Energold Drilling Announces Third Quarter 2014 Results with Improved Activity and Revenue Across All Business Divisions

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Nov 27, 2014) - Energold Drilling Corp. ("Energold" or "the Company") (TSX VENTURE:EGD) is pleased to announce third quarter 2014 revenue of $20.2 million across three business divisions, representing a 21.9% increase over revenue of $16.6 million in the third quarter of 2013. The Company's combined gross margin increased to 9.7% during the period compared to (4.5)% in the same quarter in 2013. The adjusted net loss** in the third quarter for 2014 was $4.8 million or $(0.10) per share compared to net loss of $6.8 million or $(0.14) per share in 2013.

Despite a continued challenging environment across most commodity markets, the Company's improved results reflect management's strategy to focus on key markets while selectively opening new ones to grow the business amid ongoing industry headwinds. As well management is continuing to execute cost management practices.

The downturn in mineral activity persists due to challenging capital market conditions that are impacting financing capabilities for smaller miners, while intermediate and senior miners which represent the vast majority of the Company's clients in this division, continue to be selective in spending their exploration dollars. The energy division's performance reflects seasonal trends as the ramp-up for the upcoming, busiest winter drilling period commences. The manufacturing division performed well despite ongoing malaise in the market for new mineral drilling rigs. Water drilling sales and tenders continue to be robust which is where the division's expertise lies.

The company ended the third quarter in an excellent financial position with a strong balance sheet including cash equivalents of $14.5 million and with working capital of $81.2 million. Management continues to focus on expanding current markets and deploying capital on an as-needed basis while considering all new opportunities for organic and external growth.

Quarter-to-date and year-to-date September 30, 2014 results comparison

($CAD, 000s except per-share amounts and meters drilled)		For Three Months Ended Sept 30		For the Nine Months Ended Sept 30	
		2014	2013	2014	2013
Revenue					
	Mineral	9,592	8,027	24,656	42,536
	Manufacturing	4,375	2,947	10,145	11,738
	Energy	6,208	5,581	43,237	39,418
Total Revenue		20,175	16,555	78,038	93,692
Net (loss) income					
	Mineral	(2,204)	(990)	(3,312)	3,341
	Manufacturing	(278)	(1,199)	(1,918)	(2,136)
	Energy	(1,837)	(3,058)	2,420	(1,303)
	Corporate	(1,266)	(2,043)	(5,476)	(5,030)
Total Net Loss		(5,585)	(7,290)	(8,286)	(5,128)
Loss Per Share	Basic	$(0.11)	$(0.15)	$(0.17)	$(0.10)
	Diluted	$(0.11)	$(0.15)	$(0.17)	$(0.10)
EBITDA*		$(3,386)	$(5,044)	$1,363	$4,395
Adjusted Net Loss **		$(4,833)	$(6,806)	$(6,274)	$(2,900)
Adjusted Loss Per Share	Basic	$(0.10)	$(0.14)	$(0.13)	$(0.06)
	Diluted	$(0.10)	$(0.14)	$(0.13)	$(0.06)

	As of Sept 30, 2014	As of December 31, 2013
Cash	$14,473	$26,608
Working Capital	$81,160	$65,450

* EBITDA - Earnings before interest, taxes, depreciation and amortization

** Adjusted Earnings - Extraordinary and non-cash items include earn-out payment related to Bertram, accretion expense on debenture, finance cost for sales leaseback financing, share-based payments, foreign exchange, dilution and equity gain/loss on IMPACT, impairment/write-down of assets.

MINERAL DRILLING DIVISION

During the third quarter of 2014, Energold's mineral division drilled 67,500 meters compared to 53,700 meters in the third quarter of 2013, representing an increase of 25.7%. Revenues for the third quarter of 2014 were $9.6 million compared to $8.0 million for the same period in 2013. Year-to-date revenues for 2014 were $24.7 million compared to $42.5 million in 2013. Year-to-date average revenue per meter for 2014 was $151 compared $169 in 2013. The primary reason for the decrease in price is due to pricing pressures from customers and competitive bidding. Ebola has also had a negative impact in revenues as drilling in areas such as Sierra Leone, Liberia and Guinea were halted.

Gross margin percentage from mineral drilling in the third quarter of 2014 and 2013 remained consistent at approximately 12%. Year-to-date 2014 gross margin was 14.9% compared to 25.9% in 2013. The overall number of meters decreased from prior years. Costs remain high in some regions due to retention of experienced supervisors and operations personnel. The Company maintains a strong infrastructure network in all regions where it operates, which allows for a relatively lean operation but allows the Company to respond quickly to new opportunities.

Meters Drilled During the Quarter

	Q3 2014	Q3 2013	9 Months 2014	9 Months 2013
Meters Drilled	67,500	53,700	163,100	252,200
Drill Rigs	N/A	N/A	139	136

At September 30, 2014, the Company had 139 rigs in its mineral drilling fleet. On an organic level, the Company intends to add new equipment on an as-needed basis and can do so on a cost-advantaged basis through Dando. The Company will continue to work with certain clients who require specific equipment to meet challenging conditions at various projects. Typically, the cost of the Company retrofitting existing or building new equipment is offset by the value of the particular contract. The Company is continuing a modification program to increase the operational and depth capabilities of its standard S-2 and S-3 rigs.

ENERGY DRILLING DIVISION - BERTRAM DRILLING

Given the seasonality of the energy business which typically involves lower work levels in non-winter periods, the division performed well in the third quarter thanks to strong results from the U.S. where the Company is working through a multi-year geothermal work program. As well, some oil sands work during the period helped the Company achieve a significant and meaningful increase in revenue on a year-over-year basis.

The majority of revenues and activity for Bertram are typically generated in the first quarter primarily due to weather factors. Year-to-date revenue for 2014 was $41.2 million compared to $39.4 million in 2013. Revenue for the third quarter of 2014 was $6.2 million compared to $5.6 million in the third quarter of 2013. In the third quarter of 2014, gross margin improved substantially to (0.08)% compared to (30.7)% in the third quarter of 2013.

In the third quarter of 2014, revenue earned from oil sands was $1.8 million compared with $1.3 million in the third quarter of 2013 while geothermal and geotechnical drilling accounted for $4.4 million in Q3 2014 compared to $2.3 million in the comparable period in 2013.

Meters Drilled During the Quarter

	Q3 2014	Q3 2013	9 Months 2014	9 Months 2013
Oil Sands coring	1,300	1,000	43,200	55,400
Geothermal & geotechnical	81,000	42,100	251,900	65,400
Seismic (Track and Heli portable)	-	28,100	-	174,200
TOTAL	82,300	71,200	295,100	295,000

MANUFACTURING DIVISION

Revenues for manufacturing in the third quarter of 2014 were $4.0 million with a gross margin of 23.6% compared to revenues of $2.8 million with a gross margin of 1% percent in the third quarter of 2013. During the nine months of 2014, Dando delivered 11 terriers and 12 D type rigs (2000 - 4000 series) capacity, four D type rigs (1000 - 3000 series) capacity, three Multitec 9000 rigs, one Sonic rig, one heli-portable rig, one S3.5 rig and 6 Watertec 6000 rigs.

Interest for rigs and equipment worldwide remains high and the Company is actively participating in multiple tender processes. Dando continues to receive strong enquiries for its products; however, revenue growth has been affected by a number of factors including geopolitical uncertainty in many of the target markets, difficulties experienced by the customers in raising funds and the continuing downturn in the mineral market. As part of its plans to service future growth, Dando continues to maintain an inventory of additional small rigs for its stock. While this strategy tends to increase costs in the short run, revenue generally follows in latter periods.

Revenues for the third quarter of 2014 for Hydrofor Togo, the Company's water drilling operation, were $0.4 million with a negative gross margin of (2.0)% compared to $0.1 million with a gross margin of 2.7% in the third quarter of 2013. Going forward, the Company will no longer be associated with Hydrofor Togo joint venture and plans to pursue the opportunity for water drilling independently as a cornerstone of growth for Energold. Further investment and focus should be expected as the market for these services remains highly fragmented and unspecialized, allowing for significant opportunity for Energold as a global drilling company.

INDUSTRY OUTLOOK

Management believes the mineral market will remain depressed with no meaningful recovery expected in the near-term. The primary negative factor facing this sector remains access to capital for junior miners. The challenging market is expected to remain so as the investment community remains highly selective in terms of which projects to finance going forward. Senior and intermediate miners will continue to represent the majority of the industry's activity although these clients typically carry lower margin work and are balancing exploration expenditures with production costs amid lower commodity prices.

The energy division remains strong despite the recent drop in oil prices. Customers in the oil sands region tend to take a longer term view of oil prices in general and therefore continue to allocate capital using multi-year and often multi-decade views toward expanding their resource bases and production levels. No major slowdown is expected in this market for the upcoming winter although it is worth noting that some peripheral, less crucial work may be reconsidered. As well, increased competition has presented itself as global drillers seek new opportunities in less challenging markets such as Western Canada. Management intends to continue pursuing growth in the energy market by using its equipment to build on a strong geothermal and a growing geophysical and geotechnical base. Furthermore, some of the Company's rigs are ideal for applications in certain drought stricken regions of the United States where management intends to invest capital to build a foothold for water discovery.

Finally, the manufacturing business continues to participate in most global tenders for water drilling equipment although the mineral market should remain subdued for some time as excess mineral rig capacity plagues the industry. In addition to its financial contribution to the Energold Group, the manufacturing division provides unparalleled engineering expertise to the Company as a whole which allows for intimate client interaction in the area of new technology and equipment capabilities.

A conference call is planned for Thursday, November 27, 2014 at 4:30p.m. Eastern Time. Dial-in numbers are 416-640-5946 or 1-866-233-4585.

Energold Drilling Corp. is a leading global specialty drilling company that services the mining, energy, water and manufacturing sectors in more than 25 countries globally. Specializing in a socially and environmentally sensitive approach to drilling, Energold provides a comprehensive range of drilling services from early stage exploration to mine site operations for all commodity sectors and has an established drill rig manufacturer, Dando. Energold also holds 6.98 million shares of Impact Silver Corp., a silver producer in Mexico.

On behalf of the Directors of Energold Drilling Corp.,

Frederick W. Davidson, President, CEO

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