Energy Technologies Inc.
MATRRIX
Drilling. Technology. Focused.

MATRRIX ANNOUNCES SECOND QUARTER 2014 FINANCIAL RESULTS

DATE: August 28, 2014

CALGARY, ALBERTA – MATRRIX Energy Technologies Inc. ("MATRRIX" or the "Corporation") (TSX-V: MXX) announces financial results for the second quarter 2014.

HIGHLIGHTS OF SECOND QUARTER 2014 (COMPARED WITH SECOND QUARTER 2013)

Overall

- The Corporation's concurrent job capacity was 23 directional and horizontal drilling systems ("Systems") during the quarter with 20 Systems in Canada and 3 in the US, as prior year had 19 Systems in Canada and 4 in the US
- achieved consolidated revenue of $4,733,657, up 39% from $3,415,087
- consolidated gross margins of 24%, up from 8%
- recorded net loss of $612,558, down 66% from $1,789,873
- achieved Adjusted EBITDA of $35,323, up from ($1,133,857)
- capital expenditures of $379,585 (net of lost in hole replacements) primarily focused on motor related equipment, up from $53,462
- maintained a strong balance sheet with $6,611,641 of cash and cash equivalents and working capital of $7,841,440 at June 30, 2014

Canada

- average job capacity of 20 Systems, up from 19 Systems
- achieved revenue of $3,673,492, up 57% from $2,339,055
  - a result of a 49% increase in operating[1] days to 312 from 210 days
  - and a 6% increase in average day rates to $11,774 from $11,138
- increase in operating days was primarily a result of increased activity in the Cardium and Montney areas with existing customers during the quarter

US

- US performance motor drilling revenue $402,703, flat from $406,756
- US directional and horizontal drilling operations achieved revenue of $657,462, down 2% as compared to $669,275
  - average job capacity of 3 Systems, down from 4 Systems
  - operating days of 118[1] with average revenue per day of $5,572 as compared to 62 operating days with an average day rate of $10,795
  - decreased average revenue per day in Q2 2014 relates to the type of new customer work MATRRIX is providing in the Permian Basin ("Permian") that is expected to result in lower average revenue per day due to less intensive field supervision requirements

[1] MATRRIX calculates a stand-by or partial operating day as 0.5 day of an operating day.

HIGHLIGHTS OF FIRST SIX MONTHS OF 2014 (COMPARED WITH FIRST SIX MONTHS OF 2013)

Overall

- The Corporation's concurrent job capacity was 23 Systems during the six months with 20 Systems in Canada and 3 in the US, as prior year had 19 Systems in Canada and 4 in the US
- achieved consolidated revenue of $15,588,532, up 63% from $9,552,657
- consolidated gross margins of 25%, up from 24%
- recorded net loss of $38,900, down 97% from $1,466,241
- achieved Adjusted EBITDA of $1,472,279, up from ($442,097)
- capital expenditures of $1,414,440 (net of lost in hole replacements) primarily focused on motor related equipment, down from $1,5059,309

Canada

- average job capacity of 20 Systems, up from 19 Systems
- achieved revenue of $12,946,179, up 61% from $8,058,044
  - a result of a 61% increase in operating[2] days to 1,185 from 735 days
  - no significant change in average day rates to $10,930 from $10,971
- increase in operating days was primarily a result of increased activity in the Cardium and Montney areas with new customers being added and with existing customers during the period

US

- US performance motor drilling revenue $1,026,893, up 24% from $825,337 as a result of a key customer increasing activity in the first quarter of 2014
- US directional and horizontal drilling operations achieved revenue of $1,615,460 (with no meaningful comparable 2013 as similar operations in the US did not begin until Q2 2013)
  - operating days of 227 with average revenue per day of $7,117 with a 3 System job capacity

Due to increased activity and with the intent of reducing third party rental charges, MATRRIX has increased its 2014 Capital Expenditure Program from the previously reported $1,485,445 to $6,518,045 (net of lost in hole replacements) for the purchase of up to four additional EMWD systems, drilling motors and related supporting equipment. The funding for these commitments is expected to be provided from existing cash and cash equivalents as well as cash flow generated from operations.

MATRRIX achieved continued revenue growth in the second quarter of 2014 compared to 2013 due to continued growth in both MATRRIX Canadian and US operations through new clients and additional work with existing clients. In Q2 2014 consolidated operating days increased to 430, up 58% from 272 days in Q2 2013 with the same 23 System job capacity year over year. For the six month period in 2014 consolidated operating days increased to 1,412, up 77% from 797 days in the comparable prior year period with the same 23 System job capacity year over year.

The Corporation's second quarter gross margins improved year over year from 8% to 24% as Q2 2013 was primarily impacted by a strategic decision to focus on the Permian in Q4 2013 which led to reduced fixed and variable labour and shop costs. MATRRIX incurred increased equipment repairs as a result of operating within complex drilling environments and is working on reducing these costs through different equipment configurations and recovery from customers. The margins were adversely impacted in both Canada and the US by increased motor rental charges due to increased activity and customer requirements evolving throughout 2013 and into the first half of 2014. MATRRIX expects that capital additions primarily focused on motor equipment in late 2013 and 2014 to result in reduced rental costs in the future.

[2] MATRRIX calculates a stand-by or partial operating day as 0.5 day of an operating day

The overall impact of these costs were as follows and are reflective of the improved operating gross margins:

Second quarter 2014 (compared with the second quarter of 2013)

- Canadian equipment repair costs represent 24% of total Canadian revenue, down from 45%
- US equipment repair costs represent 21% of total US revenue, down from 25%
- US field and shop costs represent 19% of total US revenue , down from 32%

Offset by:

- Canadian motor rental charges represent 5% of total Canadian revenue, up from 1%
- US motor rental charges represent 33% of total US revenue, up from 27%

Six months ended 2014 (compared with six months ended 2013)

- Canadian equipment repair costs represent 19% of total Canadian revenue, down from 26%
- US equipment repair costs represent 27% of total US revenue, down from 28%
- US field and shop costs represent 22% of total US revenue, down from 32%

Offset by:

- US motor rental charges represent 22% of total US revenue, up from 21%
- Canadian motor rental charges represent 9% of total Canadian revenue, up from 3%

The Corporation's net loss was positively impacted as MATRRIX continued its US strategic focus in the Permian basin by maintaining its revenue base and reduced US headcount. The Corporation reduced its administration salaries and benefits in 2014 to $532,715, down 24% from $703,003 and $1,247,579, down 21% from $1,578,360 during the three and six month periods respectively.

In addition, the Corporation's net loss was adversely impacted by increased depreciation of $690,283 and $1,359,286 during the three and six month periods ended June 30, 2014, respectively, as compared to the same 2013 period depreciation of $542,636 and $1,055,677, respectively, due to capital asset additions throughout 2013 and the first half of 2014.

FINANCIAL SUMMARY HIGHLIGHTS

		Three Months Ended			Six months ended	
		June 30, 2014	June 30,	% Change	**June 30, 2014**	June 30,
Revenue		$4,733,657	$3,415,087	39%	$15,588,532	$9,552,657
EBITDA	(i)	$77,725	($1,247,237)	-106%	$1,320,386	($442,098)
EBITDA per share						
Basic		$0.00	($0.04)	107%	$0.04	($0.01)
Diluted		$0.00	($0.04)	107%	$0.04	($0.01)
Adjusted EBITDA	(ii)	$35,323	($1,133,857)	-103%	$1,472,279	($442,097)
Adjusted EBITDA per share	(ii)					
Basic		$0.00	($0.04)	-103%	$0.05	($0.01)
Diluted		$0.00	($0.04)	-103%	$0.05	($0.01)
Net loss		($612,558)	($1,789,873)	-66%	($38,900)	($1,466,241)
Net loss per share						
Basic		($0.02)	($0.06)	-66%	($0.00)	($0.05)
Diluted		($0.02)	($0.06)	-66%	($0.00)	($0.05)
Gross Margin	(iii)	$1,129,442	$258,533	337%	$3,917,892	$2,295,691
Weighted Average common shares outstanding		32,184,638	32,184,638	nm	32,184,638	32,180,809
Weighted Average diluted common shares outstanding		32,184,638	32,184,638	nm	32,184,638	32,180,809

As at	**June 30, 2014**	June 30, 2013	% Change
Working capital	$7,841,439	$8,759,581	-10%
Total assets	$27,810,029	$26,756,904	4%
Long-term debt	$ Nil	$ Nil	nm
Shareholders' equity	$24,516,613	$24,815,466	-1%
Common shares outstanding	$32,184,638	$32,184,638	nm

nm - not meaningful

OUTLOOK

The principal business strategy of MATRRIX is to purchase and deploy drilling technology in Canada and the United States as well as actively seek investment opportunities to acquire existing drilling technology services businesses. As at the date of this press release, 23 Systems are available for deployment to the field in the WCSB and the United States.

The industry now focuses on horizontal drilling to drill conventional and unconventional oil and liquids-rich natural gas plays across North America. There always exists uncertainty over commodity prices and customer capital expenditure programs. Macro-economic factors could negatively impact capital allocations by MATRRIX's customers related to US growth and foreign investment in Canada.

Canada

The customer base in Canada has expanded through first half of 2014 with customers having a mix of oil and/or liquids rich capital programs. The growth in revenue is from both increased work with existing and new customers. Customers remain cautious about their capital spending; however, there is market optimism for increased spending levels in late 2014 and 2015. Additionally, with potentially large field developments as a result of the proposed west coast LNG terminals, there may be increased incremental investment into the WCSB in 2014 and beyond. MATRRIX is focused on building customer relationships and increasing its customer base with operators active in areas with oil and/or liquids rich opportunities and strong capital expenditure programs. MATRRIX is also focused on managing its costs and reducing third party rentals to improve operating margins.

US

MATRRIX continued its performance drilling operations in the Permian and continues to look to expand operations in this region. Management reviewed its US horizontal and directional drilling strategy and focused its horizontal and directional drilling operations in the Permian where it's existing performance drilling operations are focused to increase operational efficiencies. In the short term, this adjustment of strategy delayed growth in the US; however, MATRRIX expects these changes to result in positive increases in operating margins and lower administration costs in the future.

Due to increased activity and intentions of reducing third party rental charges, MATRRIX has increased its capital expenditure program from $1,485,445 to $6,518,045 in 2014 (net of lost in hole replacements) for the purchase of up to four additional EMWD systems, drilling motors and related supporting equipment.

The Corporation will continue to evaluate opportunities for further capital investment and business acquisitions in Canada and the United States, with future investment being dependent upon customer demand, prospect of strong returns on invested capital, and growth opportunities in that region. In 2014, the focus will be to continue to improve field margins through strong operational execution and improving field support infrastructure for improved efficiency.

MATRRIX has a strong balance sheet and strives to maintain operational excellence to build on existing customer relationships and create new opportunities.

"We are very pleased to deliver strong organic growth performance for another quarter, and the first half of the year. The MATRRIX team is focused on market share and cost improvements through strong client service and effective field execution. We continue to build upon our solid foundation of systems, processes, and especially the MATRRIX culture. Our clients have responded favorably, leading to increased CAPEX through the latter part of 2014 to meet committed and anticipated demand," stated President Richard Ryan.

The Corporation's financial statements and management's discussion and analysis for the three and six months ended June 30, 2014 will be available on SEDAR at www.sedar.com.

NON-GAAP MEASURES

This press release contains references to (i)EBITDA, (ii)Adjusted EBITDA and (iii)gross margin. These financial measures are not measures that have any standardized meaning prescribed by IFRS and are therefore referred to as a non-GAAP measure. The non-GAAP measures used by the Corporation may not be comparable to similar measures used by other companies.

(i) EBITDA is not a measure recognized under IFRS and does not have a standardized meanings prescribed by IFRS. EBITDA is defined as "income (loss) before interest expense, income taxes, depreciation and amortization.

	Three Months Ended			Six Months Ended		
	June 30, 2014	June 30, 2013	% Change	**June 30, 2014**	June 30, 2013	% Change
Net income (loss)	$ (612,558)	(1,789,873)	66%	$ (38,900)	$ (1,466,241)	97%
Depreciation	690,283	542,636	27%	1,359,286	1,055,677	29%
Deferred tax reduction	-	-	-	-	(100,115)	-100%
EBITDA	$ 77,725	$ (1,247,237)	106%	$ 1,320,386	$ (510,679)	359%

(ii) Adjusted EBITDA is defined as "income (loss) before interest, taxes, business acquisition transaction costs, reverse takeover adjustments, depreciation, shared based compensation expense, gains on disposal of property and equipment and foreign exchange." Management believes that in addition to net and total comprehensive income (loss), Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, or how the results are affected by the accounting standards associated with the Corporation's stock based compensation plan.

	Three Months Ended			Six Months Ended		
	June 30, 2014	June 30, 2013	% Change	**June 30, 2014**	June 30, 2013	% Change
EBITDA	$ 77,725	$ (1,247,237)	106%	$ 1,320,386	$ (510,679)	359%
(Gain)/loss from disposition of property and equipment	(1,566)	350	-547%	144,438	(14,771)	1078%
Gain from equipment lost in hole	(132,125)	-	nm	(172,812)	(125,748)	-37%
Interest and other income	(5,563)	(21,425)	74%	(8,197)	(44,816)	82%
Share based payments	92,296	137,421	-33%	183,624	221,309	-17%
Foreign exchange loss (gain)	4,556	(2,966)	254%	4,840	32,608	-85%
Adjusted EBITDA	$ 35,323	$ (1,133,857)	103%	$ 1,472,279	$ (442,097)	433%

(iii) Gross margin is defined as "gross profit from services revenue before stock based compensation and depreciation". Gross margin is a measure that provides shareholders and potential investors additional information regarding the Corporation's cash generating operating performance. Management utilizes this measure to assess the Corporation's operating performance.

	Three Months Ended			Six Months Ended		
	June 30, 2014	June 30, 2013	% Change	**June 30, 2014**	June 30, 2013	% Change
Gross profit	$ 467,267	$ (264,068)	277%	$ 2,616,528	$ 1,278,401	105%
Depreciation	662,175	522,601	27%	1,301,364	1,017,290	28%
Gross margin	$ 1,129,442	$ 258,533	337%	$ 3,917,892	$ 2,295,691	71%
Gross margin %	24%	8%	215%	25%	24%	5%

MATRRIX is engaged in the acquisition and supply of horizontal and directional drilling technologies for the oil and gas industry in Canada and the US.

FORWARD-LOOKING INFORMATION

This press release contains certain statements or disclosures relating to MATRRIX that are based on the expectations of MATRRIX as well as assumptions made by and information currently available to MATRRIX which may constitute forward-looking information under applicable securities laws. In particular, this press release contains forward-looking information related to: additional capital expenditures to reduce rental costs; uncertainty over commodity prices and customer capital spending; macro-economic factors related to US growth and foreign investment in Canada; expectations and assumptions regarding increased industry spending levels in 2014 and 2015; potentially large field developments as a result of proposed west coast LNG terminals leading to expected incremental investment into the WCSB in 2014 and beyond; the Corporation's ability to continue to build and maintain customer relationships and increasing its customer base with operators active in areas with oil and/or liquids rich opportunities and strong capital expenditure programs; focus on reducing third party rentals; the Corporation's ability to identify and procure readily available resources to fund incremental growth in 2014 and beyond; the Corporation's intention to expand its US directional and horizontal operations in the Permian basin along with its existing performance motor drilling operations to increase operational efficiencies; adjustment of the Corporation's US strategy which is intended to help the Corporation achieve year over year overall company growth for 2014, along with an improvement in overall financial metrics; and firming of activity in the industry. Such forward-looking information involves material assumptions and known and unknown risks and uncertainties, certain of which are beyond MATRRIX's control. Many factors could cause the performance or achievement by MATRRIX to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking information. MATRRIX's documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describe the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference. MATRRIX disclaims any intention or obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

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