



ANNUAL INFORMATION FORM

Year ended December 31, 2024

March 28, 2025

TABLE OF CONTENTS

	Page
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	2
GLOSSARY	5
BACKGROUND	7
GENERAL DEVELOPMENT OF PHX ENERGY'S BUSINESS	8
SIGNIFICANT ACQUISITIONS	12
DESCRIPTION OF PHX ENERGY'S BUSINESS AND OPERATIONS	12
DIVIDENDS	19
DESCRIPTION OF SHARE CAPITAL	20
MARKET FOR SECURITIES	21
ESCROWED SECURITIES	21
DIRECTORS AND OFFICERS OF PHX ENERGY	21
AUDIT COMMITTEE INFORMATION	26
INDUSTRY CONDITIONS	30
RISK FACTORS	30
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	37
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	55
TRANSFER AGENT AND REGISTRAR.....	55
MATERIAL CONTRACTS.....	55
INTERESTS OF EXPERTS.....	55
ADDITIONAL INFORMATION.....	56
 SCHEDULE "A" - AUDIT COMMITTEE MANDATE	

CERTAIN REFERENCES

In this AIF, unless the context otherwise requires, references to "Corporation" or "PHX Energy" refer to PHX Energy Services Corp. (either alone or together with its subsidiaries as the context requires).

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and information contained in this AIF constitute forward-looking statements and information. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements and information. 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 AIF should not be unduly relied upon. These statements speak only as of the date of this annual information form or as of the date specified in the documents incorporated by reference into this annual information form, as the case may be.

In particular, this annual information form, and the documents incorporated by reference, may contain forward-looking statements pertaining to the following:

- commodity prices, foreign currency exchange rates and interest rates;
- capital expenditure programs and other expenditures;
- anticipated oilfield service activity levels and the potential for further volatility in 2025;
- the continuation of supply chain challenges, including among other things tariffs, component shortages and inflation, and the Corporations ability to mitigate these challenges;
- the potential impact of world events on the Corporation, oilfield service activity, global economy, specifically trade and tariffs, manufacturing, supply chain, inflation, and energy consumption, among other things;
- the potential magnitude and duration of new or increased tariffs that may be imposed on goods imported or exported between Canada and the United States;
- the potential for growth within the Corporation's US and Canadian operations in 2025;
- the anticipated continuing demand for the Corporation's High Performance Technologies;
- the Corporation's ability to maintain and grow its market share in Canada and the US;
- opportunities for additional revenue streams particularly Atlas motor rental and sales in the US market and select international markets;
- the Corporation's belief that it will grow revenue and activity with sustained industry rig counts and will be in a position to build financial strength;
- the anticipated shareholders returns under the ROCS program in 2025;
- supply and demand for oil and natural gas and oilfield services;
- expectations regarding the Corporation's ability to raise capital, when required;
- expectations regarding business expansion;
- treatment under governmental regulatory and taxation regimes;
- schedules and timing of certain projects and the Corporation's strategy for growth;
- projections of market prices and costs;
- amounts to be retained by the Corporation for capital expenditures and to manage seasonal fluctuations in operating cash flow;
- anticipated expenditures and plans related to the Corporation's 2025 capital program and method of funding thereof;
- the Corporation's future operating and financial results and opportunities for higher operating margins;
- the Corporation's business objectives and strategies;

- dependence on equipment suppliers and equipment improvements;
- reliance on, and relationships with, existing customers;
- availability of required supplies;
- competitive conditions and the Corporation's competitive position;
- the expansion of services and operations in Canada, the US and internationally;
- the timing for receipt of regulatory, governmental and stock exchange approvals;
- operating risk and liability; and
- the Corporation's dividend policy and expectation it will continue.

The actual results could differ materially from those anticipated in these forward-looking statements and information as a result of the risk factors set forth below and elsewhere in this AIF:

- liabilities inherent in the Corporation's operations;
- impact of epidemics or pandemics or other health crises;
- impact of continuing conflicts in the Ukraine and Middle East;
- impact of supply chain challenges and inflations;
- impact of any tariffs imposed on Canadian exports into the US by the Trump administration and any retaliatory steps taken by the Canadian federal government;
- uncertainties associated with sector activity levels;
- competition for, among other things, capital, acquisitions and skilled personnel;
- ability to raise capital and to satisfy substantial capital requirements;
- incorrect assessments of the value of acquisitions;
- technical difficulties and problems;
- increased competition;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry;
- changes in laws;
- changes in political environment;
- timing of regulatory approval and development of industry related infrastructure;
- effect of recent environmental legislation discussed under "*Industry Conditions*"; and
- the other factors discussed under "*Risk Factors*".

In addition to other factors and assumptions which may be identified in this AIF, assumptions have been made in respect of such forward-looking statements and information regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which the Corporation operates; the timely receipt of any required regulatory approvals; the ability of the Corporation to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability of the Corporation to carry on business in a safe, efficient and effective manner; the ability of the Corporation to obtain financing on acceptable terms; commodity prices, currency, exchange and interest rates; the potential scope and duration of tariffs, export taxes, export restrictions or other trade actions; and, the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Corporation operates. Although the Corporation believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements and information as the Corporation can give no assurance that such expectations will prove to be correct.

Readers are cautioned that the foregoing list of factors is 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 Canadian securities regulatory authorities and may be accessed through the SEDAR⁺ website (www.sedarplus.ca). Although the forward-looking statements and information contained herein are based upon what management believes to be

reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements and information. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Corporation assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

Forward-looking statements and other information contained herein concerning the oil and natural gas services industry and the Corporation's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as market research and industry analysis and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Corporation is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

GLOSSARY

In this annual information form, the following words and phrases have the following meanings, unless the context otherwise requires:

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**AIF**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this annual information form of the Corporation;

"**Atlas**" means Atlas High Performance Drilling Motors, the Corporation's drilling motor technology;

"**Common Shares**" means the common shares in the capital of the Corporation;

"**Corporation**" or "**PHX Energy**" means PHX Energy Services Corp., a corporation incorporated pursuant to the ABCA and includes its predecessors where applicable;

"**COVID-19**" means the 2019 novel coronavirus and variants thereof;

"**E-360 EM MWD**" means PHX Energy's proprietary electromagnetic MWD as further described under the heading "*Description of PHX Energy's Business and Operations – PHX Energy's E-360 EM & P-360 Mud Pulse MWD System*" of this AIF;

"**EM**" means electromagnetic telemetry;

"**High Performance Technologies**" refers to the Corporation's most recently released technology products, including Velocity, Atlas, Universal Real-time Communication Sub and PowerDrive Orbit, G2 and iCruise RSS; as further described under the heading "*PHX Energy's High Performance Technologies*".

"**iCruise RSS**" means the iCruise Intelligent Rotary Steerable System that PHX Energy has acquired from Haliburton Co. as further described under the heading "*Description of PHX Energy's Business and Operations – iCruise RSS*" of this AIF;

"**Income Tax Act**" or "**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1. (5th Supp), as amended, including the regulations promulgated thereunder;

"**MENA**" means Middle East and North Africa;

"**MWD**" means measurement while drilling guidance system, a system used for directional drilling of wellbores;

"**PHX Energy Group**" means the Corporation and its direct and indirect subsidiaries, as the case may be;

"**PowerDrive Orbit & G2 RSS**" means the RSS that PHX Energy has acquired and also rents from Schlumberger Limited as further described under the heading "*Description of PHX Energy's Business and Operations – PowerDrive Orbit & G2 RSS*" of this AIF;

"**PTSI**" means Phoenix Technology Services Inc., a corporation duly formed and existing pursuant to the ABCA;

"**ROCS**" means the Corporation's Return on Capital Strategy as more particularly outlined in its Management Discussion and Analysis ("**MD&A**") for the year ended December 31, 2022 filed on SEDAR⁺ at www.sedarplus.ca;

"**RSS**" means rotary steerable system, a system used for directional drilling of wellbores;

"**RSS Purchase Agreements**" means agreements entered into in 2018 and 2024 between PHX Energy and Schlumberger Limited ("SLB") for the purchase of PowerDrive Orbit RSS and accompanying licenses for PHX Energy's US and Canadian subsidiaries, respectively to operate the PowerDrive Orbit RSS throughout the 48 contiguous states of the US and Canada;

"**Shareholders**" means holders of Common Shares;

"**TSX**" means the Toronto Stock Exchange;

"**Universal Real-time Communication Sub**" means the Corporation's ancillary technologies utilized to enhance its RSS services as further described under the heading "*Description of PHX Energy's Business and Operations – Universal Real-Time Communications Subs*" of this AIF;

"**US**" means United States of America;

"**Velocity**" means Velocity Real-Time System, the Corporation's MWD platform as further described under the heading "*Description of PHX Energy's Business and Operations – Velocity Real-Time System*" of this AIF;

"**WCS**" means Western Canadian Select, a grade of heavy crude oil derived from a mix of heavy crude oil and crude bitumen blended with diluents that is often used to represent the price for Canadian heavy crude oils; and

"**WTI**" means Western Texas Intermediate, a light sweet crude oil that is typically referenced for the pricing at Cushing, Oklahoma.

Unless otherwise specified, information in this annual information form is as at the end of the Corporation's most recently completed financial year, being December 31, 2024.

All dollar amounts herein are in Canadian dollars unless otherwise stated.

BACKGROUND

General

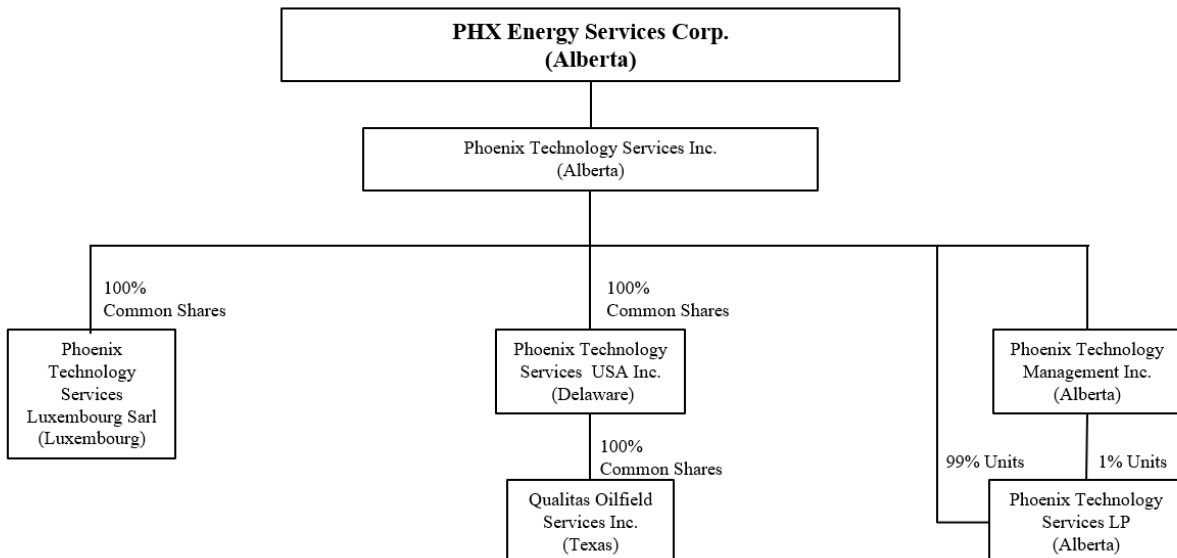
PHX Energy is a growth oriented, public oil and natural gas services company. The PHX Energy Group provides horizontal and directional drilling services to oil and natural gas exploration and development companies principally in Canada and the US. In connection with the foregoing, PHX Energy engineers, develops 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 in North America.

The Corporation was originally founded in 1995 and following various acts, amendments, amalgamations and arrangements, the Corporation became publicly traded in November 2002 on the TSX Venture Exchange as Phoenix Technology Services Inc. In March 2003, the common shares of Phoenix Technology Services Inc. were listed and posted for trading on the TSX under the symbol "PHX". In July 2004, pursuant to a plan of arrangement, the Corporation's common shares were converted to trust units and it became an income trust trading on the TSX as Phoenix Technology Income Fund. Pursuant to a subsequent plan of arrangement in October 2010, the trust units of Phoenix Technology Income Fund were converted to common shares of PHX Energy Services Corp., a corporation incorporated under the ABCA.

The common shares of PHX Energy Services Corp. trade on the TSX under the symbol "PHX". The head and principal office of PHX Energy is located at Suite 1600, 215 – 9th Avenue S.W., Calgary, Alberta, T2P 1K3 and its registered office is located at Suite 2400, 525 – 8th Avenue S.W., Calgary, Alberta, T2P 1G1.

Intercorporate Relationships

The following diagram sets out the current organizational structure of the Corporation, as well as the name, the percentage of voting securities owned, controlled or directed, directly or indirectly, by the Corporation and the jurisdiction of incorporation, continuance, formation or organization of the Corporation's material subsidiaries.



GENERAL DEVELOPMENT OF PHX ENERGY'S BUSINESS

General

The Corporation has been engaged in the business of providing horizontal and directional drilling technologies and services to the oil and natural gas industry since it was founded in 1995. The Corporation became a publicly traded corporation in November of 2002. Since commencement of its operations, the Corporation has executed its growth strategy through reinvestment of cash flow, combined with both corporate and asset acquisitions. Financing for these programs was obtained through a combination of cash flow from operations, various equity issues and bank credit facilities.

Three Year History

General

In 2022 the industry conditions continued to strengthen, both as a result of the ongoing recovery from COVID-19 and other geo-political and economic factors, including the global energy supply and demand imbalances partially caused by the Russian-Ukraine conflict. As a result, the Corporation experienced higher activity levels and demand for its services in 2022. In 2023 and 2024 US industry activity did soften while Canadian industry activity levels experienced a slight increase in 2024 over the prior two years. However, despite the decline in the US rig count where the majority of the Corporation's operations reside, the Corporation continued to generate strong results with 2022, 2023 and 2024 being the three highest revenue years in the Corporation's history. These years were also record years for profitability, with 2023 being the strongest of the three, and this growth was, in part, attributable to the Corporation's premium technology offering, particularly the expansion of its RSS fleet and strong marketing and operations teams. Over the past three years PHX Energy has taken proactive measures to lessen the disruptions and impacts of the persisting supply chain challenges and inflation related to the products and services required within the energy sector, including within the Corporation's supply chain. As a service provider to the energy industry, any substantial and extended volatility and decline in the price of oil and natural gas, in conjunction with decreased industry activity, and most recently the potential impact of any tariffs imposed on Canadian exports into the US, as well as any potential retaliatory steps taken by the Canadian federal or provincial governments, would have an adverse effect on, among other things, the Corporation's operations, revenues and financial condition. See *"Risk Factors – Global Trade and Supply Chain"*, *"Risk Factors – Adverse Economic Conditions"*, *"Risk Factors – Volatility of Commodity Prices and Industry Activity"*, *"Risk Factors – Demand for Services – Globally"*, and *"Risk Factors – Inflation, Cost Management and Rising Interest Rates"*.

Year Ending December 31, 2024

In November 2023, PHX Energy announced its initial 2024 capital expenditure program of \$70 million which was subsequently increased to \$75 million in May 2024 and \$80 million in November 2024. As at December 31, 2024 the Corporation had spent \$83.3 million, the highest capital expenditures in its history, which was dedicated to growing its premium technology fleets, including establishing an initial fleet of owned RSS equipment in Canada. This focus on premium technology growth led to increased revenues in both Canada and the US and helped to mitigate the impact of the softer US industry environment. RSS activity in the US did contract slightly due to customer mix and drilling preferences. The Atlas US motor rental business was more directly impacted by the weaker US rig count and by constraint on servicing facilities turn around time. However, the Atlas motor sales division established in 2023 saw a slight growth as customers expanded their fleet late in the year. The Canadian division experienced its best year since 2014, with an increase in overall activity levels and with RSS representing 4% of this activity. Supply chain challenges, inflation and reduction in the high margin Atlas and RSS business lines in the US did impact profitability in 2024.

In August 2024, PHX Energy renewed its normal course issuer bid (the "**2024 NCIB**") pursuant to which PHX Energy is eligible to purchase for cancellation, from time to time, up to a maximum of 3,363,845 Common Shares, which at

the time of commencement of the 2024 NCIB represented 10% of the Corporation's public float of Common Shares issued and outstanding. The 2024 NCIB will terminate on August 15, 2025 or such earlier time as the NCIB is completed or terminated at the option of PHX Energy.

In the third-quarter of 2024 the Corporation's contract in Albania concluded and the wind up of the Corporation's Albania operations began in the fourth quarter and was substantially completed at year end.

During 2024, the Corporation increased its Atlas fleet by 174 motors to total 921 Atlas motors, its Velocity fleet by 18 systems for a total of 135 systems, and its RSS fleet by 26 systems for a fleet total of 80, including both iCruise and PowerDrive Orbit systems in the US fleet and its first owned PowerDrive Orbit RSS systems in Canada. Additionally, the Corporation commercialized its Real-Time RSS communications technology and dedicated capital expenditures to building up this fleet, which is expected to provide a unique and competitive advantage for RSS applications.

Year Ending December 31, 2023

In November 2022, PHX Energy announced its initial 2023 capital expenditure program of \$50 million which was subsequently increased to \$61.5 million in May 2023 and \$80 million in November 2023. The 2023 capital expenditure program was mainly allocated toward expanding the Corporation's fleet of High Performance Technologies.

In 2023, the Corporation's services continued to grow as its increased fleet capacity allowed it to deploy more premium technologies. Additionally, the Corporation established Atlas motor sales division and grew its motor rental business, which contributed to revenue and profitability growth. The US industry activity levels did slightly decline as the year progressed and the Corporation's US activity followed this slight softening. However, with the increase in US RSS activity and the Candain operations growing, the Corporation recorded its strongest financial year in its history.

In May 2023, the Corporation announced it entered into an agreement with a client in the US market for the sale and licensed use of its Atlas High Performance Drilling Motors. Under the agreement, the client purchases a fleet of Atlas motors and is obligated to exclusively use components manufactured by the Corporation for the purpose of maintaining their fleet. In August 2023, the Corporation amended an existing agreement with a client with international operations to include a similar arrangement for the sale and licenced use of Atlas motors.

In August 2023, PHX Energy renewed its normal course issuer bid (the "**2023 NCIB**") pursuant to which PHX Energy is eligible to purchase for cancellation, from time to time, up to a maximum of 3,552,810 Common Shares, which at the time of commencement of the 2023 NCIB represented 10% of the Corporation's public float of Common Shares issued and outstanding. The 2023 NCIB terminated on August 15, 2024 with an aggregate of 3,400,021 Common Shares having been purchased and cancelled at a weighted average of \$9.04 per share.

In November 2023, the Corporation increased the borrowing base under its syndicated credit facility from CAD \$50 million to CAD \$80 million and in the US operating facility from USD \$15 million to USD \$20 million. The Corporation also extended the maturity date of its syndicated loan agreement to December 12, 2026.

In November 2023, the Corporation announced a further increase in its quarterly dividend from \$0.15 per Common Share to \$0.20 per Common Share payable January 15, 2024.

In November 2023, in light of the strong demand for the Corporation's services and record quarterly results the Board increased the 2023 capital expenditure budget to \$80 million. The increase of \$18.5 million was directed mainly towards growing and maintaining PHX Energy's Atlas motor fleet and RSS fleet which was expanded to include a second brand of RSS, iCruise, in the third quarter of the year. This addition placed the Corporation in a unique position as being the only service provider in North America at the time that could offer both Halliburton and SLB RSS technologies.

During the 2023-year, the Corporation spent \$64.9 million in capital expenditures, of which \$34.4 million was spent on growing the Corporation's fleet of drilling equipment, \$14.6 million was spent to replace retired assets, and \$15.9 million was spent to replace equipment lost downhole during drilling operations. The aggregate capital expenditures were less than budgeted due to the internal cost adjustments, negotiated savings and delayed delivery for some orders resulting in a portion of the 2023 budgeted capital expenditures program being carried forward to the 2024 capital expenditure program. During 2023, the Corporation increased its Atlas fleet by 100 motors, its Velocity fleet by 5 systems, and its RSS fleet by 3 systems. The Corporation continued to focus on a proactive capital expenditure strategy to equip its operations with the capacity required to meet anticipated demand for oil and gas services.

Year Ending December 31, 2022

In August 2021, PHX Energy announced its initial 2022 capital expenditure program of \$30 million which was subsequently increased to \$40 million in December 2021 and \$47.7 million in February 2022 as a portion of the 2021 capital expenditure program was carried over into 2022. The 2022 capital expenditure program was mainly allocated toward expanding the fleet of High Performance Technologies.

In 2022, demand for the Corporation's services continued to grow with the increased industry activity and continued strengthening of commodity prices. As a result of this high demand, particularly in the US market, the Corporation operated at maximum capacity for the vast majority of the year, despite fleet expansion funded by the capital expenditures program and the supply chain challenges persisting. With the more favourable environment, PHX Energy continued in 2022 to strengthen its financial position, generating record revenue and net earnings, maintaining a relatively low levels of borrowings under its bank loans, increasing its quarterly cash dividend three times and announcing its Return of Capital Strategy ("**ROCS**"). In 2022, the US represented 80% of consolidated revenue.

In February 2022, the Corporation announced an increase in its quarterly dividend from \$0.05 per Common Share to \$0.075 per Common Share.

In April, the Corporation announced a further \$37.3 million increase to its 2022 capital expenditure program to \$85 million. The increase was primarily directed to expanding the fleet of Velocity systems and Atlas motors, with the remaining expenditures allocated toward PowerDrive Orbit RSS systems, as these fleets were operating at capacity. The additional assets were expected to meet the anticipated demand for the later part of 2022 and into 2023. Additionally, the increase was designed to continue the Corporation's proactive strategy which allowed for orders to be placed well in advance to mitigate supply chain challenges which created long lead times, increased costs and shortages.

On June 30, 2022, PHX Energy divested Phoenix TSR LLC and exited Russia. The decision was made as a result of the Russian government's invasion of Ukraine, and in the context of international sanctions that followed. The withdrawal followed actions that the Corporation had taken in prior months to limit operational activities in Russia, in view of the introduction and expansion of international sanctions against Russia, while maintaining duties to employees and existing customers.

In August 2022, the Corporation announced a further increase in its quarterly dividend from \$0.075 per Common Share to \$0.10 per Common Share payable October 17, 2022.

In August 2022, PHX Energy renewed its normal course issuer bid (the "**2022 NCIB**") pursuant to which PHX Energy is eligible to purchase from cancellation, from time to time, up to a maximum of 3,622,967 Common Shares, which at the time of commencement of the 2022 NCIB represented 10% of the Corporation's public float of Common Shares issued and outstanding. The 2022 NCIB terminated on August 15, 2023 with an aggregate of 1,509,800 Common Shares having been purchased and cancelled thereunder at a weighted average purchase price of \$6.39 per share.

In December 2022, the Corporation announced a further increase in its quarterly dividend from \$0.10 per Common Share to \$0.15 per Common Share payable January 16, 2023.

During the 2022-year, the Corporation spent \$73.5 million in capital expenditures, of which \$48.5 million was spent on growing the Corporation's fleet of drilling equipment and the remaining \$25 million was spent on maintaining capacity in the Corporation's fleet of drilling and other equipment and replacing equipment lost downhole during drilling operations. The capital expenditures were less than the expected \$85 million as supply chain disruptions delayed delivery of some orders and \$11.5 million from the 2022 budgeted capital expenditures program was carried forward to the 2023 capital expenditure program. During 2022, the Corporation increased its Atlas fleet by 191 motors, its Velocity fleet by 17 systems, and its PowerDrive Orbit fleet by 18 RSS. With stronger commodity prices and ongoing global supply chain disruptions, the Corporation continued to focus on a proactive capital expenditure strategy to equip its operations with the capacity required to benefit from the robust demand for oil and gas services.

Recent Developments in 2025

In November 2024 the Corporation announced that its Board approved its preliminary 2025 capital expenditure budget of \$50 million, which was subsequently increased to \$55 million in February of 2025. Current plans and the associated outlook for 2025 do not include the potential impact of tariff or trade related actions or regulations that have been announced by the US and Canadian governments and which remain uncertain as of the date of this AIF.

In February 2025, PHX Energy announced that effective March 1, 2025 founder and Chief Executive Officer, John Hooks, would transition to Executive Board Chair, with the Board having appointed Michael Buker, the current President, as successor to Mr. Hooks in the additional role of Chief Executive Officer. In conjunction therewith, Jeffery Shafer was promoted to Chief Operating Officer, previously Senior Vice President Sales & Marketing and Craig Brown was promoted to Chief Technology Officer, previously Senior Vice President Engineering and Technology.

Since coming into office in January this year, the US Administration has announced and implemented various tariffs against Canada and other nations. The effective dates of some of these new tariffs have been postponed and some of the new tariffs have come into effect briefly, before being subsequently paused. In response to the new US tariffs, the Canadian government as well as the governments of other nations have announced and/or implemented retaliatory tariffs. These new tariffs (those already implemented and those that are currently paused, if they come into effect in the future), and any changes to these tariffs or imposition of any additional tariffs, taxes or import or export restrictions or prohibitions, could have a material adverse effect on the Canadian and US economy, the Canadian and US oil and natural gas industry and the Corporation and its results.

The Corporation leverages certain market advantages and internal capabilities in its Canadian and US operations as part of its servicing, manufacturing and procurement processes that could be specifically impacted in an adverse manner. As a result, current and future tariffs, as well as the risk that tariffs imposed by the US on other countries has the potential to trigger an even broader global trade war, could have a material adverse impact on oil and gas industry activity levels in general, as well as a direct impact on the Corporation's own cost structure and supply chain.

On March 12, 2025, the US implemented a 25% tariff on all steel and aluminum imports, which could have a material adverse impact on the Corporation given that the Corporation purchases raw materials including steel and relies on the shipment of equipment to and from its US and Canadian operations.

The Corporation's supply chain and procurement team has been actively monitoring tariffs and working on strategies to help mitigate their impact which include, but are not limited to, negotiating with current suppliers, diversifying local and international supply chains, and increasing shipments of equipment and inventory required for its US operations cross-border prior to the effective date of such tariffs. Although the Corporation believes such strategies will somewhat mitigate the impact of tariffs, if significant tariffs affecting the Corporation are implemented for a prolonged period their impact on the Corporation's operations and results is expected to be material to the Corporation. See "*PHX Energy's Vertical Integration Strategy and Capabilities*" and "*Risk Factors – Global Trade and Supply Chain*".

SIGNIFICANT ACQUISITIONS

There were no significant acquisitions completed by the Corporation during its most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102.

DESCRIPTION OF PHX ENERGY'S BUSINESS AND OPERATIONS

Since its founding in 1995, PHX Energy's core business has revolved around the provision of horizontal and directional drilling services utilizing MWD guidance systems and downhole performance drilling motors. In conjunction with computer software programs, various tubulars, subs and other equipment, PHX Energy controls the drilling of a customer's wellbore to a prescribed bottomhole location. In 2001, PHX Energy established a research and development department with a mandate to create greater efficiencies and new technologies which the Corporation could provide to its customers. In recent years, PHX Energy has leveraged its research and development, engineering, manufacturing and operational expertise to develop various new technologies that have positioned PHX Energy as a technology leader in the horizontal and directional drilling sector.

Directional and Horizontal Drilling

New drilling techniques and growth in unconventional wells have increased the need for directional and horizontal well services. Accuracy is key to a successful horizontal or directional well and therefore advanced equipment and highly skilled operators are vital. PHX Energy has strived to meet these challenges with the development and acquisition of leading-edge technology as well as the training and provision of expertise.

Directional drilling is employed to drill to a target reservoir which would be otherwise inaccessible with a vertical well. Such target reservoirs typically exist beneath a physical barrier, such as a body of water or an urban development. In these instances, the wellbore must be steered toward the target beneath the surface of the earth.

Horizontal drilling is now widely employed to maximize productivity of a reservoir as one horizontal well has the potential to yield the production of several individual vertical wells. Horizontal wells drill through rather than into a reservoir exposing the wellbore to a greater span of the oil or natural gas-bearing formation. Horizontal drilling can also be employed to increase productivity on a tighter or less permeable reservoir that might flow at a lower rate if drilled vertically.

Horizontal and directional drilling allow for pad drilling where multiple wellbores are drilled from a single surface location. In recent years, the utilization of pad drilling has increased as it creates significant cost savings for producers, allows more efficient production and decreases the environmental footprint of drilling operations.

In order for a horizontal or directional well to be steered accurately towards a target, specialized tools are required to measure, direct and alter the orientation of the drill bit. Essential to this process is the steerable downhole performance drilling motor (also known as a performance drilling motor, bent steerable motor or mud motor) and the MWD system. For certain drilling applications, RSS tools are also deployed along with the MWD system and performance drilling motor to enhance trajectory control. During the drilling process, the MWD system provides vital information to the operator regarding inclination, direction and toolface orientation, as well as reservoir information communicated through natural gamma ray radiation sensors. Operators use this information to guide the drill bit toward the target, reorienting the steerable performance drilling downhole motor and RSS as required.

MWD Telemetry and Downhole Measurement Technologies

Unified Telemetry

Unified telemetry is a characteristic of the Velocity system allowing it to transmit information from downhole to the surface via mud pulse telemetry, EM telemetry or a combination of both telemetries simultaneously. Velocity has the

ability to receive commands from surface, while the tool is downhole, allowing the operator to optimize performance and ensure efficient use of batteries, reducing both cost and environmental impact while improving the well construction process. See "*PHX Energy's High Performance Technologies*".

When Velocity is downhole and the wellbore encounters an EM resistive zone, the unified telemetry system can switch from EM to mud pulse telemetry, allowing continued data transmission and uninterrupted drilling operations. In contrast, when traditional EM MWD tools drill through an EM resistive zones and are unable to transmit information to surface, drilling is halted so that the tool can be removed from the wellbore and replaced with a different MWD tool – a process that can often take in excess of 24 hours which is considered non-productive time.

Mud Pulse Telemetry

One of the first techniques for wirelessly transmitting data from a downhole location to the surface, mud pulse telemetry employs positive or negative pressure pulses to encode information. A choke (positive pulse) or a vent to the annulus (negative pulse) is used to create fluctuations in the overall pressure of the fluid being pumped down the drill string. These pressure pulses are encoded in patterns, sent to the surface and decoded as near real-time downhole data, communicating the location of the well to the operator. A mud pulse signal produces reliable signals which remains strong, regardless of depth from the surface, and are not susceptible to elements exterior to the drilling mud system. Disadvantages of mud pulse tools include the need for mud pumps to be running in order to transmit data which can delay surveys and the signal's inability to transmit if the percentage of natural gas in the drilling medium is too high.

Electromagnetic Telemetry

Electromagnetic ("EM") telemetry can produce a higher data rate and the ability to transmit during pipe connections meaning that surveys from the MWD tool can be received in close to real-time. Paired with its lack of moving parts, the electromagnetic MWD tool is reliable and cost-effective. As a result, demand has increased for electromagnetic MWD tools and it is now often the system of choice in the directional and horizontal drilling industry. With these tools, data is encoded as an electric signal and sent to the surface. The signal is detected by several electrodes, or antennae, where it is then de-modulated and displayed for the operator's use. Though this technique is generally very dependable, some rock formations are impervious to the electromagnetic signal, putting an electromagnetic tool at a disadvantage under certain circumstances.

Downhole Performance Drilling Motors

Downhole performance drilling motors (also known as bent steerable motors or mud motors) are utilized in most drilling applications and are powered hydraulically by drilling fluid to enable rotation of the drill bit with little or no rotation of the drill string. It is these motors that create the angle in the wellbore, as they can be set with a slight bend. There have been new advancements developed for these motors that have increased their performance in certain drilling conditions. Specifically, rig contractors have developed what are known as high specification rigs that have greater limits for operating parameters, and the additional capabilities of these rigs have driven the advancement of drilling motor technology to also operate under these higher operating limits. These new performance drilling motors, including PHX Energy's Atlas motors are designed to be more robust, produce a higher power output and propel faster drilling results. See "*PHX Energy's High Performance Technologies*".

Rotary Steerable Systems

RSS tools are designed to drill directionally with continuous rotation from the surface, eliminating the need to pause the drill string rotation to steer the wellbore as is required with a performance drilling motor. Push the Bit RSS, like those owned by the Corporation, are programmed at surface by directional drilling personnel and utilize pads on the outside of the tool that press against the wellbore to direct the bit in the desired direction. RSS can be run with or without a downhole drilling motor, although in the North American land market it is more common to run RSS with

the downhole motor for increased drilling performance. RSS services are a growing segment of the directional drilling industry in the North America and this technology provides the Corporation with the opportunity to generate higher operating margins.

Research and Development Projects

PHX Energy's in-house research and development department has two main functions. First, to provide on-going upgrades to the Corporation's existing fleet of MWD and performance drilling motor equipment, and second, to develop industry leading directional drilling technology that PHX Energy can take to its customers in an effort to drill wells faster and more accurately.

The success of PHX Energy's research and development department has allowed PHX Energy to become one of the most reliable and innovative providers in the drilling market.

PHX Energy's High Performance Technologies

The combination of the technologies described below, namely RSS, Universal Real-Time Communications Sub, At-Bit, Atlas Motors and Velocity, provide the Corporation with a proprietary drilling assembly that is unique to the Corporation's owned fleet of equipment.

Velocity Real-Time System

PHX Energy, in collaboration with leading-edge engineering companies in North America, developed a new MWD platform, the Velocity Real-Time System ("**Velocity**"). Velocity is designed to improve reliability and provide innovative mechanical, directional, and formation measurements to enhance the drilling process. Velocity is equipped with unified telemetry which allows this system to send downhole data to the surface via EM and mud pulse telemetry. EM telemetry is the preferred method of transmission across the industry; however, certain drilling formations are resistive to EM signals and in these zones, Velocity can utilize mud pulse telemetry to continue to send information to surface. Velocity can instantaneously switch between these two transmissions modes while downhole, minimizing down time for the drilling operation. Further, Velocity is equipped with the ability to transmit data at higher rates, providing a greater number of measurements to the operator. The Velocity system is the most frequently deployed MWD telemetry system in the Corporation's fleet and PHX Energy continues to advance the Velocity System through its research and development efforts.

Atlas High Performance Drilling Motor

In 2017, PHX Energy commercialized its first Atlas motor configuration, the 7.25" Atlas motor. After the successful operation of the 7.25" Atlas motor, the Corporation began to expand the fleet and design additional configurations, including the 5.25", 5.76", 6.63", 7.12", 7.25", 8.12", 9.00", and 12.00" Atlas motors, that are deployed during different sections of a well and on a greater variety of drilling applications. Atlas was designed to provide greater horsepower to the drilling operation, reliably perform under more aggressive drilling parameters, drill the multiple sections of a well continuously, and to extend downhole run life. The proprietary design optimizes the geometry of the motor for increased reliability and performance. Atlas was developed and manufactured internally and complements other recently commercialized technology, namely Velocity.

PowerDrive Orbit & G2 RSS

In 2018, PHX Energy entered into the RSS Purchase Agreement to acquire an initial fleet of SLB PowerDrive Orbit RSS for PHX Energy's US subsidiary, Phoenix Technology Service USA Inc. to operate throughout the 48 contiguous states of the US. In 2024, PHX Energy entered into a subsequent RSS Purchase Agreement to acquire an initial fleet of SLB PowerDrive Orbit RSS for its Canadian subsidiary. Since 2018, PHX Energy has continually expanded its fleet of PowerDrive Orbit systems as part of its annual capital expenditure programs and currently has the largest

independent fleet in the US and Canada. PHX Energy also has the option to rent this technology under its RSS Purchase Agreements. The PowerDrive Orbit RSS technology is widely recognized as one of the industry's leading RSS technologies and in 2018 the Corporation was the first company to enter an agreement of this nature with SLB.

Prior to entering into the RSS Purchase Agreements, PHX Energy and SLB partnered for a number of years on a rental basis, to provide SLB's RSS in combination with PHX Energy's directional drilling services. As a result of this partnership, PHX Energy has developed internal engineering and operational competencies to successfully deploy RSS technology on drilling projects throughout the US. The RSS Purchase Agreements with SLB ensures that the Corporation has access to the continuous improvement cycle of the PowerDrive Orbit platform and as such the Corporation has recently introduced the new G2 Orbit system to its fleet.

iCruise RSS

In 2023, the Corporation entered a purchase agreement to acquire a fleet of Haliburton's iCruise RSS. The iCruise RSS technology is among the industry's leading RSS technologies and the Corporation is the first company to possess a fleet of both Haliburton and SLB technologies.

Universal Real-Time Communications Subs

In 2023, PHX Energy commercialized a patented real-time communications sub which creates a wireless data link between the RSS system and the MWD system, specifically Velocity. The Universal Real-Time Communications Sub provides the driller valuable real-time information on the performance and condition of the RSS tool while placing the Velocity MWD system safely above the motor reducing the likelihood of drilling assembly failures which often lead to costly lost in hole events.

At-Bit System

PHX Energy has developed an At-Bit system that enhances the data provided by the MWD system and provides more accurate and precise downhole measurements. The sensors in an MWD system are situated 10-20 meters behind the drill bit, which requires projections to be utilized to determine the location of the drill bit. The At-Bit system is located directly behind the drill bit and is equipped with sensors that transmit advanced measurements to the MWD tool, where it is processed and sent to the surface. The At-Bit system improves directional control and wellbore placement as it allows operators to more accurately determine the location of the drill bit during the drilling process.

Echo System

The patent protected Echo system was developed by PHX Energy to work in unison with Velocity to improve data transmission in areas that are typically problematic for EM signal. EM transmission is the method of choice as it allows for faster drilling operations, however, there are certain formations that are impervious to EM signal and certain drilling conditions that can negatively impact the effectiveness of Velocity's unified telemetry. The Echo system was designed to overcome this challenge and can be utilized for multiple wells once it is deployed. The Echo system is an antenna that is strategically placed downhole in a well that has already been drilled and has wireline connected to a receiver on surface. When Velocity's signal cannot be detected on the surface of an active drilling operation, Echo can detect Velocity's EM signal transmission from a nearby active well and can transmit the signal through the wireline to its surface receiver. The Echo system allows for more reliable and uninterrupted drilling operations which saves the operator time and reduces unproductive time.

Remote Drilling Operations

Prism Drilling Optimization

With the development of its Prism Drilling Optimization Center, PHX Energy has been able to increase efficiency, enhance quality control and lower drilling costs. Prism utilizes dedicated wireless telecommunications technology in the field to transmit the details of multiple jobs to trained personnel located at a central command centre. As a result of this technology, job monitoring, decoding and directional drilling inputs can in some instances take place at one central location. This technology can be used to offer remote services where fewer personnel are deployed to each rig site or can be used to monitor drilling quality on wells. Having fewer staff deployed in the field decreases costs and safety risks and remote monitoring increases the potential for quality control on any given application.

Connect Surface System

Connect is a web-based interface that allows personnel in remote drilling centers immediate access to pertinent directional drilling information from the rig site.

PHX Energy's Legacy Technology

E-360 EM & P-360 Mud Pulse MWD System

PHX Energy's proprietary E-360 EM MWD (previously branded the "CLT EM-MWD") tool was developed to eliminate many problems facing electromagnetic tools. The signal-generating portion of the E-360 EM MWD tool is equipped with a longer transmission range and a lower rate of battery consumption, enabling data to be transmitted through precarious regions without wasting power. In 2017, an enhancement was developed that allows the E-360 EM MWD tool to automatically adjust its operating parameters to optimize performance in challenging environments.

The P-360 Mud Pulse MWD System rugged design was developed to withstand harsh environments and high drilling velocities. It provides reliable performance and is equipped the ability to transmit data transmission quickly via the drilling mud system.

360^{RWD} Resistivity While Drilling System

PHX Energy, working in conjunction with a trusted third party vendor, has developed a resistivity while drilling system that can be easily adapted to run with the Corporation's current fleet of positive pulse MWD equipment. This tool provides real-time information about the resistive nature of the rock the customer is drilling through. This data gives the customer an extra level of information about the formation of interest and this data is utilized to ensure they drill in the most optimal location within the respective zone. Having the ability to offer resistivity while drilling to customers around the world puts PHX Energy in a small group of directional drilling contractors that can offer this technology.

PHX Energy's Vertical Integration Strategy and Capabilities

Over a number of years, the Corporation has developed a vertical integration strategy under which it performs certain servicing as well as the manufacturing of its MWD equipment and performance drilling motors. In conjunction therewith, the Corporation leverages certain market advantages in the areas within which it operates to provide and utilize the highest quality products at the lowest cost possible, utilizing its own logistics department to efficiently transport equipment between its Canadian and US operations.

Equipment Servicing & Manufacturing

The Corporation's Houston and Calgary facilities have large servicing capabilities for the assembly and disassembly of motors and MWD systems. This provides the Corporation a competitive advantage as it has more direct control over the quality assurance, cost controls and turn around times related to the servicing of its MWD and Downhole Performance Drilling Motor equipment. Additionally, at each of these facilities, PHX Energy manufactures certain components of its equipment and in some instances transports these components cross-border for assembly and production in the country of end use.

In conjunction with the Corporation's R&D and engineering efforts that are primarily centralized in Canada, all prototype manufacturing and machining for its proprietary equipment and components is completed in-house at the Corporation's Canadian facility. This in-house capability allows the Corporation to protect its intellectual property and adapt its technology in real-time as drilling requirements change. At present this activity accounts for approximately 10% of the Corporation's total machining activity.

Procurement Strategies

There are certain services required to maintain the Corporation's equipment, which are complex and specialized making them difficult to vertically integrate at this time. In these cases, the Corporation sources suppliers to perform these specialized services as part of its procurement process whereby PHX Energy can choose to leverage regional advantages in each area it operates and its North American volumes to negotiate favourable contracts. When cross-border services are procured the Corporation relies on its internal logistics team for cross-border transportation of this equipment and trade compliance. For certain services, such as machining and certain motor maintenance, the Corporation currently has centralized vendors in Canada as there is a market advantage, which includes the ability to purchase raw materials, such as steel, at a lower cost than historically available in the US.

The Corporation continually audits and reviews its vendor base to ensure its strategy remains effective. The Corporation has many long standing vendors who it can trust to produce the high quality products it requires to meet its customers demand for reliable drilling performance. When the Corporation identifies the potential or need for new vendors, the qualification process can be lengthy as there are various steps the Corporation follows to ensure quality assurances and minimize risks of disruption to the services it delivers to its customers. Therefore, any shift in procurement strategy, such as sourcing vendors in the region of end use, would typically require a minimum of 6 months before having a meaningful impact on in the Corporation's operations.

Trends

Business Climate

Commodity Prices

In 2024, oil commodity price volatility continued with gains made in the first half of the year starting to retract in the second half. The average Western Texas Intermediate ("WTI") price was 2% lower in 2024 at approximately USD \$76 per barrel for the year (2023 – USD \$78). The average price of Western Canadian Select ("WCS") was flat in 2024 at USD \$61 per barrel in 2024 (2023 – USD \$60). The average differential between WTI and WCS was slightly lower compared to the prior year and was USD \$15.42 per barrel in 2024 (2023 - \$17.93). (Source: Alberta Government Economic Dashboard – <https://economicdashboard.alberta.ca/OilPrice>)

Natural gas commodity prices weakened significantly in 2024. The Henry Hub spot price averaged USD \$2.19 per gigajoule in 2024 (2023 – USD \$2.53) while AECO-C spot averaged CAD \$1.40 per gigajoule in 2024 (2023 – CAD \$2.64) (Source: EIA Natural Gas data, <https://www.eia.gov/dnav/ng/hist/rngwhhdA.htm>; Peters & Co Limited, Energy Update 01-23-2025).

North American Industry

In 2024, the North American industry slightly retracted from the previous year's activity level as a result of the softening in the US market which outweighed the gains made in the Canadian market.

Canadian Industry

The Canadian market's activity in 2024 averaged of 187 active rigs per day which is 6% more than the 177 rigs operating on average in 2023 and is 23% greater than the 5-year average of 152 active rigs. Horizontal and directional drilling continues to be the norm in the industry, and combined, horizontal and directional wells represented 99% of the total 2024 industry drilling days (2023 – 98%). (Source: Daily Oil Bulletin, hz-dir days 231231 and Baker Hughes, North American Rotary Rig Count, New Report, <https://rigcount.bakerhughes.com/na-rig-count>).

US Industry

The US rig count in 2024 declined 13% annually to an average of 599 rigs operating per day in the 2024-year, as compared to an average of 687 rigs in 2023. The Permian basin remained the most active area in the US representing approximately half of all the rigs operating nationally. The Permian basin was slightly sheltered from the overall trend and the rig count only contracted 8%, averaging 308 active rigs per day (2023 – 335 active rigs per day). Horizontal and directional drilling continued to represent 97% of active rigs (2023 – 97%). (Source: Baker Hughes, North American Rotary Rig Count, New Report, <https://rigcount.bakerhughes.com/na-rig-count>).

Outlook

Both the Corporation's US and Canadian operation have shown a promising start to the 2025-year with robust activity levels. In both markets, PHX Energy is focusing on increasing utilization of its RSS fleet and ancillary technologies, including its Universal Real-Time Communications Subs, which generate higher margins than conventional services. Additionally in the US market the Corporation is focused on growing its Atlas Motor rental division, also a high margin service, and believes additional capacity in its Atlas motor fleet will aide in achieving this objective. The focus on these high margin services as well as internal efficiencies should, subject to the impact of factors outside the Corporation's control such as world conflicts and international trade wars, aide in improving profitability in 2025, which declined in 2024. While the Corporation is cautiously optimistic for 2025, the outlook related to global trade and the growing potential for tariffs has created market uncertainty which could lead to an economic downturn, reduction in industry activity and impact the Corporation's operations and profitability in particular given its significant reliance on US operations and the cross-border movement of certain of its goods and services. The Corporation is monitoring the situation closely and is developing contingency plans where possible in our supply chain to help mitigate the impact of any tariffs that may be enacted or continue. See "*Recent Developments in 2025*", "*Risk Factors – Global Trade & Supply Chain*", and "*Risk Factors – Dependence on Cross-Border Movement of Goods and Services*".

Market for Services

The following table shows the revenues derived from the Corporation's continuing operations by geographical region for the year end periods indicated below:

		December 31, 2024	December 31, 2023	December 31, 2022
Revenue,		479,465	496,523	423,083
\$	US			
(in 000's)	Canada ⁽²⁾	180,198	159,818	112,662
	Total	659,663	656,341	535,745

Note:

- (1) See the Corporation's financial statements filed on SEDAR⁺ for more detailed information.
- (2) In 2024, Management determined that its previously reported international segment, comprised of Russia (disposed of June 30, 2022), and Albania (substantially wound down in 2024) no longer meets the definition of a reportable segment. The results of Albania operations are included in the Canadian segment results.

In western Canada, drilling activity levels are seasonal in nature. Drilling activity is at its highest normally in the first and fourth quarters of a calendar year. The second quarter normally includes a period called "spring break-up", where drilling operations are curtailed due to seasonal road bans (temporary prohibitions on road use) and restricted access to agricultural land.

Customers

Customers are identified by PHX Energy through an analysis of their potential and/or historical horizontal and directional drilling levels and are contacted by one of PHX Energy's sales representatives. The customer base for PHX Energy's services encompasses major, intermediate and junior oil and natural gas exploration and production companies. In the year ended December 31, 2024, one customer comprised 15% of the total revenue. PHX Energy is generally retained by its customers on a well-by-well basis.

Contracts for Services

Contracts in the industry are generally awarded on the basis of technical expertise, equipment requirements, price, equipment availability, and industry safety records. A competitive bid process is generally used to award directional and horizontal drilling contracts. Bids are generally requested by the operator of the well on a work day basis. Under a work day contract, a fixed rate is charged for each day the equipment and crew are in operation. PHX Energy believes it can compete favourably with respect to all of these factors.

Employees

As at December 31, 2024, PHX Energy had 924 full time employees, including 7 executive officers. In addition, PHX Energy utilized approximately 139 field consultants in 2024. See also "*Directors and Officers*".

DIVIDENDS

In December 2020 the Corporation announced that its Board of Directors had approved the reinstatement of a quarterly cash dividend program commencing in January 2021. The following sets forth the dividends declared and paid since the reinstatement of the program through to the date of this AIF.

The following cash dividends were paid by the Corporation to holders of Common Shares for the periods indicated:

For the Quarter Ending	Cash Dividend Per Common Share				
	2021	2022	2023	2024	2025
March 31,	0.025	0.075	0.15	0.20	0.20 ⁽¹⁾
June 30,	0.025	0.075	0.15	0.20	
September 30,	0.05	0.10	0.15	0.20	
December 31,	0.05	0.15	0.20	0.20	

Note:

(1) Declared and made payable April 15, 2025.

The quarterly dividend program is expected to continue, subject to reassessment by the Corporation's Board of Directors on at least a quarterly basis in light of industry conditions and such other factors as the Board of Directors may determine appropriate from time to time.

Other than the foregoing, no dividends were declared payable in any of the Corporation's last three completed financial years.

It is expected the dividends declared and paid, if any, will be "eligible dividends" for income tax purposes and thus qualify for the enhanced gross up and tax credit regime available to certain holders of Common Shares. Although it is expected that dividends of the Corporation will qualify as "eligible dividends" for the purposes of the Tax Act, and thus qualify for the enhanced gross up and tax credit regime available to certain holders of Common Shares, no assurances can be given that all dividends will be designated as "eligible dividends" or qualify as "eligible dividends".

The amount of future cash dividends, if any, paid by the Corporation will be subject to the sole discretion of the Board of Directors of the Corporation and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in operating costs and profits, working capital and capital expenditure requirements, debt service requirements, the Corporation's ROCS, foreign exchange rates and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends.

The Corporation's credit facilities contain certain restrictions on the level of dividends payable by the Corporation by virtue of a distributed cash flow covenant, the amount of which is calculated at the end of each calendar year.

For information relating to risks relating to dividends, see "*Risk Factors – Dividends*".

DESCRIPTION OF SHARE CAPITAL

PHX Energy is authorized to issue an unlimited number of Common Shares. Holders of Common Shares are entitled to one vote per share at meetings of shareholders of PHX Energy, to receive dividends if, as and when declared by the Board of Directors of PHX Energy and to receive pro rata the remaining property and assets of PHX Energy upon its dissolution or winding-up, subject to the rights of shares having priority over the Common Shares.

MARKET FOR SECURITIES

Common Shares

The Common Shares are listed and posted for trading on the TSX under the symbol "PHX".

The following sets forth trading information for the Common Shares (as reported by the stock exchange on which such shares are listed) for the periods indicated:

<u>Period</u>	<u>Price Range (\$)</u>		<u>Volume</u>
	<u>High (\$)</u>	<u>Low (\$)</u>	
<u>2024</u>	9.78	7.91	1,321,234
January	9.50	8.52	1,386,642
February	9.53	8.78	1,985,076
March	9.69	8.80	1,501,081
April	9.35	8.46	2,137,395
May	9.36	8.66	1,228,819
June	10.67	8.81	1,602,207
July	10.70	9.40	1,239,021
August	9.95	8.82	1,957,399
September	10.05	8.95	2,075,037
October	10.10	9.20	1,408,194
November	9.94	8.91	1,508,017
December			
<u>2025</u>			
January	9.79	9.09	1,269,018
February	9.40	8.50	1,054,201
March (1 – 27)	9.35	8.40	1,027,119

ESCROWED SECURITIES

There are no securities of the Corporation currently held in escrow.

DIRECTORS AND OFFICERS OF PHX ENERGY

The following table sets forth certain information respecting the directors and executive officers of PHX Energy and its US subsidiary as of the date of this AIF.

Name, Age, Province or State and Country of Residence	Office Held	Director Since	Principal Occupation
John M. Hooks Alberta, Canada Age: 67	Chairman and Executive Board Chair	November 1995	Chairman of the Board of the Corporation since 2000 and Executive Board Chair since March, 2025; formerly Chief Executive Officer and prior thereto President of the Corporation and its predecessors since 1995; Director of Canadian Energy Services LP since March 2006 and of Crew Energy Inc. from April 2022 to September 2024.
Randolph M. Charron ⁽¹⁾⁽²⁾⁽³⁾ Alberta, Canada Age: 71	Independent Director	November 2002	President since July 2017 and Director since November 2015 of Star Valley Drilling Limited, a private Canadian drilling contractor with operations in Canada, Trinidad, Morocco and West Africa; Director of the Calgary Airport Authority since November 2019, SVOS Group Ltd, a private energy rental company, since November 2023 and Robinson Energy Limited, a private E&P operating company in Papua New Guinea, since June 2023; President of Characo Corporation, a private oil and natural gas investment and consulting firm, since 1997; a Founding Director of Xtreme Drilling and Coil Services Corp. 2005 to 2018; a Director of Wrangler West Energy Corp. from 2003 to 2014; prior thereto, Vice President and Founding Director of Artisan Corporation, a publicly traded Canadian oilfield service provider. Mr. Charron has served the industry as a Director of the Canadian Association of Oil Well Drilling Contractors (CAODC) (April 1995 to April 1997), Chairman of the Petroleum Industry Annual Safety Seminar and Director of Program Committee of the Petroleum Industry Training Services.
Terry D. Freeman ⁽¹⁾ Alberta, Canada Age: 64	Independent Director, Audit Committee Chair	May 2018	Independent businessman; Fellow of the Institute of Chartered Professional Accountants of Alberta; Board Chair of McCoy Global, a tubular handling equipment business, since 2021 and a Director since 2009; a Director of Vertex Resources Ltd. since 2013 and Head of Investments for ATB Private Equity, LP, as well as a Director of a number of private real estate, construction and energy services businesses; Managing Director of Northern Plains Capital Corporation from 2007 to 2012; previously CFO (from 1992 to 2007) and a Director and Audit Committee Member (from 2007 to 2012) of Flint Energy Services Ltd.

Name, Age, Province or State and Country of Residence	Office Held	Director Since	Principal Occupation
Karen David-Green ⁽¹⁾⁽²⁾ Texas, US Age: 57	Independent Director	May 2021	Over 30 years of experience in senior leadership positions on Wall Street and as a corporate executive for multinational companies. Independent Director of DNOW Inc. where she serves on the Audit Committee. Served as a member of the Executive Leadership team and Chief Stakeholder (IR), Communications and Sustainability Officer of Expro Group N.V. from May 2021 to May 2023, Sr. Vice President of Stakeholder Engagement and Chief Marketing Officer of Weatherford International plc from 2018-2020, and prior thereto Vice President, Investor Relations, Corporate Marketing & Communications. She served as President of the Weatherford Foundation, Inc., Chair of the Sustainability Leadership Council, Executive Member of the Disclosure Committee, and Global Business Continuity and Planning Committees. She previously led the energy service equity research franchise at Oppenheimer & Co. Inc. and Crédit Agricole where she was responsible for providing financial forecasts to clients globally. Holds a Directorship Certification from the National Association of Corporate Directors ("NACD") and is NACD Certified in Cybersecurity Oversight.
Lawrence M. Hibbard ⁽¹⁾⁽³⁾ Texas, US Age: 75	Independent Director, Nomination and Corporate Governance, HSE and Sustainability Committee Chair	February 2011	Independent businessman; Co-Founder and Director of Highland Fluid Technology, which was sold to Scidev and now serves as Commercial Advisor to Scidev Ltd, a leader in chemical solutions focused on water-intensive industries; Past Director of Trigpoint Solutions, Xtreme Drilling and Coil Services Corp. and Zahroof Valve Inc.; prior to 2005, spent a 32 year career with Schlumberger Limited working in four business units, the last 22 years in senior level executive positions primarily related to international operations. Mr. Hibbard is currently a National Association of Corporate Directors Board Leadership and Governance Fellow and is a Charter Member of "TIE", an Angel Investment Group.
Myron A. Tétreault ⁽²⁾⁽³⁾ Alberta, Canada Age: 57	Lead Independent Director	May 2007	Chairman of Calafate Holdings Ltd. (a private investment management and consulting company) since 1999; Co-founder and Director of Fitzroy Developments Ltd. since 2003; Director (from March, 2009 to May, 2022) and Chairman (from September, 2013 to May, 2022) of Pieridae Energy Limited (formerly Petrolia Inc.); Co-founder and Director (from 2003 to 2018) of Northern Vision Development LP and Co-founder and Director of FitzRoyalty Land Opportunities Fund LP since 2018; Director of Webber Academy Foundation from 1996 to 2018; Chairman of West Aspen Holdings Ltd. from 2018 to 2024 and Chairman of Stoked Oats Ltd. since 2020. Member of the Board of Governors of the Banff Centre since 2024 and Member of the Strategic Leadership Cabinet at the Telfer School of Management since 2024. In 2022, Mr. Tetreault completed the ICD program through the Rotman School of Business and now holds the ICD.D designation.

Name, Age, Province or State and Country of Residence	Office Held	Director Since	Principal Occupation
Roger D. Thomas ⁽²⁾⁽³⁾ Alberta, Canada Age: 72	Independent Director, Human Resources and Compensation Committee Chair	June 2012	Independent businessman; prior to 2009 spent 31 years with Nexen Inc. in a variety of senior executive positions; Recently retired as Chairman of the Board and as a member of Audit Risk and Environment and Governance and Human Resources Committees of Fortis Alberta Ltd.; has held numerous Board positions for public and private companies along with industry organizations including the Canadian Association of Petroleum Producers, Alberta Chamber of Resources, Canadian Chamber of Commerce and the Nature Conservancy of Canada (Saskatchewan Region); Member of the Premier of Alberta's Carbon Capture and Storage Council and assisted with the Alberta Department of Energy's investment and competitiveness review in 2009.
Michael Buker Alberta, Canada Age: 56	President and Chief Executive Officer of PHX Energy	N/A	Chief Executive Officer of the Corporation since March 2025 and President since March 2015; prior thereto, Senior Vice President North America Operations of the Corporation and its predecessors since 2007 having progressed from Canadian Sales Manager and Vice President Sales and Marketing prior thereto; Director of McCoy Global, a tubular handling equipment business since 2021. Completed the ICD-Rotman Directors Education Program and has obtained the ICD.D designation from the Institute of Corporate Directors.
Cameron M. Ritchie Alberta, Canada Age: 63	Senior Vice President, Finance, Chief Financial Officer and Corporate Secretary of PHX Energy	N/A	Chief Financial Officer and Senior Vice President of Finance of PHX Energy and its predecessors since December 1997; Chartered Accountant (Chartered Professional Accountant) since 1986.

Name, Age, Province or State and Country of Residence	Office Held	Director Since	Principal Occupation
Jeffery Shafer Alberta, Canada Age: 50	Chief Operating Officer of PHX Energy	N/A	Chief Operating Officer since March of 2025; prior thereto Senior Vice President Sales and Marketing of PHX Energy and its predecessors since 2007, having joined PTSL's sales department in 1999.
Craig Brown Alberta, Canada Age: 54	Chief Technology Officer of PHX Energy	N/A	Chief technology Officer since March 2025; prior thereto Senior Vice President, Engineering and Technology of PHX Energy since September 2011; prior thereto, held various senior management positions with Schlumberger Limited from June 1994 to September 2011, the last of which was Geomarket Manager for Russian offshore operations.
Garrett Wright Midland, Texas Age: 40	Vice President, Operations of Phoenix Technology Services USA Inc.	N/A	Vice President, Operations of the Corporation's US subsidiary Phoenix Technology Services USA Inc. since July 2023. Joined PHX Energy Group in 2012, holding a variety of operations management and field positions. Prior thereto worked for various oil and natural gas services companies in field related roles
David Raines Midland, Texas Age: 57	Vice President, Sales and Marketing of Phoenix Technology Services USA Inc.	N/A	Vice President, Sales and Marketing of the Corporation's US subsidiary Phoenix Technology Services USA Inc. since July 2023. Joined PHX Energy Group's sales department in 2012. Prior thereto worked for various oil and natural gas services companies in sales related roles. During his 35 year career he has served on many industry and non-industry committees and boards.

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Human Resources & Compensation Committee.
- (3) Member of the Nomination, Corporate Governance, HSE and Sustainability Committee.

The directors of PHX Energy shall hold office until the next annual meeting of PHX Energy or until their respective successors have been duly elected or appointed. As at December 31, 2024, the directors and executive officers of PHX Energy, as a group, beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 6,565,787 Common Shares, representing approximately 14% of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

To PHX Energy's knowledge, other than as disclosed herein, no director or executive officer of the Corporation is, as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any issuer (including the Corporation) that: (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes of the above, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

Bankruptcies

To PHX Energy's knowledge, other than as disclosed below, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation (a) is, as at the date hereof, or has been, within the 10 years before the date hereof, a director or executive officer of any issuer (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Freeman was a director of Structurlam Mass Timber Corporation, a private timber manufacturing company, which filed for bankruptcy under the Chapter 11 of the United States Bankruptcy Code on April 11, 2023. The Company completed the sale of substantially all of its assets as part of the Chapter 11 proceedings in the United States. The Company also received sale approval from the Supreme Court of British Columbia on June 1, 2023. Mr. Freeman resigned as a director of the Company effective January 5, 2024.

Penalties or Sanctions

To PHX Energy's knowledge, other than as disclosed herein, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of PHX Energy and its subsidiaries are subject to in connection with the operations of the Corporation and its subsidiaries. In particular, certain of the directors and officers of PHX Energy are involved in managerial or director positions with other oil and natural gas service companies and other companies whose operations may, from time to time, be in direct competition with the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, the Corporation's competitors. In accordance with the ABCA, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Corporation or its subsidiaries are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

AUDIT COMMITTEE INFORMATION***Audit Committee Mandate***

The text of the Audit Committee's Mandate and Terms of Reference is attached as Schedule "A" to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee is comprised of Terry D. Freeman (Chair), Randolph Charron, Karen David-Green and Lawrence M. Hibbard. The following chart sets out the assessment of each Audit Committee member's independence, financial literacy and relevant educational background and experience supporting such financial literacy.

Name and Place of Residence	Independent	Financially literate	Relevant Education and Experience
Terry D. Freeman Alberta, Canada	Yes	Yes	<p>Mr. Freeman is a Fellow of the Institute of Chartered Professional Accountants of Alberta. He is a Director and Board Chair of McCoy Global, a Director and Audit Committee Chair of Vertex Resources Ltd. and Head of Investments for ATB Private Equity, LP. He is also a member of the Boards of a number of private real estate, construction and energy services businesses. Previously he acted as Managing Director of Northern Plains Capital Corporation from 2007 to 2012 and was the CFO of Flint Energy Services Ltd. and its predecessor from 1992 to 2007 and a Director and Audit Committee Member from 2007 to 2012. Mr. Freeman graduated from the University of Alberta with a Bachelor of Commerce degree and has completed the Directors Education Program offered jointly by the Institute of Corporate Directors and the Rotman School of Management at the University of Toronto. Mr. Freeman has 25 years of experience in energy services companies and has acquired comprehensive financial knowledge through his professional training and experiences.</p>
Randolph Charron Alberta, Canada	Yes	Yes	<p>Mr. Charron has over 35 years of senior management experience in the oil and gas services sector and serving as a director of various public companies within the oil and gas services industry. Mr. Charron is the acting President and Director of Star Valley Drilling Limited, a private Canadian drilling contractor and the President of Characo Corporation, a private oil and gas investment firm and is a Director of Calgary Airport Authority, SVOS Group Ltd, a private energy rental company, since November 2023 and Robinson Energy Limited, a private E&P operating company in Papua New Guinea, since June 2023. He was the founding director of Xtreme Drilling Corp. (formerly Xtreme Drilling and Coil Services Corp.) from 2005 to June 2018 and was also Chair of the Compensation Committee during his tenure. Mr. Charron was also a Director of Wrangler West Energy Corp. from 2003 to 2014; prior thereto, Vice President and Founding Director of Artisan Corporation, a publicly traded Canadian oilfield service provider. Mr. Charron has served the industry as a director of the Canadian Association of Oil Well Drilling Contractors (CAODC), as well as other associations. The above experiences and education have allowed Mr. Charron to acquire significant financial and related industry experience.</p>

Name and Place of Residence	Independent	Financially literate	Relevant Education and Experience
Karen David-Green Texas, US	Yes	Yes	Ms. David-Green has over 30 years of experience in senior leadership positions on Wall Street and as a C-Suite Executive and Corporate Officer for multinational companies with a global manufacturing and service footprint., including serving as Director of DNOW Inc. where she serves on the Audit Committee. Prior thereto she served as a member of the Executive Leadership team and Chief Stakeholder (IR), Communications and Sustainability Officer of Expro Group N.V. from May 2021 to May 2023 and Sr. Vice President of Stakeholder Engagement and Chief Marketing Officer of Weatherford International plc from 2018-2020, and prior thereto Vice President, Investor Relations, Corporate Marketing & Communications. Further, she is Directorship Certified by the National Association of Corporate Directors (NACD) and NACD Certified in Cybersecurity Oversight and she earned a specialized executive certification from the University of Cambridge. Ms. David-Green’s extensive experience in capital markets, finance, communications, sustainability efforts, cybersecurity, and marketing for publicly traded companies. The above experiences and education have allowed Ms. David-Green to acquire significant financial and related industry experience.
Lawrence M. Hibbard Texas, US	Yes	Yes	Independent businessman; Co-Founder and Director of Highland Fluid Technology, which was sold to Scidev and now serves as Commercial Advisor to Scidev Ltd, a leader in chemical solutions focused on water-intensive industries. Past Director of Trigpoint Solutions, Xtreme Drilling and Coil Services Corp. and Zahroof Valve Inc.; prior to 2005, spent a 32 year career with Schlumberger Limited working in four business units, the last 22 years in executive management positions. Completed Executive program at the University of Michigan School of Business Administration and completed multiple courses at various institutions including the Management Center Europe and Columbia University. Mr. Hibbard is currently a National Association of Corporate Directors Board Leadership and Governance Fellow and is a Charter Member of “TIE”, an Angel Investment Group. The above experiences and education have allowed Mr. Hibbard to acquire significant financial and related industry experience.

Pre-Approval of Policies and Procedures

PHX Energy has adopted the following policies and procedures with respect to the pre-approval of audit and permitted non-audit services to be provided by KPMG LLP. The audit committee approves a schedule which summarizes the services to be provided that the audit committee believes to be typical, recurring or otherwise likely to be provided by KPMG LLP. The schedule generally covers the period between the adoption of the schedule and the end of the year, but at the option of the audit committee, may cover a shorter or longer period. The list of services is sufficiently

detailed as to the particular services to be provided to ensure that (i) the audit committee knows precisely what services it is being asked to pre-approve and (ii) it is not necessary for any member of management to make a judgment as to whether a proposed service fits within the pre-approved services. Services that arise that were not contemplated in the schedule must be pre-approved by the audit committee chair or a delegate of the audit committee. The full audit committee is informed of the services at its next meeting.

PHX Energy has not approved any non-audit services on the basis of the *de minimis* exemptions. All non-audit services are pre-approved by the Audit Committee in accordance with the pre-approval policy referenced herein.

External Auditor Service Fees

The following table sets forth the service fees billed by the Corporation's external auditors for the periods indicated:

Type of Fees	Fiscal Year Ended December 31	Aggregate Fees Billed	Nature of Services Performed
Audit fees	2024	\$578,422	Year-end audit and quarterly reviews.
	2023	\$534,730	Year-end audit and quarterly reviews.
Audit – Related fees	2024	\$127,621	Canadian, US and international tax reviews and tax return preparation.
	2023	\$82,167	Canadian, US and international tax reviews and tax return preparation.
Tax Fees	2024	\$39,864	General tax planning and advice, including transfer pricing
	2023	\$145,471	General tax planning and advice, including transfer pricing
All other fees	2024	Nil	
	2023	Nil	

Defined Terms:

"**Audit Fees**" include fees necessary to perform the annual audit and quarterly reviews of the Corporation's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as statutory audits.

"**Audit-Related Fees**" include services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported under "Audit Fees" above. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, management information circulars and prospectus offerings, internal control reviews and audit or attest services not required by legislation or regulation.

"**Tax Fees**" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

"**All Other Fees**" include all other non-audit services.

INDUSTRY CONDITIONS

General Oil and Natural Gas Industry Conditions - Globally

The success of the Corporation's business is connected, in large part, to the general health of the oil and natural gas industry in western Canada, the US, and abroad. Accordingly, in addition to the various federal, provincial, state and municipal regulations to which the Corporation adheres in its ongoing operations, it is also sensitive to the industry conditions relating to the oil and natural gas industry, including the level of oil and natural gas prices and expectations of future prices, land tenure, exploration, development, production, refining, transportation, and marketing as a result of legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas through agreements among the governments of Canada and its provinces and the US and its States. All current legislation is a matter of public record and PHX Energy is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and natural gas industry. See "*Risk Factors – Global Trade & Supply Chain*", "*Volatility of Commodity Prices*", "*Demand for Services – Globally*" "*Climate Change*", and "*Changing Investor Sentiment*".

Pricing and Marketing of Oil and Natural Gas - Globally

Negotiations between buyers and sellers determine the price of crude oil, natural gas and Natural Gas Liquids ("NGLs") sold on an intra and inter provincial, state, and national trade. A number of macroeconomic and microeconomic factors may influence prices, including worldwide supply and demand factors, quality of product, prices of competing products, distance to market, availability of transportation, value of refined products, weather conditions, supply/demand balance, contractual terms of sale, free trade agreements, trade protection measures, tariffs and other trade regulations, laws, and policies.

Transportation Constraints and Market Access

Capacity to transport production from Western Canada to Eastern Canada, the United States and other international markets has been, and continues to be, a major constraint on the exportation of crude oil, natural gas and NGLs. Many proposed projects have been cancelled or delayed due to regulatory hurdles, court challenges and economic and socio-political factors.

Pipelines

Producers negotiate with pipeline operators to transport their products to market on a firm, spot or interruptible basis depending on the specific pipeline and the specific substance. Transportation availability is highly variable across different jurisdictions and regions. This variability can determine the nature of transportation commitments available, the number of potential customers and the price received.

Under Canadian constitutional law, the development and operation of interprovincial and international pipelines fall within the federal government's jurisdiction and, under the Canadian Energy Regulator Act, new interprovincial and international pipelines require a federal regulatory review and Cabinet approval before they can proceed. In recent years however there has been a perceived lack of policy and regulatory certainty in this regard such that, even when projects are approved, they often face delays due to actions taken by provincial and municipal governments and legal opposition related to issues such as Indigenous rights and title, the government's duty to consult and accommodate Indigenous peoples and the sufficiency of relevant environmental review processes.

In the United States, the interstate transportation and sale for resale of natural gas and crude oil are subject to federal regulation, including regulation of the terms, conditions and rates for interstate transportation, storage and various other services, primarily by the Federal Energy Regulatory Commission ("FERC"). FERC also authorizes the construction and operation of interstate natural gas and crude oil pipelines. With respect to its review of applications for the construction and operation of interstate natural gas pipeline facilities under the US Natural Gas Act ("NGA"),

FERC must comply with environmental review requirements of the US National Environmental Policy Act. On February 18, 2022, FERC issued two policy statements governing how FERC will review proposals for new natural gas pipeline projects. On March 24, 2022, FERC issued an order designating the updated policy statements as “draft” policy statements to be finalized at a later date. On January 24, 2025, FERC formally closed one docket in which one draft policy statement was being considered. The remaining draft policy statement would require FERC to account for a project’s impact on environmental justice communities in determining whether a pipeline project is in the public interest. Until the remaining draft policy statement is finally approved, FERC will not apply the policy statement to pending certificate applications or applications filed before FERC. As of March 2025, FERC has not issued a finalized policy statement. The intrastate transportation, local distribution and retail sale of natural gas generally are subject to more limited state regulation. FERC’s regulations for interstate natural gas transmission in some circumstances may also affect the intrastate transportation of natural gas.

Export pipelines from Canada to the United States face additional unpredictability as such pipelines also require approvals from several levels of government in the United States. For the most part, export pipelines are required to obtain a Presidential Permit for border crossing facilities. The agency responsible for reviewing applications and issuing Presidential Permits varies depending on the type of facility. Crude oil and other hazardous liquids pipelines that cross from Canada to the United States are authorized by the US Department of State, while natural gas pipeline border crossings are authorized by the FERC.

Specific Pipeline Updates

Construction of the Trans Mountain Pipeline expansion received Cabinet approval in November 2016, was completed in April 2024, and service began in May 2024. The original pipeline and the newly completed expansion now operate collectively. With the expansion completed, the system's nominal capacity increased from approximately 300,000 to 890,000 barrels per day, and the expansion included three new berths at Westridge Marine Terminal in British Columbia.

Natural Gas and LNG

Natural gas prices in Western Canada have been constrained in recent years, reaching record lows in 2024 due to increasing North American supply, limited access to markets and limited storage capacity. Companies that secure firm access to infrastructure to transport their natural gas production out of Western Canada may be able to access more markets and obtain better pricing. Companies without firm access may be forced to accept spot pricing in Western Canada for their natural gas, which is generally lower than the prices received in other North American regions.

In October 2020, TC Energy Corporation (“TC”) received federal approval to expand the Nova Gas Transmission Line system (the “NGTL System”). The NGTL system is in the midst of implementing a \$9.9 billion infrastructure program. In July 2024, TC announced an historic equity interest purchase agreement with an Indigenous-owned investment partnership which will enable up to 72 Indigenous communities to become equity owners of the network of infrastructure assets spanning Western Canada. In January 2024, Shell plc signed a deal to buy LNG from a floating export facility to serve Asian energy markets – a 20-year deal which calls for 2 million metric tons of LNG per year over the course of the agreement.

Regulatory Authorities and Environmental Regulation

The North American oil and gas industry is currently subject to environmental regulation under a variety of Canadian and US federal, provincial, state, territorial, and municipal laws and regulations, all of which are subject to governmental review and revision from time-to-time. Such regulations provide for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. The regulatory regimes set out the requirements with respect to oilfield waste handling, storage, and disposal, habitat protection and the satisfactory operation,

maintenance, abandonment and reclamation of well, facility and pipeline sites. Compliance with such regulations can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licences and authorizations, civil liability, and the imposition of material fines and penalties. In addition, future changes to environmental legislation, including legislation related to air pollution and greenhouse gas ("GHG") emissions (typically measured in terms of their global warming potential and expressed in terms of carbon dioxide equivalent ("CO_{2e}")), may impose further requirements on operators and other companies in the oil and gas industry.

Climate Change Regulation

Climate change regulation at each of the international, federal, provincial and state levels has the potential to significantly affect the future of the oil and gas industry in Canada and the US. These impacts are uncertain, and it is not possible to predict what future policies, laws and regulations will entail. Any new laws and regulations (or additional requirements to existing laws and regulations) could have a material impact on the Corporation's operations and cash flow.

It is not possible at this time to predict the timing and effect of climate change or whether additional GHG legislation, regulations or other measures will be adopted at the federal, provincial, state or local levels. However, more aggressive efforts by governments and non-governmental organizations to reduce GHG emissions appear likely, and any such future laws and regulations could result in increased compliance costs, additional operating restrictions or affect the demand for the Corporation's services. If the Corporation is unable to recover or avoid a significant level of costs related to complying with climate change regulatory requirements imposed on the Corporation, it could have a material adverse impact on its business, financial condition and results of operations. Further, to the extent financial markets view climate change and GHG emissions as a financial risk, this could negatively impact the Corporation's cost of or access to capital. Climate change and GHG regulation could also negatively impact the drilling programs of the Corporation's customers and, consequently, delay, limit or reduce the demand for the services the Corporation provides. An increased focus by the public on the reduction of GHG emissions as well as the results of the physical impacts of climate change could affect the demand for the Corporation's customers' products and have a negative effect on the Corporation's business. Moreover, climate change may cause more extreme weather conditions and increased volatility in seasonal temperatures. Extreme weather conditions can interfere with the Corporation's operations and increase costs, and damage resulting from extreme weather may not be fully insured.

Federal - Canada

Canada has been a signatory to the United Nations Framework Convention on Climate Change (the "UNFCCC") since 1992. Since its inception, the UNFCCC has instigated numerous policy changes with respect to climate governance. In 2016, 195 countries, including Canada, signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. In 2016, Canada ratified the Paris Agreement and committed to reducing its emissions by 30% below 2005 levels by 2030. In 2021, Canada updated its original commitment by pledging to reduce emissions by 40–45% below 2005 levels by 2030, and to net-zero by 2050.

During the course of the 2021 United Nations Climate Change Conference, Canada pledged to (i) reduce methane emissions in the oil and gas sector to 75% of 2012 levels by 2030; (ii) cease to export thermal coal by 2030; (iii) impose a cap on emissions from the oil and gas sector; (iv) halt direct public funding to the global fossil fuel sector by the end of 2022; and (v) commit that all new vehicles sold in the country will be zero-emission on or before 2040. During the 2023 United Nations Climate Change Conference, which concluded on December 12, 2023, Canada signed an agreement with nearly 200 other parties, which includes renewed commitments to transitioning away from fossil fuels and further cutting GHG emissions.

The Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change in 2016, setting out a plan to meet the federal government's 2030 emissions reduction targets. On June 21, 2018, the federal government enacted the Greenhouse Gas Pollution Pricing Act (the "GGPPA"), which came into force on January 1,

2019. This regime has two parts: an output-based pricing system ("**OBPS**") for large industry (enabled by the Output-Based Pricing System Regulations) and a fuel charge (enabled by the Fuel Charge Regulations), both of which impose a price on CO₂e emissions. The GGPPA system applies in provinces and territories that request it and in those that do not have their own equivalent emissions pricing systems in place that meet the federal standards and ensure that there is a uniform price on emissions across the country.

Originally under the federal plans, the price was set to escalate by \$10 per year until it reached a maximum price of \$50/tonne of CO₂e in 2022. However, on December 11, 2020, the federal government announced its intention to continue the annual price increases beyond 2022. As of 2023, the benchmark price per tonne of CO₂e will increase by \$15 per year until it reaches \$170/tonne of CO₂e in 2030. Effective January 1, 2025, the minimum price permissible under the GGPPA rose to \$95/tonne of CO₂e. While several provinces challenged the constitutionality of the GGPPA following its enactment, the Supreme Court of Canada confirmed its constitutional validity in a judgment released on March 25, 2021.

On April 26, 2018, the federal government passed the Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector) (the "**Federal Methane Regulations**"). The Federal Methane Regulations seek to reduce emissions of methane from the oil and natural gas sector and came into force on January 1, 2020. By introducing new control measures, the Federal Methane Regulations aim to reduce unintentional leaks and the intentional venting of methane and ensure that oil and natural gas operations use low-emission equipment and processes. Among other things, the Federal Methane Regulations limit how much methane upstream oil and natural gas facilities are permitted to vent. In December 2023, the federal government stated that the existing measures, which were designed to reduce the oil and gas sector's methane emissions by 40–45% by 2025, relative to 2012, would not be sufficient to meet Canada's commitment to achieving a 75 % reduction (below 2012 levels) by 2030. Accordingly, it released proposed amendments to the Federal Methane Regulations which would build on the existing requirements and increase stringency by introducing new prohibitions and limits on certain intentional emissions, a new risk-based approach around unintentional emissions, and a new performance-based approach for compliance that relies on continuous emissions monitoring systems, among others. The proposed amendments are targeted to come into force in January 2027.

The federal government has also enacted the Multi-Sector Air Pollutants Regulation under the authority of the Canadian Environmental Protection Act, 1999, which regulates certain industrial facilities and equipment types, including boilers and heaters used in the upstream oil and gas industry, to limit the emission of air pollutants such as nitrogen oxides and sulphur dioxide.

In the November 23, 2021, Speech from the Throne, the federal government restated its commitment to achieve net-zero emission by 2050. In pursuit of this objective, the government's proposed actions include: (i) moving to cap and cut oil and gas sector emissions; (ii) investing in public transit and mandating the sale of zero-emission vehicles; (iii) increasing the federally imposed price on pollution; (iv) investing in the production of cleaner steel, aluminum, building products, cars, and planes; (v) addressing the loss of biodiversity by continuing to strengthen partnerships with First Nations, Inuit, and Métis to protect nature and the traditional knowledge of those groups; (vi) creating a Canada Water Agency to safeguard water as a natural resource and support Canadian farmers; (vii) strengthening action to prevent and prepare for floods, wildfires, droughts, coastline erosion, and other extreme weather worsened by climate change; and (viii) helping build back communities impacted by extreme weather events through the development of Canada's first-ever National Adaptation Strategy.

The Canadian Net-Zero Emissions Accountability Act (the "**CNEAA**") received royal assent on June 29, 2021, and came into force on the same day. The CNEAA binds the Government of Canada to a process intended to help Canada achieve net-zero emissions by 2050. It establishes rolling five-year emissions reduction targets and requires the government to develop plans to reach each target and support these efforts by creating a Net-Zero Advisory Body. The CNEAA also requires the federal government to publish annual reports that describe how departments and Crown corporations are considering the financial risks and opportunities of climate change in their decision-making. A comprehensive review of the CNEAA is required every five years from the date the CNEAA came into force.

The Government of Canada introduced its 2030 Emissions Reduction Plan (the "**2030 ERP**") on March 29, 2022. In the 2030 ERP, the Government of Canada proposes a roadmap to reduce its GHG emissions to 40-45% below 2005 levels by 2030. As the first emissions reduction plan issued under the CNEAA, the 2030 ERP aims to reduce emissions by incentivizing electric vehicles and renewable electricity, and capping emissions from the oil and gas sector, among other measures. Canada is projected to surpass its interim objective to reduce emissions by 20% below 2005 levels by 2026 and is on track to meet its 2030 target.

On June 8, 2022, the Canadian Greenhouse Gas Offset Credit System Regulations were published in the Canada Gazette. The regulations establish a regulatory framework to allow certain kinds of projects to generate and sell offset credits for use in the federal OBPS through Canada's Greenhouse Gas Offset Credit System. The system enables project proponents to generate federal offset credits through projects that reduce GHG emissions under a published federal GHG offset protocol. Offset credits can then be sold to those seeking to meet limits imposed under the OBPS or those seeking to meet voluntary targets.

On June 20, 2022, the federal Clean Fuel Regulations came into force and in July 2023 they took effect. The Clean Fuel Regulations aim to discourage the use of fossil fuels by increasing the price of those fuels when compared to lower-carbon alternatives, imposing obligations on primary suppliers of transportation fuels in Canada, and requiring fuels to contain a minimum percentage of renewable fuel content and meet emissions caps calculated over the life cycle of the fuel. The Clean Fuel Regulations also establish a market for compliance credits. Compliance credits can be generated by primary suppliers, among others, through carbon capture and storage, producing or importing low-emission fuel, or through end-use fuel switching (for example, operating an electric vehicle charging network).

In November 2024, the federal government published the proposed Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations (the "Proposed Regulations"). The Proposed Regulations would cap emissions from a range of oil and gas related activities, create an emissions cap-and-trade system, and require facility operators to comply with various reporting and remittance obligations. The final version of the Proposed Regulations is expected to be published in mid-2025 and come into force by January 1, 2026.

The Government of Canada has developed a Carbon Management Strategy, whereby it aims to deploy various carbon management technologies, including carbon capture, to help achieve federal climate goals. Carbon capture is a technology that captures carbon dioxide from facilities, including industrial or power applications, or directly from the atmosphere. The captured carbon dioxide is then compressed and transported for permanent storage in underground geological formations or used to make new products such as concrete. As part of the 2021 budget, the federal government committed to investing \$319 million over seven years into research, development and demonstrations to advance the commercial viability of carbon capture technologies, as they will be critical to reaching net-zero by 2050.

In June 2024, the federal government enacted various new tax credits for sustainability-related projects, including the Carbon Capture, Utilization, and Storage ("**CCUS**") Investment Tax Credit ("**ITC**"). The CCUS ITC is a refundable tax credit that applies to certain expenses incurred for eligible CCUS projects. It was enacted on June 19, 2024 (but deemed to have come into effect on January 1, 2022). The credit is available from January 1, 2022, until December 31, 2040, with the magnitude of the credit being reduced by 50% beginning on January 1, 2031.

In June 2023, the International Sustainability Standards Board ("**ISSB**") issued two international environmental reporting standards: IFRS S1, which addresses sustainability-related disclosure, and IFRS S2, which addresses climate-related disclosure. The Canadian Sustainability Standards Board ("**CSSB**") subsequently released for public comment substantially similar proposed Canadian versions of the international standards ("**CSDS 1**" and "**CSDS 2**"), which were finalized December 2024 (collectively, the "**Canadian Standards**").

The Canadian Standards require issuers, among other things, to include quantitative data regarding their climate change considerations, to use scenario analysis in developing their disclosure, and to disclose Scope 3 GHG emissions. The finalized Canadian Standards are substantially similar to IFRS S1 and S2 (and earlier drafts of CSDS 1 and CSDS

2), however they have extended implementation timelines for select criteria. Canadian companies are not required to follow the Canadian Standards at this time, however, the Canadian Securities Administrators are considering amending Canadian reporting requirements to include certain aspects of these new Canadian Standards; to what extent they will be adopted remains unclear.

In June 2024 the federal Competition Act was amended to enact new deceptive marketing provisions targeting greenwashing. The new provisions introduced unclear substantiation requirements for companies making environmental claims and significant fines for failing to meet the new requirements. As a result of the uncertainty with respect to the applicability of the new rules, many companies removed their environmental and sustainability-related disclosure from the public domain. In December 2024 the constitutionality of the new deceptive marketing provisions was challenged in the Alberta Court of King's Bench and the lawsuit remains ongoing.

Additionally, there are various provincial statutes that also address GHG emission and climate change that are being proposed and enacted which could have an impact on the oil and gas industry's activities in those provinces.

Federal - United States

The Environmental Protection Agency ("EPA") has determined that GHG emissions present an endangerment to public health and the environment because such gases contribute to warming of the Earth's atmosphere and other climatic changes. Based on these findings, the EPA has adopted and implemented, and continues to adopt and implement, regulations that restrict emissions of GHG under existing provisions of the CAA. For example, the EPA requires the annual reporting of GHG emissions from certain large sources of GHG emissions in the US, including certain oil and gas production facilities. On March 8, 2024, the EPA published a final rule establishing new source performance standards for methane and volatile organic compound emissions from new or modified oil and gas sources and setting emissions guidelines for states to follow in revising State Implementation Plans covering existing sources. The final rule aims to phase out routine flaring of associated natural gas from new oil wells, requires routine leak monitoring for well sites, centralized production facilities and compressor stations and that leaks be repaired in a timely manner, establishes a "Super Emitters" program, revises requirements related to emissions from storage tanks and expands the sources subject to those requirements, sets a zero emissions standard for process controllers, requires owners and operators to implement best management practices to minimize or eliminate venting of emissions during liquids unloading operations, and requires fugitive emissions monitoring to continue until well closure, among other requirements. The final rule was promptly challenged by states seeking to stay implementation while the litigation continued. Both the D.C. Circuit and the U.S. Supreme Court denied the requested stay, and the rule went into effect in May 2024. It is anticipated this rule and other federal and state requirements related to GHG emissions and climate change will continue evolving under the Trump administration and based on new information and changing environmental concerns, and it may be several years before they are fully implemented.

Additionally, the US Congress has from time to time considered adopting legislation to reduce emissions of GHG and almost one-half of the states have already taken legal measures to reduce emissions of GHG primarily through the development of GHG emission inventories and/or regional GHG emission cap and trade programs and through the establishment of emissions reduction targets. For instance, in August 2022, Congress passed and President Biden signed into law the Inflation Reduction Act of 2022, which includes nearly \$370 billion dollars in climate-related provisions that provide funding, programs and incentives to accelerate the transition to a clean energy economy. On November 12, 2024, pursuant to Congressional mandate in the Inflation Reduction Act, the EPA published a final rule implementing a methane fee, referred to as a Waste Emissions Charge, for oil and gas facilities characterized as "high-emitting". The methane fee final rule was issued within the last 60 working days of the Biden administration, and Congress subsequently approved a joint resolution of disapproval under the Congressional Review Act, which nullified the regulation and disallows promulgation of a similar rule. Other recent regulatory initiatives include final rules promulgated by the Bureau of Land Management that went into effect in June 2024. The Waste Prevention Rule aims to reduce methane releases from oil and gas drilling on public lands, including imposing strict volume limits on flaring, requiring royalty payments for gas deemed "avoidably lost," requiring operators to include a waste minimization plan in their applications to drill or a self-certification statement in lieu thereof, and requiring operators

to utilize a leak detection and repair program. The rule was promptly challenged and enforcement has been stayed in several states.

In December 2015, the United States joined the international community at the 21st Conference of the Parties of the UNFCCC in Paris, France. The resulting Paris Agreement calls for the parties to undertake "ambitious efforts" to limit the average global temperature, and to conserve and enhance sinks and reservoirs of GHG. The Paris Agreement entered into force in November 2016. The United States exited the Paris Agreement in November 2020, but rejoined it effective on February 19, 2021. On January 20, 2025, President Trump signed an executive order to again remove the United States from the Paris Agreement. President Trump has also issued other energy-related executive orders. For instance, on January 20, 2025, President Trump signed an executive order declaring a national energy emergency, aimed at facilitating domestic energy production and speeding up permitting and approval of energy projects. At the same time, President Trump signed an executive order designed to "unleash American energy", revoking many of President Biden's climate change-related executive orders and instructing federal government agencies to review existing regulations, guidance, and policies to identify agency actions that "impose an undue burden on the identification, development or use of domestic energy resources". On February 14, 2025, President Trump signed an executive order to establish the National Energy Dominance Council. The Council is tasked with advising President Trump on strategies to achieve energy dominance by improving the processes for permitting, production, generation, distribution, regulation and transportation across all forms of American energy. These executive orders may be challenged in court.

OSHA Matters. OSHA and comparable state statutes regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities, and the public.

Indigenous Rights

Constitutionally mandated government-led consultation with, and if applicable, accommodation of the rights of, Indigenous groups impacted by regulated industrial activity, as well as proponent-led consultation and accommodation or benefit sharing initiatives, play an increasingly important role in the Western Canadian oil and gas industry. In addition, Canada is a signatory to the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP") and the principles set forth therein may continue to influence the role of Indigenous engagement in the development of the oil and gas industry in Western Canada. For example, in November 2019, the Declaration on the Rights of Indigenous Peoples Act ("**DRIPA**") became law in British Columbia. The DRIPA aims to align British Columbia's laws with UNDRIP. In June 2021, the United Nations Declaration on the Rights of Indigenous Peoples Act ("**UNDRIP Act**") came into force in Canada. Similar to British Columbia's DRIPA, the UNDRIP Act requires the Government of Canada to take all measures necessary to ensure the laws of Canada are consistent with the principles of UNDRIP and to implement an action plan to address UNDRIP's objectives. As of June 2022, the federal government has sought to implement the UNDRIP Act by, among other things, creating a Secretariat within the Department of Justice to support Indigenous participation in the implementation of UNDRIP (the "**Implementation Secretariat**"), consulting with Indigenous peoples to identify their priorities, drafting an action plan to align federal laws with UNDRIP's, and implementing efforts to educate federal departments on UNDRIP principles. On June 21, 2023, the Implementation Secretariat released The United Nations Declaration on the Rights of Indigenous Peoples Act Action Plan (the "**Action Plan**") with respect to aligning federal laws with UNDRIP, which has a 2023-2028 implementation timeframe. In June 2024, the federal government tabled its Third Annual Progress Report on the implementation of the UNDRIP Act (the "**Progress Report**"), which provides various progress updates, including on the implementation of Canada's Action Plan.

There are various pieces of Indigenous-related legislation currently being considered, and regulations being developed, by the federal government, including the proposed First Nations Clean Water Act (currently being considered by the House of Commons) and regulations regarding Indigenous impact assessment co-administration agreements (currently being developed under the Impact Assessment Act). In addition to the changing legislative

landscape, common law precedent regarding existing and new Indigenous-related laws continues to develop. Such developments are expected to continue to add uncertainty to the ability of entities operating in the Canadian oil and gas industry to execute on major resource development and infrastructure projects, including, among other projects, pipelines.

RISK FACTORS

The following is a summary only of certain risk factors relating to the activities of the Corporation and its subsidiaries and the ownership of Common Shares. A prospective investor should carefully consider all such risk factors contained herein and in the Corporation's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Corporation's business and the oilfield services business generally.

Global Trade & Supply Chain

The recent election of President Trump in the US may result in legislative and regulatory changes that could have an adverse effect on the Corporation and its financial condition. In particular, there is uncertainty regarding US tariffs and support for existing treaty and trade relationships, including with Canada. Implementation by the US government of new legislative or regulatory policies could impose additional costs on the Corporation and its supply chain, impact the Corporation's operations as well as that of its customers, affect industry activity or otherwise negatively impact the Corporation, which may have a material adverse effect on the Corporation's business, revenues, earnings, financial condition and operations. Without limitation, this uncertainty may adversely impact: (i) the ability of companies to transact business with companies such as the Corporation; (ii) the Corporation's vertical integration strategy including, without limitation, the historical cost effective movement of equipment and services across the Canadian/US border; (iii) the Corporation's overall profitability; (iv) regulation affecting the North American oil and gas industry; (v) global stock markets, including the TSX; and (vi) general global economic conditions. Certain of these factors are outside of the Corporation's control but may nonetheless lead the Corporation to adjust its strategy in order to mitigate the impacts on it and continue to compete effectively in international markets.

In early February 2025, the US announced a 25% broad-based tariff on goods exported out of Canada into the US, other than energy products (including oil and natural gas), which would be subject to a 10% tariff. Prior to the US tariffs on Canadian and Mexican goods becoming effective, they were paused for a month pending further negotiations. While these tariffs came into effect on March 4, 2025, some of such tariffs were subsequently paused on March 6, 2025. In response, the Canadian government announced that it would impose a 25% tariff on \$155 billion of goods imported from the US. The US also announced a 25% tariff on goods imported from Mexico, a 10% tariff on goods imported from China and a 25% tariff on steel and aluminum products from all countries. Representatives of the US government have also publicly stated that they are considering imposing tariffs on goods imported from other countries. These tariffs (those already in effect or currently paused, if they come into effect in the future), and any changes to these tariffs or imposition of any new or increased tariffs, taxes or import or export restrictions or prohibitions, would be expected to have a material adverse effect on the Canadian and US economy, the Canadian and US oil and natural gas industry, the Corporation's operations and supply chain, as well as that of its customers.

Furthermore, there is a risk that the tariffs imposed by the US on other countries have the potential to trigger an even broader global trade war which could exacerbate the material adverse effect on the Canadian, US and global economies, and by extension the Canadian and US oil and natural gas industry and the Corporation. The steps taken by governments to implement additional or new tariffs have the potential to disrupt existing supply chains, impose additional and potentially significant costs on the Corporation's business and those of its customers, and could lead to other countries attempting to retaliate by imposing reciprocal tariffs, all of which would make the Corporation's equipment more expensive to manufacture, maintain and transport.

The full extent of these measures and the impact of these policies is unknown especially in light of the fact that the timing, implementation, quantum and duration of new tariffs is uncertain. To the extent implemented and continued, any new substantial tariffs in place for a prolonged period would be expected to have a material adverse impact on the Corporation's business and results, as the Corporation has a large presence in the US and relies in a significant manner on the cross-border movement of goods and equipment. See "*Description of PHX Energy's Business and Operations - PHX Energy's Vertical Integration Strategy and Capabilities*".

Capital Requirements

If the Corporation's revenues decline because of continued and sustained weakness and volatility in industry activity levels, it may be required to reduce its planned capital expenditures. In addition, continued sector, global and political volatility and resulting uncertain levels of industry activity, exposes the Corporation to additional capital risk. There can be no assurance that debt or equity financing, or cash generated by operations will be available, or sufficient, to meet these capital expenditure requirements or for other corporate purposes, or if debt or equity financing is available, that it will be on terms acceptable to the Corporation. Additionally, the failure to obtain adequate financing on a timely basis could cause the Corporation to miss certain strategic opportunities and reduce or terminate certain of its operations. The volatile conditions in the oil and natural gas industry have negatively impacted the ability of, and the cost to, companies involved in the oil and natural gas industry to access additional financing. The inability of the Corporation to access sufficient and acceptable capital for its operations in a timely manner could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Inflation, Cost Management and Rising Interest Rates

Recently Canada, the US and other countries have experienced high levels of inflation, supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, volatile commodity prices, and additional government intervention through stimulus spending and additional regulations. These factors have increased the operating costs of the Corporation. If the Corporation is unable to manage costs it could impact future capital expenditure plans and have a material adverse effect on its financial performance and cash flows.

In addition, over the last several years, many central banks including the Bank of Canada and US Federal Reserve raised interest rates in an attempt to combat inflation. While interest rates have begun to fall, higher interest rates over the last several years have impacted the Corporation's borrowing costs. The increased borrowing costs may impact the Corporation's business plans, which could have a material adverse effect on its financial performance and cash flows. Elevated interest rates could also result in a recession in Canada, the US or other countries. A recession may have a negative impact on demand for crude oil and natural gas, causing a decrease in commodity prices. A decrease in commodity prices could reduce the overall activity level in the industry. It is unknown how long inflation will continue to impact the economies of Canada and the US and how inflation and rising interest rates will impact oil and natural gas demand and commodity prices.

Adverse Economic Conditions

The demand for energy, including crude oil and natural gas, is generally linked to broad-based economic activities. If there was a slowdown in economic growth, an economic downturn or recession, or other adverse economic or political development in the US, Europe, or Asia, there could be a significant adverse effect on global financial markets and commodity prices. In addition, hostilities in the Middle East, Ukraine, and the South China Sea and the occurrence or threat of terrorist attacks in the US or other countries could adversely affect the global economy. Global or national health concerns, including the outbreak of pandemic or contagious diseases may adversely affect the Corporation by (i) reducing global economic activity thereby resulting in lower demand for crude oil and liquids and natural gas, and therefore demand for the Corporation's services, (ii) impairing its supply chain, for example, by limiting the manufacturing of materials or the supply of goods and services used in the Corporation's operations, and (iii) affecting the health of its workforce, rendering employees unable to work or travel. These and other factors disclosed elsewhere in the continuous disclosure of the Corporation that affect the supply and demand for crude oil and natural gas, and

the Corporation's business and industry, could ultimately have an adverse impact on the Corporation's financial condition, financial performance, and cash flows.

Volatility of Commodity Prices and Industry Activity

Activity levels in the oil and natural gas industry are highly dependent on commodity prices. Commodity prices may fluctuate for a variety of reasons that are beyond the Corporation's and its customers' control, including market uncertainties over the supply and demand of these commodities due to the current state of the world economies, actions of the Organization of Petroleum Exporting Countries ("OPEC"), political uncertainties, sanctions or tariffs imposed on certain oil producing nations by other countries, the Russian Ukrainian war and conflicts in the Middle East, other adverse economic or political development in the United States, Europe, or Asia. Additionally, the occurrence or threat of terrorist attacks in the United States or other countries could adversely affect the global economy. Commodity prices have historically been, and continue to be, volatile. The Corporation expects this volatility to continue. 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 are below the expectations, the Corporation's capital plans and financial results are likely to be adversely affected. Significant or extended price declines could have a material adverse effect upon the financial condition, results of operations and cash flows of the Corporation.

Demand for Services - Globally

The demand, pricing and terms for PHX Energy's contract horizontal and directional drilling technologies and services depends largely upon the level of industry activity for natural gas and oil exploration and development in those jurisdictions in which the Corporation operates. Industry conditions are influenced by numerous factors over which the Corporation has no control, including: oil and natural gas prices; markets and storage levels; expectations about future oil and natural gas prices and production; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery of new oil and natural gas reserves; availability of pipeline and transportation capacity availability of liquefied natural gas; worldwide weather conditions; significant regional or global scale health epidemics; macro-economic and geopolitical factors, including military conflict, and sovereign debt crises; regulatory and other economic conditions, including tariffs; alternative fuel requirements; increasing consumer demand for alternatives to oil and natural gas; technological advances in fuel economy and energy generation devices; and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the global oil and natural gas exploration and production industry remains volatile. Any prolonged volatility and substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore continue to affect the currently reduced demand for services to oil and natural gas customers. Sustained low oil or natural gas prices or Canadian, US and international industry activity would continue to have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. 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.

Foreign Operations

The Corporation regularly assess its foreign operations risk. Any change in government policies could have a significant impact on business, especially in the US as it represents a large portion of the Corporation's market operations. Risks of foreign operations include, but are not necessarily limited to, international trade wars, foreign currency exchange rate fluctuations, changes of laws affecting foreign ownership, government participation, taxation, royalties, duties, tariffs, inflation, repatriation of earnings, social unrest or civil war, corruption, acts of terrorism, extortion or armed conflict and uncertain political and economic conditions resulting in unfavourable government actions such as unfavourable legislation or regulation. There are no assurances that the economic and political conditions in the countries in which the Corporation operates will continue as they are at the present time. While the

impact of these factors cannot be accurately predicted, if any of the risks materialize, they could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

US Operations

The majority of the Corporation's operations are conducted in the US, as over the last ten years it has expanded its presence in and exposure to this market by: (a) increasing sales and marketing initiatives; (b) retaining additional personnel; (c) developing and deploying new technologies that provide competitive advantages in the US market; and (d) increasing the amount of equipment located in the US. As a result, the Corporation is increasingly subject to the prevailing market conditions of the oil and natural gas services industries in the US. The Corporation's reliance on the market for these industries means that it is subject to downturns in the US economy, adverse weather patterns in the US (such as hurricanes and tropical storms), US regulatory changes, protectionist actions by US legislators, including tariffs, and other political developments, all of which could have an adverse impact on the Corporation's operations and financial results.

While growth of US Operations enhances the Corporation's ability to access opportunities in the US, it also increases its exposure to risks such as those listed above, civil liability exposure, and evolving political dynamics in the US, including increasing protectionist sentiment and measures such as tariffs, the renegotiation of trade agreements, and efforts to reduce regulation in many US industries. As a result, the competitive position of the Corporation may become increasingly uncertain and challenging in relation to the US.

Variations in Foreign Exchange Rates

World oil and natural gas prices are quoted in US dollars and the price received by Canadian producers is therefore affected by the Canadian/US dollar exchange rate which will fluctuate over time. While recently the Canadian dollar has decreased in value against the US dollar, any material increases in the value of the Canadian dollar may negatively impact the revenues of exploration and production companies, and consequently, the revenues of energy services companies such as the Corporation. Additionally, a majority of the Corporation's operations are in the US. Any material increases in the value of the Canadian dollar could have a material adverse effect on the Corporation's business, financial condition, results of operations or cash flows. An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, resulting in a reduced amount of capital available to fund its capital expenditure program.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with its customers and other parties. As a result of challenging and often volatile oil and natural gas market conditions and other market factors the Corporation may face heightened counterparty credit risk as a substantial portion of the Corporation's dealings are with entities involved in the oil and natural gas industry. The Corporation's credit risk associated with its customers can be directly impacted by a sustained decline in commodity prices and associated economic conditions, which would impair customers' ability to satisfy their obligations to the Corporation and therefore could materially adversely effect the Corporation's business, financial condition, results of operations, receivables and prospects. While the Corporation has a credit management program to assist in managing risks related to collecting its receivables, collection of such receivables may be impacted by unfavourable industry conditions including fluctuations in commodity prices. To the extent that any of the Corporation's customers go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Corporation being unable to collect all or a portion of any money owing from such customers. Any of these factors could have a material adverse effect on the Corporation's business, financial condition, results of operations, receivables and cash flow.

Workforce Availability and Key Personnel

The success of the Corporation is dependent upon the recruitment and retention of a skilled workforce and key personnel. Losing the services of key personnel, or a substantial portion of its workforce as a whole, could result in failure to successfully implement business plans and have a material adverse effect on the business and operations of the Corporation. The Corporation does not have any key personnel insurance in place. The contributions of the existing management team and other key personnel are likely to be of central importance to the immediate and near-term operations of the Corporation. In addition, certain of PHX Energy's current employees have significant institutional knowledge that must be transferred to other employees prior to their departure from the Corporation. If PHX Energy is unable to: (i) retain current employees; (ii) successfully complete effective knowledge transfers; and/or (iii) recruit new employees with the requisite knowledge and experience, the Corporation could be negatively impacted. In addition, the Corporation could experience increased costs to retain and recruit these professionals. Competition for qualified personnel in certain sectors of the oil and natural gas services industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. The unexpected loss of one or more of the Corporation's key personnel, or the inability to retain or recruit skilled personnel could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Investors must rely upon the ability, expertise, judgement, discretion, integrity and good faith of the management of the Corporation.

Availability, Quality and Cost of Equipment and Development of New Technology

The industry in which the Corporation operates is categorized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. PHX Energy currently owns its horizontal and directional drilling equipment which it develops and manufactures internally or in some cases purchases from various suppliers in the oil and natural gas drilling service industry, including certain competitors. Additionally, the Corporation purchases equipment and materials for the manufacturing of its own technology from various suppliers in the oil and natural gas drilling service industry. The ability of the Corporation to compete and expand its business is dependent upon it having access at a reasonable cost to certain industry-leading equipment, specialized components and drilling equipment and supplies, which are at least technically equivalent to those offered by competitors as well as upon its ability to develop or acquire new competitive technology. Failure by the Corporation to do so could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. There can be no assurance that the sources for equipment and materials used by the Corporation will be maintained or available at acceptable cost. If such equipment or materials are not available from current sources, and are not available from any other source, the Corporation's ability to compete may be impaired. If the Corporation is unable to continue to offer advanced and industry leading technologies to its customers, or is unsuccessful in implementing certain technologies, its business and results of operations could also be adversely affected. Additionally, there can be no assurance that the Corporation will be able to respond to the competitive pressures of those companies with greater financial and technical resources and implement new technologies on a timely basis, at an acceptable cost, or at all.

In the future the Corporation may seek patents or other similar protections in respect of particular tools, equipment or technology, however, the Corporation may not be successful in such efforts. Competitors may also develop similar tools, equipment or technology to those of the Corporation thereby adversely affecting the Corporation's competitive advantage in one or more of their businesses. Additionally, there can be no assurance that certain tools, equipment or technology developed by the Corporation, may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other adverse results that could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Environmental Risk

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial, state and local laws and regulations. Environmental legislation provides for, among other things, the initiation and approval of new oil and natural gas projects, and restrictions and

prohibitions on the spill, release or emission of various substances produced in association with oil and natural gas industry operations, and required notification and corrective action measures for incidents. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. New environmental legislation at the federal, state, and provincial levels may increase uncertainty among oil and natural gas industry participants as the new laws are implemented, and the effects of the new rules and standards are felt in the oil and natural gas industry. See *"Industry Conditions – Transportation Constraints and Market Access"*, *"Industry Conditions – Regulatory Authorities and Environmental Regulation"* and *"Industry Conditions – Climate Change Regulation"*.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material, revocations of permits to conduct business, expenditures for remediation or other corrective measures, and/or claims for liability for property damage, exposure to hazardous materials, exposure to hazardous waste, nuisance or personal injuries. Such claims or sanctions and related costs could cause the Corporation to incur substantial costs or losses and could have a material adverse effect on the Corporation's business, financial condition, prospects, and results of operations. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liabilities, and potentially increased capital expenditures and operating costs.

Implementation of strategies for reducing GHG emissions could have a material impact on the nature of oil and natural gas operations, including those of the Corporation and the Corporation's customers. Given the evolving nature of regulations related to climate change and the control of GHG emissions and the possible resulting requirements, it is not possible to predict either the nature of those requirements or the impact on the Corporation and its operations and financial condition. The unauthorized discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments or third parties and may require the Corporation to incur costs to remedy such discharge. Some environmental laws and regulations may impose strict liability, joint and several liability, or both. In some situations, the Corporation could be exposed to liability as a result of its conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, third parties without regard to whether the Corporation caused or contributed to the conditions. Although the Corporation believes that it is in compliance with current applicable environmental legislation, and intends to remain in compliance with future applicable environmental legislation, no assurance can be given that any future environmental compliance requirements will not have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. Additionally, failure to comply with government, industry or the Corporation's own environmental, health and safety laws and regulations, or failure to comply with the Corporation's compliance or reporting requirements, could tarnish its reputation for safety and quality and have a material adverse effect on its competitive position. In addition, customers maintain their own compliance and reporting requirements, and if the Corporation does not perform in accordance with their requirements, it could lose business from its customers, many of whom have an increased focus on environmental and safety issues.

Climate Change

Global climate issues continue to attract public and scientific attention. Numerous reports, including reports from the United Nations Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially fossil fuel combustion, on global climate issues. In turn, increasing public, government, and investor attention is being paid to global climate issues and to emissions of GHG. The majority of countries, including Canada and the US, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. At the 2021 Climate Change Conference, Canada and the US made several pledges regarding reducing their nation's GHG emissions and at the 2024 United Nations Climate Change Conference both Canada and the US reaffirmed their commitments to transition away from fossil fuels and further cutting emissions. However, the current US administration initiated the US withdrawal from the Paris Climate Pact in early 2025. As discussed below, the Corporation faces both transition risks and physical risks associated with climate change and climate change policy and regulations. *For more information, please see "Industry Conditions – Regulatory Authorities and Environmental Regulation" and "Industry Conditions – Climate Change."*

Transition Risks

Foreign and domestic governments continue to evaluate and implement policy, legislation, and regulations focused on restricting GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may accelerate the implementation of such measures. Given the evolving nature of climate change policy and the control of GHG emissions and resulting requirements, including emission caps, carbon taxes and carbon pricing schemes implemented by varying levels of government, it is expected that current and future climate change regulations will have the effect of increasing the Corporation's operating expenses, and, in the long-term, potentially reducing the demand for oil, natural gas and related products, which may result in a decrease in the demand for the Corporation's services.

Given the elevated long-term risks associated with environmental policy development, regulatory changes, public and private legal challenges, or other market developments related to climate change, there have also been efforts in recent years affecting the financial community, including investment advisors, sovereign wealth funds, banks, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG-intensive operations and products. Certain stakeholders have also pressured insurance providers and commercial and investment banks to reduce or stop financing and providing insurance coverage to oil and natural gas and related infrastructure businesses and projects. The impact of such efforts may adversely affect the Corporation's operations, the demand for and price of the Corporation's securities and the Corporation's cost of capital and access to capital markets.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance and climate reporting, in June 2023 the ISSB issued two new international environmental disclosure standards, IFRS S1 and S2, with the aim to develop environmental disclosure standards that are globally consistent, comparable and reliable; in December 2024 the CSSB finalized substantially similar new Canadian Standards, CSDS 1 and CSDS 2. The CSA which had previously published for comment Proposed National Instrument 51-107 – Disclosure of Climate Related Matters, intends to incorporate the Canadian Standards into new climate-related disclosure requirements for reporting issuers in Canada. The US Securities and Exchange Commission has also adopted extensive climate-related disclosure and ESG rules.

If the Corporation is not able to meet future climate-related reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals, and authorizations from various governmental authorities, and raise capital, may be adversely affected.

Physical Risks

The potential physical risks resulting from climate change are long-term in nature and associated with a high degree of uncertainty regarding timing, scope, and severity of potential impacts. Many experts believe global climate change could increase extreme variability in weather patterns such as increased frequency of severe weather, rising mean temperature and sea levels, and long-term changes in precipitation patterns. Extreme hot and cold weather, heavy snowfall, heavy rainfall, drought, hurricanes, flooding and wildfires may negatively impact the Corporation's operations. Extreme weather also increases the risk of personnel injury as a result of dangerous working conditions. Particularly in the US, certain of the Corporation's assets and facilities are in areas prone to severe weather patterns, which may lead to significant downtime and/or damage to such assets and facilities or cause disruptions to the production and transport of the Corporation's products or the delivery of goods and services in its supply chain.

Alternatives to and Changing Demand for Petroleum & Petroleum Based Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation systems could reduce the demand for oil and natural gas. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum and petroleum based products and put downward pressure on commodity prices. Advancements in energy efficient products have a similar effect on the demand for oil and natural gas products. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect the Corporation's customers and therefore in turn have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flow.

Competition

The oilfield services industry is highly competitive and PHX Energy's major competitors are principally large multinational companies, many of which are substantially larger than PHX Energy, with significantly greater resources available for marketing and research and development programs. In certain aspects of its business, PHX Energy also competes with a number of other small companies, which, like PHX Energy, have certain competitive advantages such as low overhead costs and specialized regional strengths. PHX Energy's ability to generate revenues and earnings depends on its ability to obtain contracts and to perform services within projected times and costs. There can be no assurance that competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new competitors will not enter the various markets in which the Corporation is active. As a result of competition, the Corporation may be unable to continue to provide its present level of services or to acquire additional business opportunities, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Reduced levels of activity in the oil and natural gas industry can intensify competition and result in reduced pricing pressure for services, reduced day rates and corresponding lower revenue to the Corporation. Variations in the exploration and development budgets of oil and natural gas companies which are directly affected by fluctuations in energy prices, the cyclical nature and competitiveness of the oil and natural gas industry and governmental regulation, will have an effect upon the Corporation's ability to generate revenue and earnings. Other factors that could affect competition include additional transition to alternative sources of energy, political and economic factors and other factors outside of PHX Energy's control.

Oil and Natural Gas Industry Risk & Insurance

PHX Energy's operations are subject to the risks normally incidental to the exploration, development and operation of oil and natural gas properties and the drilling of oil and natural gas wells, including, without limitation, encountering unexpected formations or pressures, equipment defects, malfunction, failures, blow-outs, loss of well control, sour natural gas leaks, the release of contaminants into the environment, cratering, fires, explosions, or other acts of nature, any of which could result in work stoppages, personal injuries, loss of life or damage to or destruction of equipment, facilities and property of PHX Energy and others, and the imposition of fines or penalties pursuant to environmental legislation. These risks and hazards could expose PHX Energy to substantial liability. PHX Energy maintains insurance coverage that it believes to be adequate and customary in the industry, however such insurance has limitations on liability and may not be sufficient to cover the full extent of all liabilities. The payment of any uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. While PHX Energy maintains such insurance, it may not be adequate to cover all the costs and risk of loss arising from PHX Energy's operations, all potential liabilities, potential quantum of liabilities due to cover limits, exclusions or uninsurable events. In addition, such insurance may not be available in the future at reasonable or commercially justifiable rates, as a result, PHX Energy may elect not to obtain insurance to address specific risks. Further, there can be no assurance that

insurance will continue to be available to PHX Energy at all. In the event of any of the foregoing occurring, the Corporation's overall risk exposure could increase and PHX Energy could incur significant costs that could have a material adverse effect upon its financial condition, results of operations and cash flows.

The Corporation's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased premiums could lead the Corporation to decide to reduce or possibly eliminate, coverage.

Seasonality

In general, the level of activity of the Canadian and certain parts of the US oilfield service industry is influenced by seasonable weather patterns. Wet weather and the spring thaw may make the ground unstable, which may prevent, delay or make operations more difficult. Consequently, municipalities and provincial or state transportation departments may enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Additionally, certain oil and natural gas producing areas, located where the ground consists of swampy terrain known as muskeg, are inaccessible except during winter months. In addition, extreme cold weather, heavy snowfall and heavy rainfall may restrict access to areas where the Corporation's customers' rig sites are located. Seasonal factors and unexpected weather patterns may lead to declines in activity and a corresponding decrease in the demand for the Corporation's technology or services for a period of time.

Political Uncertainty and Geopolitical Risk

The Corporation's results may be adversely impacted by political, legal, or regulatory developments in Canada, the US and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, sanctions, changes in law or interpretation of settled law, third-party opposition to industrial activity generally or projects specifically, and the duration of regulatory reviews could impact the Corporation's existing or future operations and plans. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder consultation (including Indigenous stakeholders), may increase the cost of compliance or reduce or delay available business opportunities of both the Corporation and its customers and adversely impact the Corporation's results.

In particular, the recent election of President Trump in the US may result in legislative and regulatory changes that could have an adverse effect on the Corporation and its financial condition. In particular, there is uncertainty regarding US tariffs and support for existing treaty and trade relationships, including with Canada. Implementation of new legislative or regulatory policies by the US government, including, without limitation, tariffs, could impose additional costs on the Corporation including in particular as a result of its cross-border provision of goods and services, or decrease industry activity which would impact demand for the Corporation's services or otherwise negatively impact the Corporation and its operations, which could have a material adverse impact on the Canadian economy, the Canadian oil and natural gas industry and the Corporation.

Other government and political factors that could adversely affect the Corporation's financial results include increases in taxes and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, or the use of alternative fuels or uncompetitive fuel components could affect the Corporation's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, and the success of these initiatives may decrease demand for the Corporation's services and technologies.

A change in federal, provincial, state or municipal governments in Canada or the US may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry including the balance between economic development and environmental policy. In Canada particularly, federal and certain provincial

governments have been active in recent years in their support for or opposition to major infrastructure projects in Canada leading to investment uncertainty, increased awareness of, and challenges to interprovincial and international infrastructure projects. Disputes and uncertainty over jurisdiction between the federal and provincial governments and over the scope of environmental related legislation have created significant barriers to major infrastructure projects in Canada, which has had an adverse impact on the Corporation's customers' business plans and consequently could impact industry activity levels.

The oil and natural gas industry has become an increasingly politically polarizing topic domestically in North America and internationally, resulting in a rise in civil disobedience surrounding oil and natural gas development - particularly with respect to infrastructure projects. Protests, blockades and demonstrations have the potential to delay or disrupt the Corporation's activities and those of its customers.

Changing Investor Sentiment

A number of factors, including the concerns of effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation, Indigenous rights and gender balance, have affected certain investors' sentiments toward the oil and natural gas industry and certain corporations generally. As a result of these concerns, some institutional, retail and public investors have announced that they are no longer willing to fund or invest in oil and natural gas industry properties or companies, or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust environmental, social and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, Management and employees of the Corporation. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Corporation, or not investing in the Corporation at all. Any reduction in the investor base willing to invest in the oil and natural gas industry and more specifically, the Corporation, may limit the Corporation's access to capital, thereby increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities even if the Corporation's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of the Corporation's assets which may result in an impairment charge.

Dividends

The amount of future cash dividends paid by the Corporation or other forms of shareholder returns, if any, will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time-to-time, including, among other things, fluctuations in commodity prices, capital expenditure requirements, debt service requirements and debt levels, operating costs, the ROCS, foreign exchange rates, limits on distributions under the Corporation's credit facility, and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. Depending on these and various other factors, many of which will be beyond the control of the Corporation, the dividend policy and ROCS of the Corporation may change from time-to-time and, future cash dividends could be reduced or suspended entirely.

The market value of the Corporation's common shares may deteriorate if cash dividends are reduced or suspended. Furthermore, the future treatment of dividends for tax purposes will be subject to the nature and composition of dividends paid by the Corporation and potential legislative and regulatory changes. Dividends may be reduced during periods of lower funds from operations, which result from lower commodity prices and reduced customer services demands and any decision by the Corporation to finance capital expenditures using funds from operations.

To the extent that external sources of capital become limited or unavailable, the ability of the Corporation to make its necessary capital investments in its business will be impaired. To the extent that the Corporation is required to use funds from operations to finance capital expenditures or invest in or further expand its asset base, the cash available for dividends may be reduced. *See "Dividends"*

Unpredictability and Volatility of Common Share Price

The trading price of securities of oilfield services issuers is subject to substantial volatility. This volatility is often based on factors both related and unrelated to the financial performance of issuers. A publicly traded corporation will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Common Shares will trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly operating results and other factors.

In addition, the securities markets have experienced significant market wide and sectoral price and volume fluctuations from time-to-time that often have been unrelated or disproportionate to the operating performance of particular issuers. Factors unrelated to the Corporation's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices, and changing perceptions of the oilfield services industry or oil and natural gas market. Such fluctuations could have a material adverse effect on the market price of the Common Shares. In recent years, the volatility of commodities prices has increased due in part to the implementation of computerized trading and the decrease of discretionary commodity trading. In addition, the volatility, trading volume and share price of issuers have been impacted by increasing investment levels in passive funds that track major indices, as such funds that only purchase securities included in such indices. In addition, in certain jurisdictions, institutions, including government sponsored entities have determined to decrease their ownership in oil and natural gas related entities which may impact the liquidity of certain securities and put downward pressure on the trading price of those securities. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in the Corporation's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which Common Shares will trade cannot be accurately predicted.

Reputational Risk

The Corporation's business, financial condition, operations or prospects may be negatively impacted by any negative public opinion toward the Corporation or as a result of any negative sentiment toward or in respect of Corporation's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Corporation operates as well as such groups' opposition to certain oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include, with respect to both the Corporation and its customers which would indirectly affect the Corporation, the following: delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses and increased costs and/or cost overruns. Any environmental damage, loss of life, injury or damage to property caused by the Corporation's operations could damage the reputation of the Corporation. The Corporation's reputation could be affected by actions and activities of other corporations operating in the oil and natural gas industry, over which the Corporation has no control. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate related litigation against fossil fuel companies may indirectly harm the Corporation's reputation.

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard the Corporation's reputation. Damage to the Corporation's reputation could result in negative investor sentiment toward the Corporation, which may result in limiting the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities.

Forced or Child Labour in Supply Chains

In May 2023 the Fighting Against Forced Labour and Child Labour in Supply Chains Act was passed and came into force on January 1, 2024. Pursuant to the new legislation, any company that is subject to the reporting requirements, including the Corporation, is required to file an annual report with respect to its supply chains. Due to the fact that the reporting requirements are new and the industry standard is still being determined, the Corporation will be at risk of

inadvertently preparing a report that is insufficient. Further, in late 2024 the federal government signalled its intention to create a new and more onerous supply chain due diligence regime overseen by a new oversight agency, whereby reporting entities would be required to scrutinize their international supply chains for human rights risks and take action to resolve any such risks. While the Corporation is currently unaware of any forced or child labour in any of its supply chains, the increased scrutiny on the supply chains of Canadian companies could uncover the risk or existence of forced or child labour in a supply chain to which the Corporation has a connection, which could negatively impact the reputation of the Corporation.

New Indigenous-related Legislation and Regulatory Frameworks

The federal government is in the process of developing various regulatory regimes that could create new requirements when doing business with Indigenous groups and on or near First Nation lands, for example, Bill C-226, National Strategy Respecting Environmental Racism and Environmental Justice Act, which received royal assent in June 2024, the new Indigenous co-administration agreement provisions of the Impact Assessment Act for which regulations, policy, guidance and procedures are forthcoming, and the proposed Bill C-61, First Nations Clean Water Act, which is currently being considered by the House of Commons. The potential introduction of such regulatory schemes could disrupt the Corporation's ongoing activities and introduce uncertainty into potential future projects.

Management of Growth

The Corporation may be subject to growth-related risks at certain periods of time including capacity constraints and pressure on its internal systems and controls. To continue to manage growth effectively, the Corporation will need to continue to implement and improve its operational and financial systems and train and manage, and potentially expand, its employee base. If the Corporation is unable to deal with such growth, it may have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

Information Technology Systems, Cyber Security and Social Media

The Corporation has become increasingly dependent upon the availability, capacity, reliability and security of its information technology infrastructure and its ability to expand and continually update this infrastructure to conduct daily operations. The Corporation depends on various information technology systems to process and record financial data, manage financial resources, administer contracts with customers and communicate with employees and third-party partners.

Further, the Corporation is subject to a variety of information technology and system risks as a part of its normal course operations including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Corporation's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to business activities or the Corporation's competitive position.

In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card and banking details, or approval of wire transfer requests, have become more widespread and sophisticated in recent years. If the Corporation becomes a victim to a cyber phishing attack it could result in a loss or theft of the Corporation's financial resources or critical data or could result in a loss of control of the Corporation's technological infrastructure. The Corporation's employees are often the targets of such cyber phishing attacks, whereby parties using fraudulent emails to misappropriate information or to introduce viruses or other malware to the Corporation's systems. These emails appear to be legitimate emails, but direct recipients to fraudulent websites operated by the sender of the email or request recipients to send a password or other confidential information through email, or to download malware.

Additionally, social media is increasingly used as a vehicle to carry out cyber-attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to gain entry into the Corporation's systems and obtain confidential information. While the Corporation takes steps to alleviate such risks, as social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that the Corporation may not be able to properly regulate social media use and preserve adequate records of business activities and client communications conducted through the use of social media platforms.

The Corporation maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts regular cybersecurity risk assessments (both internal and third-party) and training and education programs for its employees. Despite PHX Energy's efforts to mitigate such cyber-attacks through education and training, malicious cyber-activities remain a serious problem that may damage its information technology infrastructure. The Corporation applies technical and process controls in line with industry-accepted standards to protect its information, assets and systems including a written incident response plan for responding to a cybersecurity incident. However, these controls may not adequately prevent cybersecurity breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on the Corporation's performance and earnings, as well as its reputation, and any damages sustained may not be adequately covered by the Corporation's current insurance coverage, or at all. The significance of any such event is difficult to quantify, and may in certain circumstances be material and could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Data Protection

The protection of customer, employee, and company data is critical to the Corporation's business. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and evolving requirements. A significant breach of customer, employee, or company data could attract a substantial amount of media attention, damage the Corporation's customer relationships and reputation, and result in lost sales, fines, or lawsuits. In addition, an increasing number of countries have introduced and/or increased enforcement of comprehensive privacy laws or are expected to do so. The continued emphasis on information security as well as increasing concerns about government surveillance may lead customers to request the Corporation to take additional measures to enhance security and/or assume higher liability under its contracts. As a result of legislative initiatives and customer demands, the Corporation may have to modify its operations to further improve data security. Any such modifications may result in increased expenses and operational complexity, and adversely affect its reputation, business, financial condition and results of operations.

Breach of Confidentiality

In the normal course of the Corporation's business, the Corporation may discuss potential business relationships, transactions with third parties, financing solutions or other activities and at which time the Corporation may disclose confidential information relating to the business, operations or affairs of the Corporation. The Corporation takes commercially reasonable measures to ensure confidentiality agreements are signed by third parties prior to the disclosure of any confidential information or to otherwise ensure the confidentiality of such information is maintained; however, a breach or failure of these measures could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot be predicted, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation would be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Potential Replacement or Reduced Use of Products and Services

Certain of the Corporation's equipment or systems may become obsolete or experience a decrease in demand through the introduction of competing products that are lower in cost, exhibit enhanced performance characteristics or are

determined by the market to be preferable for environmental or other reasons. The Corporation will need to keep current with the changing market for oil and natural gas services and technological and regulatory changes. If the Corporation fails to do so, this could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows and therefore on the level of dividends, if any, which may be declared to Shareholders.

Dependence on Suppliers

The ability of the Corporation to compete and expand its operations is dependent upon PHX Energy having access to certain equipment and specialized components at a reasonable cost and its ability to develop or acquire new competitive technology. The Corporation purchases equipment and materials from various suppliers in the oil and natural gas drilling service industry. There can be no assurance that these sources for equipment and materials will be maintained or uninterrupted. If such equipment and materials are not available from current sources and are not available from any other source, the Corporation's ability to compete may be impaired.

Dependence on Cross-Border Movement of Goods and Services

The ability of the Corporation to maintain its cost structure and effectively provide services and equipment to its customers is dependent upon its ability to move goods and services between its US and Canadian facilities and operations. There can be no assurance that the movement of these goods and services in a cost effective manner will not be impeded or interrupted by new governmental policies and regulations, including tariffs and/or retaliatory measures, global trade disruptions, infrastructure disruptions, or civil disobedience. If such movement of goods and services is no longer feasible, the Corporation's ability to compete and its results of operations may be negatively impacted.

Reliance on Major Customers

The Corporation has a relatively wide customer base and does not generally depend significantly on any one customer or group of customers. The single largest customer accounted for approximately 15% of PHX Energy's revenues for fiscal 2024. In certain geographical operating areas, the Corporation may depend on a smaller number of customers. While PHX Energy believes that its relationship with existing customers is good, the loss of any one or more of these customers, or a significant reduction in business done with PHX Energy by one or more of these customers, if not offset by sales to new or existing customers, could have a material adverse effect on PHX Energy's business, results of operations and prospects. In addition, the loss of customers in certain international jurisdictions may result in significant equipment relocation costs.

Government Regulation and Anti-Bribery Laws

The operations of the Corporation in Canada, the US, Middle East and Albania are subject to a variety of federal, provincial, state and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, taxation, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Such laws and regulations are subject to change and any such changes may have a material impact on the Corporation's operations or costs to comply with changes to such laws or regulations in the future. Accordingly, it is impossible to predict the cost or impact that such laws and regulations may have on the Corporation or its future operations.

The Corporation's obligation to comply with laws and regulations also includes those involving bribery and anti-corruption. The Corporation may expand its operations to other international locations in the future. In the course of the Corporation's operations, the Corporation's personnel may be required to interact with certain foreign government officials from time to time. The Corporation has controls, policies, procedures, and training that mandate the compliance with international laws and regulations, however there can be no assurance that employees or consultants will not violate these controls, policies, and procedures. Any alleged or actual violation of international laws and

regulations could disrupt the business and cause the Corporation to incur significant costs to investigate. In the event the Corporation is found to be in contravention of international laws or regulations, severe civil or criminal penalties or other sanctions could materially harm the Corporation's reputation, business, results of operations, financial conditions, or liquidity.

Natural Disasters, Terrorist Acts, Civil Unrest, Pandemics and Other Disruptions and Dislocations

Upon the occurrence of a natural disaster, or upon an incident of war, riot or civil unrest, the impacted country, province, state or region may not efficiently and quickly recover from such event, which could have a materially adverse effect on the Corporation, its customers, and/or either of their businesses or operations. Terrorist attacks, public health crises including epidemics, pandemics or outbreaks of new infectious disease or viruses, domestic and global trade disruptions, infrastructure disruptions, civil disobedience or unrest, natural disasters, national emergencies, acts of war, technological attacks and related events can result in volatility and disruption to local and global supply chains, operations, mobility of people and the financial markets, which could result in a significant reduction in economic activity in Canada and internationally along with a drop in demand for oil and natural gas, as well as affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Corporation, its customers, and/or either of their businesses or operations, which may have a material adverse effect on the Corporation's reputation, business, financial conditions or operations and could aggravate the other risk factors identified herein.

Russian Ukrainian Conflict

In February 2022, Russian military forces invaded Ukraine. Ukrainian military personnel and civilians continue to actively resist the invasion. Many countries throughout the world have provided aid to Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in its resistance to the Russian invasion. The North Atlantic Treaty Organization ("NATO") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. Additionally, certain countries including Canada have imposed strict financial and trade sanctions against Russia. The outcome of the ongoing conflict remains uncertain and may have wide-ranging consequences on the peace and stability of the region and the world economy.

Middle Eastern Conflicts

On October 7, 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on the Israeli population and industrial centres located along Israel's border with the Gaza Strip and in other areas within the State of Israel. Following the attack, Israel's security cabinet declared war against Hamas and the military campaign against these terrorist organizations has launched a series of responding attacks in Palestine. This conflict has significantly broadened with Israel also battling Hezbollah in Lebanon and significant conflict between Israel and Iran and other Iran backed proxies in the area. In addition, recently the Syrian Assad regime has fallen and it is unknown whether a stable Syrian government will develop.

The outcome of these conflicts has the potential to have wide-ranging consequences on the world economy. There is a risk that these conflicts and developments could lead to wider regional instability in the Middle East, home to some of the world's biggest oil producers. The long-term impacts of these conflicts remain uncertain on oil and natural gas prices and the world economy. Such developments could have an impact on the oil and natural gas industry as a whole including the Corporation

Cash Flow Risk

The Corporation will require sufficient cash flow in the future in order to service and repay its indebtedness. The Corporation's ability to generate sufficient cash flow to meet these obligations is, to a certain extent, subject to global economic, financial, competitive and other factors that may be beyond its control. If the Corporation is unable to

attain future borrowings or generate cash flow from operations in an amount sufficient to service and repay its indebtedness, the Corporation will need to refinance or be in default under the agreements governing its indebtedness and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets. Such refinancing or alternative measures may not be available on favorable terms or at all. In particular, due to the ongoing conditions in the oil and natural gas and oilfield services industries and/or global economic volatility, the Corporation may from time to time have restricted access to capital and increased borrowing costs. The current conditions in the oil and natural gas and oilfield services industries have negatively impacted the ability of such companies to access additional financing. The inability to service, repay and/or refinance its indebtedness could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Availability of Current Credit Facilities

The amount available under the Corporation's credit facilities are subject to periodic review by the Corporation's lenders, with the next scheduled review to occur in mid-2026. There is no assurance that the amount available to the Corporation under its credit facilities may not be reduced and, if the amount available is reduced to below the amount outstanding thereunder, the excess amount will be required to be repaid. In such event, the Corporation will have to repay such amount from other sources, including cash flow, equity issuances or other financing alternatives, which may or may not be available or, if available, may not be available on acceptable terms. The Corporation's ability to access its credit facilities is also directly dependent, among other factors, on satisfaction of certain financial ratios and other restrictive covenants. A breach of these covenants, which may be affected by events beyond the Corporation's control, could constitute an event of default which, if not cured or waived, could result in the amounts outstanding under the credit facilities to become due and payable immediately. There is no certainty that the Corporation would be in a position to make such repayment. Even if the Corporation is able to obtain new financing in order to make any required repayment under its credit facilities, it may not be on commercially reasonable terms or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under its credit facilities, the lenders could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

Access to Additional Financing

The Corporation may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's inability to raise financing to support ongoing operations or to Corporation capital expenditures or acquisitions could limit the Corporation's growth and could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Additionally, the failure to obtain adequate financing on a timely basis could cause the Corporation to miss certain strategic opportunities and reduce certain of its operations. Where additional financing is raised by the issuance of Common Shares or securities convertible into Common Shares, control of the Corporation may change and Shareholders may suffer dilution to their investment.

As a result of global economic and political volatility, the Corporation may, from time to time, have restricted access to capital and increased borrowing costs. Failure to obtain suitable financing on a timely basis could cause the Corporation to miss certain acquisition opportunities and reduce or terminate its operations. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Corporation's assets may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing Shareholders. Failure to obtain any financing necessary for the Corporation's capital expenditure plans may result in a delay in development of the Corporation's assets.

Issuance of Debt

From time to time the Corporation may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which could increase the Corporation's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future operations, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time, could impair the Corporation's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation, which may be dilutive to shareholders.

Income Taxes

The Corporation files all required income tax returns and believes that it is in full compliance with the provisions of the Income Tax Act and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Corporation. Furthermore, tax authorities having jurisdiction over the Corporation may disagree with how the Corporation calculates its income for tax purposes or could change administrative practices to the Corporation's detriment.

Litigation

In the normal course of the Corporation's operations, it may become involved in, be named as a party to, or be the subject of, legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries, including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, and environmental issues, including claims relating to contamination or natural resource damages and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted and may be determined adversely to the Corporation and could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations at such time. Even if the Corporation prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse effect on the Corporation's financial condition.

Intellectual Property Litigation

Due to the rapid development of oil and natural gas and drilling technology, in the normal course of the Corporation's operations, the Corporation may become involved in, be named as a party to, or be the subject of, legal proceedings in which it is alleged that the Corporation has infringed the intellectual property rights of others or commenced lawsuits against others who the Corporation believes are infringing upon its intellectual property rights. The Corporation's involvement in intellectual property litigation could result in significant expense, adversely affecting the development of its assets or intellectual property or diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Corporation's favour. In the event of an adverse outcome as a defendant in any such litigation, the Corporation may, among other things, be required to: (a) pay substantial damages; cease the

development, use, sale or importation of processes that infringe upon other patented intellectual property; (b) expend significant resources to develop or acquire non-infringing intellectual property; (c) discontinue processes incorporating infringing technology; or (d) obtain licences to the infringing intellectual property. However, the Corporation may not be successful in such development or acquisition or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on the Corporation's business and financial position.

Anti-Indemnity Contract Provisions

The Corporation regularly enters into agreements with its customers governing the provision of equipment and services, which agreements usually include certain indemnification provisions for losses resulting from operations. Such agreements may require each party to indemnify the other against certain claims regardless of the negligence or other fault of the indemnified party. However, many jurisdictions place limitations on contractual indemnity agreements, particularly agreements that indemnify a party against the consequences of its own negligence. Furthermore, certain states, including Texas, Louisiana, New Mexico and Wyoming, have enacted oilfield anti-indemnity statutes which expressly prohibit certain indemnity agreements contained in or related to oilfield services agreements. Such anti-indemnity statutes may restrict or void a party's indemnification of the Corporation, which could have a material adverse effect on the business, financial condition, and results of operations of the Corporation.

Conflicts of Interest

Certain directors or officers of the Corporation may also be directors or officers of other oil and natural gas companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the Business Corporations Act (Alberta) (the "ABCA") which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation, to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See *"Directors and Officers – Conflicts of Interest"*.

Forward-Looking Statements May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumption and uncertainties are found under the heading "Special Note Regarding Forward-Looking Statements" of this Annual Information Form.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

On January 31, 2018, subsidiaries of PHX Energy, Phoenix Technology Services Inc., Phoenix Technology Services LP and Phoenix Technology Services USA Inc., filed a Statement of Claim in the Court of Queen's Bench of Alberta (Action No. 1801-01562) against Applied Physics Systems Inc. (Alberta) and Applied Physics Systems Inc. (Delaware) for damages arising from breach of contract, negligence and negligent misrepresentation in such amounts as may be proven at trial. The Statement of Claim was served on the defendants effective January 3, 2019. Jurisdiction has not been contested, Statements of Defence were filed on April 15, 2019, and Affidavits of Records have been served. Examinations for discovery commenced in January of 2022 and are ongoing. Mediation of this matter was originally scheduled for the summer of 2023, but was postponed to allow time for the examination of further evidence.

Other than as stated above, there are no other legal proceedings to which the Corporation, or any of its subsidiaries are a party to or were a party to, or to which any of the Corporation's property or that of its subsidiaries is or was the subject of, during the most recently completed financial year, nor are any such proceedings known to be contemplated, which involve a claim for damages exclusive of interest and costs that may exceed 10% of the current assets of the Corporation and its subsidiaries.

Regulatory Actions

During the year ended December 31, 2024, there were no (i) penalties or sanctions imposed against the Corporation or its predecessor, or by a court relating to securities legislation or by a securities regulatory authority; (ii) other penalties or sanctions imposed by a court or regulatory body against the Corporation or its predecessor that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Corporation or its predecessor entered into before a court relating to a securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of any director or executive officer of PHX Energy, any securityholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Corporation's outstanding Common Shares, or any associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation or any of its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is Odyssey Trust Company at its principal office in Calgary, Alberta.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, neither the Corporation, its predecessor or their subsidiaries have entered into any material contracts within the most recently completed financial year, or before the most recently completed financial year which are still in effect, other than the Credit Agreement, as amended, providing for the Corporation's credit facilities comprised of a CAD \$80 million extendable revolving term facility, a CAD \$15 million operating term facility and a USD \$20 million operating term facility. The material terms of the Credit Agreement are described in the Corporation's financial statements and MD&A and a complete copy of the Credit Agreement and amendments thereto are filed of SEDAR⁺ at www.sedarplus.ca.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or relating to, the Corporation's most recently completed financial year, other than the Corporation's auditors, KPMG LLP. KPMG LLP, Chartered Professional Accountants, are independent within the meaning of the rules of professional conduct of the Institute of Chartered Accountants of Alberta.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies is, or is expected to be elected, appointed or employed as a director, officer or employee of PHX Energy or of any associate or affiliate of the Corporation.

ADDITIONAL INFORMATION

Additional information, including information relating to directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under the Corporation's equity compensation plans, if applicable, will be contained in the Corporation's Information Circular for the annual meeting of Shareholders to be on May 7, 2025. Additional financial information is provided in the Corporation's financial statements and management's discussion and analysis for the year ended December 31, 2024. Documents affecting the rights of Shareholders, along with other information relating to the Corporation and its subsidiaries, may be found on SEDAR⁺ at www.sedarplus.ca.

For copies of the Corporation's information circular, the Corporation's comparative consolidated financial statements, including any interim consolidated comparative financial statements and additional copies of the Annual Information Form please contact:

PHX Energy Services Corp.
Suite 1600, 215 – 9th Avenue S.W.
Calgary, Alberta T2P 1K3
Telephone: (403) 543-4466
Facsimile: (403) 543-4485

Attention: Cameron Ritchie
Senior Vice President, Finance and Chief Financial Officer and Corporate Secretary

SCHEDULE "A"

PHX ENERGY SERVICES CORP.

AUDIT COMMITTEE MANDATE AND TERMS OF REFERENCE

Role and Objective

The Audit Committee (the "**Committee**") is a committee of the board of directors (the "**Board**") of PHX Energy Services Corp. ("**PHX Energy**") to which the Board has delegated its responsibility for the oversight of the following respecting PHX Energy:

1. nature and scope of the annual audit;
2. the oversight of management's reporting on internal accounting standards and practices;
3. the review of financial information, accounting systems and procedures;
4. financial reporting and financial statements,

and has charged the Committee with the responsibility of recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information.

The primary objectives of the Committee are as follows:

1. To assist directors of PHX Energy ("**Directors**") in meeting his or her responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of PHX Energy and related matters;
2. To facilitate communication between Directors and external auditors;
3. To enhance the external auditor's independence;
4. To review and increase the credibility and objectivity of financial reports; and
5. To strengthen the role of the outside Directors by facilitating in depth discussions between Directors on the Committee, management of PHX Energy ("**Management**") and external auditors.

Membership of Committee

1. The Committee will be comprised of at least three (3) Directors or such greater number as the Board may determine from time to time and all members of the Committee shall be "independent" (as such term is used in National Instrument 52-110 - Audit Committees ("**NI 52-110**") unless the Board determines that the exemption contained in NI 52-110 is available and determines to rely thereon.
2. The Board shall appoint Committee members and designate one of the members of the Committee to be the Chair of the Committee.
3. All of the members of the Committee must be "financially literate" (as defined in NI 52-110) unless the Board determines that an exemption under NI 52-110 from such requirement in respect of any particular member is available and determines to rely thereon in accordance with the provisions of NI 52-110.

Mandate and Responsibilities of Committee

It is the responsibility of the Committee to:

1. Oversee the work of the external auditors, including the resolution of any disagreements between Management and the external auditors regarding financial reporting.
2. Satisfy itself on behalf of the Board with respect to PHX Energy's internal control systems including (i) identifying, monitoring and mitigating business risks, and (ii) ensuring compliance with legal, ethical and regulatory requirements.
3. Review the annual and interim financial statements of PHX Energy, notes thereto and related management's discussion and analysis ("**MD&A**") prior to their submission to the Board for approval. The process should include but not be limited to:
 - reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;
 - reviewing significant accruals, reserves or other estimates or impairment calculations;
 - reviewing accounting treatment of unusual or non-recurring transactions;
 - ascertaining compliance with covenants under loan agreements;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - reviewing unresolved differences between Management and the external auditors; and
 - obtain explanations of significant variances with comparative reporting periods.
4. Review the financial statements, prospectuses, MD&A, annual information forms ("**AIF**"), annual reports and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of PHX Energy's disclosure of all other financial information and will periodically assess the accuracy of those procedures. The committee shall also review policies and procedures for making and updating disclosures on Phoenix's website and shall periodically assess the adequacy and accuracy of same.
5. With respect to the appointment of external auditors by the Board:
 - recommend to the Board the external auditors to be nominated;
 - recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors will report directly to the Committee;
 - ensure that the auditor submits on a periodic basis to the Committee, a formal written statement delineating all relationships between the auditor and Phoenix, consistent with Canadian and other applicable auditor independence standards, and to review such statement and to actively engage in a dialogue with the auditor with respect to any undisclosed relationships or services that may impact

on the objectivity and independence of the auditor, and to review the statement and dialogue with the Board and recommend to the Board appropriate action to ensure the independence of the auditor;

- provide a line of communication between the auditors and the Board;
 - Meet with auditors at least once per quarter without management present to allow a candid discussion regarding any concerns the auditors may have and to resolve any disagreements between the auditor and management regarding Phoenix's financial reporting;
 - when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
 - review and pre-approve any non-audit services to be provided to PHX Energy or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member(s) report to the Committee at the next scheduled meeting such pre-approval and the member(s) comply with such other procedures as may be established by the Committee from time to time.
6. Review with external auditors (and internal auditor if one is appointed by PHX Energy) their assessment of the internal controls of PHX Energy, their written reports containing recommendations for improvement, and Management's response and follow-up to any identified weaknesses. The Committee will also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of PHX Energy and its subsidiaries.
 7. Review risk management systems, policies and procedures of PHX Energy (i.e. hedging, litigation, climate change and insurance) and report to the Board as to their appropriateness.
 8. The Committee shall oversee Phoenix's cybersecurity policies and procedures and regularly receive reports from management on its activities to protect Phoenix from cybersecurity risks.
 9. Establish a procedure for:
 - the receipt, retention and treatment of complaints received by PHX Energy regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of PHX Energy of concerns regarding questionable accounting or auditing matters including resolution of same.
 10. Review and approve PHX Energy's and its subsidiary's hiring policies regarding partners and employees and former partners and employees of the present and former external auditors of PHX Energy.

The Committee has authority to communicate directly with the internal auditors (if any) and the external auditors of PHX Energy. The Committee will also have the authority to investigate any financial activity of PHX Energy. All employees of PHX Energy are to cooperate as requested by the Committee.

The Committee shall review all related party transactions (as defined by applicable regulations) and ensure the nature and extent of such transactions are properly disclosed.

The Committee shall review the status of taxation matters of Phoenix and its material subsidiaries.

The Committee may also retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at such compensation as established by the Committee and at the expense of PHX Energy without any further approval of the Board.

Meetings and Administrative Matters

1. At all meetings of the Committee every resolution will be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting will be entitled to a second or casting vote.
2. The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee will be taken. The Chief Financial Officer of PHX Energy will attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman.
5. The Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor and the Committee consider appropriate.
6. Agendas, approved by the Chair, will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of PHX Energy and its subsidiaries as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.
8. Minutes of the Committee will be recorded and maintained and circulated to Directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
9. If determined appropriate, following meetings of the Audit Committee, a list of tasks or matters to be followed up upon shall be prepared including the time table for completion thereof and the responsibility for completion, the status of which matter shall be reviewed at the next meeting of the Audit Committee or as otherwise determined by the Committee.
10. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a Director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following appointment as a member of the Committee each member will hold such office until the Committee is reconstituted.
11. Any issues arising from these meetings that bear on the relationship between the Board and Management should be communicated to the Chair of the Board and, if applicable, the Lead Director, by the Committee Chair