PHX ENERGY SERVICES CORP.

Press Release
August 4, 2026
TSX – PHX
Calgary, Alberta

PHX Energy Announces Highest Second Quarter Revenue in its History and Continued Record RSS Activity

Second Quarter Highlights

- For the three-month period ended June 30, 2026, PHX Energy generated consolidated revenue of $178.9 million, which is 7 percent higher than the $167.7 million generated in the second quarter of 2025 and the highest level of second quarter revenue in the Corporation's history. For the second consecutive quarter, the Corporation achieved record Rotary Steerable Systems ("RSS") activity which represented 21 percent of the Corporation's consolidated activity (2025 – 20 percent). PHX Energy's consolidated operating days increased by 7 percent quarter-over-quarter which was mainly driven by increased Canadian division activity. Consolidated revenue in the 2026-quarter included $15.4 million of motor rental revenue (2025 - $13.8 million).

- In the second quarter of 2026, adjusted EBITDA(1) was $33 million, 18 percent of consolidated revenue(1), an increase of 20 percent compared to $27.4 million, 16 percent of consolidated revenue, in the same 2025-quarter.

- Earnings in the 2026 three-month period were $11 million, $0.21 per share, as compared to $8.5 million, $0.17 per share, in the same 2025-period. Higher earnings were primarily driven by increased revenue and strong performance in RSS and motor rental activities, both of which are high-margin businesses for the Corporation. In addition, earnings in the 2026-quarter benefited from lower cash-settled share-based compensation expense and tariff refund recoveries. Earnings in the 2026-period included depreciation and amortization expenses for drilling and other equipment of $17.2 million (pre-tax) which is a 37 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 $2.6 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 became effective in the third quarter of 2025.

- In the 2026-quarter, PHX Energy's US division's revenue was $127.8 million, virtually the same level as the $128.1 million generated in the second quarter of 2025. The US division's operating days held steady with a marginal decline of 1 percent. In comparison, the average number of active horizontal and directional rigs per day in the US industry declined by 4 percent quarter-over-quarter. Despite the contraction in industry activity, the US division achieved record RSS activity which represented 25 percent of the division's operating days in the second quarter of 2026 (2025 - 24 percent). US division revenue in the 2026-quarter represented 71 percent of consolidated revenue (2025 - 76 percent).

- PHX Energy's Canadian division reported $51.1 million of quarterly revenue, a 29 percent increase compared to $39.6 million in the 2025-quarter and the highest level of second quarter revenue for the division. In the 2026 three-month period, the segment achieved record RSS activity which represented 15 percent of its operating days (2025 – 13 percent). In addition to strong RSS activity, the division's revenue growth was supported by increased activity levels. Quarter-over-quarter, the Canadian division reported a 24 percent increase in operating days, which is slightly ahead of the 22 percent increase in industry drilling days.

- The Corporation's net capital expenditures[(2)], which account for proceeds on disposition of drilling and other equipment, were $1.9 million for the 2026-quarter. For the three-month period ended June 30, 2026, PHX Energy spent $15.1 million in capital expenditures and proceeds on disposition of drilling and other equipment were $13.1 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 June 30, 2026, the Corporation generated excess cash flow[(2)] of $20.5 million, after deducting net capital expenditures[(2)] of $1.9 million (2025 - $9.3 million and $9.9 million, respectively).

- On June 12, 2026, the Corporation declared a dividend of $0.20 per share or $9.2 million, payable on July 15, 2026, to shareholders of record on June 30, 2026.

- As of June 30, 2026, the Corporation had CAD $64.5 million drawn on its Canadian credit facilities, nothing drawn on its US operating facility, and a cash balance of $20.6 million, resulting in net debt[(2)] of $43.9 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 $45.1 million and USD $25 million available to be drawn from its credit facilities as at the end of the 2026-quarter.

- As at June 30, 2026, the Corporation had a working capital[(2)] of $135 million.

Financial Highlights

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

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2026	2025	% Change	**2026**	2025	% Change
Operating Results						
Revenue	**178,911**	167,670	7	**362,795**	361,374	-
Earnings	**10,966**	8,522	29	**19,901**	28,682	(31)
Earnings per share - diluted	**0.21**	0.17	24	**0.44**	0.62	(29)
Adjusted EBITDA (1)	**32,951**	27,356	20	**62,907**	68,043	(8)
Adjusted EBITDA per share - diluted (1)	**0.71**	0.59	20	**1.38**	1.46	(5)
Adjusted EBITDA as a percentage of revenue (1)	**18%**	16%		**17%**	19%	
Adjusted EBITDA excluding share-based compensation (1)	**33,708**	28,545	18	**73,249**	71,892	2
Adjusted EBITDA excluding share-based compensation per share - diluted (1)	**0.72**	0.62	16	**1.60**	1.55	3
Adjusted EBITDA excluding share-based compensation as a percentage of revenue (1)	**19%**	17%		**20%**	20%	
Cash Flow						
Cash flows from operating activities	**13,513**	10,489	29	**12,983**	21,409	(39)
Funds from operations (2)	**23,874**	20,595	16	**44,521**	53,957	(17)
Funds from operations per share - diluted (3)	**0.51**	0.45	13	**0.97**	1.16	(16)
Dividends paid per share (3)	**0.20**	0.20	-	**0.60**	0.40	50
Dividends paid	**9,101**	9,112	-	**27,250**	18,214	50
Capital expenditures	**15,054**	20,748	(27)	**43,560**	45,441	(4)
Excess cash flow (2)	**20,489**	9,322	120	**23,483**	27,485	(15)
Financial Position				**Jun 30 ’26**	Dec 31 ‘25	
Working capital (2)				**134,970**	110,910	22
Net debt (2)				**43,901**	6,382	n.m.
Shareholders’ equity				**231,102**	229,043	1
Common shares outstanding				**45,761,105**	45,367,773	1

n.m. – not meaningful

Outlook

We are pleased with our operational and financial performance in the first half of 2026. Going into the second half of the year, North American industry activity is showing an uptick in the third quarter, supported by strengthening commodity prices and we believe this may be the beginning of what appears to be a positive shift in market conditions.

Premium RSS work continues to represent the highest activity levels in the Corporation's history, solidifying our reputation as a Tier 1 provider while generating higher margins. The Corporation's increased capital expenditure program has positioned us to support this growth through continued investment in our premium technologies, particularly RSS, and we expect these investments to contribute to future operating performance.

Both our full service, including RSS services, and Atlas rental divisions in the US have demonstrated the ability to continue delivering growth beyond underlying market trends. As industry activity strengthens, we believe we are well positioned to build on this momentum, leveraging our premium technology offering and operational execution to gain more market share. Thus far in the third quarter our activity levels are trending upward as the rig count has increased.

In Canada, RSS continues to represent the most significant growth opportunity, particularly as we continue to expand our owned RSS fleet. Our focused marketing initiatives continue to strengthen our competitive position and expand our RSS market share, as demonstrated by our record level of activity during the first half of the year. We expect RSS growth in Canada to remain a key strategic priority through the remainder of 2026.

Technology leadership remains a cornerstone of our strategy. We continue to invest in the development and enhancement of our proprietary drilling technologies to improve drilling performance, operational reliability and customer value. This includes the continued advancement of our Real-Time RSS Communications technology, which further differentiates our service offering and strengthens our competitive position.

Inflationary pressures and uncertainty surrounding the trade environment continue to present challenges and risks across the industry and our operations. If new tariffs are enacted or other changes occur in the trade environment it could have an impact on our supply chain and costs. We remain focused on protecting our margins through disciplined cost management, procurement and logistics strategies, operational efficiencies and continued investment in technologies that support long-term profitability.

Our capital allocation priorities remain unchanged. We will continue to balance disciplined investment in strategic growth opportunities with maintaining a strong balance sheet and returning capital to shareholders through our Return of Capital Strategy ("ROCS"), including sustainable dividends and opportunistic share repurchases. To support ROCS, we intend to submit an application to renew our normal course issuer bid for another 12 months in the upcoming weeks.

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 disciplined approach to capital allocation continues to balance investment in long-term growth with returning capital to shareholders, positioning the Corporation to create sustainable value.

Michael Buker, President & CEO
August 4, 2026

Financial Results

For the three-month period ended June 30, 2026, PHX Energy generated record second quarter consolidated revenue of $178.9 million which is 7 percent higher than the $167.7 million generated in the same period of 2025. Revenue growth was primarily driven by strong drilling activity in Canada and continued momentum in the Corporation's RSS business which is driven by the ongoing fleet expansion and increased customer adoption of RSS and related premium drilling technologies.

In the second quarter of 2026, the Corporation's US division's revenue was flat at $127.8 million compared to $128.1 million in the same 2025-quarter. PHX Energy's US operating days were 4,427 days in the three-month period of 2026 compared to 4,486 in the same 2025-period, representing a modest 1 percent decline. This compares favorably to the US rig count which decreased 4 percent quarter-over-quarter. For the three-month period ended June 30, 2026, the US division achieved record RSS activity which represented 25 percent of the division's operating days, as compared to 24 percent in the same 2025-period. The US division's average revenue per day(3) for directional drilling services remained stable quarter-over-quarter in both local and reporting currency. In the 2026 three-month period, the Corporation's US motor rental division's revenue grew by 14 percent to $13.6 million from $12 million in the same 2025-period and the US division generated $0.4 million of revenue from motor equipment and parts sold (2025 - $1 million). Revenue from the Corporation's US division in the quarter represented 71 percent of consolidated revenue (2025 - 76 percent).

For the three-month period ended June 30, 2026, the Corporation's Canadian segment generated revenue of $51.1 million, a 29 percent increase compared to $39.6 million in the same 2025-period and the highest level of second quarter revenue for the division. The Canadian division recorded 2,920 operating days in the 2026-quarter, up 24 percent from the 2,362 operating days in the comparable 2025-quarter. This growth exceeded the 22 percent increase in Canadian industry drilling days during the same period. In the second quarter of 2026, the Canadian segment achieved record RSS activity which represented 15 percent of its operating days, an increase from 13 percent in the same 2025-quarter. With continued growth in RSS activity, the Canadian division's average revenue per day(3) for directional drilling services rose 6 percent to $16,915 in the 2026-quarter from $15,966 in the comparable 2025-quarter. PHX Energy's Canadian motor rental division generated $1.8 million of revenue in the 2026-period (2025 - $1.9 million).

In the 2026 three-month period, earnings were $11 million (2025 - $8.5 million), adjusted EBITDA(1) was $33 million (2025 - $27.4 million), and adjusted EBITDA as a percentage of consolidated revenue(1) was 18 percent (2025 – 16 percent). Improved profitability was primarily driven by increased revenue and strong performance in RSS and motor rental activities, both of which are high-margin businesses for the Corporation. In addition, earnings and adjusted EBITDA in the 2026-quarter benefited from lower cash-settled share-based compensation expense and tariff refund recoveries. Earnings in the 2026-period included depreciation and amortization expenses on drilling and other equipment of $17.2 million (pre-tax) which increased by 37 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 $2.6 million in additional depreciation relating to a change in the estimated useful life of certain primary components of motors.

As at June 30, 2026, the Corporation had working capital(2) of $135 million and net debt(2) of $43.9 million. The Corporation has CAD $45.1 million and USD $25 million available to be drawn from its credit facilities at the end of the 2026-quarter.

Dividends and ROCS

On June 12, 2026, the Corporation declared a dividend of $0.20 per share payable to shareholders of record on June 30, 2026. An aggregate of $9.2 million was paid to shareholders on July 15, 2026.

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
Excess cash flow(2)	**20,489**	9,322	**23,483**	27,485
Targeted 70% of excess cash flow under ROCS	**14,342**	6,525	**16,438**	19,240
Add:				
Remaining balance under ROCS target carried forward from the previous year	**-**	-	**8,691**	-
	14,342	6,525	**25,129**	19,240
Deduct:				
Dividends paid to shareholders	**(9,101)**	(9,112)	**(27,250)**	(18,214)
Repurchase of shares under the NCIB	**-**	(911)	**-**	(911)
Remaining balance under ROCS target(2)	**5,241**	(3,498)	**(2,121)**	115

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 June 30, 2026, excess cash flow increased primarily due to higher cash flows from operating activities and lower net capital expenditures(2). Throughout the first half of 2026, the Corporation continued to prioritize shareholder returns while protecting its financial position. For the three and six-month periods ended June 30, 2026, PHX Energy paid $9.1 million and $27.3 million in dividends to shareholders, respectively. These distributions were within the 70 percent target in the 2026-quarter but exceeded the 70 percent target for the first half of the year. With $8.7 million of carried forward balance from 2025, the over distribution at the end of the 2026-quarter was $2.1 million. However, excess cash flow(2) is anticipated to be higher in the second half of the year 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 June 30, 2026 (2025 – 100,000 common shares purchased and cancelled for $0.9 million). The full amount of the current NCIB remains available for repurchase and cancellation.

The Corporation intends to make an application to the TSX for renewal of its NCIB for a further one-year term and, subject to TSX approval, it is the Corporation's intention to continue the strategy of leveraging the NCIB when opportunistic as a tool to further reward shareholders under ROCS.

Capital Spending

For the three-month period ended June 30, 2026, the Corporation spent $15.1 million in capital expenditures, of which $6.3 million was spent on growing the Corporation's fleet of drilling equipment, $7.4 million was spent to replace retired assets, and $1.4 million was spent to replace equipment lost downhole during drilling operations. With proceeds on disposition of drilling and other equipment of $13.1 million, the Corporation's net capital expenditures(2) for the 2026-period were $1.9 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 Velocity Real-Time systems ("Velocity") and RSS, both PowerDrive Orbit and iCruise and the Corporation's proprietary Real-Time RSS Communications technologies.

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
Growth capital expenditures	**6,318**	12,386	**21,898**	27,991
Maintenance capital expenditures from asset retirements	**7,375**	6,363	**16,930**	14,200
Maintenance capital expenditures to replace downhole equipment losses	**1,361**	2,000	**4,732**	3,250
Total capital expenditures	**15,054**	20,749	**43,560**	45,441
Deduct:				
Proceeds on disposition of drilling equipment	**(13,116)**	(10,886)	**(25,400)**	(21,805)
Net capital expenditures(2)	**1,938**	9,863	**18,160**	23,636

As at June 30, 2026, the Corporation had capital commitments to purchase drilling and other equipment for $29.2 million, $18.6 million of which is growth capital allocated as follows: $10.5 million for RSS systems, $4.4 million for Velocity and other guidance systems, $1.1 million for performance drilling motors, and $2.6 million for other equipment. Equipment on order is largely expected to be delivered before the end of the 2026-year.

In June 2026, the Board approved an increase to the 2026 capital expenditure budget from $65 million to $80 million, of which approximately 60 percent is 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 967 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 116 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 7⅞" 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 June 30,			Six-month periods ended June 30,		
	2026	2025	% Change	**2026**	2025	% Change
Directional drilling services	**163,175**	152,856	7	**333,528**	331,041	1
Motor rental	**15,372**	13,847	11	**28,505**	26,728	7
Sale of motor equipment and parts	**364**	967	(62)	**762**	3,605	(79)
Total revenue	**178,911**	167,670	7	**362,795**	361,374	-

For the three-month period ended June 30, 2026, PHX Energy generated consolidated revenue of $178.9 million, which is 7 percent higher than the $167.7 million generated in the second quarter of 2025 and the highest level of second quarter revenue in the Corporation's history. Both strong drilling activity in Canada and record RSS activity, which represented 21 percent of the Corporation's consolidated activity in the 2026-quarter (2025 - 20 percent) were key drivers of these results. For the six-month period ended June 30, 2026, the Corporation generated consolidated revenue of $362.8 million, which is largely unchanged from $361.4 million in the same period of 2025.

In the 2026 three-month period, the average number of horizontal and directional rigs operating per day in the US was 524, which is 4 percent lower compared to the same quarter in 2025 and a slight increase of 1 percent compared to the daily average of 519 in the first quarter of 2026. In Canada, industry horizontal and directional drilling activity (as measured by drilling days) was 13,068 days in the 2026-quarter, a 22 percent increase from 10,708 days in the same 2025-quarter. In comparison, the Corporation's consolidated operating days increased by 7 percent to 7,347 days in the 2026-quarter as compared to 6,848 days in the 2025-quarter. For the six-month period ended June 30, 2026, consolidated operating days were marginally down 1 percent to 15,355 from 15,448 in the same period of 2025.

In both the three and six-month periods of 2026, average consolidated revenue per day[3] for directional drilling services remained relatively consistent at $22,211 (2025 - $22,323) and $21,722 (2025 – $21,430), respectively.

For the three and six-month periods of 2026, revenue generated by PHX Energy's Atlas motor rental division increased by 11 percent to $15.4 million (2025 - $13.8 million) and 7 percent to $28.5 million (2025 - $26.7 million), respectively. The Corporation's US motor rental division continues to strive for growth through the expansion of its customer base, driven by targeted marketing initiatives and strategic investments in operational resources.

In the 2026 three and six-month periods, revenue of $0.4 million and $0.8 million, respectively, was generated from the sale of motor equipment and parts (2025 - $1 million and $3.6 million, respectively). 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 June 30,			Six-month periods ended June 30,		
	2026	2025	% Change	**2026**	2025	% Change
Direct costs	**155,672**	143,444	9	**309,190**	296,859	4
Depreciation & amortization drilling and other equipment (included in direct costs)	**17,220**	12,613	37	**34,168**	25,182	36
Depreciation & amortization right-of-use asset (included in direct costs)	**839**	864	(3)	**1,675**	1,751	(4)
Gross profit as a percentage of revenue excluding depreciation & amortization(1)	**23%**	22%		**25%**	25%	

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 June 30, 2026, direct costs increased by 9 percent to $155.7 million as compared to $143.4 million in the same 2025-period. For the six-month period ended June 30, 2026, direct costs increased 4 percent to $309.2 million from $296.9 million in 2025.

In the 2026 three and six-month periods, the Corporation's depreciation and amortization on drilling and other equipment increased by 37 percent and 36 percent, respectively, mainly as result of ongoing fixed asset additions as well as additional depreciation recorded in the 2026-periods relating to a change in the estimated useful life of certain primary components of motors that was effective in the third quarter of 2025. The Corporation recorded an additional $2.6 million and $5.4 million of additional depreciation in the three and six-month periods ended June 30, 2026, respectively, relating to the aforementioned change.

Apart from higher depreciation and amortization expenses on drilling and other equipment, the increase in direct costs in both 2026-periods was largely from higher activity levels, particularly RSS and motor rentals, as well as rising costs of equipment parts and repair services. Certain motor and RSS-related repair costs have increased during the period, and Management is proactively evaluating alternative vendors and negotiating pricing concessions to help mitigate these expenses. Additionally, the Corporation also relied on rental equipment in select cases to satisfy client demand for RSS services.

For the three-month period ended June 30, 2026, gross profit as a percentage of revenue excluding depreciation and amortization(1) increased to 23 percent from 22 percent in the comparable period of 2025. The improvement was primarily driven by stronger activity and the recovery of $1.5 million in tariff refunds during the quarter. For the six-month period ended June 30, 2026, gross profit as a percentage of revenue excluding depreciation and amortization(1) remained stable at 25 percent.

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2026	2025	% Change	**2026**	2025	% Change
Selling, general and administrative ("SG&A") costs	**15,957**	16,685	(4)	**42,091**	35,815	18
Cash-settled share-based compensation (included in SG&A costs)	**757**	1,189	(36)	**10,342**	3,849	169
Equity-settled share-based compensation (included in SG&A costs)	**198**	151	31	**296**	240	23
SG&A costs excluding share-based compensation as a percentage of revenue(1)	**8%**	9%		**9%**	9%	

For the three-month period ended June 30, 2026, SG&A costs were $16 million, 4 percent lower compared to $16.7 million in the corresponding 2025-period. For the six-month period ended June 30, 2026, SG&A costs were $42.1 million, 18 percent higher compared to $35.8 million in the corresponding 2025-period. Lower SG&A costs in the 2026 three-month period were mainly due to a 36 percent decrease in cash-settled share-based compensation expense compared to the corresponding period in 2025. Higher SG&A costs for the 2026 six-month period were primarily attributable to increased cash-settled share-based compensation largely driven by PHX Energy's higher share price during the first quarter of 2026.

Cash-settled share-based compensation relates to the Corporation's retention awards and is measured at fair value. For the three-month period ended June 30, 2026, the related compensation expense recognized by PHX Energy was $0.8 million as compared to $1.2 million in the same 2025-period. For the six-month period ended June 30, 2026, the related compensation expense recognized by PHX Energy was $10.3 million (2025 - $3.8 million). Changes in cash-settled share-based compensation expense in the 2026-periods were mainly driven by fluctuations in the Corporation's share price and the number of awards granted in the period. In the 2026 three-month period, the Corporation's share price decreased from $13.21 at March 31, 2026 to $10.64 at June 30, 2026 (2025 – decreased from $8.86 at March 31, 2025 to $8.05 at June 30, 2025). In the 2026 six-month period, the Corporation's share price increased from $7.50 at December 31, 2025 to $10.64 at June 30, 2026 (2025 – decreased from $9.32 at December 31, 2024 to $8.05 at June 30, 2025). There were 1,437,897 retention awards outstanding as at June 30, 2026 (2025 – 1,362,640). SG&A costs excluding share-based compensation as a percentage of revenue(1) remained relatively consistent at 8 percent and 9 percent for the three and six-month periods ended June 30, 2026, respectively, compared with 9 percent in both periods in 2025.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2026	2025	% Change	**2026**	2025	% Change
Research and development expense	**1,864**	1,607	16	**3,747**	3,387	11

For the three and six-month periods ended June 30, 2026, PHX Energy spent $1.9 million and $3.7 million on research and development ("R&D") expenditures, an increase of 16 percent and 11 percent as compared to $1.6 million and $3.4 million spent in the corresponding 2025-periods. Higher R&D expenditures in the 2026-period were primarily driven by increased personnel related costs and prototype and equipment parts expenses in support of key development projects, including the advancement of PHX Energy's Real-Time RSS Communications fleet and the expansion of RSS capabilities. Since 2020, the Corporation has steadily increased its investments in R&D to maintain and strengthen its position as a technology leader in the sector.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2026	2025	% Change	**2026**	2025	% Change
Finance expense	**859**	703	22	**1,577**	1,309	20
Finance expense lease liabilities	**432**	483	(11)	**875**	989	(12)

Finance expenses mainly relate to interest charges on the Corporation's credit facilities. For the three and six-month periods ended June 30, 2026, finance expense increased to $0.9 million and $1.6 million, respectively (2025 - $0.7 million and $1.3 million). Finance expenses increased in both 2026-periods primarily due to higher utilization of credit facilities to fund capital acquisitions, dividends, and share-based payments.

Finance expense lease liabilities relate to interest expense incurred on lease liabilities. For the three and six-month periods ended June 30, 2026, finance expense lease liabilities declined to $0.4 million and $0.9 million, respectively (2025 - $0.5 million and $1 million) due to leases that expired in the 2025 and 2026-periods.

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
Net gain on disposition of drilling equipment	**9,193**	7,651	**18,552**	15,512
Foreign exchange gains (losses)	**227**	(200)	**386**	(415)
Miscellaneous other income	**168**	-	**348**	-
Recovery of bad debt	**-**	-	**117**	-
Other income	**9,588**	7,451	**19,403**	15,097

For the three and six-month periods ended June 30, 2026, the Corporation recognized other income of $9.6 million and $19.4 million, respectively (2025 - $7.5 million and $15.1 million). In both periods, other income primarily consists of net gain on disposition of drilling equipment. These gains mainly arise from instances of downhole equipment losses where operators compensate for the replacement cost of the lost drilling equipment. The gain represents the amount by which the compensation received exceeds the carrying value 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 both 2026-periods, a greater number of high-value downhole equipment losses occurred compared to the corresponding 2025-periods, resulting in increased net gains on disposition of drilling equipment.

Foreign exchange gains of $0.2 million and $0.4 million in the three and six-month periods of 2026 (2025 – $0.2 million and $0.4 million losses), were primarily due to the revaluation and settlement of CAD-denominated intercompany payables in the US.

In the three and six-month periods of 2026, the miscellaneous other income of $0.2 million and $0.3 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 six-month period ended June 30, 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 June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
Provision for income taxes	**2,749**	3,677	**4,817**	9,430
Effective tax rates[3]	**20%**	30%	**19%**	25%

For the three and six-month periods ended June 30, 2026, the Corporation reported a provision for income tax of $2.7 million and $4.8 million, respectively (2025 - $3.7 million and $9.4 million). In the three and six-month periods of 2026, PHX Energy's effective tax rate[3] of 20 percent and 19 percent, respectively was below 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. The lower effective tax rates primarily resulted from the non-taxable portion of gains on disposal of assets in Canada and lower income tax rate in the international jurisdiction.

Segmented Information

The Corporation reports two operating segments on a geographical basis throughout the US, primarily in the Gulf Coast, Mid-Continental, Northeast, and Rocky Mountain regions, 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 June 30,			Six-month periods ended June 30,		
	2026	2025	% Change	**2026**	2025	% Change
Directional drilling services	**113,791**	115,153	(1)	**227,684**	237,641	(4)
Motor rental	**13,614**	11,961	14	**25,131**	22,975	9
Sale of motor equipment and parts	**364**	967	(62)	**762**	3,605	(79)
Total revenue	**127,769**	128,081	-	**253,577**	264,221	(4)
Direct costs	**111,802**	107,701	4	**218,447**	216,997	1
Gross profit	**15,967**	20,380	(22)	**35,130**	47,224	(26)
Expenses:						
Selling, general and administrative expenses	**7,207**	7,626	(5)	**14,931**	15,463	(3)
Research and development expenses	**-**	-	-	**-**	-	-
Finance expense	**-**	-	-	**-**	-	-
Finance expense lease liability	**143**	178	(20)	**293**	374	(22)
Other income	**(8,740)**	(7,093)	23	**(15,512)**	(11,737)	32
Reportable segment profit before income taxes	**17,357**	19,669	(12)	**35,418**	43,124	(18)

For the three and six-month periods ended June 30, 2026, PHX Energy's US division generated revenue of $127.8 million and $253.6 million, respectively, flat, and a decrease of 4 percent as compared to $128.1 million and $264.2 million in the corresponding 2025-periods.

In the 2026 three-month period, the US segment recorded 4,427 operating days, a 1 percent decrease from 4,486 days in the comparable 2025-period. In comparison, the average number of active horizontal and directional rigs per day in the US industry declined by 4 percent to 524 compared to an average of 544 rigs per day in the corresponding 2025-period. Despite softer industry drilling activity, the US division sustained market share through its differentiated technologies and strong operational performance. In the second quarter of 2026, the US division achieved record RSS activity which represented 25 percent of its operating days, an increase compared to 24 percent in the 2025-quarter. For the three-month period ended June 30, 2026, the US division's average revenue per day(3) for directional drilling services was flat at $25,704 compared to $25,670 in the same 2025-period.

For the six-month period ended June 30, 2026, US operating days(3) were 8,713, a 4 percent decrease compared to 9,035 days in the corresponding 2025-period. In comparison, the average number of active horizontal and directional rigs per day in the US industry declined by 5 percent over the same period. RSS activity increased to 26 percent of operating days in the first half of 2026 from 23 percent in the same 2025-period. For the six-month period ended June 30, 2026, the US division's average revenue per day marginally decreased by 1 percent to $26,132 from $26,304 in the corresponding 2025-period.

As operators seek to improve drilling efficiency, the industry trend toward longer lateral sections and more complex horizontal well designs, including U-turn and J wells, has continued in certain basins. The Corporation's fleet capabilities and operational expertise are well suited to these increasingly sophisticated applications, enabling the US division to remain actively engaged in drilling such wells throughout the first half of 2026. During the 2026-quarter, Phoenix USA was active in the Permian, Eagleford, Scoop/Stack, DJ Basin, Fayetteville, Uinta, Haynesville, and Marcellus/Utica basins. Additionally, the division was involved with Gulf Coast gas storage projects and geothermal wells in Nevada.

For the three and six-month periods ended June 30, 2026, US motor rental revenue increased by 14 percent and 9 percent to $13.6 million and $25.1 million, respectively, compared to $12 million and $23 million in the corresponding periods of 2025. The increase in revenue in both 2026-periods was primarily driven by growth in the client base, expanded Atlas motor fleet, and a greater number of operators choosing a la carte approach to drilling services rather than bundled service offerings. As a high-margin business line, the motor rental division continues to be a strategic focus for the Corporation.

In the 2026 three and six-month periods, PHX Energy's US operations generated $0.4 million and $0.8 million of revenue from the sale of motors and parts compared to $1 million and $3.6 million in the corresponding 2025-periods. 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 and six-month periods ended June 30, 2026, the US segment's reportable segment income before tax decreased by 12 and 18 percent to $17.4 million and $35.4 million, respectively (2025 - $19.7 million and $43.1 million). In both 2026-periods, margins declined primarily due to higher direct costs that largely resulted from increased depreciation and amortization of drilling and other equipment, and certain repair and equipment rental costs that grew in relation to greater RSS and motor rental activity. In addition, there were margins lost from the decreased sales of motor equipment and parts. The impact of increased costs on the US division's margins during the 2026-periods was partially offset by lower SG&A costs and higher other income which was primarily from net gains on disposition of drilling and other equipment.

Canada

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2026	2025	% Change	**2026**	2025	% Change
Directional drilling services	**49,384**	37,703	31	**105,844**	93,400	13
Motor rental	**1,758**	1,886	(7)	**3,374**	3,753	(10)
Total revenue	**51,142**	39,589	29	**109,218**	97,153	12
Direct costs	**43,870**	35,743	23	**90,743**	79,862	14
Gross profit	**7,272**	3,846	89	**18,475**	17,291	7
Expenses:						
Selling, general and administrative expenses	**3,626**	3,588	1	**9,642**	7,786	24
Research and development expenses	**-**	-	-	**-**	-	-
Finance expense	**-**	-	-	**-**	-	-
Finance expense lease liability	**273**	287	(5)	**550**	576	(5)
Other income	**(848)**	(358)	137	**(3,891)**	(3,360)	16
Reportable segment profit before income taxes	**4,221**	329	n.m.	**12,174**	12,289	(1)

n.m. – not meaningful

For the three and six-month periods ended June 30, 2026, PHX Energy's Canadian operations generated revenue of $51.1 million and $109.2 million, respectively, a 29 and 12 percent increase from $39.6 million and $97.2 million in the corresponding 2025-periods. In both 2026-periods, the segment saw revenue growth primarily driven by the continued expansion of the Canadian RSS fleet and stronger market penetration as an RSS provider. In the second quarter of 2026, the Canadian segment generated record second quarter revenue and achieved its highest RSS activity to date, with RSS accounting for 15 percent of its activity (2025 - 13 percent). RSS activity in the first half of 2026 rose to 12 percent of operating days from 9 percent in the same 2025-period. Strong growth in RSS activity also drove improvements in the Canadian division's average revenue per day(3) for directional drilling services which increased by 6 and 9 percent to $16,915 and $15,937 in the three and six-month periods ended June 30, 2026, respectively, as compared to $15,966 and $14,564 in the corresponding 2025-periods.

In the 2026 three-month period, PHX Energy's Canadian operating days increased 24 percent to 2,920 days from 2,362 days in the same 2025-quarter. In comparison, industry horizontal and directional drilling activity, as measured by drilling days, increased by 22 percent to 13,068 in the second quarter of 2026 from 10,708 in the 2025-quarter. In the 2026 six-month period, the Canadian segment's operating days(3) increased 4 percent to 6,642 days, in line with the 4 percent increase in industry horizontal and directional drilling activity, as measured by drilling days. 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.

For the three-month period ended June 30, 2026, the Canadian segment's reportable segment income before tax increased to $4.2 million from $0.3 million in the same 2025-period. For the six-month period ended June 30, 2026, the Canadian segment's reportable segment income before tax decreased by 1 percent to $12.2 million from $12.3 million in the comparable 2025-period. In both 2026-periods, stronger activity, particularly in the segment's high-margin RSS revenue stream, led to increased gross profit. In the six-month period of 2026, a higher share price in the first quarter of 2026 increased the cash-settled share-based compensation, which resulted in higher SG&A costs that negatively impacted the division's reportable segment income before tax.

Investing Activities

Net cash used in investing activities for the three-month period ended June 30, 2026 was $6.4 million as compared to $17.9 million in the corresponding 2025-period. During the second quarter of 2026, the Corporation spent $6.3 million (2025 - $12.4 million) to grow the Corporation's fleet of drilling equipment, $7.4 million (2025 - $6.4 million) was used to maintain capacity in the Corporation's fleet of drilling and other equipment, and $1.4 million (2025 – $2 million) was spent to replace equipment lost downhole during drilling operations. With proceeds on disposition of drilling and other equipment of $13.1 million (2025 - $10.9 million), the Corporation's net capital expenditures(2) for the 2026-period were $1.9 million (2025 - $9.9 million).

The 2026-quarter capital expenditures comprised of:

- $9 million in MWD systems and spare components;
- $4.6 million in RSS and Real-Time RSS Communications technologies;
- $0.8 million in downhole performance drilling motors; and
- $0.7 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 $4.4 million (use of cash) for the three-month period ended June 30, 2026, relates to the net change in the Corporation's trade payables that are associated with the acquisition of capital assets (2025 - $6.1 million).

Financing Activities

For the three-month period ended June 30, 2026, net cash used in financing activities was $5.9 million as compared to $4.7 million (source of cash) from financing activities in the same 2025-period. In the 2026-quarter:

- $2.2 million net drawings were made from the Corporation's syndicated credit facility;
- 258,699 common shares were issued from treasury for proceeds of $2 million upon the exercise of share options;
- dividends of $9.1 million were paid to shareholders; and
- payments of $1 million were made towards lease liabilities.

Capital Resources

As of June 30, 2026, the Corporation had CAD $64.5 million drawn on its Canadian credit facilities, nothing drawn on its US operating facility, and a cash balance of $20.6 million. As at June 30, 2026, the Corporation had CAD $45.1 million and USD $25 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 June 30, 2026, the Corporation was in compliance with all its financial covenants. Under the syndicated credit agreement, in any given quarter, 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 June 2026, the Board approved an increase to the 2026 capital expenditure budget from $65 million to $80 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 June 30, 2026, the Corporation has entered into commitments to purchase drilling and other equipment for $29.2 million (2025 - $21 million); equipment on order is largely expected to be delivered before the end 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; 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.

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Condensed Consolidated Interim Statements of Financial Position

(Stated in thousands of dollars, unaudited)	**June 30, 2026**	December 31, 2025
ASSETS		
Current assets:		
Cash	**$ 20,613**	$ 29,107
Trade and other receivables	**163,980**	138,640
Inventories	**63,035**	56,261
Prepaid expenses	**5,178**	2,970
Current tax assets	**7,776**	9,290
Total current assets	**260,582**	236,268
Non-current assets:		
Drilling and other long-term assets	**173,735**	165,001
Right-of-use assets	**19,997**	21,411
Intangible assets	**16,091**	16,304
Investments	**1,085**	2,171
Other long-term assets	**1,743**	1,253
Deferred tax assets	**1,567**	756
Total non-current assets	**214,218**	206,896
Total assets	**$ 474,800**	$ 443,164
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade and other payables	**$ 111,778**	$ 110,896
Dividends payable	**9,153**	9,074
Current lease liabilities	**4,253**	4,050
Current tax liability	**428**	1,338
Total current liabilities	**125,612**	125,358
Non-current liabilities:		
Lease liabilities	**25,524**	27,393
Loans and borrowings	**64,514**	35,489
Deferred tax liabilities	**26,193**	24,317
Other	**1,855**	1,564
Total non-current liabilities	**118,086**	88,763
Equity:		
Share capital	**205,468**	201,722
Contributed surplus	**6,889**	7,326
Deficit	**(17,320)**	(9,894)
Accumulated other comprehensive income (AOCI)	**36,065**	29,889
Total equity	**231,102**	229,043
Total liabilities and equity	**$ 474,800**	$ 443,164

Condensed Consolidated Interim Statements of Comprehensive Earnings

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

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
Revenue	**$ 178,911**	$ 167,670	**$ 362,795**	$ 361,374
Direct costs	**155,672**	143,444	**309,190**	296,859
Gross profit	**23,239**	24,226	**53,605**	64,515
Expenses:				
Selling, general and administrative expenses	**15,957**	16,685	**42,091**	35,815
Research and development expenses	**1,864**	1,607	**3,747**	3,387
Finance expense	**859**	703	**1,577**	1,309
Finance expense lease liabilities	**432**	483	**875**	989
Other income	**(9,588)**	(7,451)	**(19,403)**	(15,097)
	9,524	12,027	**28,887**	26,403
Earnings before income taxes	**13,715**	12,199	**24,718**	38,112
Provision for income taxes				
Current	**3,388**	5,260	**4,500**	10,167
Deferred	**(639)**	(1,583)	**317**	(737)
	2,749	3,677	**4,817**	9,430
Net earnings	**10,966**	8,522	**19,901**	28,682
Other comprehensive income				
Foreign currency translation, net of tax	**4,413**	(10,413)	**7,261**	(10,351)
Equity investment loss through AOCI	**(1,085)**	-	**(1,085)**	-
Total comprehensive earnings	**$ 14,294**	$ (1,891)	**$ 26,077**	$ 18,331
Earnings per share – basic	**$ 0.24**	$ 0.19	**$ 0.44**	$ 0.63
Earnings per share – diluted	**$ 0.21**	$ 0.17	**$ 0.44**	$ 0.62

Condensed Consolidated Interim Statements of Cash Flows

(Stated in thousands of dollars, unaudited)

	Three-month periods ended June 30, 2026	Three-month periods ended June 30, 2025	Six-month periods ended June 30, 2026	Six-month periods ended June 30, 2025
Cash flows from operating activities:				
Earnings	**$ 10,966**	$ 8,522	**$ 19,901**	$ 28,682
Adjustments for:				
Depreciation and amortization	**17,220**	12,613	**34,168**	25,182
Depreciation and amortization right-of-use asset	**839**	864	**1,675**	1,751
Provision for income taxes	**2,749**	3,677	**4,817**	9,430
Unrealized foreign exchange loss (gain)	**(312)**	343	**(402)**	460
Net gain on disposition of drilling equipment	**(9,193)**	(7,651)	**(18,552)**	(15,512)
Equity-settled share-based payments	**198**	151	**296**	240
Finance expense	**859**	703	**1,577**	1,309
Finance expense lease liabilities	**432**	483	**875**	989
Recovery of bad debts	**-**	-	**(117)**	-
Provision for inventory obsolescence	**548**	1,373	**1,158**	2,415
Interest paid on lease liabilities	**(432)**	(483)	**(875)**	(989)
Interest paid	**(753)**	(512)	**(1,198)**	(896)
Income taxes paid	**(179)**	(5,252)	**(3,671)**	(10,738)
Change in non-cash working capital	**(9,429)**	(4,342)	**(26,669)**	(20,914)
Net cash from operating activities	**13,513**	10,489	**12,983**	21,409
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	**13,116**	10,886	**25,400**	21,805
Acquisition of drilling and other equipment	**(15,054)**	(20,748)	**(43,560)**	(45,441)
Acquisition of intangible assets	**-**	(1,905)	**(1,365)**	(5,545)
Change in non-cash working capital	**(4,424)**	(6,115)	**(5,137)**	758
Net cash used in investing activities	**(6,362)**	(17,882)	**(24,662)**	(28,423)
Cash flows from financing activities:				
Net proceeds from loans and borrowings	**2,191**	15,674	**28,832**	24,943
Proceeds from exercise of options	**2,042**	-	**3,013**	180
Dividends paid to shareholders	**(9,101)**	(9,112)	**(27,250)**	(18,214)
Payments of lease liability	**(1,015)**	(927)	**(2,003)**	(1,847)
Repurchase of shares under the NCIB	**-**	(911)	**-**	(911)
Net cash from (used in) financing activities	**(5,883)**	4,724	**2,592**	4,151
Net increase (decrease) in cash	**1,268**	(2,669)	**(9,087)**	(2,863)
Cash, beginning of period	**18,993**	13,971	**29,107**	14,163
Effect of movements in exchange rates on cash held	**352**	(606)	**593**	(604)
Cash, end of period	**$ 20,613**	$ 10,696	**$ 20,613**	$ 10,696

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 renewal of its 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 June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
Earnings:	**10,966**	8,522	**19,901**	28,682
Add (deduct):				
Depreciation and amortization drilling and other equipment	**17,220**	12,613	**34,168**	25,182
Depreciation and amortization right-of-use asset	**839**	864	**1,675**	1,751
Provision for income taxes	**2,749**	3,677	**4,817**	9,430
Finance expense	**859**	703	**1,577**	1,309
Finance expense lease liability	**432**	483	**875**	989
Equity-settled share-based payments	**198**	151	**296**	240
Unrealized foreign exchange loss (gain)	**(312)**	343	**(402)**	460
Adjusted EBITDA	**32,951**	27,356	**62,907**	68,043

b) <u>Adjusted EBITDA Per Share - Diluted</u>

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) <u>Adjusted EBITDA as a Percentage of Revenue</u>

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) <u>Adjusted EBITDA Excluding Cash-settled Share-based Compensation Expense</u>

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 June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
Earnings:	**10,966**	8,522	**19,901**	28,682
Add (deduct):				
Depreciation and amortization drilling and other equipment	**17,220**	12,613	**34,168**	25,182
Depreciation and amortization right-of-use asset	**839**	864	**1,675**	1,751
Provision for income taxes	**2,749**	3,677	**4,817**	9,430
Finance expense	**859**	703	**1,577**	1,309
Finance expense lease liability	**432**	483	**875**	989
Equity-settled share-based payments	**198**	151	**296**	240
Unrealized foreign exchange loss (gain)	**(312)**	343	**(402)**	460
Cash-settled share-based compensation expense	**757**	1,189	**10,342**	3,849
Adjusted EBITDA excluding cash-settled share-based compensation expense	**33,708**	28,545	**73,249**	71,892

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 June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
Revenue	**178,911**	167,670	**362,795**	361,374
Direct costs	**155,672**	143,444	**309,190**	296,859
Gross profit	**23,239**	24,226	**53,605**	64,515
Depreciation & amortization drilling and other equipment (included in direct costs)	**17,220**	12,613	**34,168**	25,182
Depreciation & amortization right-of-use asset (included in direct costs)	**839**	864	**1,675**	1,751
	41,298	37,703	**89,448**	91,448
Gross profit as a percentage of revenue excluding depreciation & amortization	**23%**	22%	**25%**	25%

h) <u>SG&A Costs Excluding Share-Based Compensation as a Percentage of Revenue</u>

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 June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
SG&A Costs	**15,957**	16,685	**42,091**	35,815
Deduct:				
Cash-settled share-based compensation (included in SG&A costs)	**757**	1,189	**10,342**	3,849
Equity-settled share-based compensation (included in SG&A costs)	**198**	151	**296**	240
	15,002	15,345	**31,453**	31,726
Revenue	**178,911**	167,670	**362,795**	361,374
SG&A costs excluding share-based compensation as a percentage of revenue	**8%**	9%	**9%**	9%

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 June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
Cash flows from operating activities	**13,513**	10,489	**12,983**	21,409
Add:				
Changes in non-cash working capital	**9,429**	4,342	**26,669**	20,914
Interest paid	**753**	512	**1,198**	896
Income taxes paid	**179**	5,252	**3,671**	10,738
Funds from operations	**23,874**	20,595	**44,521**	53,957

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 June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
Cash flows from operating activities	**13,513**	10,489	**12,983**	21,409
Add (deduct):				
Changes in non-cash working capital	**9,429**	4,342	**26,669**	20,914
Interest paid	**753**	512	**1,198**	896
Income taxes paid	**179**	5,252	**3,671**	10,738
Cash payment on leases	**(1,447)**	(1,410)	**(2,878)**	(2,836)
	22,427	19,185	**41,643**	51,121
Proceeds on disposition of drilling equipment	**13,116**	10,886	**25,400**	21,805
Maintenance capital expenditures from asset retirements	**(7,375)**	(6,363)	**(16,930)**	(14,200)
Maintenance capital expenditures to replace downhole equipment losses	**(1,361)**	(2,000)	**(4,732)**	(3,250)
Net proceeds	**4,380**	2,523	**3,738**	4,355
Growth capital expenditures	**(6,318)**	(12,386)	**(21,898)**	(27,991)
Excess cash flow	**20,489**	9,322	**23,483**	27,485

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)

	June 30, 2026	December 31, 2025
Current assets	**260,582**	236,268
Deduct:		
Current liabilities	**(125,612)**	(125,358)
Working capital	**134,970**	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)

	June 30, 2026	December 31, 2025
Loans and borrowings	**64,514**	35,489
Deduct:		
Cash	**(20,613)**	(29,107)
Net debt	**43,901**	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 June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
Growth capital expenditures	**6,318**	12,386	**21,898**	27,991
Maintenance capital expenditures from asset retirements	**7,375**	6,363	**16,930**	14,200
Maintenance capital expenditures to replace downhole equipment losses	**1,361**	2,000	**4,732**	3,250
Total capital expenditures	**15,054**	20,749	**43,560**	45,441
Deduct:				
Proceeds on disposition of drilling equipment	**(13,116)**	(10,886)	**(25,400)**	(21,805)
Net capital expenditures	**1,938**	9,863	**18,160**	23,636

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 June 30,		Six-month periods ended June 30,	
	2026	2025	**2026**	2025
Excess cash flow	**20,489**	9,322	**23,483**	27,485
Targeted 70% of excess cash flow under ROCS	**14,342**	6,525	**16,438**	19,240
Add:				
Remaining balance under ROCS target carried forward from the previous year	**-**	-	**8,691**	-
	14,342	6,525	**25,129**	19,240
Deduct:				
Dividends paid to shareholders	**(9,101)**	(9,112)	**(27,250)**	(18,214)
Repurchase of shares under the NCIB	**-**	(911)	**-**	(911)
Remaining balance under ROCS target	**5,241**	(3,498)	**(2,121)**	115

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.