Energold Drilling Corp.

Form 51-102F1
Management's Discussion and Analysis
For the Three Months March 31, 2013

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is for the three months March 31, 2013 of Energold Drilling Corp. ("Energold" or the "Company") prepared as at May 23, 2013 should be read in conjunction with the Company's quarterly unaudited interim condensed consolidated financial statements for the three months ended March 31, 2013 and audited consolidated financial statements for the year ended December 31, 2012 and the related notes contained therein. All amounts referred to herein are in Canadian dollars unless otherwise specified. Additional information relating to the Company including material change notices, certifications of annual and interim filings, and press releases are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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

CORPORATE OVERVIEW

Energold is a drilling contractor with three business sectors: mineral exploration, energy exploration and equipment manufacturing.

The Company primarily serves the mining and mineral exploration industries in three geographic segments: 1) Mexico, the Caribbean and Central America; 2) South America; 3) Africa, Asia and other. Energold specializes in operating highly-portable diamond 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. These rigs account for 76% of its total mineral drilling rigs with the remainder of its fleet being represented by "conventional" drills.

Energy involves the business operations of Bertram Drilling Corp. ("Bertram") headquartered in Alberta. Bertram specializes in oil sands coring in Alberta and seismic and geothermal exploration in the United States ("U.S.") and Western Canada. Bertram has a fleet of 121 rigs specially designed for oil sands coring, shot hole seismic and geothermal drilling services markets. Bertram also provides diamond and pipeline drilling services.

Manufacturing involves 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. Dando has also conducted water well operations for approximately 140 of its over 150 year history. Recently, it has focused on research and development capabilities for the benefit of industry sales as well as for the Company's fleet in particular. In 2011, Energold also acquired a small manufacturing facility in Chihuahua, Mexico, Industrial Processes Chihuahua, S.A.C. ("IPC") that produces specific parts for the Company's global operations and provides support for the ongoing maintenance for our rig fleet in Mexico.

Energold also holds mineral exploration properties in the Dominican Republic and Mexico, both directly and indirectly through the 6.98 million shares that it holds in IMPACT Silver Corp. ("IMPACT"), a Canadian public company. The Company's interest in IMPACT, which has an operating silver mine in Mexico, is currently accounted for on an equity basis. During the fourth quarter of 2012, the Company entered into an option agreement with a third party to explore some of the Company's non-core lands in the Dominican Republic.

By broadening the base of the Company's activities in market and technical ability, Energold is positioning itself to become a larger drilling company in the industry. Management continues to expect an increase in worldwide demand for drill operators and drilling equipment for mining, energy, water, and geotechnical industries.

INDUSTRY OUTLOOK

In 2012 the year started with a robust pipeline of junior mining projects and strong equity markets across the globe. Shortly thereafter, economic uncertainties such as news of slowing growth in emerging markets and the Eurozone crisis precipitated a drop in many commodity prices that contributed to a period of reduced financing opportunities for most junior miners. As the downturn accelerated late in the summer, capital markets stopped funding junior miners while the seniors began focusing primarily on cost reduction at the mine site. The market for drilling services suffered as a result. Management believes the market has mostly stabilized but at a lower level than in the first half of 2012. As well, the business mix of the Company is now in favour of well-funded intermediate and senior miners with a smaller contribution from well-funded juniors.

Metals Economics Group estimated a growth of 19% year-over-year to a record high of $20.5 billion for mineral exploration expenditures globally in 2012; however, much of those dollars were spent by major mining companies. The group continues to estimate that 2013 will see some decline in this amount, with capital expenditures focused primarily on advanced assets and a continued struggle for many junior miners. Management continues to believe the greatest opportunity lies in Latin America and Africa where frontier regions offer the greatest potential to discover new material across previously unexplored land.

On the energy side, the Canadian Association of Petroleum Producers (CAPP) forecasted $63 billion in CAPEX in 2013 of which $23 billion will be spent in the oil sands. This represents continued growth over the 2012 figure of $55 billion and $20 billion, respectively. As evidenced in the Company's Q1-2013 results, this sector provides shareholders with greater opportunity above and beyond mineral activity alone.

OVERALL PERFORMANCE

Energold Group

Energold is a global drilling company and is comprised of three core business sectors: Mineral, Energy and Manufacturing. For the three months ended March 31, 2013, operating income before amortization and the payment related to the Bertram Drilling acquisition was $12.0 million.

The following total group figures are presented in Canadian dollars and in accordance with International Financial Reporting Standards.

	For the three months ended March 31,		
(in thousands)	**2013**	2012	%
Revenue			
Mineral	**$ 18,329**	$ 25,944	(29.4)
Manufacturing	**4,100**	1,873	118.9
Energy	**31,435**	25,453	23.5
	$ 53,864	$ 53,270	1.1

(in thousands)	For the three months ended March 31 **2013**	2012	%
Earnings (loss)[1]			
Mineral	$ **2,481**	$ **2,554**	**(2.9)**
Manufacturing	**(736)**	**(534)**	**(37.8)**
Energy[2]	**1,835**	**(1,128)**	**262.7**
	$ **3,580**	$ **892**	**301.3**
Earnings (loss) per share – basic[3]	$ **0.08**	$ 0.02	
Earnings (loss) per share – diluted	$ **0.07**	$ 0.02	

(in thousands)	As of March 31, **2013**	2012
Total assets	$ **188,345**	$ 195,720
Non-current financial liabilities	$ **2,628**	$ 13,173

1 Net earnings represents net income attributable to the equity holders of the Company
2 Includes the payment related to acquisition of $2.8 million and $6.6 million for the three months ended March 31, 2013 and 2012, respectively
3 Without inclusion of the payment related to acquisition – earnings per share, basic and diluted, would be $0.13 for the three months ended March 31, 2013

SELECT OPERATING INFORMATION

	March 2013	Dec 31 2012	Sept 30 2012	June 30 2012	Mar 31 2012	Dec 31 2011	Sept 30 2011	June 30 2011	Mar 31 2011
Mineral									
Drill rig fleet	**133**	133	130	128	128	125	122	115	110
Meters drilled	**106,400**	86,600	92,300	114,900	134,500	134,500	170,300	155,300	125,800
Energy									
Drill rig fleet	**121**	120	119	118	118	119	119	N/A	N/A
Meters drilled	**210,600**	39,400	61,700	86,200	443,300	214,700	229,700	N/A	N/A

Significant acquisitions occurring in 2011

On July 25, 2011, the Company acquired 100% of the outstanding shares of Bertram International Corporation (“Bertram”) by repaying the shareholder loans to the principal shareholders of Bertram. The total initial consideration of the transaction was $15 million, which included $8 million in cash and the balance in restricted shares of Energold Drilling Corp. (1,655,512 common shares @ $4.23 per share).

Due to prescribed treatment under IFRS, the Bertram transaction had a significant impact upon the consolidated balance sheet and income statement for the years ended December 31, 2011 and 2012. This included a write up of the acquired property, plant and equipment to fair market value of $23.8 million and intangibles of $4.1 million. The values related to property, plant and equipment and intangibles have been amortized commencing the date of acquisition. The difference between the assets and liabilities acquired, and the acquisition cost was $15.0 million and this was recorded as a gain during the year ended December 31, 2011.

In addition to the initial consideration, certain previous shareholders of Bertram active in managing the business following the transaction date, are entitled to receive an earnout payment tied to EBITDA ("earnings before interest, taxes, depreciation and amortization") based on the performance of the acquired Bertram entities or their successors over three consecutive 12 month periods commencing May 1, 2011. The minimum threshold EBITDA that must be achieved prior to the calculation of any earnout payment is $5.0 million per annum and the maximum earnout payment is $10.5 million in any consecutive 12 month period (May 1 to April 30). Any earnout payment shall be paid using cash, with an option held by Energold to pay up to 50% in shares of the Company. Any balance not paid in cash shall be paid in shares of Energold based on the weighted average trading price recorded on the TSX-V ("EGD:TSX-V") for the 30 consecutive trading day period immediately preceding July 31 in each relevant year.

The payment is only payable if the former shareholders continue to be employed by the Company at the time the targets are met. As such, the payments to the former shareholders are considered to be post-combination consideration and are recognized as a period expense. As of December 31, 2012, the former shareholders met their target (as discussed above) for the first year. In the third quarter of 2012, the Company paid the former shareholders $10.5 million in the form of 50% cash and 50% shares (1,353,092 shares). For the three months ended March 31, 2013, the Company expensed $2.8 million (March 31, 2012 - $6.6 million) on the statement of income.

MINERAL DIVISION

Industry Overview

Energold has traditionally been engaged by, and seen demand for, its services in the mineral sector 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 both at the industry level as well as capital market demand for its equity and debt. Exploration for precious metals currently represents the largest demand with continued activity across certain specialty commodities and base metals. As evidenced by exploration dollar allocation over the last several years, Energold continues to believe that in order to identify new and larger deposits, the mining industry will continue to conduct exploration farther afield into frontier areas with difficult topography and poor infrastructure, as well as areas sensitive to social and environmental challenges.

The global recession significantly weakened drilling services in the fourth quarter of 2008 and persisted through most of 2010. During that period the industry as a whole focused on what is described as "brown fields" drilling which is drilling located close to current production sites. As a result, bidding was highly competitive and the margins were exposed to pressure which, as a minimum, provided ongoing work for rigs and crews. The Company saw increasing levels of interest for its services in frontier drilling with its higher margins in 2011. In addition, high prices for many commodities drove the industry to record levels of activity. After the first quarter of 2012, mineral drilling in all categories slowed down and activity across the junior mining segment fell dramatically due to challenging capital market and funding conditions.

This had impacted utilization rates across the drilling industry and has resulted in excess capacity of rigs for conventional equipment in certain regions. The frontier rig segment in unconventional areas which were previously mainly explored by the juniors has seen the increasing presence of major and intermediate companies. Commodity prices have remained relatively strong, therefore, senior and intermediate base metal and gold mining companies have continued exploration activities but on more selective and cautious levels in certain parts of the world. In several instances, specifically in South America, the Company has seen some increase in activity on a country-by-country basis.

The second and third quarter of 2012, which generally are the Company's strongest quarters were impacted by decreased drilling activity from the juniors; however, the Company continued drilling for a number of major and intermediate companies. Since those periods, the Company began to see a modest increase in drilling activity in the fourth quarter which has followed through to the first quarter of 2013.

Seasonality

The geographical expansion of the Company as a whole has helped reduce the overall exposure to seasonality. There is a reduction in drilling for most of the Company's operations in Africa during the months of June/July through to September/October due to rain. In South America, a seasonal slowdown in activity occurs around year-end due to the onset of the holiday season and weather conditions in some locations. Traditionally lower margin brownfield work continues throughout the year with the exception of the seasonal shutdowns in the last month of the year. Frontier exploration is generally based on exploration campaigns and is more seasonal with high activity levels in the second and the third quarters of the year, whereas the first and especially the last quarter of the year are typically the slowest.

Outlook and business strategy

In spite of high volatility in the capital markets, as well as insecurity in the macroeconomic environment, the Company continues to see demand for its services. However, the Company cautions that actual results may vary substantially from all forward-looking information in this MD&A.

Management believes the industry began to stabilize late in 2012 and continued to do so in the earlier part of the current year. Heading into the summer, activity levels should continue to reflect focus on precious metal exploration done primarily by intermediate and senior producers. Some well-funded junior explorers are also active; however, this segment of the market represents a considerable minority of overall activity. The primary issues facing the market remain unchanged. Junior companies still have little access to public market financing while larger companies continue to seek cost reductions at the mine development level.

Energold continues to have one of the strongest balance sheets in the industry which has provided management the ability to consider various acquisitions. The Company continues to look for accretive acquisitions with exposure to new markets in particular, while new rig development will be done on a case-by-case basis depending on customer and project specific demand.

The Company specializes in highly portable modular diamond drill rigs, which Energold believes are highly competitive in frontier markets due to their mobility and low environmental footprint. As the Company's position in the market has increased over the last five years, there has been a demand for complementary drill rigs from existing clients including underground drill rigs and more conventional diamond drill and reverse circulation rigs. Building on these contacts, the Company has been able to mitigate some of the effects of reduced greenfield drilling typically done by junior miners. Energold continues to expand as it identifies 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 mineral drilling rigs deployed in 24 countries around the world.

Mexico, the Caribbean and Central America

This region continues to be a strong market for the Company with 45 rigs located in the region. Originally pioneered with its "S" style rigs, which still constitute the majority of the fleet, the Company has introduced underground rigs and larger conventional rigs to meet our clients' demands. The market is one of the most important for the Company and it is one of the Company's stronger divisions. Despite current market conditions, the fleet remains active, particularly in Mexico and the Dominican Republic. Further growth is occurring in Central America, particularly in the Dominican Republic where the Company has been actively drilling for well-funded junior miners in the country. Approximately 41% of meters drilled in the first quarter of 2013 compared to 49% of the meters drilled in the fourth quarter of 2012 and 58% of the first quarter of 2012 in the mineral division were in this region.

South America

The Company is working in Brazil, Colombia, Peru, Chile and Argentina with 42 drill rigs. Meters drilled in this market were approximately 26% for the first quarter of 2013 compared to 19% for the fourth quarter of 2012 and 25% of the first quarter of 2012 of the total amount of meters drilled in the mineral division. Historically, Peru was one of our busiest markets in South America but in 2009 and 2010, the market suffered dramatic declines due to local, political and social issues. Despite ongoing social issues, the Company maintains a strong presence in the country and the market has improved marginally in 2013. Recently, low economic growth, social and political issues, as well as complex bureaucracies and regulations have affected activity levels in Brazil. Demand in Brazil is still on the decline and utilization rates continue to be lower than expected but there are some signs of stabilization. Brazil is typically impacted seasonally by weather as the Company focuses in the Amazon basin. Argentina experienced very rapid growth over the last three years. The Company continues to see increased drilling activity in the country and has been able to maintain its operating costs at reasonable levels; however, bureaucracies remain a challenge. Despite ongoing political issues, the Company remains the driller of choice for several key clients. The first half of the year is traditionally slower as it is the winter season in this region. In each of these markets our primary rig is the "S" style rig servicing some of the more difficult and remote programs.

Africa, Asia, Europe, Canada

The Company has 41 rigs in Africa, two rigs in Asia and two rigs in Europe and one in Canada. Meters drilled in this market were approximately 33% of the total amount in the first quarter of 2013 compared to 32% for the fourth quarter and 17% for the first quarter of 2012. The Company anticipated the number of meters drilled to be higher in 2013 over 2012 as a result of stabilization of the market. In 2012, the Company started drilling in several new African markets and there is continuing demand and growth in the whole region although senior miners have shown a tendency to be more selective in the assets they explore more recently amidst the risks and costs associated with doing so. In 2013, the Company will be drilling in the Middle East which could allow for a more rapid expansion in the region once a presence is established. Generally speaking, the continent offers opportunity to maintain margins associated with higher levels of risk. The Company continues to explore new markets in the region and maintains a higher level of preparedness in higher risk countries.

The Company is continuing its efforts to penetrate the Asian market with a particular focus on the South East region. Management has considered several opportunities in the area although none have met specific benchmarks that the Company believes would be beneficial to shareholders. The Company's S rigs are particularly suitable in parts of Asia where there are low labour costs and a lack of infrastructure. Regional governments are widely encouraging new natural resource development and the Company is capturing these opportunities through Dando. Management considers this region as potentially one of the most important growth markets over time. Challenges remain with a number of governments in the region in their early stages of developing mining policies which have held up exploration funding and spending. Notwithstanding, Energold has maintained some presence in some form or another over the last several years and continues to evaluate opportunities on a case by case basis.

Drill Fleet

As at March 31, 2013, the Company had 133 rigs in its mineral drilling fleet, with three track mounted rigs on order from the Company's wholly owned U.K. subsidiary, Dando. On an organic basis, the Company intends to add new equipment on an as-needed basis and can do so on a cost-advantaged basis also by doing so through Dando. The Company will continue to work with certain clients who require specific equipment to meet challenging conditions at various projects. Typically, the return to the Company by retrofitting existing or building new equipment is offset by the value of the particular contract. The Company is continuing a modification program to increase the operational and depth capabilities 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 2013 total rig count are seven 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 substantially the same equipment and supplies as our surface rigs. This significantly reduces crew training time and inventory requirements.

Mineral Division Performance

While demand has not recovered fully to the levels seen in March 2012, it has stabilized since third quarter of 2012. During the first quarter of 2013, Energold's mineral division drilled 106,400 meters compared to 86,600 meters drilled during the fourth quarter of 2012 and 92,300 meters in the third quarter of 2012. The Company drilled 134,500 meters in the comparable first quarter period in 2012, a decrease of 21% as a result of decreased demand in drilling due to a weak economy which started in the second quarter of 2012. Revenues for the first quarter of 2013 were $18.3 million compared to $15.0 million of revenues earned in the fourth quarter in 2012. Revenues decreased by 29% or $7.6 million from March 2012. Average revenue per meter for the first quarter decreased to $172 in the first quarter of 2013 from $193 in the first quarter of 2012 due to the depressed market. Revenue in the first quarter of 2013 compared to the first quarter of 2012 was negatively impacted due to reduced exploration spending from the junior mining segment as challenging capital market conditions continued to weigh on their ability to raise money for exploration. Management believes the majority of the reduction in junior mineral exploration occurred in the second and third quarter of 2012 and there appears to be no significant indications that the junior market will return to previous levels of activity for some time. Meanwhile, the Company enjoys a customer book of well-funded intermediate and senior miners whose programs are ongoing.

Gross margin[1] percentage remains heavily impacted by the type of drilling the Company performs, the region and country in which it works as well as the type of the client. Junior miners typically explore more frontier style environments that allow for higher margin frontier drilling and there is now increased presence of senior miners exploring the frontier regions. Gross margin percentage from mineral drilling for the first quarter of 2013 and 2012 was 35% and 32% respectively. As expected, signs of stabilization have begun to take hold but at lower rates and utilization levels. Notwithstanding, the Company maintains a strong infrastructure network in all regions that it operates which allows for a relatively lean operation. The Company continues to draw down on its inventory and its working capital remains strong. As the majority of the Company's costs are variable, it can adapt quickly and respond accordingly to changing market conditions.

ENERGY DIVISION

Industry Overview

Oil Sands

In Western Canada and the United States there has been a continuing program of exploration for energy sources especially as hydrocarbon pricing has remained relatively strong amidst an environment where technological improvements in extraction have made previously uneconomic projects now economic. In Alberta, Canada, oil sands provide the opportunity for North America to be self-sufficient in oil and eventually a net exporter.

Oil sands projects are especially topical as the Canadian government seeks to reduce and ultimately eliminate the discount applied to Canadian crude as pipeline projects that head south, west and east are negotiated. The Canadian government has identified the oil sands as a strategic asset supporting long term economic growth for all of Canada and has recently been taking a much more active role in

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

accelerating the development of this important national resource. As well, foreign companies have more recently been expressing interest in financing and acquiring oil sands properties for the purposes of development to meet their domestic energy needs in years to come. Notwithstanding the "Canadian crude discount", exploration, resource definition, mine planning and construction continues unabated in the oil sands region and requires billions of dollars of annual spending required to meet individual company and industry goals.

Natural Gas

While gas inventories have traditionally been large, the technical developments related to shale gas has opened up a new market for further seismic exploration especially in the United States. In spite of the fact the increasing probable reserves of domestic shale gas have depressed prices, there is a growing demand for the resource as power generating companies are now able to plan and build facilities reliant on this cleaner burning, abundant and cheap energy source that supports ongoing exploration activity throughout North America.

Increased interest in exploring potential shale gas formations in many international locations offer future opportunities for Bertram to capitalize on its expertise and expand its operations globally. When working with multinational corporations operating in Canada and the United States, Company management will continue to leverage existing relationships to deploy underutilized equipment to underserved regions worldwide. South America in particular offers the Company a potentially large growth area in so far as it can leverage a well-established infrastructure and logistics network already in place as a result of Energold's mineral drilling business in the region.

Geothermal and Geotechnical

In the longer term, as society looks for alternative sources of energy, geothermal programs are becoming an integral part of a number of development projects and are regarded as "clean" from an environmental point of view. The opportunity to submit bids on new projects in the United States has become more robust and the Company is in a strong position to participate in multi-year programs that may potentially help offset seasonality effects from the oil sands coring business that takes place during the winter months.

Seasonality

The ability to move heavy equipment in Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring break-up" has a direct impact on Bertram's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and spring break-up affects the ability to move equipment in and out of these areas. As a result, most of the drilling occurs in the first quarter of the calendar year with April through May traditionally being the slowest time in this region. There is a current trend for increased activity in the summer and fall months although management must consider this strategy on a case by case basis with the customer as doing so could incur considerable cost.

Outlook and business strategy

As Bertram is working through multi-year, multi-million dollar contracts, the Company continuously makes adjustments to the quantity and type of specific equipment in order to maintain efficiency for the customer. In the fourth quarter of 2012, the division incurred expenses that were necessary to meet specific job requirements in the first quarter of 2013. These costs vary from year to year depending on customer demand.

Energold is also examining the potential to relocate several of Bertram's seismic rigs to developing markets outside of North America where Energold is already established and operating. This process is ongoing and underscores the flexibility Energold provides in allowing for a rapid shifting of equipment across our platforms depending on market conditions and regional demand. In this regard, the Company views Central and South America as key growth regions as well as Eastern Europe and Russia. The Company is in the final stages of considering several opportunities and management believes new geographical markets can be opened within the next several quarters. In Alberta, there are new opportunities for seismic work that the Company is currently bidding on.

In August 2012, the Company was awarded multi-year energy drilling contracts worth up to $45 million annually, starting in 2013 and anticipates substantial growth as the Company is actively pursuing work with potential and existing customers heading into the upcoming winter drilling season. Management's energy division growth target for 2013 is 25-50% over 2012. The bulk of this growth will be dependent on weather in the latter part of the year as an early freeze would positively impact work levels. At the moment most of Bertram's oil sands rigs are fully committed for the 2013/2014 season. The Company is working with service providers to establish more year-round activity in the field which may have a dramatic effect on utilization going forward.

As the Company's energy customers take a longer term view with respect to capital expenditure in the oil sands region, plans for next season have already begun. Bertram drilled for two key customers in the most recent season and management expects a previously deferred program in 2012/2013 to begin later in 2013.

Bertram is also continuing to pursue commercial geothermal programs, where Bertram has historically been able to generate higher operating margins. Activity in the United States has started to increase in some markets and management believes it can capture some of that market share in the next several quarters. Management does not anticipate having to build new equipment for these projects. Success in this area would help offset the seasonality of winter activity associated with the winter-only oil sands work in Northern Alberta.

Historically, the oil sands drilling programs conducted by Bertram have been limited to the winter drilling season that typically commences in late December and terminates at the end of March (i.e. 12 to 15 weeks), depending on the weather. 2013 was not substantially different and only limited activity was performed in April. The bidding season for oil sands exploratory drilling services is typically between April and September, depending on the client.

The performance of the Energy division since its acquisition in July 2011 has shown its value in terms of diversifying revenues, offsetting seasonality of Energold's mineral division while providing a platform for continued growth using the Company's strong balance sheet. Energold management continues to work aggressively to capitalize on the potential synergies between the various divisions through the sharing of equipment, expertise, contacts, crews and logistical infrastructure to help drive revenues, operating margins and overall long term shareholder value.

Energy Division Performance

The majority of revenues and activity are typically generated in the first quarter primarily due to weather factors. Bertram was very active during the first quarter of 2013 primarily on the oil sands projects in Northern Alberta. Revenues for the first quarter of 2013 was $31.4 million compared to $25.5 million in the first quarter of 2012, with approximately 98% of revenue earned in Canada and the balance generated in the U.S. Meters were drilled in the following areas:

	For the three months ended March 31,	
	2013	2012
Oil sands	**54,000**	35,600
Seismic (Track and Heli-portable)	**146,200**	318,100
Geothermal and Geotechnical	**10,400**	89,600
	210,600	443,300

The gross margin for first quarter of 2013 was 30% compared to 35% in the first quarter of 2012. The drop in gross margin is mostly due to a different mix of jobs rather than overall demand. In the first quarter of 2013, Bertram drilled approximately 201,400 meters in Canada and approximately 9,200 in U.S. In the first quarter of 2012, approximately 344,500 meters in Canada and approximately 98,800 in the U.S.

Oil sands operations accounted for over $29.0 million of first quarter revenues in 2013 compared to $16.2 million in the first quarter of 2012. Revenue was generated from programs conducted on behalf of major operators. Geothermal and geotechnical drilling activity accounted for $1.0 million revenue during the first quarter of 2013 compared to $4.2 million in the first quarter of 2012. Track seismic represents the remainder of the revenues.

MANUFACTURING DIVISION

Outlook and business strategy

In January of 2011, the Company acquired Dando Drilling International Ltd. ("Dando"), headquartered in the United Kingdom. The Dando team has a long and proven history 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.

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

Dando is rapidly expanding its brand name and the exploitation of Dando's excellent reputation in Indonesia and Australia has resulted in a much increased demand for large mineral exploration rigs for coal mining sites in the area. The utilisation of the Company's contacts and expertise in Latin and North America has led to a good deal of interest from previously untapped geographical markets. Capability and efficiency continue to improve in all areas with a strong focus on supply chain management and the sales department where recent role changes have started to yield desired results. Markets continue to provide mixed signals with the hard rock mineral market showing some signs of recovery with good enquiries from mining companies. The water-well market remains buoyant with sizeable orders from Africa and very promising enquiries from Indonesia, Africa and Eastern Europe. The geotechnical market is beginning to improve with the sale of thirteen small rigs in 2013-Q1.

In the first quarter of 2013, the Company subscribed for 60% of the shares in DDS Hydrofor West Africa which in turn acquired 100% of Hydrofor International S.A. ("Hydrofor Togo") located in Togo, Africa. The Company will provide management services and water well drills manufactured by Dando. Hydrofor Togo has one rig working and the second to commence in the second quarter of 2013. The Company is using local crews for the operations with one European director. Hydrofor Togo is expected to provide drilling and related services within the water recovery industry. The Company's initial focus will be to address the rural and village water well market for non-government organizations, mining companies and multilateral customers and then market its services to mining companies for large dewatering projects.

Despite the downturn in some of Dando's markets, the restructuring and improvements made since joining the Company have been encouraging.

Manufacturing Division Performance

Revenues for the first quarter of 2013 were $4.1 million with an operating margin of 11% compared to revenues of $1.9 million with an operating margin of 14% in the first quarter of 2012. The Company delivered four Watertec 40 heavy water well drills, two Multitec 9000 track mounted drills, four 2000 geotechnical rigs, two 3000 geotechnical rigs and six Terrier mini rigs.

Demand for rigs and equipment remains high. The Company has a current order book of GB£3.1 million and continues to have strong enquiries for its products. As part of its plans to service future growth Dando is continuing to build additional small rigs for stock and a new prototype, a remote controlled self-loading tracked vehicle capable of carrying in excess of five tonnes. The Company continues to be on target to achieve a substantial increase in revenues and profit.

In 2011, Energold also acquired a small manufacturing facility in Chihuahua, Mexico, Industrial Processes Chihuahua, S.A.C. ("IPC") that produces specific parts for the Company's global operations. IPC provides support for the ongoing maintenance for our rig fleet globally by high quality and economic parts and supplies. All intercompany sales are eliminated upon consolidation.

RESULTS OF OPERATIONS

For the three months ended March 31, 2013 compared to the three months ended March 31, 2012

Net earnings for 2013 were impacted by the following factors:

- Mineral

  - Revenues decreased to $18.3 million or by 29% in the first quarter of 2013 from $25.9 million in the comparable period due to the weakened demand which began in the second quarter of 2012 as a result of the soft economy. There was a decrease of 28,100 meters drilled or 21% in total meters drilled over the first quarter of 2012. The decrease in average revenue per meter drilled also contributed to the decrease in revenues from the first quarter of 2013 over the comparable period in 2011. Average revenue per meter of mineral drilling decreased to $172 in the first quarter of 2012 from $193 in the comparable period in 2012, a decrease of 11%. The decrease in revenue per meter is a result of the weakened economy and the loss in junior mining clients who generally paid higher prices for frontier drilling. Junior miners have failed to return to the market and as a result, there is excess rig capacity and as anticipated, the rate per meter has decreased.

  - Gross margin decreased to $6.4 million in the first quarter of 2013, down 23% compared to $8.3 million in the comparable period of 2012. Gross margin percentage decreased primarily due to the decrease in revenues per meter. As previously discussed, the overall number of meters decreased from prior year; however, costs have still remained high in some regions due to retention of experienced supervisors and operation personnel.

- Energy

  - Revenues for the first quarter of 2013 were $31.4 million compared to $25.5 million in the first quarter of 2012, an increase of 24%. The majority of revenues are generally generated in the first quarter of the year as drilling conditions were more ideal.

  - Gross margin was $9.5 million or 30% in the first quarter of 2013 compared to $9.0 million or 35% in the comparable period of 2012.

- Manufacturing

  - Revenues increased to $4.1 million in the first quarter of 2013 from $1.9 million in the first quarter of 2012, an increase of 119%. The increase is due to delivery of a greater number of rigs in the first quarter of 2013 over the first quarter of 2012.

  - Gross margin was $0.4 million or 11% in the first quarter of 2013 compared to $0.3 million or 14% in the comparable period of 2012. The gross margin percentage decrease is due to increased costs in materials.

- Indirect and administrative expenses decreased to $9.3 million in the first quarter of 2013 from $12.8 million in the first quarter of 2012, of which $2.8 million was for the earnout related directly to the acquisition of Bertram, and $1.6 million relates to amortization of Bertram's property plant and equipment and intangible assets as a result of the acquisition of Bertram. As a percentage of revenue, indirect and administrative expenses decreased to 17% in the first quarter of 2013 from 24% in the first quarter of 2012 primarily due to the earnout. Indirect and administration expenses in the first quarter of 2013 and 2012 would have been approximately 12% in both years, as a percentage of revenue if the earnout was excluded from the calculation.

- The Company also recognized a foreign exchange loss of $0.6 million in the first quarter of 2013, compared to a $1.7 million loss in the comparable period of 2012. 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.

- The Company recorded finance costs of $0.6 million in the first quarter of 2013, up 22% from $0.5 million in 2012 due additional finance leases and operating loans from Bertram.

- Current and deferred income taxes increased to $2.3 million in the first quarter of 2013 compared to $1.8 million due to an increase in profits.

- Other comprehensive income was $2.0 million and $1.2 million in the first quarter of 2013 and 2012 respectively. Other comprehensive income is related to unrealized gains or losses on short-term investments held net of taxes and cumulative translation adjustments on foreign currency translations.

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:

	Mar 31 2013	Dec 31 2012	Sept 30 2012	June 30 2012	Mar 31 2012	Dec 31 2011	Sept 30 2011	Jun 30 2011
Revenue	**53,864**	25,704	29,890	32,650	53,270	35,302	47,033	28,417
Net earnings**	**3,580**	(4,995)	(2,508)	(2,039)	892	12,725	8,190	3,657
(Loss) Earnings per share - Basic*	**0.08**	(0.11)	(0.05)	(0.04)	0.02	0.30	0.20	0.09
(Loss) Earnings per share - Diluted*	**0.07**	(0.11)	(0.05)	(0.04)	0.02	0.30	0.20	0.09

* Per share numbers have been rounded to two decimal places

** Attributable to equity shareholders of Energold

FINANCING

To accommodate the Company's growth over the last several years, Energold has entered into two equity financings and one convertible debenture issue. In conjunction with continued operational performance, these financings have led to the Company having one of the industry's strongest balance sheets that will allow for continued growth, both organically and through acquisition amidst a more challenging environment. Management continues to make a conscious effort to use financial leverage where possible but with the determination to keep its financial structure on a balanced basis in accordance with its near and long term outlooks of the industry.

On March 21, 2012, the Company closed an agreement with a syndicate of underwriters led by TD Securities Inc. to purchase, on a bought-deal private placement basis, 3.9 million common shares of Energold at a price of $5.20 per share for gross proceeds of $20.3 million.

On July 21, 2011, the Company completed a $10.0 million secured convertible debenture issue which bears interest at 10% calculated annually, payable quarterly, with a maximum term of three years (Energold holds a call provision). The convertible debentures are convertible into common shares of the Company at a conversion price of $5.25 per share, subject to a minimum conversion of $50,000 (if converted in part). The convertible debentures are classified as a liability, less fair values allocated to the conversion feature. As a result, the recorded liability for the convertible debentures is lower than its face value which is characterized as a debt discount. At March 31, 2013, the debt component was $9.5 million. The conversion feature is classified as equity and accounted for as an equity instrument with any changes in value not recognized. The convertible debentures are generally secured against all the assets of the Company and specifically secured by a pledge of two million common shares of IMPACT Silver Corp. owned by the Company.

The convertible debenture contains financial and non-financial covenants customary for a facility of this size and nature. As of the date of this report, the Company was in compliance with all covenants; however, management has continued to classify the debenture as a current liability.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES

For the three months ended March 31, 2013, cash flows from operations before changes in non-cash working capital[2] were $7.7 million, an increase from $3.4 million in the first quarter of 2012. In the first quarter of 2013, the Company had an increase in receivables due to its increase in revenues generated in the first quarter of 2013 over the fourth quarter of 2012. The Company did not purchase as much inventory in the first quarter of 2013 as it did in the comparable period in 2012.

For the three months ended March 31, 2013, the Company used $1.9 million for investing activities compared to $1.4 million in the same period in 2012. The Company used approximately $1.8 million on purchasing property, plant and equipment in the first quarter of 2013 compared to $2.1 million in the first quarter of 2012 and had access to restricted cash of $0.5 million in 2012 which it did not have in the first quarter of 2013.

For the three months ended March 31, 2013, the Company was provided with $0.3 million from financing activities compared to $22.7 million in the comparable period of 2012. In the first quarter of 2012, the Company completed a bought deal financing which resulted in gross proceeds of $20.3 million and proceeds from finance leases of $3.0 million. The Company also used $1.0 million of debt and made capital lease payments of $0.6 million in the first quarter of 2013.

The Company's financial position at March 31, 2013 remains strong with $22.6 million in cash (March 31, 2012 – $37.2 million) and net working capital of $89.1 million (March 31, 2012 - $93.9 million). The majority of these funds are denominated in U.S. and Canadian dollars and held with Canadian chartered banks.

[2] 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."

The Company has the following financial liabilities commitments as of March 31, 2013:

(in millions)	Less than one year	1-5 years	More than 5 years	Total
Finance lease obligation	2.3	2.6	-	4.9
Convertible debenture	9.5	-	-	9.5
	11.8	2.6	-	14.4

In the opinion of management, the working capital at March 31, 2013, together with the expected future cash flows from operations, is sufficient to support the Company's normal operating requirements on an ongoing basis.

OUTSTANDING SHARE DATA

The following common shares and stock options of the Company were outstanding at May 23, 2013:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at May 23, 2013	47,606,534		
Stock options outstanding	590,625	2.01	October 1, 2014
Stock options outstanding	7,900	2.30	May 7, 2015
Stock options outstanding	1,078,275	3.45	October 20, 2015
Stock options outstanding	150,000	4.19	January 12, 2016
Stock options outstanding	1,319,025	3.80	October 13, 2016
Stock options outstanding	30,000	5.13	February 14, 2017
Agents warrants outstanding	234,000	5.20	March 21, 2014
Fully diluted at May 23, 2013	51,016,359		

Of the 3,175,825 stock options outstanding, 3,172,075 have vested at May 23, 2013.

EQUITY HOLDINGS

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

Energold owns 6.98 million shares or 10.2% of the issued and outstanding shares of IMPACT at March 31, 2012. 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, 2013, this investment is carried on the Company's balance sheet at $6.8 million. The market value (based on quoted trading price) of the IMPACT shares held by Energold at March 31, 2013 equalled $6.9 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 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 km² Royal Mines of Zacualpan Silver District and the 200 km² Mamatla Mineral District immediately southwest of Zacualpan.

Key events for the three months ended March 31, 2013 for IMPACT include the following:

Financial Overview

- Losses before taxes for the three months ended March 31, 2013 were $0.3 million compared to earnings before taxes of $0.2 million for the same period of 2012.

- Revenues for the first quarter of 2013 were $4.2 million, a decrease from $4.5 million in the first quarter of 2012.

- Mine operating earnings for the first quarter of 2013 were $1.1 million, a decrease from $1.6 million in the first quarter of 2012 but an increase from $0.5 million in the fourth quarter of 2012.

- Cash flows from operations[3] before changes in non-cash working capital for the first quarter of 2013 were $0.8 million, an increase from $0.7 million in the same period for 2012.

- Net working capital remained strong at $16.8 million on March 31, 2013, compared to $21.4 million on December 31, 2012 after spending $3.9 million on exploration and development of the IMPACT's properties.

Production Overview

- Total tonnes milled during the first three months of 2013 increased slightly to 42,009 from 41,444 in the first three months of 2012 and remained consistent with 42,870 tonnes from the fourth quarter of 2012.

- Direct costs per tonne milled decreased 8% to $64.28 for the first quarter of 2013 from $70.03 in the fourth quarter of 2012.

- Average mill throughput for the first quarter of 2013 increased 4% to 472 tpd from 455 tpd in the first quarter of 2012 and also increased over 466 tpd from the fourth quarter of 2012.

- Average mill feed grade for silver has increased in the first quarter of 2013 to 146 grams per tonne (g/t) from 131 g/t in the fourth quarter of 2012. However, there has been an 8% decrease in the average price of silver for this same period offsetting the increase in mill feed grade.

Looking Ahead: Transition to Growth

Going forward, management believes IMPACT has exceptional growth opportunities through continued development of the Zacualpan and Mamatla Mineral Districts. 2013 will continue to be a year of transition as the Company brings the new Capire Mine and pilot plant in to full production and shifts into full production at the Cuchara-Oscar Mine. These areas of new production are anticipated to form the basis for expanding operations moving further into 2013. Additionally, IMPACT has found promising exploration results from the Mirasol Prospect. For the first time since IMPACT began its exploration drilling in 2006, the top of a new silver bearing vein has been discovered in the Mamatla Mineral District in the Mirasol Prospect with the expectation that the entire mineralized system is preserved at depth.

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.

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[3] 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 mining operations. See "NON-IFRS MEASURES."

SAFETY, SOCIAL AND ENVIRONMENTAL POLICY

An ongoing research program on equipment safety is being conducted, and the Company has commenced a retrofit program for new safety upgrades on all of its rigs. The Company has developed and maintains an active safety audit program.

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.

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.

The Company works 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. 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.

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.

Political, Regulatory & Security Issues

The Company's operations are subject to control and scrutiny by several levels of government, various departments within each level, and corporate, environmental and mining regulations. Permission must also sometimes be secured from local peoples for exploration and drilling permits, water and land surface use rights. Consequently, the Company, in carrying out its mining and exploration activities, may be exposed to a large array of conditions to satisfy on a daily basis in its activities. Risk exists that the Company might fail to be fully compliant in all respects in this political and regulatory environment or that permits might not be issued on a timely basis to facilitate the Company's planned development activities. In addition, social and political unrest may exist within a region covered by the Company's operations and such events may affect the feeling of safety and security of the local peoples and may affect the operating activities of the Company.

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' experience 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, trade receivable, available-for-sale financial instruments, trade and other payables, bank indebtedness, and convertible debenture. The Company has designated cash and restricted cash and trade receivables as loans and receivables, which are measured at amortized cost. Available-for-sale financial assets are designated as available for sale and measured at fair value as determined by reference to quoted market prices. Trade and other payables, bank indebtedness and convertible debenture are designated as other liabilities which are measured at amortized cost. At March 31, 2013, all cash and short-term investments held were classified as Level 2 and convertible debenture was classified as Level 3 on the fair value hierarchy of IFRS 7 - *Financial Instruments* - *Disclosures*. As of March 31, 2013, the carrying value of the Company's cash and cash equivalents, restricted cash, trade and other receivables, available-for-sale investments, trade and other payables, bank indebtedness, and convertible debenture are stated at fair value.

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 and trade receivable. The Company deposits its cash with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 Bank with ratings above A. 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 companies in various countries. The Company does not have any receivables that are impaired.

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

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. 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, 2013, the Company's total liabilities were $52.9 million, of which $40.7 million is due for payment within twelve months of the balance sheet date. The Company has outstanding bank indebtedness of $3.9 million and convertible debt of $9.5 million.

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 its currency risk at this time. At March 31, 2013, the Company is exposed to currency risk through cash, trade receivable, and trade payable and accrued liabilities held in U.S. dollars, Mexican pesos, and Brazilian reais. Based on these foreign currency exposures at March 31, 2013, a 5% depreciation or appreciation of all the above currencies against the Canadian dollar would result in a decrease or increase of the Company's net earnings and equity of approximately $0.7 million.

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 its revolving demand and credit line facility. Cash and cash equivalents, restricted cash have limited interest rate risk due to their short-term nature. The Company's debt borrowings are exposed to interest rate risk as it is subject to floating interest rates. Assuming that all other variables remain constant, a 1% increase or decrease in the bank's prime lending rate does not have a significant impact on net earnings. Convertible debt and finance leases are not subject to interest rate risk because they are at fixed rates.

RELATED PARTY DISCLOSURE

Related party transactions are recorded at arms-length which is the amount of consideration paid or received as agreed by the parties. Related party transactions not disclosed elsewhere are as follows:

During the three months ended March 31, 2013, legal fees in the amount of $0.1 million (March 31, 2012 - $0.01 million) were accrued or paid to a firm related to a director. As of March 31, 2013, the amount outstanding is $0.1 million (March 31, 2012 - $0.003 million).

During three months ended March 31, 2013, fees in the amount of $1.3 million (March 31, 2012– $0.9 million) were charged to IMPACT for contract drilling services performed in Mexico. At March 31, 2013 $1.3 million (December 31, 2012 - $0.7 million) 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 arms-length. 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 $0.01 million at March 31, 2013 (March 31, 2012 – profit of $0.01 million) on drilling services provided to IMPACT has been eliminated from these financial statements.

In 2011, a director of the Company purchased a convertible debenture ("CD") having a principal face value of $0.35 million, representing 3.5% of the offering. As of March 31, 2013, the outstanding payable is $0.35 million.

During the three months ended March 31, 2013, no fees were received or paid (March 31, 2012 – net fees received $0.04 million) to / from a company related to an officer of Bertram Drilling Corp. for helicopter services performed in Canada and the U.S. As of March 31, 2013, there were no amounts outstanding (December 31, 2012 – no amounts outstanding).

The Company signed a lease for office premises in Carbon, Alberta, which commenced June 1, 2012 and ends May 31, 2015. The premise belongs to individuals related to officers of Bertram Drilling Corp. Lease obligations, net of operating costs, are $0.04 million per year.

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.

The Company's 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, 2013. 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, 2013 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 less Direct Costs, excluding amortization.

Gross margin percentage: Calculated as (Gross margin divided by Revenue) 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).

EBITDA: Calculated as earnings before interest, taxes, depreciation and amortization.

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

Except for historical information, this MD&A may contain forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "estimates", "plans", "intends", "anticipates", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments.

The factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments in countries in which the Company operates; changes in regulatory requirements impacting the Company's operations; the ability to properly and efficiently staff the Company's operations; the sufficiency of current working capital; and demand for the Company's drill rigs.

The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to be incorrect, include but are not limited to, the various assumptions set forth herein and in the MD&A, or as otherwise expressly incorporated herein by reference as well as (1) there being no significant disruptions or adverse conditions; (2) fluctuations in the price and demand for commodities; (3) fluctuations in the level of mineral and oil and gas exploration and development activities; (4) fluctuations in the demand for contract drilling; (5) the exchange rate between the Canadian dollar, U.S. Dollar, Mexican Peso and various currencies the Company operations with being approximately consistent with current levels; (6) capital market liquidity available to fund customer drilling programs; (7) prices for and availability of equipment, labour, fuel, oil, electricity and other key supplies remaining consistent with current levels; (8) labour and materials costs increasing on a basis consistent with the Company's current expectations; (9) other unforeseen conditions which could impact the use of services supplied by the Company.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

The forward looking statements contained herein are based on information available as of May 23, 2013.

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 23, 2013