PHOENIX
TECHNOLOGY INCOME FUND

PRESS RELEASE
May 6, 2010
TSX - PHX.UN

PHOENIX REPORTS FINANCIAL AND OPERATIONAL RESULTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2010

Phoenix Technology Income Fund ("Phoenix" or the "Fund") is pleased to report on its financial and operating results for the three-month period ended March 31, 2010. Due to strong customer demand for the Fund's services and high oil commodity prices, Phoenix posted a record number of operating days for a quarter in Canada. The Fund's most active areas were in the Montney region in northeastern British Columbia and northwestern Alberta and the Bakken region in southeastern Saskatchewan. Consolidated operating days increased by 38 percent to 4,558 days in the 2010-quarter as compared to 3,299 days in 2009. Due to weaknesses in day rates that were experienced by the industry and the Fund in 2009 and 2010, revenue for the three-month period ended March 31, 2010 increased at a lower rate than activity levels; increasing 22 percent to $43.2 million as compared to $35.5 million in 2009.

Distributable cash for the three-month period ended March 31, 2010 was $5.7 million, and with quarterly distributions of $3.0 million, the 2010 cash payout ratio was 52 percent.

As mentioned in previous financial reporting, the Fund has been looking to expand its horizontal and directional drilling operations into key areas outside of North America, and recently, Phoenix announced that it is expanding to the Russian market. Initially, there will be a three job capacity in Russia with operations expected to commence in the third quarter of 2010.

(Stated in thousands of dollars except per unit amounts, percentages and units outstanding)

Three-month period ended March 31,	**2010**	2009	% Change
Operating Results	***(unaudited)***	*(unaudited)*	
Revenue	**43,214**	35,534	22
Net earnings	**3,750**	5,475	(32)
Earnings per unit – diluted	**0.14**	0.23	(39)
EBITDA (1)	**6,274**	9,033	(31)
EBITDA per unit – diluted (1)	**0.23**	0.37	(38)
Cash Flow			
Cash flows from operating activities	**3,986**	(547)	n.m.
Distributable cash (1)	**5,720**	9,215	(38)
Distributable cash per unit – diluted (1)	**0.21**	0.38	(45)
Cash distributions made	**2,996**	6,209	(52)
Cash distributions per unit (2)	**0.120**	0.255	(53)
Cash payout ratio(1)	**52%**	67%	-
Capital expenditures	**5,620**	5,423	4
Financial Position - *(unaudited)*	**Mar. 31, 2010**	Dec. 31, 2009	
Working capital	**28,275**	21,013	35
Long-term debt (3)	**8,640**	-	n.m.
Unitholders' equity	**92,454**	91,452	1
Fund units outstanding	**26,656,007**	26,505,110	1

(1) Refer to non-GAAP measures section.

(2) Cash distributions on a per unit basis paid in the period.

(3) Excludes current portion of long-term debt.

NON-GAAP MEASURES

The Fund uses certain performance measures throughout this document that are not recognizable under Canadian generally accepted accounting principles (“GAAP”). These performance measures include earnings before interest, taxes, depreciation, and amortization (“EBITDA”), EBITDA per unit, distributable cash, distributable cash per unit, and cash payout ratio. Management believes that these measures provide supplemental financial information that is useful in the evaluation of the Fund’s operations. 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 Phoenix’s performance. Phoenix’s method of calculating these measures may differ from that of other organizations, and accordingly, these may not be comparable. Please refer to the non-GAAP measures section.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements and information contained in this document and other continuous disclosure documents of the Fund referenced herein, including statements related to the Fund's capital expenditures, projected growth, view and outlook toward future oil and natural gas commodity prices and activity levels, cash distributions, customer pricing, future market opportunities, possible expansion of international operations and other statements and information that contain the words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions relating to matters that are not historical facts constitute "forward-looking information" within the meaning of applicable Canadian securities legislation.

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 Fund 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 contain in this document include:

- Looking forward US day rates are expected to remain relatively flat or to slightly increase in certain areas.
- The Fund is in the process of establishing a full service shop and motor repair facility in Fier, Albania; completion of which should take place late in the second quarter of 2010. This is expected to enhance the profitability of Phoenix’s Albanian operations in future quarters.
- Phoenix is currently looking to expand its marketing efforts and strategies in Peru, with additional focus being placed on the larger operators.
- It is anticipated that Phoenix will commence to provide drilling services in Russia in the third quarter of 2010.
- With the continuation of the Albanian and Peruvian operations and with the addition of the Russian market, it is expected that the Fund will see continual growth in its international operations in the 2010-year.
- The 2010 capital budget remains at $20.6 million. The balance of the unspent capital expenditure budget is expected to be financed from cash flow from operations, working capital and by the Fund’s unused credit facilities, where required.

- With the industry focusing more attention on oil production, it is anticipated that horizontal drilling activity will continue to represent a larger portion of wells drilled, and the Fund expects to continue to capitalize on this trend.

- Additional performance drilling motors and MWD systems are on order to service the higher level of activity anticipated in the North American market in the third and fourth quarters of 2010.

- Phoenix believes strong activity levels will be realized in the quarters to follow. In North America, horizontal oil well drilling will likely continue to expand as operators further explore the existing drilling areas and as new oil resource plays emerge. Although natural gas drilling activities are somewhat uncertain due to current low prices, Phoenix's foothold in the key gas plays, such as the Montney and Marcellus will remain steady.

In addition to other factors and assumptions which may be identified in this document and other continuous disclosure documents of the Fund referenced herein, assumptions have been made in respect of such forward-looking statements and information regarding, among other things: anticipated financial performance, business prospects, impact of competition, strategies, the general stability of the economic and political environment in which the Fund operates, exchange and interest rates, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services, and the ability to obtain financing on acceptable terms, which are subject to change based on commodity prices, market conditions, and future oil and natural gas prices, and potential timing delays. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect the Fund'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.sedar.com) or at the Fund's website. The forward-looking statements and information contained in this document are expressly qualified by this cautionary statement. The Fund 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.

RESULTS OF OPERATIONS

Due to strong customer demand for the Fund's services and high oil commodity prices, Phoenix posted a record number of operating days for a quarter in Canada. The Fund's most active areas were in the Montney region in northeastern British Columbia and northwestern Alberta and the Bakken region in southeastern Saskatchewan. Consolidated operating days increased by 38 percent to 4,558 days in the 2010-quarter as compared to 3,299 days in 2009. Due to weaknesses in day rates that were experienced by the industry and the Fund in 2009 and 2010, revenue for the three-month period ended March 31, 2010 increased at a lower rate than activity levels; increasing 22 percent to $43.2 million as compared to $35.5 million in 2009.

(Stated in thousands of dollars except per unit amounts and percentages)

Three-month period ended March 31,	**2010**	2009	% Change
Net earnings	**3,750**	5,475	(32)
Earnings per unit – diluted	**0.14**	0.23	(39)
EBITDA	**6,274**	9,033	(31)
EBITDA per unit – diluted	**0.23**	0.37	(38)
EBITDA as a percentage of revenue	**15%**	25%	

EBITDA decreased by 31 percent for the three-month period ended March 31, 2010, to $6.3 million, $0.23 per unit diluted, from $9.0 million, $0.37 per unit diluted, in 2009. The Fund generated net earnings for the three-month period ended March 31, 2010 of $3.8 million, $0.14 per unit diluted, as compared to net earnings of $5.5 million, $0.23 per unit diluted in 2009. Included in direct costs in the 2009 period was a favorable adjustment of $3.6 million that related to revised cost accrual estimates pertaining to the 2008-year. If the impact of this was excluded from the 2009 results, EBITDA for the first quarter of 2009 would have been $5.4 million, $0.22 per unit diluted or 15 percent of revenue, and net earnings $2.2 million, $0.09 per unit diluted.

Capital expenditures were $5.6 million for the three-month period ended March 31, 2010 as compared to $5.4 million in 2009. The majority of the capital additions in the 2010 period were represented by $3.4 million in MWD guidance equipment components and $1.1 million in down hole performance drilling motors.

Distributions to unitholders for the three-month period ended March 31, 2010 were $3.0 million, or $0.12 per unit, as compared to $6.2 million, or $0.255 per unit, in the 2009 period. As a result of lower 2009 net earnings levels, the Fund reduced its monthly cash distribution rate from $0.085 per unit to $0.04 per unit to create additional balance sheet strength and flexibility for future growth strategies. This reduced distribution rate of $0.04 per unit was effective for the Fund's October 2009 distribution, which was payable on November 13, 2009. The resulting cash payout ratio in the three-month period ended March 31, 2010 was 52 percent compared to 67 percent in the 2009 period.

Distributable cash for the three-month period ended March 31, 2010 decreased to $5.7 million from $9.2 million in 2009. Included in direct costs in the 2009 period was a favorable adjustment of $3.6 million that related to revised cost accrual estimates pertaining to the 2008-year. If the impact of this was excluded from the 2009 results, distributable cash would have been $6.0 million for the 2009-quarter. As at March 31, 2010, the Fund had working capital of $28.3 million, which was $7.3 million higher than that reported at December 31, 2009.

During the first quarter of 2010, Phoenix's job capacity decreased from 113 to 111 concurrent jobs as result of the disposition of two negative pulse measurement while drilling ("MWD") systems to a third party. These negative pulse MWD systems were underutilized and not part of the Fund's strategic direction. As at March 31, 2010, the Fund had a fleet of 59 Current Loop Telemetry Electromagnetic ("CLT EM") MWD systems, 50 positive pulse MWD systems and two negative pulse MWD systems, of which 61 MWD systems were deployed in Canada, 44 in the US, four in Peru and two in Albania. Phoenix's capital expenditure program for 2010 includes an additional 15 positive pulse MWD systems for North America and five resistivity while drilling systems ("RWD"). Three of these RWD systems are currently being shipped to Russia to be utilized for the start of the Fund's operations there. The remaining two systems are expected to be delivered early in the third quarter of 2010 for deployment in the North American market. These tools have the ability to give our client's comprehensive formation evaluation information that is more in-depth than that provided by standard gamma while drilling tools.

REVENUE

The Fund reports one operating segment on a geographical basis throughout the Canadian provinces of Alberta, Saskatchewan, British Columbia, Ontario, and Manitoba; throughout the Gulf Coast, Northeast and Rocky Mountain regions of the US; and internationally in Albania and Peru.

(Stated in thousands of dollars except percentage amounts)

Three-month period ended March 31,	**2010**	2009	% Change
Canada	**24,739**	16,302	52
United States	**16,432**	19,151	(14)
International	**2,043**	81	n.m.
	43,214	35,534	22
United States revenue as a % of consolidated revenue	**38%**	54%	
International revenue as a % of consolidated revenue	**5%**	-	

n.m. – not meaningful

Phoenix generated consolidated revenue for the three-month period ended March 31, 2010 of $43.2 million as compared to $35.5 million in the 2009 period; an increase of 22 percent. US and International revenue as a percentage of consolidated revenue was 38 percent and 5 percent, respectively, for the 2010 period as compared to 54 percent and zero percent in 2009.

CANADIAN REVENUE

Due to strong customer demand for the Fund's services and high oil commodity price levels, Phoenix in the first quarter of 2010 posted a record level of operating days for a quarter in Canada. For the three-month period ended March 31, 2010, Phoenix realized 2,610 operating days as compared to 1,594, an increase of 64 percent. The Fund's most active areas were in the Montney region in northeastern British Columbia and northwestern Alberta and the Bakken region in southeastern Saskatchewan. Horizontal oil well drilling, as measured by the number of operating days, represented approximately 64 percent of Phoenix's overall Canadian drilling activity, a record high, compared to 38 percent obtained in the 2009 period.

Revenue was $24.7 million for the three-month period ended March 31, 2010 as compared to $16.3 million in 2009, an increase of 52 percent. In light of decreases in industry activity during 2009, day rates charged to customers in the first quarter of 2010 remained on average 5 – 10 percent below day rates in the comparable 2009 period.

Canadian industry activity in the first quarter of 2010 increased 54 percent to 2,264 horizontal and directional wells drilled from 1,466 wells in 2009. (Source: Daily Oil Bulletin) New well fracturing techniques for oil and natural gas wells continue to have a large impact on horizontal and directional well drilling activity. In the first quarter of 2010 approximately 62 percent of all wells drilled in Canada utilized either horizontal or directional drilling technology, which compares to 49 percent in the 2009-quarter. (Source: Daily Oil Bulletin)

UNITED STATES REVENUE

As with Canada, the US recorded a record level of oil well drilling activity as a percentage of its total activity in the first quarter of 2010, due for the most part to its continued penetration in the US Bakken region in North Dakota. For the three-month period ended March 31, 2010, oil well drilling represented approximately 27 percent of the Fund's overall US activity, as measured by operating days, as compared to only 10 percent in the corresponding 2009 period.

Revenue for the three-month period ended March 31, 2010 decreased by 14 percent to $16.4 million as compared to $19.2 million for the comparable 2009 period. The decline in revenue was due to unfavorable changes in the US-Canadian exchange rates; an average of only $1.04 in the first quarter of 2010 as compared to $1.25 in the corresponding 2009 period. Despite the fact that many clients producing natural gas continued to cut back their drilling budgets and that frost laws came earlier this year in the northeast region than last year, the Fund's US operating days increased by 6 percent to 1,805 days from 1,705 days in the 2009-quarter. Customer day rates have declined in the 2010-quarter by up to 10 percent compared to the first quarter of 2009; however, looking forward these rates are expected to remain relatively flat or to slightly increase in certain areas.

Overall horizontal and directional drilling activity in the US industry, as measured by the average number of horizontal and directional rigs running on a daily basis, increased by 17 percent to 886 rigs from 760 rigs in the corresponding 2009 period. (Source: Baker Hughes) The 2010 activity has increased by 25 percent when compared to the average horizontal and directional rigs running in the fourth quarter of 2009. The majority of this increase was from horizontal drilling.

As in Canada, the number of horizontal and directional wells drilled as a percentage of total wells drilled continues to increase. In the first quarter of 2010 horizontal and directional wells represented approximately 66 percent of all US drilling activity as compared to 57 percent in the corresponding 2009-quarter. (Source: Baker Hughes)

INTERNATIONAL REVENUE

During the three-month period ended March 31, 2010, Phoenix generated revenue of $2.0 million (2009 - $81,000) from its Albanian and Peruvian operations. Phoenix Albania currently has a two job capacity and the Fund has been successful in maintaining and building its business in this country. Horizontal drilling services for heavy oil wells have been provided on two rigs on a continuous basis since July 1, 2009. The Fund is in the process of establishing a full service shop and motor repair facility in Fier, Albania; completion of which should take place late in the second quarter of 2010. This is expected to enhance the profitability of Phoenix's Albanian operations in future quarters.

Peruvian operations began in late April 2009 and today the Fund has a job capacity of four full service jobs. To date in 2010, operations for the Fund in Peru have not grown as expected. Phoenix is currently looking to expand its marketing efforts and strategies in this region, with additional focus being placed on the larger operators.

As previously announced, the Fund is in the process of establishing full service horizontal and directional operations based in Nizhnevartovsk, Siberia, Russia. Key operational and marketing personnel with in-depth operating knowledge of the Russian market have been retained to manage this operation. Initially, the Fund will have a concurrent job capacity of three and it is anticipated that Phoenix will commence to provide drilling services in the third quarter of 2010.

With the continuation of the Albanian and Peruvian operations and with the addition of the Russian market, it is expected that the Fund will see continual growth in its international operations in the 2010-year.

OPERATING COSTS AND EXPENSES

(Stated in thousands of dollars except percentages)

Three-month period ended March 31,	**2010**	2009	% Change
Direct costs	**32,394**	22,873	42
Gross profit as a percentage of revenue	**25%**	36%	

Direct costs are comprised of field and shop expenses and include current period research and development ("R&D") expenditures. For the three-month period ended March 31, 2010, direct costs increased by 42 percent to $32.4 million from $22.9 million in the 2009 period. Included in direct costs in the 2009 period was a favorable adjustment of $3.6 million that related to revised cost accrual estimates pertaining to the 2008-year. If the impact of this was excluded from the 2009 results, gross profit as a percentage of revenue for the first quarter of 2009 would have been 25 percent; the same percentage as in the 2010-quarter.

The two key areas that adversely affected the Fund's margins in the 2010 period are:

- the dramatic activity increase in the Fund's Canadian operations in the first quarter, which resulted in Phoenix incurring $3.7 million in third party equipment rentals for positive pulse MWD systems and down hole performance drilling motors. Due to changes in equipment requirements resulting from the types of wells drilled and the increase in activity, the Fund had difficulty meeting customer demand with its existing fleet of tools. Phoenix's capital expenditure plan for 2010 is addressing this issue, and;

- the decline of the Fund's day rates to customers of up to 10% in the 2010-quarter as compared to 2009.

R&D expenditures for the three-month period ended March 31, 2010 were $0.6 million, of which $0.2 million were capitalized as development costs. In the 2009 period no development costs were capitalized and $0.7 million in R&D costs were expensed.

(Stated in thousands of dollars except percentages)

Three-month period ended March 31,	**2010**	2009	% Change
Selling, general and administrative ("SG&A") costs	**4,626**	4,773	(3)
SG&A costs as a percentage of revenue	**11%**	13%	

Despite increases in revenue activity, SG&A costs for the three-month period ended March 31, 2010 decreased by 3 percent to $4.6 million, 11 percent of revenue, as compared to $4.8 million, 13 percent of revenue, in the 2009 period. The Fund realized decreases in personnel and SG&A costs in the 2010 period as part of its cost control program.

(Stated in thousands of dollars)

Three-month period ended March 31,	**2010**	2009	% Change
Depreciation and amortization	**2,650**	2,873	(8)

Depreciation and amortization for the three-month period ended March 31, 2010 decreased to $2.7 million from $2.9 million in the 2010 period due to a group of assets in the fleet reaching their fully depreciable values during the quarter. There is approximately $5.1 million in capital assets that have yet to be placed into service, and therefore, depreciation has not yet commenced.

(Stated in thousands of dollars)

Three-month period ended March 31,	**2010**	2009	% Change
Stock-based compensation	**176**	149	18

Stock-based compensation costs for the 2010 period increased by 18 percent to $176,000 from $149,000 in 2009 due to the issuance of numerous options in May 2009.

(Stated in thousands of dollars)

Three-month period ended March 31,	**2010**	2009	% Change
Foreign exchange loss (gain)	**170**	(180)	n.m.

n.m. - not meaningful

Foreign exchange gains and losses result primarily from the movements in US and Canadian dollar exchange rates and from the translation of US and Canadian denominated trade receivables and payable balances, and the translation of the Peruvian subsidiary accounts. The foreign exchange loss in the 2010-quarter relates primarily to the Peruvian operations.

(Stated in thousands of dollars)

Three-month period ended March 31,	**2010**	2009	% Change
Interest on long-term debt	**34**	48	(29)

Interest on long-term debt decreased to $34,000 in the 2010 period from $48,000 in 2009 due to lower long-term debt carried in 2010.

(Stated in thousands of dollars)

Three-month period ended March 31,	**2010**	2009	% Change
Other interest (income)	**29**	(3)	n.m.

n.m. - not meaningful

Other interest represents interest charged on the Fund's overdraft facility net of any income generated from short-term money market investments from excess cash balances held. Larger cash overdraft balances were carried in the 2010-quarter as compared to 2009.

(Stated in thousands of dollars)

Three-month period ended March 31,	**2010**	2009	% Change
Gain on disposition of drilling equipment	**426**	1,115	(62)

The gain on disposition of drilling equipment relates primarily to equipment lost in well bores and are uncontrollable in nature. The balances reported are net of any asset retirements that are made before the end of their useful lives and self-insured down hole equipment losses. The 2010 period had a lower incidence of loss in hole occurrences.

(Stated in thousands of dollars)

Three-month period ended March 31,	**2010**	2009	% Change
Income tax (recovery) expense	**(190)**	640	n.m.

n.m. - not meaningful

The Fund reported a net recovery of income taxes of $0.2 million for the three-month period ended March 31, 2010 as compared to income tax expense of $0.6 million in 2009. The net recovery results from the decreased profitability of the Fund in the 2010 period. This was partially offset by an unfavorable adjustment related to prior period tax provisions. Cash distributions are deductable in calculating the taxable income of the Fund. Under the Income Tax Act (Canada), as an investment trust, the Fund is subject to income taxes only on income not distributed to its unitholders.

INVESTMENT

Net cash used from investing activities for the three-month period ended March 31, 2010 was $3.6 million as compared to $6.1 million in the 2009 period. Capital expenditures were $5.6 million for the three-month period ended March 31, 2010 as compared to $5.4 million in 2009. The majority of the capital additions in the 2010 period were represented by $3.4 million in MWD guidance equipment components and $1.1 million in down hole performance drilling motors.

For the three-month period ended March 31, 2010, the Fund realized proceeds from the involuntary disposal of drilling equipment in well bores of $1.3 million compared to $3.3 million in the 2009 period. These losses are uncontrollable in nature and were more frequent in the 2009-quarter.

The change in non-cash working capital balances of $0.7 million for the three-month period ended March 31, 2010 and a negative $4.0 million for the 2009 period relates to the net change in the Fund's trade payables that are associated with the acquisition of capital assets. The 2010 amount represented a net source of cash for the Fund, whereas the 2009 amount is a net use of cash.

The Fund has existing capital equipment commitments outstanding for $12.5 million, the majority of which will be delivered in the second quarter of 2010.

FINANCING

The Fund had cash flows from financing activities of $2.8 million in the three-month period ended March 31, 2010 as compared to a net cash outflow of $4.0 million in the 2009 period. In the 2010 three-month period:

- the Fund made distributions of $3.0 million to unitholders;
- through its unit option program, the Fund received cash proceeds of $1.0 million from exercised options and the Fund's DRIP program to acquire an aggregate of 150,897 Fund units;
- the Fund received proceeds from long-term debt of $9.0 million; and
- the Fund repaid its bank overdraft facility of $4.2 million.

CASH REQUIREMENTS FOR CAPITAL EXPENDITURES

Historically, the Fund has financed its capital expenditures and acquisitions through cash flows from operating activities, debt and equity. The 2010 capital budget remains at $20.6 million. The balance of the unspent capital expenditure budget is expected to be financed from cash flow from operations, working capital and by the Fund's unused credit facilities, where required.

OUTLOOK

The Fund achieved robust activity levels in the first quarter of 2010, setting a Company record for number of Canadian operating days in the quarter despite the early onset of spring break-up The increase in horizontal wells drilled in the industry, and by the Fund, in the quarter is a positive trend that has continued. With the industry focusing more attention on oil production, it is anticipated that horizontal drilling activity will continue to represent a larger portion of wells drilled, and the Fund expects to continue to capitalize on this trend.

Although the Fund had forecasted an increase in activity for the quarter, the level of demand that was experienced was greater than anticipated. To service its client needs, Phoenix had to supplement its existing fleet with a significant amount of performance drilling motor and MWD system rentals. Margins in the quarter were adversely affected by these expenses; however, the Fund has now undertaken initiatives to prevent this from re-occurring. MWD systems will be added to the fleet shortly, and additional performance drilling motors and MWD systems are on order to service the higher level of activity anticipated in the North American market in the third and fourth quarters of 2010.

In addition, Phoenix has added resistivity while drilling systems to its tool fleet. Currently, three systems are to be utilized in Phoenix's recently announced operations in Russia, and the Fund foresees these operations adding to its growing international presences established in Peru and Albania.

Phoenix believes strong activity levels will be realized in the quarters to follow. In North America, horizontal oil well drilling will likely continue to expand as operators further explore the existing drilling areas and as new oil resource plays emerge. Although natural gas drilling activities are somewhat uncertain due to current low prices, Phoenix's foothold in the key gas plays, such as the Montney and Marcellus, will remain steady.

John Hooks
Chairman of the Board,
President and Chief Executive Officer
May 6, 2010

NON-GAAP MEASURES

1) EBITDA

EBITDA, defined as earnings before interest, taxes, depreciation and amortization, is not a financial measure that is recognized under GAAP. However, management believes that EBITDA provides supplemental information to net earnings that is useful in evaluating the Fund's operations before considering how it was financed or taxed in various countries. Investors should be cautioned; however, that EBITDA should not be construed as an alternative measure to net earnings determined in accordance with GAAP. Phoenix's method of calculating EBITDA may differ from that of other organizations and, accordingly, its EBITDA may not be comparable to that of other companies.

The following is a reconciliation of net earnings to EBITDA:

(Stated in thousands of dollars)

Three-month period ended March 31,	**2010**	2009
Net earnings	**3,750**	5,475
Add (deduct):		
Depreciation and amortization	**2,650**	2,873
Provision for (Recovery of) income taxes	**(189)**	640
Interest on long-term debt	**34**	48
Other interest (income)	**29**	(3)
EBITDA as reported	**6,274**	9,033

Diluted EBITDA per unit is calculated using the treasury stock method whereby deemed proceeds on the exercise of the unit options are used to reacquire fund units at an average unit price. The calculation of EBITDA on a dilutive basis does not include anti-dilutive options.

2) DISTRIBUTABLE CASH

Distributable cash is defined as cash flows generated from operating activities before net changes in non-cash working capital, and is not a measure recognized under GAAP. However, management believes that distributable cash provides supplemental information to cash flows from operating activities that is useful in evaluating the Fund's operating cash flow before considering changes in working capital balances. Management uses this measure to calculate its cash payout ratio to show what percentage of its distributable cash is paid out to its unitholders. Investors should be cautioned; however, that distributable cash should not be construed as an alternative measure to cash flows from operating activities determined in accordance with GAAP. Phoenix's method of calculating distributable cash may differ from that of other organizations and, accordingly, its distributable cash may not be comparable to that of other companies.

The Fund considers its maintenance capital expenditures to be minimal. Maintenance capital would only be relevant to the Fund's retirement of tubular equipment that is subsequently replaced. Typically, lost-in-hole equipment is replaced, but these losses are funded by the proceeds from insurance or customers. In addition, due to the nature of the industry, the Fund's drilling equipment is frequently re-conditioned to an "as new" state with the associated costs expensed and included in the Fund's direct costs. Consequently, the Fund will not make an adjustment to distributable cash for capital maintenance expenditures. The Fund's assumptions used with respect to maintenance capital are believed to be reasonable at the time of preparation; however, no assurance can be given that these assumptions will prove to be correct and, consequently, the Fund's distributable cash could differ materially in the future.

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

(Stated in thousands of dollars)

Three-month period ended March 31,	**2010**	2009
Cash flows from operating activities	**3,986**	(547)
Add (deduct):		
Changes in non-cash working capital	**1,734**	9,762
Distributable cash	**5,720**	9,215

Diluted distributable cash per unit is calculated using the treasury stock method whereby deemed proceeds on the exercise of the unit options are used to reacquire fund units at an average unit price. The calculation of distributable cash per unit on a dilutive basis does not include anti-dilutive options.

3) CASH PAYOUT RATIO

The cash payout ratio is defined as cash distributions made by the Fund in the period divided by its distributable cash for the same period. The cash payout ratio is not a measure recognized under GAAP. However, management believes the cash payout ratio provides supplemental information that is useful in evaluating the level of cash distributions in relation to the Fund's distributable cash. Investors should be cautioned; however, that the cash payout ratio should not be construed as an alternative measure to other GAAP measures. Phoenix's method of calculating its cash payout ratio may differ from other organizations, and accordingly, the cash payout ratio may not be comparable to other companies.

Overview of Business

Phoenix is in the business of providing horizontal and directional technology and drilling services in Canada, the United States, Peru and Albania. Phoenix manufactures its CLT-EM MWD tool, which was developed by its research and development department, for use in the Fund's internal operations. The Fund maintains its corporate head office, research and development, Canadian sales, service and operational centers in Calgary, Alberta. The Fund's US operations, conducted through the Fund's wholly-owned subsidiary, Nevis Energy Services Inc., is headquartered in Houston, Texas. Nevis has sales and service facilities in Houston, Texas; Traverse City, Michigan; and Casper, Wyoming. In addition, sales offices are located in Denver, Colorado, Fort Worth, Texas and just recently in Corpus Christi, Texas.

For further Information please contact:

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CONSOLIDATED BALANCE SHEETS

(unaudited)

	March 31, 2010	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,629,691	$ 2,488,970
Accounts receivable	33,708,775	28,660,353
Inventory	6,992,387	7,022,053
Prepaid expenses	2,397,357	2,085,643
Income tax receivable	1,891,449	2,845,643
	50,619,659	43,102,662
Drilling and other equipment	64,389,454	62,805,570
Goodwill	8,876,351	8,876,351
	$ 123,885,464	$ 114,784,583
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Bank indebtedness	$ -	$ 4,241,058
Accounts payable and accrued liabilities	20,984,638	16,846,978
Distributions payable	999,951	1,001,384
Current portion of long-term debt	360,000	-
	22,344,589	22,089,420
Long-term debt	8,640,000	-
Future income taxes	446,980	1,243,105
	31,431,569	23,332,525
Unitholders' equity:		
Unitholders' capital	83,816,936	82,433,639
Contributed surplus	3,696,547	3,872,850
Retained earnings	9,174,247	8,605,559
Accumulated other comprehensive income	(4,233,835)	(3,459,990)
	4,940,412	5,145,569
	92,453,895	91,452,058
	$ 123,885,464	$ 114,784,583

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited)

Three month-period ended March 31,	2010	2009
Revenue	$ 43,214,355	$ 35,533,929
Direct costs	32,394,311	22,872,609
Gross profit	10,820,044	12,661,320
Expenses:		
Selling, general and administrative	4,625,895	4,773,177
Depreciation and amortization	2,650,371	2,873,055
Stock-based compensation	176,455	149,379
Foreign exchange loss (gain)	170,019	(179,717)
Interest on long-term debt	34,027	48,265
Other interest (income)	29,124	(2,681)
Gain on disposition of drilling equipment	(425,940)	(1,115,015)
	7,259,951	6,546,463
Earnings before income taxes	3,560,093	6,114,857
Provision for (Recovery of) income taxes		
Current	397,370	(1,423,259)
Future	(587,234)	2,063,259
	(189,864)	640,000
Net earnings	$ 3,749,957	$ 5,474,857
Earnings per unit - basic	$ 0.14	$ 0.23
Earnings per unit - diluted	$ 0.14	$ 0.23

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

Three month-period ended March 31,	2010	2009
Net earnings	$ 3,749,957	$ 5,474,857
Foreign currency adjustment	(773,845)	803,465
Comprehensive income	$ 2,976,112	$ 6,278,322

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

Three month-period ended March 31,	**2010**	2009
Cash flows from operating activities:		
Net earnings	**$ 3,749,957**	$ 5,474,857
Add (deduct) items not affecting cash		
Depreciation and amortization	**2,650,371**	2,873,055
Future income taxes	**(587,234)**	2,063,259
Unrealized foreign exchange loss (gain)	**156,584**	(230,613)
Gain on disposition of drilling equipment	**(425,940)**	(1,115,015)
Stock-based compensation	**176,455**	149,379
Recovery of bad debts		-
Change in non-cash working capital	**(1,734,354)**	(9,761,747)
	3,985,839	(546,825)
Cash flows from investing activities:		
Proceeds on disposition of drilling equipment	**1,324,776**	3,254,776
Acquisition of drilling and other equipment	**(5,619,902)**	(5,423,276)
Change in non-cash working capital	**656,672**	(3,965,643)
	(3,638,454)	(6,134,143)
Cash flows from financing activities:		
Issuance of Fund units	**1,030,539**	130,563
Issuance of units from equity financing		-
Distributions to unitholders	**(2,996,145)**	(6,209,094)
Proceeds on long-term debt	**9,000,000**	-
Proceeds on (Repayment of) bank overdraft facility	**(4,241,058)**	2,051,883
	2,793,336	(4,026,648)
Increase (Decrease) in cash and cash equivalents	**3,140,721**	(10,707,616)
Cash and cash equivalents, beginning of period	**2,488,970**	12,621,811
Cash and cash equivalents, end of period	**$ 5,629,691**	$ 1,914,195
Supplemental information		
Income taxes paid	**$ 257,641**	$ 276,803
Interest paid	**$ 34,027**	$ 20,630