Energold Drilling Group Announces 2013 Annual Financial Results

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Apr 10, 2014) - Energold Drilling Corp. ("Energold" or "the Company") (TSX VENTURE:EGD) announces annual revenue in 2013 of $122.8 million across four business divisions, representing a 15% decrease over 2012 revenue of $141.5 million. Challenging market conditions continued to persist in the mineral segment although this was partially offset by revenue increases in the energy and manufacturing segments of 9% and 65% compared to 2012. These results highlight the successful diversification objectives of the Company over the last several years.

The Company's overall gross margin fell in 2013 to 17% from 23% in 2012 due to reduced mineral drilling activity, a changing business mix in the energy segment including higher setup costs and the effect of cost allocation timing in the manufacturing segment. The adjusted net loss** in 2013 was $9.1 million or $(0.19) per share compared to net earnings of $2.3 million or $0.05 per share in 2012.

Fourth quarter 2013 revenue totalled $29.1 million, representing an increase of 13% compared to $25.7 million in the same period in 2012. The fourth quarter is historically one of the slowest periods in mineral drilling for the Company while the energy segment begins to ramp up for the winter season but typically carries associated setup costs. The manufacturing business increased more than four-fold year over year as the division successfully delivered multiple units to large customers. Gross margin for the quarter was 6% on a Company-wide basis compared to 8% in the same period in 2012. There was a net loss of $(0.26) per share in the period compared of $(0.11) in the fourth quarter 2012. In the fourth quarter, the Company recorded several one-time charges including a $4.0 million payment in lieu of future earnout payments to previous shareholders of Bertram Drilling (announced in Q4/2013), a write-down on non-core exploration properties of $0.5 million and a write-down on available for sale investments of $0.6 million.

Energold's balance sheet for 2013 remains well capitalized with $26.6 million in cash and $65.4 million in working capital.

2013 Annual Results Comparison ($CAD '000s except per-share amounts and meters drilled)

		For Three Months Ended December 31		Year over Year Performance Comparison	
		2013	2012	2013	2012
Revenue					
	Mineral	6,084	14,971	48,620	80,439
	Energy	11,840	8,220	51,258	47,148
	Manufacturing	11,191	2,513	22,929	13,927
Total Revenue		29,115	25,704	122,807	141,514
Earnings (Loss)					
	Mineral	(4,285)	(393)	(2,921)	3,709
	Energy	(8,411)	(4,318)	(12,208)	(11,781)
	Manufacturing	387	(284)	(2,308)	(578)
Total Earnings		(12,309)	(4,995)	(17,437)	(8,650)
Earnings Per Share	Basic and diluted	(0.26)	(0.11)	(0.36)	(0.19)
EBITDA*		$(8,816)	$(2,442)	$(4,421)	$6,548
Adjusted Earnings**		$(6,243)	$(4,392)	$(9,143)	$2,339
Adjusted Earnings Per Share	Basic and diluted	$(0.13)	$(0.10)	$(0.19)	$0.05
		As of December 31, 2013		As of December 31, 2012	
Cash		$26,608		$28,493	
Working Capital		$65,450		$81,847	

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

** 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

Demand has not recovered to the levels seen in March 2011. During the fourth quarter of 2013, Energold's mineral division drilled 44,300 meters compared to 86,600 meters in the same period of 2012, a decrease of 49%. Revenues for 2013 were $48.6 million compared to $80.4 million in the same period of 2012, reflecting the greatly diminished junior mining activity save for certain one-off circumstances.

Revenues for the fourth quarter of 2013 were $6.1 million compared to $15.0 million for the same period in 2012. Average revenue per meter for 2013 decreased to $164 from $188 due to competitive pricing pressures from customers seeking to maximize exploration budgets. The majority of the decline in junior exploration activity has likely already occurred and while intermediate and senior players continue to focus on reserve replacement through exploration, those companies appear to remain cautious about the size of their programs and prudent in their commitments to drilling activity.

Gross margin[1] percentage remains heavily impacted by the type of drilling the Company performs, the region and country in which it works, and the type of client. Junior miners typically explore more frontier style environments that allow for higher margin frontier drilling, and there is now increased presence of senior miners exploring the frontier regions. Gross margin percentage from mineral drilling in 2013 and Q4-2013 was 23% and 1%, respectively, compared to 27% and 25% in 2012 and Q4-2012. Some stabilization took place earlier this year which has translated into a new environment of lower rates and utilization levels. The Company maintains a strong infrastructure network in all regions where it operates, which allows for a relatively lean operation.

[1] Gross margin and gross margin percentage are non-IFRS measures.

Meters Drilled During the Quarter

	Q4 2013	Q4 2012	2013 Annual	2012 Annual
Meters Drilled	44,300	86,600	296,500	428,300
Drill Rigs	N/A	N/A	138	133

ENERGY DRILLING DIVISION - BERTRAM DRILLING

Revenue for 2013 was $50.5 million compared to $47.1 million and revenues for Q4-2013 was $11.1 million compared to $8.2 million Q4-2012. For the year ended December 31, 2013, 91% of revenue was generated in Canada with the remainder contributed from the U.S. Meters were drilled in the following areas:

Meters Drilled

	Q4 2013	Q4 2012	2013 Annual	2012 Annual
Oil Sands coring	7,600	14,300	63,000	64,500
Seismic (Track and Heli portable)	4,500	-	178,700	335,500
Geothermal & geotechnical	28,100	25,100	93,500	230,600
TOTAL	40,200	39,400	335,200	630,600

The gross margin for 2013 was 12% compared to 16% in 2012. The gross margin for Q4-2013 was (6)% compared to (27)% in Q4-2012. The negative gross margin during the period relates to generally higher than expected logistical costs associated with helicopter expenses being much higher than anticipated for one project in particular. Additionally, there was a delayed start on another project which inflated wage costs and the Company had to absorb stand-by fees and associated wages until the actual drilling process commenced. In 2013, Bertram drilled approximately 248,900 meters in Canada and approximately 86,300 in U.S. In 2012, Bertram drilled approximately 380,400 meters in Canada and approximately 250,200 in the U.S.

The Company's oil sands operations generated over $8.6 million in revenue in the fourth quarter of 2013, compared with $7.2 million in the comparable period in 2012. Year-to-date oils sands revenue in 2013 totaled $40.4 million in 2013, compared with $31.1 million in 2012. Programs conducted on behalf of major operators accounted for all the Company's oil sands revenue.

In the fourth quarter of 2013, geothermal and geotechnical drilling accounted for $2.1 million compared to $1.0 million in the comparable period in 2012. For the year to date, this sector generated $6.3 million of year-to-date revenues in 2013 compared to $9.0 million in 2012. Track seismic represents the remainder of the revenues.

As discussed above, the Company entered into a joint venture, called EESI, with a local partner in Colombia who is a leader in the seismic drilling business and expects considerable growth from this region in general and Colombia in particular over the next several years. Energold holds 60% ownership of EESI and the partner holds 40%. In the fourth quarter of 2013, the Company commenced its drilling operations in Colombia in the energy industry. EESI accounted for $0.7 million of the Company's revenues and had gross margin of 13%.

MANUFACTURING & WATER DRILLING - DANDO MANUFACTURING & HYRDROFOR

Revenues for manufacturing in 2013 were $21.7 million with an operating margin of 15% compared to revenues of $13.9 million with an operating margin of 23% in 2012. Revenues for manufacturing in the fourth quarter of 2013 were $10.5 million with 20% gross margin compared to revenues of $2.5 million with an operating margin of 24% in the fourth quarter of 2012. Revenues for 2013 for the water drilling division, Hydrofor Togo, were $1.2 million with an operating margin of 10%. Revenues in the fourth quarter of 2013 for Hydrofor Togo were $0.7 million with negative gross margin of 4%. Approximately $1.0 million of the $2.3

million 2013 loss in the manufacturing segment relates to Hydrofor Togo and relates primarily to start-up costs for Hydrofor Togo.

During the year, Dando sold 57 rigs which included a variety of drills such as the Geotec 6 rig, Terrier mini rigs, cable percussion site investigations rigs, Watertec 40 heavy water well drills, Mintec 12.8, Watertec 6000, Multitec 9000, and geotechnical rigs (2000 and 3000 models).

Demand for rigs and equipment remains high and the Company is actively participating in multiple tender processes. Dando continues to receive strong enquiries for its products and has inquiry quotations of approximately £80 million. As part of its plans to service future growth, Dando continues to build additional small rigs for stock. While this strategy tends to increase costs in the short run, revenue generally follows in latter periods. The Company remains on target to achieve a substantial increase in revenues and profit driven by a faster delivery schedule and increased momentum in certain key markets where larger numbers of rigs are being ordered at a time.

INDUSTRY OUTLOOK

Management believes majority of the mineral drilling downturn has already occurred due to lower levels of financing activity for junior miners. Over the next 12-18 months, the Company sees a gradual increase in drilling activity in the areas in which it operates.

The Company's energy business remains strong in its Western Canadian, U.S. and South American markets. Higher sustained oil prices and a recovery in natural gas demand and pricing have helped keep demand for field services strong in most markets. Costs remain an issue for the industry due to skilled labour shortages and component costs, which are compounded by higher overall setup costs associated with preparing for busier seasons in late fall and winter. Management is working with its customers to address these costs to ensure profitability over the near and long terms.

The manufacturing business should continue to improve as brand recognition increases in existing and new markets. As well, certain existing customers have indicated they may expand purchase programs which would bode well for both the Company's backlog but also as a feeder base for its parts, service and components business over time.

The Company remains well capitalized and is continuously looking for new acquisitions and joint venture partnerships. Management will continue to monitor overall costs and capital expenditures, deploying capital to specific areas of growth as opportunities present themselves.

A conference call is planned for April 10, 2014 at 4:30pm Eastern. Dial-in numbers are 647-426-1845 or 1-866-782-8903.

Energold Drilling Corp. is a leading global specialty drilling company that services the mining, energy, water, infrastructure and manufacturing sectors in 25 countries. 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 Drilling, based in the United Kingdom. Energold also holds 6.98 million shares of Impact Silver Corp., a profitable silver producer in Mexico.

On behalf of the Directors of Energold Drilling Corp.,

Frederick W. Davidson, President, CEO

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Forward-Looking Statements: Some statements in this news release contain forward-looking information.

These statements include, but are not limited to, statements with respect to proposed activities, work programs and future expenditures. These statements address future events and conditions and, as such, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the statements. Such factors include, among others, the effects of general economic conditions, a reduction in the demand for the Company's drilling services, the price of commodities, changing foreign exchange rates, actions by government authorities, the failure to find economically viable acquisition targets, title matters, environmental matters, reliance on key personnel, the ability for operational and other reasons to complete proposed activities and work programs, the need for additional financing and the timing and amount of expenditures. Energold Drilling Corp. does not assume the obligation to update any forward-looking statement.

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