Energold Drilling Group Announces First Quarter 2014 Financial Results

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - May 29, 2014) - Energold Drilling Corp. **(TSX VENTURE:EGD)** ("Energold" or "the Company") announces first quarter revenue in 2014 of $37.0 million across four business divisions, representing a 31% decrease over first quarter 2013 revenue of $53.9 million. Lower year over year revenue is due mostly to the decline in the mineral drilling segment although the Company realized strong offsetting results in the energy business. These results highlight the successful diversification objectives made by the Company over the last several years.

Gross margin for the quarter was 29% on a Company-wide basis compared to 30% in the same period in 2013. Net earnings per share for the quarter was $0.03 compared of $0.08 in the first quarter 2013. The Company's overall gross margin reflects the energy division's typically strong first quarter activity levels and associated operational efficiencies made in previous periods, allowing for a strong profit in the quarter. The adjusted net earnings** in Q1 was $1.8 million or $0.04 per share compared to net earnings of $7.3 million or $0.15 per share in 2013.

The first quarter is historically one of the slowest periods in mineral drilling for the Company due to the weather conditions in South America and the ramp up from low activity levels after the holiday season. Meanwhile, the diversification efforts made by management over the last several years continue to prove beneficial to shareholders as the Company's oil sands coring business operated at near 100% capacity in northern Alberta during the period. Strong profit for the energy division in the first quarter reflected ongoing efforts to contain costs as management seeks to reduce downtime and associated start-up costs on a go forward basis. The manufacturing division's contribution during the period reflects the typical seasonal effects in that business, where the beginning of the year involves bidding on new contracts with a ramp up in output and revenue recognition occurring in the second half of the year.

Energold's balance sheet for Q1 2014 remains well capitalized with $20.6 million in cash and $75.1 million in working capital.

Q1-2014 Results Comparison ($CAD '000s except per-share amounts and meters drilled)

		For the three months ended March 31,			
			2014		2013
Revenue					
	Mineral		5,328		18,329
	Energy		28,597		31,435
	Manufacturing		3,115		4,100
Total Revenue			37,040		53,864
Earnings					
	Mineral		(1,247)		3,799
	Energy		5,711		2,691
	Manufacturing		(1,329)		(828)
	Corporate		(1,719)		(2,174)
Total Earnings			1,416		3,488
Earnings Per Share	Basic	$	0.03	$	0.08
	Diluted	$	0.03	$	0.07
EBITDA*		$	6,141	$	8,708
Adjusted Earnings**		$	1,806	$	7,310
Adjusted Earnings Per Share	Basic and diluted	$	0.04	$	0.15

	As of March 31, 2014	As of December 31, 2013
Cash	$20,565	$26,608

Working Capital	$75,082	$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.

ENERGY DIVISION

The Energy division performed well during the first quarter as investments and cost cutting measures made in prior periods helped achieve an efficient and profitable operation with minimal downtime. The scope of work dictated by clients during the period was performed on time and ahead of schedule, leading to strong revenue generation and reduced labour costs.

The majority of revenues and activity for Bertram are typically generated in the first quarter primarily due to weather factors. Revenue for Q1 2014 was $27.7 million compared to $31.4 million Q1 2013. The decrease in revenue is due to a slightly shorter drilling season as many of the Company's oil sands coring rigs began to leave the field in mid-late March whereas the majority of the fleet was active into late-March and early April 2013. The gross margin for Q1 2014 was 36% compared to 30% in Q1 2013.

In the fall of 2013, the Company entered into a joint venture, called EESI, with a local partner in Colombia who is a leader in the seismic drilling business. Energold holds 60% ownership of EESI and the partner holds 40%. The Company expects considerable growth from this region in general, particularly in Colombia over the next several years. In Q1 2014, EESI accounted for $0.9 million of the Company's revenues and had gross margin of 32%. In Q4 2013, revenues were $0.7 million and gross margin was 13%.

MINERAL DRILLING DIVISION

During the first quarter of 2014, Energold's mineral division drilled 34,500 meters compared to 44,300 meters in Q4 2013 and 106,400 meters in Q1 2013. Revenues for the first quarter of 2014 were $5.3 million compared to $18.3 million for the same period in 2013. Average revenue per meter for Q1 2014 increased to $154 from Q4 2013 of $137 but declined compared to Q1 2013 from $172. 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 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. There is now increased presence of senior miners exploring the frontier regions. Gross margin percentage from mineral drilling in Q1 2014 was 5%, compared to 1% in Q4 2013 and 35% Q1 2013. The Company maintains a strong infrastructure network in all regions where it operates, which allows for a relatively lean operation.

MANUFACTURING & WATER DRILLING - DANDO MANUFACTURING & HYRDROFOR

The manufacturing division performance includes results from our manufacturing companies and Hydrofor Togo. Performance in the first quarter is typical of the seasonal trends across the manufacturing business. Little work is performed during the period as the beginning of the year is typically reserved for participating in the annual tendering process with NGOs and various layers of governments worldwide. Contracts are awarded in the second and third quarters and revenue recognition is usually loaded in the latter portion of the year.

Revenues for manufacturing in Q1 2014 were $2.8 million with an operating margin of 8% compared to revenues of $4.0 million with an operating margin of 11% in Q1 2013. During the quarter, Dando sold five small rigs.

Revenues for Q1 2014 for Hydrofor Togo were $0.3 million with an operating margin of 12% compared to

$0.1 million with an operating margin of 11% in Q1 2013.

INDUSTRY OUTLOOK

Management believes the difficult environment for mineral drilling activity will last until mid-2015 as most junior miners continue to be unable to raise funds for exploration. Activity levels for well-funded intermediate and senior miners should continue to represent the majority of exploration work over the foreseeable future. Reserve replacement through exploration is likely to remain the preferred route for senior miners.

The Company's energy business remains strong as oil prices remain at levels required to encourage new exploration and production. Management has been working on growing the business both overseas and in North America, especially during the summer months when activity levels in northern Canada are lower. While 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, the Company continues to find efficiencies which should lead to sustained higher profit margin levels going forward.

The manufacturing business has been involved in a greater number of tender opportunities that should help increase output levels and sales to key African and South East Asian markets. Management expects the majority of Dando's sales to continue to come from the water drilling business where it holds a niche market position. Queries for new mineral drilling rigs remain depressed in accordance with the lower global activity levels for drilling.

The Company remains well capitalized and has one of the strongest balance sheets in the industry. With a global footprint across all continents and in 27 countries, management continues to evaluate new expansion opportunities on a regular basis.

A conference call is planned for May 29, 2014 at 4:30pm Eastern. Dial-in numbers are 647-426-1845 or 1-866-782-8903.

About Energold Drilling Corp.

Energold Drilling Corp. is a leading global specialty drilling company that services the mining, energy, infrastructure, water 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 onsite operations for both metals and energy, in addition to its established drill rig manufacturer, Dando. 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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