

PHX Energy Announces Strong First Quarter Results with Continued Growth in its North American RSS Activity

First Quarter Highlights

- For the three-month period ended March 31, 2026, PHX Energy generated consolidated revenue of \$183.9 million, which is 5 percent lower than the \$193.7 million generated in the first quarter of 2025, virtually the same level as the consolidated revenue generated in the fourth quarter of 2025, and the second highest level of first quarter revenue in the Corporation's history. Rotary Steerable Systems ("RSS") activity in the 2026-quarter was a record and represented 18 percent of the Corporation's consolidated activity (2025 – 15 percent). However, both the US and Canadian industry's drilling activity contracted causing PHX Energy's consolidated operating days to decline by 7 percent quarter-over-quarter. Consolidated revenue in the 2026-quarter included \$12.2 million of motor rental revenue and \$0.4 million of revenue generated from the sale of motor equipment and parts (2025 - \$11.7 million and \$2.6 million, respectively).
- Adjusted EBITDA excluding cash-settled share-based compensation expense⁽¹⁾ for the three-month period ended March 31, 2026 was \$39.5 million, 22 percent of consolidated revenue⁽¹⁾, as compared to \$43.3 million, 22 percent of consolidated revenue, in the same 2025-quarter. In the first quarter of 2026, the Corporation incurred higher cash-settled share-based compensation expense of \$9.6 million (2025 - \$2.7 million) that primarily resulted from the increase in PHX Energy's share price from \$7.50 at December 31, 2025 to \$13.21 at March 31, 2026 (2025 – decreased from \$9.32 at December 31, 2024 to \$8.86 at March 31, 2025). Adjusted EBITDA⁽¹⁾ including cash-settled share-based compensation expense was \$30 million, 16 percent of consolidated revenue⁽¹⁾, compared to \$40.7 million, 21 percent of consolidated revenue, in the same 2025-quarter.
- Earnings in the 2026 three-month period were \$8.9 million, \$0.20 per share, as compared to \$20.2 million, \$0.44 per share, in the same 2025-period. Earnings in the 2026-period included depreciation and amortization expenses on drilling and other equipment of \$16.9 million (pre-tax) which is a 35 percent increase when compared to the \$12.6 million (pre-tax) in the corresponding 2025-quarter. This increase is the result of ongoing fixed asset additions as well as \$2.8 million in additional depreciation recognized in the 2026-quarter relating to a change in the estimated useful life of certain primary components of motors that was effective in the third quarter of 2025.
- In the 2026-quarter, PHX Energy's US division's revenue was \$125.8 million, 8 percent lower than the \$136.1 million generated in the first quarter of 2025. The US division saw a 6 percent decline in its operating days, and in comparison, the average number of active horizontal and directional rigs per day in the US industry declined by 7 percent quarter-over-quarter. Despite these declines, the US division achieved record RSS activity in the first quarter of 2026 with RSS representing 26 percent of the division's operating days (2025 - 22 percent). US division revenue in the 2026-quarter represented 68 percent of consolidated revenue (2025 - 70 percent).

- PHX Energy's Canadian division reported \$58.1 million of quarterly revenue, marginally higher compared to \$57.6 million in the 2025-quarter. The segment's RSS activity continued to be strong, representing 10 percent of its operating days (2025 – 6 percent) which helped the division maintain the same level of revenue despite weaker industry activity levels quarter-over-quarter. The Canadian division's operating days decreased by 8 percent but record owned RSS activity was achieved in the 2026-quarter which resulted from the division's continued expansion of its RSS fleet.
- The Corporation's net capital expenditures⁽²⁾, which account for proceeds on disposition of drilling and other equipment, were \$16.2 million for the 2026-period. For the three-month period ended March 31, 2026, PHX Energy spent \$28.5 million in capital expenditures and proceeds on disposition of drilling and other equipment were \$12.3 million. Proceeds on disposition of drilling and other equipment mainly result from instances of downhole equipment losses where operators compensate the Corporation for the replacement cost of the lost drilling equipment and therefore fund the related capital expenditure rather than the expenditure being solely funded by the Corporation's cash flows from operating activities, and its credit facilities when required.
- For the three-month period ended March 31, 2026, the Corporation generated excess cash flow⁽²⁾ of \$3 million, after deducting net capital expenditures⁽²⁾ of \$16.2 million (2025 - \$18.2 million and \$13.8 million, respectively).
- On February 24, 2026, the Corporation declared a special dividend of \$0.20 per share or \$9.1 million, payable on April 1, 2026, to shareholders of record on March 16, 2026. On March 13, 2026, the Corporation declared a regular quarterly dividend of \$0.20 per share or \$9.1 million, payable on April 15, 2026, to shareholders of record on March 31, 2026.
- As of March 31, 2026, the Corporation had CAD \$56.8 million drawn on its Canadian credit facilities, USD \$4 million drawn on its US operating facility, and a cash balance of \$19 million, resulting in net debt⁽²⁾ of \$43.4 million (December 31, 2025 - \$6.4 million). The proceeds from loans and borrowings were primarily used to fund capital acquisitions, dividends, share-based payments, and working capital. The Corporation had CAD \$52.7 million and USD \$21 million available to be drawn from its credit facilities as at the end of the 2026-quarter.
- As at March 31, 2026, the Corporation had a working capital⁽²⁾ of \$122 million.

Financial Highlights

(Stated in thousands of dollars except per share amounts, percentages and shares outstanding)

	Three-month periods ended March 31,		
	2026	2025	% Change
Operating Results			
Revenue	183,885	193,704	(5)
Earnings	8,936	20,159	(56)
Earnings per share – diluted	0.20	0.44	(55)
Adjusted EBITDA ⁽¹⁾	29,957	40,687	(26)
Adjusted EBITDA per share – diluted ⁽¹⁾	0.66	0.89	(26)
Adjusted EBITDA as a percentage of revenue ⁽¹⁾	16%	21%	
Adjusted EBITDA excluding share-based compensation ⁽¹⁾	39,542	43,347	(9)
Adjusted EBITDA excluding share-based compensation per share – diluted ⁽¹⁾	0.87	0.95	(8)
Adjusted EBITDA excluding share-based compensation as a percentage of revenue ⁽¹⁾	22%	22%	
Cash Flow			
Cash flows from (used in) operating activities	(532)	10,919	(105)
Funds from operations ⁽²⁾	20,648	33,362	(38)
Funds from operations per share – diluted ⁽³⁾	0.46	0.73	(37)
Dividends paid per share ⁽³⁾	0.40	0.20	100
Dividends paid	18,148	9,102	99
Capital expenditures	28,506	24,692	15
Excess cash flow ⁽²⁾	2,996	18,163	(84)
Financial Position			
	Mar 31 '26	Dec 31 '25	
Working capital ⁽²⁾	122,026	110,910	10
Net debt ⁽²⁾	43,398	6,382	n.m.
Shareholders' equity	223,721	229,043	(2)
Common shares outstanding	45,502,406	45,367,773	-

n.m. – not meaningful

Outlook

Our operational and financial performance has remained resilient despite a weaker industry backdrop and ongoing inflationary pressures. This is the result of the strength and composition of our premium technology fleet, combined with best-in-class technical support. Increased RSS deployment in both Canada and the US, along with sustained strong market share, has supported favourable first quarter results, and we expect this momentum to continue in the coming quarters.

- We remain committed to differentiating ourselves as a value-driven investment and returning capital to shareholders through our ROCS framework while investing in growth. A special dividend was declared in the first quarter along with our regular quarterly dividend, and our capital spending program is more heavily weighted toward the first half of the year. Although we exceeded the 70 percent target of excess cash flow, we anticipate returning to a balanced ROCS position in the second half of the year, while rewarding shareholders with our quarterly dividends and leveraging other mechanism when opportunistic.
- The volatility in the energy sector is persisting, driven in part by ongoing geopolitical tensions in the Middle East. Although commodity prices have strengthened, this has not yet translated into higher North American rig counts. Until a sustained increase in drilling activity materializes, we do not expect a significant impact on our overall activity levels. That said, we remain optimistic about our performance and growth within the current industry environment.
- In the second quarter, we continue to see a greater portion of activity represented by RSS services, and the strength of our performance and diverse RSS fleet are key contributors to our growth. The successful testing of enhancements to our Real-Time RSS Communications technologies and the expansion of our RSS fleet, including 7 $\frac{1}{8}$ " RSS tools in the US, further differentiate our RSS offering. Additionally, growth in the Atlas motor rental business is expected, and this will also contribute positively to margin stability.
- Inflationary pressures continue to impact operating costs, and we anticipate that the current higher cost environment will persist in the near term. We will focus on internal efficiency and allocate capital towards high margin technologies to help offset cost pressures. The Board has approved a \$5 million increase to the 2026 capital expenditure budget to \$65 million, which will be dedicated to premium technologies. Net capital expenditures are expected to be lower after accounting for equipment replacements.

Strategic priorities for 2026 continue to be:

- Create Shareholder Value
- Technology Leadership
- Deliver Operational Efficiencies
- Diversification of Regional and Client Exposure
- Protecting Margins in a Volatile Environment

Our capital allocation approach continues to balance disciplined investment in strategic growth with maintaining a strong balance sheet, while returning capital to shareholders through dividends, share buybacks, and special distributions under our ROCS framework.

Michael Buker, President & CEO

May 5, 2026

Overall Performance

Due to softer industry drilling activity in North America quarter-over-quarter, for the three-month period ended March 31, 2026, PHX Energy generated consolidated revenue of \$183.9 million which is 5 percent lower than the \$193.7 million generated in the same period of 2025.

In the first quarter of 2026, the Corporation's US division's revenue decreased by 8 percent to \$125.8 million compared to \$136.1 million in the same 2025-quarter. PHX Energy's US operating days saw a decrease of 6 percent to 4,286 days in the 2026 three-month period from 4,549 in the same 2025-period while the US industry's rig count declined by 7 percent quarter-over-quarter. For the three-month period ended March 31, 2026, the US division achieved record RSS activity which represented 26 percent of the division's operating days, up from 22 percent in the same 2025-period. The US division's average revenue per day⁽³⁾ for directional drilling services, in both local and reporting currency, was mostly flat quarter-over-quarter. In the 2026 three-month period, the Corporation's US motor rental division's revenue grew by 5 percent to \$11.5 million from \$11 million in the same 2025-period and the US division generated \$0.4 million of revenue from motor equipment and parts sold (2025 - \$2.6 million). Revenue from the Corporation's US division in the quarter represented 68 percent of consolidated revenue (2025 - 70 percent).

For the three-month period ended March 31, 2026, the Corporation's Canadian segment generated revenue of \$58.1 million, a slight increase compared to \$57.6 million in the same 2025-period. The Canadian division recorded 3,722 operating days in the 2026-quarter, an 8 percent decrease from the 4,052 operating days realized in the comparable 2025-quarter. In comparison, the Canadian industry drilling activity decreased by 5 percent quarter-over-quarter. In the first quarter of 2026, RSS activity represented 10 percent of the Canadian segment's operating days, up from 6 percent in the same 2025-quarter. Average revenue per day⁽³⁾ for directional drilling services realized by the Canadian division improved by 10 percent to \$15,425 in the 2026-quarter, as compared to \$14,037 in the corresponding 2025-quarter. The improvement was largely driven by the Canadian division's clients' higher utilization of the Corporation's premium technologies, particularly RSS. PHX Energy's Canadian motor rental division generated \$0.7 million of revenue in the 2026-period (2025 - \$0.7 million).

In the 2026 three-month period, earnings were \$8.9 million (2025 - \$20.2 million), adjusted EBITDA⁽¹⁾ was \$30 million (2025 - \$40.7 million), and adjusted EBITDA as a percentage of consolidated revenue⁽¹⁾ was 16 percent (2025 - 21 percent). Earnings in the 2026-period included depreciation and amortization expenses on drilling and other equipment of \$16.9 million (pre-tax) which increased by 35 percent as compared to \$12.6 million (pre-tax) in the corresponding 2025-quarter. This increase is the result of ongoing fixed asset additions as well as \$2.8 million in additional depreciation relating to a change in the estimated useful life of certain primary components of motors. Also included in earnings and adjusted EBITDA in the 2026-quarter is cash-settled share-based compensation expense of \$9.6 million (pre-tax) which increased from \$2.7 million (pre-tax) in the same 2025-quarter mainly as a result of the increase in PHX Energy's share price in the period. Omitting this impact, adjusted EBITDA excluding cash-settled share-based compensation expense⁽¹⁾ in the 2026-period was \$39.5 million, 22 percent of consolidated revenue, as compared to \$43.3 million, 22 percent of consolidated revenue, in the same 2025-period.

As at March 31, 2026, the Corporation had working capital⁽²⁾ of \$122 million and net debt⁽²⁾ of \$43.4 million. The Corporation has CAD \$52.7 million and USD \$21 million available to be drawn from its credit facilities at the end of the 2026-quarter.

Dividends and ROCS

On February 24, 2026, the Corporation declared a special dividend of \$0.20 per share payable to shareholders of record on March 16, 2026. An aggregate of \$9.1 million was paid to shareholders on April 1, 2026.

On March 13, 2026, the Corporation declared a regular quarterly dividend of \$0.20 per share payable to shareholders of record on March 31, 2026. An aggregate of \$9.1 million was paid to shareholders on April 15, 2026.

(Stated in thousands of dollars)

	Three-month periods ended March 31,	
	2026	2025
Excess cash flow ⁽²⁾	2,996	18,163
Targeted 70% of excess cash flow under ROCS	2,097	12,714
Add:		
Remaining balance under ROCS target carried forward from the previous year	8,691	-
	10,788	12,714
Deduct:		
Dividends paid to shareholders	(18,148)	(9,102)
Repurchase of shares under the NCIB	-	-
Remaining balance under ROCS target ⁽²⁾	(7,360)	3,612

The Corporation remains committed to enhancing shareholder returns through its Return of Capital Strategy (“ROCS”) which targets up to 70 percent of annual excess cash flow⁽²⁾ to be used for shareholder returns and includes multiple options including the dividend program and the NCIB. For the three-month period ended March 31, 2026, excess cash flow decreased primarily due to lower cash flows from operating activities and higher capital expenditures. The Corporation continued to prioritize shareholder returns while protecting its financial position. At the end of 2025, PHX Energy had \$8.7 million of remaining balance under ROCS target⁽²⁾ which was carried forward into 2026 for distribution. During the 2026-quarter, the Corporation declared a special dividend in conjunction with the release of the 2025 fiscal year results and maintained its current level of regular quarterly dividends, paying a total of \$18.1 million in dividends to shareholders. These distributions exceeded the 70 percent target in the 2026-quarter and the amount carried forward from the previous year. However, net capital expenditures⁽²⁾ to be spent in the second half of the year are anticipated to be lower than the first half and PHX Energy believes this will allow for the remaining balance under ROCS target to be at a balanced position by the end of the 2026-year.

Normal Course Issuer Bid (“NCIB”)

During the third quarter of 2025, the TSX approved the renewal of PHX Energy’s NCIB to purchase for cancellation, from time-to-time, up to a maximum of 4,035,757 common shares, representing 10 percent of the Corporation’s public float of Common Shares as at August 5, 2025. The NCIB commenced on August 18, 2025 and will terminate on August 17, 2026. Purchases of common shares are to be made on the open market through the facilities of the TSX and through alternative trading systems. The price which PHX Energy is to pay for any common shares purchased is to be at the prevailing market price on the TSX or alternate trading systems at the time of such purchase.

Pursuant to the current NCIB, no common shares were purchased by the Corporation and cancelled in the three-month period ended March 31, 2026 (2025 – no common shares cancelled). The full amount of the current NCIB remains available for repurchase and cancellation.

It is the Corporation's intention to continue the current strategy of leveraging the NCIB at opportunistic times as a tool to further reward shareholders under ROCS especially during times of market industry weaknesses.

Capital Spending

For the three-month period ended March 31, 2026, the Corporation spent \$28.5 million in capital expenditures, of which \$15.6 million was spent on growing the Corporation's fleet of drilling equipment, \$9.5 million was spent to replace retired assets, and \$3.4 million was spent to replace equipment lost downhole during drilling operations. With proceeds on disposition of drilling and other equipment of \$12.3 million, the Corporation's net capital expenditures⁽²⁾ for the 2026-period were \$16.2 million. Proceeds on disposition of drilling equipment mainly result from instances of downhole equipment losses where operators compensate the Corporation for the replacement cost of the lost drilling equipment and therefore fund the related capital expenditure rather than the expenditure being solely funded by the Corporation's cash flows from operating activities, and its credit facilities when required.

Capital expenditures in the 2026-quarter were primarily directed towards Atlas High Performance motors ("Atlas"), RSS, both PowerDrive Orbit and iCruise and the Corporation's proprietary Real-Time RSS Communications technologies, and Velocity Real-Time systems ("Velocity").

(Stated in thousands of dollars)

	Three-month periods ended March 31,	
	2026	2025
Growth capital expenditures	15,580	15,605
Maintenance capital expenditures from asset retirements	9,555	7,837
Maintenance capital expenditures to replace downhole equipment losses	3,371	1,250
Total capital expenditures	28,506	24,692
Deduct:		
Proceeds on disposition of drilling equipment	(12,285)	(10,919)
Net capital expenditures ⁽²⁾	16,221	13,773

As at March 31, 2026, the Corporation had capital commitments to purchase drilling and other equipment for \$32.4 million, \$20.4 million of which is growth capital allocated as follows: \$11.2 million for RSS systems, \$5.3 million for Velocity and other guidance systems, \$2.2 million for performance drilling motors, and \$1.7 million for other equipment. Equipment on order is largely expected to be delivered before the end of the second quarter of 2026.

In May 2026, the Board approved an increase to the 2026 capital expenditure budget from \$60 million to \$65 million, of which approximately 60 percent is now anticipated to be spent on growth. The remainder is anticipated to be spent on maintenance of the fleet of drilling and other equipment and replacement of equipment lost downhole during drilling operations. The increase

in the 2026 capital expenditure budget largely relates to growing the Corporation's RSS fleet, including its proprietary Real-Time RSS Communications technologies.

The Corporation currently possesses approximately 962 Atlas motors, comprised of various configurations including its 5.25", 5.76", 6.63", 7.12", 7.25", 8.12", 9.00", and 12.00" and 127 Velocity systems. The Corporation also possesses the largest independent RSS fleet in North America with 110 RSS tools. The size and diversity of PHX Energy's RSS fleet creates unique competitive advantages in that it is comprised of both the PowerDrive Orbit and iCruise systems, includes its proprietary Real-Time RSS Communications technology for both systems and is one of the only fleets today to have a 7 7/8" RSS tool along with the traditional RSS tool sizes.

Non-GAAP and Other Financial Measures

Throughout this Press Release, PHX Energy uses certain measures to analyze financial performance, financial position, and cash flow. These Non-GAAP and Other Specified Financial Measures do not have standardized meanings prescribed under Canadian generally accepted accounting principles ("GAAP") and include Non-GAAP Financial Measures and Ratios, Capital Management Measures and Supplementary Financial Measures (collectively referred to as "Non-GAAP and Other Financial Measures"). These Non-GAAP and Other Specified Financial Measures include, but are not limited to, adjusted EBITDA, adjusted EBITDA per share - diluted, adjusted EBITDA as a percentage of revenue, adjusted EBITDA excluding cash-settled share-based compensation expense, adjusted EBITDA excluding cash-settled share-based compensation expense per share - diluted, adjusted EBITDA excluding cash-settled share-based compensation expense as a percentage of revenue, gross profit as a percentage of revenue excluding depreciation and amortization, selling, general and administrative ("SG&A") costs excluding share-based compensation as a percentage of revenue, funds from operations, excess cash flow, working capital, net debt, net capital expenditures, remaining balance under ROCS target, average consolidated revenue per day, average revenue per operating day, dividends paid per share, dividends declared per share, effective tax rate, and funds from operations per share - diluted. Management believes that these measures provide supplemental financial information that is useful in the evaluation of the Corporation's operations and may be used by other oil and natural gas service companies. Investors should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with GAAP as an indicator of PHX Energy's performance. The Corporation's method of calculating these measures may differ from that of other organizations, and accordingly, such measures may not be comparable.

Readers are cautioned that the Press Release should be read in conjunction with the section entitled "Non-GAAP and Other Financial Measures" at the end of this Press Release hereof for applicable definitions, rationale for use, method of calculation and reconciliations where applicable as well as the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements".

Footnotes throughout this document reference:

- (1) Non-GAAP financial measure or ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to Non-GAAP and Other Financial Measures section of this Press Release.

⁽²⁾ Capital management measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to Non-GAAP and Other Financial Measures section of this Press Release.

⁽³⁾ Supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to Non-GAAP and Other Financial Measures section of this Press Release.

Revenue

The Corporation generates revenue primarily through the provision of directional drilling services which includes providing equipment, personnel, and operational support for drilling a well. Additionally, the Corporation generates revenue through the rental and sale of drilling motors and associated parts, particularly Atlas.

(Stated in thousands of dollars)

	Three-month periods ended March 31,		
	2026	2025	% Change
Directional drilling services	171,304	179,360	(4)
Motor rental	12,183	11,706	4
Sale of motor equipment and parts	398	2,638	(85)
Total revenue	183,885	193,704	(5)

For the three-month period ended March 31, 2026, PHX Energy generated consolidated revenue of \$183.9 million, which is 5 percent lower than the \$193.7 million generated in the first quarter of 2025, virtually the same level as the consolidated revenue generated in the fourth quarter of 2025, and the second highest level of first quarter revenue in the Corporation's history. This level of quarterly revenue was achieved despite continued softer industry conditions in the first quarter of 2026 with both the US and Canadian industry's drilling activity weakening compared to the first quarter of 2025. PHX Energy's strong RSS activity was a key contributor to these results, and it grew to 18 percent of the Corporation's consolidated activity in the 2026-quarter from 15 percent in 2025.

In the 2026 three-month period, the average number of horizontal and directional rigs operating per day in the US was 519, which is 7 percent lower compared to the same quarter in 2025 and flat as compared to the daily average of 516 in the fourth quarter of 2025. In Canada, industry horizontal and directional drilling activity (as measured by drilling days) was 16,558 days in the 2026-quarter, a 5 percent decrease from 17,501 days in the same 2025-quarter. In comparison, the Corporation's consolidated operating days declined by 7 percent to 8,008 days in the 2026-quarter as compared to 8,600 days in the 2025-quarter.

In the three-month period of 2026, average consolidated revenue per day for directional drilling services improved by 3 percent to \$21,392 from \$20,856 in the same 2025-period. The improvement was largely driven by customers' increased utilization of PHX Energy's premium technologies, particularly RSS and Real-Time RSS Communications technologies.

In the first quarter of 2026, revenue generated by PHX Energy's Atlas motor rental division increased by 4 percent to \$12.2 million from \$11.7 million in the first quarter of 2025. The Corporation's US motor rental division continues to see growth through the expansion of its client base with increased marketing efforts and continued investment in resources to support the division and sustain its growth.

For the three-month period ended March 31, 2026, revenue generated from the sale of motor equipment and parts decreased to \$0.4 million from \$2.6 million in the same 2025-period. Due to the intermittent and cyclical nature of the customers' ordering frequency and changes in customers' equipment fleet and demand, it is expected that revenue from this line of business will fluctuate between periods.

Operating Costs and Expenses

(Stated in thousands of dollars except percentages)

	Three-month periods ended March 31,		
	2026	2025	% Change
Direct costs	153,518	153,415	-
Depreciation & amortization drilling and other equipment (included in direct costs)	16,949	12,569	35
Depreciation & amortization right-of-use asset (included in direct costs)	836	888	(6)
Gross profit as a percentage of revenue excluding depreciation & amortization ⁽¹⁾	26%	28%	

Direct costs are comprised of field and shop expenses, costs of motors and parts sold, and include depreciation and amortization of the Corporation's equipment and right-of-use assets. For the three-month period ended March 31, 2026, direct costs were flat at \$153.5 million as compared to \$153.4 million in the same 2025-period.

In the 2026 three-month period, the Corporation's depreciation and amortization on drilling and other equipment increased by 35 percent, mainly as result of ongoing fixed asset additions as well as \$2.8 million in additional depreciation recorded in the 2026-quarter relating to a change in the estimated useful life of certain primary components of motors that was effective in the third quarter of 2025.

Gross profit as a percentage of revenue excluding depreciation and amortization⁽¹⁾ was 26 percent in the 2026-quarter, a decrease compared to 28 percent in the first quarter of 2025. In the 2026 three-month period, despite the decline in consolidated activity and revenue, direct costs did not decline to the same extent due to overall greater equipment repair costs and increased equipment rental expenses. Consistent with the increases in costs seen in the second half of 2025, the costs of equipment parts and services have increased overall and were impacted by several factors, including inflation and other tariff-related increases caused by the prolonged disruption to global trade. Servicing and equipment rental costs also increased mainly due to higher RSS activity and the Corporation's need to utilize rentals to meet the volume of client demand in some cases. Additionally, lower profitability was also attributable to the decrease in parts sales, which is a high-margin revenue stream for the Corporation.

(Stated in thousands of dollars except percentages)

	Three-month periods ended March 31,		
	2026	2025	% Change
Selling, general and administrative ("SG&A") costs	26,134	19,130	37
Cash-settled share-based compensation (included in SG&A costs)	9,585	2,660	n.m.
Equity-settled share-based compensation (included in SG&A costs)	98	89	10
SG&A costs excluding share-based compensation as a percentage of revenue ⁽¹⁾	9%	8%	

n.m. – not meaningful

For the three-month period ended March 31, 2026, SG&A costs were \$26.1 million, a 37 percent increase as compared to \$19.1 million in the corresponding 2025-period. Higher SG&A costs in the 2026-period were primarily due to increases in cash-settled share-based compensation expense that was largely driven by the PHX Energy's higher share price.

Cash-settled share-based compensation relates to the Corporation's retention awards and is measured at fair value. For the three-month period ended March 31, 2026, the related compensation expense recognized by PHX Energy was \$9.6 million as compared to \$2.7 million in the same 2025-period. Changes in cash-settled share-based compensation expense in the 2026-period were mainly driven by increases in the Corporation's share price, payout multipliers, and the number of awards granted in the period. In the 2026 three-month period, the Corporation's share price increased from \$7.50 at December 31, 2025 to \$13.21 at March 31, 2026 (2025 – decreased from \$9.32 at December 31, 2024 to \$8.86 at March 31, 2025). There were 1,236,825 retention awards outstanding as at March 31, 2026 (2025 – 1,326,596). SG&A costs excluding share-based compensation as a percentage of revenue⁽¹⁾ were generally flat period-over-period at 9 percent in the three-month period ended March 31, 2026 (2025 – 8 percent).

(Stated in thousands of dollars)

	Three-month periods ended March 31,		
	2026	2025	% Change
Research and development expense	1,883	1,780	6

For the three-month period ended March 31, 2026, PHX Energy spent \$1.9 million on research and development ("R&D") expenditures, an increase of 6 percent as compared to \$1.8 million spent in the corresponding 2025-period. Higher R&D expenditures in the 2026-period are mainly attributable to increased personnel related costs and prototype and equipment parts expenses incurred to support key R&D projects during the period, including advancing the maturity of PHX Energy's Real-Time RSS Communications fleet while further expanding RSS capabilities. Since 2020, the Corporation has increased its investments in R&D, dedicating further resources to continue to secure its position as a technology leader in the sector.

(Stated in thousands of dollars)

	Three-month periods ended March 31,		
	2026	2025	% Change
Finance expense	718	606	18
Finance expense lease liabilities	443	506	(12)

Finance expenses mainly relate to interest charges on the Corporation's credit facilities. For the three-month period ended March 31, 2026, finance expense increased to \$0.7 million from \$0.6 million in the same 2025-period. The increase in finance

expenses in the 2026-period was primarily due to higher drawings on the credit facilities in the period that were primarily used to fund capital acquisitions, dividends, and share-based payments.

Finance expense lease liabilities relate to interest expense incurred on lease liabilities. For the three-month period ended March 31, 2026, finance expense lease liabilities declined to \$0.4 million from \$0.5 million in the same 2025-period due to leases that expired between April 1, 2025 and March 31, 2026.

(Stated in thousands of dollars)

	Three-month periods ended March 31,	
	2026	2025
Net gain on disposition of drilling equipment	9,359	7,861
Foreign exchange gains (losses)	159	(216)
Miscellaneous other income	179	-
Recovery of bad debt	117	-
Other income	9,814	7,645

For the three-month period ended March 31, 2026, the Corporation recognized other income of \$9.8 million, an increase compared to \$7.6 million in the same 2025-period. Other income is mainly comprised of net gain on disposition of drilling equipment which mainly arises from instances of downhole equipment losses where operators compensate for the replacement cost of the lost drilling equipment and the gain is calculated as the excess of those proceeds over the carrying amount of the drilling equipment lost. The recognized gain is net of losses, which typically result from asset retirements that were made before the end of the equipment's useful life. In the 2026-period, more instances of high dollar valued downhole equipment losses occurred as compared to the corresponding 2025-period, resulting in higher levels of net gain on disposition of drilling equipment recognized.

Foreign exchange gains of \$0.2 million in the three-month period of 2026 (2025 – \$0.2 million loss), were primarily due to the revaluation and settlement of CAD-denominated intercompany payables in the US.

In the 2026 three-month period, the miscellaneous other income of \$0.2 million pertains to sundry and occasional transactions, such as proceeds from the sale of scrapped metal and machining services for a third party.

In the first quarter of 2026, PHX Energy recovered \$0.1 million of bad debt which related to a client in the US.

(Stated in thousands of dollars except percentages)

	Three-month periods ended March 31,	
	2026	2025
Provision for income taxes	2,067	5,753
Effective tax rates ⁽³⁾	19%	22%

For the three-month period ended March 31, 2026, the Corporation reported a provision for income tax of \$2.1 million, a decrease compared to \$5.8 million in the same 2025-period. In the 2026 three-month period, PHX Energy's effective tax rate⁽³⁾ of 19 percent is lower than the combined US federal and state corporate income tax rate of 22.5 percent and the combined Canadian federal

and provincial corporate income tax rate of 23 percent mainly due to the non-taxable portion of gains on disposal of assets in Canada and lower income tax rate in the Switzerland jurisdiction.

Segmented Information

The Corporation reports two operating segments on a geographical basis throughout the Gulf Coast, Northeast and Rocky Mountain regions of the US and throughout the Western Canadian Sedimentary Basin. Revenue generated through the Corporation's technology partnership and sales and lease agreement for the Middle East and North Africa ("MENA") regions are included in the US division's results.

United States

(Stated in thousands of dollars)

	Three-month periods ended March 31,		
	2026	2025	% Change
Directional drilling services	113,893	122,488	(7)
Motor rental	11,517	11,014	5
Sale of motor equipment and parts	398	2,638	(85)
Total revenue	125,808	136,140	(8)
Direct costs	106,645	109,296	(2)
Gross profit	19,163	26,844	(29)
Expenses:			
Selling, general and administrative expenses	7,724	7,837	(1)
Research and development expenses	-	-	-
Finance expense	-	-	-
Finance expense lease liability	149	195	(24)
Other income	(6,772)	(4,644)	46
Reportable segment profit before income taxes	18,062	23,456	(23)

For the three-month period ended March 31, 2026, PHX Energy's US division generated revenue of \$125.8 million, a decrease of 8 percent as compared to \$136.1 million in the corresponding 2025-period.

In the first quarter of 2026, the Corporation's US division continued to operate through softer industry activity and in the highly competitive directional market where continuously providing leading technologies and operational efficiencies are key to sustaining and growing market share. In the 2026 three-month period, the average number of active horizontal and directional rigs per day in the US industry declined by 7 percent to 519 compared to an average of 559 rigs per day in the 2025-quarter. In comparison, the US segment's operating days were 4,286, a 6 percent decrease compared to 4,549 days in the 2025-quarter. The US division achieved record RSS activity which represented 26 percent of its operating days, an increase compared to 22 percent in the 2025-quarter. For the three-month period ended March 31, 2026, the US division's average revenue per day⁽³⁾ for directional drilling services was mostly flat at \$26,573 compared to \$26,929 in the same 2025-period.

Horizontal and directional drilling continued to represent the majority of rigs running on a daily basis during the first quarter of 2026. However, to increase efficiency in their drilling program, an increasing number of operators are now drilling longer lateral sections and, in some basins, more complex horizontal well designs known as U-turn and J wells. The Corporation's fleet and expertise are well suited for these longer and more complex well designs and the US division continued to actively drill these well types in 2026. During the 2026-quarter, Phoenix USA was active in the Permian, Eagleford, Scoop/Stack, Uinta, Haynesville, and Marcellus basins.

For the three-month period ended March 31, 2026, US motor rental revenue increased by 5 percent to \$11.5 million from \$11 million in the same 2025-period. The motor rental division is a high-margin business line for the Corporation and additional resources are being allocated to the division to support its steady growth.

In the three-month period of 2026, PHX Energy's US operations generated \$0.4 million of revenue from the sale of motors and parts compared to \$2.6 million in the corresponding 2025-period. Due to the intermittent and cyclical nature of the customers' ordering frequency and changes in customers' equipment fleet and demand, it is expected that revenue from this line of business will fluctuate between periods.

For the three-month period ended March 31, 2026, the US segment's reportable segment income before tax decreased by 23 percent to \$18.1 million from \$23.5 million in the same 2025-period. In the 2026 three-month period, weaker activity resulted in lower revenue while direct costs stayed high due to increased depreciation and amortization of drilling and other equipment, rising costs of equipment parts and repair services, and greater equipment rentals, as in some cases rentals are utilized to meet the volume of client demand, particularly for RSS. Additionally, lower profitability in the 2026-quarter was partly attributable to the decline in revenue from the sale of motor equipment and parts. Higher other income which was mainly from net gains on disposition of drilling and other equipment partially sheltered the US division's margins from the impacts of increased costs in the 2026-period.

Canada

(Stated in thousands of dollars)

	Three-month periods ended March 31,		
	2026	2025	% Change
Directional drilling services	57,411	56,872	1
Motor rental	666	692	(4)
Total revenue	58,077	57,564	1
Direct costs	46,873	44,119	6
Gross profit	11,204	13,445	(17)
Expenses:			
Selling, general and administrative expenses	6,016	4,197	43
Research and development expenses	-	-	-
Finance expense	-	-	-
Finance expense lease liability	277	290	(4)
Other income	(3,042)	(3,001)	1
Reportable segment profit before income taxes	7,953	11,959	(33)

For the three-month period ended March 31, 2026, PHX Energy's Canadian operations generated revenue of \$58.1 million, a marginal increase compared to \$57.6 million in the corresponding 2025-period.

In the 2026 three-month period, PHX Energy's Canadian operating days decreased by 8 percent to 3,722 days from 4,052 days in the same 2025-period. The Canadian segment achieved its second highest RSS activity on record which accounted for 10 percent of its activity in the 2026-period, an increase compared to 6 percent in the same 2025-period. In comparison, industry horizontal and directional drilling activity, as measured by drilling days, declined by 5 percent to 16,558 in the first quarter of 2026 from 17,501 in the 2025-quarter. During the 2026-quarter, the Corporation was active in the Duvernay, Montney, Glauconite, Frobisher, Cardium, Viking, Bakken, Torquay, Colony, Ellerslie, Charlie Lake, Cummings, Sparky, and Scallion basins.

The Canadian division's average revenue per day⁽³⁾ for directional drilling services increased by 10 percent in the three-month period ended March 31, 2026 to \$15,425 from \$14,037 in the corresponding 2025-period. The improvements were largely driven by the higher client demand for the Corporation's premium technologies, particularly RSS and Real-Time RSS Communications technologies.

In the 2026 three-month period, the Canadian segment's reportable segment income before tax decreased by 33 percent to \$8 million from \$12 million in the same 2025-period. In the 2026-period, the decline in profitability was mainly attributable to higher direct costs due to rising costs of equipment parts and repair services, and higher selling, general and administrative expenses due to an increase in cash-settled share-based compensation expense. Additionally, equipment rentals have increased as in some cases, rentals are utilized to meet the volume of client demand, particularly for RSS.

Investing Activities

Net cash used in investing activities for the three-month period ended March 31, 2026 was \$18.3 million as compared to \$10.5 million in the corresponding 2025-period. During the first quarter of 2026, the Corporation spent \$15.6 million (2025 - \$15.6 million) to grow the Corporation's fleet of drilling equipment, \$9.5 million (2025 - \$7.8 million) was used to maintain capacity in the Corporation's fleet of drilling and other equipment, and \$3.4 million (2025 - \$1.3 million) was spent to replace equipment lost downhole during drilling operations. With proceeds on disposition of drilling and other equipment of \$12.3 million (2025 - \$10.9 million), the Corporation's net capital expenditures⁽²⁾ for the 2026-period were \$16.2 million (2025 - \$13.8 million).

The 2026-quarter capital expenditures comprised of:

- \$11.5 million in downhole performance drilling motors;
- \$8.7 million in MWD systems and spare components;
- \$8.1 million in RSS and Real-Time RSS Communications technologies; and
- \$0.2 million in machinery and equipment and other assets.

The capital expenditure program undertaken in the year was primarily financed from proceeds on disposition of drilling equipment, cash on hand, and the Corporation's credit facilities when required.

The change in non-cash working capital balances of \$0.7 million (use of cash) for the three-month period ended March 31, 2026, relates to the net change in the Corporation's trade payables that are associated with the acquisition of capital assets (2025 - \$6.9 million source of cash).

Financing Activities

For the three-month period ended March 31, 2026, net cash from financing activities was \$8.5 million as compared to \$0.6 million used in financing activities in the same 2025-period. In the 2026-quarter:

- \$26.6 million net drawings were made from the Corporation's syndicated credit facility;
- 134,633 common shares were issued from treasury for proceeds of \$1 million upon the exercise of share options;
- dividends of \$18.1 million were paid to shareholders; and
- payments of \$1 million were made towards lease liabilities.

Capital Resources

As of March 31, 2026, the Corporation had CAD \$56.8 million drawn on its Canadian credit facilities, USD \$4 million drawn on its US operating facility, and a cash balance of \$19 million. As at March 31, 2026, the Corporation had CAD \$52.7 million and USD \$21 million available from its credit facilities. The credit facilities are secured by substantially all of the Corporation's assets and mature in December 2028.

As at March 31, 2026, the Corporation was in compliance with all its financial covenants. Under the syndicated credit agreement, in any given period, the Corporation's distributions (as defined therein) cannot exceed its maximum aggregate amount of distributions limit as defined in the Corporation's syndicated credit agreement. Distributions include, without limitation, dividends declared and paid, cash used for common shares purchased by the independent trustee in the open market and held in trust for potential settlement of outstanding retention awards, as well as cash used for common shares repurchased and cancelled under the NCIB.

Cash Requirements for Capital Expenditures

Historically, the Corporation has financed its capital expenditures and acquisitions through cash flows from operating activities, proceeds on disposition of drilling equipment, debt and equity. In May 2026, the Board approved an increase to the 2026 capital expenditure budget from \$60 million to \$65 million which largely relates to growing the Corporation's RSS fleet including its Real-Time RSS Communications technologies. Of the total expenditures, approximately 60 percent is anticipated to be spent on growth and the remainder is anticipated to be spent to maintain capacity in the fleet of drilling and other equipment and replace equipment lost downhole during drilling operations. The amount expected to be allocated towards replacing equipment lost downhole could increase, should more downhole equipment losses occur throughout the year. However, these replacement costs are typically covered by proceeds on disposition of drilling and other equipment.

These planned expenditures are expected to be financed from cash flow from operating activities, proceeds on disposition of drilling equipment, cash and cash equivalents, and the Corporation's credit facilities, if necessary. However, if a sustained period of market uncertainty, threats of trade wars, geopolitical instability and financial market volatility persists in 2026 and 2027, the Corporation's activity levels, cash flows and access to credit may be negatively impacted, and the expenditure level would be reduced accordingly where possible. Conversely, if future growth opportunities present themselves, the Corporation would look at expanding this planned capital expenditure amount.

As at March 31, 2026, the Corporation has entered into commitments to purchase drilling and other equipment for \$32.4 million (2025 - \$33.2 million); equipment on order is largely expected to be delivered before the end of the second quarter of 2026.

About PHX Energy Services Corp.

PHX Energy is a growth-oriented, public oil and natural gas services company. The Corporation, through its directional drilling subsidiary entities provides horizontal and directional drilling services and technologies to oil and natural gas exploration and development companies in the US, Canada, and the Middle East. In connection with the services it provides, PHX Energy engineers and manufactures leading-edge technologies. In recent years, PHX Energy has developed various new technologies that have positioned the Corporation as a technology leader in the horizontal and directional drilling services sector.

PHX Energy's Canadian directional drilling operations are conducted through Phoenix Technology Services LP. The Corporation maintains its corporate head office, research and development, Canadian sales, service and operational centers in Calgary, Alberta. In addition, PHX Energy has a facility in Estevan, Saskatchewan. PHX Energy's US operations, conducted through the Corporation's wholly-owned subsidiary, Phoenix Technology Services USA Inc., is headquartered in Houston, Texas. The Corporation has sales and service facilities in Houston, Texas; Midland, Texas; Casper, Wyoming; and Oklahoma City, Oklahoma. Internationally, PHX Energy has administrative offices in Luxembourg, Switzerland, and the Cayman Islands and also supplies technology to the Middle East regions.

The common shares of PHX Energy trade on the Toronto Stock Exchange under the symbol PHX.

For further information please contact:

Michael Buker, President and CEO; or Cameron Ritchie, Senior Vice President Finance and CFO

PHX Energy Services Corp.

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Condensed Consolidated Interim Statements of Financial Position

(Stated in thousands of dollars, unaudited)

	March 31, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash	\$ 18,993	\$ 29,107
Trade and other receivables	162,763	138,640
Inventories	59,269	56,261
Prepaid expenses	2,516	2,970
Current tax assets	10,662	9,290
Total current assets	254,203	236,268
Non-current assets:		
Drilling and other long-term assets	176,340	165,001
Right-of-use assets	20,668	21,411
Intangible assets	16,872	16,304
Investments	2,171	2,171
Other long-term assets	981	1,253
Deferred tax assets	1,583	756
Total non-current assets	218,615	206,896
Total assets	\$ 472,818	\$ 443,164
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade and other payables	\$ 118,720	\$ 110,896
Dividends payable	9,101	9,074
Current lease liabilities	4,127	4,050
Current tax liability	229	1,338
Total current liabilities	132,177	125,358
Non-current liabilities:		
Lease liabilities	26,452	27,393
Loans and borrowings	62,391	35,489
Deferred tax liabilities	26,377	24,317
Other	1,700	1,564
Total non-current liabilities	116,920	88,763
Equity:		
Share capital	202,948	201,722
Contributed surplus	7,169	7,326
Deficit	(19,133)	(9,894)
Accumulated other comprehensive income (AOCI)	32,737	29,889
Total equity	223,721	229,043
Total liabilities and equity	\$ 472,818	\$ 443,164

Condensed Consolidated Interim Statements of Comprehensive Earnings

(Stated in thousands of dollars except earnings per share, unaudited)

	Three-month periods ended March 31,	
	2026	2025
Revenue	\$ 183,885	\$ 193,704
Direct costs	153,518	153,415
Gross profit	30,367	40,289
Expenses:		
Selling, general and administrative expenses	26,134	19,130
Research and development expenses	1,883	1,780
Finance expense	718	606
Finance expense lease liabilities	443	506
Other income	(9,814)	(7,645)
	19,364	14,377
Earnings before income taxes	11,003	25,912
Provision for income taxes		
Current	1,112	4,907
Deferred	955	846
	2,067	5,753
Net earnings	8,936	20,159
Other comprehensive income		
Foreign currency translation, net of tax	2,848	62
Total comprehensive earnings	\$ 11,784	\$ 20,221
Earnings per share – basic	\$ 0.20	\$ 0.44
Earnings per share – diluted	\$ 0.20	\$ 0.44

Condensed Consolidated Interim Statements of Cash Flows

(Stated in thousands of dollars, unaudited)

	Three-month periods ended March 31,	
	2026	2025
Cash flows from operating activities:		
Earnings	\$ 8,936	\$ 20,159
Adjustments for:		
Depreciation and amortization	16,949	12,569
Depreciation and amortization right-of-use asset	836	888
Provision for income taxes	2,067	5,753
Unrealized foreign exchange loss (gain)	(90)	117
Net gain on disposition of drilling equipment	(9,359)	(7,861)
Equity-settled share-based payments	98	89
Finance expense	718	606
Finance expense lease liabilities	443	506
Recovery of bad debts	(117)	-
Provision for inventory obsolescence	610	1,042
Interest paid on lease liabilities	(443)	(506)
Interest paid	(445)	(384)
Income taxes paid	(3,492)	(5,485)
Change in non-cash working capital	(17,243)	(16,574)
Net cash from (used in) operating activities	(532)	10,919
Cash flows from investing activities:		
Proceeds on disposition of drilling equipment	12,285	10,919
Acquisition of drilling and other equipment	(28,506)	(24,692)
Acquisition of intangible assets	(1,365)	(3,640)
Change in non-cash working capital	(714)	6,872
Net cash used in investing activities	(18,300)	(10,541)
Cash flows from financing activities:		
Net proceeds from loans and borrowings	26,642	9,269
Dividends paid to shareholders	(18,148)	(9,102)
Payments of lease liability	(988)	(920)
Proceeds from exercise of options	971	180
Net cash from (used in) financing activities	8,477	(573)
Net decrease in cash	(10,355)	(195)
Cash, beginning of period	29,107	14,163
Effect of movements in exchange rates on cash held	241	3
Cash, end of period	\$ 18,993	\$ 13,971

Cautionary Statement Regarding Forward-Looking Information and Statements

This document contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "could", "should", "can", "believe", "plans", "intends", "strategy", "targets" and similar expressions are intended to identify forward-looking information or statements.

The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. These statements and information involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements and information. The Corporation believes the expectations reflected in such forward-looking statements and information are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking statements and information included in this document should not be unduly relied upon. These forward-looking statements and information speak only as of the date of this document.

In particular, forward-looking information and statements contained in this document include without limitation, the Corporation's intent to preserve balance sheet strength and continue to reward shareholders, including through its ROCS program under which the Corporation targets up to 70 percent of annual excess cash flow to be used for shareholder returns and includes multiple options including the dividend program and the NCIB, projected level of net capital expenditures, a balanced remaining balance under ROCS target by the end of the 2026-year, PHX Energy's intentions with respect to the current NCIB, the anticipated industry activity and demand for the Corporation's services and technologies in North America, expectations for inflation, tariffs and the cost environment, uncertainty of global trade policy and global conflicts and the potential impact on the Corporation, its customers and the industry, the projected capital expenditures budget for 2026, and how the budget will be allocated and funded, the timeline for delivery of equipment on order, and the anticipated continuation of PHX Energy's quarterly dividend program and the amounts of dividends.

The above are stated under the headings: "Financial Results", "Overall Performance", "Dividends and ROCS", "Capital Spending", and "Capital Resources". In addition, all information contained under the heading "Outlook" of this document may contain forward-looking statements.

In addition to other material factors, expectations and assumptions which may be identified in this document and other continuous disclosure documents of the Corporation referenced herein, assumptions have been made in respect of such forward-looking statements and information regarding, without limitation, that: the Corporation will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions and the accuracy of the Corporation's market outlook expectations for 2026 and beyond; that future business, regulatory and industry conditions will be within the parameters expected by the Corporation; the duration and impact of tariffs that are currently in effect on goods exported from or imported into Canada, and that other than the tariffs that are currently in effect, neither the US nor Canada (i) increases the rate or scope of such tariffs, reenacts tariffs that are currently suspended, or imposes new tariffs, on the import of goods from one country to the other, or (ii) imposes any other form of tax, restriction, or prohibition on the import or export of products from one country to the other; anticipated financial performance, business prospects, impact of competition,

strategies, the general stability of the economic and political environment in which the Corporation operates; the potential impact of trade wars, pandemics, the Russian-Ukrainian war, Middle-East conflict, US-Venezuela and other world events on the global economy, specifically trade, manufacturing, supply chain, inflation and energy consumption, among other things and the resulting impact on the Corporation's operations and future results which remain uncertain; exchange and interest rates, and inflationary pressures including the potential for further interest rate hikes by global central banks and the impact on financing charges and foreign exchange and the anticipated global economic response to concerted interest rate hikes; the continuance of existing (and in certain circumstances, the implementation of proposed) tax and regulatory regimes; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the adequacy of cash flow; debt and ability to obtain financing on acceptable terms to fund its planned expenditures, dividends, and ROCS, which are subject to change; and market conditions and future oil and natural gas prices and resulting demand for related services. Although management considers these material factors, expectations, and assumptions to be reasonable based on information currently available to it, no assurance can be given that they will prove to be correct.

The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: volatility of commodity prices; adverse economic conditions; political uncertainty; the risk that (i) the tariffs that are currently in effect on goods exported from or imported into Canada continue in effect for an extended period of time, the tariffs that have been threatened are implemented, that tariffs that are currently suspended are reactivated, the rate or scope of tariffs are increased, or new tariffs are imposed, (ii) the US and/or Canada imposes any other form of tax, restriction, or prohibition on the import or export of products from one country to the other, and (iii) the tariffs imposed or threatened to be imposed by the US on other countries and retaliatory tariffs imposed or threatened to be imposed by other countries on the US, will trigger a broader global trade war which could have a material adverse effect on the Canadian, US, and global economies, and by extension the Canadian crude oil and natural gas industry and the Corporation, including by decreasing demand for (and the price of) crude oil and natural gas, disrupting supply chains, increasing costs, causing volatility in global financial markets, and limiting access to financing; the impacts of the ongoing Middle-East conflicts, Russia-Ukraine war and geopolitical developments in Venezuela (and any associated sanctions) on the global economy and commodity prices; compliance with environmental regulations; risks relating to climate change, including transition and physical risks; PHX Energy's ability to recruit and retain a skilled workforce and key personnel; risks relating to a changing investor sentiment; asset and customer concentration; risks relating to information technology systems and cyber security; liquidity; inflation, cost management, and interest rates; third-party credit risks; variations in foreign exchange rates; the impact of competitors; risks related to potential or ongoing litigation; lack of adequate insurance coverage; limited, unfavorable or a lack of access to capital markets; unanticipated operating results; increased debt levels or debt service requirements; increased costs; and certain other risks detailed in PHX Energy's public disclosure documents. Readers should also carefully consider the risks discussed in the section entitled "Business Risk Factors" contained within the Corporation's most recently filed Annual Information Form ("AIF") on the SEDAR+ website (www.sedarplus.ca).

PHX Energy's future shareholder distributions, including but not limited to the payment of dividends and NCIB purchases, if any, and the level thereof is uncertain. Any decision to pay dividends on PHX Energy's shares (including the actual amount, the declaration date, the record date, and the payment date in connection therewith) will be subject to the discretion of the

Board and may depend on a variety of factors, including, without limitation, PHX Energy's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on PHX Energy under applicable corporate law. Further, the actual amount, the declaration date, the record date, and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that PHX Energy will pay dividends or make additional purchases under its NCIB in the future.

The forward-looking information in this document also includes financial outlooks and other related forward-looking information relating to PHX Energy, including, but not limited to the expectations of PHX Energy regarding capital expenditures. The internal projections, expectations, or beliefs are based on the 2026 capital budget, which is subject to change in light of ongoing results, prevailing economic conditions and industry conditions and regulations. These financial outlook and other related forward-looking statements are also subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted, and as such, undue reliance should not be placed on financial outlook and/or forward-looking statements.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect the Corporation's operations and financial results are included in reports on file with the Canadian Securities Regulatory Authorities and may be accessed through the SEDAR+ website (www.sedarplus.ca) or at the Corporation's website. The forward-looking statements and information contained in this Press Release are expressly qualified by this cautionary statement. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-GAAP and Other Financial Measures

Non-GAAP Financial Measures and Ratios

a) Adjusted EBITDA

Adjusted EBITDA, defined as earnings before finance expense, finance expense lease liability, income taxes, depreciation and amortization, impairment losses on drilling and other equipment and goodwill and other write-offs, equity-settled share-based payments, severance payouts relating to the Corporation's restructuring cost, and unrealized foreign exchange gains or losses, does not have a standardized meaning and is not a financial measure that is recognized under GAAP. However, Management believes that adjusted EBITDA provides supplemental information to earnings that is useful in evaluating the results of the Corporation's principal business activities before considering certain charges, how it was financed and how it was taxed in various countries. Investors should be cautioned, however, that adjusted EBITDA should not be construed as an alternative measure to earnings determined in accordance with GAAP. PHX Energy's method of calculating adjusted EBITDA may differ from that of other organizations and, accordingly, its adjusted EBITDA may not be comparable to that of other companies.

The following is a reconciliation of earnings to adjusted EBITDA:

(Stated in thousands of dollars)

	Three-month periods ended March 31,	
	2026	2025
Earnings:	8,936	20,159
Add (deduct):		
Depreciation and amortization drilling and other equipment	16,949	12,569
Depreciation and amortization right-of-use asset	836	888
Provision for income taxes	2,067	5,753
Finance expense	718	606
Finance expense lease liability	443	506
Equity-settled share-based payments	98	89
Unrealized foreign exchange loss (gain)	(90)	117
Adjusted EBITDA	29,957	40,687

b) Adjusted EBITDA Per Share - Diluted

Adjusted EBITDA per share - diluted is calculated using the treasury stock method whereby deemed proceeds on the exercise of the share options are used to reacquire common shares at an average share price. The calculation of adjusted EBITDA per share - dilutive is based on the adjusted EBITDA as reported in the table above divided by the diluted number of shares outstanding.

c) Adjusted EBITDA as a Percentage of Revenue

Adjusted EBITDA as a percentage of revenue is calculated by dividing the adjusted EBITDA as reported in the table above by revenue as stated on the Condensed Consolidated Interim Statements of Comprehensive Earnings.

d) Adjusted EBITDA Excluding Cash-settled Share-based Compensation Expense

Adjusted EBITDA excluding cash-settled share-based compensation expense is calculated by adding cash settled share-based compensation expense to adjusted EBITDA as described above. Management believes that this measure provides supplemental information to earnings that is useful in evaluating the results of the Corporation's principal business activities before considering certain charges, how it was financed, how it was taxed in various countries, and without the impact of cash-settled share-based compensation expense that is affected by fluctuations in the Corporation's share price.

The following is a reconciliation of earnings to adjusted EBITDA excluding cash-settled share-based compensation expense:

(Stated in thousands of dollars)

	Three-month periods ended March 31,	
	2026	2025
Earnings:	8,936	20,159
Add (deduct):		
Depreciation and amortization drilling and other equipment	16,949	12,569
Depreciation and amortization right-of-use asset	836	888
Provision for income taxes	2,067	5,753
Finance expense	718	606
Finance expense lease liability	443	506
Equity-settled share-based payments	98	89
Unrealized foreign exchange loss (gain)	(90)	117
Cash-settled share-based compensation expense	9,585	2,660
Adjusted EBITDA excluding cash-settled share-based compensation expense	39,542	43,347

e) Adjusted EBITDA Excluding Cash-settled Share-based Compensation Expense Per Share - Diluted

Adjusted EBITDA excluding cash-settled share-based compensation expense per share - diluted is calculated using the treasury stock method whereby deemed proceeds on the exercise of the share options are used to reacquire common shares at an average share price. The calculation of adjusted EBITDA excluding cash-settled share-based compensation expense per share - dilutive is based on the adjusted EBITDA excluding cash-settled share-based compensation expense as reported in the table above divided by the diluted number of shares outstanding.

f) Adjusted EBITDA Excluding Cash-settled Share-based Compensation Expense as a Percentage of Revenue

Adjusted EBITDA excluding cash-settled share-based compensation expense as a percentage of revenue is calculated by dividing the adjusted EBITDA excluding cash-settled share-based compensation expense as reported in the table above by revenue as stated on the Condensed Consolidated Interim Statements of Comprehensive Earnings.

g) Gross Profit as a Percentage of Revenue Excluding Depreciation & Amortization

Gross profit as a percentage of revenue excluding depreciation & amortization is defined as the Corporation's gross profit excluding depreciation and amortization divided by revenue and is used to assess operational profitability. This Non-GAAP ratio does not have a standardized meaning and is not a financial measure recognized under GAAP. PHX Energy's method of calculating gross profit as a percentage of revenue may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

The following is a reconciliation of revenue, direct costs, depreciation and amortization and gross profit to gross profit as a percentage of revenue excluding depreciation and amortization:

(Stated in thousands of dollars)

	Three-month periods ended March 31,	
	2026	2025
Revenue	183,885	193,704
Direct costs	153,518	153,415
Gross profit	30,367	40,289
Depreciation & amortization drilling and other equipment (included in direct costs)	16,949	12,569
Depreciation & amortization right-of-use asset (included in direct costs)	836	888
	48,152	53,746
Gross profit as a percentage of revenue excluding depreciation & amortization	26%	28%

h) **SG&A Costs Excluding Share-Based Compensation as a Percentage of Revenue**

SG&A costs excluding share-based compensation as a percentage of revenue is defined as the Corporation's SG&A costs excluding share-based compensation divided by revenue and is used to assess the impact of administrative costs excluding the effect of share price volatility. This Non-GAAP ratio does not have a standardized meaning and is not a financial measure recognized under GAAP. PHX Energy's method of calculating SG&A costs excluding share-based compensation as a percentage of revenue may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

The following is a reconciliation of SG&A costs, share-based compensation, and revenue to SG&A costs excluding share-based compensation as a percentage of revenue:

(Stated in thousands of dollars)

	Three-month periods ended March 31,	
	2026	2025
SG&A Costs	26,134	19,130
Deduct:		
Cash-settled share-based compensation (included in SG&A costs)	9,585	2,660
Equity-settled share-based compensation (included in SG&A costs)	98	89
	16,451	16,381
Revenue	183,885	193,704
SG&A costs excluding share-based compensation as a percentage of revenue	9%	8%

Capital Management Measures

a) **Funds from Operations**

Funds from operations is defined as cash flows generated from operating activities before changes in non-cash working capital, interest paid, and income taxes paid. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses funds from operations as an indication of the Corporation's ability to generate funds from its operations before considering changes in working capital balances and interest and taxes paid.

Investors should be cautioned, however, that this financial measure should not be construed as an alternative measure to cash flows from operating activities determined in accordance with GAAP. PHX Energy's method of calculating funds from operations may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

The following is a reconciliation of cash flows from operating activities to funds from operations:

(Stated in thousands of dollars)

	Three-month periods ended March 31,	
	2026	2025
Cash flows from operating activities	(532)	10,919
Add:		
Changes in non-cash working capital	17,243	16,574
Interest paid	445	384
Income taxes paid	3,492	5,485
Funds from operations	20,648	33,362

b) Excess Cash Flow

Excess cash flow is defined as funds from operations (as defined above) less cash payment on leases, growth capital expenditures, and maintenance capital expenditures from downhole equipment losses and asset retirements, and increased by proceeds on disposition of drilling equipment. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses excess cash flow as an indication of the Corporation's ability to generate funds from its operations to support operations and grow and maintain the Corporation's drilling and other equipment. This performance measure is useful to investors for assessing the Corporation's operating and financial performance, leverage and liquidity. Investors should be cautioned, however, that this financial measure should not be construed as an alternative measure to cash flows from operating activities determined in accordance with GAAP. PHX Energy's method of calculating excess cash flow may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

The following is a reconciliation of cash flows from operating activities to excess cash flow:

(Stated in thousands of dollars)

	Three-month periods ended March 31,	
	2026	2025
Cash flows from operating activities	(532)	10,919
Add (deduct):		
Changes in non-cash working capital	17,243	16,574
Interest paid	445	384
Income taxes paid	3,492	5,485
Cash payment on leases	(1,431)	(1,426)
	19,217	31,936
Proceeds on disposition of drilling equipment	12,285	10,919
Maintenance capital expenditures from asset retirements	(9,555)	(7,837)
Maintenance capital expenditures to replace downhole equipment losses	(3,371)	(1,250)
Net proceeds	(641)	1,832
Growth capital expenditures	(15,580)	(15,605)
Excess cash flow	2,996	18,163

c) Working Capital

Working capital is defined as the Corporation's current assets less its current liabilities and is used to assess the Corporation's short-term liquidity. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses working capital to provide insight as to the Corporation's ability to meet obligations as at the reporting date. PHX Energy's method of calculating working capital may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

The following is a reconciliation of current assets and current liabilities to working capital:

(Stated in thousands of dollars)

	March 31, 2026	December 31, 2025
Current assets	254,203	236,268
Deduct:		
Current liabilities	(132,177)	(125,358)
Working capital	122,026	110,910

d) Net Debt

Net debt is defined as the Corporation's loans and borrowings less cash. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses net debt to provide insight as to the Corporation's ability to meet obligations as at the reporting date. PHX Energy's method of calculating net debt may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

The following is a reconciliation of loans and borrowings and cash to net debt:

(Stated in thousands of dollars)

	March 31, 2026	December 31, 2025
Loans and borrowings	62,391	35,489
Deduct:		
Cash	(18,993)	(29,107)
Net debt	43,398	6,382

e) Net Capital Expenditures

Net capital expenditures is comprised of total additions to drilling and other long-term assets, as determined in accordance with IFRS, less total proceeds from disposition of drilling equipment, as determined in accordance with IFRS. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses net capital expenditures to provide insight as to the Corporation's ability to meet obligations as at the reporting date. PHX Energy's method of calculating net capital expenditures may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

The following is a reconciliation of additions to drilling and other equipment and proceeds from disposition of drilling equipment to net capital expenditures:

(Stated in thousands of dollars)

	Three-month periods ended March 31,	
	2026	2025
Growth capital expenditures	15,580	15,605
Maintenance capital expenditures from asset retirements	9,555	7,837
Maintenance capital expenditures to replace downhole equipment losses	3,371	1,250
Total capital expenditures	28,506	24,692
Deduct:		
Proceeds on disposition of drilling equipment	(12,285)	(10,919)
Net capital expenditures	16,221	13,773

f) Remaining Balance under ROCS Target

Remaining balance under ROCS target is comprised of the total of 70 percent of excess cash flow as defined above and remaining balance under ROCS target carried forward from the previous year, less repurchases of shares under the Normal Course Issuer Bids in effect during the period and less the dividends paid to shareholders during the period. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses the remaining distributable balance under ROCS to provide insight as to the Corporation's ROCS strategy as at the reporting date. PHX Energy's method of calculating remaining balance under ROCS target may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

The following is a reconciliation of excess cash flow as defined above to remaining distributable balance under ROCS:

(Stated in thousands of dollars)

	Three-month periods ended March 31,	
	2026	2025
Excess cash flow	2,996	18,163
Targeted 70% of excess cash flow under ROCS	2,097	12,714
Add:		
Remaining balance under ROCS target carried forward from the previous year	8,691	-
	10,788	12,714
Deduct:		
Dividends paid to shareholders	(18,148)	(9,102)
Repurchase of shares under the NCIB	-	-
Remaining balance under ROCS target	(7,360)	3,612

Supplementary Financial Measures

“Average consolidated revenue per day” is comprised of consolidated revenue, as determined in accordance with IFRS, divided by the Corporation’s consolidated number of operating days. Operating days is defined under the “Definitions” section below.

“Average revenue per operating day” is comprised of revenue, as determined in accordance with IFRS, divided by the number of operating days.

“Dividends paid per share” is comprised of dividends paid, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

“Dividends declared per share” is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

“Dividends paid as a percentage of excess cash flows” is comprised of dividends paid, as determined in accordance with IFRS, divided by the excess cash flow as reported in the table above.

“Effective tax rate” is comprised of provision for or recovery of income tax, as determined in accordance with IFRS, divided by earnings before income taxes, as determined in accordance with IFRS.

“Funds from operations per share – diluted” is calculated using the treasury stock method whereby deemed proceeds on the exercise of the share options are used to reacquire common shares at an average share price. The calculation of funds from operations per share - diluted is based on the funds from operations as reported in the table above divided by the diluted number of shares outstanding.

Definitions

“Operating days” throughout this document, it is referring to the billable days on which PHX Energy is providing services to the client at the rig site.

“Capital expenditures” equate to the Corporation’s total acquisition of drilling and other equipment as stated on the Condensed Consolidated Interim Statements of Cash Flows and Note 6(a) in the Notes to the Financial Statements.

“Growth capital expenditures” are capital expenditures that were used to expand capacity in the Corporation’s fleet of drilling equipment.

“Maintenance capital expenditures” are capital expenditures that were used to maintain capacity in the Corporation’s fleet of drilling equipment and replace equipment that were lost downhole during drilling operations.