

# Management's Discussion and Analysis

## First Quarter Report for the three-month periods ended March 31, 2026 and 2025

*The following Management's Discussion and Analysis ("MD&A") of the financial condition, results of operations, and cash flow of PHX Energy Services Corp. ("PHX Energy" or the "Corporation") should be read in conjunction with the Corporation's 2026 unaudited interim first quarter report, including the unaudited condensed consolidated interim financial statements and the accompanying notes contained therein as well as other sections contained within the Corporation's 2026 first quarter report, and the Corporation's 2025 annual report, including the MD&A, and audited consolidated financial statements and the accompanying notes contained therein as well as other sections contained within the Corporation's 2025 annual report. Readers can also obtain additional information on the Corporation including its most recently filed Annual Information Circular and Annual Information Form ("AIF") on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). This MD&A has been prepared taking into consideration information available up to and including May 5, 2026.*

*PHX Energy's Interim Financial Report for the three-month periods ended March 31, 2026 and 2025 have been prepared in accordance with IAS 34 Interim Financial Reporting. The MD&A and Interim Financial Report were reviewed by PHX Energy's Audit Committee and approved by PHX Energy's Board of Directors (the "Board") on May 5, 2026.*

*This MD&A contains Forward-Looking Information and Non-GAAP and Other Financial Measures, including Non-GAAP Financial Measures and Ratios, Capital Management Measures and Supplementary Financial Measures. Please refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for applicable definitions and reconciliations. Please refer to the "Cautionary Statement Regarding Forward-Looking Information and Statements" section of this MD&A.*

*Industry data cited throughout this MD&A is sourced from Baker Hughes North American rig counts (<https://rigcount.bakerhughes.com/na-rig-count>) and custom reports from Geologic Systems for Canadian industry operating days.*

### First Quarter Highlights

- For the three-month period ended March 31, 2026, PHX Energy generated consolidated revenue of \$183.9 million, which is 5 percent lower than the \$193.7 million generated in the first quarter of 2025, virtually the same level as the consolidated revenue generated in the fourth quarter of 2025, and the second highest level of first quarter revenue in the Corporation's history. Rotary Steerable Systems ("RSS") activity in the 2026-quarter was a record and represented 18 percent of the Corporation's consolidated activity (2025 – 15 percent). However, both the US and Canadian industry's drilling activity contracted causing PHX Energy's consolidated operating days to decline by 7 percent quarter-over-quarter. Consolidated revenue in the 2026-quarter included \$12.2 million of motor rental revenue and \$0.4 million of revenue generated from the sale of motor equipment and parts (2025 - \$11.7 million and \$2.6 million, respectively).
- Adjusted EBITDA excluding cash-settled share-based compensation expense<sup>(1)</sup> for the three-month period ended March 31, 2026 was \$39.5 million, 22 percent of consolidated revenue<sup>(1)</sup>, as compared to \$43.3 million, 22 percent of consolidated revenue, in the same 2025-quarter. In the first quarter of 2026, the Corporation incurred higher cash-settled share-based compensation expense of \$9.6 million (2025 - \$2.7 million) that primarily resulted from the increase in PHX Energy's share price from \$7.50 at December 31, 2025 to \$13.21 at March 31, 2026 (2025 – decreased from \$9.32 at December 31, 2024 to \$8.86 at March 31, 2025). Adjusted EBITDA<sup>(1)</sup> including cash-settled

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<sup>(1)</sup> 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 MD&A.

share-based compensation expense was \$30 million, 16 percent of consolidated revenue<sup>(1)</sup>, compared to \$40.7 million, 21 percent of consolidated revenue, in the same 2025-quarter.

- Earnings in the 2026 three-month period were \$8.9 million, \$0.20 per share, as compared to \$20.2 million, \$0.44 per share, in the same 2025-period. Earnings in the 2026-period included depreciation and amortization expenses on drilling and other equipment of \$16.9 million (pre-tax) which is a 35 percent increase when compared to the \$12.6 million (pre-tax) in the corresponding 2025-quarter. This increase is the result of ongoing fixed asset additions as well as \$2.8 million in additional depreciation recognized in the 2026-quarter relating to a change in the estimated useful life of certain primary components of motors that was effective in the third quarter of 2025.
- In the 2026-quarter, PHX Energy's US division's revenue was \$125.8 million, 8 percent lower than the \$136.1 million generated in the first quarter of 2025. The US division saw a 6 percent decline in its operating days, and in comparison, the average number of active horizontal and directional rigs per day in the US industry declined by 7 percent quarter-over-quarter. Despite these declines, the US division achieved record RSS activity in the first quarter of 2026 with RSS representing 26 percent of the division's operating days (2025 - 22 percent). US division revenue in the 2026-quarter represented 68 percent of consolidated revenue (2025 - 70 percent).
- PHX Energy's Canadian division reported \$58.1 million of quarterly revenue, marginally higher compared to \$57.6 million in the 2025-quarter. The segment's RSS activity continued to be strong, representing 10 percent of its operating days (2025 - 6 percent) which helped the division maintain the same level of revenue despite weaker industry activity levels quarter-over-quarter. The Canadian division's operating days decreased by 8 percent but record owned RSS activity was achieved in the 2026-quarter which resulted from the division's continued expansion of its RSS fleet.
- The Corporation's net capital expenditures<sup>(2)</sup>, which account for proceeds on disposition of drilling and other equipment, were \$16.2 million for the 2026-period. For the three-month period ended March 31, 2026, PHX Energy spent \$28.5 million in capital expenditures and proceeds on disposition of drilling and other equipment were \$12.3 million. Proceeds on disposition of drilling and other equipment mainly result from instances of downhole equipment losses where operators compensate the Corporation for the replacement cost of the lost drilling equipment and therefore fund the related capital expenditure rather than the expenditure being solely funded by the Corporation's cash flows from operating activities, and its credit facilities when required.
- For the three-month period ended March 31, 2026, the Corporation generated excess cash flow<sup>(2)</sup> of \$3 million, after deducting net capital expenditures<sup>(2)</sup> of \$16.2 million (2025 - \$18.2 million and \$13.8 million, respectively).

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- On February 24, 2026, the Corporation declared a special dividend of \$0.20 per share or \$9.1 million, payable on April 1, 2026, to shareholders of record on March 16, 2026. On March 13, 2026, the Corporation declared a regular quarterly dividend of \$0.20 per share or \$9.1 million, payable on April 15, 2026, to shareholders of record on March 31, 2026.
- As of March 31, 2026, the Corporation had CAD \$56.8 million drawn on its Canadian credit facilities, USD \$4 million drawn on its US operating facility, and a cash balance of \$19 million, resulting in net debt<sup>(2)</sup> of \$43.4 million (December 31, 2025 - \$6.4 million). The proceeds from loans and borrowings were primarily used to fund capital acquisitions, dividends, share-based payments, and working capital. The Corporation had CAD \$52.7 million and USD \$21 million available to be drawn from its credit facilities as at the end of the 2026-quarter.
- As at March 31, 2026, the Corporation had a working capital<sup>(2)</sup> of \$122 million.

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## Financial Highlights

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

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

n.m. – not meaningful

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<sup>(3)</sup> 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 MD&A.

## Non-GAAP and Other Financial Measures

Throughout this MD&A, 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 MD&A should be read in conjunction with the section entitled "Non-GAAP and Other Financial Measures" at the end of this MD&A on pages 29 to 37 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".

## Outlook

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

- We remain committed to differentiating ourselves as a value-driven investment and returning capital to shareholders through our ROCS framework while investing in growth. A special dividend was declared in the first quarter along with our regular quarterly dividend, and our capital spending program is more heavily weighted toward the first half

of the year. Although we exceeded the 70 percent target of excess cash flow, we anticipate returning to a balanced ROCS position in the second half of the year, while rewarding shareholders with our quarterly dividends and leveraging other mechanism when opportunistic.

- The volatility in the energy sector is persisting, driven in part by ongoing geopolitical tensions in the Middle East. Although commodity prices have strengthened, this has not yet translated into higher North American rig counts. Until a sustained increase in drilling activity materializes, we do not expect a significant impact on our overall activity levels. That said, we remain optimistic about our performance and growth within the current industry environment.
- In the second quarter, we continue to see a greater portion of activity represented by RSS services, and the strength of our performance and diverse RSS fleet are key contributors to our growth. The successful testing of enhancements to our Real-Time RSS Communications technologies and the expansion of our RSS fleet, including 7 $\frac{7}{8}$ " RSS tools in the US, further differentiate our RSS offering. Additionally, growth in the Atlas motor rental business is expected, and this will also contribute positively to margin stability.
- Inflationary pressures continue to impact operating costs, and we anticipate that the current higher cost environment will persist in the near term. We will focus on internal efficiency and allocate capital towards high margin technologies to help offset cost pressures. The Board has approved a \$5 million increase to the 2026 capital expenditure budget to \$65 million, which will be dedicated to premium technologies. Net capital expenditures are expected to be lower after accounting for equipment replacements.

Strategic priorities for 2026 continue to be:

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

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

Michael Buker, President & CEO

May 5, 2026

## About PHX Energy Services Corp.

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

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

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

## Financial Results

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

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

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

In the 2026 three-month period, earnings were \$8.9 million (2025 - \$20.2 million), adjusted EBITDA<sup>(1)</sup> was \$30 million (2025 - \$40.7 million), and adjusted EBITDA as a percentage of consolidated revenue<sup>(1)</sup> was 16 percent (2025 - 21 percent). Earnings in the 2026-period included depreciation and amortization expenses on drilling and other equipment of \$16.9 million (pre-tax) which increased by 35 percent as compared to \$12.6 million (pre-tax) in the corresponding 2025-quarter. This increase is the result of ongoing fixed asset additions as well as \$2.8 million in additional depreciation relating to a change in the estimated

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useful life of certain primary components of motors. Also included in earnings and adjusted EBITDA in the 2026-quarter is cash-settled share-based compensation expense of \$9.6 million (pre-tax) which increased from \$2.7 million (pre-tax) in the same 2025-quarter mainly as a result of the increase in PHX Energy's share price in the period. Omitting this impact, adjusted EBITDA excluding cash-settled share-based compensation expense<sup>(1)</sup> in the 2026-period was \$39.5 million, 22 percent of consolidated revenue, as compared to \$43.3 million, 22 percent of consolidated revenue, in the same 2025-period.

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

## Dividends and ROCS

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

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

*(Stated in thousands of dollars)*

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

The Corporation remains committed to enhancing shareholder returns through its Return of Capital Strategy ("ROCS") which targets up to 70 percent of annual excess cash flow<sup>(2)</sup> to be used for shareholder returns and includes multiple options including the dividend program and the NCIB. For the three-month period ended March 31, 2026, excess cash flow decreased primarily due to lower cash flows from operating activities and higher capital expenditures. The Corporation continued to prioritize

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shareholder returns while protecting its financial position. At the end of 2025, PHX Energy had \$8.7 million of remaining balance under ROCS target<sup>(2)</sup> which was carried forward into 2026 for distribution. During the 2026-quarter, the Corporation declared a special dividend in conjunction with the release of the 2025 fiscal year results and maintained its current level of regular quarterly dividends, paying a total of \$18.1 million in dividends to shareholders. These distributions exceeded the 70 percent target in the 2026-quarter and the amount carried forward from the previous year. However, net capital expenditures<sup>(2)</sup> to be spent in the second half of the year are anticipated to be lower than the first half and PHX Energy believes this will allow for the remaining balance under ROCS target to be at a balanced position by the end of the 2026-year.

## Normal Course Issuer Bid (“NCIB”)

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

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

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

## Capital Spending

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

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

(Stated in thousands of dollars)

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

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

In May 2026, the Board approved an increase to the 2026 capital expenditure budget from \$60 million to \$65 million, of which approximately 60 percent is now anticipated to be spent on growth. The remainder is anticipated to be spent on maintenance of the fleet of drilling and other equipment and replacement of equipment lost downhole during drilling operations. The increase in the 2026 capital expenditure budget largely relates to growing the Corporation's RSS fleet, including its proprietary Real-Time RSS Communications technologies.

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

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# Results of Operations

Three-Month periods ended March 31, 2026 and 2025

## Revenue

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

*(Stated in thousands of dollars)*

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

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

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

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

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

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

## Operating Costs and Expenses

*(Stated in thousands of dollars except percentages)*

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

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

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

Gross profit as a percentage of revenue excluding depreciation and amortization<sup>(1)</sup> was 26 percent in the 2026-quarter, a decrease compared to 28 percent in the first quarter of 2025. In the 2026 three-month period, despite the decline in consolidated activity and revenue, direct costs did not decline to the same extent due to overall greater equipment repair costs and increased equipment rental expenses. Consistent with the increases in costs seen in the second half of 2025, the costs of

<sup>(1)</sup> 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 MD&A.

equipment parts and services have increased overall and were impacted by several factors, including inflation and other tariff-related increases caused by the prolonged disruption to global trade. Servicing and equipment rental costs also increased mainly due to higher RSS activity and the Corporation's need to utilize rentals to meet the volume of client demand in some cases. Additionally, lower profitability was also attributable to the decrease in parts sales, which is a high-margin revenue stream for the Corporation.

(Stated in thousands of dollars except percentages)

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

n.m. – not meaningful

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

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

<sup>(1)</sup> 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 MD&A.

*(Stated in thousands of dollars)*

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

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

*(Stated in thousands of dollars)*

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

Finance expenses mainly relate to interest charges on the Corporation’s credit facilities. For the three-month period ended March 31, 2026, finance expense increased to \$0.7 million from \$0.6 million in the same 2025-period. The increase in finance expenses in the 2026-period was primarily due to higher drawings on the credit facilities in the period that were primarily used to fund capital acquisitions, dividends, and share-based payments.

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

*(Stated in thousands of dollars)*

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

For the three-month period ended March 31, 2026, the Corporation recognized other income of \$9.8 million, an increase compared to \$7.6 million in the same 2025-period. Other income is mainly comprised of net gain on disposition of drilling equipment which mainly arises from instances of downhole equipment losses where operators compensate for the replacement

cost of the lost drilling equipment and the gain is calculated as the excess of those proceeds over the carrying amount of the drilling equipment lost. The recognized gain is net of losses, which typically result from asset retirements that were made before the end of the equipment's useful life. In the 2026-period, more instances of high dollar valued downhole equipment losses occurred as compared to the corresponding 2025-period, resulting in higher levels of net gain on disposition of drilling equipment recognized.

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

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

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

*(Stated in thousands of dollars except percentages)*

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

For the three-month period ended March 31, 2026, the Corporation reported a provision for income tax of \$2.1 million, a decrease compared to \$5.8 million in the same 2025-period. In the 2026 three-month period, PHX Energy's effective tax rate<sup>(3)</sup> of 19 percent is lower than the combined US federal and state corporate income tax rate of 22.5 percent and the combined Canadian federal and provincial corporate income tax rate of 23 percent mainly due to the non-taxable portion of gains on disposal of assets in Canada and lower income tax rate in the Switzerland jurisdiction.

<sup>(3)</sup> 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 MD&A.

## Segmented Information

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

### United States

*(Stated in thousands of dollars)*

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

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

In the first quarter of 2026, the Corporation's US division continued to operate through softer industry activity and in the highly competitive directional market where continuously providing leading technologies and operational efficiencies are key to sustaining and growing market share. In the 2026 three-month period, the average number of active horizontal and directional rigs per day in the US industry declined by 7 percent to 519 compared to an average of 559 rigs per day in the 2025-quarter. In comparison, the US segment's operating days were 4,286, a 6 percent decrease compared to 4,549 days in the 2025-quarter. The US division achieved record RSS activity which represented 26 percent of its operating days, an increase

compared to 22 percent in the 2025-quarter. For the three-month period ended March 31, 2026, the US division's average revenue per day<sup>(3)</sup> for directional drilling services was mostly flat at \$26,573 compared to \$26,929 in the same 2025-period.

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

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

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

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

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<sup>(3)</sup> 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 MD&A.

## Canada

(Stated in thousands of dollars)

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

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

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

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

<sup>(3)</sup> 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 MD&A.

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

## Liquidity

(Stated in thousands of dollars)

	Three-month periods ended March 31,	
	2026	2025
Cash flows from (used in) operating activities	(532)	10,919
Funds from operations <sup>(2)</sup>	20,648	33,362

  

	Mar. 31, '26	Dec. 31, '25
Working capital <sup>(2)</sup>	122,026	110,910
Net debt <sup>(2)</sup>	43,398	6,382

For the three-month period ended March 31, 2026, cash flows used in operating activities was \$0.5 million (2025 - \$10.9 million cash flow from operating activities) and funds from operations<sup>(2)</sup> decreased to \$20.6 million from \$33.4 million in the 2025-period. Lower levels of earnings impacted cash flows from operating activities and funds from operations negatively in the 2026-period.

As at March 31, 2026, the Corporation had working capital<sup>(2)</sup> of \$122 million, an increase of \$11.1 million from the \$110.9 million reported at December 31, 2025. The increase in working capital at March 31, 2026 was primarily due to the higher levels of trade and other receivables at the end of the 2026-period. Net debt<sup>(2)</sup> as at March 31, 2026 was \$43.4 million as compared to \$6.4 million at the end of 2025. The increase in net debt was due to higher levels of drawings that were used to fund acquisitions of drilling and other equipment, dividends, share-based payments, and working capital in the first quarter of 2026.

<sup>(2)</sup> 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 MD&A.

## Cash Flow, Dividends, and ROCS

In December 2020, PHX Energy reinstated its quarterly dividend program. In November 2022, PHX Energy's Board approved a refinement of its shareholder return strategy in the form of ROCS which targets up to 70 percent of annual excess cash flow<sup>(2)</sup> to potentially be used for shareholder returns, with optionality including the base dividend program, potential share buy backs and potential special dividends. The Board will continually review the dividend program and its ROCS and take into consideration, without limitation, the Corporation's financial performance, forecasted activity levels and the industry outlook, among other factors. The actual amount of future quarterly dividends, if any, remains subject to the approval of and declaration by the Board. The Board reviews the Corporation's dividend policy in conjunction with their review of quarterly financial and operating results. The Corporation's ability to maintain the current level of dividends to its shareholders is dependent upon the realization of cash flow from operating activities, among other considerations, and if the Corporation does not meet its budgeted cash flow from operating activities, dividends to shareholders may be reduced or suspended entirely.

For the three-month period ended March 31, 2026, dividend payments of \$18.1 million were financed from the Corporation's cash on hand and credit facilities (2025 - \$9.1 million). On February 24, 2026, the Corporation declared a special dividend of \$0.20 per share payable to shareholders of record on March 16, 2026. An aggregate of \$9.1 million was paid to shareholders on April 1, 2026. On March 13, 2026, the Corporation declared a regular quarterly dividend of \$0.20 per share payable to shareholders of record on March 31, 2026. An aggregate of \$9.1 million was paid to shareholders on April 15, 2026.

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

Pursuant to the current NCIB, no common shares were purchased by the Corporation and cancelled in the three-month period ended March 31, 2026 (2025 – no common shares purchased and cancelled).

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<sup>(2)</sup> 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 MD&A.

## Investing Activities

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

The 2026-quarter capital expenditures comprised of:

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

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

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

## Financing Activities

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

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

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<sup>(2)</sup> 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 MD&A.

## Capital Resources

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

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

## Cash Requirements for Capital Expenditures

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

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

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

## Off-Balance Sheet Arrangements

The Corporation had no material off-balance sheet arrangements as at March 31, 2026 and 2025.

## Proposed Transactions

The Corporation regularly reviews and evaluates possible strategic material business or asset acquisitions or capital asset divestitures in the normal course of its operations.

## Critical Accounting Estimates and Judgments

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The Corporation's material accounting policies are described in its annual audited consolidated financial statements for the year ended December 31, 2025.

The preparation of the condensed consolidated interim financial statements in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, the estimates and judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty have not changed significantly since December 31, 2025.

Effective September 1, 2025, the Corporation updated the estimated useful life of certain primary components of its motors as a result of the periodic review of its useful lives. Management determined that the useful life of this equipment should be updated from 8 years to 5 years. During the period ended March 31, 2026, an additional \$2.8 million in depreciation expense was recorded to reflect this change in estimate.

## Changes in Accounting Policies

The condensed consolidated interim financial statements have been prepared utilizing the same material accounting policies and methods as the consolidated financial statements of the Corporation for the year ended December 31, 2025.

### Accounting Standards Effective January 1, 2026

Management has assessed the impact of amendments to IFRS 9 and IFRS 7 - classification and measurement of financial instruments and determined there to be no material impact on the Corporation's accounting policies or required disclosures.

### Forthcoming Standards Effective January 1, 2027

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements which will replace IAS 1 Presentation of Financial Statements. The new standard will establish a revised structure for the consolidated statements of comprehensive income and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard will be applied retroactively, with certain transition provisions. The Corporation is currently evaluating the impact of adopting IFRS 18 on the consolidated financial statements and will prepare for the transition throughout the 2026-year.

## Business Risk Factors

Business risk factors applicable to the Corporation can be found in the "*Business Risk Factors*" section of the MD&A in PHX Energy's 2025 Annual Report as well as in the Corporation's most recent Annual Information Form under the heading "*Risk Factors*", which was filed under the Corporation's profile on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)).

## Global Trade and Supply Chain Risks Update

The current US-Canada tariff environment remains highly dynamic and uncertain. Legislative or regulatory changes by the US and/or Canadian governments could adversely affect the Corporation's supply chain, operations, customers and industry activity, which may have a material effect on its business, financial condition and results of operations.

While the February 20, 2026 US Supreme Court ruling led to the cessation of certain tariffs, the US administration has continued to signal its intention to implement alternative trade measures, and discussions surrounding the ongoing review of the United States-Mexico-Canada Agreement ("USMCA") persist. In addition, uncertainty remains with respect to the administration and potential recovery of previously collected tariffs. While certain tariffs have ceased to be collected, it is not yet determinable whether amounts previously paid will be refunded, the process for obtaining any such refunds, or the timing thereof. The

Corporation continues to monitor developments and assess potential impacts; however, no assurance can be provided that any refunds will be realized.

Ongoing trade policy uncertainty, including, but not limited to, the potential introduction of new tariffs including their duration and quantum, continuation of retaliatory measures, or changes arising from the USMCA review, among other things, may have a material adverse impact on the Corporation's business and results, given its significant US presence and reliance on the cross-border movement of goods and equipment.

## Global Conflict Update

The ongoing geopolitical conflicts, particularly in the Middle East, Central America, and Eastern Europe may impact the availability and commodity price of oil and natural gas products for a prolonged period. The impact of these conflicts on the commodity price and North American industry activity levels are unknown and subject to a higher degree of uncertainty at this time. The business and activities of the Corporation are directly affected by fluctuations in the levels of exploration, development and production activity carried on by its customers and the Corporation makes activity assumptions based on commodity price assumptions that are used for planning purposes. Accordingly, if commodity prices and consequently industry activity levels significantly differ from these expectations, the Corporation's capital plans and financial results are likely to be affected.

## Corporate Governance

This MD&A has been prepared by the management of PHX Energy and it has been reviewed and approved by the Audit Committee and the Board of the Corporation. Additional information relating to the Corporation's Corporate Governance can be found in the Corporation's AIF and in its Information Circular in respect of its annual meeting of Shareholders, each of which are filed annually on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## Disclosure Controls and Procedures

The Corporation's Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated

and communicated to the Corporation's management, including the Certifying Officers, as appropriate to allow timely decisions regarding required disclosure.

## Internal Controls Over Financial Reporting

The Corporation's Certifying Officers have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR"), as defined in NI 52-109, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles applicable to the Corporation. ICFR includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the annual financial statements or interim financial reports.

The control framework used to design and evaluate the Corporation's ICFR is "Internal Control - Integrated Framework (2013)" published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

There were no changes in the Corporation's ICFR that occurred during the period from January 1, 2026 to March 31, 2026 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

While the Certifying Officers believe that the Corporation's ICFR provide a reasonable level of assurance and are effective, they do not expect that the ICFR will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

## Outstanding Corporation Share Data

	<b>As at May 5, 2026</b>
Common shares outstanding, excluding shares held in trust	45,659,437
Common shares held in trust <sup>(i)</sup>	3,301
Total common shares outstanding	45,662,738
Dilutive securities:	
Options	950,001
Corporation shares – diluted	46,612,739

<sup>(i)</sup> Common Shares held in trust by an independent trustee for the potential future settlement of retention awards granted to eligible participant's under the Corporation's Retention Award Plan

## Summary of Quarterly Results

*(Stated in thousands of dollars except per share amounts)*

	<b>Mar-26</b>	Dec-25	Sep-25	Jun-25	Mar-25	Dec-24	Sep-24	Jun-24
Revenue	<b>183,885</b>	183,892	164,333	167,670	193,704	178,676	160,634	154,230
Earnings	<b>8,936</b>	17,569	8,461	8,522	20,159	14,098	10,160	12,913
Earnings per share - basic	<b>0.20</b>	0.39	0.19	0.19	0.44	0.31	0.22	0.27
Earnings per share - diluted	<b>0.20</b>	0.35	0.16	0.17	0.44	0.30	0.22	0.26
Dividends paid	<b>18,148</b>	9,036	9,092	9,112	9,102	9,183	9,437	9,498
Cash and cash equivalents	<b>18,993</b>	29,107	7,871	10,696	13,971	14,163	14,203	13,798
Loans and borrowings	<b>62,391</b>	35,489	42,406	41,739	26,145	16,827	19,171	9,649

Trends in revenue, earnings, and cash flows are directly affected by industry directional drilling activity levels that change as a result of world demand for natural gas and oil commodities and fluctuations in oil and natural gas prices. In the first quarter of 2026, the US industry rig count and Canadian industry horizontal and directional drilling activity (as measured by drilling days) softened, decreasing by 7 percent and 5 percent respectively, compared to the same 2025-quarter. Despite the continued slower industry environment, the Canadian division's revenue was steady, and the US division reported record RSS activity and growth in its motor rental revenue stream. PHX Energy's operations continue to be resilient to the impact of the weaker industry environment by remaining a top provider of premium technologies and operational expertise. However, earnings in the first quarter of 2026 declined compared to the same 2025-quarter mainly due to additional depreciation and amortization expenses recognized as a result of a change in the estimated useful life of certain primary components of motors that was effective in the third quarter of 2025, overall higher direct costs, and decrease in revenue from motor equipment and parts sales. Additionally, an increase in PHX Energy's share price also resulted to greater cash-settled share-based compensation expense recognized in the first quarter of 2026.

In general, activity levels in western Canada can vary due to seasonal weather patterns. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring break-up" can have a direct impact on the Corporation's Canadian activity levels. As a result, late March through May is typically the slowest time for activity in Canada, as such, the operating results of the Canadian segment vary on a quarterly basis. The Corporation's activity levels in the US are not impacted at the same level during this Canadian spring break-up period. US revenue represented 68 percent of consolidated revenue in the 2026 three-month period ended March 31 (2025 – 70 percent).

## Non-GAAP and Other Financial Measures

### Non-GAAP Financial Measures and Ratios

#### a) Adjusted EBITDA

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

The following is a reconciliation of earnings to adjusted EBITDA:

*(Stated in thousands of dollars)*

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

**b) Adjusted EBITDA Per Share - Diluted**

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

**c) Adjusted EBITDA as a Percentage of Revenue**

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

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

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

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

(Stated in thousands of dollars)

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

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

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

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

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

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

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

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

(Stated in thousands of dollars)

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

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

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

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

(Stated in thousands of dollars)

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

## Capital Management Measures

### a) Funds from Operations

Funds from operations is defined as cash flows generated from operating activities before changes in non-cash working capital, interest paid, and income taxes paid. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses funds from operations as an indication of the Corporation's ability to generate funds from its operations before considering changes in working capital balances and interest and taxes paid. Investors should be cautioned, however, that this financial measure should not be construed as an alternative measure to cash flows from operating activities determined in accordance with GAAP. PHX Energy's method of calculating funds from operations may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

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

*(Stated in thousands of dollars)*

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

### b) Excess Cash Flow

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

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

(Stated in thousands of dollars)

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

**c) Working Capital**

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

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

(Stated in thousands of dollars)

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

**d) Net Debt**

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

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

*(Stated in thousands of dollars)*

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

**e) Net Capital Expenditures**

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

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

*(Stated in thousands of dollars)*

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

**f) Remaining Balance under ROCS Target**

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

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

(Stated in thousands of dollars)

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

## Supplementary Financial Measures

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

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

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

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

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

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

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

## Definitions

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

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

**"Growth capital expenditures"** are capital expenditures that were used to expand capacity in the Corporation's fleet of drilling equipment.

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

## Cautionary Statement Regarding Forward-Looking Information and Statements

This MD&A 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 MD&A 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 MD&A should not be unduly relied upon. These forward-looking statements and information speak only as of the date of this MD&A.

In particular, forward-looking information and statements contained in this MD&A include, without limitation:

- Net capital expenditures to be spent in the second half of the year are anticipated to be lower than the first half and PHX Energy believes this will allow for the remaining balance under ROCS target to be at a balanced position by the end of the 2026-year.
- The Corporation's intent to preserve balance sheet strength and continue to reward shareholders, including through its dividend program, the ROCS program and its NCIB, particularly during these times of market weaknesses.
- The expectation that equipment on order is to be delivered before the end of the second quarter of 2026,
- The anticipated 2026 capital expenditure budget of \$65 million and the anticipated portion to be spent on growth and to maintain capacity in the fleet of drilling and other equipment and replace equipment lost downhole during drilling operations.
- The \$5 million increase to the capital expenditures budget is expected to be mainly focused on further expanding the RSS fleet including the Corporation's Real-Time Communication technologies.
- The planned capital 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.
- The expectation that a higher cost environment will persist in the near-term.
- The Board will continually review the dividend program and its ROCS and take into consideration, without limitation, the Corporation's financial performance, forecasted activity levels and the industry outlook, among other factors. The actual amount of future quarterly dividends, if any, remains subject to the approval of and declaration by the Board. If the Corporation does not meet its budgeted cash flow from operating activities, dividends to shareholders may be reduced or suspended entirely.
- The potential impact of ongoing trade policy uncertainty and global conflicts, particularly in the Middle East, Central America, and Eastern Europe on Corporation's supply chain, operations, customers and industry activity.
- The section of this MD&A related to the Corporation's activity in the upcoming year, its ability to grow in the current environment and industry rig counts among other matters.

The above are stated under the headings: "Financial Results", "Dividends and ROCS", "Normal Course Issuer Bid", "Capital Spending", "Liquidity", "Capital Resources" and "Business Risk Factors". In addition, all information contained under the headings "Dividends and ROCS", "Outlook", "Cash Flow, Dividends, and ROCS", and "Business Risk Factors" sections of this MD&A may contain forward-looking statements.

In addition to other material factors, expectations and assumptions which may be identified in this MD&A 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 conflict 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 MD&A 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 Corporation's most recently filed Annual Information Form ("AIF") on SEDAR+ at [www.sedarplus.ca](http://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 MD&A 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](http://www.sedarplus.ca)) or at the Corporation's website. The forward-looking statements and information contained in this MD&A 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.

## Condensed Consolidated Interim Statements of Financial Position

<i>(Stated in thousands of dollars, unaudited)</i>	March 31, 2026	December 31, 2025
<b>ASSETS</b>		
Current assets:		
Cash	\$ 18,993	\$ 29,107
Trade and other receivables	162,763	138,640
Inventories	59,269	56,261
Prepaid expenses	2,516	2,970
Current tax assets	10,662	9,290
<b>Total current assets</b>	<b>254,203</b>	<b>236,268</b>
Non-current assets:		
Drilling and other long-term assets (Note 6)	176,340	165,001
Right-of-use assets	20,668	21,411
Intangible assets	16,872	16,304
Investments	2,171	2,171
Other long-term assets	981	1,253
Deferred tax assets	1,583	756
<b>Total non-current assets</b>	<b>218,615</b>	<b>206,896</b>
<b>Total assets</b>	<b>\$ 472,818</b>	<b>\$ 443,164</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 118,720	\$ 110,896
Dividends payable (Note 8d)	9,101	9,074
Current lease liabilities	4,127	4,050
Current tax liability	229	1,338
<b>Total current liabilities</b>	<b>132,177</b>	<b>125,358</b>
Non-current liabilities:		
Lease liabilities	26,452	27,393
Loans and borrowings (Note 7)	62,391	35,489
Deferred tax liabilities	26,377	24,317
Other (Note 8c)	1,700	1,564
<b>Total non-current liabilities</b>	<b>116,920</b>	<b>88,763</b>
Equity:		
Share capital (Note 8a)	202,948	201,722
Contributed surplus	7,169	7,326
Deficit	(19,133)	(9,894)
Accumulated other comprehensive income (AOCI)	32,737	29,889
<b>Total equity</b>	<b>223,721</b>	<b>229,043</b>
<b>Total liabilities and equity</b>	<b>\$ 472,818</b>	<b>\$ 443,164</b>

See accompanying notes to unaudited condensed consolidated interim financial statements, commitments (Note 6b)

## Condensed Consolidated Interim Statements of Comprehensive Earnings

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

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

See accompanying notes to unaudited condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statements of Changes in Equity

(Stated in thousands of dollars except share capital numbers, unaudited)

Three-month period ended	Share Capital		Contributed Surplus	Accumulated Other Comprehensive Income		Deficit	Total Equity
	Number	Amount (\$)					
March 31, 2026							
Balance, December 31, 2025	45,367,773	\$ 201,722	\$ 7,326	\$ 29,889	\$ (9,894)	\$ 229,043	
Issuance of share capital on exercise of options	134,633	971	-	-	-	971	
Share-based payments	-	-	98	-	-	98	
Fair value of options exercised	-	255	(255)	-	-	-	
Net earnings	-	-	-	-	8,936	8,936	
Foreign currency translation, net of tax	-	-	-	2,848	-	2,848	
Dividends	-	-	-	-	(18,175)	(18,175)	
Balance, March 31, 2026	45,502,406	\$ 202,948	\$ 7,169	\$ 32,737	\$ (19,133)	\$ 223,721	

Three-month period ended	Share Capital		Contributed Surplus	Accumulated Other Comprehensive Income		Deficit	Total Equity
	Number	Amount (\$)					
March 31, 2025							
Balance, December 31, 2024	45,506,773	\$ 203,841	\$ 7,189	\$ 39,466	\$ (28,291)	\$ 222,205	
Issuance of share capital on exercise of options	50,000	180	-	-	-	180	
Share-based payments	-	-	89	-	-	89	
Fair value of options exercised	-	39	(39)	-	-	-	
Net earnings	-	-	-	-	20,159	20,159	
Foreign currency translation, net of tax	-	-	-	62	-	62	
Dividends	-	-	-	-	(9,112)	(9,112)	
Balance, March 31, 2025	45,556,773	\$ 204,060	\$ 7,239	\$ 39,528	\$ (17,244)	\$ 233,583	

See accompanying notes to unaudited condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statements of Cash Flows

(Stated in thousands of dollars, unaudited)

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

See accompanying notes to unaudited condensed consolidated interim financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

## For the three-month periods ended March 31, 2026 and 2025

### 1. Reporting Entity

PHX Energy Services Corp. (“PHX Energy” or the “Corporation”) is a publicly-traded Corporation listed on the Toronto Stock Exchange (“TSX”) under the symbol “PHX”. The Corporation’s registered office is at Suite 1600, 215 – 9<sup>th</sup> Avenue SW Calgary, Alberta, Canada.

The Corporation, through its subsidiaries, provides horizontal and directional drilling services, rents performance drilling motors, and sells motor equipment and parts to oil and natural gas exploration and development companies in Canada, United States, and the Middle East regions. The Corporation also develops and manufactures technologies that are made available for internal operational use.

The condensed consolidated interim financial statements include the accounts of the Corporation and its wholly owned subsidiaries.

### 2. Basis of Preparation

#### a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Corporation as at and for the year ended December 31, 2025.

The condensed consolidated interim financial statements were authorized by the Board of Directors (the “Board”) on May 5, 2026.

#### b) Basis of Measurement

The condensed consolidated interim financial statements have been prepared on a going concern basis using the historical cost basis except for liabilities for cash-settled share-based payment arrangements and investments, which are measured at fair value.

## c) Use of Estimates and Judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS Accounting Standards as issued by the IASB requires management to make estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the estimates and judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty have not changed significantly since December 31, 2025.

Effective September 1, 2025, the Corporation updated the estimated useful life of certain primary components of its motors as a result of the periodic review of its useful lives. Management determined that the useful life of this equipment should be updated from 8 years to 5 years. During the period ended March 31, 2026, an additional \$2.8 million in depreciation expense was recorded to reflect this change in estimate.

### Global Trade

The current US-Canada tariff environment remains highly dynamic and uncertain. Legislative or regulatory changes by the US and/or Canadian governments could adversely affect the Corporation's supply chain, operations, customers and industry activity, which may have a material effect on its business, financial condition and results of operations.

While the February 20, 2026 US Supreme Court ruling led to the cessation of certain tariffs, the US administration has continued to signal its intention to implement alternative trade measures, and discussions surrounding the ongoing review of the United States-Mexico-Canada Agreement ("USMCA") persist. In addition, uncertainty remains with respect to the administration and potential recovery of previously collected tariffs. While certain tariffs have ceased to be collected, it is not yet determinable whether amounts previously paid will be refunded, the process for obtaining any such refunds, or the timing thereof. The Corporation continues to monitor developments and assess potential impacts; however, no assurance can be provided that any refunds will be realized.

Ongoing trade policy uncertainty, including, but not limited to, the potential introduction of new tariffs including their duration and quantum, continuation of retaliatory measures, or changes arising from the USMCA review, among other things, may have a material adverse impact on the Corporation's business and results, given its significant US presence and reliance on the cross-border movement of goods and equipment.

### **Global Conflict**

The ongoing geopolitical conflicts, particularly in the Middle East, Central America, and Eastern Europe may impact the availability and commodity price of oil and natural gas products for a prolonged period. The impact of these conflicts on the commodity price and North American industry activity levels are unknown and subject to a higher degree of uncertainty at this time. The business and activities of the Corporation are directly affected by fluctuations in the levels of exploration, development and production activity carried on by its customers and the Corporation makes activity assumptions based on commodity price assumptions that are used for planning purposes. Accordingly, if commodity prices and consequently industry activity levels significantly differ from these expectations, the Corporation's capital plans and financial results are likely to be affected.

## **3. Material Accounting Policies**

These condensed consolidated interim financial statements have been prepared utilizing the same material accounting policies and methods as the consolidated financial statements of the Corporation for the year ended December 31, 2025.

### Accounting Standards Effective January 1, 2026

Management has assessed the impact of amendments to IFRS 9 and IFRS 7 - classification and measurement of financial instruments and determined there to be no material impact on the Corporation's accounting policies or required disclosures.

### Forthcoming Standards Effective January 1, 2027

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements which will replace IAS 1 Presentation of Financial Statements. The new standard will establish a revised structure for the consolidated statements of comprehensive income and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard will be applied retroactively, with certain transition provisions. The Corporation is currently evaluating the impact of adopting IFRS 18 on the consolidated financial statements and will prepare for the transition throughout the 2026-year.

## 4. Revenue

The Corporation generates revenue primarily from providing directional drilling services to clients. Other sources of revenue include rental of performance drilling motors and sale of motor equipment and parts.

*(Stated in thousands of dollars)*

Three-month periods ended March 31,	Canada		United States		Total	
	2026	2025	2026	2025	2026	2025
Directional drilling services	57,411	56,872	113,893	122,488	171,304	179,360
Motor rental	666	692	11,517	11,014	12,183	11,706
Sale of motor equipment and parts	-	-	398	2,638	398	2,638
Total revenue	58,077	57,564	125,808	136,140	183,885	193,704

## 5. Operating Segments

The Corporation provides directional and horizontal oil and natural gas well drilling services. PHX Energy's reportable segments have been aligned as follows:

### Information about reportable segments

*(Stated in thousands of dollars)*

Three-month periods ended March 31,	Canada		United States		Corporate		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
Revenue	58,077	57,564	125,808	136,140	-	-	183,885	193,704
Direct costs	46,873	44,119	106,645	109,296	-	-	153,518	153,415
Gross profit	11,204	13,445	19,163	26,844	-	-	30,367	40,289
Expenses:								
Selling, general and administrative expenses	6,016	4,197	7,724	7,837	12,394	7,096	26,134	19,130
Research and development expenses	-	-	-	-	1,883	1,780	1,883	1,780
Finance expense	-	-	-	-	718	606	718	606
Finance expense lease liability	277	290	149	195	17	21	443	506
Other income	(3,042)	(3,001)	(6,772)	(4,644)	-	-	(9,814)	(7,645)
Reportable segment profit (loss) before income taxes	7,953	11,959	18,062	23,456	(15,012)	(9,503)	11,003	25,912

*(Stated in thousands of dollars)*

	Canada		United States		Corporate		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
As at March 31,								
Acquisition of drilling and other equipment	9,227	8,958	19,279	15,734	-	-	28,506	24,692
Segment non-current assets	71,164	73,653	143,697	145,479	3,754	2,171	218,615	221,303
Total Assets	148,116	153,032	320,671	294,978	4,031	2,034	472,818	450,044

## 6. Drilling and Other Long-Term Assets

### a) Acquisitions and Disposals

During the three-month period ended March 31, 2026, the Corporation acquired assets with a cost of \$28.5 million (2025 - \$24.7 million).

Assets with a carrying amount of \$2.9 million (2025 - \$3.1 million) were disposed of as a result of tools lost down hole and scrapped assets, resulting in a net gain on disposition of \$9.4 million (2025 - \$7.9 million), which is included in other income (see Note 9) in the condensed consolidated interim statement of comprehensive income.

### b) Capital Commitments

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

## 7. Loans and Borrowings

### a) Terms and Covenants

(Stated in thousands of dollars)

	Currency	Amount of Facility	Date of Maturity	Currency	Carrying Amount at March 31, 2026	Currency	Carrying Amount at December 31, 2025
Operating Facility	CAD	15,000	December 12, 2028	CAD	7,268	CAD	-
Syndicated Facility	CAD	95,000	December 12, 2028	CAD	49,556	CAD	35,489
<b>Total CAD Facility</b>	<b>CAD</b>	<b>110,000</b>		<b>CAD</b>	<b>56,824</b>	<b>CAD</b>	<b>35,489</b>
US Operating Facility	USD	25,000	December 12, 2028	USD	4,000	USD	-
<b>Total USD Facility</b>	<b>USD</b>	<b>25,000</b>		<b>USD</b>	<b>4,000</b>	<b>USD</b>	<b>-</b>

The carrying amount of loans and borrowings is presented net of borrowing costs amounting to \$0.4 million at March 31, 2026. Under the syndicated credit agreement, the Corporation is required to maintain certain financial covenants. As at March 31, 2026 the Corporation was in compliance with all its financial covenants as follows:

Ratio	Covenant	As at March 31, 2026
Debt to covenant EBITDA <sup>(i)</sup>	<3.0x	<b>0.54</b>
Interest coverage ratio <sup>(i)</sup>	>3.0x	<b>38.40</b>

<sup>(i)</sup> Definitions for these terms are included in the credit agreement filed on SEDAR

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

As at March 31, 2026 the Corporation has CAD \$52.7 million and USD \$21 million available to be drawn from its credit facilities. The credit facilities are secured by substantially all of the Corporation's assets. The facilities bear interest based primarily on the Corporation's debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio, as defined in the credit agreement. Interest on the operating facility is currently at the bank's prime rate plus 0.625 percent. Interest on the syndicated facility is currently at the Canadian Overnight Repo Rate Average ("CORRA") plus 1.625 percent.

## 8. Share Capital

### a) Authorized and Issued Shares

The Corporation is authorized to issue an unlimited number of common shares.

*(Stated in thousands of dollars except common shares outstanding)*

	Number		Amount
Balance as at January 1, 2025	45,506,773	\$	203,841
Common shares repurchased and cancelled	(379,000)		(3,250)
Issued shares pursuant to share option plan	240,000		1,131
Balance as at December 31, 2025	45,367,773	\$	201,722
Issued shares pursuant to share option plan	<b>134,633</b>		<b>1,226</b>
Balance as at March 31, 2026	<b>45,502,406</b>	<b>\$</b>	<b>202,948</b>

### b) Share Option Program (Equity-Settled)

PHX Energy has a share option program that entitles key management personnel and other employees to purchase common shares in the Corporation. Grants under the plan vest as to one-third 6 months from the grant date, one-third 18 months from grant date and one-third 30 months from grant date. In accordance with these programs, options are exercisable using the five-day weighted-average trading price of the common shares ending immediately prior to the date of grant, or in the case of a US option holder, the trading price of the common shares ending immediately prior to the date of grant. The options have a term of five years.

#### Summary of option grants in 2026

Number	Exercise Price	Expiration Date	Fair Value
150,000	\$ 12.01	March 5, 2031	\$ 2.020
150,000	11.90	March 5, 2031	1.905
300,000			

The Corporation values all of its share options using the Black-Scholes model. The Corporation's determination of fair value of options on the date of grant is affected by the Corporation's share price as well as assumptions regarding a number of variables. For the options granted during 2026 these variables include, but are not limited to, the Corporation's expected share price volatility over the term of the options of 35 percent, forfeiture rate of nil, dividend yield of 6.57 percent and a risk-free interest rate of 2.67 percent (2025 – expected share price volatility 38 percent, forfeiture rate of nil, dividend yield of 9.37 percent and a risk-free interest rate of 2.58 percent). The amounts computed according to the Black-Scholes model method may not be indicative of the actual values realized upon the exercise of these options by the holders.

For the three-month period ended March 31, 2026 the Corporation recognized a total compensation expense of \$0.1 million (2025 - \$0.1 million), for share options granted between 2024 and 2026 (2025 – share options granted between 2023 and 2025).

A summary of the status of the plan as at March 31, 2026 is presented below:

	March 31, 2026		December 31, 2025	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding, beginning of period	941,667	\$ 8.23	881,667	\$ 6.75
Granted	300,000	11.96	300,000	8.62
Exercised	(134,633)	6.93	(240,000)	3.30
Outstanding, end of period	1,107,034	\$ 9.40	941,667	\$ 8.23
Options exercisable, end of period	515,361	\$ 8.24	649,994	\$ 7.97

The weighted-average share price at the date of exercise for share options exercised for the three-month period ended March 31, 2026 was \$13.24 (2025 - \$8.68).

The range of exercise prices for options outstanding at March 31, 2026 are as follows:

Options Outstanding			Options Exercisable	
Number	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
23,700	0.93 yrs	\$ 6.08	23,700	\$ 6.08
50,000	0.93 yrs	6.16	50,000	6.16
100,000	1.94 yrs	7.96	100,000	7.96
66,667	1.94 yrs	7.83	66,667	7.83
150,000	2.94 yrs	9.17	99,999	9.17
125,000	2.94 yrs	9.23	83,332	9.23
150,000	3.93 yrs	8.71	49,998	8.71
141,667	3.93 yrs	8.53	41,665	8.53
150,000	4.93 yrs	12.01	-	12.01
150,000	4.93 yrs	11.90	-	11.90
1,107,034	3.46 yrs	\$ 9.40	515,361	\$ 8.24

### c) Retention Award Plan (Cash-Settled)

The retention award plan (“RAP”) has two types of awards: Restricted Awards (“RAs”) and Performance Awards (“PAs”) and results in eligible participants, as approved by the Board, receiving cash or common shares in relation to the value of a specified number of underlying notional retention awards. The Corporation accounts for its retention award plan as cash-settled share-based compensation.

RAs vest evenly over a period of three-years. Upon vesting and subsequent exercise, the holder is entitled to receive a cash payment or common shares based on the fair value of the underlying shares determined using the five-day weighted-average trading price of the shares ending immediately prior to the exercise date plus accrued re-invested dividends.

PAs vesting and subsequent exercise is similar to RAs, except a payout multiplier is applied to the final payout. The payout multiplier is linked solely to total shareholder return on the Corporation's common shares relative to returns on securities of members of the Corporation's peer comparison group over the applicable vesting period and can range from a payout of zero percent to 200 percent. For the three-month period ended March 31, 2026, 310,426 PAs were granted (2025 – 297,130), 321,983 PAs settled at a weighted-average payout multiplier of 118 percent (2025 – 617,693 PAs settled at a weighted-average payout multiplier of 141 percent), and no PAs were forfeited (2025 – nil). As at March 31, 2026, 624,311 PAs were outstanding (2025 – 574,702).

The Corporation recorded a total of \$9.6 million of compensation expense relating to these plans for the three-month period ended March 31, 2026 (2025 – \$2.7 million). The expense is included in selling, general and administrative expense and has a corresponding liability of \$4.5 million in trade and other payables for the current portion and \$1.7 million included in other liabilities for the long-term portion which had vesting dates after March 31, 2027 (2025 - \$3.6 million and \$0.9 million). There were 1,236,825 RAs and PAs outstanding as at March 31, 2026 (2025 – 1,326,596). The closing share price on March 31, 2026 of PHX stock was \$13.21.

A summary of the status of the plan as at March 31, is presented below:

	March 31, 2026	December 31, 2025
RAs and PAs outstanding January 1,	1,546,632	1,599,094
Granted	384,083	831,661
Settled	(688,366)	(862,042)
Forfeited	(5,524)	(22,081)
RAs and PAs outstanding, end of period	1,236,825	1,546,632

## d) Dividends

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

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

## e) Normal Course Issuer Bid (“NCIB”)

During the third quarter of 2025, the TSX approved the renewal of PHX Energy’s Normal Course Issuer Bid (“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 and cancelled by the Corporation in the three-month period ended March 31, 2026. (2025 – no common shares were purchased and cancelled).

## 9. Other Income

*(Stated in thousands of dollars)*

	Three-month periods ended March 31,	
	2026	2025
Net gain on disposition of drilling equipment (Note 6a)	\$ 9,359	\$ 7,861
Miscellaneous other income	179	-
Foreign exchange gain (loss)	159	(216)
Recovery of bad debts	117	-
Total other income	\$ 9,814	\$ 7,645

## 10. Fair Values of Financial Instruments

The Corporation has designated its trade and other payables, dividends payable, and loans and borrowings as non-derivative financial liabilities carried at amortized cost. Cash and trade and other receivables are designated as non-derivative financial assets measured at amortized cost. The Corporation's carrying values of these items, excluding loans and borrowings, approximate their fair value due to the relatively short periods to maturity of the instruments. Loans and borrowings bears interest at a floating market rate indicative of current spreads and accordingly the fair value approximates the carrying value.

Equity investments in a company are designated as non-derivative financial assets measured at FVOCI as the investment is not held-for-trading and fair value changes are not reflective of the Corporation's operations. The investment asset is carried at fair value on the consolidated statement of financial position. Fair value is considered level three under the fair value hierarchy and requires management to assess information available, which may include private placements, available financial statement information and other available market data.

# Corporate Information

## Board of Directors

John Hooks  
Randolph (“Randy”) M. Charron  
Myron Tétreault  
Karen David-Green  
Lawrence Hibbard  
Terry Freeman  
Michael Buker

## Officers

John Hooks  
Executive Board Chair  
  
Michael Buker  
President & CEO  
  
Cameron Ritchie  
Sr. Vice President Finance and CFO  
Corporate Secretary  
  
Craig Brown  
Chief Technology Officer  
  
Jeffery Shafer  
Chief Operating Officer  
  
Garrett Wright  
Phoenix Technology Services USA Inc.  
Vice President US Operations  
  
David Raines  
Phoenix Technology Services USA Inc.  
Vice President US Sales & Marketing

## Legal Counsel

Burnet, Duckworth & Palmer LLP  
Calgary, Alberta

## Auditors

KPMG LLP  
Calgary, Alberta

## Bankers

Royal Bank of Canada  
HSBC USA N.A.

## Transfer Agent

Odyssey Trust Company  
Calgary, Alberta