PHX
ENERGY SERVICES CORP.

PRESS RELEASE
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TSX - PHX

PHX Energy Services Corp. Reports Record Annual Revenue And Activity, And Strong Fourth Quarter Financial and Operational Results

Aided by international and US growth, PHX Energy generated an all-time record level of revenue, operating days, EBITDA and funds from operations in 2012.

For the year ended December 31, 2012, the Corporation generated consolidated revenue of $301.7 million as compared to $260.1 million in the 2011-year; an increase of 16 percent. EBITDA increased by 9 percent to $48.8 million in 2012 as compared to $45.0 million in 2011, and the Corporation's funds from operations were $50.6 million in 2012, which is 14 percent greater than the $44.2 million achieved in 2011.

In North America, the industry trend toward horizontal and directional drilling has never been sturdier. Industry horizontal and directional drilling activity represented approximately 88 percent (as measured by drilling days) and 71 percent (as measured by rigs running per day) of the 2012 total drilling activity in Canada and the US, respectively. This compared to 87 percent in Canada and 69 percent in the US for the 2011-year. (Sources: Daily Oil Bulletin and Baker Hughes)

US operations achieved significant growth in 2012 as a result of an expanded marketing team, successful penetration in the Permian Basin, South Texas, and Mid-Continent markets, and the expansion of the motor rental division in Midland, Texas. US revenue, as a percentage of consolidated revenue, was 46 percent in 2012 as compared to 36 percent in 2011.

International operations were also robust, particularly in Albania and Russia. In 2012, the international operating segment represented 12 percent of consolidated revenue as compared to 9 percent in the prior year. PHX Energy foresees this momentum continuing, and with the addition of resistivity work and a new client in Albania, intensified marketing efforts in Russia and Colombia, and a continued focus on delivering exceptional service, international operations' contribution to consolidated revenue is expected to increase in the future years.

During 2012, the Corporation successfully expanded the deployment of its various value added directional drilling technologies, particularly its resistivity while drilling ("RWD") systems, in most of its operating regions, and this contributed to higher positive margins. PHX Energy is committed to growing its RWD offering and expects to add 7 RWD systems by mid-year.

To support strong operational activity levels, a record level of capital expenditures, $51.5 million, was incurred in 2012. With these capital expenditures, PHX Energy's down hole performance drilling motor fleet increased by over 200 motors and job capacity increased to 210 concurrent jobs from 190 in 2011. The greater job capacity resulted from the addition of 9 P-360 positive pulse measurement while drilling ("MWD") systems, 6 E-360 electromagnetic ("EM") MWD systems, and 5 RWD systems. As at December 31, 2012, the Corporation's MWD fleet consisted of 133 P-360 positive pulse MWD systems, 65 E-360 EM MWD systems, and 12 RWD systems. Of these, 86 MWD systems were deployed in Canada, 94 in the US, 15 in Russia, 6 in Albania, 5 in Colombia, and 4 in Peru.

The Corporation's capital expenditures were financed by cash flow from operations and borrowings under the Corporation's credit facilities. On September 6, 2012, the Corporation entered into a new loan agreement with a bank syndicate. Under the terms of the agreement, the Corporation now has access to credit facilities aggregating to approximately $130 million for a term of three years. As at December 31, 2012, the Corporation carried long-term debt of $80 million and working capital of $45.5 million.

The 2013 capital expenditure budget has been approved by the Board of Directors and is projected to be $30.4 million.

For the year ended December 31, 2012, the Corporation paid dividends of $0.66 per share to its shareholders (2011 - $0.48 per share), or $18.6 million (2011 - $12.5 million). PHX Energy ended 2012 with a cash dividend payout ratio of 37 percent (cash dividends paid divided by funds from operations).

Financial Highlights

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

	Three-month periods ended December 31,			Years ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Operating Results	***(unaudited)***	*(unaudited)*				
Revenue	**79,473**	73,606	8	**301,720**	260,063	16
Net earnings	**4,537**	5,284	(14)	**17,707**	18,328	(3)
Earnings per share – diluted	**0.16**	0.19	(16)	**0.63**	0.65	(3)
EBITDA (1)	**13,575**	13,566	-	**48,837**	45,007	9
EBITDA per share – diluted (1)	**0.48**	0.48	-	**1.73**	1.59	9
Cash Flow						
Cash flows from operating activities	**13,748**	19,376	(29)	**33,070**	23,224	42
Funds from operations (1)	**13,890**	13,182	5	**50,621**	44,233	14
Funds from operations per share – diluted (1)	**0.49**	0.47	4	**1.79**	1.56	15
Dividends paid	**5,080**	3,165	61	**18,595**	12,474	49
Dividends per share (2)	**0.18**	0.12	50	**0.66**	0.48	38
Capital expenditures	**5,334**	15,012	(64)	**51,452**	49,280	4
Financial Position, December 31,						
Working capital				**45,480**	**44,868**	1
Long-term debt				**80,000**	**56,000**	43
Shareholders' equity				**115,095**	**113,868**	1
Common shares outstanding				**28,241,371**	**28,091,062**	1

(1) Refer to non-GAAP measures section.
(2) Dividends made by the Corporation on a per share basis in the period.

Non-GAAP Measures

PHX Energy uses certain performance measures throughout this document that are not recognizable under Canadian generally accepted accounting principles ("GAAP"). These performance measures include earnings before interest, taxes, depreciation and amortization ("EBITDA"), EBITDA per share, funds from operations and funds from operations per share. Management believes that these measures provide supplemental financial information that is useful in the evaluation of the Corporation's operations and are commonly 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, these may not be comparable. Please refer to the non-GAAP measures section.

Cautionary Statement Regarding Forward-Looking Information and Statements

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

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

In particular, forward-looking information and statements contained in this document include references to, without limitation, growth in PHX Energy's international operations and this segment representing a greater percentage of revenue; the growth of the Corporation's RWD fleet, projected capital expenditure budget and how this budget will be funded; the ability to reduce performance drilling motor and MWD repair costs and improve profitability; improved profitability in South America as a result of integrating the Peruvian and Colombian management teams; the expected tax rate in Canada; the potential opportunities for expansion in key plays in Canada; the ability to implement and grow initiatives, such as RADD and Insight drilling optimization operations which are believed to have a positive impact on Canadian margins; the expansion of the motor rental division in the US; future US growth; efficiencies being created from hiring local personnel in Albania; the opportunity to expand in Eastern Europe; increased activity in Russia as a result of new work awarded and invitations to tender having been submitted; anticipated future growth in Colombia and Peru; synergies and opportunities for growth as a result of the relationships established with RMS Systems Inc.; and the commencement of operations for RigManager International Inc. in Russia.

The above references are stated under the headings: “Operating Costs and Expenses”, “Segmented Information”, “Cash Requirements for Capital Expenditures”, and “Investments”. Furthermore, all information contained within the Outlook section of this document contains forward-looking statements.

In addition to other material factors, expectations and assumptions which may be identified in this document and other continuous disclosure documents of the Corporation referenced herein, assumptions have been made in respect of such forward-looking statements and information regarding, among other things: the Corporation will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; anticipated financial performance; business prospects; impact of competition; strategies; the general stability of the economic and political environment in which the Corporation operates; exchange and interest rates; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; and the adequacy of cash flow, debt and ability to obtain financing on acceptable terms to fund its planned expenditures, which are subject to change based on commodity prices, market conditions, and future oil and natural gas prices; and potential timing delays. Although Management considers these 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.

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.sedar.com) or at the Corporation's website. The forward-looking statements and information contained in this document 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.

Revenue

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Revenue	**79,473**	73,606	8	**301,720**	260,063	16

Despite continual weak industry activity in Canada, PHX Energy generated consolidated revenue for the three-month period ended December 31, 2012 of $79.5 million, an 8 percent increase compared to the $73.6 million in the corresponding 2011-period. This level of quarterly revenue was a record for a fourth quarter and the third highest in the Corporation’s history, with the all-time record being achieved in the third quarter of 2012 followed by the revenue achieved in the first quarter of the year. Consolidated operating days increased by 8 percent to 6,690 days in 2012 from 6,210 days in the 2011-quarter and were also a fourth quarter record. Average consolidated day rates for the three-month period ended December 31, 2012, excluding the motor rental division in Midland, Texas, were $11,671 which is comparable to the day rates of $11,695 realized in the fourth quarter of 2011.

The demand for horizontal and directional drilling services continued to be strong in Canada and US. In the 2012-quarter, horizontal and directional drilling activity represented a record 93 percent of total Canadian industry drilling days (2011 – 92 percent). In the US, horizontal and directional activity represented approximately 72 percent of the rigs running per day in the fourth quarter of 2012 compared to 69 percent in the 2011-quarter. (Sources: Daily Oil Bulletin and Baker Hughes)

International operations also generated record level of revenues for a fourth quarter. International revenue, as a percentage of total consolidated revenue, increased to 12 percent in the 2012-quarter compared to 9 percent in the 2011-quarter.

For the year ended December 31, 2012, PHX Energy generated record consolidated revenue of $301.7 million, a 16 percent increase compared to 2011 revenue of $260.1 million. This achievement is the result of the Corporation's strategy to grow its US and international regions. US and international revenue, as a percentage of total consolidated revenue, grew to 46 and 12 percent, respectively, for the 2012-year as compared to 36 and 9 percent in 2011. Consolidated operating days increased by 6 percent to a record 24,930 days compared to 23,458 in 2011. Average consolidated day rates for the year ended December 31, 2012, excluding the motor rental division in Midland, Texas, increased by 8 percent to $11,903 from $11,039 in the corresponding 2011-period. The 2012 average consolidated day rates are stronger due in part to higher international activity and greater utilization of the Corporation's RWD technology.

Operating Costs and Expenses

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,			Years ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Direct costs	**62,990**	56,253	12	**238,168**	201,251	18
Depreciation & amortization (included in direct costs)	**5,800**	4,447	30	**21,336**	16,171	32
Gross profit as percentage of revenue excluding depreciation & amortization	**28%**	30%		**28%**	29%	

Direct costs are comprised of field and shop expenses, and include depreciation and amortization on the Corporation's equipment. Excluding depreciation and amortization, gross profit as a percentage of revenue was 28 percent for the three-month period ended December 31, 2012 as compared to 30 percent in the comparable 2011-period. For the year ended December 31, 2012, gross profit as a percentage of revenue (excluding depreciation and amortization) was 28 percent as compared to 29 percent in 2011.

The slight decrease in PHX Energy's margins in the three-month period and year ended December 31, 2012 is due to the following factors:

- slower industry activity in Canada,
- weaker than expected activity for the Corporation in Peru and Colombia, and
- increased performance drilling motor and MWD system repair costs in Canada and US. PHX Energy is currently examining ways to help reduce these costs.

Several other cost reduction strategies have been started, including the integration of the Peruvian and Colombian management teams with the aim of realizing cost savings from better rationalization of manpower and equipment in South America.

The overall negative impact on margins was partially offset by lower third party equipment rentals and greater utilization of the Corporation's RWD technology, which is at a premium. The Corporation's third party equipment rentals for the fourth quarter of 2012 were $1.9 million, or 2 percent of consolidated revenue, as compared to $2.8 million, or 4 percent of revenue, in the corresponding 2011-quarter. For the year ended December 31, 2012, third party equipment rentals were $8.8 million, or 3 percent of consolidated revenue, versus $15.1 million, or 6 percent of revenue, in 2011.

Depreciation and amortization for the three-month period ended December 31, 2012 increased by 30 percent to $5.8 million as compared to $4.4 million in the 2011-quarter. For the year ended December 31, 2012, depreciation and amortization increased by 32 percent to $21.3 million from $16.2 million in 2011. The increase in both periods is the result of the Corporation's record level of capital expenditure programs in 2011 and 2012.

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,			Years ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Selling, general and administrative ("SG&A") costs	**8,456**	8,512	(1)	**34,467**	31,618	9
Share-based payments (included in SG&A costs)	**410**	483	(15)	**2,265**	2,971	(24)
SG&A costs excluding share-based payments as a percentage of revenue	**10%**	11%		**11%**	11%	

SG&A costs for the three-month period ended December 31, 2012 were $8.5 million which is similar to the costs incurred in the 2011-period. Included in SG&A costs are share-based payments of $0.4 million in the 2012-quarter as compared to a $0.5 million in the 2011-quarter. Excluding these costs, SG&A costs represented 10 percent of consolidated revenue in the 2012 three-month period compared to 11 percent in the 2011-period.

For the year ended December 31, 2012, SG&A costs increased by 9 percent to $34.5 million as compared to $31.6 million in 2011. Excluding share-based payments of $2.3 million in the 2012-year and $3.0 million in the 2011-year, SG&A costs as a percentage of consolidated revenue were 11 percent in both years.

SG&A costs, excluding share-based payments, generally increased in dollar terms during 2012 due to higher payroll expenses and marketing related costs associated with stronger US and international activity.

Share-based payments relate to the amortization of the fair values of issued options of the Corporation using the Black-Scholes model. In the three-month period and year ended December 31, 2012, share-based payments decreased by 15 percent and 24 percent, respectively, as the Corporation has not made significant option issuances since December 2011.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Research and development expense	**321**	503	(36)	**1,985**	2,124	(7)

Research and development ("R&D") expenditures charged to net earnings during the three-month periods ended December 31, 2012 and 2011 were $0.3 million and $0.5 million, respectively. In addition, during the same 2012-period, $39,000 (2011 - $128,000) were capitalized as development costs on certain projects.

For the year ended December 31, 2012, R&D expenditures of $2.1 million were incurred, of which $151,000 were capitalized as deferred development costs. R&D expenditures for the year ended December 31, 2011 were $3.2 million, of which $1.1 million were capitalized.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Finance expense	**1,091**	646	69	**3,233**	2,097	54

Finance expenses relate to interest charges on the Corporation's long-term and short-term bank facilities. For the three-month period ended December 31, 2012, finance charges increased to $1.1 million from $0.6 million in the 2011-period. Finance charges increased to $3.2 million in the 2012-year from $2.1 million in 2011. The increase in the finance expense in both 2012-periods is the result of additional bank borrowings made to fund PHX Energy's capital expenditure programs in 2011 and 2012.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Gains on disposition of drilling equipment	**575**	1,859	(69)	**2,727**	5,589	(51)
Foreign exchange losses	**(89)**	(906)	(90)	**(1,267)**	(1,377)	(8)
Provision for bad debt	**(108)**	(173)	(38)	**(15)**	(447)	(97)
Losses from the change in fair value of investment in equity securities	**-**	-	-	**(490)**	-	n.m.
Other income	**378**	780	(52)	**955**	3,765	(75)

n.m. – not meaningful

For the three-month period and year ended December 31, 2012, PHX Energy realized gains on disposition of drilling equipment of $0.6 million (2011 - $1.9 million) and $2.7 million (2011 - $5.6 million), respectively. The dispositions of drilling equipment relate primarily to equipment lost in well bores that are uncontrollable in nature. The gain reported is net of any asset retirements that are made before the end of the equipment's useful life and self-insured down hole equipment losses, if any. Gains typically result from insurance programs undertaken whereby proceeds for the lost equipment are at current replacement values, which are higher than the respective equipment's book value. There were fewer occurrences of losses in the 2012-periods as compared to the corresponding 2011-periods. In addition, there were more occurrences of scrapped assets in the 2012-year.

Offsetting other income for the three-month period ended December 31, 2012 are foreign exchange losses of $0.1 million (2011 - $0.9 million) and a bad debt provision of $0.1 million (2011 – $0.2 million). For the year ended December 31, 2012, other expenses offsetting other income include foreign exchange losses of $1.3 million (2011 - $1.4 million), bad debt provisions of $15,000 (2011 - $0.4 million), and losses from the change in fair value of investment in equity securities of $0.5 million (2011 - nil).

For the year ended December 31, 2012, foreign exchange losses resulted mainly from fluctuations in the LEK-CDN and RUR-CDN exchange rates. Management has implemented strategies to mitigate this foreign exchange exposure in future periods.

For the year ended December 31, 2012, losses from the change in fair value of investment in equity securities relate to the investment in the publicly traded equity securities of RMS Systems Inc. ("RMS"), which has been designated as financial assets at fair value through profit or loss before October 22, 2012. As at October 22, 2012, RMS became an equity-accounted investee of PHX Energy.

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2012	2011	**2012**	2011
Provision for income taxes	**2,147**	3,189	**6,561**	8,411

The provision for income taxes for the three-month period ended December 31, 2012 was $2.1 million as compared to $3.2 million in the 2011-period. For the year ended December 31, 2012, the provision for income taxes was $6.6 million as compared to $8.4 million in 2011. The expected combined Canadian federal and provincial tax rate for 2012 is 25 percent. The effective tax rates in the three-month period and year ended December 31, 2012 of 32 percent and 27 percent, respectively, are higher than the expected rate due to the profitability of US operations where tax rates are higher, non-recognition deferred tax assets for foreign losses, and non-deductibility of share-based payments.

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

	Three-month periods ended December 31,			Years ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Net earnings	**4,537**	5,284	(14)	**17,707**	18,328	(3)
Earnings per share – diluted	**0.16**	0.19	(16)	**0.63**	0.65	(3)
EBITDA	**13,575**	13,566	-	**48,837**	45,007	9
EBITDA per share – diluted	**0.48**	0.48	-	**1.73**	1.59	9
EBITDA as a percentage of revenue	**17%**	18%		**16%**	17%	

The Corporation's level of net earnings in the three-month period and year ended December 31, 2012 decreased due to lower margins, higher depreciation expenses and higher finance expenses. EBITDA for the fourth quarter of 2012 is comparable to that achieved in the 2011-quarter. For the year ended December 31, 2012, EBITDA increased by 9 percent due primarily to activity growth in the US and international regions. EBITDA as a percentage of revenue for the three-month period ended December 31, 2012 was 17 percent (2011 – 18 percent) and for the 2012-year was 16 percent (2011 – 17 percent).

Segmented Information:

The Corporation reports three operating segments on a geographical basis throughout the Canadian provinces of Alberta, Saskatchewan, British Columbia, and Manitoba; throughout the Gulf Coast, Northeast and Rocky Mountain regions of the US; and internationally in Albania, Peru, Russia and Colombia.

Canada

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Revenue	**32,344**	43,842	(26)	**126,712**	144,416	(12)
Reportable segment profit before tax	**4,096**	9,652	(58)	**16,079**	26,841	(40)

PHX Energy's Canadian revenue decreased by 26 percent to $32.3 million (2011 - $43.8 million) and operating days decreased by 24 percent to 2,829 days (2011 - 3,739 days). In comparison, total industry horizontal and directional drilling activity, as measured by drilling days, was 28 percent lower in the 2012-quarter, 29,264 days, compared to the 2011-quarter's 40,601 days. (Source: Daily Oil Bulletin) Average day rates decreased by 2 percent to $11,433 in the 2012-quarter from $11,725 in the 2011-quarter.

The Canadian industry's drilling activity continued to be weak in the fourth quarter of 2012 and this created pressures on day rates and increased competition in the market. Despite this overall retraction, horizontal and directional drilling continued to dominate Canadian industry activity and represented approximately 93 percent of total Canadian industry drilling days (2011

– 92 percent). (Source: Daily Oil Bulletin) In the 2012-quarter, PHX Energy focused its marketing efforts on the Montney, Duvernay, and deep basin plays where the Corporation's experience level is rising and there is potential opportunities for expansion. The Corporation also remained active in the Viking, Cardium, Shaunavon, Bakken, and Frobisher areas.

For the year ended December 31, 2012, the Corporation's Canadian revenue was $126.7 million, which is 12 percent lower than the $144.4 million generated in the 2011-year. The number of horizontal and directional operating days realized in the Canadian industry during the 2012-year decreased by 15 percent to 118,066 days as compared to 139,359 days in 2011. (Source: Daily Oil Bulletin) In comparison, the Corporation's Canadian drilling days decreased by 17 percent to 10,567 days in the 2012-year from 12,760 days in 2011. Oil well drilling activity (as measured by operating days) represented approximately 83 percent of PHX Energy's Canadian activity for the year ended December 31, 2012 (2011 – 75 percent) with the remainder of activity primarily related to liquids rich natural gas.

The negative impact of slower industry activity on the Corporation's revenue level in 2012 was partially alleviated by PHX Energy's improved average day rates, which increased by 6 percent from $11,318 in 2011 to $11,991 in 2012. Higher day rates were achieved as a result of greater demand for horizontal gamma jobs and the increased utilization of the Corporation's RWD systems as well as other premium directional drilling technologies.

Reportable segment profit before tax for the three-month period ended December 31, 2012 decreased by 58 percent to $4.1 million from $9.7 million in the 2011-quarter. For the year ended December 31, 2012, reportable segment profit before tax decreased by 40 percent to $16.1 million from $26.8 million in 2011. The decreases in both 2012-periods were primarily due to lower levels of activity and higher infrastructure costs.

Given the challenges in the Canadian market, PHX Energy is committed to implementing and growing initiatives that aim to provide its customers exceptional service and create drilling efficiencies. In late 2012, the Corporation aimed to increase the utilization of its Remote Access Directional Drilling ("RADD") services, which focus on reducing operators' costs by centralizing remote logging services. Additionally, PHX Energy is growing its Insight drilling optimization operations, whereby real-time solutions for improved drilling practices are provided by a team of technical experts. It is expected that both these initiatives will provide a positive impact on Canadian margins in 2013.

United States

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Revenue	**37,824**	23,477	61	**137,712**	93,483	47
Reportable segment profit before tax	**4,243**	268	n.m.	**14,360**	5,600	156

n.m. – not meaningful

PHX Energy's US operations had a record fourth quarter. For the three-month period ended December 31, 2012, US revenue of $37.8 million was generated compared to $23.5 million in the 2011-period; a 61 percent increase. In the Corporation's history, this level of revenue is second only to record results achieved in the third quarter of 2012. The Corporation's US operating days in the fourth quarter increased by 56 percent to 3,152 days from 2,015 days in the 2011-quarter. Average US day rates, excluding the motor rental division in Midland, Texas, increased by 4 percent to $11,557 in the 2012-quarter compared to $11,163 in the corresponding 2011-period. This increase is attributable to the increased utilization of the Corporation's value added technologies, such as its RWD technology.

In the fourth quarter of 2012, US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, decreased by 6 percent to 1,302 rigs from 1,384 rigs in 2011. (Source: Baker Hughes) Despite reduced rig utilization levels, the Corporation continued to realize substantial growth in its US operations. Horizontal oil well drilling represented approximately 49 percent of Phoenix USA's overall activity, as measured by drilling days, in the fourth quarter of 2012 as compared to 39 percent in the 2011-quarter.

Phoenix USA achieved a remarkable year-over-year improvement in 2012, generating a record level of revenue, $137.7 million which is 47 percent higher than the $93.5 million reported in the 2011-year. Excluding the motor rental division in Midland, Texas, Phoenix USA achieved a 12 percent increase in its average day rates, which were $11,508 in 2012 as compared to $10,306 in 2011. The Corporation's US operating days also increased by 29 percent to 11,534 days in the 2012-year compared to 8,961 days in 2011-year. In comparison, US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, increased by 5 percent to 1,367 rigs in 2012 compared to 1,305 rigs in 2011. (Source: Baker Hughes)

Intensified marketing efforts through the expansion of the marketing team in all US areas have made a positive impact on activity levels. The Corporation realized substantial growth from its successful penetration in the Permian Basin, South Texas, and Mid-Continent markets, and during the year, Phoenix USA was active in the Wolf Camp, Barnett, Eagleford, Marcellus, Utica, Granite Wash, Mississippian Lime, Niobrara, and Bakken plays.

With the success achieved by the motor rental division in Midland, Texas, additional marketing personnel are in place and the motor rental division is being expanded to the Mid-Continent area of the Gulf Coast region and the Rocky Mountain region. The Corporation has also realized a greater demand for its RWD technology and expects to add 3 RWD systems in the US in early 2013. PHX Energy foresees that these areas will further propel Phoenix USA's growth.

Reportable segment profit before tax for the three-month period ended December 31, 2012 increased to $4.2 million from $0.3 million in the 2011-period. For the year ended December 31, 2012, reportable segment profit before tax increased to $14.4 million from $5.6 million in 2011. The increase in profitability and improved margins in both periods was primarily due to higher activity and improved day rates.

International

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Revenue	**9,305**	6,287	48	**37,296**	22,164	68
Reportable segment profit before tax	**1,460**	917	59	**8,778**	3,666	139

For the three-month period ended December 31, 2012, international revenue increased by 48 percent to $9.3 million from $6.3 million in the 2011-period. International operating days increased by 56 percent from 456 days in the 2011-quarter to 710 days in the 2012-quarter. The Corporation generated 12 percent of its consolidated revenue from international operations in the fourth quarter of 2012 compared to 9 percent in 2011.

During the 2012-year, PHX Energy's international operations achieved significant growth, and generated record annual revenues and operating days. For the year ended December 31, 2012, revenue increased by 68 percent to $37.3 million as compared to $22.2 million in 2011. International operating days increased by 63 percent from 1,737 days in 2011 to 2,830 days in 2012.

Phoenix Albania remained the Corporation's most active international area and continued to operate on 5 consecutive rigs for most of the 2012-quarter. RigManager International Inc.'s ("RMII") electronic drilling recorder ("EDR") systems also continued to run on all 5 rigs. Since commencing operations in 2008, Phoenix Albania has successfully drilled in excess of 288 wells in the region. In the fourth quarter of 2012, RWD services were successfully implemented in Albania and services were provided for a new client on a directional well, both of which contributed to increased revenues. The Corporation is continuing to hire, train, and develop local Albanian staff, which is expected to create further efficiencies and at the same time, goodwill by supporting the local economy. Currently, 33 percent of the total number of employees in the country are Albanian nationals. In 2013, PHX Energy will focus on exploring expansion opportunities for its Eastern European operations, while continuing to provide superior services to its current clients. The Corporation presently has a 6 job capacity in Albania.

In the fourth quarter of 2012, the Corporation continued to realize strong activity levels in Russia, however, the quarterly results are less than forecasted due to rig maintenance schedules and unseasonably warm weather in Siberia that delayed the construction of ice roads. It is anticipated that further growth will be achieved in 2013 as Phoenix Russia has already been awarded additional rigs by both an existing client and new clients in Siberia. In addition, the Corporation has participated in numerous tender invitations for work to be executed in 2013 and is awaiting the award of these tenders. This is a strong indication that Phoenix Russia has solidified its presence as a credible horizontal and directional drilling service provider in this strategic market.

In Colombia, the Corporation suffered low activity levels during the quarter, partially due to a key client's inability to meet their license obligations. Despite low activity levels, PHX Energy remains confident in this market and its ability to provide fit-for-purpose services throughout the region. PHX Energy's operations in Colombia currently have a 5 job capacity.

Peruvian industry activity continued to be weak in the fourth quarter of 2012, however, as a result of the outstanding service quality and cost savings delivered to a key client, Phoenix Peru has been invited to compete for additional work in 2013. It is believed that this opportunity will lead to modest growth in 2013. Phoenix Peru currently has a job capacity of 4 full service jobs.

In order to streamline operations in the South America, the Peruvian and Colombian management teams have been integrated into a single management team that will oversee activities in both locations. This initiative is expected to create efficiencies by improving asset and personnel utilization, thereby enhancing overall profitability.

For the three-month period ended December 31, 2012, reportable segment profit before tax was $1.5 million, an increase of 59 percent compared to the $0.9 million in the corresponding 2011-period. Reportable segment profit before tax for the year ended December 31, 2012 was $8.8 million as compared to $3.7 million in 2011; a 139 percent increase. Strong activity levels in Albania and Russia were the main factors in the international segment's improved profitability.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2012 was $64.7 million as compared to $35.4 million in 2011. The Corporation made a $3.5 million investment in the joint venture company RMII, a $2.6 million investment in shares of its joint venture partner RMS, and added a record $51.5 million in capital equipment in 2012 (2011 - $49.3 million). The 2012 capital expenditures included:

- $29.8 million in down hole performance drilling motors;
- $13.0 million in MWD systems and spare components;
- $5.1 million in non-magnetic drill collars and jars;
- $1.0 million in machinery and equipment for global service centres; and
- $2.6 million in other assets, including vehicles of $0.9 million and software of $0.8 million.

The capital expenditure program undertaken in the year was financed from a combination of cash flow from operations, long-term debt and working capital.

The Corporation realized proceeds from the involuntary disposal of drilling equipment in well bores of $9.0 million in 2012, as compared to $9.4 million in 2011. The change in non-cash working capital balances of $16.2 million (use of cash) for the year ended December 31, 2012 relates to $6.8 million of net change in the Corporation's trade payables that are associated with the acquisition of capital assets and $9.4 million of land and progress billings associated with an operations center under construction that is currently being held for sale. This compares to $4.4 million (source of cash) for the year ended December 31, 2011.

Financing Activities

The Corporation reported cash flows from financing activities of $27.6 million in 2012 as compared to $11.9 million in 2011. In the 2012-year:

- the Corporation paid dividends of $18.6 million to shareholders, or $0.66 per share;
- through its option and DRIP programs the Corporation received cash proceeds of $1.3 million to acquire 150,309 common shares of the Corporation; and
- the Corporation received net proceeds from its operating facility and syndicated facility of an aggregate of $44.9 million to finance its capital expenditures program and the construction of the new operations center.

Capital Resources

On September 6, 2012, the Corporation entered into a new syndicated loan agreement with its bank. Under the new agreement, the Corporation has access to a $10 million operating facility. The facility bears interest based primarily on the Corporation's senior debt to EBITDA ratio, as defined in the agreement. At the Corporation's option, interest is at the bank's prime rate plus a margin that ranges from a minimum of 0.75 percent to a maximum of 2 percent, or the bank's bankers' acceptance rate plus a margin that ranges from a minimum of 1.75 percent to a maximum of 3 percent. As of December 31, 2012, the Corporation had $5.9 million drawn on this facility.

Under the new syndicated loan agreement, the Corporation also has access to a $95 million syndicated facility and a US$25 million operating facility in the US. The facilities bear interest at the same rates disclosed above. The syndicated facility will permanently reduce to $80 million on September 30, 2013, which coincides with the expected sale and leaseback of the new operations center. The remaining $80 million syndicated facility and the US operating facility mature on September 6, 2015. The maturity date can be extended for another year at the option of the lender. As at December 31, 2012, $95 million was drawn on the syndicated facility, of which $15 million was classified as current, and nil was drawn on the US operating facility.

All credit facilities are secured by a general security agreement over all assets of the Corporation located in Canada and the US. As at December 31, 2012, the Corporation was in compliance with all of its bank debt covenants.

Cash Requirements for Capital Expenditures

Historically, the Corporation has financed its capital expenditures and acquisitions through cash flows from operating activities, debt and equity. The 2013 capital budget has been set at $30.4 million subject to quarterly review of the Board of Directors. These planned expenditures are expected to be financed from a combination of one or more of the following, cash flow from operations, the Corporation's unused credit facilities or equity, if necessary. However, if a sustained period of market uncertainty and financial market volatility persists in 2013, the Corporation's activity levels, cash flows and access to credit may be negatively impacted, and the expenditure level would be reduced accordingly. Conversely, if future growth opportunities present themselves, the Corporation would look at expanding this planned capital expenditure amount.

Investments

During the year, PHX Energy invested in shares of and entered a Joint Venture with RMS, who has developed an EDR technology that offers drilling operators the ability to remotely view down hole data, monitor drilling progress in real-time and create meaningful data analysis. There are many synergies between the EDR services offered by RMS and the Corporation's current service offering that can be realized. PHX Energy believes that these investments present a positive opportunity to participate in an attractive segment of the oil and natural gas industry that has few competitors and will strategically assist the Corporation in achieving its long-term goals to expand its international and US operating segments. The Joint Venture couples PHX Energy's marketing expertise and relationships in the US and internationally with RMS's technical expertise related to their EDR products and services.

On January 25, 2012, the Corporation invested in publicly traded equity securities of RMS, which have been designated as financial assets through profit or loss.

On May 18, 2012, the Corporation entered into a joint venture agreement with RMS, pursuant to which, the parties have incorporated RigManager International Inc. ("RMII") which is equally owned by the two parties. Pursuant to the joint venture, RMS transferred all of its interest in its wholly-owned US subsidiary, RigManager Inc., to RMII and granted RMII an exclusive perpetual license to market and distribute RMS' EDR technology worldwide outside Canada. During the year, RMII continued operations in the US and started operations in Albania and Mexico. It is expected operations in Russia in will commence in 2013.

On October 22, 2012, the Corporation completed a private placement purchase of additional RMS shares thereby increasing its interest in RMS to 19.5 percent. As part of this transaction, a second representative of PHX Energy was appointed to the Board of Directors of RMS. As at October 22, 2012, RMS became an equity-accounted investee of PHX Energy.

Outlook

In 2012, PHX Energy navigated through various challenges and through all this is proud of its people and the accomplishments achieved. Amongst a year of mixed opportunities and challenges, PHX Energy again executed operationally and reported record revenue, operating days and EBITDA.

North American industry and commodity price trends in 2012 reinforced the importance of diversification. While oil prices appeared robust, the differential that applied due to market constraints vastly widened in Canada and created a large short fall in producers' cash flow that reduced some drilling budgets. In addition, the expected recovery of natural gas prices was short lived and therefore activity levels remained depressed in certain areas due to unfavorable economics. As a result of these factors, Canadian industry activity decreased when compared to the prior year and US industry activity was relatively flat.

Canada relies heavily on US demand for oil and natural gas commodities and it is this reliance that has led to the current Canadian market conditions. In 2012, this was apparent in the challenges that resulted from the oil price differentials and low natural gas prices, one of which was the capital markets remaining predominately closed for many exploration and production companies whose budgets depend on the ability to raise capital. In a year with reduced drilling activity, PHX Energy's Canadian operations performed well and this can be attributed to the diverse client base that has been established as a result of proven performance in Western Canada. The Canadian industry in 2013 will likely continue at the same pace as 2012, and PHX Energy believes it will maintain a healthy share of activity with its knowledge of drilling operations in key basins.

Given the forecasted challenges for Canada in 2012 and PHX Energy's strong penetration in this market, a strategic objective was to strengthen and grow US operations. The US market, with its large rig count, presented greater opportunities during the year and PHX Energy established new operating areas to service the key basins that were emerging. Primarily due to increased activity in the Gulf Coast region that was driven by a dedicated team of key personnel, the Corporation delivered on this objective and US operations reported results that exceed expectations. For 2013, it is anticipated that the US will continue to be a strong growth area for PHX Energy, as the momentum in the Gulf Coast region creates further gains in market share, the Rocky Mountain region becomes more active in the year and with the industry rig count in the Northeast region beginning to show slight increases in early 2013.

Another key strategy in the past year was to focus resources on the Corporation's international segments to eliminate losses in areas that were not profitable and to strive to grow in areas where activity levels were favorable. By implementing initiatives that were targeted to each area, many of the metrics set at the start of 2012 were achieved and at year end, international operations represented 12 percent of consolidated revenue and profitability improved. In addition, through some of the strategies deployed the structure is now in place for expansion in the present markets where opportunity exists, and PHX Energy believes going forward growth in these areas will be realized.

In 2012, PHX Energy also expanded the deployment of value added technologies in North America and internationally, such as its RWD services. In a year where day rates were flat for a traditional service package, the additional revenue stream created by these technologies aided in revenue growth along with the record number of operating days achieved. A focus going forward will be to continue to expand the fleet of these tools, as they give PHX Energy a competitive advantage in many markets and offer clients operational benefits.

PHX Energy foresees the future potential for a game changing shift in the North American industry related to projects focused on exporting natural gas outside of North America. In addition, it is anticipated that international operators will begin to deploy the techniques and technologies that created the shale revolution in North America. These paradigm shifts will bode well for the Corporation, however, it is not likely they will take hold in the near term. As such, in 2013 PHX Energy will continue to leverage its diverse operational footprint and high service level to continually reward shareholders. Additionally, PHX Energy will keep a watchful eye on the industry trends and ensure it is equipped to be at the forefront when the shift begins to take hold.

John Hooks
Chairman of the Board, President and Chief Executive Officer
February 27, 2013

Non-GAAP Measures

1) EBITDA

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

The following is a reconciliation of net earnings to EBITDA:

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2012	2011	**2012**	2011
Net earnings	**4,537**	5,284	**17,707**	18,328
Add:				
Depreciation and amortization	**5,800**	4,447	**21,336**	16,171
Provision for income taxes	**2,147**	3,189	**6,561**	8,411
Finance expense	**1,091**	646	**3,233**	2,097
EBITDA as reported	**13,575**	13,566	**48,837**	45,007

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 EBITDA per share on a dilutive basis does not include anti-dilutive options.

2) Funds from Operations

Funds from operations is defined as cash flows generated from operating activities before changes in non-cash working capital. This is not a 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. 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 December 31,		Years ended December 31,	
	2012	2011	**2012**	2011
Cash flows from operating activities	**13,748**	19,376	**33,070**	23,224
Add (deduct):				
Changes in non-cash working capital	**(1,285)**	(6,933)	**13,054**	18,437
Interest paid	**866**	687	**2,863**	1,884
Income taxes paid	**561**	52	**1,634**	688
Funds from operations	**13,890**	13,182	**50,621**	44,233

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 on a dilutive basis does not include anti-dilutive options.

About PHX Energy Services Corp.

The Corporation, through its subsidiary entities, provides horizontal and directional technology and drilling services to oil and natural gas producing companies in Canada, the US, Albania, Peru, Russia, and Colombia. PHX Energy develops and manufactures its E-360 electromagnetic ("EM") and P-360 positive pulse measurement while drilling ("MWD") technologies that are made available for internal operational use.

PHX Energy's Canadian operations are conducted through Phoenix Technology Services LP. The Corporation maintains its corporate head office, research and development, Canadian sales, service and operational centres 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. ("Phoenix USA"), is headquartered in Houston, Texas. Phoenix USA has sales and service facilities in Houston, Texas; Traverse City, Michigan; Casper, Wyoming; Denver, Colorado; Fort Worth, Texas; Midland, Texas; Buckhannon, West Virginia; Pittsburgh, Pennsylvania; and Oklahoma City, Oklahoma. Internationally, PHX Energy has sales offices and service facilities in Albania, Peru, Russia, and Colombia, and an administrative office in Nicosia, Cyprus.

As at December 31, 2012, PHX Energy had approximately 790 full-time employees and the Corporation utilized over 300 additional field consultants in 2012.

For further information please contact:
John Hooks, President and CEO; or Cameron Ritchie, Senior Vice President Finance and CFO

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Consolidated Statements of Financial Position

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 4,329,969**	$ 8,376,344
Trade and other receivables	**67,189,884**	63,209,860
Inventories	**21,833,051**	15,445,543
Prepaid expenses	**3,476,559**	3,720,607
Assets held for sale	**9,436,462**	-
Total current assets	**106,265,925**	90,752,354
Non-current assets:		
Drilling and other equipment	**144,370,109**	120,572,230
Goodwill	**8,876,351**	8,876,351
Equity-accounted investees	**5,010,292**	-
Total non-current assets	**158,256,752**	129,448,581
Total assets	**$ 264,522,677**	$ 220,200,935
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Operating facility	**$ 5,897,711**	$ -
Trade and other payables	**38,165,118**	44,538,854
Dividends payable	**1,626,287**	1,064,592
Current tax liabilities	**97,020**	280,981
Loans and borrowings	**15,000,000**	-
Total current liabilities	**60,786,136**	45,884,427
Non-current liabilities:		
Loans and borrowings	**80,000,000**	56,000,000
Deferred tax liabilities	**8,641,858**	4,448,999
Total non-current liabilities	**88,641,858**	60,448,999
Equity:		
Share capital	**99,101,118**	97,583,055
Contributed surplus	**7,860,658**	5,827,955
Retained earnings	**9,764,748**	11,461,288
Accumulated other comprehensive income	**(1,631,841)**	(803,517)
Total equity attributable to equity holders of the Corporation	**115,094,683**	114,068,781
Non-controlling interests	**-**	(201,272)
Total equity	**115,094,683**	113,867,509
Total liabilities and equity	**$ 264,522,677**	$ 220,200,935

Consolidated Statements of Comprehensive Income

	Three-month periods ended December 31, 2012	Three-month periods ended December 31, 2011	Years ended December 31, 2012	Years ended December 31, 2011
Revenue	**$ 79,473,206**	$ 73,606,432	**$ 301,719,813**	$ 260,063,371
Direct costs	**62,989,673**	56,252,668	**238,167,915**	201,250,946
Gross profit	**16,483,533**	17,353,764	**63,551,898**	58,812,425
Expenses:				
Selling, general and administrative expenses	**8,456,052**	8,512,364	**34,466,938**	31,618,058
Research and development expenses	**320,810**	502,699	**1,985,404**	2,123,544
Finance expense	**1,090,636**	645,694	**3,232,978**	2,096,702
Other income	**(378,248)**	(780,498)	**(954,849)**	(3,765,395)
	9,489,250	8,880,259	**38,730,471**	32,072,909
Share of loss of equity-accounted investees (net of tax)	**310,327**	-	**552,931**	-
Earnings before income taxes	**6,683,956**	8,473,505	**24,268,496**	26,739,516
Provision for income taxes:				
Current	**209,368**	263,985	**1,579,789**	1,260,940
Deferred	**1,937,809**	2,925,249	**4,981,679**	7,150,330
	2,147,177	3,189,234	**6,561,468**	8,411,270
Net earnings	**4,536,779**	5,284,271	**17,707,028**	18,328,246
Other comprehensive income:				
Foreign currency translation	**1,587,768**	(721,114)	**(873,637)**	(93,020)
Total comprehensive income for the year	**$ 6,124,547**	$ 4,563,157	**$ 16,833,391**	$ 18,235,226
Earnings attributable to:				
Equity holders of the Corporation	**$ 4,536,779**	$ 5,070,388	**$ 17,707,028**	$ 18,413,357
Non-controlling interests	**-**	213,883	**-**	(85,111)
Net earnings	**$ 4,536,779**	$ 5,284,271	**$ 17,707,028**	$ 18,328,246
Comprehensive income attributable to:				
Equity holders of the Corporation	**$ 6,124,547**	$ 4,262,697	**$ 16,833,391**	$ 18,297,167
Non-controlling interests	**-**	300,460	**-**	(61,941)
Total comprehensive income for the year	**$ 6,124,547**	$ 4,563,157	**$ 16,833,391**	$ 18,235,226
Earnings per share – basic	**$ 0.16**	$ 0.19	**$ 0.63**	$ 0.66
Earnings per share – diluted	**$ 0.16**	$ 0.19	**$ 0.63**	$ 0.65

Consolidated Statements of Cash Flows

	Three-month periods ended December 31, 2012	2011	Years ended December 31, 2012	2011
Cash flows from operating activities:				
Net earnings	**$ 4,536,779**	$ 5,284,271	**$ 17,707,028**	$ 18,328,246
Adjustments for:				
Depreciation and amortization	**5,799,949**	4,446,840	**21,335,874**	16,171,041
Provision for income taxes	**2,147,177**	3,189,234	**6,561,468**	8,411,270
Unrealized foreign exchange loss	**62,396**	819,284	**1,188,443**	1,396,940
Gain on disposition of drilling equipment	**(575,431)**	(1,859,479)	**(2,727,295)**	(5,588,728)
Share-based payments	**409,895**	483,028	**2,264,706**	2,970,553
Finance expense	**1,090,636**	645,694	**3,232,978**	2,096,702
Provision for bad debts	**108,197**	172,756	**15,059**	446,521
Change in fair value of investment in equity securities	**-**	-	**490,245**	-
Share of loss of equity-accounted investees	**310,327**	-	**552,931**	-
Change in non-cash working capital	**1,284,738**	6,933,540	**(13,053,739)**	(18,437,087)
Cash generated from operating activities	**15,174,663**	20,115,168	**37,567,698**	25,795,458
Interest paid	**(866,164)**	(687,004)	**(2,863,421)**	(1,883,712)
Income taxes paid	**(560,668)**	(52,106)	**(1,633,970)**	(687,729)
Net cash from operating activities	**13,747,831**	19,376,058	**33,070,307**	23,224,017
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	**2,045,771**	3,057,671	**9,039,942**	9,445,520
Acquisition of drilling and other equipment	**(5,334,438)**	(15,012,314)	**(51,452,063)**	(49,279,614)
Investment in equity-accounted investees	**(1,960,000)**	-	**(6,053,468)**	-
Change in non-cash working capital	**(4,946,603)**	(123,078)	**(16,239,576)**	4,426,676
Net cash used in investing activities	**(10,195,270)**	(12,077,721)	**(64,705,165)**	(35,407,418)
Cash flows from financing activities:				
Proceeds from issuance of share capital	**276,006**	1,137,840	**1,286,060**	4,407,921
Dividends paid to shareholders	**(5,079,636)**	(3,165,287)	**(18,595,288)**	(12,473,708)
Proceeds on loans and borrowings	**2,000,000**	3,500,000	**39,000,000**	20,000,000
Proceeds on operating facility	**(298,747)**	(5,877,124)	**5,897,711**	-
Net cash from financing activities	**(3,102,377)**	(4,404,571)	**27,588,483**	11,934,213
Net decrease in cash and cash equivalents	**450,184**	2,893,766	**(4,046,375)**	(249,188)
Cash and cash equivalents, beginning of year	**3,879,785**	5,482,578	**8,376,344**	8,625,532
Cash and cash equivalents, end of year	**$ 4,329,969**	$ 8,376,344	**$ 4,329,969**	$ 8,376,344