CAPITAL MARKETS
HAYWOOD SECURITIES INC.

Member CIPF

Haywood Securities Inc.

Special Situations

Energold Drilling Corp. (EGD—V, $4.05)

October 18, 2007

Core Fundamentals: Growing Fast in a Market of Excess Demand

INITIATING COVERAGE:

SECTOR OUTPERFORM; Target Price: $5.50; Risk: MODERATE

Right place at the right time as drilling market continues to expand

Global exploration spending is forecast to grow by $2.5 billion in 2007 to $10 billion from $7.5 billion last year. We estimate the impact on the drilling services market at $1 billion, an amount greater than the total 2006 drilling revenue of industry leaders Boart Longyear and Major Drilling combined. We believe Energold Drilling, which is currently aggressively expanding its fleet of highly portable specialized drill rigs, is well positioned to benefit from the upward pressure on drilling rates and margins created by the excess demand for the service.

Fleet of proprietary man-portable, highly versatile drill rigs well suited for deployment in quickly growing sub-Saharan Africa market

Energold's drill rig fleet is modular by design and can be transported inside a helicopter, on the back of a pickup truck, or if necessary, by men. It can be operated on a pad as small as 15 square metres, which can be dug into a hillside or cleared from dense foliage. As exploration efforts continue to turn towards targets in sub-Saharan Africa where infrastructure is limited or non-existent, we believe that Energold's drills will remain very much in demand.

Growth at a Reasonable Price (GARP)

Energold is in the midst of a hyper growth phase. Its drill rig fleet has expanded from 23 drills at the end of 2005, to 30 at the end of 2006, and management is targeting up to 60 by the end of 2008. Despite margins well ahead of its peers and expanding, and our forecast for operating earnings growth at an average of 60% annually over the next 2 years, the Company trades at a reasonable valuation of 6.1x EV/2008E EBITDA, and 11.2x 2008E EPS (excluding cash and shares), versus peers above 9.0x EV/2008E EBITDA and 14.0x forecasted earnings. Thus, we believe that Energold represents an excellent small-cap opportunity for growth at a reasonable price.

Please see pages 24 - 26 for full rating structures, important disclosures, risk parameters and disclaimers.

David Beasley (416-507-2710, dbeasley@haywood.com)

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EXECUTIVE SUMMARY

Target Price	**$5.50**
Current Price	$4.05
Return	35.8%
52-Week High / Low	$4.19 / $0.84
Estimated Treasury	$21 million
Shares O/S	29.9 million (basic) 34.5 million (F/D)
Market Capitalization	$121.1 million
Daily Volume (3-month average)	206,804
President and CEO	Fredrick W. Davidson
Company Web Site	www.energold.com

Revisions, Date of Record

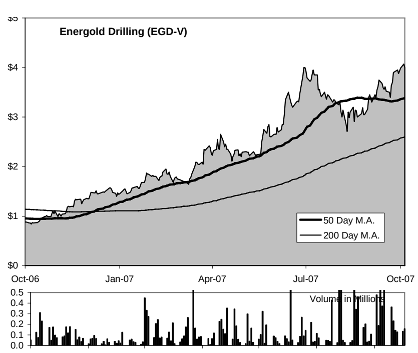
Target	$5.50, October 18, 2007
Rating	**SECTOR OUTPERFORM**
Forecast	2007E EPS $0.20 2008E EPS $0.32

Risk Profile	**Moderate**
Forecast Risk	Moderate
Financial Risk	Low
Valuation Risk	Moderate
Political Risk	Moderate-High

Industry – Mining Services

Company Profile – Energold is a contract diamond-drilling company serving the niche market for highly portable drills. As of October 2, 2007, the Company had 35 drill rigs in more than 10 countries on 4 continents.

Price Performance



Source: Bloomberg

Energold Drilling Represents a Small-Cap GARP Play on the Minerals Drilling Theme

The market size for minerals drilling is expanding as exploration spending continues to grow to record levels. We estimate that market size for drilling services will expand by $1 billion this year, exceeding the total 2006 drilling revenue of industry leaders Boart Longyear (BLY–A) and Major Drilling (MDI–T) combined. Despite rapid additions of capital and manpower, the supply gap for drilling services is widening. The result has been an accelerating use of rigs and steady increases in rates and margins. Energold's aggressive drill rig build program should help the Company exploit these market conditions and continue to see significant growth in the value of the Company. We highlight the following drivers behind our buy recommendation.

- Persistent strength in metals prices continues to drive record exploration spending, creating excess demand for drilling services. Drilling companies are reporting that they are unable to keep up with demand growth for their services, and despite their efforts to fill the gap, the disequilibrium appears to be worsening. This situation has driven up rates and margins across the industry. The bottleneck is not in building the drill rigs, but in finding qualified drill operators. In this regard, Energold currently enjoys a labour surplus owing to its premium wages and attractive operating locales.
- The key growth market of sub-Saharan Africa is a perfect fit for Energold's fleet of man-portable drill rigs that can access targets where infrastructure is limited or non-existent. The rigs can be transported physically in modules and require just 15 square metres of surface area to operate. We believe the mobile, compact design provides Energold with a sustainable competitive advantage in a market lacking in infrastructure that is expected to see massive capital inflows for minerals exploration over the coming years.
- We estimate that Energold produces an incremental return on total invested capital for a newly deployed drill rig of around 50% and a payback on the capital costs of less than 1 year. Management is positioning the Company to fully exploit these economics by initiating a hyper growth strategy, targeting 60 rigs in the field by the end of next year (from 30 at the beginning of this year).
- The industry is consolidating, with both Boart Longyear and Major Drilling actively and explicitly targeting fleet additions. We believe an acquisition of Energold would make sense to either, given its degree of specialization which commands premium rates, and has become the focus of growth in the industry. We consider our target price a fair takeout value, as a transaction at this level should prove accretive to either company.

INVESTMENT THESIS

Exploration expenditures, like metals prices, are at all-time highs. Total nonferrous exploration spending is estimated[1] to have been $7.5 billion in 2006 and is expected to continue growing to as high as $10 billion in 2007. With many of the 'low-hanging fruit' prospective targets in North America and Australia explored, the hunt for resources has shifted to less developed regions in sub-Saharan Africa, despite little or no existing infrastructure and political instability. This shift is evident in China's recently reported pledge of a $5 billion investment in the Democratic Republic of Congo, and many believe this number to be understated.

We estimate exploration spending growth to affect minerals-drilling market size by $1 billion this year. This inflow of capital exceeds the combined 2006 drilling revenue of industry leaders Boart Longyear and Major Drilling. Though the inflow represents an increase in market size of approximately 30%, the incumbents are having difficulty keeping up with demand growth, resulting in a capacity-constrained sector in which the supply gap is widening. In view of the attractive supply-demand outlook, we are compelled to recommend minerals drilling services as an attractive investment theme over the course of the current commodity bull market.

We highlight Energold Drilling Corp. as an attractive play on this theme. In the midst of a hyper growth phase, the small-cap niche player should continue to benefit from the upward pressure on rates and margins and seemingly unlimited demand for its highly portable drill rigs. The Company uses a proprietary man-portable drill rig capable of reaching depths of up to 800 metres. The rigs can be transported to remote locales *inside* a helicopter or single-engine airplane or on the back of a pickup truck, and carried into inaccessible areas in module form by men. This mobility and an operating footprint of just 15 square metres make the fleet a perfect match for undeveloped growth markets.

Despite our prediction of strong growth over the next few years, the stock continues to trade well below the valuation of its peers. As a result, we see an opportunity for growth at a reasonable price in EGD shares. We are initiating coverage of Energold Drilling Corp. (EGD–T) with a SECTOR OUTPERFORM rating and a target price of $5.50 representing a 35.8% premium to the last traded price of $4.05 on October 17, 2007.

Upside Valuation Potential

	Valuation
Discount rate of WACC less 100 bps (9.8%)	$7.60
Rate increases of 5% per year in 2009-2013. All else equal.	$6.90
Add 10 rigs per year in 2010-2012. All else equal.	$6.20
Addition of 10 drills in 2009, 6 drills per year in 2011-2013. All else equal. (Base case = Target Price)	$5.50
No new drills past 2008. Rate increases of 2%/year. WACC = 10.8%; Growth = 3%	$4.20

Source: Haywood Securities

[1] As estimated by Metals Economics Group

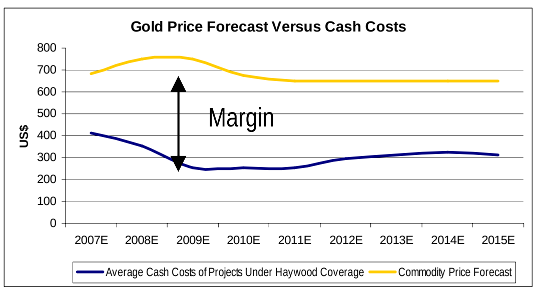
Opportunities

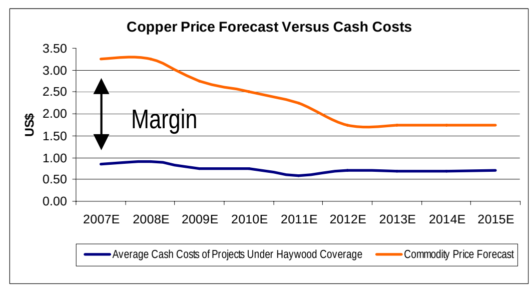
We recommend Energold Drilling with a SECTOR OUTPERFORM rating based on the following rationale:

- **Excess demand for diamond drilling is driving record revenue growth and margin expansion.**

  Strength in metal prices has created high implied project returns, which in turn have fuelled record exploration activity. The estimated cash costs of copper and gold projects covered by Haywood's Mining Research team show wide implied margins over the long run. Cash costs for gold companies average around $400 per ounce (in line with the most recent GFMS Limited estimate of a global average of $380) while cash costs for copper projects under coverage average below $1 per pound. This compares favourably with our current forecasts for the price of gold of $750 per ounce and $3.50 per pound for copper.

Projected Economic Margins for Gold and Copper Projects Under Haywood Coverage





Source: Haywood Securities

The exploration drive has been well supported by the market. The mining sector was responsible for 84% of the number of financings done on TSX group exchanges in 2006, representing C$12.5 billion raised (38% of the total)[2].

The combination of these two factors, the increased potential for profit and the availability of capital with which to pursue it, has created excess demand for contract drilling services. This excess has pushed rates higher and increased drill volumes across the industry, thereby driving strong revenue growth and margin expansion.

Boart Longyear (BLY–A) reported H1 revenue growth in drilling services of 51% year over year, while Major Drilling (MDI–T) reported a similar 51.7% increase in the most recent quarter. As for Energold, revenue grew 71% in 2006, while the Company realized a 7% increase in average rates and 60% increase in metres drilled. Thus far this year, Energold has seen a 4% increase in rates and a 40% improvement in drilling activity, combining for a revenue increase of 46% from the same period last year.

Rate increases appear to have kept ahead of cost increases, as margins have also been expanding. Major Drilling reported gross margin expansion of 340 basis points (bps) for its 2007 fiscal year, and Boart Longyear saw a more dramatic 490 bps bump in 2006 gross margins in its drilling division. Though Energold's reported gross margins have remained around 35% since 2004, we believe they are understated, as revenue contributions from newly commissioned rigs ramping up to full utilization lag the Company's capital and labour investments, which are partially written off against current revenues. However, we have

[2] TSX Group

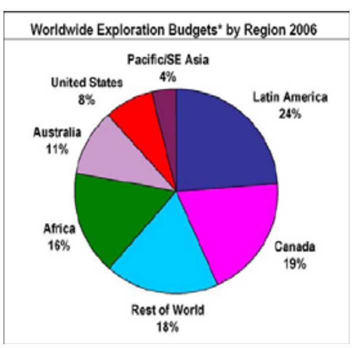
recently begun to see the Company's margins strengthen, averaging 40.9% through H1/07, versus 32% in H1/06 (890 bps bump year over year) and 35% for the full year 2006. We expect this margin expansion trend to continue in 2008 and 2009.

- **Energold's fleet of highly portable drill rigs (which can access targets lacking in infrastructure) is well suited for exploration in sub-Saharan Africa, where we expect to see massive growth in drilling service demand over the next few years.**

  Africa has had the third highest level of exploration spending since 2003, behind Latin America and Canada. According to Metals Economics Group's *World Exploration Trends 2007*, we could be seeing this activity increase substantially as explorers begin to trade off political stability in favour of opportunities for high-grade discovery. As global exploration spending is expected to be nearly double that of the last cyclical peak in 1997, much of the lower risk, mineral-rich areas in the world, i.e., North America and Australia, has already been well surveyed. Therefore, Sub-Saharan Africa, well known for its wealth of precious and base metal deposits, has become increasingly important as a future source of these resources. Incrementally, the additional exploration spending that could be focused in this region over the next couple of years could be substantial given current global forecasts.

  Africa made up 16% of global exploration spending in 2006. In light of exploration spending forecasts for 2007 and 2008, if this proportion is maintained, the region could see $320 million and $380 million in additional capital over 2006 levels each year respectively. With drilling making up 40% of exploration costs on average, the drilling market size would increase by up to 130 million in 2007, to $150 million in 2008. However, the region is becoming more prominent within the context of the global market, so we could see its proportionate share rise. In the scenarios below, we estimate that growth in exploration spending in Africa could be as high as $930 million in 2007 and $980 million in 2008, corresponding to an increase in the size of the drilling market by $370 million to $390 million.

Expansion of African Market Size



Source: Metals Economics Group

	Global	Proportion of Global Exploration Spending in Africa			
Reference Year	Market	16%	18%	20%	22%
07 Low Case	$9,300	$1,488	$1,674	$1,860	$2,046
07 Base Case	$9,500	$1,520	$1,710	$1,900	$2,090
07 High Case	$9,700	$1,552	$1,746	$1,940	$2,134
08 Base Case	$9,900	$1,584	$1,782	$1,980	$2,178
	Global	Incremental Spending (Base Case = 16% share 2006, $7.5B)			
Reference Year	Market	16%	18%	20%	22%
07 Low Case	$9,300	$288	$474	$660	$846
07 Base Case	$9,500	$320	$510	$700	$890
07 High Case	$9,700	$352	$546	$740	$934
08 Base Case	$9,900	$384	$582	$780	$978

Source: Metals Economics Group, Boart Longyear, and Haywood Securities

We are starting to see this growth materialize. In September of this year, China pledged to loan $5 billion to the Democratic Republic of Congo for mine development and mining infrastructure.

Energold has not yet been highly active in the African drilling market, but management's strategy is to grow with this opportunity. Energold's drills are well suited to serve the region given their high degree of portability that provides access to targets unreachable by conventional drill rigs. Furthermore, the operating pad for the drill is just 15 square metres and can be cut into the side of a mountain or the middle of a dense jungle. Given this competitive edge, we believe the Company's growth strategy is well aligned with the opportunity present in this fast-growing market.

- **We estimate that each new addition earns nearly 50% return on total invested capital and a net present value of individual rig additions of more than $1 million.**

  The invested capital required to bring a new drill rig onstream is approximately $450,000, consisting of $150,000 in construction costs for the core modular components and $300,000 in inventory and component parts. The Company writes off this inventory investment against revenues, leaving a 35% margin (in the conservative case). Therefore, the investment required to build each rig unit has a payback of less than a year (see operating cash flow in the table below). Additionally, we estimate that the stream of cash flows from each drill deployed returns a present value over its capital charge of $1 million at current average rates and volumes, discounted at a standard LIBOR plus 200 basis points. On an operating basis, we estimate an annual incremental return on capital for the drilling business of around 50%.

Return on Capital of Incremental Fleet Additions

Incremental Return on Invested Capital

Estimated Invested Capital	
Rig Capital Costs	150,000
Inventory Investment	300,000
Total Incremental Invested Capital Required	450,000

	Low Case	Base Case	High Case
Rate per Metre (CAD)	135	140	145
Metres Drilled	6,000	6,500	7,000
Total Revenue	810,000	910,000	1,015,000
Gross Margin @35%	283,500	318,500	355,250
Tax @ 35%	(99,225)	(111,475)	(124,338)
Tax Shield on depreciation	6,563	6,563	6,563
Operating Cash Flow	190,838	213,588	237,475
Annual Incremental Return on Invested Capital	*42.4%*	*47.5%*	*52.8%*
Payback Period on Rig CAPEX (# of months)	*9.4*	*8.4*	*7.6*

Source: Haywood Securities

NPV of Incremental Fleet Additions

NPV of an Incremental Rig over 8-Year Life at 7,000 Metres Drilled per Year

Discount Rate (LIBOR = 5.1%, LIBOR + 200 bps highlighted)

Avg. Rev. per Metre	5.1%	6.1%	7.1%	8.1%	9.1%	10.1%	11.1%
135	1,199,502	1,133,032	1,070,964	1,012,954	958,689	907,882	860,272
137	1,220,004	1,152,732	1,089,910	1,031,188	976,252	924,812	876,604
139	1,240,507	1,172,433	1,108,855	1,049,422	993,815	941,742	892,936
141	1,261,009	1,192,133	1,127,800	1,067,656	1,011,378	958,672	909,268
143	1,281,511	1,211,833	1,146,745	1,085,889	1,028,941	975,602	925,600
145	1,302,014	1,231,533	1,165,690	1,104,123	1,046,504	992,532	941,933

Source: Haywood Securities

- **The Company is growing its rig fleet rapidly to exploit the current market conditions and has the qualified drill operators necessary for deployment.**

  The Company has grown its rig fleet by more than 30% annually since 2004 and plans to continue this rapid growth, potentially taking its rig count to 60 by the end of next year (from 30 in 2006). We expect the Company to exit 2007 with 41 rigs, after accounting for the recent consolidation of its fleet from its former joint-venture partners. We are modelling another 14 rigs for 2008, bringing the total to 55, which is below the Company's indicated target of 60 over this timeline. The market outlook would suggest that Energold will likely continue to build as aggressively as possible, and the Company has stated that it is aiming for 10 additions per year. We are modelling 10 additions for 2009 and 6 per year for the subsequent 4 years.

The critical bottleneck in the industry is in the availability of skilled drill operators much more than in the speed of rig construction. However, Energold currently has a surplus of drillers and has been increasing its labour pool faster than the competition owing to a training period of just 6 months on its mobile drills, versus the 2 years required to reach competence on full-size conventional rigs. Therefore, the Company is able to plan expansions with just 6 months lead time for both capital and labour deployments. For this reason along with the persistent demand for drilling, we could see the Company increase its drill fleet significantly ahead of our forecasts.

- **Energold is an attractive target in a consolidating industry.**

Industry leader Boart Longyear estimates FY2007 drilling revenues of more than US$900 million, with 1,080 drill rigs operating in 30 countries. Major Drilling is forecast to have current fiscal year sales of C$550 million, with nearly 500 rigs operating in 20 countries. Both companies have made it clear that they intend to continue consolidating the fragmented drilling industry, and both have identified Africa as a key growth market. With regards to its consolidation strategy, Major Drilling recently stated, “the Company’s addition of rigs and acquisitions of businesses has been focused on specialized drilling services.” Boart Longyear estimates that it will be adding three or four businesses per year. We view Energold as a potential takeover target if the seniors see specialized, highly portable rigs as necessary to satisfy all their clients’ needs.

On a valuation basis, the purchase of Energold would appear accretive to both Major Drilling and Boart Longyear, as it trades well below the two on forward P/E and EV/EBITDA, despite a superior growth profile and 100% specialized (premium) offering

Comparable Market Valuations: Current and Implied by Consensus Target Price

	Price	Market Cap ($M)	EV	Sales ($M) (LFY)	EV/EBITDA (Next FY)	P/E Next FY ex-Cash	Earnings Growth %	PEG	PB
Energold Drilling Corp.	$4.05	$120.88	$105.17	$25.48	6.1x	11.2x	55%	0.23	3.4x
at Haywood Target	$5.50	$164.16	$148.45	$25.48	8.6x	15.8x	55%	0.32	3.4x
Major Drilling Group International Inc.	$55.75	$1,320.9	$1,326.5	$415.4	9.7x	14.3x	18%	0.82	5.6x
at Consensus Target	$59.92	$1,419.7	$1,425.3	$415.4	10.4x	15.4x	18%	0.88	5.6x
Boart Longyear Limited	$2.38	$3,572.0	$4,345.2	$1,252.8	10.7x	14.7x	23%	0.64	33.7x
at Consensus Target	$2.66	$3,992.2	$4,765.5	$1,252.8	11.7x	16.4x	23%	0.72	33.7x
Average Excluding Energold Drilling Corp.					*10.8x*	*17.1x*	*18.0%*	*1.25*	*12.1x*

Boart Longyear Limited data in AUS$, Foraco data in EUR.

Source: Capital IQ, Bloomberg, and Haywood Securities

We believe our target price of $5.50 represents a value at the upper end of a takeout valuation range, although it would be in line with the current target valuations of senior drillers before potential synergies. Energold’s competitive advantage in rig mobility and high growth potential should command a premium.

VALUATION AND TARGET PRICE

DCF Analysis

Our discounted cash flow (DCF) model reflects the high-growth phase over 2007 to 2009, with operating earnings growth of 67%, 50%, and 30% moderating to an average of 10% over the subsequent 4 years. We apply a 10.8% weighted average cost of capital (WACC) and a 3% terminal growth rate, from which we derive $5.14 per share valuation for the operating business including pro forma cash post drill rig fleet consolidation. With the addition of the Company's 6.6 million shares in IMPACT Silver (IPT–V) valued at $0.35 per EGD share, we arrive at our $5.50 target price.

Discounted-Cash-Flow Model

Discounted Cash Flow Valuation

Operating Free Cash Flows

	Fiscal Years Ending December 31						
	2007	2008	2009	2010	2011	2012	2013
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Operating Income Before Taxes (EBIT) ('000)	10,824.3	16,049.4	20,663.7	22,755.7	25,520.4	28,358.6	31,272.8
Growth	71.2%	48.3%	28.8%	10.1%	12.1%	11.1%	10.3%
Income Taxes @ 35%	(3,788.5)	(5,617.3)	(7,232.3)	(7,964.5)	(8,932.1)	(9,925.5)	(10,945.5)
Operating Earnings After Taxes	7,035.8	10,432.1	13,431.4	14,791.2	16,588.3	18,433.1	20,327.3
Depreciation & Amortization	662.7	1,062.2	1,196.7	1,197.3	1,143.1	1,098.8	1,062.5
Capital Expenditures	(2,901.0)	(2,514.5)	(1,616.2)	(1,022.3)	(1,016.4)	(1,011.5)	(1,007.5)
Working Capital Requirements	(5,999.7)	(3,575.9)	(3,627.8)	(4,052.2)	(2,981.3)	(3,089.7)	(3,201.3)
Free Cash flow	(1,202.1)	5,403.8	9,384.1	10,914.0	13,733.7	15,430.6	17,181.0
Present Value of Cash Flows	(1,084.6)	4,399.0	6,892.3	7,232.4	8,211.3	8,324.0	8,362.3
PV of Terminal Value	109,938.4						
Terminal Value As a Percentage of Enterprise Value	72.2%						

Per Share Valuation	
Total Enterprise Value ('000)	152,275
Less: Debt	-
Less: Minority interest (post consolidation)	-
Plus Cash (including option/warrant conversions)	24,833
Equity Value	177,108
Fully Dilluted Shares	34,454
Value per Share	**5.14**
Market Value of Share Holdings in IMPACT Silver	$ 0.35
Total Value per EGD Share	**5.49**

Source: Haywood Securities

Peer Comparison

Currently, we see Energold Drilling trading well below peers across forward multiples. The Company trades at 6.1x EV/2008E EBITDA, versus over 9.0x for its senior peers. On a P/E ratio basis, Energold is trading at 11.2x our 2008E EPS (excluding cash), versus peers at over 14.0x. Our target price brings this multiple closer in line with peer target multiples despite much higher expected earnings growth for Energold.

Drilling Industry Comparables

	Price	Market Cap ($M)	EV	Sales ($M) (LFY)	Next FY EBITDA	EV/EBITDA (Next FY)	Current FY EPS Est.	Next FY EPS	P/E Next FY	P/E Next FY ex-Cash	Earnings Growth %	PEG	PB
Energold Drilling Corp.	$4.05	$120.9	$105.2	$25.5	$17.3	6.1x	0.20	0.32	12.8x	11.2x	55%	0.23	3.4x
at Haywood Target	$5.50	$164.2	$148.4	$25.5	$17.3	8.6x	0.20	0.32	17.4x	15.8x	55%	0.32	3.4x
Major Drilling Group International Inc.	$55.75	$1,320.9	$1,326.5	$415.4	$136.7	9.7x	3.25	3.83	14.6x	14.3x	18%	0.82	5.6x
at Consensus Target	$59.92	$1,419.7	$1,425.3	$415.4	$136.7	10.4x	3.25	3.83	15.6x	15.4x	18%	0.88	5.6x
Boart Longyear Limited	$2.38	$3,572.0	$4,345.2	$1,252.8	$407.1	10.7x	0.13	0.16	14.9x	14.7x	23%	0.64	33.7x
at Consensus Target	$2.66	$3,992.2	$4,765.5	$1,252.8	$407.1	11.7x	0.13	0.16	16.6x	16.4x	23%	0.72	33.7x
Layne Christensen Co.	$55.30	$82,995.3	$1,185.4	$722.8	$103.1	11.5x	2.02	2.18	25.4x	24.9x	8%	3.20	3.8x
Cabo Drilling Corp.	$0.74	$32.1	$34.6	$28.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.2x
FORACO International S.A	$3.40	$203.1	$229.4	$35.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0x
Average Excluding Energold Drilling Corp.						*10.8x*			*17.4x*	*17.2x*	*18.0%*	*1.25*	*12.1x*

Boart Longyear Limited data in AUS$, Foraco data in EUR.

Source: Capital IQ, Bloomberg, and Haywood Securities

As a check on our discounted cash flow, we entered our earnings model data into the FSA QuickVALUE model. The model shows a present value of cash flow for the drilling business of $5.11 versus our DCF valuation of $5.14 assuming a 10.8% cost of capital.

Economic Value-Added (EVA®) Analysis – QuickVALUE Model

Energold Drilling Corp.

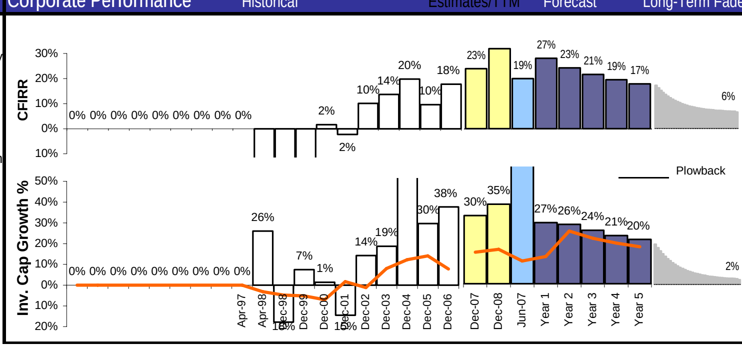
Intangibles: Exclude — Wind down rate: 10.0% — 40 yr. CFIRR: 6.0%

	Actuals (Last 8 Fiscal Years)								Estimates		TTM	Forecast				
Value Drivers	Dec-99	Dec-00	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Jun-07	Year 1	Year 2	Year 3	Year 4	Year 5
EPS	($0.03)	$0.01	($0.09)	$0.01	$0.03	$0.09	$0.04	$0.16	$0.21	$0.35	$0.23					2
CFIRR	**(23.7%)**	**1.6%**	**(2.3%)**	**10.1%**	**13.6%**	**19.8%**	**9.6%**	**17.7%**	**22.8%**	**30.4%**	**19.0%**	**26.7%**	**23.1%**	**20.6%**	**18.7%**	**17.0%**
Infl. Adj. Gross Capital	$6.6	$6.6	$5.7	$6.5	$7.7	$16.4	$21.3	$29.3	$38.1	$51.4	$46.6	$59.1	$74.6	$92.1	$111.6	$133.4
Capital Growth	**7.5%**	**1.4%**	**(14.5%)**	**14.3%**	**18.7%**	**112.8%**	**29.7%**	**37.7%**	**30.0%**	**35.0%**	**96.5%**	**26.9%**	**26.1%**	**23.5%**	**21.2%**	**19.5%**
Asset Life	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Salvage Value % of Inv. Cap	21.8%	25.1%	18.9%	19.8%	23.9%	58.0%	63.9%	63.8%	63.8%	63.8%	76.8%	76.8%	76.8%	76.8%	76.8%	76.8%
Cost of Capital	7.4%	7.1%	6.7%	7.2%	6.4%	6.0%	5.3%	5.3%	5.3%	5.3%	5.3%	10.8%	10.3%	9.9%	9.5%	9.1%
Discount Rate	7.4%	7.1%	6.7%	7.2%	6.4%	6.0%	5.3%	5.3%	5.3%	5.3%	5.3%	10.8%	10.3%	9.9%	9.5%	9.1%
EBITDA (Mil)	($0.6)	$0.3	$0.0	$0.9	$1.5	$3.6	$2.7	$6.8	$9.5	$15.8	$9.1	$21.7	$23.7	$26.4	$29.2	$32.0
EBITDA Per Share	($0.04)	$0.02	$0.00	$0.06	$0.10	$0.20	$0.11	$0.29	$0.32	$0.53	$0.31	$0.72	$0.79	$0.88	$0.98	$1.07
CF from Ops (Mil)	($0.4)	$0.2	$0.1	$0.6	$1.0	$2.4	$1.9	$4.5	$6.3	$10.5	$6.0	$14.1	$15.4	$17.2	$19.0	$20.9
CF from Ops Per Share	($0.03)	$0.02	$0.01	$0.04	$0.07	$0.13	$0.07	$0.19	$0.21	$0.35	$0.20	$0.47	$0.52	$0.57	$0.64	$0.70
Shares Outstanding (Mil)	15.1	15.1	14.5	14.4	14.8	18.0	20.8	22.2	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9

Business Description

Energold Drilling Corp (Energold) is a Canada-based diamond-drilling contractor operating directly and through its subsidiaries, Pac Rim Drilling S.A. (50.01%), Kluane International Drilling (50%) and its affiliates. It also holds mineral exploration properties in Latin America primarily in the Dominican Republic and Mexico both directly and through its equity interest in IMPACT. As at February 2007, the Company had 30 drills.

Corporate Performance — Historical — Estimates/TTM — Forecast — Long-Term Fade

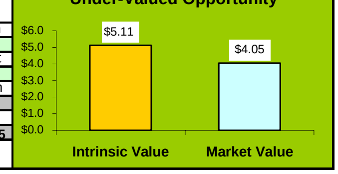


Valuation

Valuation Breakdown	Intrinsic Value Per Share	Intrinsic Value Total Value (Mil)	Market Value Per Share	Market Value Total Value (Mil)
Infl. Adj Net Fixed Cap.	$0.29	$9	$0.29	$9
+ Value of WC	$1.20	$36	$1.20	$36
+ PV of Incremental CF	$3.91	$117	$2.84	$85
= ENTERPRISE VALUE	**$5.39**	**$161**	**$ 4.32**	**$129**
- VALUE OF DEBT	$0.27	$8	$0.27	$8
= VALUE OF EQUITY	**$5.11**	**$153**	**$ 4.05**	**$121**

Required Rate of Return	10%
Period for Intrinsic = Mkt (in years)	1
Expected Rate of Return	**31.6%**
Entry Point to achieve Req'd RR	**$ 4.65**

Under-Valued Opportunity



Source: Financial Science and Art and Haywood Securities

Key Competitive Advantages

Energold is a niche player with proprietary portable drills and access to scarce drilling labour.

- **Highly portable drill rig requires minimal surface area.**

Energold's modular portable fleet has continued to be developed since the Company introduced it in 1999. The knowledge and experience accumulated over this time have led to significant technological modifications to the units that the Company believes put it 2 years ahead of competitors' efforts. After the recent consolidation, the Company has 35 100% owned drill rigs and several more coming on line in the current quarter.

The fleet is separated into three types, defined by the power of the engines that determine pullback strength and thus depth capability. The type 2 rigs are most common in the fleet, as they can handle most clients' needs, with depth for NTW core to more than 300 metres A typical rig on site is shown below. The rig can be modified by changing the engine modules and core barrel.

Portable Drill Rig (Type 2) and Modular Motors with Control Panel

Source: Haywood Securities

During our visit to this project site in Mexico, we observed the high degree of versatility of the rig. This drill pad was about 150 metres down a steep hillside covered in thick vegetation. To access the area, the drill had been separated into its modules, each weighing less than 400 pounds apiece, carried down by a group of men, and reassembled on the previously cleared pad.

Despite their high level of portability, the Company's rigs are capable of drilling BTW core (4.2 cm) to depths of more than 800 metres, NTW core (5.7 cm diameter) over 300 metres, and HQ core (6.4 cm) over 100 metres. Since the great majority of drilling programs are conducted at depths of up to 200 to 300 metres, Energold's fleet meets the needs of most projects.

- **Energold has access to drill operators.**

  As noted, the critical bottleneck in the drilling industry at present is the availability of trained drill rig operators. Drillers must be competent, or the Company can lose significant business owing to snapped rods, irretrievable core, and other factors caused by human error. Rigs can be manufactured, but are useless without an operator. Energold holds a competitive advantage in this regard.

Attraction and Retention

Drillers work 12 hours a day, 7 days a week, over the course of a project, usually taking a few weeks off after a 2- to 4-month assignment. The lifestyle can be frustrating for the drillers, often stationed in remote locales, with little time for leisure. Compensation can help offset the frustration, however, with typical pay into six figures, plus bonuses based on metres drilled, for what works out to 9 to 10 months of work per year. The Company pays above market for its drillers, since it is able to charge premium rates for its differentiated service. Energold has a further lure: most of its sites are in exotic and/or tropical locations, where drillers prefer to work. One driller we spoke with during our visit to a site in Mexico told us that this was his primary motivation for leaving his former employer in the Northwest Territories (where he often drilled in minus 40 degree weather) and joining Energold.

Less Training Time to Deploy Drill Operators

Less training is required for drill operators to become fully competent on Energold's rigs. This shorter period compares with up to 2 years for competing firms operating larger, more complicated rigs. As a result, the Company is able to make tactical decisions about drill deployment with significantly less lead time than the competition.

Risks to Our Forecasts

- **Drilling activity is highly sensitive to the commodity cycle.**

  The outlook for commodity prices determines exploration spending, which drives drilling activity. We have seen exploration spending rise every year since 2002 along with metals prices and expect to see record spending this year and next. While contract drillers benefit as the cycle heads towards its peak, they will likely be among the first to feel the weakness of a cyclical downturn. Therefore, our recommendation of drilling as an investment theme, and of Energold Drilling specifically, is based on an outlook for a sustained commodities bull market. If this market peaks prematurely, the supply-demand gap for drill rigs would likely narrow and weaken drill rates and utilization.

- **Multiple operating jurisdictions result in currency translation risk, particularly with U.S. dollar exposure.**

  The Company has operations in 13 countries and works in 5 currencies, making the risk of negative currency fluctuation significant. Particularly, operating results have suffered as the Canadian dollar has strengthened versus the U.S. dollar, since drilling contract terms tend to follow the denomination of the commodities market. The recently reported Q2/07 results showed such an impact as the Canadian dollar appreciated 10% against the U.S. dollar, contributing to a foreign-exchange loss of $1.2 million on revenues of $8.6 million. We expect Q3 to show some weakness as well given the Canadian dollar's subsequent appreciation to par.

- **The hyper growth strategy is dependent on expansion of operations in newly entered jurisdictions which also carry political risk**

  The Company is in the midst of an aggressive growth strategy that could see its fleet double between 2006 and the end of 2008. Management has executed well in the past, and given its use of country head offices and branch managers, appears appropriately decentralized. However, much of this risk is targeted at the sub-Saharan African market to which the Company has had limited exposure.

- **An extremely competitive market for qualified drillers may result in shortages and/or rising wage costs.**

  Labour is the bottleneck in the drilling industry. With market conditions providing stellar returns on invested capital, the competition for drill operators is heating up. Energold admits that it likely pays near the highest wages in the industry, but its niche offering allows the Company to charge premium rates. However, if growth in rates charged begins to lag growth in wages, we could see margins deteriorate. Furthermore, a shortage of qualified drillers could derail the Company's aggressive growth plans. At present, the Company has a surplus of drillers on hand and benefits from a relatively short (6 month) training period for its rigs.

- **Legacy minerals properties inflate the operating capital base, compete for management time and company resources**

  Though the Company has been divesting itself of legacy minerals properties acquired before its evolution into a diamond drilling operation, remaining projects weigh on the capital base and dampen return on total invested capital as well as compete for management attention. Furthermore, intra-company transactions with these projects may not be to the maximum benefit of Energold shareholders.

Investment Overview

Diamond Drilling Market

Energold Drilling is one of many participants in the fragmented contract diamond-drilling industry. The market is dominated by three large players, which we estimate hold nearly 37% combined share. For the many others in the market, standout success depends on the degree of specialization of their service offering and the logistical capacity to manage a book of business, a rig fleet scattered around the world, and the drilling staff to operate them. In this regard, Energold has emerged as one of the most promising to continue to grow its share of the expanding pie.

Barriers to entry for the local conventional drillers are minimal, aside from having the capital to buy a drill rig and hire staff to operate it. In fact, many drilling companies are started with one rig by a driller who left a drilling company in pursuit of a greater share of the industry pie. However, these one-man operations more often fail than succeed over time, as they come up short on both of the necessary criteria.

For large-scale entrants, however, the availability of trained labour is a challenge. The lower margins earned by conventional drill rigs may prevent them from being able to compete for drillers with the incumbents who have continued to raise wages along with their specialized drilling rates. Thus, both access to and retention of qualified operators and specialized, premium-rate services are key success factors in the industry.

Estimated Market Share of Public Drilling Companies

Market Share Given 2006 Market Size Estimated at US$3 Billion

Company	TKR	2006 Drilling Revenue	Est. Market
Boart Longyear Limited	BLY-A	US$550M	18.3%
Major Drilling Group International Inc.	MDI-T	US$361M	12.0%
Layne Christensen Co.	LAYN-Q	US$195M	6.5%
Cabo Drilling Corp.	CBE-V	US$25M	0.8%
Energold Drilling Corp.	EGD-V	US$22M	0.7%
FORACO International S.A	FAR-T	US$22M	0.7%
Landdrill International Inc.	LDI-V	US$6M	0.2%
Total		US$1182 m	39.4%

2006 market share estimated for MDI on FY2007 year-end April 2007, and for Layn Christensen on FY2007 year-end January 2007

CAD converted at average 2006 CAD/USD of $0.87

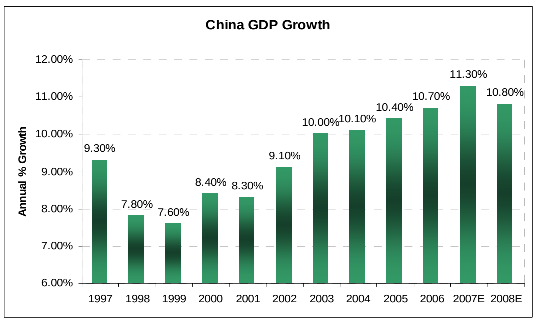
Source: Company filings and Haywood Securities

Therefore, industry concentration is low (as confirmed by the group's Herfindahl index of .05), suggesting a highly competitive arena. This situation has affected the critical factor of staffing, as drilling companies have been known to poach drill operators as soon as they walk off a competitor's work site. However, the pricing pressure typical in a fragmented industry has been nullified by market conditions that have seen demand growth continue to outstrip supply growth. In fact, despite the aggressive growth of the incumbents and increased supply from new entrants, Major Drilling management stated in a recent conference call that the gap is getting wider. Energold management has similarly experienced an increasing rate of customer orders. When the Company had one drill rig become available recently in Mexico, it received bids from six different mining companies. Therefore, while the competition for drillers may be driving up costs, participants are passing these costs on to customers through higher rates. Key in the equation is the degree of high-margin, premium-rate specialized drilling a company can do and whether or not its offering provides a sustainable competitive advantage. Industry leaders have highlighted the importance of focusing on specialized drilling and technological advancements that differentiate their offerings.

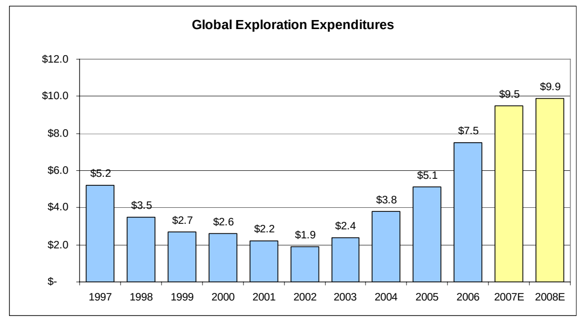
The Big Picture

Metals Economics Group has recently upped its estimate of 2007 nonferrous and uranium exploration budgets to $10 billion, from $9 billion previously and $7.5 billion in 2006. Excluding uranium, the research group estimates spending at $9.3 billion to $9.7 billion this year, representing an all-time record.

Much of this demand is attributed to the appetite for base metals of the BRIC (Brazil, Russia, India, and China) economies, with China leading the pack. The Commodities Research Bureau cites China as the world's number one consumer of copper. Observing the increasing growth of Chinese GDP against mineral exploration spending illustrates the main driver of this market.



Source: World Bank Estimates



Source: Metals Economics Group data for 1997 to 2007 and Boart Longyear management estimates for 2008

Despite the Chinese central bank's efforts to cool the economy with five rate increases so far this year, we are seeing growth accelerate. GDP forecasts were recently increased for 2007 and 2008 after Q2 showed growth of nearly 12%, following 11.1% in Q1. Clearly, China does not appear to expect its thirst for materials to wane anytime soon given its pledge of $5 billion to the Democratic Republic of Congo for infrastructure and mine development. In its *Outlook for Metals and Minerals*, August 2, 2007, Rio Tinto conservatively expects China's GDP growth to average 9% per year until 2015, "providing a sustained basis for strong commodity demand growth."

This strong and increasing Chinese demand should be an important counter to the expected weakness in the U.S. economy. However, after the U.S. Federal Reserve Board cut rates recently in response to recession concerns and the ongoing subprime confusion, the near-term outlook for the U.S. economy appears to have improved. Even before this measure, two of the biggest mining companies in the world expected demand for raw materials to remain strong, regardless of instability in Western markets. BHP Billiton, a client of Energold, stated in its year-end report released on August 22, 2007, "Recent discussions with our customers have indicated that they do not expect the volatility in the U.S. and European credit markets to have a material impact on raw material demand." Furthermore, Rio Tinto has stated, "A further modest U.S. slowdown is unlikely to have serious negative consequences for the broader global economy."

Similarly, the demand for gold has been on the rise, driven by the worsening instability in the U.S. dollar, increasing demand from the growing middle class in India and China, and several other well-documented sources. Though its proportion of drilling activity has come down to 50% from historical levels around 75%, it is an important driver of drilling demand. With near-term forecasts now above $750, we expect exploration activity to continue to increase as lower grades become more economic.

COMPANY OVERVIEW

Growth Strategy

CEO Fred Davidson is driven to exploit the current market conditions by increasing his drill rig fleet as fast as logistically possible. The Company is expanding in the key growth markets in Africa, Mexico, and South America As noted in its most recent quarterly report, Energold plans to increase its "*additions to the drill fleet to at least ten rigs per year*…" and plans to penetrate more deeply some existing markets while expanding into "*at least one new market a year*" (Haywood Italics).

Operating Model

In general, the Company is contracted to operate a diamond-drilling program for the extraction of core samples. Many of the Company's contracts are on the basis of a dollar rate per metre drilled. When the host rock is hospitable, it is possible for the driller to retrieve over 50 metres of core per day. At an average rate of $140, this amount could represent over $200,000 in revenue per drill per month. However, if the host rock is more difficult to drill though or full of inconsistencies, the rig could be slowed and metres drilled reduced significantly. In these cases, the Company negotiates day rates in addition to metre rates. Our model assumes average rates and metres drilled per rig in line with recent averages, with rate growth of about 2% per year.

Management has demonstrated the ability to execute growth in average drill rates and metres drilled, and we expect the Company to deliver 260,000 metres at average revenue of $141 per metre this year, up considerably from 118,000 metres at $126 per metre two years ago. Despite seasonal weakness in the last month of Q4 and first month and a half of Q1, the Company expects current market conditions to cause operations to restart earlier in the new year and capture a further 15 days (which could represent 750 metres per drill) in Q1 going forward.

Customer Network

Contract drilling companies are enjoying a golden age brought on by cash-flow-generating producers desperate to replenish their inventories and by well-financed exploration companies eager to show drill results that will move their share price higher. Energold's revenue is about evenly split between junior explorers and senior/intermediate producers, which include major players such as Barrick Gold and BHP Billiton. Of the juniors, with whom the Company works, all are well funded, either by the graces of the favourable market for mining equity financings or through joint ventures with majors, so delinquent accounts have not been an issue. The Company's largest customer is a gold-focused major accounting for 10% to 15% of revenues, but this concentration is coming down as the Company grows and continues to see its customer base expand. At present, gold and precious metals account for roughly 50% of revenues, in line with the proportion reported by the senior drillers. However, as base metals and uranium prices remain robust, the Company continues to see the proportion of business shift to these projects.

Operating Jurisdictions

The Company has been expanding geographically, and has 9 offices (all in the Americas) and operations in over 10 countries on 4 continents. The Company will be expanding its presence in Africa with up to six rigs in the region by the end of 2007 and likely more to follow in 2008 and beyond.

Other Operations

In addition to the core business, Energold also maintains several project holdings from its past as a minerals exploration company. Three of these concessions are in the Dominican Republic: Longyear, which is in the area of the Barrick (ABX–T) / Goldcorp (G–T) Pueblo Viejo gold deposit; Centenario, which is undergoing a drilling program by GoldQuest (GQC–V); and the San Antonio Project, which hopes to find volcanogenic massive sulphide (VMS) capable of being processed at GlobeStar's (GMI–T) future processing plant in the region. Further to this venture, the Company maintains a 6.6 million-share stake in IMPACT Silver Corp (IPT–V), which is currently worth about $0.30 per Energold share. As a caution, investors should note that transactions are carried out between these interrelated parties in the course of the corporate strategy that may carry obligations for Energold Drilling or limit its ability to deploy capital strictly as a contract drilling company. That said, Energold has begun to divest itself of these assets in order to focus on the core business.

Impact Silver

Energold owns 6.6 million shares of Impact Silver (IPT-V), a silver producer operating two mines in Zacualpan Mexico and exploring several targets within over 400 square kilometers in the Zacualpan, Mamatla, and Zacatecas districts.

Management follows an alternative model of exploration and development, focused on yielding production on working deposits rather than investing in defining a NI 43-101 resource estimate. Given an existing mill with excess capacity, the Company conducts drilling and testing on historical deposits (where production ceased 200 hundred years prior due to water tables or grades under 1,000 g/t Ag) and moves to bring them into production when adequate mineralization structures are discovered. The Company estimates that this approach can generates revenue within 24 months versus 5 to 10 years for full development of a standard district.

Maps of Operating Districts

Source: Impact Silver

The following is a brief overview of the Company's current activities.

<u>Zacualpan</u>

The Company operates two producing mines in Zacualpan (Guadalupe and Salvadora) and a 500 tonnes per day capacity mill currently running at 60% utilization 100 metres from the Guadalupe mine. Throughout the historical district, the Company has identified nearly 700 old workings dating back to the 1800's where high grade deposits were mined up until extraction efforts ceased upon reaching the water table. Present day dewatering methods may uncover significant deposits remaining in many of these old mines.

Current production out of the Guadalupe and Salvadora mines total approximately 300 tpd weighted to production from the former. In the second quarter of this year, this yielded 73,890 ounces of silver, 157.4 tonnes of lead, and 243.7 tonnes of zinc. Impact is currently planning to bring a third mine, Chivo, into production in early 2008 followed by a fourth, San Ramon, later in the first half of next year.

The ongoing 2007 10,000 metre drill program has yielded several new discoveries in the general areas as well. These include drill holes from the including the San Patricio Zone (3 kilometres southeast of the main mill) with 242 g/t Ag over an estimated true width of 4.8 metres, and the Cuchara Extention (3 kilometres from the mill) with 642 g/t Ag and 1.7% Pb over an estimated true width of 2.2 metres.

Chivo mine: Work began in late September and the Company expects to see production early in 2008.

Source: Haywood Securities

Opening to Guadalupe Mine, Zacualpan District

Source: Impact Silver

500 tpd processing mill at the Guadalupe Mine, Zacualpan District

Source: Haywood Securities

Mamatla

The Company won an auction for rights on this 200 square kilometer area in February 2007. This includes $10 million dollars worth of exploration data accumulated by Valerie Gold and TVX in the 1990's. The work ended abruptly due to the impact of the Bre-X scandal on the equity markets for gold explorers. As a result, Impact was able to acquire the data and core at a small fraction of the cost.

Historical drilling results are as follows:

Zone	Width (m)	Au g/t	Ag g/t	Pb %	Zn %	Cu %
Capire	6	3.65	2,218	2.38	5.67	0.66
Capire	4	2.66	430	2.88	7.18	0.35
Aurora I	9.55	3.04	267	3.17	5.59	0.52
Aurora I	7.5	0.54	230	3.67	6.71	0.44
Aurora II	8.6	1.16	480	0.93	2.11	0.18
Aurora II	3.2	1.27	346	1.85	4.34	0.35

Source: Impact Silver

Zacatecas

The Company currently has 19 concessions in this district, known for being one of the 10 largest historical silver districts with historical production of 1 billion ounces. At present, the Company has optioned six projects through a joint venture with Yale Resources (YLL-V) through which Yale will be responsible for exploration costs.

Impact also holds an option to purchase a 200 tpd toll mill which is expandable to 600 tpd. Having acquired the land next to the mill, it appears the Company will exercise the option and build out its capacity.

Forecasts and Assumptions

Income Statement	2004	2005	2006	2007E	2008E	2009E
Gross Drilling Revenue	15,400,000	14,900,000	25,479,587	36,513,022	51,087,114	65,787,431
Revenue Growth		*-3.2%*	*71.0%*	*43.3%*	*39.9%*	*28.8%*
Direct Costs	10,004,465	9,540,860	16,606,141	22,203,468	31,134,452	40,788,207
Revenue from Drilling Contracts, net of direct costs	5,395,535	5,359,140	8,873,446	14,309,554	19,952,661	24,999,224
Gross Margin (%)	35.0%	36.0%	34.8%	39.2%	39.1%	38.0%
Indirect and Administrative Expenses						
Accounting, Audit, and Legal	250,970	273,043	354,045	656,307	721,938	794,132
Amortization	234,890	303,942	448,222	662,728	1,062,168	1,196,736
Insurance	86,270	98,993	96,993	101,465	127,718	164,469
Investor Relations, Promotion and Travel	156,797	199,643	205,512	173,138	77,836	101,971
Management Fees and Consulting	263,500	135,540	148,884	235,450	79,811	99,997
Office and Sundry	182,607	206,244	255,071	316,068	338,768	338,768
Office Salaries and Services	329,525	659,928	846,022	1,119,847	1,231,832	1,355,015
Rent	100,336	120,189	163,355	204,796	223,318	234,483
Stock-Based Compensation	95,797	762,356	32,371	15,437	39,905	49,998
	1,700,692	2,759,878	2,550,475	3,485,237	3,903,294	4,335,569
Operating Income [EBIT]	3,694,843	2,599,262	6,322,971	10,824,317	16,049,368	20,663,655
EBIT Margin		17.4%	24.8%	29.6%	31.4%	31.4%
EBIT Growth			143.3%	71.2%	48.3%	28.8%
Other Income (Expenses)						
Dilution Gain on Investment in Impact Silver		224,346	1,419,212	61,279	-	
Foreign Exchange	(308,695)	(382,361)	132,563	(2,275,081)	-	-
Interest Income (Expense)	(18,498)	111,855	209,075	507,586	498,250	796,066
Gain on sale of short-term investments	9,856	15,394	7,370	-	-	
Income in IMPACT Silver Corp.	-	(61,296)	177,384	36,149	177,384	177,384
Non-controlling Interest	(955,026)	(1,144,427)	(2,759,617)	(1,974,433)	-	-
Other Income (Expenses)	(1,937)	27,514	(43,641)	190,008	-	
Extraordinary Gain on Sale of Concessions	-	-	-	1,316,900	-	
Estimated Gain on Sale of Ecuador and Guatemala Subsidiaries				496,848		
Write-off of Resource Properties	(588,457)	(93,424)	(6,462)	(1,929)	-	
	(1,862,757)	(1,302,399)	(864,116)	(1,642,674)	675,634	973,450
Earnings Before Taxes	1,832,086	1,296,863	5,458,855	9,181,643	16,725,002	21,637,105
	11.9%	8.7%	21.4%	25.1%	32.7%	32.9%
Total Taxes	(41,867)	(210,051)	(1,762,136)	(3,134,997)	(5,853,751)	(7,572,987)
Net Income for the Period	1,790,219	1,086,812	3,696,719	6,046,646	10,871,251	14,064,118
Profit Margin	11.6%	7.3%	14.5%	16.6%	21.3%	21.4%
Deficit, Beginning of Period	(4,685,043)	(2,894,824)	(1,808,012)	1,888,707	7,935,353	18,806,604
Surplus (Deficit), End of Period	(2,894,824)	(1,808,012)	1,888,707	7,935,353	18,806,604	32,870,722
EBITDA	2,085,474	1,488,950	5,698,002	9,336,786	17,288,920	22,037,775
EBITDA margin (%)	13.5%	10.0%	22.4%	25.6%	33.8%	33.5%
Earnings per Share						
Basic	0.11	0.07	0.17	0.22	0.36	0.47
Diluted	0.09	0.06	0.16	0.20	0.32	0.41
EPS growth			*155.5%*	*28.7%*	*54.7%*	*28.7%*

Source: Energold Drilling and Haywood Securities

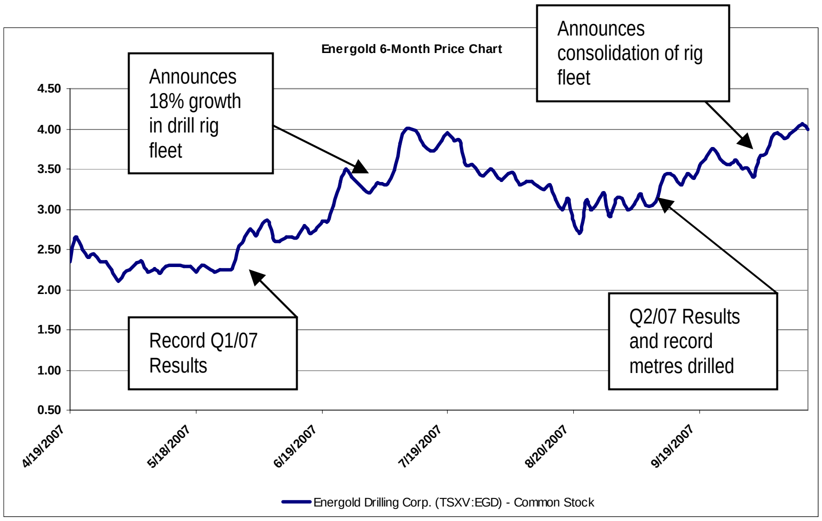
Drilling Assumptions	2004	2005	2006	2007E	2008E	2009E
Drilling Revenue						
Number of Drills	17.0	23.0	30.0	41.0	55.0	65.0
Growth		35.3%	30.4%	36.7%	34.1%	18.2%
Net Adds	-	6	7	11	14	10
Average Drills Employed	17.0	20.0	26.5	35.5	48.0	60.0
Metres Drilled	121,000.0	118,036.0	188,804.0	263,190.5	361,238.9	456,064.0
Y/Y Change in Metres Drilled		-2.4%	60.0%	39.4%	37.3%	26.3%
Average Metres Drilled per Rig	7,117.6	5,901.8	7,124.7	7,413.8	7,525.8	7,601.1
Cumulative Growth in Average Metres Drilled		100.0%		4.1%	1.5%	1.0%
Rates						
Average Rate per Metre Drilled	127.3	126.2	135.0	138.7	141.4	144.3
Y/Y Growth in Rates		-0.8%	6.9%	2.8%	1.9%	2.0%
Cumulative Growth in Rates		100.0%				
Average Rate per Drill	905,882	745,000	961,494	1,028,536	1,064,315	1,096,457.2
Drilling Revenue	15,400,000	14,900,000	25,479,587	36,513,022	51,087,114	65,787,431
Average Revenue per Drill	905,882	745,000	961,494	1,028,536	1,064,315	1,096,457
Gross margin (%)	35.0%	36.0%	34.8%	39.2%	39.1%	38.0%

Source: Energold Drilling and Haywood Securities

Balance Sheet

Balance Sheet	2004	2005	2006	2007E	2008E	2009E
Assets						
Current assets:						
Cash and term deposits	5,170,450	5,409,616	10,864,516	15,716,947	21,836,958	31,842,633
Accounts receivable and prepaid expenses	1,909,050	3,346,516	4,315,101	8,005,950	8,860,512	10,814,372
Short-term investments	62,505	62,505	43,130	78,806	78,806	78,806
Inventory	3,833,730	6,344,636	8,198,605	12,273,121	16,532,653	20,394,104
	10,975,735	15,163,273	23,421,352	36,074,824	47,308,929	63,129,914
Investment in IMPACT Silver Corp.	-	942,163	2,763,105	2,860,533	3,037,917	3,215,301
Resource Properties	3,674,967	2,155,887	2,180,491	1,452,619	1,452,619	1,452,619
Property, Plant and Equipment	1,514,469	2,263,124	2,518,726	4,773,844	5,811,676	6,114,940
	5,189,436	5,361,174	7,462,322	9,086,996	10,302,212	10,782,860
	16,165,171	20,524,447	30,883,674	45,161,820	57,611,141	73,912,774
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable and accrued liabilities	865,445	976,608	2,387,621	4,431,960	5,970,125	8,157,641
Income taxes payable			1,131,430	625,218	625,218	625,218
Due to related parties	600,000	600,000	750,000	750,000	750,000	750,000
Deferred Revenue - Current portion			480,000	707,568	707,568	707,568
Short Term Debt	-	-	-	-	-	-
	1,465,445	1,576,608	4,749,051	6,514,746	8,052,911	10,240,427
Non-current liabilities						
Deferred Income Taxes			282,052	292,507	292,507	292,507
Deferred Revenue			120,000	-	-	-
Due to Related Parties	2,428,518	2,529,281	2,065,194	-	-	-
Non-Controlling Interests	3,033,450	2,878,635	5,637,552	-	-	-
Long term Debt			-	-	-	-
	6,927,413	6,984,524	12,853,849	6,807,253	8,345,418	10,532,934
Shareholders' equity						
Share capital	11,729,848	14,539,849	15,116,249	28,122,337	28,122,337	28,122,337
Warrants				1,298,971	1,298,971	1,298,971
Contributed Surplus	402,734	992,498	1,024,869	937,229	977,135	1,027,133
Surplus (Deficit)	(2,894,824)	(1,992,424)	1,888,707	7,935,353	18,806,604	32,870,722
Accumulated Other Comprehensive Income				60,676	60,676	60,676
Total shareholders' equity	9,237,758	13,539,923	18,029,825	38,354,566	49,265,723	63,379,839
Total liabilities and shareholders' equity	16,165,171	20,524,447	30,883,674	45,161,820	57,611,141	73,912,774

Energold Historical Share Price



Source: Capital IQ and Haywood Securities

Insider Holdings

Name and Position	Title	Shares (% of S/O)	Options
Fred Davidson, CA, MBA	President, CEO, and Director	2,096,220 (7.2%)	250,000
Richard Yonker, CA, MBA	Chief Financial Officer	N/A	N/A
James Coleman, LLB	Chairman of the Board of Directors, Evergold, and Senior Partner, Macleod Dixon, LLP	548,107 (1.9%)	70,000
Anthony Shapiro, LLB, MBA	Corporate Secretary, Energold, and Securities Lawyer, Macleod Dixon, LLP	N/A	N/A
Wayne Lenton, P.Eng	Director	275,891 (1%)	150,000
Micael J. Beley	Director	42,900	50,000
H. Walter Sellmer	Director	46,563	500,000

Source: SEDI and Energold Drilling

Management and Directors

Fred Davidson, President and CEO

Mr. Davidson has an MBA from the University of British Columbia, and became a chartered accountant with Price Waterhouse in 1972. He lectured at UBC for two years, then spent 10 years as Chief Financial Officer of Erickson Gold Mines Ltd. and Mt. Skukum. The Erickson team took the mine from grassroots exploration to production. From 1984-1993 Mr. Davidson was VP and Chief Financial Officer of TOTAL Energold Corp., an energy and gold producer with more than $250 million in assets. In 1993 Mr. Davidson helped engineer the sale of TOTAL's assets, and then became president of a private mineral investment group. He currently sits on the board of several public and private mining companies.

Richard Younker, CFO

Mr. Younker is a graduate of Queen's University with a B. Comm. (Hon's), and holds an MBA from the University of British Columbia. He became a chartered accountant in 1973. After a year spent in industry, he returned to Clarkson Gordon in 1974 spending further time in their audit and insolvency divisions prior to transferring to Woods Gordon, their managing consulting arm, in 1975. He became a certified management consultant in 1979 and the senior financial consulting principal in Woods Gordon's Vancouver office in 1981 until leaving the firm in 1985 to start his own independent financial consulting practice which he has continued to this day.

Anthony Shapiro, Corporate Secretary

Mr. Shapiro is a securities lawyer with Macleod Dixon LLP. He graduated from Queen's University with a B.Sc. (Honours) degree and from the University of Western Ontario with LL.B. and M.B.A. degrees.

James Coleman, Chairman of the Board of Directors

Mr. Coleman is a Senior Partner and former Chairman of Macleod Dixon, Barristers & Solicitors. He has extensive experience in international law with a focus on the energy and resource sectors in addition to corporate finance, banking and securities. He is a member of the Law Society of Alberta, the Canadian Bar Association, Rocky Mountain Mineral Law Foundation, has authored numerous legal papers on resource law and banking, and has chaired various independent committees of public companies relating to corporate governance and securities matters.

H. Walter Sellmer, Director

Mr. Sellmer has more than 30 years' experience as an exploration geologist. He has held senior management positions with Amax Exploration, Canamax and TOTAL Energold Corp., responsible for overseeing multi-million dollar exploration budgets. While with Canamax he acquired the Midway, Ketza and Mount Hundere projects. Mr. Sellmer took Ketza from exploration through feasibility to construction. With TOTAL, Mr. Sellmer planned and directed the geology departments at the Mt. Skukum and Erickson mines, and was instrumental in acquiring the Denton-Rawhide mine in Nevada. He is currently Past-President of the B.C. and Yukon Chamber of Mines, and has served as industry representative on the Premiers Forum - a mining advisory group to the Premier of British Columbia, as well as a director of the PDAC.

Michael J. Beley, Director

Mr. Beley was founding Vice President and Director of Eldorado Gold Corporation. Through his tenure with Eldorado, the company developed two open pit gold mines in Mexico; defeated an attempted hostile takeover; gained control of an Australian junior gold producer; participated in the oversight of the Sao Bento Gold Mine in Brazil and the development of significant gold assets in Turkey. Mr. Beley also co-founded and was a Director of Bema Gold Corporation from its inception in 1988 through to 1992. Prior to 1988 Mr. Beley held executive positions in Bema's predessor companies, Amir Mines Ltd., Normine Resources Ltd. and Bema International Resources Inc. These companies merged in 1988 to form Bema Gold Corporation and were controlled by Bema Industries Ltd., a private exploration contracting and geological consulting firm. Mr. Beley was a founding partner of Bema Industries Ltd. and served as President from 1976-1986.

Wayne Lenton, Director

Mr. Lenton is a graduate of the Montana School of Mines with a Bachelor of Science degree in Metallurgical and Mining Engineering with over 30 years of experience in the mining industry. In 1979, Wayne joined AMAX of Canada as Vice President, Operations. In 1985, he was appointed President, CEO and Director of Canada Tungsten Mining Corporation, as well as President of AMAX of Canada and President of AMAX Northwest Mining Company. In 1989, he became Chairman of the Board of Minerex Resources and in 1993, he was appointed President and Chief Executive Officer of Canada Tungsten, as a result of the amalgamation of Canada Tungsten Mining Corporation, Canamax Resources and Minerex Resources. He is a past Chairman of the Mining Association of British Columbia and was a Director of the Mining Association of Canada. He is a member of the Canadian Institute of Mining & Metallurgy, the American Institute of Mining, Metallurgical and Petroleum Engineers and is a Professional Engineer in British Columbia and the Yukon Territory. Mr. Lenton is currently working as an independent consultant in Tucson, Arizona, and is a director of several public companies.

Source: Energold Drilling Corp.

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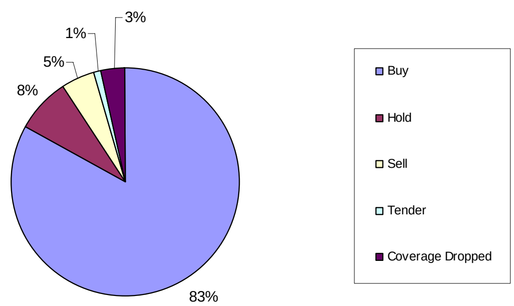

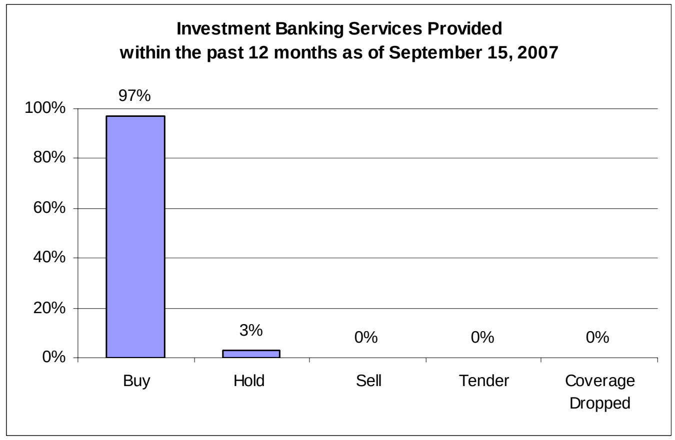

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Forecast Risk: *High* – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Limited hedging increases commodity leverage. Forecasts reflect higher commodity prices or production relative to guidance. *Moderate* – Haywood forecasts are generally in line with guidance. The Company has a history of meeting or exceeding guidance. Forecasts are consistent with current commodity pricing and production guidance. Hedging is in line with peers. *Low* – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance. Forecasts allow for modestly lower commodity pricing or production levels. Commodity hedging lowers volatility relative to peers.

Financial Risk: *High* – The business plan is not fully funded, but requires debt and/or equity financing. The exploration program is funded for two years or less. This categorization does not predict whether the additional funds will be raised. *Moderate* – The development plan is fully funded, with the exploration program funded for three years or more. The Company's debt is rated below investment grade. *Low* – The Company is fully funded. Its debt is rated investment grade and/or the Company has a history of profitability or dividend payments in each of the last three years.

Valuation Risk: *High* – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects considerable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF evaluation by more than 50%. *Moderate* – The current valuation is within historic ranges and generally consistent with peers. The valuation reflects reasonable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by 15% to 50%. *Low* – The current valuation is at the low end of historic ranges and at a discount to peer valuations. The valuation reflects limited new exploration success and no commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by less than 15% or falls below the current market value.

Political Risk: *High* – Currently no industry activity or infrastructure exists. Government opposition is significant. Obtaining permits is challenging. *Moderate* – Industry activity or infrastructure is minimal. Government at national, regional, and local levels is indifferent. Obtaining permits is relatively straightforward. *Low* – Industry activity and infrastructure exist. Government is supportive. Obtaining permits is facilitated.

Risk Profile Parameters – Technology/Special Situations

Forecast Risk: *High* – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Sales are minimally visible. *Moderate* – Haywood forecasts are generally in line with guidance and sales are moderately visible. The Company has a history of meeting or exceeding guidance. *Low* – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance and its sales are highly visible.

Financial Risk: *High* – The business plan is not fully funded but requires debt and/or equity financing. This categorization does not necessarily predict whether the additional funds will be raised. Inventory turnover is low, cash flow is weak, and assets are below par. *Moderate* – The business plan is fully funded. Inventory turnover and cash flow are moderate, and assets are reasonably liquid. The Company's debt is rated below investment grade. *Low* – The Company is fully funded with investment grade debt, high inventory turnover, high cash flow, and superior assets.

Valuation Risk: *High* – The current valuation is at the high end of historic levels and/or at a premium to peers. Where applicable, the DCF valuation is not more than 10% above the current equity valuation. *Moderate* – The current valuation is within historic ranges and generally consistent with peers. Where applicable, the DCF valuation exceeds the current capitalization by more than 10%. *Low* – The current valuation is at the low end of historic ranges and at a discount to peer valuations. Where applicable, the DCF valuation exceeds the current capitalization by more than 20%.

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