PHOENIX
TECHNOLOGY INCOME FUND

PRESS RELEASE
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TSX - PHX.UN

PHOENIX REPORTS FINANCIAL AND OPERATIONAL RESULTS FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2010

Phoenix Technology Income Fund ("Phoenix" or the "Fund") is pleased to report on its financial and operating results for the three and six-month periods ended June 30, 2010. The Fund reported strong growth in all of its operational areas and posted record levels of revenue and operating days for a second quarter. Consolidated operating days for the three-month period ended June 30, 2010 increased by 117 percent to 3,759 days from 1,731 days for the comparable 2009 period. Phoenix generated consolidated revenue for the three-month period ended June 30, 2010 of $36.6 million as compared to $17.1 million in the 2009 period; an increase of 114 percent.

Distributable cash for the three-month period ended June 30, 2010 was $3.5 million, and with quarterly distributions of $3.0 million, the cash payout ratio for the second quarter was 88 percent. The cash payout ratio was 66 percent for the six-month period ended June 30, 2010.

Due to the strong level of current and anticipated future demand, the Fund has raised its capital expenditure budget to a record $42.0 million. Phoenix anticipates that its 2010 concurrent job capacity will grow by 29 percent from the 113 MWD systems that were present at the start of 2010 to 146 systems by year end.

With the provision of horizontal and directional services in Russia expected to commence in September, it is anticipated that the Fund's International division will provide an increased level of geographical diversification for Phoenix in 2010.

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

	Three-month period ended June 30,			Six-month period ended June 30,		
	2010	2009	% Change	**2010**	2009	% Change
Operating Results	***(unaudited)***	*(unaudited)*		***(unaudited)***	*(unaudited)*	
Revenue	**36,585**	17,085	114	**79,799**	52,619	52
Net earnings	**986**	(887)	211	**4,736**	4,588	3
Earnings per unit – diluted	**0.04**	(0.04)	200	**0.18**	0.19	(5)
EBITDA [1]	**3,382**	(1,101)	407	**9,655**	7,932	22
EBITDA per unit – diluted [1]	**0.13**	(0.05)	360	**0.36**	0.32	13
Cash Flow						
Cash flows from operating activities	**5,072**	9,906	(49)	**9,058**	9,359	(3)
Distributable cash [1]	**3,455**	(26)	n.m.	**9,176**	9,189	-
Distributable cash per unit – diluted [1]	**0.13**	-	n.m.	**0.34**	0.38	(11)
Cash distributions made	**3,028**	6,222	(51)	**6,024**	12,431	(52)
Cash distributions per unit [2]	**0.120**	0.255	(53)	**0.240**	0.510	(53)
Cash payout ratio[1]	**88%**	n.m.		**66%**	135%	
Capital expenditures	**12,262**	2,217	453	**17,882**	7,640	134
Financial Position - *(unaudited)*				**Jun 30, '10**	Dec 31, '09	
Working capital				**13,685**	21,013	(35)
Long-term debt [3]				**5,000**	-	n.m.
Unitholders' equity				**92,497**	91,452	1
Fund units outstanding				**26,775,103**	26,505,110	1

(1) Refer to non-GAAP measures section.
(2) Cash distributions on a per unit basis paid in the period.
(3) Includes 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:

- Phoenix anticipates that its 2010 concurrent job capacity will grow by 29 percent from the 113 MWD systems that were present at the start of 2010 to 146 systems by year end;

- With the provision of horizontal and directional services in Russia expected to commence in September, it is anticipated that the Fund’s International division will provide an increased level of geographical diversification for Phoenix in 2010;

- Phoenix’s remaining capital expenditure program for 2010 includes a further addition of 15 positive pulse MWD systems and two RWD systems. These systems are on order, and it is expected that they will be delivered during the third quarter of 2010 for deployment in the North American market. At the end of 2010, the Fund expects to have a fleet of 141 MWD systems and five RWD systems;

- It is expected that Phoenix’s Canadian day rates may increase slightly in upcoming quarters due to the current and anticipated level of demand for Phoenix’s services;

- Looking forward it is anticipated that customer demand for the Fund in the US will continue to increase and allow for slightly higher day rates in certain areas for the balance of 2010;

- It is anticipated that the Fund has the potential for continued growth in Albania. Phoenix's full service shop and motor repair facility in Fier, Albania is anticipated to be operational in the third quarter of 2010. This is expected to enhance the profitability of the Fund's Albanian operations in future quarters;

- Phoenix expects that its activity in Peru will grow as a result of new marketing efforts and strategies being implemented in this region;

- At present, the operational and administrative infrastructures are in place in Russia and Phoenix expects to commence its first job in September 2010. Initially, the Fund will have a concurrent job capacity of three;

- 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;

- Rental requirements should be reduced in the upcoming quarters as a result of the Fund's greater capital expenditure program that is being implemented in 2010;

- The 2010 capital budget has been increased to $42.0 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.

- Looking to the remainder of 2010, the Fund has increased its capital expenditure budget to a record $42.0 million. With the anticipation of a greater industry focus on oil well drilling and of shale gas activity levels continuing, this capital will be directed toward increasing the Fund's operating capacity with further fleet expansion and is expected to reduce the level of third party rentals required; and,

- The industry trend toward horizontal drilling is accelerating and the Fund is focused on having the capacity, capital and resources to use its operating strengths to benefit from this opportunity.

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

Phoenix generated consolidated revenue for the three-month period ended June 30, 2010 of $36.6 million as compared to $17.1 million in the 2009 period; an increase of 114 percent and a second quarter record. With increases in activity in all of its operating regions, consolidated operating days for the 2010-quarter increased by 117 percent to 3,759 days from 1,731 days generated in the comparable 2009 period. US and International revenue as a percentage of consolidated revenue were 57 percent and 7 percent, respectively, for the 2010 period as compared to 64 percent and 3 percent in 2009.

New well fracturing techniques for oil and natural gas wells continue to have a large impact on horizontal and directional well drilling activity; the newest resource play to benefit from these advancements is the Cardium in central Alberta. In the second quarter of 2010 approximately 80 percent of all wells drilled in Canada and 67 percent of wells drilled in the US utilized either horizontal or directional drilling technology. This compares to 64 percent and 60 percent, respectively, in the comparable 2009-quarter. (Source: Daily Oil Bulletin & Baker Hughes)

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

	Three-month period ended June 30,			Six-month period ended June 30,		
	2010	2009	% Change	**2010**	2009	% Change
Net earnings	**986**	(887)	211	**4,736**	4,588	3
Earnings per unit – diluted	**0.04**	(0.04)	200	**0.18**	0.19	(5)
EBITDA	**3,382**	(1,101)	407	**9,655**	7,932	22
EBITDA per unit – diluted	**0.13**	(0.05)	360	**0.36**	0.32	13
EBITDA as a percentage of revenue	**9**	n.m.		**12**	15	

n.m. – not meaningful

EBITDA increased by 407 percent for the three-month period ended June 30, 2010 to $3.4 million, $0.13 per unit diluted, from negative $1.1 million, negative $0.05 per unit diluted, in 2009. The Fund generated net earnings for the three-month period ended June 30, 2010 of $1.0 million, $0.04 per unit diluted, as compared to a net loss of $0.9 million, negative $0.04 per unit diluted, in 2009. For the six-month period ended June 30, 2010, EBITDA increased by 22 percent to $9.7 million, $0.36 per unit diluted, from $7.9 million, $0.32 per unit diluted, in 2009. The Fund generated net earnings for the six-month period ended June 30, 2010 of $4.7 million, $0.18 per unit diluted, as compared to net earnings of $4.6 million, $0.19 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 half of 2009 would have been $4.3 million, $0.18 per unit diluted or 8 percent of revenue, and net earnings $2.2 million, $0.09 per unit diluted.

Capital expenditures were $12.3 million for the three-month period ended June 30, 2010 as compared to $2.2 million in 2009. The majority of the capital additions in the 2010 period were represented by $5.6 million in MWD guidance equipment, $3.6 million in down hole performance drilling motors and $2.3 million in collars and other tubulars.

Distributions to unitholders for the three-month period ended June 30, 2010 were $3.0 million, or $0.120 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, commencing in October 2009, 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. The resulting cash payout ratio in the three-month period ended June 30, 2010 was 88 percent. Distributable cash for the three-month period ended June 30, 2010 increased to $3.5 million from negative $26,000 in 2009.

As at June 30, 2010, the Fund had working capital of $13.7 million, which was $7.3 million lower than that reported at December 31, 2009.

In order to meet increases in customer demand, Phoenix added 15 positive pulse measurement while drilling ("MWD") systems and three resistivity while drilling ("RWD") systems to its current job capacity in the second quarter. As at June 30, 2010, the Fund had a concurrent job capacity of 129 systems, represented by a fleet of 59 Current Loop Telemetry ("CLT") electromagnetic ("EM") MWD systems, 65 positive pulse MWD systems, two negative pulse MWD systems and three RWD systems. Currently, 60 MWD systems are deployed in Canada, 60 in the US, four in Peru, two in Albania and three are en route to Russia. Phoenix's remaining capital expenditure program for 2010 includes a further addition of 15 positive pulse MWD systems and two RWD systems. These systems are on order, and it is expected that they will be delivered during the third quarter of 2010 for deployment in the North American market. At the end of 2010, the Fund expects to have a fleet of 141 MWD systems and five RWD systems. The RWD tools have the ability to give our clients 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.

Phoenix generated consolidated revenue for the three-month period ended June 30, 2010 of $36.6 million as compared to $17.1 million in the 2009 period; an increase of 114 percent and a second quarter record. With increases in activity in all of its operating regions, consolidated operating days for the 2010-quarter increased by 117 percent to 3,759 days from 1,731 days generated in the comparable 2009 period.

For the six-month period ended June 30, 2010, the Fund's consolidated revenue increased by 52 percent to $79.8 million compared to $52.6 million in the 2009 period. US and International revenue for the six-month period ended June 30, 2010 accounted for 47 and 6 percent of the Fund's consolidated revenue, respectively, as compared to 57 and 1 percent in 2009. Consolidated operating days increased by 65 percent to 8,317 days in the 2010 period as compared to 5,030 days in 2009.

(Stated in thousands of dollars except percentage amounts)

	Three-month period ended June 30,			Six-month period ended June 30,		
	2010	2009	% Change	**2010**	2009	% Change
Canada	**13,075**	5,515	137	**37,815**	21,816	73
United States	**21,002**	11,006	91	**37,434**	30,158	24
International	**2,508**	564	345	**4,550**	645	605
	36,585	17,085	114	**79,799**	52,619	52
United States revenue as a % of consolidated revenue	**57**	64		**47**	57	
International revenue as a % of consolidated revenue	**7**	3		**6**	1	

CANADIAN REVENUE

Aided by a short break-up period and the Fund's increased drilling activity in the Cardium region in Alberta, Phoenix generated a record level of activity for a second quarter. For the three-month period ended June 30, 2010, the Fund realized an increase of 118 percent to 1,305 operating days as compared to 600 days in the comparable 2009 period. The Fund's most active drilling areas were the Bakken in southeastern Saskatchewan, the Cardium in central Alberta, the Pekisko in southern Alberta and the Montney region in northeastern British Columbia. Horizontal oil well drilling, as measured by the number of operating days, represented approximately 77 percent of Phoenix's overall Canadian drilling activity in the second quarter of 2010, a record high for the Fund, compared to 40 percent obtained in the 2009 period.

Phoenix reported Canadian revenue of $13.1 million for the three-month period ended June 30, 2010 as compared to only $5.5 million in 2009; an increase of 137 percent. Day rates charged to customers in the second quarter of 2010 remained flat, on average, when compared to first quarter levels; however, a larger proportion of four-man horizontal gamma services were provided in the second quarter of 2010 as compared to 2009, which increased the overall average day rate realized by the Fund. It is expected that day rates may increase slightly in upcoming quarters due to the current and anticipated level of demand for Phoenix's services.

In comparison, during the second quarter of 2010 the number of horizontal and directional wells drilled in the Canadian industry increased by 87 percent to 949 wells from 507 wells in 2009. (Source: Daily Oil Bulletin)

The Fund's Canadian revenue increased by 73 percent to $37.8 million for the six-month period ended June 30, 2010 from $21.8 million in the comparable 2009 period. The number of horizontal and directional wells drilled in the Canadian industry during the six-month period ended June 30, 2010 increased by 61 percent to 3,186 wells as compared to 1,973 wells in the 2009 period. (Source: Daily Oil Bulletin) In comparison, Phoenix's Canadian drilling days increased by 78 percent to 3,915 days in the six-month period ended June 30, 2010 from 2,194 days in 2009. Oil well drilling activity, as measured by operating days, represented approximately 68 percent of the Fund's Canadian activity for the six-month period ended June 30, 2010 as compared to 38 percent in 2009.

UNITED STATES REVENUE

All of the Fund's US operating regions realized increases in customer demand during the 2010-quarter as compared to 2009, and Nevis, like Phoenix's Canadian operations, has been operating at, or near, its operational capacity. Revenue for the three-month period ended June 30, 2010 increased by 91 percent to $21.0 million as compared to $11.0 million for the comparable 2009 period. The 2010 level of US revenue is a second quarter record for the Fund, and is the highest quarterly result since the third quarter of 2008. US operating days increased by 107 percent to 2,273 days from 1,099 days in the 2009-quarter. The increase in revenue in the 2010 period was adversely affected by unfavourable changes in the US-Canadian exchange rates; an average of $1.03 was realized in the second quarter of 2010 as compared to $1.21 in the corresponding 2009-quarter. Customer day rates have remained flat, on average, as compared to the first quarter of 2010; however, looking forward it is anticipated that customer demand will continue to increase and allow for slightly higher day rates in certain areas for the balance of 2010.

Due to an increase in the number of wells drilled by the Fund in the US Bakken region of North Dakota, during the three-month period ended June 30, 2010, oil well drilling approximately represented a record 28 percent of the Fund's overall US activity, as measured by operating days, as compared to 16 percent in the corresponding 2009 period.

Overall, for the three-month period ending June 30, 2010 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 80 percent to 1,010 rigs from 561 rigs in the corresponding 2009 period. (Source: Baker Hughes) The majority of this increase was from horizontal drilling.

US revenue for the six-month period ended June 30, 2010 increased by 24 percent to $37.4 million from $30.2 million in the comparable 2009 period. US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, increased by 44 percent for the six-month period ended June 30, 2010 to 950 rigs as compared to 660 rigs in the comparable 2009 period. (Source: Baker Hughes) The Fund's US operating days increased by approximately 45 percent to 4,078 days in the six-month period ended June 30, 2010 from 2,804 days in 2009.

INTERNATIONAL REVENUE

During the three-month period ended June 30, 2010, Phoenix generated revenue of $2.5 million (2009 - $564,000) from its Albanian and Peruvian operations. The Fund generated revenue of $4.6 million (2009 - $0.6 million) internationally for the six-month period ended June 30, 2010. Phoenix Albania currently has a two job capacity and the Fund has been providing horizontal drilling services for heavy oil wells on two rigs on a continuous basis since July 1, 2009. It is anticipated that the Fund has the potential for continued growth in this country. Phoenix's full service shop and motor repair facility in Fier, Albania is anticipated to be operational in the third quarter of 2010. This is expected to enhance the profitability of the Fund'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 been challenging. Phoenix expects that its activity in this country will grow as a result of new marketing efforts and strategies being implemented in this region.

The Fund's efforts to establish full service horizontal and directional operations based in Nizhnevartovsk, Siberia, Russia are continuing to move forward. At present, the operational and administrative infrastructures are in place and Phoenix expects to commence its first job in September 2010. Initially, the Fund will have a concurrent job capacity of three.

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

Direct costs are comprised of field and shop expenses and include current period research and development ("R&D") expenditures. Gross profit as a percentage of revenue was 23 percent for the three-month period ended June 30, 2010 as compared to 13 percent in the comparable 2009 period. For the six-month period ended June 30, 2010, gross profit as a percentage of revenue was 24 percent compared to 28 percent in the 2009 period. Included in direct costs in the 2009 six-month 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 six-month period ended June 30, 2009 would have been 21 percent.

Although the Fund's high level of activity contributed to an improvement in its gross profit margins in the three-month period ended June 30, 2010, Phoenix was required to incur third party equipment rentals of $1.9 million. These rental requirements should be reduced in the upcoming quarters as a result of the Fund's greater capital expenditure program that is being implemented in 2010. For the six-month period ended June 30, 2009 these rental costs totaled $5.6 million. Lower customer day rates in 2010 compared to 2009 have also had an negative impact to margins.

R&D expenditures for the three-month period ended June 30, 2010 were $0.8 million, of which $0.2 million were capitalized as development costs. In the 2009 period, research and development costs of $1.0 were incurred, of which $0.9 million were capitalized. For the six-month period ended June 30, 2010, R&D expenditures were $1.4 million, of which $0.4 million were capitalized as development costs. In the 2009 six-month period, R&D expenditures were $1.7 million, of which $0.9 million in development costs were capitalized.

Despite significant increases in revenue activity, SG&A costs for the three-month period ended June 30, 2010 increased by 30 percent to $4.5 million, 12 percent of revenue, as compared to $3.5 million, 20 percent of revenue, in the 2009 period. SG&A costs for the six-month period ended June 30, 2010 increased by 11 percent to $9.1 million, 11 percent of revenue, as compared to $8.2 million, 16 percent of revenue, in the 2009 period. The Fund has benefited from its cost control program that was implemented in 2009.

Depreciation and amortization for the three-month period ended June 30, 2010 increased by 2 percent to $2.818 million from $2.765 million in the 2009 period. For the six-month period ending June 30, 2010, depreciation and amortization decreased to $5.5 million from $5.6 million in the 2009 period. Depreciation and amortization has not increased in line with capital expenditures made due to a group of assets in the fleet reaching their fully depreciable values during the first quarter of 2010. In addition, there are approximately $5.1 million in capital assets that have yet to be placed into service, and therefore, depreciation has not yet commenced.

Stock-based compensation costs for the three-month period ended June 30, 2010 increased by 122 percent to $373,000 from $168,000 in 2009. For the six-month period ended June 30, 2010, stock based compensation costs increased by 73 percent to $549,000 from $318,000 in the comparable 2009 period. These increases were due to the issuance of options in May 2009.

Gain on disposition of drilling equipment for the three-month period ended June 30, 2010 decreased by 66 percent to $121,000 from $359,000 in the 2009 period. For the six-month period ending June 30, 2010, the gain on disposition of drilling equipment decreased to $0.5 million from $1.5 million in the comparable 2009 period. These gains relate 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 periods have had a lower incidence of loss in hole occurrences.

The Fund reported a net recovery of income taxes of $0.5 million for the three-month period ended June 30, 2010 as compared to $3.0 million in 2009. For the six-month period ended June 30, 2010, Phoenix reported a net recovery of income taxes of $0.7 million as compared to $2.4 million in 2009. The lower net recoveries result from the increased profitability of the Fund in the 2010 period. Cash distributions are deductible 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 for investing activities for the three-month period ended June 30, 2010 was $8.4 million as compared to $3.7 million in the 2009 period. Capital expenditures were $12.3 million for the three-month period ended June 30, 2010 as compared to $2.2 million in 2009. The majority of the capital additions in the 2010 period were represented by $5.6 million in MWD guidance equipment, $3.6 million in down hole performance drilling motors and $2.3 million in collars and other tubulars.

For the three-month period ended June 30, 2010, the Fund realized proceeds from the involuntary disposal of drilling equipment in well bores of $1.0 million compared to $1.4 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 $2.9 million for the three-month period ended June 30, 2010 and a negative $2.8 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.

FINANCING

The Fund generated cash flows from financing activities of $1.5 million in the three-month period ended June 30, 2010 as compared to a net cash outflow of $6.4 million in the 2009 period. In the 2010 three-month period:

- the Fund made distributions of $3.0 million to its unitholders;
- through its unit option program, the Fund received cash proceeds of $0.8 million from exercised options and the Fund's DRIP program to acquire an aggregate of 119,096 Fund units;
- the Fund repaid long-term debt of $4.0 million; and,
- the Fund received proceeds on its bank overdraft facility of $7.8 million.

Effective May 28, 2010, the Fund amended the terms of its credit facilities with its banker. Phoenix currently has access to a demand revolving loan facility of up to $10.0 million. This facility bears interest at the Fund's option at the bank's prime rate plus 0.625 percent or the bank's bankers' acceptance rate plus a stamping fee of 1.875 percent. As at June 30, 2010, the Fund had $7.8 million drawn on this facility.

The Fund also currently has access to a $25 million, 364-day extendible revolving facility with its bank. This bears interest at the Fund's option at the bank's prime rate plus 0.75 percent or the bank's bankers' acceptance rate plus a stamping fee of 2.25 percent. The facility is renewable at the option of the lender by December 2010. Should this facility not be extended, outstanding amounts will be transferred to a 2-year term facility repayable at 1/10 of the amount outstanding for seven quarters with the remaining balance paid on the eighth quarter.

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 has been increased to $42.0 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

Phoenix's horizontal drilling activity reached a new peak in the quarter, contributing to the highest level of second quarter revenue and operating days achieved during the Fund's 15-year history.

Typically, the Canadian spring break-up provides low equipment utilization in the Fund's available fleet. However, this year, even with the addition of 15 positive pulse MWD systems and three RWD systems, which created a job capacity of 129, and with Phoenix's extensive performance drilling motor fleet, equipment rentals were necessary to meet customer demands during the quarter. Although the equipment shortage did impact the operating margins reported, it also is a positive statement on the quality of service the Fund provides and Phoenix's competitive position in the market.

Looking to the remainder of 2010, the Fund has increased its capital expenditure budget to a record $42.0 million. With the anticipation of a greater industry focus on oil well drilling and of shale gas activity levels continuing, this capital will be directed toward increasing the Fund's operating capacity with further fleet expansion, and is expected to reduce the level of third party rentals required.

Phoenix's success is not only a result of opportunities created by unconventional oil and gas drilling, but is also created by the Fund's commitment to research and development and a strong operations and marketing team. The in-house development of proprietary and robust technology has created a platform for growth that is shown in the quarterly records achieved and in the strong market share that persists as Phoenix's operating regions continue to expand.

In each of the Fund's drilling divisions additional resources are being added, which include larger facilities, more servicing equipment and the addition of experienced and motivated personnel. Phoenix's team is now comprised of over 600 full-time staff and contractors. The industry trend toward horizontal drilling is accelerating, and the Fund is focused on having the capacity, capital and resources to use its operating strengths to benefit from this opportunity.

John Hooks
Chairman of the Board,
President and Chief Executive Officer
August 4, 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 June 30,		Six-month period ended June 30,	
	2010	**2009**	**2010**	2009
Net earnings	**986**	**(887)**	**4,736**	4,588
Add (deduct):				
Depreciation and amortization	**2,818**	**2,765**	**5,468**	5,638
Recovery of income taxes	**(520)**	**(3,017)**	**(710)**	(2,377)
Interest on long-term debt	**63**	**32**	**97**	80
Other interest	**35**	**6**	**64**	3
EBITDA as reported	**3,382**	**(1,101)**	**9,655**	7,932

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 June 30,		Six-month period ended June 30,	
	2010	**2009**	**2010**	2009
Cash flows from operating activities	**5,072**	**9,906**	**9,058**	9,359
Add (deduct):				
Changes in non-cash working capital	**(1,617)**	**(9,932)**	**118**	(170)
Distributable cash	**3,455**	**(26)**	**9,176**	9,189

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. A full service horizontal and directional operational facility in Nizhnevartovsk, Siberia, Russia was recently established.

For further Information please contact:

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CONSOLIDATED BALANCE SHEETS

(unaudited)

	June 30, 2010	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,836,756	$ 2,488,970
Accounts receivable	31,739,776	28,660,353
Inventory	8,189,662	7,022,053
Prepaid expenses	3,685,402	2,085,643
Income tax receivable	523,296	2,845,643
	47,974,892	43,102,662
Drilling and other equipment	73,808,241	62,805,570
Goodwill	8,876,351	8,876,351
Future income taxes	126,919	-
	$ 130,786,403	$ 114,784,583
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Bank indebtedness	$ 7,807,459	$ 4,241,058
Accounts payable and accrued liabilities	24,466,245	16,846,978
Distributions payable	1,015,728	1,001,384
Current portion of long-term debt	1,000,000	-
	34,289,432	22,089,420
Long-term debt	4,000,000	-
Future income taxes	-	1,243,105
	38,289,432	23,332,525
Unitholders' equity:		
Unitholders' capital	84,849,651	82,433,639
Contributed surplus	3,803,204	3,872,850
Retained earnings	6,943,732	8,605,559
Accumulated other comprehensive income	(3,099,616)	(3,459,990)
	3,844,116	5,145,569
	92,496,971	91,452,058
	$ 130,786,403	$ 114,784,583

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited)

	Three month-period ended June 30,		Six month-period ended June 30	
	2010	2009	2010	2009
Revenue	$ 36,584,656	$ 17,085,494	$ 79,799,011	$ 52,619,423
Direct costs	28,343,146	14,861,479	60,737,457	37,734,088
Gross profit	8,241,510	2,224,015	19,061,554	14,885,335
Expenses:				
Selling, general and administrative	4,493,103	3,454,011	9,118,998	8,227,188
Depreciation and amortization	2,817,643	2,765,026	5,468,014	5,638,081
Stock-based compensation	372,502	168,203	548,957	317,582
Foreign exchange loss (gain)	115,108	62,180	285,127	(117,537)
Interest on long-term debt	62,699	32,092	96,726	80,357
Other interest (income)	35,586	5,671	64,710	2,990
Gain on disposition of drilling equipment	(121,087)	(359,040)	(547,027)	(1,474,055)
	7,775,554	6,128,143	15,035,505	12,674,606
Earnings before income taxes	465,956	(3,904,128)	4,026,049	2,210,729
Provision for (Recovery of) income taxes				
Current	8,543	(1,238,844)	405,913	(2,662,103)
Future	(528,679)	(1,778,217)	(1,115,913)	285,042
	(520,136)	(3,017,061)	(710,000)	(2,377,061)
Net earnings	$ 986,092	$ (887,067)	$ 4,736,049	$ 4,587,790
Earnings per unit - basic	$ 0.04	$ (0.04)	$ 0.18	$ 0.19
Earnings per unit - diluted	$ 0.04	$ (0.04)	$ 0.18	$ 0.19

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three month-period ended June 30,		Six month-period ended June 30	
	2010	2009	2010	2009
Net earnings	$ 986,092	$ (887,067)	$ 4,736,049	$ 4,587,790
Foreign currency adjustment	1,134,219	(2,592,941)	360,374	(1,789,476)
Comprehensive income	$ 2,120,311	$ (3,480,008)	$ 5,096,423	$ 2,798,314

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three month-period ended June 30,		Six month-period ended June 30	
	2010	2009	**2010**	2009
Cash flows from operating activities:				
Net earnings (loss)	$ **986,092**	$ (887,067)	$ **4,736,049**	$ 4,587,790
Add (deduct) items not affecting cash				
Depreciation and amortization	**2,817,643**	2,765,026	**5,468,014**	5,638,081
Future income taxes	**(528,679)**	(1,778,217)	**(1,115,913)**	285,042
Unrealized foreign exchange loss (gain)	**(60,851)**	92,247	**95,733**	(138,366)
Gain on disposition of drilling equipment	**(121,087)**	(359,040)	**(547,027)**	(1,474,055)
Stock-based compensation	**372,502**	168,203	**548,957**	317,582
Recovery of bad debts	**(10,189)**	(27,043)	**(10,189)**	(27,043)
Change in non-cash working capital	**1,616,684**	9,932,047	**(117,670)**	170,300
	5,072,115	9,906,156	**9,057,954**	9,359,331
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	**958,624**	1,353,103	**2,283,400**	4,607,879
Acquisition of drilling and other equipment	**(12,262,115)**	(2,216,786)	**(17,882,017)**	(7,640,062)
Change in non-cash working capital	**2,892,153**	(2,829,338)	**3,548,825**	(6,794,981)
	(8,411,338)	(3,693,021)	**(12,049,792)**	(9,827,164)
Cash flows from financing activities:				
Issuance of unit capital	**766,870**	328,704	**1,797,409**	459,267
Distributions to unitholders	**(3,028,041)**	(6,222,258)	**(6,024,186)**	(12,431,352)
Proceeds on (Repayment of) long-term debt	**(4,000,000)**	-	**5,000,000**	-
Proceeds on (Repayment of) bank overdraft facility	**7,807,459**	(528,796)	**3,566,401**	1,523,087
	1,546,288	(6,422,350)	**4,339,624**	(10,448,998)
Increase (Decrease) in cash and cash equivalents	**(1,792,935)**	(209,215)	**1,347,786**	(10,916,831)
Cash and cash equivalents, beginning of period	**5,629,691**	1,914,195	**2,488,970**	12,621,811
Cash and cash equivalents, end of period	$ **3,836,756**	$ 1,704,980	$ **3,836,756**	$ 1,704,980
Supplemental information				
Income taxes paid	$ **92,771**	$ 62,549	$ **350,412**	$ 339,352
Interest paid	$ **62,699**	$ 37,234	$ **96,726**	$ 57,864