Energold Drilling Corp.

Form 51-102F1
Management's Discussion and Analysis
For the Three Months Ended March 31, 2010

INTRODUCTION

This Management's Discussion and Analysis (MD&A") of Energold Drilling Corp. ("Energold" or "the Company") is dated May 25, 2010. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of Energold Drilling Corp. and the notes thereto for the three months ended March 31, 2010, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts referred to herein are in Canadian dollars unless otherwise specified. Additional information relating to the Company including material change notices, certifications of annual and interim filings, and press releases are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

This document contains forward-looking statements. Please refer to "NOTE REGARDING FORWARD-LOOKING STATEMENTS."

CORPORATE OVERVIEW

Energold is one of the world's fastest growing diamond drilling contractors primarily serving the mining and mineral exploration industries in three geographic segments: Mexico, the Caribbean and Central America; South America; and Africa, Asia and other. Energold specializes in operating highly-portable drilling rigs which have a smaller environmental impact than conventional rigs and which are adaptable to meet the varied needs of its customers. The Company also holds mineral exploration properties in the Dominican Republic and Mexico, both directly and through the 6.65 million shares that it holds in IMPACT Silver Corp. ("IMPACT"). The Company's interest in IMPACT is currently accounted for on an equity basis.

INDUSTRY OVERVIEW

Energold has traditionally been engaged by and seen demand for its services from three groups of customers: gold mining companies, base metal mining companies, and junior exploration companies. Each of these groups is influenced by distinct market forces. In the last few years, historically high prices for many commodities drove the industry to record levels of activity. In the fourth quarter of 2008 demand for drilling services weakened significantly due to the global recession and demand weakness persisted through the first half of 2009. We have seen an increasing level of interest for our services since the middle of 2009. Exploration for precious metals currently represents the largest demand; however, certain specialty commodities and base metals are also increasing the demand for drilling services.

Senior and intermediate base metal and gold mining companies have been successful in raising substantial amounts of capital in 2009 and while exploration budgets have been reduced we saw an increase in activity each month from the beginning of 2009 to present. It is expected that with greater amounts of cash and financial flexibility, these companies will further increase the demand for drilling services in 2010. In the drilling industry price tends to follow demand and thus as demand increases we expect to see drilling pricing increases once again in late 2010.

OVERALL PERFORMANCE

Revenues in the first quarter of 2010 were $8.1 million, up 110% from $3.9 million in the first quarter of 2009 and up 12% from $7.2 million in the fourth quarter of 2009 demonstrating the general recovery we are seeing in the industry as a whole. Pricing pressure and a much stronger Canadian dollar pushed average revenue per meter down to $148 in the first quarter of 2010 from $188 in the first quarter of 2009.

Energold drilled 54,362 meters in the first quarter of 2010, up 165% from 20,490 in the first quarter of 2009 and up 8% from 50,159 meters in the fourth quarter of 2009. The quarterly trend remains positive and continues to strengthen as the Company drilled an increasing number of meters in each quarter through 2009 and is on track to continue this trend in 2010. April 2010 was the Company's busiest month since the third quarter of 2008 with over 25,000 meters drilled.

Gross margin percentage[1] decreased to 14.7% in the first quarter of 2010 as compared to 22.3% in the first quarter of 2009 and 15.9% in the fourth quarter of 2009. Gross margin declined in the first quarter of 2010 primarily because of a significant number of drilling rigs being mobilized to meet the demand for new contracts. These drilling rigs were outfitted with new inventories and in some cases upgraded. The benefit of these upgrades will be seen in following quarters. Additionally, competitive pricing for drilling at mine sites reduced overall prices as the Company conducted a significant proportion of its activities at mine sites.

The Company incurred a net loss of $1.4 million in the first quarter of 2010 ($0.04 per share – basic and diluted) compared to net earnings of $0.4 million ($0.01 per share – basic and diluted) in the first quarter of 2009. The net loss includes several non-cash charges including an unrealized foreign exchange loss of $0.5 million, amortization of $0.3 million and stock based compensation expense of $0.1 million.

Cash flows used in operations before changes in non-cash working capital[2] in 2009 were $0.7 million, down from $0.5 million in the first quarter of 2009.

Energold maintains a strong balance sheet with a working capital position of $44.7 million and cash and cash equivalents of $12.8 million at March 31, 2010. The majority of these funds are denominated in U.S. and Canadian dollars and held with Canadian Chartered Banks.

SELECT FINANCIAL AND OPERATING INFORMATION

	Three months ended			Three months ended		
	Mar 31 2010	Mar 31 2009	% Change	**Mar 31 2010**	Dec 31 2009	% Change
Revenue ($000s)	**8,072**	3,851	+110%	**8,072**	7,199	+12%
Gross margin ($000s)	**1,190**	858	+39%	**1,190**	1,147	+4%
Gross margin percentage	**14.7%**	22.3%		**14.7%**	15.9%	
Net earnings (loss) ($000s)	**(1,357)**	403	n/a	**(1,357)**	(559)	n/a
Earnings (loss) per share – basic and diluted ($)	**(0.04)**	0.01	n/a	**(0.04)**	(0.02)	n/a
Meters drilled	**54,362**	20,490	+165%	**54,362**	50,159	+8%

	Mar 31 2010	Dec 31 2009	Sept 30 2009	June 30 2009	Mar 31 2009	Dec 31 2008	Sept 30 2008	June 30 2008
Drill rig fleet	**91**	80	79	78	78	75	72	69
Cash and cash equivalents ($000s)	**12,825**	18,460	19,436	19,917	22,867	22,574	17,361	20,421
Total assets ($000s)	**70,116**	68,913	69,225	71,122	70,386	70,441	71,429	64,908
Total liabilities ($000s)	**9,327**	7,463	7,281	6,962	6,873	7,465	11,578	8,450
Shareholders' equity ($000s)	**60,789**	61,449	61,944	64,159	63,512	62,976	59,851	56,458

[1] Gross margin and gross margin percentage are non-GAAP measures. See "NON-GAAP MEASURES."

[2] Cash flows used in / from operations before changes in non-cash working capital is a non-GAAP measure which the Company believes provides a better indicator of the Company's ability to generate cash flows from its drilling operations. See "NON-GAAP MEASURES."

OUTLOOK AND BUSINESS STRATEGY

Demand for drilling services worldwide increased throughout 2009 and is continuing to increase, however the Company cautions that actual results may vary substantially from all forward-looking information in this MD&A. While the challenges posed by the economic turmoil over the last eighteen months serve to limit the visibility in the short-term, it is clear that as and when drilling activities rebound, as they are beginning to, Energold will be poised for growth and profitability once again.

The Company saw drilling activity and revenues increase each quarter in 2009 and this trend has continued through the first quarter of 2010 and the trend is expected to continue as gold and other precious metals maintain relatively high prices. Lower levels of demand in 2009 compared to 2008 have increased competitive pressures and thus pricing and margins were lower in 2009 and the lower pricing environment has carried forward into 2010. The mix, or types, of drilling programs also changed whereby in 2008 a significant portion of the drilling was completed in frontier areas and these programs typically command higher margins. In 2009 frontier drilling represented only a small portion of the Company's contracts. As demand strengthens throughout 2010 and a greater portion of the Company's work returns to frontier drilling the Company expects to be able to increase drilling rates. The Company employs a variable cost structure and thus when revenues decrease so do a significant portion of the Company's costs. However, there are certain semi-variable operating costs that the Company did not wish to reduce in spite of the lower demand in 2009. The Company also used this opportunity to refit and upgrade a number of its idle rigs which increased costs in 2009 and the first quarter of 2010. These were strategic decisions on the part of the Company to continue to grow and to improve quality of service over the longer term.

Despite the difficult environment, the Company expects to continue generating positive cash flow before changes in non-cash working capital. While Energold remains open to exploring suitable acquisitions, the Company's primary focus continues to be on organic growth through new rig development and expansion into new markets. In spite of the economic downturn the Company is seeing renewed interest in its traditional markets as well as in new markets such as West Africa. Certain markets are already responding and in those markets rig utilization is approaching traditional levels. Other markets have not yet responded to the improving economic climate and thus the Company is redeploying a number of its rigs from these areas which will temporarily reduce availability.

With a modern fleet of drilling rigs and continued expansion into new operating regions, Energold has laid the seeds for future growth in five continents. The Company currently has drilling rigs deployed in 20 countries around the world and thus has the ability to react immediately to stronger demand for drilling services.

On March 8, 2010 Energold announced the strategic acquisition of the assets and drilling operations of Envirodrill Ltd of the United Kingdom. Envirodrill has a proven track record of successfully completing complex drilling programs in West Africa and Madagascar and brings strong technical and operational expertise to the Energold team. Through this purchase, the Company has acquired nine diamond and reverse circulation drill rigs, related support equipment, inventories and existing contracts. In addition to purchasing the drilling assets, Energold is retaining the drilling operational team and has entered into a management services agreement with Ritcan Envirodrill Ltd to allow the Company to utilize administrative and logistics personnel and existing facilities.

With the Envirodrill transaction the Company added drilling rigs and support equipment valued at $1.3 million, inventories valued at $0.4 million and assumed leases payable of $0.6 million. Consideration for these assets included Energold common shares valued at $0.3 million and cash of $0.7 million. Energold recognized an accounting gain of $0.1 million on the transaction.

Three of the newly acquired drilling rigs have been operating on Energold's behalf since March 8, 2010 and early indications demonstrate that these rigs and crews have been performing well and the transition has been a smooth.

In addition to the nine rigs acquired via the Envirodrill transaction, Energold took delivery of tw0 new surface drilling rigs in the first quarter and another new rig in the second quarter bringing the current rig count to 92. A further three rigs are under construction in the second quarter of 2010. A prototype surface rig is currently being designed to access depths beyond 1,000 meters and the Company is continuing a modification program to increase the capability of our standard Series II rigs. Additional surface rigs will be added when utilization rates reach historic percentages or to service specific demand.

The Company is developing additional technical ability in complementary activities including underground drilling. Included in the total rig count are six underground rigs. The expansion into underground drilling is in response to certain clients' requests that we provide full service to their operations. The underground rigs are similar to our existing surface rigs, using approximately ninety percent of the same equipment and supplies as our surface rigs use. This substantially reduces crew training time and inventory requirements.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2010 Compared to the Three Months Ended March 31, 2009

Net loss for the first quarter ended March 31, 2010 was $1.4 million ($0.04 per share – basic and diluted), compared to net earnings of $0.4 million ($0.01 per share – basic and diluted) in the first quarter of 2009.

Net loss for the first quarter ended March 31, 2010 was impacted by the following factors:

- Revenues increased to $8.1 million in the first quarter of 2010, up 110% from $3.9 million in the first quarter of 2009. The increase in revenues is a result of the significant increase in drilling activity in 2010 as compared to the first quarter of 2009. Average revenue per meter decreased to $148 in the first quarter of 2010 as compared to $188 in the first quarter of 2009. The majority of the decrease in revenue per meter is a result of the Canadian dollar strengthening against the U.S. dollar by 16% in the first quarter of 2010 as compared to the first quarter of 2009. Contract rates in U.S. dollar terms decreased by approximately 5%.

- Gross margin increased to $1.2 million in the first quarter of 2010, up 39% from $0.9 million in the first quarter of 2009. Gross margin percentage was 14.7% in the first quarter of 2010 compared to 22.3% in the first quarter of 2009. Gross margin percentage in the first quarter of 2010 was at a historically low level for a number of reasons. The main factor was the significant number of drilling rig mobilizations that occurred in the first quarter. Many rigs were put back into the field which resulted in increased transportation, mobilization, and maintenance costs as well as costs incurred to replenish inventory levels for some drilling rigs. In the first quarter of 2010 the Company continued to invest in select emerging markets where little or no revenue was earned in order to capitalize on opportunities as drilling demand increases. Pricing in the first quarter of 2010 remained under pressure as a result of the downturn in drilling demand in 2009. As worldwide drilling demand increases through 2010 it is expected that prices for drilling services will increase.

- Indirect and administrative expenses increased to $2.0 million in the first quarter of 2010, up from $1.2 million in the first quarter of 2009. The increase was the result of bad debt recoveries decreasing to $0.05 million in the first quarter of 2010 from $0.3 million in the first quarter of 2009. The Company was able to realize recoveries on a number of previously written down accounts receivable by working closely with clients to ensure a positive result for both parties. Management fees and consulting and office salaries and services increased in the first quarter of 2010 as compared to the first quarter of 2009 as a result of the increased business activity. Additionally, there was a non-cash stock based compensation expense of $0.1 million in the first quarter of 2010 for which there was no expense in the first quarter of 2009.

- A foreign exchange loss of $0.5 million was recognized in the first quarter of 2010 as compared to a foreign exchange gain of $0.7 million in the first quarter of 2009. The Canadian dollar strengthened against the U.S. dollar in the first quarter of 2010 which gave rise to the foreign exchange loss on U.S. dollar denominated cash and accounts receivable. In the first quarter of 2009 the Canadian dollar weakened against the U.S. dollar which gave rise to the foreign exchange gain on U.S. dollar denominated cash and accounts receivable. Future foreign exchange fluctuations will result in gains or losses as the Company translates its non-Canadian dollar denominated assets and liabilities into Canadian dollars and may have a significant impact on future net earnings.

- Current and future income taxes increased to $0.3 million in the first quarter of 2010, up from an income tax recovery of $0.01 million in the first quarter of 2009.

Other comprehensive loss in the first quarter of 2010 was $0.2 million, down from other comprehensive income of $0.1 million in the first quarter of 2009. Other comprehensive income and loss is related to unrealized gains or losses on short-term investments held net of taxes.

Three Months Ended March 31, 2010 Compared to the Three Months Ended December 31, 2009

Net loss for the first quarter ended March 31, 2010 was $1.4 million ($0.04 per share – basic and diluted), compared to net loss of $0.6 million ($0.02 per share – basic and diluted) in the fourth quarter of 2009.

Net loss for the first quarter ended March 31, 2010 was impacted by the following factors:

- Revenues increased to $8.1 million in the first quarter of 2010, up 12% from $7.2 million in the fourth quarter of 2009. The increase in revenues is a result of increased drilling activity and slightly higher drilling rates. Average revenue per meter increased to $148 in the first quarter of 2010 as compared to $144 in the fourth quarter of 2009. Contract rates have decreased significantly from those achieved in 2008; however we are now seeing a general increase in industry drilling rates and an increase in demand for frontier drilling which commands higher rates than mine site drilling.

- Gross margin increased to $1.2 million in the first quarter of 2010, up from $1.1 million in the fourth quarter of 2009. Gross margin percentage was 14.7% in the first quarter of 2010 compared to 15.9% in the fourth quarter of 2009. Gross margin percentage in the first quarter of 2010 was at a historically low level for a number of reasons. The main factor was the significant number of drilling rig mobilizations that occurred in the first quarter. Many rigs were put back into the field which resulted in increased transportation, mobilization, and maintenance costs as well as costs incurred to replenish inventory levels for some drilling rigs. In the first quarter of 2010 the Company continued to invest in select emerging markets where little or no revenue was earned in order to capitalize on opportunities as drilling demand increases. Pricing in the first quarter of 2010 remained under pressure as a result of the downturn in drilling demand in 2009. As worldwide drilling demand increases through 2010 it is expected that prices for drilling services will increase.

- Indirect and administrative expenses increased to $2.0 million in the first quarter of 2010, up from $1.8 million in the fourth quarter of 2009. The increase was the result of bad debt recoveries decreasing to $0.05 million in the first quarter of 2010 from $0.14 million in the fourth quarter of 2009. The Company was able to realize recoveries on a number of previously written down accounts receivable by working closely with clients to ensure a positive result for both parties. Management fees and consulting increased in the first quarter of 2010 as compared to the fourth quarter of 2009 as a result of the increased business activity. Additionally, there was a non-cash stock based compensation expense of $0.1 million in the first quarter of 2010, down from $0.2 million in the fourth quarter of 2009.

- A foreign exchange loss of $0.5 million was recognized in the first quarter of 2010 as compared to $0.3 million in the fourth quarter of 2009. The Canadian dollar strengthened against the U.S. dollar in the first quarter of 2010 as well as the fourth quarter of 2009 which gave rise to the foreign exchange losses on U.S. dollar denominated cash and accounts receivable. Future foreign exchange fluctuations will result in gains or losses as the Company translates its non-Canadian dollar denominated assets and liabilities into Canadian dollars and may have a significant impact on future net earnings.

- Current and future income taxes increased to $0.3 million in the first quarter of 2010, up from $0.02 million in the fourth quarter of 2009.

Other comprehensive loss in the first quarter of 2010 was $0.2 million, unchanged from $0.2 million in the fourth quarter of 2009. Other comprehensive losses relate to unrealized losses on short-term investments net of taxes.

OTHER FINANCIAL INFORMATION

Summary of Quarterly Results

The following table presents our unaudited quarterly results of operations for each of the last eight quarters. All figures are in thousands of Canadian dollars except earnings per share:

	For the three months ended ($000's except per share amounts)							
	Mar 31 2010	Dec 31 2009	Sept 30 2009	Jun 30 2009	Mar 31 2009	Dec 31 2008	Sept 30 2008	Jun 30 2008
Revenue	**8,072**	7,199	6,408	6,262	3,851	7,974	14,264	11,399
Net earnings (loss)	**(1,357)**	(559)	(1,580)	(215)	403	3,135	3,410	2,370
Earnings per share - Basic*	**(0.04)**	(0.02)	(0.05)	(0.01)	0.01	0.09	0.10	0.07
Earnings per share - Diluted*	**(0.04)**	(0.02)	(0.05)	(0.01)	0.01	0.09	0.10	0.07
Cash and cash equivalents	**12,825**	18,460	19,436	19,917	22,867	22,574	17,361	20,421
Total assets	**70,116**	68,913	69,225	71,122	70,386	70,441	71,429	64,908
Total liabilities	**9,327**	7,463	7,281	6,962	6,873	7,465	11,578	8,450

* Per share numbers have been rounded to two decimal places

Liquidity and Capital Resources

The Company's financial position at March 31, 2010 remains strong with $12.8 million in cash and cash equivalents (December 31, 2009 - $18.5 million) and net working capital of $44.7 million (December 31, 2009 - $46.5 million).

During the three months ended March 31, 2010 the Company used cash in operating activities of $5.1 million compared to $0.5 million of cash provided by operations during the three months ended March 31, 2009. Cash flows used in operations before changes in non-cash working capital[3] in the three months ended March 31, 2010 were $0.7 million, compared to $0.5 million in the three months ended March 31, 2009. During the three months ended March 31, 2010, the Company used $0.8 million in cash for investing activities, primarily for the purchase of drilling rigs. The Company received $0.5 million from stock options exercised in the three months ended March 31, 2010.

In the opinion of management, the working capital at March 31, 2010, together with the expected future cash flows from operations, is sufficient to support the Company's normal operating requirements on an ongoing basis. Capital expenditures for the remainder of 2010 are estimated to be approximately $2.0 million for continued drill fleet expansion.

Outstanding Share Data

The following common shares and stock options of the Company were outstanding at May 25, 2010:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at May 25, 2010	34,937,272		
Stock options outstanding	1,134,000	$2.01	October 1, 2014
Stock options outstanding	150,000	$2.30	May 7, 2015
Fully Diluted at May 25, 2010	36,221,272		

Of the 1,284,000 stock options outstanding, 604,000 have vested at May 25, 2010.

[3] Cash flows used in / from operations before changes in non-cash working capital is a non-GAAP measure which the Company believes provides a better indicator of the Company's ability to generate cash flows from its drilling operations. See "NON-GAAP MEASURES."

EQUITY HOLDINGS

IMPACT Silver Corp. (IPT: TSX.V) ("IMPACT")

Energold owns 6.65 million shares or 13.69% of the issued and outstanding shares of IMPACT at March 31, 2009. Energold, through mutual management at the executive level and its shareholding and directorships in IMPACT, exercises significant influence over IMPACT and, as a result, the investment is accounted for using the equity method of accounting. At March 31, 2010 this investment is carried on the Company's balance sheet at $3.8 million, however the market value (based on quoted trading price at quarter-end) of the IMPACT shares held by Energold at March 31, 2010 equalled $7.1 million. Energold provides surface and underground diamond drilling exploration services for IMPACT.

IMPACT is a natural resource mining and development company, primarily engaged in the acquisition, exploration, development and mining of natural resource properties located in Mexico and the Dominican Republic. IMPACT currently produces concentrates containing silver, lead, zinc and gold at the Royal Mines of Zacualpan in the State of Mexico with a processing plant rated at 500 tonnes per day ("tpd"). IMPACT also owns a semi-portable 200 tpd processing plant for potential use at its projects in the Zacualpan and Mamatla Mineral Districts. In the first quarter of 2010 the IMPACT completed the purchase of a third processing plant with a capacity of 200 tpd at the "Veta Grande Silver Project" in Zacatecas, Mexico.

IMPACT has grown from an exploration company into a significant silver producer with production levels increasing year-over-year. IMPACT has acquired control of almost two entire mineral districts in central Mexico; the 272 km^2 Royal Mines of Zacualpan Silver District and the 200 km^2 Mamatla Mineral District immediately southwest of Zacualpan. IMPACT also controls the Veta Grande Silver Project in the Zacatecas Silver District, Mexico.

IMPACT is currently undertaking a three-part process of exploration, development and mine production at the Royal Mines of Zacualpan Silver District and adjacent Mamatla Mineral District. IMPACT has three specific objectives aligned to each activity area. The first objective is to enhance immediate economically recoverable throughput until the current maximum rated capacity of 500 tpd is achieved. In the first quarter of 2010 the Guadalupe mill processed an average of 323 tpd. With the addition of development muck from the Noche Buena Mine the Guadalupe mill is expected to be processing in excess of 400 tpd by the second quarter of 2010. The second objective is to continue exploration and prepare new sources of ore for mine development which will justify expansion of the current facility or the construction of new processing plants within the Zacualpan and Mamatla Districts. The third objective is to continue the reconnaissance exploration program designed to evaluate the longer term potential of this 500-year-old mining district. IMPACT continued to make progress towards each of these three objectives in the first quarter of 2010.

On March 4, 2010, IMPACT announced that mining had commenced at the Noche Buena Mine. Initial production is planned for 80 to 120 tonnes per day and will increase during the year as multiple mining faces are developed. The Guadalupe processing plant was upgraded in the first quarter of 2010 to accommodate the additional Noche Buena production.

The Noche Buena Mine will be the third new mine that has been taken from discovery to production by the IMPACT team since 2006. From the time first assays were received from the discovery drill hole in January 2009 to production in March 2010, approximately fifteen months elapsed. This ability to fast track new mines into production is a cornerstone of IMPACT's plan to rapidly grow silver production in the Zacualpan and Mamatla Districts.

IMPACT Silver Corp. Financial Results for the three months ended

	Three months ended ($000s except per share amounts)			Three months ended ($000s except per share amounts)		
	Mar 31 2010	Mar 31 2009	% Change	**Mar 31 2010**	Dec 31 2009	% Change
Revenues	**3,702**	1,457	+154%	**3,702**	2,333	+59%
Mine operating earnings*	**1,506**	750	+101%	**1,506**	419	+259%
Net earnings (loss)	**638**	68	+840%	**638**	116	+452%
Earnings (loss) per share – basic	**0.01**	0.00	+832%	**0.01**	0.00	+450%
Earnings (loss) per share – diluted	**0.01**	0.00	+811%	**0.01**	0.00	+448%
Cash flows from operations before changes in non-cash working capital	**1,366**	523	+161%	**1,366**	164	+733%

* Includes amortization and depletion for the three months ended March 31, 2010 of $315 (March 31, 2009 - $98 and December 31, 2009 - $257).

IMPACT Silver Corp. Production for the three months ended

	Three months ended			Three months ended		
	Mar 31 2010	Mar 31 2009	% Change	**Mar 31 2010**	Dec 31 2009	% Change
Total tonnes (t) produced	**29,094**	29,569	-2%	**29,094**	28,921	+1%
Tonnes produced per day	**323**	329	-2%	**323**	314	+3%
Silver production (oz)	**173,877**	229,710	-24%	**173,877**	160,613	+8%
Lead production (t)	**207**	276	-25%	**207**	206	+1%
Zinc production (t)	**272**	343	-21%	**272**	279	-2%
Revenue per production tonne sold	**112.13**	129.69	-14%	**112.13**	91.08	+23%
Direct costs per tonne produced	**54.98**	53.19	+3%	**54.98**	65.02	-15%

Note: all measurements are metric (other than silver) and are subject to smelter settlements.

Exploration Highlights

Noche Buena

- On March 4, 2010, IMPACT announced the start of mining at the new Noche Buena Mine in the Royal Mines of Zacualpan Silver District. Noche Buena is the third mine that has been taken from discovery to production by the IMPACT technical team.

Capire and Aurora 1

- On March 17, 2010, IMPACT announced results from Phase 2 drilling on the Aurora 1 Zone in the Mamatla Mineral District. Phase 2 drilling expanded the Aurora 1 Zone to the east and west and also expanded the higher grade central core. Drill intersections included 1,139 g/t silver across 1.38 meters and 589 g/t silver across 2.82 meters. The zone remains open for expansion to the east and west. Drilling is now proceeding on the nearby Capire Zone. NI 43-101 mineral resource estimates will be updated when this current phase of drilling is completed on both zones.

- Subsequent to quarter end, IMPACT announced further drill results from Phase 2 drilling on the Capire-Aurora 1 Zone in the Mamatla Mineral District. Highlights from this 5,610 meter drill program include 2.99 meters grading 639 g/t silver and 2.6 g/t gold including 1.16 meters grading 1,516 g/t silver and 6.4 g/t gold and significant lead and zinc values. Drilling of the 200 meter gap between the Capire and Aurora 1 zones has shown that mineralization is continuous between them. The Capire-Aurora 1 Zone remains open to further expansion to the north, south and east. The orientation and shallow depth of the mineralization indicates potential for open pit mining.

SAFETY, SOCIAL AND ENVIRONMENTAL POLICY

Exploration and drilling create a physical change within the area of work. The Company believes in its responsibility to ensure that it minimizes the environmental impact of its efforts. The development of our drills is a direct successful offshoot of the need to explore with a light footprint using a drill pad of very limited size, which does not require the construction of roads and complex access.

The equipment, however, is only a part of the equation. Our employees and contract personnel are aware and continually reminded that environmental issues and safety cannot be compromised. The Company has published safety, social, and environmental policies related to its operations and is currently implementing an ISO 14001 program throughout the Company.

We work as part of the community, whose members must be kept informed of our activities and their concerns addressed. Wherever possible, the local community should participate in the benefits that may flow from the Company's activities. The use of local personnel as drillers, driller's helpers and workers fosters direct involvement in the programs conducted by the Company. During 2009, as part of its overall community programs in Mexico the Company has drilled and equipped three water wells for remote communities without adequate clean water. In Haiti the Company participated in the construction of the almost 50 meter long Elizabeth foot bridge in Limbe Municipality.

The Company has published specific policies and regulations to address the above, as well as our ongoing concern for safety. Work being conducted by or on behalf of the Company must be well planned, safe and with a concern for the environment and communities surrounding us. The Company developed and published a driller's safety manual for its staff and maintains a safety and environmental audit program.

CONTRACT DRILLING RISK FACTORS

The Company is faced with a number of risks with respect to its contract drilling operations. Contract drilling is a highly competitive industry, where numerous competitors may tender bids for contracts. The Company's ability to continue to secure profitable contracts on an ongoing basis is not assured. Like every business operating internationally, the Company faces numerous risks in its day-to-day business operations which are highlighted in the headings below and briefly summarized.

Cyclical Industry Risks

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

Reliance on Key Accounts

From time to time, the Company may be dependent on a small number of customers for a significant portion of its overall drilling revenues and net earnings.

Workforce Availability

Drilling is as much an art as a science and it takes considerable time and experience for an individual to become a well-qualified driller. As the drilling industry transitions to a cyclical upturn there may be a shortage of qualified drillers. The Company is addressing this issue in a number of ways. In certain countries, it is developing and training a local work force. It is also hiring overseas and developing incentive programs to retain drillers. If the Company cannot hire or train a sufficient quantity of drillers, it may result in lower rig utilization and revenues.

Extreme Weather Conditions

The Company operates in a variety of locations and areas in the world, some of which are subject to extreme weather conditions which can have a significant impact on operations.

Foreign Countries and Regulatory Requirements

Contract drilling, mineral exploration and mining activities may be affected in varying degrees by political instability and government regulations relating to the mining industry and foreign investors therein. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its own, or its clients' business outlook. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, mine safety, environmental legislation, and expropriation of property.

Environmental and Other Regulatory Requirements

The current or future operations of the Company and its clients involving contract drilling, exploration, development activities, production and mining on their properties require permits from various federal, state, and local governmental authorities. Such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Regulatory requirements and environmental standards are subject to constant evaluation and may be significantly changed, which could significantly adversely affect the business of the Company and its clients in any jurisdiction in which the Company operates.

Permits and Licences

The operations of the Company and its clients may require licenses and permits from various governmental authorities. There can be no assurance that the Company or its clients will be able to obtain all necessary licenses and permits that they may require to carry out contract drilling or exploration, development and mining operations on their mineral properties.

Mineral Exploration and Development Risks

In addition to these risks with respect to its contract drilling operations, the Company could face certain additional risks to those already identified above, with respect to its mineral exploration activities, if it were to resume such activities on an active basis. While the Company retains a core legacy of mineral concession exploration properties in the Dominican Republic, from its historic roots as a mineral exploration company, it does not currently have any plans to resume exploration activities on these mineral property concessions for its own account. Rather, the Company intends to realize value with respect to these mineral property concessions by various means, including the possible sale or optioning of such property concessions to others, as the Company deems advisable. The Company believes that current exploration efforts by other mineral exploration companies in the Dominican Republic are enhancing the future value of these mineral exploration concessions and that further opportunities to realize value for these concessions will come available to the Company in the future.

As the Company's management has had considerable prior experience in mining operations, it understands that the exploration for and development of mineral deposits is a speculative venture necessarily involving substantial risks. Management understands that very few properties which are explored will result in the discoveries of commercially viable mineral deposits which will ultimately be developed into a profitable commercial mining operation. It is for this reason that the Company has chosen to reduce its business risk to its shareholders by using its mining knowledge and know how to provide contract drilling services to the mining and mineral exploration sectors, thus providing an essential service available to mining and mineral exploration companies with a contract drilling service offered in a cost effective and environmentally friendly manner.

FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

Financial Assets and Liabilities

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, short-term investments and accounts payable and accrued liabilities. For cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities, carrying value is considered to be fair value due to the short-term nature of these instruments. The fair value of short-term investments is determined by quoted prices in active markets for identical assets at the balance sheet date. At March 31, 2010 all short-term investments held were classified as Level 1 and cash and cash equivalents were classified as Level 2 on the fair value hierarchy of Handbook Section 3862 – *Financial Instruments - Disclosures.*

Financial instrument risk exposure

The Company's financial instruments are exposed to a number of financial and market risks including credit, liquidity, currency and interest rate 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 is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, restricted cash, accounts receivable and short-term investments. The Company deposits its cash and cash equivalents with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 Bank. The Company provides credit to its customers in the normal course of its operations. The Company diversifies its credit risk by dealing with a large number of customers in various countries.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents, restricted cash, accounts receivable and short-term investments.

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 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. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans.

Currency risk

The Company operates on an international basis on five continents and therefore, currency risk exposures arise from transactions denominated in foreign currencies. The majority of its international sales contracts are denominated in U.S. dollars. Thus its currency risk arises primarily with respect to the U.S. dollar. However, the Company also incurs operating costs in local currencies in various countries in which it carries on active business operations. The Company has elected not to actively manage our currency risk at this time.

At March 31, 2010 the Company is exposed to currency risk through cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities held in U.S. dollars, Mexican pesos and Brazilian reais. Based on these foreign currency exposures at March 31, 2010, a 5% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate $0.5 million decrease or increase in the Company's net earnings.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents. The Company did not have any borrowings outstanding as at March 31, 2010.

Changes in Accounting Policies – Adoption of New Accounting Policies

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1582 – *Business Combinations* to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of the business combination.

The CICA concurrently issued Section 1601 – *Consolidated Financial Statements* and Section 1602 – *Non-Controlling Interests*, which replace Section 1600 – *Consolidated Financial Statements.* Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 – *Business Combinations.* We have chosen to early adopt Sections 1582, 1601 and 1602 effective January 1, 2010. There is no effect on previous business combinations.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that IFRS will replace current Canadian GAAP for publicly-accountable, profit-oriented enterprises effective January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported for the year ended December 31, 2010.

In 2009 the Company began the process of identifying the differences between Canadian GAAP and IFRS and identifying how these differences may affect the reporting of the Company's financial results. The detailed assessment is ongoing and to date the Company has identified presentation and disclosure, property, plant and equipment, and future income taxes as areas where the adoption of IFRS may have a material effect on the Company's financial reporting, processes and controls. The Company is also assessing the available elections under IFRS to determine the effect of each election to the Company. This detailed assessment is expected to be completed in 2010.

The transition from Canadian GAAP to IFRS may materially affect reported financial position and results of operations. The Company has not yet determined the full accounting effects of adopting IFRS, since some key accounting policy alternatives and implementation decisions are still being evaluated.

In 2010 the Company will:

- complete a detailed evaluation and selection of the available IFRS exemptions
- complete the selection of accounting policies under IFRS
- prepare draft financial statements and notes under IFRS
- prepare a January 1, 2010 opening balance sheet and 2010 comparative data under IFRS
- identify and implement any changes required to information technology systems and data collection processes

Other important considerations during the IFRS transition include:

Internal control over financial reporting ("ICFR") – for all accounting policy changes identified, the Company will assess the impact on the ICFR design and effectiveness implications and will ensure that all changes in accounting policies include the appropriate additional controls and procedures for future IFRS reporting requirements.

Disclosure controls and procedures ("DC&P") – for all accounting policy changes identified an assessment of DC&P design and effectiveness implication will be analyzed to address any issues with respect to DC&P during IFRS transition.

Updates on the progress of the conversion process will be provided to the Company's audit committee and disclosed in the Company's MD&A on a quarterly basis throughout 2010.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined by the Canadian Securities Administrators (CSA), as at March 31, 2010. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations and may not prevent or detect misstatements. Therefore even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

After reviewing our overall Company's internal controls and financial reporting and disclosure systems, management is satisfied that as at March 31, 2010 the Company has designed overall controls and systems to meet the needs of the Company, its shareholders, and other stakeholders who rely on the Company's financial information and reporting systems.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the year ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of Energold has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

NON-GAAP MEASURES

The Company uses both GAAP and non-GAAP measures to assess performance and believes the non-GAAP measures provide useful information to investors to help in evaluating the Company's performance. Following are the non-GAAP measures the Company uses in assessing performance:

Gross margin: Calculated as Revenue from Drilling Contracts less Direct Drilling Costs.

Gross margin percentage: Calculated as (Gross margin divided by Revenue from Drilling Contracts) x 100.

Cash flows from operations before changes in non-cash working capital: Calculated as Cash flows from operations less the changes in non-cash working capital (accounts receivable and prepaid expenses, due from IMPACT Silver Corp, income taxes receivable, inventories, accounts payable and accrued liabilities, income taxes payable, deferred revenue, and future income taxes).

The Company's method of calculating these non-GAAP measures may differ from other entities and, accordingly, may not be comparable to measures used by other entities. Investors are cautioned, however, that these measures should not be construed as an alternative to measures determined in accordance with GAAP as an indicator of the Company's performance.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to Energold that are based on the beliefs of its management as well as assumptions made by and information currently available to Energold. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Additional Information

Additional information relating to Energold is on SEDAR at www.sedar.com.

On behalf of the board of directors,

"Frederick W. Davidson",
President and Chief Executive Officer

May 25, 2010