

ENERGOLD DRILLING CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 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	September 30 2010	December 31 2009
Current		
Cash and cash equivalents	\$ 9,298,376	\$ 18,460,268
Restricted cash (Note 5)	205,481	2,218,750
Accounts receivable and prepaid expenses	14,791,440	6,922,090
Due from IMPACT Silver Corp. (Note 11b)	704,978	274,902
Income taxes receivable	615,368	594,289
Short-term investments	3,707,943	1,412,493
Inventories (Note 6)	28,003,898	23,629,283
	<u>57,327,484</u>	<u>53,512,075</u>
Investment in IMPACT Silver Corp. (Note 7)	3,879,028	3,660,757
Resource properties (Note 8)	1,364,990	1,370,934
Property, plant and equipment (Note 9)	9,728,943	7,664,099
Goodwill	1,710,000	1,710,000
Future income taxes	994,971	994,971
	<u>\$ 75,005,416</u>	<u>\$ 68,912,836</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 5,376,642	\$ 3,569,728
Income taxes payable	87,203	69,444
Deferred revenue	1,150,573	506,647
Future income taxes	3,869,265	2,847,617
	<u>10,483,683</u>	<u>6,993,436</u>
Future income taxes	470,171	470,029
Leases payable	243,965	-
	<u>11,197,819</u>	<u>7,463,465</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 10a)	42,557,175	41,062,153
Contributed surplus (Note 10b)	1,165,130	1,137,831
Accumulated other comprehensive income (Note 10c)	201,381	152,785
Retained earnings	19,883,911	19,096,602
	<u>63,807,597</u>	<u>61,449,371</u>
	<u>\$ 75,005,416</u>	<u>\$ 68,912,836</u>

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 Nine Months Ended September 30

Canadian Dollars

Unaudited

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Revenue from drilling contracts	\$ 16,358,959	\$ 6,407,904	\$ 37,340,006	\$ 16,520,507
Direct drilling costs	12,310,718	5,036,079	29,026,513	11,992,014
	4,048,241	1,371,825	8,313,493	4,528,493
Indirect and administrative expenses				
Accounting, audit and legal	222,250	106,112	566,248	449,718
Amortization	354,905	319,108	1,029,754	970,423
Bad debt expense (recovery)	25,665	(34,791)	(102,225)	(893,969)
Investor relations, promotion and travel	99,708	112,686	322,288	313,952
Management fees and consulting	71,741	91,926	440,848	294,192
Office, rent, insurance and sundry	262,697	252,498	873,441	769,761
Office salaries and services	1,006,094	673,901	2,575,145	1,776,366
Stock-based compensation	135,387	-	408,237	-
	2,178,447	1,521,440	6,113,736	3,680,443
Earnings (loss) before the following	1,869,794	(149,615)	2,199,757	848,050
Other income (expenses)				
Dilution gain on investment in IMPACT Silver Corp. – (Note 7)	14,624	14,982	50,383	45,918
Equity increase (reduction) in IMPACT Silver Corp. – (Note 7)	72,175	108,222	167,888	143,923
Foreign exchange gain (loss)	(378,885)	(1,262,534)	(160,364)	(1,991,938)
Gain on acquisition of assets (Note 4)	-	-	111,825	-
Gain (loss) on disposal of short-term investments	(6,288)	(18,328)	87,722	(16,239)
Loss on disposal of asset	(7,374)	-	(7,374)	-
Other income (expense)	(43,318)	89,440	(23,916)	105,468
	(349,066)	(1,068,218)	226,164	(1,712,868)
Earnings (loss) before taxes	1,520,728	(1,217,833)	2,425,921	(864,818)
Current income taxes	(186,154)	657,483	(656,125)	(78,711)
Future income taxes	(495,733)	(1,019,202)	(982,487)	(448,363)
Net earnings (loss)	838,841	(1,579,552)	787,309	(1,391,892)
Retained earnings – Beginning of period	19,045,070	21,235,155	19,096,602	21,047,495
Retained earnings - End of period	\$ 19,883,911	\$ 19,655,603	\$ 19,883,911	\$ 19,655,603
Earnings (loss) per share - Basic	\$ 0.02	\$ (0.05)	\$ 0.02	\$ (0.04)
Earnings (loss) per share - Diluted	\$ 0.02	\$ (0.05)	\$ 0.02	\$ (0.04)
Weighted average number of shares outstanding - Basic	34,937,598	34,129,841	34,702,941	34,128,652
Weighted average number of shares outstanding - Diluted	35,178,170	34,417,459	34,901,746	34,293,267

- 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 Nine Months Ended September 30

Canadian Dollars

Unaudited

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Net earnings (loss)	\$ 838,841	\$ (1,579,552)	\$ 787,309	\$ (1,391,892)
Other comprehensive income (loss)				
Unrealized gain (loss) on available-for-sale short-term investments (net of taxes)	481,974	(653,499)	48,596	341,368
Comprehensive income (loss)	\$ 1,320,815	\$ (2,233,051)	\$ 835,905	\$ (1,050,524)

Energold Drilling Corp.

Consolidated Statements of Cash Flows For the Three and Nine Months Ended September 30

Canadian Dollars
Unaudited

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Operating Activities				
Net earnings (loss)	\$ 838,841	\$ (1,579,552)	\$ 787,309	\$ (1,391,892)
Items not affecting cash				
Amortization	354,905	319,108	1,029,754	970,423
Bad debt expense (recovery)	25,665	(34,791)	(102,225)	(893,969)
Dilution gain on investment in IMPACT Silver Corp.	(14,624)	(14,982)	(50,383)	(45,918)
Equity increase in IMPACT Silver Corp.	(72,175)	(108,222)	(167,888)	(143,923)
Future income taxes	495,733	1,019,202	982,487	448,363
Gain on acquisition of assets (Note 4)	-	-	(111,825)	-
Loss on disposal of asset	7,374	-	7,374	-
Loss (gain) on disposal of short-term investments	6,288	18,328	(87,722)	16,239
Stock-based compensation expense	135,387	-	408,237	-
Unrealized loss on foreign exchange	344,532	1,106,357	120,361	1,903,318
Deferred revenue	-	(484,390)	-	(507,297)
Changes in non-cash working capital (Note 13)	(2,649,024)	797,174	(10,418,328)	(232,861)
	(527,098)	1,038,232	(7,602,849)	122,483
Investing Activities				
Proceeds on sale of asset	12,474	-	12,474	-
Proceeds on sale of short-term investments	126,083	3,856	463,390	28,723
Purchase of property, plant and equipment	(1,162,018)	(423,663)	(2,285,048)	(877,416)
Purchase of short-term investments	(2,120,000)	(334,610)	(2,584,574)	(1,284,610)
Resource property (costs) recoveries	20,235	(5,499)	5,944	74,471
Restricted cash	1,993,190	19,089	2,013,269	61,944
	(1,130,036)	(740,827)	(2,374,545)	(1,996,888)
Financing Activities				
Share capital issued	20,100	18,000	851,385	18,000
	20,100	18,000	851,385	18,000
Effect of exchange rate changes on cash and cash equivalents	(157,102)	(796,515)	(35,883)	(1,281,673)
Net decrease in cash and cash equivalents	(1,794,136)	(481,110)	(9,161,892)	(3,138,078)
Cash and cash equivalents – Beginning of period	11,092,512	19,916,912	18,460,268	22,573,880
Cash and cash equivalents – End of period	\$ 9,298,376	\$ 19,435,802	\$ 9,298,376	\$ 19,435,802

Supplementary cash flow information (Note 13)

Energold Drilling Corp.

Notes to the Consolidated Financial Statements

September 30, 2010

Canadian Dollars

Unaudited

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:

- Omniterra 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.R.L. de C.V. ("SSP") located in Mexico;
- Energold Drilling Dominicana, S. de R.L.. ("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:

	September 30 2010	December 31 2009
Funds held in trust pending investment in third party initial public offering (Note 8b)	\$ -	\$ 2,000,000
Other	205,481	218,750
	\$ 205,481	\$ 2,218,750

6. Inventories

The cost of inventories recognized as an expense and included in direct drilling costs for the nine months ended September 30, 2010 was \$11,904,486 (September 30, 2009 - \$5,251,574).

Energold Drilling Corp.

Notes to the Consolidated Financial Statements September 30, 2010

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7. Investment in IMPACT Silver Corp. (IMPACT)

At September 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 nine months ended September 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		180,864
Reversal of profits on related party drilling revenues		(12,976)
Dilution gain		50,383
Balance – September 30, 2010	\$	3,879,028

Based upon period end TSX.V closing market prices of \$1.10 and \$1.17 per share, this investment has a quoted market value of \$7,315,001 at September 30, 2010 and \$7,780,501 at December 31, 2009.

8. Resource properties

a) Details are as follows:

i) At September 30, 2010

	Acquisition Costs (\$)	Deferred Exploration (net of recoveries) (\$)	Sale of Resource Properties (\$)	Accumulated Write-off (\$)	Sept 30 2010 (\$)
Dominican Republic Concessions					
Actividades Mineras, S.A. ("AMSA")	142,640	193,132	-	-	335,772
Casa Real, S.A. ("Casa")	302,694	631,719	-	-	934,413
Energold Drilling Dominicana, S.A. ("EDD")	1,265,275	2,257,405	(684,074)	(2,743,801)	94,805
	1,710,609	3,082,256	(684,074)	(2,743,801)	1,364,990

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 September 30, 2010

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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. In July 2010 the Company completed the transfer arrangements with respect to the La Parcela Concession and the CCPC agreed to the release of the \$2.0 million of restricted cash funds through an investment in shares of the CCPC at a price of \$0.40 per share. The shares acquired are now included in short-term investments.

9. Property, plant and equipment

	Cost \$	Accumulated amortization \$	Sept 30 2010 Net Book Value \$	Cost \$	Accumulated amortization \$	December 31 2009 Net Book Value \$
Drilling equipment	13,176,858	4,500,287	8,676,571	10,730,035	3,836,110	6,893,925
Exploration equipment	48,294	45,274	3,020	48,294	45,199	3,095
Vehicles	1,035,745	295,337	740,408	707,406	229,806	477,600
Office equipment	749,408	440,464	308,944	674,341	384,862	289,479
	15,010,305	5,281,362	9,728,943	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	697,000	851,385
Fair value assigned to stock options exercised	-	380,938
Balance – September 30, 2010	34,947,272	\$ 42,557,175

Energold Drilling Corp.

Notes to the Consolidated Financial Statements September 30, 2010

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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		408,237
Value assigned to stock options exercised		(380,938)
Balance – September 30, 2010	\$	1,165,130

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 gains on available-for-sale short-term investments		48,596
Balance – September 30, 2010	\$	201,381

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 1,274,000 have been allocated at September 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 September 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	(697,000)	\$1.22
Cancelled	(12,500)	\$2.01
At September 30, 2010	1,274,000	\$2.04

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

Exercise Price Per Share	Expiry Date	Options Outstanding	Options Exercisable
\$2.01	October 1, 2014	1,124,000	690,875
\$2.30	May 7, 2015	150,000	56,250

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 September 30, 2010 is \$135,387 (Q3 2009 - \$nil) and for the nine months ended September 30, 2010 is \$408,237 (September 30, 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 nine months ended September 30, 2010, legal fees in the amount of \$244,917 (September 30, 2009 - \$110,220) were accrued or paid to a firm related to a director.
 - b) During the nine months ended September 30, 2010, fees in the amount of \$1,544,367 (September 30, 2009 - \$1,733,781) were charged to IMPACT for contract drilling services performed in Mexico. At September 30, 2010 \$704,978 (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 \$12,976 in the nine months ended September 30, 2010 on drilling services provided to IMPACT has been eliminated from these financial statements.
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Energold Drilling Corp.

Notes to the Consolidated Financial Statements

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12. Commitments

- a) The Company has signed a lease for office premises until May 31, 2013. Lease obligations, net of operating costs, are \$242,385 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) As part of the acquisition of the Envirodrill assets (*Note 4*) the Company assumed leases related to a limited number of these assets. At September 30, 2010 the lease obligations total \$454,874 of which \$210,909 is current and is included in accounts payable and \$243,965 is long-term.

13. Additional information to the statements of cash flows

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Changes in non-cash working capital:				
Accounts receivable and prepaid expenses	\$ (2,706,880)	\$ 796,095	\$ (7,836,296)	\$ 1,718,127
Due from IMPACT Silver Corp.	(270,323)	521,141	(435,283)	331,996
Income taxes receivable	137,360	(195,233)	(24,798)	(345,420)
Inventories	(780,030)	(601,626)	(4,374,615)	(1,631,065)
Accounts payable and accrued liabilities	380,882	126,090	1,578,154	(502,271)
Income taxes payable	(23,297)	(409,970)	14,998	(498,247)
Deferred revenue	613,264	472,974	659,371	613,072
Future income taxes	-	87,703	141	80,947
	\$ (2,649,024)	\$ 797,174	(10,418,328)	(232,861)
Income taxes paid:	\$ 73,705	\$ 104,528	\$ 519,424	\$ 1,000,696
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 September 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 September 30, 2010 the Company's accounts payable, accrued liabilities and income taxes payable were \$5.5 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 September 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 September 30, 2010, a 5% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate \$0.6 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 September 30, 2010.

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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 September 30		Nine months ended September 30	
	2010	2009	2010	2009
Revenue by geographic area				
Mexico, Caribbean, Central America	\$ 7,175,417	\$ 3,421,201	\$ 18,795,384	\$ 9,070,961
South America	5,587,032	2,113,833	11,983,689	5,407,953
Africa, Asia and Other	3,596,510	872,870	6,560,933	2,041,593
	\$ 16,358,959	\$ 6,407,904	\$ 37,340,006	\$ 16,520,507
Net earnings (loss) by geographic area				
Mexico, Caribbean, Central America	\$ 808,797	\$ 760,153	\$ 3,626,872	\$ 2,417,707
South America	1,126,393	292,500	873,234	531,405
Africa, Asia and Other	1,037,017	264,863	1,214,097	353,196
Canada	(2,133,366)	(2,897,068)	(4,926,894)	(4,694,200)
	\$ 838,841	\$ (1,579,552)	\$ 787,309	\$ (1,391,892)
Amortization by geographic area				
Mexico, Caribbean, Central America	\$ 154,161	\$ 128,437	\$ 416,218	\$ 370,785
South America	79,836	69,135	221,492	206,833
Africa, Asia and Other	48,997	48,736	185,650	163,784
Canada	71,911	72,800	206,394	229,021
	\$ 354,905	\$ 319,108	\$ 1,029,754	\$ 970,423
Property, plant and equipment additions by geographic area				
Mexico, Caribbean, Central America	\$ 1,255,442	\$ 356,137	\$ 1,912,954	\$ 577,805
South America	95,490	47,879	129,968	437,466
Africa, Asia and Other	-	1,477	1,156,133	737,308
Canada	(239,165)	18,170	(84,610)	(875,163)
	\$ 1,111,767	\$ 423,663	\$ 3,114,445	\$ 877,416
Assets by geographic area				
			September 30	December 31
			2010	2009
Mexico, Caribbean, Central America			\$ 27,132,094	\$ 20,308,428
South America			21,281,240	18,814,309
Africa, Asia and Other			8,885,547	5,383,433
Canada			17,706,535	24,406,666
			\$ 75,005,416	\$ 68,912,836
Property, plant and equipment by geographic area				
Mexico, Caribbean, Central America			\$ 4,353,133	\$ 2,876,244
South America			1,716,444	1,807,968
Africa, Asia and Other			2,627,181	1,656,698
Canada			1,032,185	1,323,189
			\$ 9,728,943	\$ 7,664,099
Goodwill by geographic area				
South America			\$ 1,710,000	\$ 1,710,000

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17. Subsequent events

On October 21, 2010 the Company granted incentive stock options under its Stock Option Plan to directors, officers, employees and consultants exercisable for 1,280,000 shares of the Company. The options are exercisable on or before October 20, 2015 at a price of \$3.45 per share.
