Energold Drilling Announces Third Quarter 2013 Financial Results

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Nov 28, 2013) - Energold Drilling Corp. ("Energold" or "the Company") (TSX VENTURE:EGD) reported the following financial results for the third quarter of 2013. Company-wide revenue during the third quarter of 2013 was $16.6 million, compared to $29.9 million in the third quarter of 2012. The decline in revenue was mostly related to the year-over-year decrease in mineral exploration activity. Gross margin fell to negative 5% in the third quarter of 2013 from 21% in the comparable period of 2012. The Company had a net loss in the third quarter of ($0.15) per share, compared to a net loss of ($0.05) per share in the same period of 2012.

A conference call is planned for tomorrow, November 29, 2013 at 8:30 am Eastern Standard Time. Dial-in numbers are 647-426-1845 or 1-866-782-8903. Please call in 15 minutes before to ensure participation.

The Company continues to have one of the strongest balance sheets in the industry with cash and cash equivalents of $26.9 million. Management remains committed to using its financial resources to grow its revenue base and profitability of the Company, both on an organic basis and via acquisition.

Quarter-to-date and year-to-date Sept 30, 2013 results comparison

($CAD ,000s except per-share amounts and meters drilled)		For Three Months Ended September 30		For the Nine Months Ended September 30	
		2013	2012	2013	2012
Revenue					
	Mineral	8,027	17,250	42,536	65,468
	Energy	5,581	9,037	39,418	38,928
	Manufacturing	2,974	3,603	11,738	11,414
Total Revenue		16,555	29,890	93,692	115,810
(Loss) Earnings					
	Mineral	(2,033)	628	1,364	4,102
	Energy	(3,848)	(2,848)	(3,797)	(7,463)
	Manufacturing	(1,409)	(288)	(2,695)	(294)
Total Loss		(7,290)	(2,508)	(5,128)	(3,655)
Loss Per Share	Basic	(0.15)	(0.05)	(0.10)	(0.08)
	Diluted	(0.15)	(0.05)	(0.10)	(0.08)
EBITDA*		(5,044)	1,619	4,395	8,990
Adjusted (Loss) Earnings**		(6,806)	(1,537)	(2,900)	6,731
Adjusted Earnings Per Share	Basic	(0.14)	(0.03)	(0.06)	0.15
	Diluted	(0.14)	(0.03)	(0.06)	0.15
		As of September 30, 2013		As of September 30, 2012	
Cash		$	26,852	$	27,800
Working Capital		$	75,694	$	96,549

* EBITDA - Earnings before interest, taxes, depreciation and amortization (see non-GAAP (generally accepted accounting principles) financial measures).

** Adjusted Earnings - Excludes earnout payment and non-cash items, which include accretion expense on debenture, finance cost related to sales-leaseback finance lease, share-based payments, foreign exchange, dilution and equity gain/loss on IMPACT, impairment/write-down of assets, gain on acquisition.

MINERAL DRILLING DIVISION

During the third quarter of 2013, Energold's mineral division drilled 53,700 meters compared to 92,300 meters in the same period of 2012, a decrease of 42%. Revenues for the third quarter of 2013 were $8.0 million compared to $17.3 million for the same period in 2012. Average revenue per meter for the third quarter of 2013 decreased to $149 from $187 in the third quarter of 2012 due to the depressed market and pricing pressures emanating from some geographic regions. Revenue in the third quarter of 2013 compared to the third quarter of 2012 was negatively impacted due to ongoing reduced exploration spending in the junior mining segment as challenging capital market conditions continued to weigh on their ability to raise money for exploration activity. The majority of the decline in junior exploration activity has likely already occurred and while intermediate and senior players continue to focus its reserve replacement through exploration, those companies appear to remain cautious about the size of their programs and prudent in their commitments to drilling activity. As discussed in previous quarters, there appears to be no significant indication that the junior market will return to previous levels of activity for some time.

Gross margin percentage from mineral drilling for the third quarter of 2013 was 12%, compared to 28% in the third quarter of 2012. The decrease is due to pricing pressure and a shift by some clients to lower margin drilling methods. Some stabilization took place earlier this year and has translated into a new environment of lower rates and utilization levels. Notwithstanding, the Company maintains a strong infrastructure network in all regions that it operates which allows for a relatively lean operation. The Company continues to reduce its inventory and its working capital remains strong. As the majority of the Company's costs are variable, it can adapt quickly and respond accordingly to changing market conditions.

Quarter-to-date and year-to-date September 30, 2013 meters drilled

	Q3 2013	Q3 2012	YTD 2013	YTD 2012
Meters Drilled	53,700	92,300	252,200	341,700

As at September 30, 2013, the Company had 136 rigs in its mineral drilling fleet. The Company added two new S-1 rigs to be deployed to the Asian market as it considers ways to establish a footprint in the region. As well, the Company is adding deeper capability S-3.5 rigs manufactured by Dando to the African and Middle Eastern markets.

ENERGY DRILLING DIVISION - BERTRAM DRILLING CORP. ("Bertram")

The majority of revenues and activity are typically generated in the first quarter, primarily due to weather factors. Year-to-date and third quarter of 2013 were $39.4 million and $5.6 million, respectively, compared to $38.9 million and $9.0 million in the same periods of 2012. For the nine months ended September 30, 2013, 92% of revenues were generated in Canada with the remainder from the U.S. Meters were drilled in the following areas:

	For Three Months Ended September 30		For the Nine Months Ended September 30	
Meters Drilled	2013	2012	2013	2012
Oil sands	1,000	14,000	55,400	50,200
Seismic (Track and Heli-portable)	28,100	-	174,200	335,500
Geothermal and Geotechnical	42,100	47,700	65,400	205,500
	71,200	61,700	295,000	591,200

The gross margin for the first nine months of the year and the third quarter of 2013 was 17% and (31)%, respectively, compared to 26% and 8% in the first nine months and third quarter of 2012. The negative gross margin during the period relates to generally higher than expected logistical costs with helicopter expenses being higher than anticipated for one project in particular. In the first nine months of 2013, Bertram drilled approximately 234,400 meters in Canada and approximately 60,600 in the U.S. In the first nine months of 2012, Bertram drilled approximately 363,900 meters in Canada and approximately 227,300 in the U.S.

Oil sands operations accounted for approximately $1.3 million of third quarter revenues and $31.9 million of year-to-date revenues in 2013 compared to $7.0 million and $23.9 million of third quarter and year-to-date revenues, respectively in 2012. Revenue was generated from programs conducted on behalf of major operators. Geothermal and geotechnical drilling activity accounted for $2.3 million of third quarter revenues and $4.2 million of year-to-date revenues in 2013 compared to $2.0 million in the third quarter and $8.2 million of year-to-date revenue in 2012. Track seismic represents the remainder of the revenues.

Going forward, the Company anticipates continued strong activity levels in the Canadian oil sands. The bulk of growth in the energy division will be dependent on weather in the latter part of the year as an early freeze could positively impact work levels and financial performance. Most of Bertram's oil sands rigs are fully committed for the 2013/2014 season including new equipment capable of reaching greater depths and potentially translate into a rapid payback with immediate financial benefit. Management also forecasts an increasing pipeline of seismic opportunities in North America and Latin America as evidenced recently by the Company's new Colombian joint venture, EESI. Finally, the geothermal and geotechnical markets are showing signs of increased activity and tender opportunities in the coming year, some of which the Company has already won and is currently working on 12 month programs in the U.S.

MANUFACTURING DIVISION - DANDO DRILLING INTERNATIONAL LTD ("Dando")

The manufacturing division performance includes results from our manufacturing companies and Hydrofor Togo, which is the Company's water drilling operation. Year-to-date revenues for manufacturing for 2013 were $11.2 million with an operating margin of 6% compared to revenues of $11.4 million with an operating margin of 23% in the first nine months of 2012. Revenues for manufacturing in the third quarter of 2013 were $2.8 million with one percent gross margin compared to revenues of $3.6 million with an operating margin of 20% in the third quarter of 2012. Year-to-date revenues for 2013 for Hydrofor Togo were $0.5 million with an operating margin of 25%. Revenues for Hydrofor Togo in the third quarter of 2013 were $0.1 million with three percent gross margin. Approximately $0.8 million of the $2.7 million year-to-date loss in the manufacturing segment relates to Hydrofor Togo. A portion of these expenses were related to start-up costs for Hydrofor Togo. In the third quarter of 2013, the Company delivered 12 rigs which comprised of a Geotec 6 rig, seven Terrier mini rigs, four cable percussion site investigations rigs and a large tooling package for a Mintec 12.8.

Demand for rigs and equipment is strengthening outside mineral exploration and the Company is actively participating in multiple tender processes. Currently, Dando has a confirmed order book in excess of $7.1 million and continues to have strong enquiries for its products. As part of its plans to service future growth Dando is continuing to build additional small rigs for stock which accelerates delivery times although this strategy also tends to increase costs and working capital requirements in the short run with revenue following in latter periods. The Company continues to be on target to achieve a substantial increase in revenues and profit in the coming years driven by a faster delivery schedule and increased momentum in certain key markets where larger numbers of rigs are being ordered at a time from a growing and more diverse client base.

GROWTH PLAN

Energold remains committed to expanding its business across all drilling platforms depending on market conditions. While the Company was founded on the basis of mineral drilling, management continues to evaluate new ways to expand its global drilling solutions platform. The entrance into the energy drilling and manufacturing markets in recent years has started to provide value to shareholders. New markets including water, a geographical expansion of the seismic business into Latin America, as well as new opportunities for technical and diversified commodity drilling are considered on an ongoing basis as the Company seeks the most efficient use of its strong balance sheet and low debt levels.

About Energold Drilling Corp.

Energold Drilling Corp. is a leading global specialty drilling solutions company that services the mining, energy, water and manufacturing sectors in 24 countries. Specializing in a socially and environmentally sensitive approach to drilling, Energold provides a comprehensive range of drilling services from early stage exploration to onsite operations for the metals, energy and water sectors, including an established drill rig manufacturer, Dando Drilling International Ltd. 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

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Cautionary Note Regarding Non-IFRS measures:

The Company uses both IFRS and non-IFRS measures to assess performance and believes the non-IFRS measures provide useful information to investors to help in evaluating the Company's performance. The Company's method of calculating these non-IFRS measures may differ from other entities and, accordingly, may not be comparable to measures used by other entities. Investors are cautioned, however, that these measures should not be construed as an alternative to measures determined in accordance with IFRS as an indicator of the Company's performance.

Cautionary Note Regarding Forward-Looking Statements:

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

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

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

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

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