to a firm related to a director.
- e) During the nine months ended September 30, 2008, fees in the amount of \$1,660,456 (2007 – \$1,000,636) 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.

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### 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) In May 2008, the Company signed a lease for warehouse premises which commenced 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.
  - c) 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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## 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 September 30 2008		2007		Nine Months Ended September 30 2008		2007	
Revenue	\$	-	\$	3,017,154	\$	-	\$	6,983,934
Direct Costs		-		(1,559,048)		-		(3,996,953)
Indirect and administrative expenses		-		(217,971)		-		(436,952)
Non-controlling interest expense		-		(540,830)		-		(1,140,538)
Provision for income tax		-		(158,474)		-		(268,953)
Net income from discontinued operations	\$	-	\$	540,831	\$	-	\$	1,140,538

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## 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 Directors 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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# Energold Drilling Corp.

Notes to the Consolidated Financial Statements

September 30, 2008

*Canadian Dollars*

*Unaudited*

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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'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.

Notes to the Consolidated Financial Statements  
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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 September 30, 2008, the Company is exposed to currency risk through the following assets and liabilities held in US and other foreign currencies:

	<b>September 30, 2008</b>	December 31, 2007
Cash and cash equivalents	<b>\$ 10,796,351</b>	\$ 8,875,228
Other assets	<b>17,705,633</b>	6,586,245
Accounts payable	<b>(2,657,301)</b>	(889,163)
	<b>\$ 25,844,683</b>	\$ 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.

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# Energold Drilling Corp.

## Notes to the Consolidated Financial Statements

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### 16. Segmented Information

Details are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Revenue by geographic area</b>				
Africa	\$ 1,386,331	\$ 1,135,090	\$ 2,929,203	\$ 1,580,516
Caribbean	6,984,587	2,816,581	17,567,983	8,606,415
South America	2,336,599	2,678,983	4,481,298	8,444,018
Other	3,556,717	259,847	9,309,243	406,020
	<b>\$ 14,264,234</b>	<b>\$ 6,890,501</b>	<b>\$ 34,287,727</b>	<b>\$ 19,036,969</b>
<b>Net income (loss) by geographic area</b>				
Africa	\$ 319,633	\$ 476,710	\$ 952,564	\$ 679,277
Canada	(1,414,772)	(295,561)	(4,519,574)	(2,113,949)
Caribbean	2,955,423	\$ 455,083	\$ 6,787,046	\$ 3,157,351
South America	1,192,666	51,434	3,732,322	1,037,070
Other	356,824	11,898	596,624	(4,578)
Discontinued operations	-	540,832	-	1,140,538
Gain on corporate reorganization	-	1,515,838	-	1,515,838
	<b>\$ 3,409,774</b>	<b>\$ 2,756,234</b>	<b>\$ 7,548,982</b>	<b>\$ 5,411,547</b>
<b>Revenue by industry</b>				
Drilling	\$ 14,264,234	\$ 6,890,501	\$ 34,287,727	\$ 19,036,969
<b>Net income (loss) by industry</b>				
Drilling	\$ 3,439,293	\$ 610,212	\$ 7,565,782	\$ 1,283,144
Exploration and mining	(29,519)	89,352	(16,800)	1,472,027
Discontinued operations	-	540,832	-	1,140,538
Gain on corporate reorganization	-	1,515,838	-	1,515,838
	<b>\$ 3,409,774</b>	<b>\$ 2,756,234</b>	<b>\$ 7,548,982</b>	<b>\$ 5,411,547</b>
<b>Amortization by geographic area</b>				
Caribbean	\$ 106,034	\$ 55,877	\$ 272,312	\$ 178,593
South America	73,062	34,180	165,503	60,902
Canada	69,866	58,073	225,375	123,640
Other	34,309	-	34,309	-
	<b>\$ 283,271</b>	<b>\$ 148,130</b>	<b>\$ 697,499</b>	<b>\$ 363,135</b>

# Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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## 16. Segmented Information - continued

	September 30, 2008	December 31, 2007
Assets by geographic area		
Caribbean	<b>\$ 19,837,155</b>	\$ 9,459,848
Canada	<b>30,584,107</b>	30,851,225
South America	<b>19,187,938</b>	10,017,411
Africa	<b>1,819,406</b>	-
	<b>\$ 71,428,606</b>	\$ 50,328,484
Property, plant and equipment by geographic area		
Caribbean	<b>\$ 2,635,402</b>	\$ 1,669,079
Canada	<b>2,655,999</b>	1,399,725
South America	<b>1,270,507</b>	839,092
Africa	<b>897,913</b>	-
	<b>\$ 7,459,821</b>	\$ 3,907,896
Goodwill by geographic area		
South America	<b>\$ 1,710,000</b>	\$ 1,710,000
Assets by industry		
Drilling	<b>\$ 66,695,278</b>	\$ 44,588,754
Exploration and mining	<b>4,733,328</b>	5,739,730
	<b>\$ 71,428,606</b>	\$ 50,328,484
Property, plant and equipment by industry		
Drilling	<b>\$ 7,397,924</b>	\$ 3,844,196
Exploration and mining	<b>61,897</b>	63,700
	<b>\$ 7,459,821</b>	\$ 3,907,896

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