

ENERGOLD DRILLING CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

Unaudited

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51 – 102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators **WE HEREBY GIVE NOTICE THAT** the interim consolidated financial statements which follow this notice have not been reviewed by an auditor.

Energold Drilling Corp.

Consolidated Balance Sheets

Canadian Dollars

Unaudited

ASSETS	June 30 2010	December 31 2009
Current		
Cash and cash equivalents	\$ 11,092,512	\$ 18,460,268
Restricted cash (Note 5)	2,198,671	2,218,750
Accounts receivable and prepaid expenses	12,378,486	6,922,090
Due from IMPACT Silver Corp. (Note 11b)	448,249	274,902
Income taxes receivable	773,655	594,289
Short-term investments	1,158,244	1,412,493
Inventories (Note 6)	27,223,868	23,629,283
	55,273,685	53,512,075
Investment in IMPACT Silver Corp. (Note 7)	3,792,229	3,660,757
Resource properties (Note 8)	1,385,225	1,370,934
Property, plant and equipment (Note 9)	8,991,931	7,664,099
Goodwill	1,710,000	1,710,000
Future income taxes	994,971	994,971
	\$ 72,148,041	\$ 68,912,836
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 5,072,309	\$ 3,569,728
Income taxes payable	107,206	69,444
Deferred revenue	572,181	506,647
Future income taxes	3,337,410	2,847,617
	9,089,106	6,993,436
Future income taxes	470,170	470,029
Leases payable	257,470	-
	9,816,746	7,463,465
SHAREHOLDERS' EQUITY		
Share capital (Note 10a)	42,531,883	41,062,153
Contributed surplus (Note 10b)	1,034,935	1,137,831
Accumulated other comprehensive income (loss) (Note 10c)	(280,593)	152,785
Retained earnings	19,045,070	19,096,602
	62,331,295	61,449,371
	\$ 72,148,041	\$ 68,912,836

Commitments (Note 12)

ON BEHALF OF THE BOARD:

"F.W. Davidson" _____, Director

"H.W. Sellmer" _____, Director

Energold Drilling Corp.

Consolidated Statements of Earnings and Retained Earnings For the Three and Six Months Ended June 30

Canadian Dollars

Unaudited

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Revenue from drilling contracts	\$ 12,908,685	\$ 6,262,099	\$ 20,981,047	\$ 10,112,603
Direct drilling costs	9,833,391	3,963,026	16,715,795	6,955,935
	3,075,294	2,299,073	4,265,252	3,156,668
Indirect and administrative expenses				
Accounting, audit and legal	205,363	180,537	343,998	343,606
Amortization	333,139	331,536	674,849	651,315
Bad debt recovery	(75,885)	(608,043)	(127,890)	(859,178)
Investor relations, promotion and travel	109,305	94,909	222,580	201,266
Management fees and consulting	71,253	125,122	369,107	202,266
Office, rent, insurance and sundry	326,803	266,454	610,744	517,263
Office salaries and services	829,513	552,464	1,569,051	1,102,465
Stock-based compensation	152,942	-	272,850	-
	1,952,433	942,979	3,935,289	2,159,003
Earnings before the following	1,122,861	1,356,094	329,963	997,665
Other income (expenses)				
Dilution gain on investment in IMPACT Silver Corp. – (Note 7)	18,255	1,771	35,759	30,936
Equity increase (reduction) in IMPACT Silver Corp. – (Note 7)	17,373	54,046	95,713	35,701
Foreign exchange gain (loss)	745,821	(1,459,897)	218,521	(729,404)
Gain (loss) on disposal of short-term investments	(17,195)	-	94,010	2,088
Gain on acquisition of assets (Note 4)	-	-	111,825	-
Other income	41,242	11,620	19,402	16,028
	805,496	(1,392,460)	575,230	(644,651)
Earnings (loss) before taxes	1,928,357	(36,366)	905,193	353,014
Current income taxes	(158,553)	(450,004)	(469,971)	(736,193)
Future income taxes	(463,952)	271,530	(486,754)	570,839
Net earnings (loss)	1,305,852	(214,840)	(51,532)	187,660
Retained earnings – Beginning of period	17,739,218	21,449,995	19,096,602	21,047,495
Retained earnings - End of period	\$ 19,045,070	\$ 21,235,155	\$ 19,045,070	\$ 21,235,155
Earnings (loss) per share - Basic	\$ 0.04	\$ (0.01)	\$ (0.00)	\$ 0.01
Earnings (loss) per share - Diluted	\$ 0.04	\$ (0.01)	\$ (0.00)	\$ 0.01
Weighted average number of shares outstanding - Basic	34,878,953	34,128,048	34,583,667	34,128,048
Weighted average number of shares outstanding - Diluted	35,035,841	34,128,048	34,763,045	34,202,593

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

Energold Drilling Corp.

Consolidated Statements of Comprehensive Income For the Three and Six Months Ended June 30

Canadian Dollars
Unaudited

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Net earnings (loss)	\$ 1,305,852	\$ (214,840)	\$ (51,532)	\$ 187,660
Other comprehensive income (loss)				
Unrealized gain (loss) on available-for-sale short-term investments (net of taxes)	(227,541)	861,802	(433,378)	994,867
Comprehensive income (loss)	\$ 1,078,311	\$ 646,962	\$ (484,910)	\$ 1,182,527

Energold Drilling Corp.

Consolidated Statements of Cash Flows For the Three and Six Months Ended June 30

Canadian Dollars
Unaudited

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Operating Activities				
Net earnings (loss)	\$ 1,305,852	\$ (214,840)	\$ (51,532)	\$ 187,660
Items not affecting cash				
Amortization	333,139	331,536	674,849	651,315
Bad debt recovery	(75,885)	(608,043)	(127,890)	(859,178)
Dilution gain on investment in IMPACT Silver Corp.	(18,255)	(1,771)	(35,759)	(30,936)
Equity increase in IMPACT Silver Corp.	(17,373)	(54,046)	(95,713)	(35,701)
Future income taxes	463,952	(271,530)	486,754	(570,839)
Gain on acquisition of assets (Note 4)	-	-	(111,825)	-
Loss (gain) on disposal of short-term investments	17,195	-	(94,010)	(2,088)
Stock-based compensation expense	152,942	-	272,850	-
Unrealized loss (gain) on foreign exchange	(763,016)	1,497,288	(224,167)	796,961
Deferred revenue	-	(40,942)	-	(22,907)
Changes in non cash working capital (Note 13)	(3,413,796)	(2,070,470)	(7,769,304)	(1,030,034)
	(2,015,245)	(1,432,818)	(7,075,747)	(915,747)
Investing Activities				
Proceeds on sale of short-term investments	60,367	-	337,307	24,867
Purchase of property, plant and equipment	(324,888)	(391,859)	(1,123,030)	(453,754)
Purchase of short-term investments	(192,500)	(100,000)	(464,574)	(950,000)
Resource property (costs) recoveries	(5,627)	(3,948)	(14,291)	79,970
Restricted cash	67,681	(39,011)	20,079	42,855
	(394,967)	(534,818)	(1,244,509)	(1,256,062)
Financing Activities				
Share capital issued	311,010	-	831,285	-
	311,010	-	831,285	-
Effect of exchange rate changes on cash and cash equivalents	367,112	(982,617)	121,215	(485,159)
Net decrease in cash and cash equivalents	(1,732,090)	(2,950,253)	(7,367,756)	(2,656,968)
Cash and cash equivalents – Beginning of period	12,824,602	22,867,165	18,460,268	22,573,880
Cash and cash equivalents – End of period	\$ 11,092,512	\$ 19,916,912	\$ 11,092,512	\$ 19,916,912

Supplementary cash flow information (Note 13)

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

June 30, 2010

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1. Description of business and nature of operations

Energold Drilling Corp. (the "Company") provides, directly and through its subsidiaries, contract diamond drilling services for parties principally in Mexico, the Caribbean, Central America, South America, Africa and Asia.

The Company also holds mineral exploration properties in Latin America, primarily 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.

2. Summary of significant accounting policies

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles "GAAP" and follow the same accounting policies and methods of their application as the most recent audited annual consolidated financial statements, except as described in Note 3. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at December 31, 2009, as they do not contain all disclosures required by GAAP for annual financial statements. All dollar amounts are disclosed in Canadian currency unless otherwise noted. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries, including:

- Omniterria International Drilling Inc. ("OID") (formerly Kluane International Drilling Inc.) and FMI Technologies Inc. ("FMI") located in Canada;
- Energold de Mexico S.A. de C.V. ("EDM") and Silver Servicios de Personal, S. de R.L. de C.V. ("SSP") located in Mexico;
- Energold Drilling Dominicana, S.A. ("EDD") located in the Dominican Republic;
- Energold Drilling Peru, S.A.C. ("EDP") located in Peru;
- Energold Perfuracoes Ltda. ("EPB") located in Brazil;
- Energold de Chile S.A. ("EDC") located in Chile;
- Energold de Colombia S.A.S. ("EDCOL") located in Colombia;
- Energold de Argentina S.A. ("EDA") located in Argentina; and
- E Global Drilling Corp. ("E Global") located in Barbados.

All intercompany transactions and balances have been eliminated.

3. 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.

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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4. Acquisition of assets

On March 8, 2010 Energold acquired nine drilling rigs, related support equipment and inventories from Envirodrill (UK) Ltd. The acquired assets are primarily located in West Africa. Consideration for the acquired assets included cash, Energold common shares and the assumption of leases related to certain acquired assets as detailed in the table below.

Assets and liabilities acquired	
Inventories	\$ 394,496
Property, plant and equipment	1,271,681
Leases payable	(580,035)
Net assets acquired	\$ 1,086,142
Consideration	
Cash paid or payable	\$ 711,618
Energold common shares issued	262,699
Consideration	\$ 974,317
Gain on acquisition of assets	\$ 111,825

5. Restricted cash

Restricted cash represents funds held at:

	June 30 2010	December 31 2009
Funds held in trust pending investment in third party initial public offering (Note 8b)	\$ 2,000,000	\$ 2,000,000
Other	198,671	218,750
	\$ 2,198,671	\$ 2,218,750

6. Inventories

The cost of inventories recognized as an expense and included in direct drilling costs for the six months ended June 30, 2010 was \$6,599,741 (June 30, 2009 - \$2,755,174).

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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7. Investment in IMPACT Silver Corp. (IMPACT)

At June 30, 2010 the Company owned 6,650,001 (December 31, 2009 - 6,650,001) shares of IMPACT Silver Corp. The Company's interest in IMPACT decreased from 13.74% to 13.56% during the six months ended June 30, 2010 as a result of new shares issued by 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 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, 2008	\$	3,342,632
Equity income for the period		159,409
Reversal of losses on related party drilling revenues		102,979
Dilution gain		55,737
Balance – December 31, 2009	\$	3,660,757
Equity income for the period		130,713
Reversal of profits on related party drilling revenues		(35,000)
Dilution gain		35,759
Balance – June 30, 2010	\$	3,792,229

Based upon period end TSX.V closing market prices of \$1.00 and \$1.17 per share, this investment has a quoted market value of \$6,650,001 at June 30, 2010 and \$7,780,501 at December 31, 2009.

8. Resource properties

a) Details are as follows:

i) At June 30, 2010

	Acquisition Costs (\$)	Deferred Exploration (net of recoveries) (\$)	Sale of Resource Properties (\$)	Accumulated Write-off (\$)	June 30 2010 (\$)
Dominican Republic Concessions					
Actividades Mineras, S.A. ("AMSA")	142,640	190,464	-	-	333,104
Casa Real, S.A. ("Casa")	302,694	629,299	-	-	931,993
Energold Drilling Dominicana, S.A. ("EDD")	1,265,275	2,282,728	(684,074)	(2,743,801)	120,128
	1,710,609	3,102,491	(684,074)	(2,743,801)	1,385,225

ii) At December 31, 2009

	Acquisition Costs (\$)	Deferred Exploration (net of recoveries) (\$)	Sale of Resource Properties (\$)	Accumulated Write-off (\$)	December 31 2009 (\$)
AMSA	142,640	183,833	-	-	326,473
Casa	302,694	624,586	-	-	927,280
EDD	1,265,275	2,279,781	(684,074)	(2,743,801)	117,181
	1,710,609	3,088,200	(684,074)	(2,743,801)	1,370,934

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

June 30, 2010

Canadian Dollars

Unaudited

8. Resource properties - *continued*

b) 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. The Company in turn agreed to invest in an initial public offering (“IPO”) to be undertaken by that CCPC. The \$2.0 million received was 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. In July 2010 the \$2.0 million which had been placed in trust for the benefit of the Company was invested by the Company in shares of the CCPC at a price of \$0.40 per share.

9. Property, plant and equipment

	June 30 2010			December 31 2009		
	Cost \$	Accumulated amortization \$	Net Book Value \$	Cost \$	Accumulated amortization \$	Net Book Value \$
Drilling equipment	12,578,132	4,429,404	8,148,728	10,730,035	3,836,110	6,893,925
Exploration equipment	48,294	45,248	3,046	48,294	45,199	3,095
Vehicles	812,928	275,736	537,192	707,406	229,806	477,600
Office equipment	723,401	420,436	302,965	674,341	384,862	289,479
	14,162,755	5,170,824	8,991,931	12,160,076	4,495,977	7,664,099

10. Share capital

a) Details are as follows:

	Number	Amount
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
Balance – December 31, 2008	34,128,048	\$ 41,035,907
Stock options exercised	15,000	18,000
Fair value assigned to stock options exercised	-	8,246
Balance – December 31, 2009	34,143,048	\$ 41,062,153
Common shares issued for acquisition of assets	107,224	262,699
Stock options exercised	687,000	831,285
Fair value assigned to stock options exercised		375,746
Balance – June 30, 2010	34,937,272	42,531,883

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

June 30, 2010

Canadian Dollars

Unaudited

10. Share capital - continued

b) Contributed surplus

Balance – December 31, 2008	\$	906,261
Fair value of stock options vested		239,816
Value assigned to stock options exercised		(8,246)
Balance – December 31, 2009	\$	1,137,831
Fair value of stock options vested		272,850
Value assigned to stock options exercised		(375,746)
Balance – June 30, 2010	\$	1,034,935

c) Accumulated other comprehensive income (loss)

Balance – December 31, 2008	\$	(12,898)
Unrealized gains on available-for-sale short-term investments		165,683
Balance – December 31, 2009	\$	152,785
Unrealized losses on available-for-sale short-term investments		(433,378)
Balance – June 30, 2010	\$	(280,593)

d) Stock options

The Company has established a stock 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 for issuance, of which 1,284,000 have been allocated at June 30, 2010. 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. The directors, subject to the policies of the TSX Venture Exchange, may determine and impose terms upon how each grant of options shall become vested.

A summary of the Company's stock option plan at June 30, 2010 and the changes for the periods ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At December 31, 2008	713,500	\$1.20
Granted	1,155,000	\$2.01
Exercised	(15,000)	\$1.20
Cancelled	(20,000)	\$1.20
At December 31, 2009	1,833,500	\$1.71
Granted	150,000	\$2.30
Exercised	(687,000)	\$1.21
Cancelled	(12,500)	\$2.01
At June 30, 2010	1,284,000	\$2.04

The following table summarizes information about the stock options outstanding at June 30, 2010:

Exercise Price Per Share	Expiry Date	Options Outstanding	Options Exercisable
\$2.01	October 1, 2014	1,134,000	566,500
\$2.30	May 7, 2015	150,000	37,500

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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10. Share capital - continued

d) Stock options - continued

On October 1, 2009, the Company granted stock options under its Stock Option Plan to directors, officers, and employees exercisable for up to 1,155,000 shares of the Company, with an estimated value of \$959,263 on the grant date. The options are exercisable on or before October 1, 2014 at a price of \$2.01 per share. The options vest 25% on the date of the grant and 12.5% every quarter thereafter.

On May 7, 2010, the Company granted stock options under its Stock Option Plan to employees exercisable for up to 150,000 shares of the Company, with an estimated value of \$140,443 on the grant date. The options are exercisable on or before May 7, 2015 at a price of \$2.30 per share. The options vest 25% on the date of the grant and 12.5% every quarter thereafter.

The Black Scholes Option Pricing Model is used to estimate the fair value of stock options for calculating stock-based compensation expense. The Company recognized a stock-based compensation expense and an increase to contributed surplus based on a grading vesting schedule using the assumptions as follows:

Date Granted	October 1, 2009	May 7, 2010
Number of options granted	1,155,000	150,000
Risk-free interest rate	1.83%	2.19%
Expected dividend yield	Nil	Nil
Expected stock price volatility	60%	60%
Expected option life in years	3	3

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.

The total fair value of stock-based compensation expense on stock options granted to employees and consultants of the Company for the three months ended June 30, 2010 is \$152,942 (Q2 2009 - \$nil) and for the six months ended June 30, 2010 is \$272,850 (H1 2009 - \$nil).

11. Related party transactions

Related party transactions are recorded at the exchange amount which is the amount of consideration paid or received as agreed by the parties. Related party transactions are as follows:

- a) During the six months ended June 30, 2010, legal fees in the amount of \$137,686 (June 30, 2009 - \$102,605) were accrued or paid to a firm related to a director.
 - b) During the six months ended June 30, 2010, fees in the amount of \$1,027,565 (June 30, 2009 - \$1,241,921) were charged to IMPACT for contract drilling services performed in Mexico. At June 30, 2010 \$448,249 (December 31, 2009 - \$274,902) was due from IMPACT for contract drilling, exploration and administrative services provided by the Company. These services were provided in the normal course of business at similar rates offered to other companies. Monies owed to the Company are unsecured, non-interest bearing and without specific repayment terms. Management anticipates that the amount will be repaid within one year and accordingly it has been classified as current. The profit of \$35,000 in the six months ended June 30, 2010 on drilling services provided to IMPACT has been eliminated from these financial statements.
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Energold Drilling Corp.

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12. Commitments

- a) The Company has signed a lease for office premises which commenced June 1, 2007 and ends May 31, 2010. Lease obligations, net of operating costs, are \$112,185 per year during this period. In July 2008, the Company signed a second lease for office premises which commenced July 15, 2008 and ends May 31, 2010. Lease obligations, net of operating costs, are \$130,200 per year during this period. On April 30, 2010, both of these leases were extended at the same rates until May 31, 2013.
- 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) As part of the acquisition of the Envirodrill assets (*Note 4*) the Company assumed leases related to a limited number of these assets. At June 30, 2010 the lease obligations total \$505,127 of which \$247,657 is current and is included in accounts payable and \$257,470 is long-term.

13. Additional information to the statements of cash flows

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Changes in non-cash working capital:				
Accounts receivable and prepaid expenses	\$ (2,287,493)	\$ (1,394,546)	\$ (5,129,416)	\$ 922,032
Due from IMPACT Silver Corp.	76,364	(6,413)	(164,960)	(189,146)
Income taxes receivable	2,745	(40,550)	(162,159)	(150,187)
Inventories	(1,176,650)	(702,697)	(3,594,585)	(1,029,439)
Accounts payable and accrued liabilities	(154,303)	386,971	1,197,273	(628,361)
Income taxes payable	(55,253)	34,835	38,295	(88,277)
Deferred revenue	178,878	(340,239)	46,107	140,099
Future income taxes	1,916	(7,831)	141	(6,755)
	<u>\$ (3,413,796)</u>	<u>\$ (2,070,470)</u>	<u>\$ (7,769,304)</u>	<u>\$ (1,030,034)</u>
Income taxes paid:	\$ 202,971	\$ 445,584	\$ 445,719	\$ 896,168
Shares issued for property, plant and equipment	\$ -	\$ -	\$ 262,699	\$ -

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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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, to meet external capital requirements on credit facilities and to support any growth plans.

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 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 (loss), share capital, warrants, contributed surplus and retained earnings.

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 to a minimal level, 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.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient cash and cash equivalents to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

15. Financial instruments

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 June 30, 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.

Energold Drilling Corp.

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Canadian Dollars
Unaudited

15. Financial instruments – continued

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. At June 30, 2010 the Company's accounts payable, accrued liabilities and income taxes payable were \$5.2 million, all of which fall due for payment within twelve months of the balance sheet date. The Company has minimal long-term commitments (*Note 12*).

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 June 30, 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 June 30, 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 at June 30, 2010.

Energold Drilling Corp.

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Unaudited

16. Segmented information

The Company has four reportable segments based on geographic area: Mexico, the Caribbean, and Central America; South America; Africa, Asia and Other; and Canada (Corporate). Details are as follows:

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Revenue by geographic area				
Mexico, Caribbean, Central America	\$ 6,304,505	\$ 3,507,689	\$ 11,619,967	\$ 5,649,760
South America	4,321,171	1,681,214	6,396,657	3,294,120
Africa, Asia and Other	2,283,009	1,073,196	2,964,423	1,168,723
	\$ 12,908,685	\$ 6,262,099	\$ 20,981,047	\$ 10,112,603
Net (loss) income by geographic area				
Mexico, Caribbean, Central America	\$ 1,581,090	\$ 1,101,821	\$ 2,818,075	\$ 1,657,554
South America	586,473	64,793	(253,159)	238,905
Africa, Asia and Other	206,133	426,238	177,080	88,333
Canada	(1,067,844)	(1,807,692)	(2,793,528)	(1,797,132)
	\$ 1,305,852	\$ (214,840)	\$ (51,532)	\$ 187,660
Amortization by geographic area				
Mexico, Caribbean, Central America	\$ 132,895	\$ 125,768	\$ 262,057	\$ 242,348
South America	61,182	74,096	141,656	137,698
Africa, Asia and Other	68,514	57,991	136,653	115,048
Canada	70,548	73,681	134,483	156,221
	\$ 333,139	\$ 331,536	\$ 674,849	\$ 651,315
Property, plant and equipment additions by geographic area				
Mexico, Caribbean, Central America	\$ 371,837	\$ 184,792	\$ 657,512	\$ 221,669
South America	(98,350)	388,365	34,478	389,588
Africa, Asia and Other	15,584	63,454	1,156,134	735,831
Canada	(39,093)	(244,752)	154,554	(893,334)
	\$ 249,978	\$ 391,859	\$ 2,002,678	\$ 453,754
Assets by geographic area				
			June 30	December 31
			2010	2009
Mexico, Caribbean, Central America			\$ 24,897,889	\$ 20,308,428
South America			20,969,327	18,814,309
Africa, Asia and Other			7,860,995	5,383,433
Canada			18,419,830	24,406,666
			\$ 72,148,041	\$ 68,912,836
Property, plant and equipment by geographic area				
Mexico, Caribbean, Central America			\$ 3,271,703	\$ 2,842,080
South America			1,700,789	1,181,498
Africa, Asia and Other			2,676,179	1,266,585
Canada			1,343,260	2,688,533
			\$ 8,991,931	\$ 7,978,696
Goodwill by geographic area				
South America			\$ 1,710,000	\$ 1,710,000