ENERGOLD DRILLING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 and 2011

Management's Responsibility For Financial Reporting

The accompanying financial statements of Energold Drilling Corp. ("the Company") have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and within the framework of the summary of significant accounting policies in these consolidated financial statements, and reflect management's best estimate and judgment based on currently available information.

Management has developed and maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is accurate and reliable.

The Audit Committee of the Board of Directors meets periodically with management and with the Company's independent auditors to review the scope and results of their annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the shareholders and their report follows.

"F.W. Davidson" President and Chief Executive Officer

"Steven Gold" Chief Financial Officer

April 4, 2013

Independent Auditor's Report

To the Shareholders of Energold Drilling Corp.

We have audited the accompanying consolidated financial statements of Energold Drilling Corp., which comprise the consolidated statement of financial position as at December 31, 2012 and December 31, 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Energold Drilling Corp. as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, BC
April 5, 2013

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Energold Drilling Corp.

Consolidated Statements of Financial Position

Canadian dollars in thousands except for shares and per share data

ASSETS		**December 31 2012**	December 31 2011
Current assets			
Cash and cash equivalents	$	**28,493**	22,783
Restricted cash		**82**	669
Trade and other receivables *(Note 5)*		**26,739**	34,194
Due from IMPACT Silver Corp. *(Note 18b)*		**678**	465
Income taxes receivable		**1,411**	1,051
Available-for-sale investments		**697**	768
Inventories		**54,000**	39,655
		112,100	99,585
Non-current assets			
Investment in a private corporation *(Note 8)*		-	1,000
Investment in IMPACT Silver Corp. *(Note 7)*		**6,805**	6,841
Exploration properties *(Note 8)*		**1,543**	686
Property, plant and equipment *(Note 9)*		**43,987**	46,967
Goodwill and intangible assets *(Note 10)*		**4,978**	5,775
Deferred income tax assets *(Note 15)*		**3,403**	2,640
		60,716	63,909
	$	**172,816**	163,494

LIABILITIES			
Current liabilities			
Bank indebtedness *(Note 11)*	$	**2,954**	4,025
Trade and other payables *(Note 12)*		**16,219**	21,532
Convertible debenture *(Note 13)*		**9,402**	-
Current income tax payable		**517**	3,587
Deferred revenue		**1,161**	1,100
		30,253	30,244
Non-current liabilities			
Trade and other payable *(Note 12)*		-	393
Finance leases *(Note 16)*		**3,192**	1,911
Convertible debenture *(Note 13)*		-	9,079
Deferred income tax liabilities *(Note 15)*		**9,510**	9,971
		12,702	21,354
		42,955	51,598
SHAREHOLDERS' EQUITY			
Share capital		**90,506**	64,124
Contributed Surplus		**6,621**	3,988
Warrants		**272**	2,065
Equity component of convertible debenture *(Note 13)*		**1,051**	1,051
Accumulated other comprehensive (loss)		**(3,891)**	(3,284)
Retained earnings		**35,302**	43,952
		129,861	111,896
	$	**172,816**	163,494

ON BEHALF OF THE BOARD:

"F.W. Davidson"____________________, Director

"H.W. Sellmer"____________________, Director

- The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Consolidated Statements of Comprehensive Income
For the year ended December 31
Canadian dollars in thousands except for shares and per share data

		2012		2011
Revenue from drilling contracts	**$**	**141,514**	$	133,483
Direct drilling costs		**109,064**		95,166
Gross profit (excluding amortization)		**32,450**		38,317
Indirect and administrative expenses				
Accounting, audit, legal and business development investigations		**1,245**		1,591
Amortization		**9,159**		4,635
Bad debt (recovery)		**(18)**		1,118
Earnout related to Energold Energy *(Note 4a)*		**7,362**		2,975
Investor relations, promotion and travel		**1,693**		1,115
Management fees and consulting		**747**		1,585
Office, rent, insurance and sundry		**3,660**		2,957
Office salaries and services		**8,441**		6,641
Share-based payments		**1,107**		1,966
		33,396		24,583
Operating (loss) income before the following		**(946)**		13,734
Other income / (expenses)				
Dilution gain on investment in IMPACT Silver Corp. *(Note 7)*		**102**		730
Equity (loss) income from IMPACT Silver Corp. *(Note 7)*		**(138)**		782
Foreign exchange (loss) gain		**(1,764)**		2,115
Write down on investment *(Note 8)*		-		(1,000)
Impairment on intangible assets		-		(460)
Gain on acquisition of businesses *(Note 4)*		-		15,190
(Loss) gain on disposal of assets		**(98)**		808
Finance income		**117**		539
Finance cost *(Note 14)*		**(2,548)**		(1,626)
Other income		**233**		184
		(4,096)		17,262
(Loss) earnings before taxes		**(5,042)**		30,996
Deferred income taxes recovery *(Note 15)*		**(1,276)**		(1,843)
Current income and other taxes expense *(Note 15)*		**4,884**		6,411
Net (loss) earnings	**$**	**(8,650)**	$	26,428
(Loss) earnings per share - Basic	**$**	**(0.19)**	$	0.65
(Loss) earnings per share - Diluted	**$**	**(0.19)**	$	0.64
Weighted average number of shares outstanding – Basic *(Note 17b)*		**45,984,137**		40,642,508
Weighted average number of shares outstanding – Diluted *(Note 17b)*		**45,984,137**		41,309,527
Other comprehensive income (loss)				
Unrealized (loss) on available-for-sale short term investments		**(214)**		(963)
Cumulative translation adjustment		**(393)**		(2,233)
Total comprehensive (loss) income	**$**	**(9,257)**	$	23,232

- The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Consolidated Statement of Changes in Equity

Canadian dollars in thousands except for shares and per share data

	Shares Outstanding	Share Capital ($)	Contributed Surplus ($)	Warrants ($)	Equity component of convertible debenture	Accumulated Other Comprehensive Income ($)	Retained Earnings ($)	Total Shareholders' Equity ($)
Balance at January 1, 2011	39,647,434	56,258	2,569	2,060	-	(88)	17,524	78,323
Net earnings for the year	-	-	-	-	-	-	26,428	26,428
Stock options exercised	428,000	949	-	-	-	-	-	949
Fair value assigned to stock options exercised	-	397	(397)	-	-	-	-	-
Share-based payment expense		-	1,835	-	-	-	-	1,835
Agents options exercised	13,986	52	-	-	-	-	-	52
Fair value assigned to agent options exercised	-	19	(19)	-	-	-	-	-
Warrants issued on exercise of agents options	750	3	-	-	-	-	-	3
Fair value assigned to warrants issued on exercise of agent options	-	-	-	-	-	-	-	-
Share issue cost on agent warrants	-	(5)	-	5	-	-	-	-
Shares issued to an employee as a bonus	38,835	160	-	-	-	-	-	160
Common shares issued for acquisition of Energold Energy	1,655,512	6,291	-	-	-	-	-	6,291
Equity component of convertible debenture	-	-	-	-	1,051	-	-	1,051
Unrealized loss on investments classified as available for sale	-	-	-	-	-	(963)	-	(963)
Cumulative translation adjustment	-	-	-	-	-	(2,233)	-	(2,233)
Balance at December 31, 2011	41,784,517	64,124	3,988	2,065	1,051	(3,284)	43,952	111,896
Net earnings for the year	-	-	-	-	-	-	(8,650)	(8,650)
Stock options exercised	227,175	577	-	-	-	-	-	577
Fair value assigned to stock options exercised	-	237	(237)	-	-	-	-	-
Share-based payment expense	-	-	1,107	-	-	-	-	1,107
Shares issued in relation to private placement	3,900,000	20,280	-	-	-	-	-	20,280
Share issue costs	-	(1,367)	-	-	-	-	-	(1,367)
Warrants issued in relation to private placement		(272)	-	272	-	-	-	-
Warrants exercised	341,750	1,538	-	-	-	-	-	1,538
Fair value of warrants exercised	-	302	-	(302)	-	-	-	-
Warrants expired	-	-	1,763	(1,763)	-	-	-	-
Common shares issued for payment of earnout for Energold Energy	1,353,092	5,087	-	-	-	-	-	5,087
Unrealized loss on investments classified as available for sale	-	-	-	-	-	(214)	-	(214)
Cumulative translation adjustment	-	-	-	-	-	(393)	-	(393)
Balance at December 31, 2012	**47,606,534**	**90,506**	**6,621**	**272**	**1,051**	**(3,891)**	**35,302**	**129,861**

The accompanying notes form an integral part of these consolidated financial statements –

Energold Drilling Corp.

Consolidated Statement of Cash Flows
For the Year Ended December 31
Canadian dollars in thousands except for shares and per share data

Cash provided by (used in)	**2012**	2011
Operating activities		
Net earnings	**$ (8,650)**	$ 26,428
Items not affecting cash:		
Amortization	**9,159**	4,635
Finance costs	**398**	-
Share-based payments	**1,107**	1,966
Shares issued to an employee as a bonus	-	160
Shares issued for payment of earnout for Energold Energy	**5,087**	-
Dilution (gain) on investment in IMPACT Silver Corp.	**(102)**	(729)
Deferred income taxes	**(1,276)**	(1,843)
Equity loss (income) from IMPACT Silver Corp.	**138**	(782)
Gain on acquisition of business	-	(15,190)
Equity loss (gain) on disposal of assets	**98**	(808)
Write down on investment in Canadian Controlled Private Corp	-	1,000
Impairment of intangible assets	-	460
Decrease in deferred revenue	-	(99)
Bad debt (recovery) expense	**(18)**	1,118
Accretion related to convertible debenture	**323**	130
Changes in non-cash working capital *(Note 22)*	**(17,777)**	(19,341)
Net cash used in operating activities	**(11,513)**	(2,895)
Investing activities		
Acquisition of Dando, net of cash acquired	-	459
Acquisition of Energold Energy, net of cash acquired	-	(7,830)
Acquisition of assets, net of cash acquired	-	(146)
Purchase of short-term investments	**(96)**	-
Investment in IMPACT Silver Corp.	-	(192)
Proceeds on sale of property, plant and equipment	**450**	787
Proceeds on sale of available for sale financial instruments	**175**	1,369
Purchase of property, plant and equipment	**(5,943)**	(7,780)
Capitalized development costs	**(134)**	-
Resource property recovery (costs)	**24**	(45)
Restricted cash	**581**	(396)
Net cash used in investing activities	**(4,943)**	(13,774)
Financing activities		
Convertible debentures issued	-	10,000
Bank indebtedness	**(1,067)**	462
Long term trade payables	**(399)**	(38)
Proceeds from capital leases	**4,555**	-
Repayment of capital leases	**(2,074)**	-
Share capital issued	**21,027**	1,004
Net cash provided by financing activities	**22,042**	11,428
Effect of exchange rate changes on cash	**124**	(201)
Net increase / (decrease) in cash	**5,710**	(5,442)
Cash at the beginning of the year	**22,783**	28,225
Cash at the end of the year	**$ 28,493**	$ 22,783

- The accompanying notes form an integral part of these consolidated financial statements –

1. Nature of operations

Energold Drilling Corp. (the “Company”) provides, directly and through its subsidiaries, drilling services for parties principally in North America, Mexico, the Caribbean, Central America, South America, Africa and Asia. The Company, through its subsidiary, designs and manufactures specialty/customized drilling rigs and associated equipment for water well, mineral exploration and geotechnical drilling companies.

Due to the nature of the business, the Company experiences seasonality in its operations as discussed below.

The Company, through its subsidiary, also provides drilling and other services to the energy sector in Canada and the United States (“U.S.”). The Company is located at 1100-543 Granville Street, Vancouver, British Columbia, Canada, V6C 1X8.

2. Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of these consolidated financial statements.

The consolidated financial statements have been prepared on a historical basis, except where otherwise indicated, and are presented in Canadian dollars and all values are rounded to the nearest thousands, except where otherwise indicated.

The consolidated financial statements were authorised for issue by the Board of Directors on April 4, 2013.

Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods, if the review affects both current and future periods. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The main judgments and estimates made by management in applying accounting policies primarily relate to the following (as applicable further details of assumptions made are disclosed in individual notes throughout the consolidated financial statements).

Income taxes:
The Company is subject to income taxes in numerous jurisdictions and significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain and in these cases management interprets tax legislation in forming a judgment. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. See Note 15 for additional information.

2. Basis of presentation - *continued*

Significant accounting judgments and estimates - *continued*

Functional currency:
The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that the functional currency of each entity is that of its local currency. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Business combinations:
The Company uses estimates and assumptions for the fair value of assets and liabilities acquired in business combinations. Refer to Note 4 for additional information.

Trade and other receivables:
The Company reviews collectability of trade receivables on an ongoing basis and makes judgments as to its ability to collect outstanding trade receivables and provides an allowance for credit losses when there is objective evidence that the Company will not be able to collect the debt.

Refer to Note 3 (e and j) and Note 4 for more information on significant accounting judgments and estimates.

3. Significant accounting policies

a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income for the effective date of acquisition or up to the effective date of disposal, as appropriate. All intercompany transactions and balances are eliminated on consolidation. The financial statements of the Company's subsidiaries are prepared using consistent accounting policies and the same reporting date as the Company. These consolidated financial statements include the accounts of the Company and all of its subsidiaries, including:

Subsidiary	Location	Functional currency
Omniterra International Drilling Inc. ("OID")	Canada	Canadian Dollar ("CDN")
FMI Technologies Inc. ("FMI")	Canada	Canadian Dollar ("CDN")
Energold de Mexico S.A. de C.V. ("EDM")	Mexico	Mexican Peso (MXN)
Silver Servicios de Personal, S. de R.L. de C.V. ("SSP")	Mexico	Mexican Peso (MXN)
Energold Drilling Dominicana, S.R.L. ("EDD")	Dominican Republic	Dominican Peso
Energold Drilling Peru, S.A.C. ("EDP")	Peru	U.S. Dollar ("USD")
Energold Perfuracoes Ltda. ("EPB")	Brazil	Brazilian Reias
Energold de Chile S.A. ("EDC")	Chile	Chilean Peso
Energold de Colombia S.A.S. ("EDCOL")	Colombia	Colombian Peso
Energold Argentina S.A. ("EDA")	Argentina	Argentinean Peso
E Global Drilling Corp. ("E Global")	Barbados	USD
Dando Drilling International Ltd. ("Dando" or "DDI")	United Kingdom	Sterling Pound ("GBP")
Energold Energy Drilling Services ("Energold Energy")	Canada	CDN
E Drilling de Nicaragua S.A. ("EDDN")	Nicaragua	Nicaraguan Cordoba

All intercompany transactions and balances have been eliminated.

3. Significant accounting policies - *continued*

b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS-3 Business Combinations are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS-5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree being the date on which the Company gains control. The excess of the cost over the fair value of the Company's share of identifiable net assets acquired is recorded as goodwill. If, after reassessment, the consideration is less than the fair value of net assets acquired, the excess is recognized immediately in the statement of comprehensive income as a bargain purchase gain. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated are made within twelve months of the acquisition date and are effected prospectively from the date of acquisition. Where a business combination agreement provides for an adjustment to the cost of a business acquired contingent on future events, the Company accrues the fair value of the amount of any additional consideration payable in the cost of the acquisition as a liability at the acquisition date where this can be measured reliably. This amount is reassessed at each subsequent balance sheet date with any adjustments to the liability recognized in the statement of comprehensive income. To the extent that consideration is contingent upon continuing employment, the consideration is treated as post-combination consideration and recognized in the statement of comprehensive income in the period that the payment is accrued or paid.

c) Foreign currency translation

The functional currency for each of our subsidiaries and associates is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Resulting foreign exchange gains or losses are recognized in income.

The functional currency of Energold Drilling Corp., the parent entity, is the Canadian dollar, which is also the presentation currency of our consolidated financial statements.

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- (ii) Income and expenses for each statement of comprehensive income are translated at a quarterly average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- (iii) Share capital for each statement of financial position presented are translated at historical rate; and
- (iv) All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

Exchange differences that arise relating to long-term intercompany balances that form part of the net investment in a foreign operation are also recognized in this separate component of equity through other comprehensive income.

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in the statement of income.

3. Significant accounting policies - *continued*

d) Investments in associates

Associates are all entities over which the Company has significant influence, but not control. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in income and its share of other comprehensive income (loss) of associates is included in other comprehensive income (loss).

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interest in investments in associates are recognized in the statement of comprehensive income within earnings/loss.

The Company assesses at each year-end whether there is any objective evidence that its interest in associates are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to income.

e) Inventories

The Company maintains an inventory of operating supplies and drill consumables such as drill rods, tubes, bits, casings, consumable supplies and lubricants as well as pumps, motors and other drilling equipment and parts. Procurement, transportation and import duties are included in inventory cost. Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out method. The Company applies the following policies with respect to inventory accounting and valuation:

(i) Higher value drilling equipment parts and supplies, as well as consumable inventories are valued at landed cost, based upon country of use, less an allowance for obsolescence (wear and tear) based upon management's judgment of the expected remaining field service life of the equipment parts and supplies.
(ii) Each drill has a base inventory of smaller value equipment parts and supply items which are valued at landed cost.

f) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization and applicable impairment losses. Cost includes the purchase price and directly attributable costs to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. When an item of property, plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspections and overhaul expenditures, are capitalized. The costs of day-to-day servicing, commonly referred to as "repairs and maintenance", are recognized in the statement of comprehensive income as an expense, as incurred.

Subsequent costs are recognized in the carrying amount of an item of property, plant and equipment when the cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognized in the statement of comprehensive income as an expense, as incurred.

3. Significant accounting policies - *continued*

f) Property, plant and equipment - *continued*

Amortization commences when property, plant and equipment are considered available for use. Amortization is recognized in earnings or loss over the estimated useful lives of each part of an item of property, plant and equipment and is in line with the pattern of use of the future economic benefits. The declining balance method is used except for otherwise indicated below.

The following rates are used in the calculation of amortization:

Building	7 years straight line
Operating equipment	20% per annum (Drilling and Manufacturing); 7 years straight line (Energy)
Vehicles	20% per annum
Office equipment	20% per annum
Computer equipment	30% per annum

An item of property, plant and equipment and any significant parts initially recognized is derecognized upon disposal or when no future economic benefits are expected from its continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive income.

Amortization methods, useful lives and residual values are reassessed each reporting date and any changes arising from the assessment are applied prospectively.

g) Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized as assets of the Company at the lower of the fair value at the inception date of the lease or the present value of the minimum lease payments. The corresponding liability is recognized as a finance lease obligation. Lease payments are accounted for using the effective interest rate method. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized. In a finance leaseback transaction, any profit or loss from the transaction will be deferred and amortized over the lease term.

h) Exploration properties

Exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Management reviews and evaluates the carrying values of its resource properties for impairment on an annual basis or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The recoverability of the amounts capitalized for the undeveloped exploration properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to exploration properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing. From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration property costs or recoveries when the payments are made or received. The Company does not accrue the estimated costs of maintaining its mineral interests in good standing.

3. Significant accounting policies - *continued*

i) Intangible assets

Intangible assets include goodwill, customer relationships, brand, non-compete covenant and business development costs.

Goodwill

Business acquisitions are accounted for using the purchase method, whereby assets and liabilities acquired are recorded at their fair values as of the date of acquisition and any excess of the purchase price over such fair value is recorded as goodwill. Goodwill is identified and allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the fair value of assets and liabilities in the reporting unit. Goodwill is not amortized.

The Company assesses goodwill impairment on at least an annual basis, or more frequently if events or circumstances indicate there may be impairment. To accomplish this assessment, the Company estimates the value in use of its reporting units that include goodwill and compares those fair values to the reporting units' carrying amounts. If the carrying value of a reporting unit exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value is charged to operations. Assumptions underlying the fair value estimates are subject to significant risks and uncertainties. The Company performed impairment tests at December 31, 2012 and December 31, 2011 and determined there was no impairment in the carrying value.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition as cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category, consistent with the nature of the intangible assets.

The following useful lives are used in the calculation of amortization.

	Energy	Manufacturing
Customer relationships	5 years	N/A
Brand	5 years	N/A
Other intangible assets	3 years	10 % per annum

j) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets might be impaired. If any such indication exists, which is often judgmental, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information including factors such as market and economic conditions, sales forecast and the physical condition and usability of the drills. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of asset that generates cash inflows from other assets or groups of assets.

3. Significant accounting policies - *continued*

j) Impairment of non-financial assets - *continued*

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Recoverable amount is the higher of an asset's or CGU fair value less costs to sell ("FVLCS") and its value in use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which future cash flows have not been adjusted. The FVLCS is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's length basis between knowledgeable, willing parties, less costs of disposal. FVLCS is primarily derived using discounted cash flow techniques, which incorporates market participant assumptions and are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in income in those expense categories consistent with the function of the impaired asset. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss recognized in prior years for long-lived assets shall be reversed only if there has been a significant change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is recognized in income and is limited to the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. After such a reversal, any amortization charge is adjusted prospectively.

k) Revenue recognition

Revenue from services rendered is measured at the fair value of the consideration received or receivable. Revenue from services rendered is recognized when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity, when collection is reasonably assured and when specific criteria have been met for each of the Company's activities, as described below.

Revenue from the Company's mineral drilling contracts is recognized on the basis of actual meters drilled for each contract. Revenue from the Company's oil and gas contracts is recognized based on actual meters drilled or number of wells completed depending on the type of contract. Revenue from ancillary services is recorded when the services are rendered. Contract prepayments are recorded as deferred revenue until performance is achieved and are credited against contract billings in accordance with the contract terms.

Revenue from the manufacturing division in 2011 were recorded when the Company delivered the goods to the customers. Standard accounting practice to recognize revenue with regard to construction contracts fall under the guidance of IAS 11, Construction Contracts, which recommends the percentage of completion method. As the Company constructs and assembles the drills it sells to its customers, the directors consider that the accounting recognition of revenue should be undertaken on this basis. The impact of the new policy was immaterial in 2011.

3. Significant accounting policies - *continued*

l) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. The directors, subject to the policies of the TSX Venture Exchange, may determine and impose terms upon how each grant of options shall become vested.

The fair value of the options is measured at grant date using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. When options vest in installments over the vesting period, each installment is accounted for as a separate arrangement. The fair value is recognized as expense with a corresponding increase in equity. At each reporting date, the Company revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in income, with a corresponding adjustment to equity.

m) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of comprehensive income, except where it relates to items recognized in other comprehensive income or directly in equity, in which case the related taxes are recognized in other comprehensive income or equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for tax payable with regards to previous periods.

Deferred taxes are recorded using the statement of financial position liability method. Under the statement of financial position liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable earnings will be available to use against the asset. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize an asset.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates. However, the Company does not recognize such deferred tax liabilities where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

As an exception, deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle its current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3. Significant accounting policies - *continued*

n) Earnings per share

Basic earnings per share is computed by dividing the net earnings available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed by dividing the net earnings available to common shareholders by the weighted average number of shares outstanding on a diluted basis. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. The effects of potential issuance of shares under options would be anti-dilutive; therefore, basic and diluted loss per share are the same.

o) Financial assets

When financial assets are initially recognized, they are measured at fair value on the date of acquisition plus directly attributable transaction costs except financial instruments carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are recognized in profit or loss. The measurement of financial instruments after initial recognition depends on their initial classification. All financial assets are measured at fair value except for loans and receivables, held-to-maturity assets and in rare circumstances, unquoted equity instruments whose fair values cannot be measured reliably.

Investment in equity instruments that are traded in an active market are carried at fair value based on quoted market prices at the balance sheet date. Investments in equity instruments that are not quoted in an active market are measured at fair value unless fair value cannot be reliably measured. In such cases the investments are measured at cost.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

*Financial assets and liabilities at fair value through profit or loss ("*FVTPL*"):* A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term and is measured at fair value with unrealized gains and losses recorded through earnings.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost using the effective interest method.

Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories and are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

Held-to-maturity: Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive and ability to hold to maturity. This classification applies except where financial assets are derivative financial instruments, and where the Company has designated them as either fair value through profit or loss or available-for-sale, or where the assets meet the definition of loans and receivables. Investments to be held for an undefined period are not included in this classification. Held-to-maturity investments are measured at amortized cost using the effective interest rate method.

Effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The effective interest rate method amortization is included in finance costs in the statement of comprehensive income.

3. Significant accounting policies - *continued*

p) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:
- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

A financial asset is derecognized when the contractual right to the asset's cash flows expires or if the Company transfers the financial asset and all risks and rewards of ownership to another entity.

q) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

r) Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity, in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. The conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion, or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized as equity will be transferred to share capital.

When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to contributed surplus. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

3. Significant accounting policies - *continued*

r) Compound instruments - *continued*

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allowing resources and assessing performance of the operating segments, has been identified as the person who make strategic decisions.

t) Recent accounting pronouncements issued but not yet implemented

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2012:

IFRS 7 – Financial Instruments – Disclosures

IFRS 7 was amended in 2011 by the IASB. The amendments relate to disclosure requirements for the offsetting of financial assets and liabilities when offsetting is permitted under IFRS. The disclosure amendments are required to be adopted retrospectively for periods beginning January 1, 2013.

IFRS 9 - Financial Instruments - classification and measurement

IFRS 9 was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income, indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 will be effective for annual periods beginning on or after January 1, 2015.

IFRS 10 - Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. IFRS 10 will be effective for annual periods beginning on or after January 1, 2013.

3. Significant accounting policies - *continued*

t) Recent accounting pronouncements issued but not yet implemented - *continued*

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to account for interest in joint ventures using proportionate consolidation or equity method. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. IFRS 11 will be effective for annual periods beginning on or after January 1, 2013.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of and risks associated with an entity's interests in other entities. IFRS 12 will be effective for annual periods beginning on or after January 1, 2013.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received on the sale of an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and, in many cases, does not reflect a clear measurement basis or consistent disclosures. IFRS 13 will be effective for annual periods beginning on or after January 1, 2013.

IAS 1 – Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

IAS 1 was amended by the IASB in June 2011. Amendments are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. These amendments require that a company present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss.

IAS 32 – Financial Instruments: Presentation

IAS 32 was amended in 2011 by the IASB. The amendments clarify the meaning of "currently has a legal enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are required to be adopted for periods beginning January 1, 2014.

The Company has not yet assessed the impact of the standards.

4. Business combinations

a) On July 25, 2011, the Company acquired all the outstanding shares of Bertram International Corporation ("Bertram"), now amalgamated with Energold Energy. Based in Alberta, Canada, Energold Energy is a diversified specialty drilling company, servicing the energy sector in Canada and the U.S. Energold Energy has drilling rigs specially designed for oil sands coring, shot hole seismic and geothermal drilling services markets. Energold Energy also provides diamond and pipeline drilling services. The results of operations of Energold Energy from July 25, 2011 forward are included in these consolidated financial statements. The assets acquired and liabilities assumed were recorded at its estimated fair values.

Fair value of assets and liabilities acquired		
Cash	$	170
Trade receivables		3,914
Inventories		680
Short term investment		5
Property, plant and equipment		35,792
Intangible assets		4,080
Trade and other payables		(2,273)
Income taxes payable		(142)
Deferred income tax liability		(6,155)
Bank loans		(3,576)
Finance lease obligation		(3,223)
Due to management		(52)
Net assets acquired	$	29,220
Consideration		
Cash payment	$	8,000
Shares – 1,655,512 shares		7,000
Accounting adjustment for share price movement		(709)
Total consideration	$	14,291
Gain on acquisition	$	14,929

The excess of the estimated fair values of the identifiable net assets acquired over the acquisition cost of the business combination is recognized as a gain in the statement of comprehensive income and disclosed separately. The gain is primarily due to the increase in fair value over cost of property and equipment and intangible assets (Refer to Note 10 for intangible asset assumptions). The Company agreed to pay the former shareholders of Bertram a maximum payment of $10.5 million per year if specific targets are met in 2012, 2013 and 2014. At the end of the year, the Company makes an assessment of whether the targets will be met in determining the accrual for the earnout payment. This is considered a significant estimate and includes the evaluation of factors such as sales and costs forecasts. The payment is only payable if the former shareholders continue to be employed by the Company at the time the targets are met. As such, the payments to the former shareholders are considered to be post-combination consideration. The payments are recognized as a period expense. During 2012, the Company paid the former shareholders $10.5 million in the form of 50% cash and 50% shares (1,353,092 shares were issued at $3.88 per share). For the year ended December 31, 2012, the Company expensed $7.4 million on the statement of comprehensive income.

4. Business combinations - *continued*

b) On January 14, 2011 the Company acquired all the outstanding shares of Dando, located in the United Kingdom. Dando manufactures drilling rigs and associated equipment for water well, mineral exploration and geotechnical drilling. The Company paid CDN$0.08 million (Pounds Sterling 0.05 million) for 100% of the shares of Dando. The results of operations of Dando from January 15, 2011 forward are included in these consolidated financial statements. The allocation of the total cost of the business combination to the fair value of the net assets acquired and liabilities assumed is summarized in the table below.

Fair value of assets and liabilities acquired		
Cash	$	535
Trade and other receivables		270
Inventories		1,142
Property, plant and equipment		175
Intangibles		625
Trade and other payables		(2,632)
Leases payable		(20)
Deferred income taxes		(16)
Net assets acquired	$	79
Consideration		
Cash payment	$	79

The Company has determined that the impact of profit, had Dando been consolidated as of January 1, 2011, is insignificant. Refer to Note 23 (manufacturing segment) for the impact on profit related to Dando from January 14, 2011.

5. Trade and other receivables

		December 31, 2012		December 31, 2011
Trade receivables	**$**	**24,078**	$	30,147
Mobilization costs		-		1,930
Prepaid expenses		**1,218**		1,042
Government receivables		**1,050**		697
Other		**393**		378
	$	**26,739**	$	34,194

6. Inventories

The cost of inventories recognized as an expense and included in direct drilling costs for the year ended December 31, 2012 was $23,999 (December 31, 2011 - $29,306).

7. Investment in IMPACT Silver Corp. ("IMPACT")

At December 31, 2012 the Company owned 6,980,001 shares (December 31, 2011 - 6,980,001 shares) of IMPACT. The Company's interest in IMPACT decreased from 10.26% to 10.25% during the year ended December 31, 2012. The Company, through mutual management at the executive level and its shareholding and directorship in IMPACT, exercises significant influence over IMPACT.

7. Investment in IMPACT Silver Corp. ("IMPACT") - *continued*

As a result, the investment in IMPACT is accounted for using the equity method. The dilution gain represents the fair value of the Company's share of the consideration paid by the new investors in IMPACT in excess of the carrying value of the Company's investment in IMPACT. Equity has been reduced by the elimination of a percentage equal to the Company's interest in IMPACT of the net profits realized on drilling services provided to IMPACT. Details of the investment in IMPACT are as follows:

Balance – January 1, 2011	$	5,137
Equity income for the year		799
Reversal of profits on intercompany drilling revenues		(17)
Dilution gain		730
Purchase of shares		192
Balance – December 31, 2011	$	6,841
Equity loss for the year		(118)
Reversal of profits on intercompany drilling revenues		(20)
Dilution gain		102
Balance – December 31, 2012	**$**	**6,805**

Based upon year end TSX.V closing market prices of $1.14 and $1.29 per share, this investment has a quoted market value of $7,957 at December 31, 2012 and $9,004 at December 31, 2011. Summary financial information for IMPACT is as follows:

	For the year ended December 31,			
		2012		2011
Revenues	**$**	**15,934**	$	24,267
Net earnings	**$**	**(1,104)**	$	7,576

		December 31, 2012		December 31, 2011
Total assets	**$**	**66,074**	$	64,600
Total liabilities	**$**	**7,131**	$	6,823

8. Investment in a private corporation and exploration properties

Investment in a private corporation
The Company entered into a binding letter agreement, effective June 29, 2007 and amended December 21, 2007 and June 30, 2008, with a Canadian controlled private corporation ("CCPC") to transfer all of its rights and obligations in the La Parcela Concession, located in the Dominican Republic, in exchange for $2.0 million Canadian. In July 2010, the Company completed the transfer arrangements with respect to La Parcela Concession and the CCPC agreed to the release of the $2.0 million of restricted cash funds through an investment in shares of the CCPC at a price of $0.40 per share (5,000,000 common shares). At December 31, 2011, the Company fair valued this investment at $1.0 million. On March 23, 2012, the Company entered into an agreement with the CCPC whereby the CCPC relinquished to the Company the La Parcela Concession and the Company surrendered 3,000,000 of the 5,000,000 shares it holds of the CCPC. At December 31, 2012, the Company allocated $0.9 million to resource properties. The 2,000,000 shares in CCPC have been treated as available-for-sale valued at $0.1 million.

Exploration properties
On December 18, 2012, the Company entered into an option agreement with a third party. Under the terms of the agreement, the third party has an option to acquire 100% of the properties for a consideration of $1.6 million.

9. Property, plant and equipment

	Buildings ($)	Operating equipment ($)	Vehicles ($)	Office and Computer Equipment ($)	**Total ($)**
Cost					
Balance at January 1, 2011	8	12,630	881	733	**14,252**
Additions	6	5,496	1,383	295	**7,180**
Disposals	-	(716)	(131)	-	**(847)**
Acquisition through business combination	515	31,570	4,043	12	**36,140**
Foreign exchange movement	(1)	(296)	84	(13)	**(226)**
Balance at December 31, 2011	528	48,684	6,260	1,027	**56,499**
Additions	46	5,293	709	261	**6,309**
Disposals	-	(318)	(699)	(18)	**(1,035)**
Acquisition through business combination	-	195	-	-	**195**
Foreign exchange movement	1	(16)	(86)	2	**(99)**
Balance at December 31, 2012	575	53,838	6,184	1,272	**61,869**
Accumulated amortization					
Balance at January 1, 2011	(3)	(4,833)	(247)	(423)	**(5,506)**
Amortization for the year	(34)	(3,631)	(513)	(125)	**(4,303)**
Disposals	-	26	40	-	**66**
Foreign exchange movement	-	197	8	6	**211**
Balance at December 31, 2011	(37)	(8,241)	(712)	(542)	**(9,532)**
Amortization for the year	(81)	(6,851)	(1,172)	(170)	**(8,274)**
Finance costs[1]	-	(398)	-	-	**(398)**
Disposals	-	117	207	7	**331**
Foreign exchange movement	-	(22)	13	-	**(9)**
Balance at December 31, 2012	(118)	(15,395)	(1,664)	(705)	**(17,882)**
Net book value					
At December 31, 2011	491	40,443	5,548	485	46,967
At December 31, 2012	**457**	**38,443**	4,520	**567**	**43,987**

Liabilities under capitalized finance lease related to the Energy sector (Note 16g)

	Liabilities secured		Net book value of assets	
	2012	2011	**2012**	2011
At December 31,	**$ 5,421**	$ 2,803	**$ 8,893**	$ 4,665

[1] In the current year, the Company entered into a finance leaseback transaction. The difference between the sales transaction and the net book value is deferred and amortized over the lease term and recognized as finance costs.

10. Goodwill and intangible assets

	Goodwill	Customer Relationships	Brand	Non-Compete Covenant	Other intangible assets	Total
Cost						
Balance at January 1, 2011	$ 1,710	$ -	$ -	$ -	$ -	$ 1,710
Additions		3,840	700	220	165	4,815
Balance at December 31, 2011	$ 1,710	$ 3,840	$ 700	$ 220	$ 165	$ 6,635
Additions	-	-	-	-	134	134
At December 31, 2012	**$ 1,710**	**$ 3,840**	**$ 700**	**$ 220**	**$ 299**	**$ 6,769**
Accumulated amortization						
Balance at January 1, 2011	$ -	$ -	$ -	$ -	$ -	$ -
Amortization for the year	-	(282)	(58)	(30)	(30)	(400)
Impairment	-	(460)	-	-	-	(460)
Balance at December 31, 2011	$ -	$ (742)	$ (58)	$ (31)	$ (29)	$ (860)
Amortization for the year	-	(676)	(140)	(73)	(42)	(931)
At December 31, 2012	**$ -**	**$ (1,418)**	**$ (198)**	**$ (104)**	**$ (71)**	**$ (1,791)**
Net Book Value						
December 31, 2011	$ 1,710	$ 3,098	$ 642	$ 189	$ 136	$ 5,775
At December 31, 2012	**$ 1,710**	$ **2,422**	$ **502**	$ **116**	$ **228**	$ **4,978**

Goodwill

Goodwill is attributed to the Company's subsidiaries in Brazil and Peru. The Company has performed its annual goodwill impairment testing and did not identify any impairment losses. The recoverable amounts for our goodwill impairment testing were determined using a discounted cash flow methodology, taking account of revenue growth of 5% and the Company's weighted average cost of capital rate of 19.28%. The cash flows cover a period of three years, after which a terminal value is determined. The key assumptions used to determine fair value less cost to sell are as follows:

Operating Costs and Capital Expenditures

Operating costs and capital expenditures are based on internal management forecasts. Cost assumptions incorporate management experience and expertise, current operating costs, the nature and location of each operation and the risks associated with each operation. Future capital expenditure is based on management's best estimate of required future capital requirements. All committed and anticipated capital expenditures adjusted for future cost estimates have been included in the projected cash flows.

Discount Rates

Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows. These rates are based on the weighted average cost of capital for a mining industry group and were calculated based on management's estimates.

10. Goodwill and intangible assets – *continued*

Intangible assets

The Company applied a discounted cash flow model to value customer relationships, brand and non-compete which were acquired as part of the Bertram acquisition. Major assumptions included in calculating the following intangible asset are:

Intangible asset	Cash flow model projection	Revenue Growth	Discount Factor
Customer relationship	10 years	average revenue growth rate of 17.16% for the first 3 years and 3% for the remaining years	25%
Brand	10 years	average revenue growth rate of 17.16% for the first 3 years and 3% for the remaining years	25%
Non-compete covenant	3 years	average revenue growth rate of 17.16%	22%

11. Bank Indebtedness

		2012		2011
$4.0 million revolving demand facility	**$**	**2,954**	$	3,567
$U.S. 1.0 million revolving line of credit		-		458
	$	**2,954**	$	4,025

The following are descriptions of Energold Energy's loan arrangements:

Energold Energy has a demand bank loan authorized to a maximum of $4.0 million, which bears interest at the bank's prime lending rate plus 1.0% per annum.

A reducing facility was authorized to a maximum of $6.8 million by way of leases. The finance leases bear interest between 3.81% and 5.29%.

A general security agreement and a floating charge on all present and after-acquired real property has been pledged as security for the above borrowings.

The Company has provided guarantee and postponements of claim and general security agreements to a maximum of $9.0 million. Bertram Drilling Corp., a subsidiary of Energold Energy, has provided guarantee and postponements of claim and general security agreements to a maximum of $16.5 million. No fees have been charged to the Company for these guarantees.

A revolving line of credit for Bertram Drilling Inc., the U.S. subsidiary of Energold Energy, is authorized to a maximum of U.S. $1 million, which bears interest at 5.0% per annum. Equipment, inventories, and trade accounts receivable have been pledged as security. No amount is outstanding on this bank loan at December 31, 2012.

12. Trade and other payables

		December 31, 2012		December 31, 2011
Trade payables	**$**	**10,316**	$	12,964
Government payables		**1,586**		2,525
Payroll accrual		**1,706**		4,610
Finance lease payables		**2,343**		1,066
Other		**268**		367
Current trade and other payables	**$**	**16,219**	$	21,532
Long term payables	**$**	**-**	$	393

13. Convertible Debenture ("CD")

On July 21, 2011, the Company issued secured CDs through a private placement for aggregate gross proceeds of $10 million, which bear interest at 10% per annum, payable quarterly with a maximum term of three years. The CDs are generally secured against all the assets of the Company and specifically secured by a pledge of 2,000,000 common shares of IMPACT Silver Corp. owned by the Company. They are convertible into common shares of the Company at a conversion price of $5.25 per share, subject to a minimum conversion of $0.05 million. Any time after July 21, 2012, the Company may, with 90 days written notice, prepay the CDs, in whole or in part, including all outstanding interest accumulated to the date of prepayment, with an additional payment of 1.5% of the amount to be prepaid. Any such prepayment will permanently reduce the CD and may not be re-borrowed.

The CDs are classified as a liability, less fair values allocated to the conversion feature. As a result, the recorded liability for the CDs is lower than its face value which is characterized as a debt discount. The conversion feature is classified as equity. Consistent with IAS 32-Financial Instruments: Presentation, the Company fair valued the debt component using a discounted cash flow model at current interest rate of 14.38% and the equity component was assigned the residual amount.

Based on the Company's valuation as of July 21, 2011, the closing date of the convertible debenture, the value of the debt component and the conversion option is as follows:

Balance at January 1 and December 31, 2010	$	-
Amounts advanced		10,000
Conversion feature		(1,051)
Net debt component of CD on issue	$	8,949

Using the effective interest rate method and the 14.38% rate implicit in the calculation, the difference of $1.051 million, characterized as the debt discount is accreted to income over the term of the CD.

Convertible debenture as of December 31, 2011	$	9,079
Accretion of debt discount for the year		323
Convertible debenture as of December 31, 2012	**$**	**9,402**

The convertible debenture contains financial and non-financial covenants customary for a facility of this size and nature. As at December 31, 2012, the Company was not in compliance with one of the non-financial covenants; however, the Company is currently in the process of obtaining waivers from debt covenant holders and does not expect the debenture to be repaid immediately. The convertible debenture has been reclassified from non-current liability to current liability.

14. Finance cost

		2012		2011
Bank fees and interest expense	$	**574**	$	914
Finance lease expense		**639**		100
Interest expense and accretion of convertible debt		**1,335**		612
Finance cost	$	**2,548**	$	1,626

15. Income taxes and deferred income taxes

Total income tax expense consists of:

		2012		2011
Current income tax expense	**$**	**4,884**	$	6,411
Deferred income tax expense		**(1,276)**		(1,843)
	$	**3,608**	$	4,568

Total income tax expense attributed to geographical jurisdiction:

		2012		2011
Canada	**$**	**(657)**	$	(422)
Chile		**3**		105
Argentina		**(9)**		187
Peru		**315**		1,077
Colombia		**11**		(163)
Dominican Republic		**(150)**		(36)
Mexico		**2,598**		2,746
Nicaragua		**(36)**		
Brazil		**213**		458
Barbados		**567**		489
Great Britain		**(17)**		(200)
U.S.		**770**		327
	$	**3,608**	$	4,568

15. Income taxes and deferred income taxes – *continued*

Factors affecting income tax expense for the year:

		2012		2011
Earnings before income taxes	**$**	**(4,961)**	$	30,995
Canadian federal and provincial income tax rates		**25%**		26.50%
Income tax expense based on the above rates		**(1,240)**		8,214
Items that cause an increase (decrease) in income tax expense:				
Foreign income subject to different income tax rates than Canada		**567**		(1,556)
Gain on acquisition not subject to tax		-		(4,014)
Current tax benefit of previously unrecognized deferred tax assets		-		(302)
Derecognition of deferred tax assets		-		406
Operating losses for which no tax benefit has been recognized		**191**		439
Non-deductible expenses		**2,242**		841
Withholding taxes		**1,020**		907
Change in management estimate regarding an uncertain tax position		**736**		(60)
Foreign exchange and other translation adjustments		**92**		(462)
Changes in income tax rates		-		155
Income tax expense	**$**	**3,608**	$	4,568

The Canadian income tax rate declined during the year due to changes in the law.

The change for the year in the Company's net deferred tax position was as follows:

		2012		2011
Deferred income tax assets (liability)				
Balance at January 1,	**$**	**(7,331)**	$	(3,296)
Deferred income tax expense (recovery) in the income statement		**1,276**		1,844
Deferred income tax charged directly to equity		**23**		101
Acquisitions of subsidiaries		-		(6,171)
Changes to foreign currency translation		**(75)**		191
Balance at December 31,	**$**	**(6,107)**	$	(7,331)

The composition of the Company's net deferred income tax asset and liability and deferred tax expense (recovery) is as follows:

Unrecognized deferred tax assets

		2012		2011
Non-capital losses	**$**	**1,500**	**$**	720
Property, plant and equipment		**764**		810
Other items		-		244
Total unrecognized deferred tax assets	**$**	**2,264**	**$**	1,774

15. Income taxes and deferred income taxes – *continued*

Unrecognized tax losses

As at December 31, 2012, the Company has tax losses for income tax purposes which may be used to reduce future taxable income. The income tax benefit, if any, of these losses have not been recorded in these consolidated financial statements because of the uncertainty of their recovery. The future expiration taxes and potential tax benefit are as follows:

Expiry Date	Canada	Chile	Colombia	Total
2026	$ 79	$ -	$ -	$ 79
2029	2,671	-	-	2,671
No expiry	-	2,815	754	3,569
	$ 2,750	$ 2,815	$ 754	$ 6,319

Temporary differences associated with investments in subsidiaries

The Company has not recognized deferred tax liabilities in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries. At December 31, 2012, these earnings amount to $18.6 million (2011 - $16.1 million). Substantially, all of these earnings would be subject to withholding taxes if they were remitted by the foreign subsidiary.

Type of temporary differences:

	Deferred assets (liability) tax		Expense (recovery) on the statement of comprehensive income statement	
	2012	2011	**2012**	2011
Non-capital losses	**$ 4,742**	$ 3,754	**$ (988)**	$ (362)
Property, plant and equipment	**771**	522	**(249)**	102
Capital leases and long term debt	**1,342**	656	**(686)**	89
Accruals and other items	**446**	1,418	**972**	(865)
Investments	**(636)**	(542)	**95**	(66)
Property, plant and equipment and intangible assets	**(8,694)**	(9,145)	**(527)**	(229)
Inventory	**(3,663)**	(3,182)	**481**	(666)
Other items	**(415)**	(812)	**(374)**	154
	$ (6,107)	$ (7,331)	**$ (1,276)**	$ (1,843)

Represented on the balance sheet as:

	2012	2011
Deferred income tax assets	**$ 3,403**	$ 2,640
Deferred income tax liabilities	**(9,510)**	(9,971)
	$ (6,107)	$ (7,331)

16. Commitments

a) The Company signed a lease for office premises in Vancouver, British Columbia until May 31, 2013. Lease obligations, net of operating costs, are $0.24 million per year.

16. Commitments *- continued*

b) The Company signed two leases for warehouse premises in Richmond, British Columbia. The first lease commenced February 1, 2011 and ends January 31, 2014. Lease obligations, net of operating costs, are $0.04 million per year. The second lease commenced August 1, 2011 and ends July 31, 2014. Lease obligations, net of operating costs, are $0.04 million per year.

c) The Company signed a lease for office premises in Mexico City, which commenced November 1, 2011 and ends January 31, 2013. The Company renewed the lease for this office premise which commences February 1, 2013 and ends January 31, 2014. Lease obligations, net of operating costs for the lease ending January 31, 2013 and 2014 are both $0.08 million ($1.0 million Mexican Pesos and $1.1 million Mexican Pesos respectively) for the year.

d) The Company signed a lease for office premises in Carbon, Alberta, which commenced June 1, 2012 and ends May 31, 2015. Lease obligations, net of operating costs, are $0.04 million per year.

e) The Company signed a lease for office premises in the U.K., which commenced September 14, 2012 and ends September 13, 2018. Lease obligations, net of operating costs, are $0.06 million per year (0.04 million GBP).

f) Dando has a 25 year lease for office premises in the U.K. which expires March 25, 2026. Lease obligations, net of operating costs are $0.04 (0.03 million GBP per year). Dando has two 10 year leases for space in the U.K. which expires on June 29, 2019 and June 5, 2021. Lease obligations, net of operating costs are $0.20 million (0.11 million GBP) per year. The Company is a guarantor for these three leases. Dando has two five year leases for space in the U.K. which expire on April 16, 2017 and July 25, 2017. Lease obligations, net of operating costs for the term of both leases are $0.25 million (0.16 million GBP).

g) Finance leasing arrangements:

The majority of the finance leases were acquired from the Energold Energy acquisition (Note 4a) in December 2011; the Company assumed leases related to a limited number of these assets. These lease agreements terminate between 2013 and 2016 and have interest rates between 0% and 6.94%. Since December 31, 2011, Bertram signed the following leases which all have three year terms: equipment lease signed in February, 2012 and has an interest rate of 3.96%; equipment lease signed in August, 2012 and has an interest rate of 3.94%; and equipment lease signed in September, 2012 and has an interest rate of 3.81%. At December 31, 2012, Energold Energy's finance lease obligations were $5.42 million, of which $2.23 million is current and is included within trade and other payables and $3.19 million is long term. The remaining leases belong to E-Global and Dando.

Finance lease liabilities are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2012	December 31, 2011	**December 31, 2012**	December 31, 2011
Not more than one year	$ **2,385**	$ 1,089	$ **2,343**	$ 1,066
Later than one year and not later than five years	**3,249**	1,948	**3,192**	1,911
Later than five years	-	-	-	-
	$ **5,634**	$ 3,037	$ **5,535**	$ 2,977
Less: future finance charges	**(99)**	(60)	-	-
Present value of minimum lease payments	$ **5,535**	$ 2,977	$ **5,535**	$ 2,977

17. Equity

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value.

a) Stock Options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Under the stock option plan 4,591,070 options have been authorized for issuance, of which 3,295,825 have been allocated at December 31, 2012. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors and is settled in cash. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant. The directors, subject to the policies of the TSX Venture Exchange, may determine and impose terms upon how each grant of options shall become vested. Options vest 25% on the date granted and 12.5% every quarter thereafter.

A summary of the Company's stock option plan at December 31, 2012 and the changes for the year ended on these dates is as follows:

	Number	Weighted Average Exercise Price
At January 1, 2011	2,466,000	2.75
Granted	1,525,000	3.84
Exercised	(428,000)	2.22
Forfeited	(55,000)	2.44
At December 31, 2011	3,508,000	3.29
Granted	30,000	5.13
Exercised	(227,175)	2.54
Forfeited	(15,000)	2.97
At December 31, 2012	**3,295,825**	**3.36**

The following table summarizes information about the stock options outstanding at December 31, 2012:

Exercise Price Per Share	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Options Exercisable
$2.01	615,625	1.75	615,625
$2.30	22,900	2.35	22,900
$3.45	1,113,275	2.80	1,113,275
$3.80	1,364,025	3.79	1,020,275
$4.19	150,000	3.03	150,000
$5.13	30,000	4.13	18,750
	3,295,825	3.03	2,940,825

The weighted share price at the date of exercise of the stock options was $5.30 (2011 - $4.30).

17. Equity - *continued*

a) **Stock Options** - *continued*

The fair value of the services provided cannot be reliably measured; therefore, the fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model with assumptions as follows:

Date Granted	October 1, 2009	May 7, 2010	October 21, 2010	January 13, 2011	October 13, 2011	February 14, 2012
Number of options granted	1,155,000	150,000	1,245,000	150,000	1,375,000	30,000
Risk-free interest rate	1.24%	1.60%	1.38%	1.75%	1.08%	1.08%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Expected share price volatility	62%	61%	61%	59%	54%	54%
Expected option life in years	3	3	3	3	3	3

Option pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

The total fair value of share-based payment expense on stock options granted to employees and consultants of the Company for the year ended December 31, 2012 is $1.1 million (December 31, 2011 – $2.0 million).

b) **Warrants**

On March 21, 2012, the Company completed a $20.0 million bought deal private placement financing. A total of 3,900,000 common shares were issued at a price of $5.20 per share for aggregate gross proceeds of $20.3 million pursuant to an underwriting agreement between the Company and a syndicate of underwriters. In consideration for the services of the underwriters, they were paid a cash commission of 6% of the gross proceeds of the offering and non-transferable common share purchase warrants ("compensation warrant") equal to 6% of the shares issued pursuant to the offering. Each compensation warrant entitles the holder to acquire one common share of the Company at an exercise price of $5.20 expiring following March 21, 2014. The securities issued under the offering are subject to a four month hold period.

	Number	Weighted Average Exercise Price
At January 1, 2011	2,331,081	4.50
Granted	6,993	4.50
Exercised	(750)	4.50
Forfeited	-	4.50
At December 31, 2011	2337,324	4.50
Granted	234,000	5.20
Exercised	(341,750)	4.50
Forfeited	(1,995,574)	4.50
At December 31, 2012	**234,000**	**5.20**

17. Equity - *continued*

b) Warrants - *continued*

The fair value of the services provided cannot be reliably measured; therefore, the fair value of each warrant granted is estimated at the time of grant using the Black-Scholes option pricing model with assumptions as follows:

Date Granted	December 23, 2010	March 21, 2012
Number of warrants granted	2,331,081	234,000
Risk-free interest rate	1.69%	1.27%
Expected dividend yield	Nil	Nil
Expected share price volatility	47%	37%
Expected warrant life in years	2	2

Pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

The weighted share price at the date of exercise of the warrants was $5.07 (2011 - $3.49).

c) Earnings Per Share

Details of the calculation of earnings per share are set out below:

		2012		2011
Net income (loss) attributable to shareholders	**$**	**(8,650)**	$	26,428
Weighted average number of shares - basic		**45,984,137**		40,642,508
Adjustment for:				
Share options		-		667,019
Weighted average number of shares outstanding - Diluted		**45,984,137**		41,309,527

18. Related party transactions

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

a) During the year ended December 31, 2012, legal fees in the amount of $0.31 million (December 31, 2011 - $0.28 million) were accrued or paid to a firm related to a director. As of December 31, 2012, the amount outstanding is $0.24 million (December 31, 2011 - $0.20 million).

b) During the year ended December 31, 2012, fees in the amount of $3.9 million (December 31, 2011 – $3.05 million) were charged to IMPACT for contract drilling services performed in Mexico. At December 31, 2012, $0.68 million (December 31, 2011 - $0.47 million) was due from IMPACT for contract drilling, exploration and administrative services provided by the Company. These services were provided in the normal course of business at arms-length terms. Monies owed to the Company are unsecured, non-interest bearing and without specific repayment terms. Management anticipates that the amount will be repaid within one year and accordingly it has been classified as current. The profit of $0.02 million at December 31, 2012 (December 31, 2011 – profit of $0.02 million) on drilling services provided to IMPACT has been eliminated from these consolidated financial statements.

18. Related party transactions - *continued*

c) A director of the Company purchased a convertible debenture ("CD") having a principal face value of $0.35 million, representing 3.5% of the offering. As of December 31, 2012, the outstanding payable is $0.35 million.

d) During the year ended December 31, 2012, net fees in the amount of $0.09 million were received (December 31, 2011 - $1.47 million was paid to) from a company related to an officer of Energold Energy for helicopter services performed in Canada and the U.S. As of December 31, 2012, there were no amounts outstanding (December 31, 2011 - outstanding payable was $0.56 million).

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

19. Key management personnel compensation

Key management includes directors and senior executives. The remuneration of directors and other members of key management personnel is as follows:

		December 31, 2012		December 31, 2011
Salaries and fees	**$**	**9,063**	$	4,708
Share based compensation		**452**		656
	$	**9,515**	$	5,364
Amounts outstanding as of	**$**	**8**	$	2,999[2]

[2]$2,975 is related to the acquisition of Bertram. Refer to Note 4a.

20. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return to shareholders, to meet external capital requirements on credit facilities and to support any growth plans.

The Company considers its capital to be share capital, bank indebtedness and convertible debentures.

The Company's policy is to keep its debt-to-debt-plus-equity ratio at a manageable level consistent with the current business cycle and the business opportunities outlook foreseen by the Company. Currently, the Company is in full compliance with its capital risk management policies and its financial debt covenants. The Company's board of directors approves management's annual capital expenditures plans and reviews and approves any material debt borrowing plans proposed by the Company's management.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there is sufficient cash to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

21. Financial instruments

Financial assets and liabilities

The Company's financial instruments consist of cash and cash equivalents, restricted cash, trade receivable, available for sale financial instruments, trade and other payables, bank indebtedness, and convertible debenture. The Company has designated cash and cash equivalents, restricted cash and trade receivables as loans and receivables, which are measured at amortized cost. Available-for-sale financial assets are designated as available-for-sale and measured at fair value as determined by reference to quoted market prices. Trade and other payables, bank indebtedness and convertible debenture are designated as other liabilities which are measured at amortized cost. At December 31, 2012 all cash and short-term investments held were classified as Level 2 and convertible debenture was classified as Level 3 on the fair value hierarchy of IFRS 7 - Financial Instruments - Disclosures. As of December 31, 2012 and 2011, the carrying value of the Company's cash and cash equivalents, restricted cash, trade and other receivables, available-for-sale investments trade and other payables, bank indebtedness, and convertible debenture approximate fair values.

Financial instrument risk exposure

The Company's financial instruments are exposed to a number of financial and market risks including credit, liquidity, currency and interest rate risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks, since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, restricted cash and trade receivable. The Company deposits its cash with high credit quality financial institutions as determined by ratings agencies, with the majority deposited with a Canadian Tier 1 Bank with ratings above A+. The Company provides credit to its customers in the normal course of its operations. The Company diversifies its credit risk by dealing with a large number of companies in various countries. The Company does not have any receivables that are impaired. The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents, restricted cash, and trade receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity by maintaining cash and cash equivalent balances available to meet its anticipated operational needs. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short-term and long-term obligations. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans. At December 31, 2012, the Company's total liabilities were $43.0 million, of which $30.3 million is due for payment within twelve months of the balance sheet date. The Company has bank indebtedness of $3.0 million and convertible debt of $9.4 million.

21. Financial instruments - *continued*

Currency risk

The Company operates on an international basis on five continents and therefore, currency risk exposures arise from transactions denominated in foreign currencies. The majority of its international sales contracts are denominated in U.S. dollars. Thus its currency risk arises primarily with respect to the U.S. dollar. However, the Company also incurs operating costs in local currencies in various countries in which it carries on active business operations. The Company has elected not to actively manage its currency risk at this time. At December 31, 2012, the Company is exposed to currency risk through cash and cash equivalents, trade receivable, and trade payable and accrued liabilities held in U.S. dollars, Mexican pesos, and Brazilian reais. Based on these foreign currency exposures at December 31, 2012, a 5% depreciation or appreciation of all the above currencies against the Canadian dollar would result in a decrease or increase of the Company's net earnings and equity of approximately $0.69 million.

Interest rate risk

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

22. Additional information to the consolidated statements of cash flows

Changes in non-cash working capital:

	For the Year Ended December 31, 2012	2011
Trade and other receivables	**$ 7,370**	$ (20,615)
Due from IMPACT Silver Corp.	**(205)**	(139)
Income taxes receivable	**(338)**	(572)
Inventories	**(14,704)**	(10,976)
Trade and other payables	**(6,891)**	9,529
Current income tax payable	**(3,124)**	2,948
Deferred revenue	**115**	484
	$ (17,777)	$ (19,341)

	2012	2011
Interest paid	**$ 1,312**	$ 441
Income taxes paid	**$ 8,302**	$ 4,056

23. Economic dependence and segmented information

The Company has five reportable segments: Drilling Mexico, the Caribbean, and Central America; Drilling South America; Drilling Africa, Asia and Other; Drilling Canada (Corporate); Manufacturing; and Energy. The segments are determined based on the reports reviewed by the Chief Executive Officer (who is considered the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Details are as follows:

	For the Year Ended December 31,	
	2012	2011
Revenue		
Drilling Mexico, Caribbean, Central America	**$ 35,206**	$ 43,280
Drilling South America	**21,344**	37,968
Drilling Africa, Asia and Other	**23,889**	24,535
Manufacturing, United Kingdom and Mexico	**13,927**	14,227
Energy, North America	**47,148**	13,473
	$ 141,514	$ 133,483
Earnings (loss)		
Drilling Mexico, Caribbean, Central America	**$ 8,729**	$ 11,836
Drilling South America	**426**	5,832
Drilling Africa, Asia and Other	**(169)**	3,551
Drilling Canada	**(5,277)**	(5,909)
Manufacturing, United Kingdom and Mexico	**(578)**	97
Energy [3], North America	**(11,781)**	11,021
	$ (8,650)	$ 26,428
Amortization		
Drilling Mexico, Caribbean, Central America	**$ 636**	$ 617
Drilling South America	**532**	486
Drilling Africa, Asia and Other	**1,057**	581
Drilling Canada	**274**	205
Manufacturing, United Kingdom and Mexico	**233**	90
Energy, North America	**6,427**	2,656
	$ 9,159	$ 4,635

[3] Refer to Note 4a for information related to the recorded gain as a result of the Bertram acquisition.

Significant customers

In 2012, the Company received revenues from one customer in the Energy segment that amounted to $14.6 million which represented 10.3% of total Company revenue. There were no significant customers in 2011.

23. Economic dependence and segmented information – *continued*

As at		**December 31, 2012**		December 31, 2011
Assets				
Drilling Mexico, Caribbean, Central America	**$**	**33,185**	$	30,967
Drilling South America		**26,543**		28,640
Drilling Africa, Asia and Other		**27,953**		25,637
Drilling Canada		**23,912**		23,172
Manufacturing, United Kingdom and Mexico		**9,727**		6,420
Energy, North America		**51,496**		48,658
	$	**172,816**	$	163,494
Property, plant and equipment				
Drilling Mexico, Caribbean, Central America	**$**	**2,685**	$	2,698
Drilling South America		**2,292**		2,659
Drilling Africa, Asia and Other		**5,707**		5,540
Drilling Canada		**1,243**		1,061
Manufacturing , United Kingdom and Mexico		**439**		376
Energy, North America		**31,621**		34,633
	$	**43,987**	$	46,967
Intangibles				
Drilling South America	**$**	**1,710**	$	1,710
Manufacturing, United Kingdom and Mexico		**228**		135
Energy, North America		**3,040**		3,930
	$	**4,978**	$	5,775