Energold Drilling Corp.

Form 51-102F1
Management's Discussion and Analysis
For the Three Months Ended March 31, 2011

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the significant factors that have affected Energold Drilling Corp. and its subsidiaries' ("Energold" or the "Company") performance and such factors that may affect future performance. For a comprehensive understanding of Energold's financial condition and results of operations, this MD&A should be read in conjunction with the Company's consolidated financial statements for the Three Months ended March 31, 2011 and the related notes contained therein, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the first time this quarter. All amounts referred to herein are in Canadian dollars unless otherwise specified. The Company's accounting policies have changed and the presentation, financial statement captions and the terminology used in this MD&A and the accompanying unaudited consolidated interim financial statements differ from those used in all previously issued financial statements and quarterly and annual reports. 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 a diamond drilling contractor primarily serving the mining and mineral exploration industries in three geographic segments: Mexico, the Caribbean and Central America; South America; 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. These rigs are particularly successful in exploration in "frontier" areas, that for reasons of social and environmental impact are sensitive or where a lack of infrastructure makes it difficult to operate. In January of 2011, the Company acquired the shares and have taken over the business operations of Dando Drilling International Ltd. ("Dando"), headquartered in the United Kingdom. Dando designs and manufactures specialty/customized drilling rigs and associated equipment for water well, mineral exploration and geotechnical drilling companies. Energold also holds mineral exploration properties in the Dominican Republic and Mexico, both directly and through the 6.87 million shares that it holds in IMPACT Silver Corp. ("IMPACT"). The Company's interest in IMPACT, an operating silver mine in Mexico, 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. Over the last five 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 right through to include most of 2010. The Company has seen an increasing level of interest for its services since the latter part of 2010 and into 2011. 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 and while exploration budgets were dramatically reduced in early 2009, we have seen 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 through 2011. The junior explorers have also been able to raise substantial amounts of funding in the last year and are re-entering the market looking for drill rigs. As demand has continued to increase throughout 2010 and early in 2011 we are beginning to see drilling price increases and we expect this to continue in 2011. The industry is also starting to reach capacity and as a result the costs related to certain inputs are starting to inflate.

OVERALL PERFORMANCE

Energold drilled 125,800 meters in the first quarter, up 132% from 54,300 meters in the first quarter of 2010 and 22% over the previous record of 103,400 meters in the fourth quarter of 2010. While this is traditionally one of the slower quarters, the first quarter maintained the current trend of growth in demand as the Company has drilled an increasing number of meters over the last eight quarters and is on track to continue this trend through most of 2011.

Revenues in the first quarter of 2011 were $22.7 million, up 182% from $8.1 million in the first quarter of 2010 and up 32% from $17.3 million in the fourth quarter of 2010 demonstrating the general recovery we are seeing in the industry as a whole. Average revenue per meter increased to $181 in the first quarter of 2011 from $148 in the comparative quarter of 2010 despite a continuing strong Canadian dollar. The Company also included $1.3 million in sales from its newly acquired manufacturing arm Dando Drilling Corp in the UK.

Gross margin[1] percentage remains sensitive to the character of the projects the Company drills and to the utilization of its drilling rigs. Gross margin percentage was 28.3% in the first quarter of 2011, compared to 14.7% in the first quarter of 2010 and 21.1% for the year 2010. In 2010 pricing remained under pressure during the year and the Company's overall mix of drilling included a greater portion of highly competitive mine site drilling than historically. In 2011 margins are starting to reflect increasing demand and additional rigs being committed to "frontier" projects. As expected, as demand for drilling increases, and as a percentage especially in the frontier areas, the Company expects to see further increasing average prices and improving margins. Margins for manufacturing activities were approximately 22% in the first quarter.

The Company had net earnings of $1.9 million in the first quarter of 2011 ($0.05 per share – basic and diluted) compared to a net loss of $1.3 million ($0.04 per share – basic and diluted) in the first quarter of 2010.

On December 23rd, the Company closed a bought deal private placement financing. A total of 4,662,162 units of the Company at a price of $3.70 per unit, for an aggregate gross proceeds of $17.25 million were issued pursuant to an underwriting agreement between the Company and each of Jennings Capital Inc., as lead underwriter, Clarus Securities Inc., TD Securities Inc. and Beacon Securities Limited. Each unit consists of one common share and one half of one common share purchase warrant. Each unit warrant is exercisable to acquire one common share of the Company at $4.50 per share at any time until the 23rd of March 2012.

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

The underwriters were paid a cash commission equal to 6.0% of the aggregate gross proceeds of the offering. The underwriters were also granted non-transferable compensation options to purchase 279,729 units, consisting of one share and one half share purchase warrant. Each compensation option entitles the holder to acquire one unit at an exercise price of $3.70 at any time until the 23rd of March 2012. All securities issued under the offering were subject to a four-month hold period expiring on April 24, 2011.

Energold has an extremely strong balance sheet with a working capital position of $63.8 million and cash and cash equivalents of $22.4 million at March 31, 2011. 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 2011	Mar 31 2010	% Change	**Mar 31 2011**	Dec 31 2010	% Change
Revenue ($000s)	**22,731**	8,072	+182%	**22,731**	17,252	+32%
Gross margin[2] ($000s)	**6,422**	1,190	+440%	**6,422**	3,216	+100%
Gross margin percentage	**28.3%**	14.7%	92%	**28.6%**	18.6%	52%
Net earnings (loss) ($000s)	**1,856**	(1,253)	248%	**1,856**	751	+147%
Earnings (loss) per share – basic and diluted ($)	**0.05**	(0.04)	225%	**0.05**	0.02	+150%
Meters drilled	**125,800**	54,300	+132%	**125,800**	103,400	+22%

	Mar 31 2011	Dec 31 2010	Sept 30 2010	June 30 2010	Mar 31 2010	Dec 31 2009	Sept 30 2009	June 30 2009
Drill rig fleet	**110**	103	100	94	91	80	79	78
Meters drilled	**125,800**	103,400	102,500	86,000	54,300	50,100	43,500	20500

OUTLOOK AND BUSINESS STRATEGY

Drilling

Demand for drilling services worldwide is continuing to increase. However the Company cautions that actual results may vary substantially from all forward-looking information in this MD&A. The Company has seen drilling activity and revenues increase each quarter in 2010 and this trend continued into the first quarter of 2011. The positive trend is expected to continue as prices for gold and other precious metals maintain relatively high. Lower levels of demand in 2009 compared to 2008 increased competitive pressures. Consequently pricing and margins were lower in 2009 and the lower pricing environment has carried forward into 2010. The Company's mix, or types of drilling programs also changed in both the current and prior year. In 2008 a significant portion of the drilling was completed in frontier areas and these programs typically command higher margins. In 2010 frontier drilling represented only a small portion of the Company's contracts. As demand strengthened throughout 2010 a small portion of the Company's work returned to frontier drilling and as a result the Company is experiencing a small increase in drilling rates in 2011. The Company's client mix also changed substantially during the same period, as major and intermediate producers dominated the drilling market

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

during 2010. During that year a favourable investment market, especially for those companies involved in commodities, enabled a number of "juniors" to complete financings and once again initiate exploration programs. The Company expects that as a result a larger percentage of its drilling in 2011 will be for juniors with lower sensitivity to pricing and more focus on performance.

Energold remains open to exploring opportunistic acquisitions. However the Company's primary focus continues to be on organic growth through new rig development and expansion into new markets. The Company is seeing renewed interest in its traditional markets as well as in new markets such as West Africa. Certain markets rebounded quickly in the first half of 2010 and in those markets rig utilization approached traditional levels. Other markets are responding more slowly to the improving economic climate and thus in 2011 the Company is redeploying a number of its rigs from these areas to service the more active markets.

The Company specializes in highly portable drills allowing it to take on the less competitively bid frontier drilling. Building on those contracts the Company has been adding more conventional rigs as demand requires. Energold has determined to continue to expand at an aggressive rate identifying what it believes are markets which it can dominate both geographically and technically. 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 is reacting to the stronger demand for drilling services.

Mexico, the Caribbean and Central America

This is currently the strongest market for the Company with over 35 rigs located in the region. Originally pioneered with its "S" style rigs, which still constitute the majority of the fleet, the Company is introducing underground rigs and larger conventional rigs to meet our clients' demands. The market is especially strong and in particular in Mexico where the Company has a regional office in Mexico City with a major depot in Chihuahua to service field operations. Approximately one half of the meters drilled in the quarter were in this market area. The Company expects to add five to ten rigs in this market in 2011.

South America

The Company is working in Brazil, Colombia, Peru, Chile and Argentina with approximately 30 drill rigs and meters drilled were approximately 1/3 of the total meters. While one of our strongest markets in South America in 2008 was Peru, it suffered one of the most dramatic declines in 2009 and 2010. This market is once again starting to grow and for 2011 looks extremely strong. Demand in Brazil remains strong, although operating costs there are high and regulations complex. As a result rates per meter tend to be higher and margins are fairly tight. Argentina, our most successful new market in the region, experienced very rapid growth in 2010 and into the first quarter of 2011. In each of these markets our primary rig is the "S" style rig servicing some of the more difficult and remote programs, and for 2011 the Company anticipates adding a further eight to twelve rigs into this market.

Africa/Other

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 brought strong technical and operational expertise to the Energold team. Through this purchase, the Company acquired nine diamond and reverse circulation drill rigs, related support equipment, inventories and existing contracts. In addition to purchasing the drilling assets, Energold retained the drilling operational team and entered into a management services agreement to allow the Company to utilize administrative and logistics personnel and existing facilities.

The addition of these new managers, drilling crews and equipment to the Energold team has gone very well to date. The acquisition allowed Energold to set up quickly with a strong team on the ground and drilling contracts in place in West Africa and Madagascar which are strong, growing markets in which there is great opportunity. The Company subsequently added additional rigs and combined with other rigs in Southern Africa and now has over 30 rigs on the continent. Utilization in this market was relatively low for the quarter as a number of older rigs had to be relocated to new markets and the newly built rigs delivered to their new projects. While most of the latest additions are "S" style rigs the Company has a mix of rigs from reverse circulation to conventional rigs as well as multi-purpose rigs in the market. The Company expects to add a further ten to twelve rigs into this general market in 2011 comprised of a mixture of rig types that are necessary to service the local markets.

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 $0.5 million. Consideration for these assets included Energold common shares valued at $0.3 million and cash of $0.8 million. In 2010, Energold recognized an accounting gain of $0.04 million on the transaction.

In addition to the nine rigs acquired via the Envirodrill transaction, Energold took delivery of thirteen new surface drilling rigs in 2010, and one new underground rig bringing the rig count to 103 at December 31, 2010. In the first quarter of 2011, the Company added seven rigs and has another 5 rigs on order. The Company still anticipates adding between 20 and 30 drill rigs this year however a priority will be given to markets where utilization rates reach historic percentages or to service specific demand. The Company has also continued programs with certain clients that require bigger rigs in addition to our traditional man portable units and is working to develop more traditional rigs that still retain a high degree of mobility. The Company is continuing a modification program to increase the capability of its standard Series II and Series III rigs.

The Company is developing additional technical ability in complementary activities including underground drilling. Included in the 2011 total rig count are six underground rigs. The expansion into underground drilling was 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 90% of the same equipment and supplies as our surface rigs. This substantially reduces crew training time and inventory requirements.

Manufacturing

In January of 2011, the Company acquired the shares and have taken over the business operations of Dando Drilling International Ltd. ("Dando"), headquartered in the United Kingdom. The Dando team has a long and proven track record of profitably designing and manufacturing specialty/customized drilling rigs and associated equipment for water well, mineral exploration and geotechnical drilling companies operating throughout the world. In the past, Dando has also supplied water well drilling services to many international institutions.

Through this purchase, Energold has acquired all the outstanding shares of Dando for Pound Sterling ("GBP") 50,000 (CDN$79,000) and assumed certain creditor debt and transaction costs.

Energold retained the key employees and provided stock and/or stock options incentive compensation in Energold that collectively consists of restricted shares (CDN$160,000) and 150,000 share options priced at market (CDN$4.19 per share). With the acquisition of Dando, the Energold Group has added a staff of 30 comprised of senior management, engineers, administrative and hourly production employees.

Energold's strategic objective is to profitably expand Dando's core business; source additional rigs to broaden Energold's scope of services to selected customers in appropriate geographic regions; work with Dando's team of engineers to develop and supply next generation drilling rigs for Energold, and capitalize on Dando's extensive experience and expertise to build a separate water well drilling services division for Energold.

The Dando team will provide Energold with an expanded core nucleus of operations and experience that will enable the Energold Group to broaden its scope of services offered to customers and expand its geographic coverage to take advantage of the growing global opportunities in the drilling industry.

In the first half of 2011, Energold expects to experience limited operating losses at Dando while old contracts are being completed and new orders for new equipment is being met. Total sales for the quarter were $1.3 million while operating margins were approximately 23% or $.3 million. Dando experienced a quarterly loss of $0.6 million, which included a number of non-reoccurring expenses and was fully consolidated in the group's results.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2011 Compared to the Three Months Ended March 31, 2010

Net earnings for the first quarter ended March 31, 2011 were $1.9 million ($0.05 per share – basic and diluted), compared to a net loss of $1.3 million ($0.04 per share – basic and diluted) in the first quarter of 2010.

Net earnings for the first quarter ended March 31, 2011 were impacted by the following factors:

- Revenues increased to $22.7 million in the first quarter of 2011, up from $8.1 million in the first quarter of 2010 a 182% increase. The increase in revenues is a result of the significant increase in drilling activity in 2011 as compared to 2010. Average revenue per meter increased to $181 in the first quarter of 2011 as compared to $148 in the first quarter of 2010. The increase in revenue per meter is a result of general price increases as well as an increase in higher priced frontier drilling. The Canadian dollar strengthened against the U.S. dollar by 3% in the first quarter of 2011 as compared to the first quarter of 2010 which dampened the effect of higher U.S. dollar rates on revenues. Consolidated revenue for 2011 included $1.3 million from manufacturing, whereas there was no comparable activity in 2010.

- Gross margin increased to $6.4 million in the first quarter of 2011, up 440% from $1.2 million in the first quarter of 2010. Gross margin percentage was 28.3% in the first quarter of 2011 compared to 14.7% in the first quarter of 2010. Gross margin percentage increased in the first quarter of 2011 as compared to the first quarter of 2010 primarily due to a 22% increase in revenue per meter compared to a 2.3% increase in costs per meter; however gross margins remain below historical levels. Prices per meter in the first quarter of 2011 improved as the Company experienced a change in the industry mix with the addition of higher margin frontier drilling. Operating costs were experiencing upward pressure but a portion of these costs were passed to the clients. As worldwide drilling demand increases through 2011 it is expected that prices for drilling services will continue to rise.

- Indirect and administrative expenses increased to $4.0 million in the first quarter of 2010, up from $2.0 million in the first quarter of 2010. As a percentage of revenue, indirect and administrative expenses fell to 17.7% in 2011 from 25.4% in 2010. Office salaries and services increased by $0.7 million in the first quarter of 2011 as compared to the first quarter of 2010 as a result of the significantly higher level of business activity and the inclusion of Dando operations. Non-cash share-based payment was $0.5 million in the first quarter of 2011 up from $0.2 million in the first quarter of 2010. Management fees and consulting increased to $0.6 million in 2011 from $0.3 million in 2010 due to compliance, acquisition activities and international reporting requirements.

- A foreign exchange loss of $0.4 million was recognized in the first quarter of 2011 as compared to a foreign exchange loss of $0.4 million in the first quarter of 2010. The Canadian dollar strengthened against the U.S. dollar in the first quarters of both 2011 and 2010 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 deferred income taxes increased to $1.0 million in the first quarter of 2011 compared to $0.3 million in the same period in 2010.

- The Company also recorded a gain on disposal of assets – primarily investments - during the quarter of $0.6 million compared to $0.1 million in 2010.

- In January 2011 the Company acquired 100% of the shares of Dando. Dando was fully consolidated in the group's results in March 2011 and had a loss of $0.6 million, which included a number of non-reoccurring expenses

Other comprehensive income in the first quarter of 2011 was a loss of $0.4 million, up from other comprehensive loss of $0.7 million in the first quarter of 2010. Other comprehensive income and loss is related to unrealized gains or losses on short-term investments held net of taxes and cumulative translation adjustments on foreign currency translations.

Three Months Ended March 31, 2011 Compared to the Three Months Ended December 31, 2010

Net earnings for the first quarter ended March 31, 2011 were $1.9 million ($0.05 per share – basic and diluted), compared to net earnings of $0.8 million ($0.02 per share – basic and diluted) in the fourth quarter of 2010.

Net earnings for the first quarter ended March 31, 2011 were impacted by the following factors:

- Revenues increased to $22.7 million in the first quarter of 2011, up 32% from $17.3 million in the fourth quarter of 2010. The increase in revenues is a result of increased drilling activity and higher drilling rates. Average revenue per meter increased to $181 in the first quarter of 2011 as compared to $167 in the fourth quarter of 2010. Consolidated revenue for 2011 included $1.3 million from manufacturing, whereas there was no comparable activity in 2010.

- Gross margin[3] increased to $6.4 million in the first quarter of 2011, up from $3.2 million in the fourth quarter of 2010. The gross margin percentage was 28.3% in the first quarter of 2011 compared to 18.6% in the fourth quarter of 2010. The margins improved in part as a result of new pricing for 2011 contracts as well as a changing mix of drilling contracts to higher margin programs. These margins are in spite of incurring mobilization costs and lower productivity on start-up after the yearend holidays.

- Indirect and administrative expenses were $4.0 million in the first quarter of 2011, up from $3.3 million in the fourth quarter of 2010. Share-based payments decreased to $0.5 million compared with $0.8 million in the fourth quarter due to the issue of stock options. Management fees and consulting was $0.6 million compared to $0.3 million in the prior quarter due to an increase in compliance, acquisition activities and international reporting requirements. Other individual categories of indirect and administrative expenses were marginally different between the quarters.

- A foreign exchange loss of $0.4 million was recognized in the first quarter of 2011 as compared to a foreign exchange loss of $0.2 million in the fourth quarter of 2010. The Canadian dollar strengthened against the U.S. dollar in the fourth quarter and again in the first quarter of 2011 which gave rise to the foreign exchange loss 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.

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

- Current and deferred income tax expense was $1.0 million in the first quarter of 2011, compared to $0.6 million in the fourth quarter of 2010.

- In January 2011 the Company acquired 100% of the shares of Dando. Dando was fully consolidated in the group's results in March 2011 and had a loss of $0.6 million, which included a number of non-reoccurring expenses

Other comprehensive income in the first quarter of 2011 was a loss of $0.4 million, up from a loss of $0.3 million in the fourth quarter of 2010. Other comprehensive income and loss relate to unrealized gains and 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 2011	Dec 31 2010	Sept 30 2010	Jun 30 2010	Mar 31 2010	Dec 31 2009	Sept 30 2009	Jun 30 2009
Revenue	**22,731**	17,252	16,359	12,909	8,072	7,199	6,408	6,262
Net earnings (loss)	**1,856**	751	1,053	962	(1,252)	(559)	(1,580)	(215)
Earnings per share - Basic*	**0.05**	0.02	0.03	0.03	(0.04)	(0.02)	(0.05)	(0.01)
Earnings per share - Diluted*	**0.05**	0.02	0.03	0.03	(0.04)	(0.02)	(0.05)	(0.01)
Cash and cash equivalents	**22,398**	28,225	9,298	11,093	12,825	18,460	19,436	19,917
Total assets	**98,932**	91,020	71,712	69,064	66,395	68,913	69,225	71,122
Total liabilities	**18,313**	12,697	10,811	9,432	8,957	7,463	7,281	6,962

* Per share numbers have been rounded to two decimal places
* The financial results from January 1, 2010 have been restated in accordance with IFRS.

Liquidity and Capital Resources

The Company's financial position at March 31, 2011 remains strong with $22.4 million in cash and cash equivalents (March 31, 2010 - $12.8 million) and net working capital of $63.8 million (March 31, 2010 - $46.0 million).

Cash flows from operations before changes in non-cash working capital[4] were $1.53 million during the three months ended March 31, 2011, an increase from $(1.04) million during the three months ended March 31, 2010. During the three months ended March 31, 2011, the Company used $0.3 million in cash for investing activities of which $1.8 was used to purchase drill rigs and $1.1 million was received as proceeds on the sale of short-term investments.

In the opinion of management, the working capital at March 31, 2011, together with the expected future cash flows from operations, is sufficient to support the Company's normal operating requirements on an ongoing basis.

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

Outstanding Share Data

The following common shares and stock options of the Company were outstanding at May 24, 2011:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at May 26, 2011	39,941,630		
Stock options outstanding	837,125	$2.01	October 1, 2014
Stock options outstanding	118,750	$2.30	May 7, 2015
Stock options outstanding	1,245,000	$3.45	October 20, 2015
Stock options outstanding	150,000	$4.19	January 12, 2016
Warrants outstanding	2,338,074	$4.50	March 23, 2012
Agent units outstanding *(Note 1)*	265,743	$3.70	March 23, 2012
Fully diluted at May 24, 2011	44,896,322		

Of the 2,349,875 stock options outstanding, 1,596,125 have vested at May 26, 2011.

(Note 1) Each unit is comprised of one common share and one-half of a non-transferrable common share purchase warrant. Each whole warrant is exercisable at $4.50 to purchase one common share of the Company.

EQUITY HOLDINGS

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

Energold owns 6.87 million shares or 11.12% of the issued and outstanding shares of IMPACT at March 31, 2011. 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, 2011 this investment is carried on the Company's balance sheet at $5.4 million. However the market value (based on quoted trading price) of the IMPACT shares held by Energold at March 31, 2011 equalled $18.2 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 mineral 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 use at its Capire project in the Mamatla Mineral District. In the first quarter of 2010 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 two entire mineral districts in central Mexico; the 423 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 at the Guadalupe Mill is achieved. In the first quarter of 2010 the Guadalupe mill processed an average of 365 tpd. With the addition of ore from the Noche Buena Mine the Guadalupe Mill is expected to be processing near capacity in late 2011. The second objective is to continue exploration and prepare new sources of ore for mine development which will justify expansion of our 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 these 500-year-old mining districts. IMPACT continued to make progress towards each of these three objectives in 2010.

Key events for the Quarter

- Revenues for the first quarter ended March 31, 2011 were a record $7.3 million, up from $3.7 million in the comparable period of 2010.
- Revenues for the quarter were also 7% higher than even the record revenues of the fourth quarter of 2010 of $6.8 million.
- Mine operating earnings for the year ended March 31, 2011 were $4.6 million, up from $1.5 million in the comparable period of 2010.
- Net earnings the quarter ended March 31, 2011 were $2.5 million, up from $0.6 million in the comparable period of 2010.
- Silver production in the first quarter was 260,970 oz. up 28 % from 203,259 oz. in the fourth quarter of 2010 and up 50% from 173,877 oz. in the same period of 2010.

In the first quarter of 2011, IMPACT announced a programme of development of the Capire Volcangenic Massive Sulphide deposit in the Mamatla District. The program involves the installation of a 200 tpd pilot plant and commencement of a starter pit on a higher grade section of the deposit. Exploration will be continued on the extension of the deposit and a number of additional targets in the vicinity.

IMPACT is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange as a Tier 1 Issuer under the symbol IPT and on the Frankfurt Stock Exchange under the symbol IKL.

For more information on IMPACT visit its website at www.impactsilver.com and SEDAR at www.sedar.com.

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. Additives used are non-toxic, and contaminants from petroleum based products are contained with a dual retention system.

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. For instance during 2010, as part of its overall community programs in Mexico the Company 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. A research program on equipment safety has been completed and the Company has commenced a retrofit program for safety upgrades on its rigs. 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 Licenses

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. At March 31, 2011 the Company's total liabilities were $18.3 million, of which $13.9 million falls due for payment within twelve months of the balance sheet date. Other than deferred income taxes, the Company has minimal long-term commitments.

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 US dollars. Thus its currency risk arises primarily with respect to the US 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, 2011 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, 2011, 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 as at March 31, 2011.

Transition to International Financial Reporting Standards ("IFRS")

On January 1, 2011, the Canadian Accounting Standards Board replaced Canadian GAAP with IFRS for publicly accountable enterprises, with a transition date of January 1, 2011. IFRS represents standards and interpretations approved by the IASB and are comprised of IFRSs, IASs and interpretations issued by the IFRICs or the former SICs.

In addition, the conversion from Canadian GAAP to IFRS as a primary basis for preparing the Company's consolidated financial statements has resulted in changes in the Company's accounting policies and additional financial expertise and training requirements. The conversion did not have any significant impact on the Company's financial covenants, key financial performance ratios or compensation plans.

The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's first IFRS annual consolidated financial statements for the year ending December 31, 2011 may differ from the significant accounting policies used in the preparation of the Company's unaudited interim financial statements as at and for the three months ended March 31, 2011. As of the date of this document, the

Company does not expect any of the IFRS standards to have a significant impact on its 2011 consolidated financial statements. The Company's unaudited interim consolidated financial statements as at and for the three months ended March 31, 2011 have been prepared in accordance with existing IFRS standards with restatements of comparative balance sheets as at December 31, 2010 and January 1, 2010 and statements of earnings and comprehensive income for the three months ended March 31, 2010 as previously reported and prepared in accordance with Canadian GAAP.

To transition from Canadian GAAP to IFRS the main adjustments include:

Translation of non-monetary assets

In accordance with the requirements of IAS 21, the Company assessed the functional currency of its subsidiaries from the date these subsidiaries were acquired or formed. The assessment of functional currency may differ between IFRS and Canadian GAAP as a result of differences in importance placed upon certain indicators of functional currency between the two accounting frameworks.

Under IFRS, the method used to translate foreign subsidiaries from the purposes of consolidation is dependent on the assessment of functional currency. All subsidiaries with a functional currency different than the parent are translated suing the current rate method.

Canadian GAAP similarly requires that the functional currency of subsidiaries be assessed; however, the method used to translate foreign subsidiaries for the purposes of consolidation is dependent on the classification of subsidiaries as either "self-sustaining" or "integrated". Self-sustaining subsidiaries are translated using the current rate method. Integrated subsidiaries are translated using the temporal method.

As a result of the functional currency assessment performed in accordance with IFRS, the functional currencies of the Company's subsidiaries have changed. Consequently, the method used to translate non-monetary assets within these subsidiaries has been adjusted. Assets which are monetary in nature remain unchanged.

Foreign currency translation adjustment

In accordance with IFRS 1, First Time Adoption of IFRS, the Company has applied a one-time exemption to set the foreign currency cumulative translation adjustment ("CTA") to zero as at January 1, 2010. The cumulative translation adjustment balance as of January 1, 2010 was recognized as an adjustment to retained earnings. The application of this exemption had no impact on net equity as at transition to IFRS.

Profit (loss) on drilling for IMPACT Silver

Under IFRS, profits and losses on downstream revenues from an investor to an associate are eliminated only to the extent of the investor's interest in the investee. Under Canadian GAAP, profits and losses on downstream revenues from an investor to an investee 100% eliminated from the statement of comprehensive income of the investor. Under IFRS, approximately 11.22%, 13.69% and 13.74% of profits and losses on sales of drilling services from Energold to IMPACT Silver for the year-ended December 31, 2010, for the 3 months ended March 31, 2010 and for year-ended December 31, 2009, respectively, are eliminated under IFRS.

Share based payments

Under IFRS, the Company accrues the cost of employee stock options over the vesting period using the graded method of amortization rather than the straight line method, which was the company policy under Canadian GAAP. Under IFRS, forfeiture estimates are recognized in the period they are estimated and are revised for actual forfeitures in subsequent periods rather than when they actually occur under Canadian GAAP.

Deferred tax asset / liability

Reclassification from current to long term

Under IFRS, it is not appropriate to classify deferred income tax balances as current, irrespective of the classification of the assets or liabilities to which the deferred income tax relates or the expected timing of reversal. Under Canadian GAAP, deferred income tax relating to current assets or liabilities must be classified as current.

Adjustments related to Canadian GAAP and IFRS

Adjustments have also been made related to the Canadian GAAP and IFRS reconciling difference discussed above was recorded, decreasing equity.

Deferred income taxes and functional currency

The company has subsidiaries where their functional currency is different from the local currency used to determine their current income tax. Under IFRS, the tax basis is calculated by translating the local currency tax basis at the period end foreign exchange rate and the resulting functional currency tax basis is compared to the functional currency accounting basis to determine the deferred income tax to record. Under Canadian GAAP the deferred income tax liability or asset was recorded in the local currency and was then transferred from the local currency to the functional currency at the period end foreign exchange rate.

Adjustment to tax basis due to inflation adjustments

Under IFRS, when calculating deferred income taxes the tax basis includes the increase or decrease due to inflationary adjustments to the tax basis. Under Canadian GAAP, the inflationary adjustments were only recognized when they were realized as an adjustment to current income tax.

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, 2011. 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, 2011 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.

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-IFRS MEASURES

The Company uses both IFRS and non-IFRS measures to assess performance and believes the non-IFRS measures provide useful information to investors to help in evaluating the Company's performance. Following are the non-IFRS 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-IFRS 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 IFRS 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 26, 2011