Energold Drilling Corp.

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

INTRODUCTION

This Management's Discussion and Analysis (MD&A") of Energold Drilling Corp. ("Energold" or "the Company") is dated April 14, 2011. This MD&A should be read in conjunction with the audited consolidated financial statements of Energold Drilling Corp. and the notes thereto for the period ended December 31, 2010, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts referred to herein are in Canadian dollars unless otherwise specified. Additional information relating to the Company including material change notices, certifications of annual and interim filings, and press releases are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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

CORPORATE OVERVIEW

Energold is 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. The Company also holds mineral exploration properties in the Dominican Republic and Mexico, both directly and through the 6.8 million shares that it holds in IMPACT Silver Corp. ("IMPACT"). The Company's interest in IMPACT is currently accounted for on an equity basis.

INDUSTRY OVERVIEW

Energold has traditionally been engaged by and seen demand for its services from three groups of customers: gold mining companies, base metal mining companies, and junior exploration companies. Each of these groups is influenced by distinct market forces. In the last few years, historically high prices for many commodities drove the industry to record levels of activity. In the fourth quarter of 2008 demand for drilling services weakened significantly due to the global recession and demand weakness persisted through most of 2009. We have seen an increasing level of interest for our services since the last part of 2009 and through 2010. 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 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 103,400 meters in the four quarter, up 106% from 50,200 meters in the last quarter of 2009 and 346,300m during the current year compared to 151,300m in 2009. While traditionally one of the slowest quarters, the fourth quarter maintained the current trend and continues to strengthen as the Company drilled an increasing number of meters in each quarter through 2010 and is on track to continue this trend through 2011.

Revenues in the fourth quarter of 2010 were $17.3 million, up 140% from $7.2 million in the fourth quarter of 2009 and up 5% from $16.4 million in the third quarter of 2010 demonstrating the general recovery we are seeing in the industry as a whole. Average revenue per meter increased to $167 in the fourth quarter of 2010 from $144 in the fourth quarter of 2009 despite a stronger Canadian dollar.

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 18.6% in the fourth quarter of 2010, and 21.1% for the year. Margins are still lower than the Company has earned in prior years as pricing remained under pressure during the year and the Company's overall mix of drilling currently includes a greater portion of highly competitive mine site drilling than in the past. As demand for drilling increases, and as a percentage especially in the frontier areas, the Company expects to see increasing average prices and improving margins.

The Company had net earnings of $0.7 million in the fourth quarter of 2010 ($0.02 per share – basic and diluted) compared to a net loss of $0.6 million ($0.02 per share – basic and diluted) in the fourth quarter of 2009. Net earnings for the year were $1.5 million ($0.04 per share – basic and diluted) compared to a net loss of $1.9 million ($0.06 per share – basic and diluted) for 2009.

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 December 2012.

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 December 2012. All securities issued under the offering are 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 $61.5 million and cash and cash equivalents of $28.2 million at December 31, 2010. The majority of these funds are denominated in U.S. and Canadian dollars and held with Canadian Chartered Banks.

SELECT FINANCIAL AND OPERATING INFORMATION

	Three months ended			Year ended		
	Dec 31 2010	Dec 31 2009	% Change	**Dec 31 2010**	Dec 31 2009	% Change
Revenue ($000s)	**17,252**	7,199	+140%	**54,592**	23,719	+130%
Gross margin ($000s)	**3,216**	1,147	+180%	**11,530**	5,675	+103%
Gross margin percentage	**18.6%**	15.9%		**21.1%**	23.9%	
Net earnings (loss) ($000s)	**661**	(559)	+218%	**1,449**	(1,951)	+174%
Earnings (loss) per share – basic and diluted ($)	**0.02**	(0.02)	+200%	**0.04**	(0.06)	+166%
Meters drilled	**103,396**	50,159	+106%	**346,328**	151,333	+129%

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

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	Dec 31 2010	**Sept 30 2010**	June 30 2010	Mar 31 2010	Dec 31 2009	Sept 30 2009	June 30 2009	Mar 31 2009
Drill rig fleet	**103**	**100**	94	91	80	79	78	78
Cash and cash equivalents ($000s)	**28,225**	**9,298**	11,093	12,825	18,460	19,436	19,917	22,867
Total assets ($000s)	**95,274**	**75,005**	72,148	70,116	68,913	69,225	71,122	70,386
Total liabilities ($000s)	**13,310**	**11,198**	9,817	9,327	7,463	7,281	6,962	6,873
Shareholders' equity ($000s)	**81,964**	**63,808**	62,331	60,789	61,449	61,944	64,159	63,512

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 2009 and this trend continued throughout 2010. 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 2009 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 expects to be able to increase 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 during 2010. During the 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 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 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. 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. While one of our strongest markets in South America in 2008 was Peru, it suffered one of the most dramatic declines in 2009. 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. 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. 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. Energold recognized an accounting gain of $0.1 million on the transaction.

In addition to the nine rigs acquired via the Envirodrill transaction, Energold took delivery of five new surface drilling rigs in the first half of 2010, and one new underground rig and eight new surface drilling rigs in the second half bringing the rig count to 103 at December 31, 2010. The Company is continuing a modification program to increase the capability of its standard Series II and Series III rigs. Subsequent to the year-end additional surface rigs are being added 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 mobilizing a further three rigs that are conventional in nature.

The Company is developing additional technical ability in complementary activities including underground drilling. Included in the 2010 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.

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. 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$80,000) 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 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.

RESULTS OF OPERATIONS

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

Net earnings for the fourth quarter ended December 31, 2010 were $0.7 million ($0.02 per share – basic and diluted), compared to a net loss of $0.6 million ($0.02 per share – basic and diluted) in the fourth quarter of 2009.

Net earnings for the fourth quarter ended December 31, 2010 were impacted by the following factors:

- Revenues increased to $17.3 million in the fourth quarter of 2010, up from $7.2 million in the fourth quarter of 2009. The increase in revenues is a result of the significant increase in drilling activity in 2010 as compared to 2009. Average revenue per meter increased to $167 in the fourth quarter of 2010 as compared to $144 in the fourth quarter of 2009. 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 4% in the fourth quarter of 2010 as compared to the fourth quarter of 2009 which dampened the effect of higher U.S. dollar rates on revenues.

- Gross margin increased to $3.2 million in the fourth quarter of 2010, up 180% from $1.1 million in the fourth quarter of 2009. Gross margin percentage was 18.6% in the fourth quarter of 2010 compared to 15.9% in the fourth quarter of 2009. Gross margin percentage increased in the fourth quarter of 2010 as compared to the fourth quarter of 2009; however gross margins remain below historical levels. Pricing in the fourth quarter of 2010 improved but operating costs are traditionally higher in the fourth quarter. In addition many of the Company's operations adjusted for obsolete supplies during the fourth quarter which increased the cost of sales. As worldwide drilling demand increases through 2011 it is expected that prices for drilling services will rise.

- Indirect and administrative expenses increased to $3.0 million in the fourth quarter of 2010, up from $1.8 million in the fourth quarter of 2009. As a percentage of revenue, indirect and administrative expenses fell from 25.2% in 2009 to 17.7% in 2010. Office salaries and services increased by $0.2 million in the fourth quarter of 2010 as compared to the fourth quarter of 2009 as a result of the significantly higher level of business activity. Non-cash stock based compensation expense was $0.6 million in the fourth quarter of 2010 up from $0.2 million in the fourth quarter of 2009. Management fees and consulting increased to $0.3 million in 2010 from $0.1 million in 2009 due to compliance and international reporting requirements.

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

- Current and future income taxes increased by $0.6 million in the fourth quarter of 2010 compared to the same period in 2009.

Other comprehensive income in the fourth quarter of 2010 was $0.8 million, up from other comprehensive loss of $0.2 million in the fourth quarter of 2009. Other comprehensive income and loss is related to unrealized gains or losses on short-term investments held net of taxes.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Net earnings for the year ended December 31, 2010 were $1.4 million ($0.04 per share – basic and diluted), compared to net loss of $2.0 million ($0.06 per share – basic and diluted) in the comparable period of 2009.

Net earnings for the Year ended December 31, 2010 were impacted by the following factors:

- Revenues increased to $54.6 million for 2010, up 130% from $23.7 million for the year 2009. The increase in revenues is a result of significantly higher levels of drilling activity. Average revenue per meter increased slightly to $158 for the year as compared to $157 in 2009.

- Gross margin increased to $11.5 million for 2010, up from $5.7 million in 2009. Gross margin percentage for the year 2010 was 21.1% compared to 23.9% in 2009. With only marginally higher prices per meter, the gross margin percentage for the year 2010 was lower than 2009 primarily as a result of mobilization expenses for rigs and rising input costs incurred in 2010 as well as many of the Company's operations adjusted for obsolete supplies which increased the cost of sales. While average cost per meter remained steady, pricing in 2010 remained under pressure until later in the year as most of the 2010 contracts were based on drilling demand in 2009. As worldwide drilling demand increases into 2011 it is expected that prices for drilling services will increase.

- Indirect and administrative expenses increased to $9.2 million in 2010, up from $5.5 million in 2009. Management fees and consulting and office salaries and services increased to $4.2 million 2010 as compared to $2.8 million in 2009 as a result of the increased business activity, and international reporting and compliance requirements. Non-cash stock based compensation expense was $1.0 million in 2010 and $0.2 million in 2009.

- A foreign exchange loss of $0.7 million was recognized in 2010 compared to a foreign exchange loss of $2.3 million in 2009. In 2009 and 2010 the Canadian dollar strengthened against the U.S. dollar 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.

- Current and future income taxes increased to $2.2 million in 2010, up from $0.5 million in 2009.

- In March 2010 the Company acquired nine drilling rigs with related support equipment and inventories, as well as existing drilling contracts, and management and operating personnel from Envirodrill (UK) Ltd. The acquisition was treated as a business combination. The total consideration of $1,058,293 was paid in cash and 107,224 shares of the Company. The value of the net assets acquired was $1,151,023.

- In July 2010, pursuant to a binding letter agreement dated June 29, 2007 and upon the transfer of the La Parcela concession in the Dominican Republic, the Company acquired 5 million shares in a Canadian controlled private corporation ("CCPC) at a price of $0.40 per share. This represents a 25% interest in the CCPC and has been treated as an equity investment in the accounts of the Company. Subsequent to the year-end the CCPC entered into a letter agreement for a proposed transaction whereby the CCPC would be acquired by a public company on a basis to be mutually agreed. If this occurs, the Company will carry its equity investment as a short-term available for sale investment.

Other comprehensive income in 2010 was $0.9 million, up from other comprehensive income of $0.2 million in 2009. Other comprehensive income and loss is related to unrealized gains or losses on short-term investments held net of taxes.

Three Months Ended December 31, 2010 Compared to the Three Months Ended September 30, 2010

Net earnings for the fourth quarter ended December 31, 2010 were $0.7 million ($0.02 per share – basic and diluted), compared to net earnings of $0.8 million ($0.02 per share – basic and diluted) in the third quarter of 2010.

Net earnings for the fourth quarter ended December 31, 2010 were impacted by the following factors:

- Revenues increased to $17.3 million in the fourth quarter of 2010, up 5% from $16.4 million in the third quarter of 2010. The increase in revenues is a result of increased drilling activity and higher drilling rates. Average revenue per meter increased to $167 in the fourth quarter of 2010 as compared to $160 in the third quarter of 2010.

- Gross margin decreased to $3.2 million in the fourth quarter of 2010, down from $4.0 million in the third quarter of 2010. The gross margin percentage was 18.6% in the fourth quarter of 2010 compared to 24.7% in the third quarter of 2010. The margins for the fourth quarter are generally lower as crews take extended breaks for the holidays resulting in demobilization costs and lower productivity. In addition many of the Company's operations adjusted for obsolete supplies during the fourth quarter which increased the cost of sales.

- Indirect and administrative expenses were $3.0 million in the fourth quarter of 2010, up from $2.2 million in the third quarter of 2010. Stock based compensation expense increased to $0.6 million compared with $0.1 million in the third quarter due to the issue of stock options during the period. Management fees and consulting was $0.3 million compared to $0.1 million in the prior quarter due to an increase in compliance and international reporting requirements. Other individual categories of indirect and administrative expenses were marginally different between the quarters.

- A foreign exchange loss of $0.5 million was recognized in the fourth quarter of 2010 as compared to a foreign exchange loss of $0.4 million in the third quarter of 2010. The Canadian dollar strengthened against the U.S. dollar in the third quarter and again in the fourth quarter of 2010 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.

- Current and future income taxes decreased to $0.6 million in the fourth quarter of 2010, down from $0.7 million in the third quarter of 2010.

Other comprehensive income in the fourth quarter of 2010 was $0.8 million, up from other comprehensive gain of $0.5 million in the third 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)

	Dec 31 2010	**Sept 30 2010**	Jun 30 2010	Mar 31 2010	Dec 31 2009	Sept 30 2009	Jun 30 2009	Mar 31 2009
Revenue	**17,252**	**16,359**	12,909	8,072	7,199	6,408	6,262	3,851
Net earnings (loss)	**661**	**839**	1,306	(1,357)	(559)	(1,580)	(215)	403
Earnings per share - Basic*	**0.02**	**0.02**	0.04	(0.04)	(0.02)	(0.05)	(0.01)	0.01
Earnings per share - Diluted*	**0.02**	**0.02**	0.04	(0.04)	(0.02)	(0.05)	(0.01)	0.01
Cash and cash equivalents	**28,225**	**9,298**	11,093	12,825	18,460	19,436	19,917	22,867
Total assets	**95,274**	**75,005**	72,148	70,116	68,913	69,225	71,122	70,386
Total liabilities	**13,310**	**11,198**	9,817	9,327	7,463	7,281	6,962	6,873

* Per share numbers have been rounded to two decimal places

Liquidity and Capital Resources

The Company's financial position at December 31, 2010 remains strong with $28.2 million in cash and cash equivalents (December 31, 2009 - $18.5 million) and net working capital of $61.5 million (December 31, 2009 - $46.5 million).

Cash flows from operations before changes in non-cash working capital[2] were $0.3 million during the three months ended December 31, 2010, an increase from $(0.5) million during the three months ended December 31, 2009. During the three months ended December 31, 2010, the Company used $0.3 million in cash for investing activities. These funds were mainly used to purchase drill rigs and increase the Company's investment in IMPACT Silver Corp., offset by cash inflows from the sale of short-term investments. The Company received gross proceeds of $17.3 million for shares issued in a private placement in December 2010.

In the opinion of management, the working capital at December 31, 2010, together with the expected future cash flows from operations, is sufficient to support the Company's normal operating requirements on an ongoing basis.

Outstanding Share Data

The following common shares and stock options of the Company were outstanding at April 14, 2011:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares at April 14, 2010	39,862,069		
Stock options outstanding	898,950	$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	2,331,081	$4.50	December 23, 2012
Agent units outstanding *(Note 1)*	279,729	$3.70	December 23, 2012
Fully diluted at April 14, 2010	44,885,579		

Of the 2,412,700 stock options outstanding, 1,484,575 have vested at April 14, 2010.

(Note 1) Each unit is comprised of one common share and on-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 11.22% of the issued and outstanding shares of IMPACT at December 31, 2010. 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 December 31, 2010 this investment is carried on the Company's balance sheet at $5.3 million, however the market value (based on quoted trading price at year-end) of the IMPACT shares held by Energold at December 31, 2010 equalled $12.0 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.

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

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 fourth 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 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 2010.

On March 4, 2010, IMPACT announced that mining had commenced at the Noche Buena Mine. Fourth quarter production from Noche Buena was 66 tpd. Production from Noche Buena was limited because heavy rainfall washed out roads between the Noche Buena Mine and the processing plant. The roads have been repaired and Noche Buena production is planned to increase to 80 – 120 tpd as multiple mining faces are developed. The Guadalupe processing plant was upgraded in the first quarter of 2010 to accommodate the additional Noche Buena production and is being further modified with additional flotation cells to enhance recoveries.

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

Early in the new year 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.

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 2009, 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 December 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 December 31, 2010 the Company's accounts payable and accrued liabilities were $7.8 million, of which $7.6

million falls due for payment within twelve months of the balance sheet date. 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 December 31, 2010 the Company is exposed to currency risk through cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities held in U.S. dollars, Mexican pesos and Brazilian reais. Based on these foreign currency exposures at December 31, 2010, a 5% depreciation or appreciation of all the above currencies against the Canadian dollar would result in an approximate $0.57 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 December 31, 2010.

Changes in Accounting Policies – Adoption of New Accounting Policies

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

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

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that IFRS will replace current Canadian GAAP for publicly-accountable, profit-oriented enterprises effective January 1, 2011. Accordingly, the Company will apply accounting policies consistent with IFRS beginning with its interim financial statements for the quarter ended March 31, 2011, with restatement of comparative information presented. The conversion to IFRS from Canadian GAAP will affect the Company's reported financial position and results of operations and will affect the Company's accounting policies, internal control over financial reporting and disclosure controls and procedures.

In 2009 the Company began the process of identifying the differences between Canadian GAAP and IFRS and identifying how these differences may affect the reporting of the Company's reported financial position and results of operations. The Company also assessed the available elections under IFRS 1, First-time adoption of International Financial Reporting Standards ("IFRS 1") to determine the effect of each election on the Company. The Company has commenced quantifying the effects of the anticipated changes to the financial reporting on the Company's IFRS opening balance sheet and is concurrently preparing draft IFRS-compliant model financial statements and making appropriate changes to business, reporting and system processes and training to support the preparation and maintenance of IFRS compliant financial data for the IFRS opening balance sheet at January 1, 2010 and going forward. The Company believes that it is in a position to ensure an efficient and effective transition to IFRS reporting by the first IFRS reporting date.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company has identified the following optional exemptions that it expects to apply in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's "Transition Date":

- To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.
- To apply IFRS 21 The Effects of Changes in Foreign Exchange Rates, therefore resetting translation differences at the date of transition, determined in accordance to previous GAAP, to zero.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

The Company has not yet determined the full effects of adopting IFRS on its financial statements. Included below are highlights of the areas that are expected to result in a change to significant accounting policies. The list is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas identified to have the most potential for significant changes.

Property, plant and equipment

IFRS requires entities to componentize all assets and record amortization on a component-by-component basis. The Company is currently completing an assessment on all long-lived assets for their major components in order to determine if a difference will exist between current Canadian GAAP values and IFRS values. The Company does not anticipate a significant difference between Canadian GAAP and IFRS on transition as a result of this difference.

Share-based payments

Share-based payments under IFRS are expensed based on a graded vesting schedule, a forfeiture rate must be applied and the definition of an employee differs under Canadian GAAP and IFRS. The Company does not anticipate a significant difference between Canadian GAAP and IFRS on transition as a result of this difference.

Investment in associates

Under IFRS unrealized profits and losses on both upstream transactions and downstream transactions are eliminated only to the extent of the investor's interest in the investee. Under Canadian GAAP, 100% of unrealized profits and losses from downstream transactions are eliminated. The Company is currently completing an assessment in this area between Canadian GAAP and IFRS on transition as a result of this difference.

Deferred income taxes

There are a number of potential differences in the calculation of deferred income taxes under IFRS compared with Canadian GAAP. The Company is currently completing the assessment of the deferred income taxes under IFRS.

Other important considerations during the IFRS transition include:

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

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

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

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

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

Management's Report on Internal Control over Financial Reporting

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

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

Changes in Internal Control over Financial Reporting

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

Approval

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

NON-GAAP MEASURES

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

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

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

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

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

NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Additional Information

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

On behalf of the board of directors,

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

April 14, 2011