PHX ENERGY SERVICES CORP.

PRESS RELEASE
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TSX - PHX

PHX Energy Announces All-Time Record Financial and Operating Results for the 2013-Year

For the third consecutive year, in 2013 PHX Energy generated an all-time record level of revenue, operating days, EBITDA, net earnings, and funds from operations.

For the year ended December 31, 2013, the Corporation generated consolidated revenue of $380.7 million as compared to $301.7 million in the 2012-year; an increase of 26 percent. EBITDA increased by 49 percent to $72.6 million in 2013 as compared to $48.8 million in 2012. Net earnings increased to $36.6 million in 2013 from $17.7 million in 2012; a 107 percent increase. The Corporation's funds from operations were $53.2 million in 2013, which is 5 percent greater than the $50.6 million achieved in 2012. Included in the 2013-year's EBITDA and net earnings were gains of $14.8 million from the re-measurement to fair value of the Corporation's pre-existing ownership interest in RMS Systems Inc. ("RMS") and RigManager International Inc. ("RMII"), a gain of $2.2 million from the sale of land and an operations centre, and a loss of $1.2 million that related to the write-off of certain tools as the technology is no longer being utilized. Excluding these items, adjusted EBITDA increased by 17 percent to a record $56.9 million and net earnings increased by 18 percent to a record $20.9 million in the year ended December 31, 2013.

During 2013, the Corporation benefitted from positive trends in the Canadian and US industry, such as overall improved commodity prices and continued strong utilization of horizontal and directional drilling techniques. Industry horizontal and directional drilling activity represented approximately 93 percent (as measured by drilling days) and 75 percent (as measured by rigs running per day) of the 2013 total drilling activity in Canada and the US, respectively. This compared to 92 percent in Canada and 71 percent in the US for the 2012-year. (Sources: Daily Oil Bulletin and Baker Hughes) This, coupled with the Corporation's continued superior operational performance, led PHX Energy to realize record activity growth in all of its operating segments in 2013.

PHX Energy's US and international operations achieved record levels of revenue and represented 48 and 13 percent of consolidated revenue in the 2013-year compared to 46 and 12 percent in 2012. In the US, the Corporation continues to build and strengthen its marketing and operations teams and has been successful in diversifying its client base. Russia has been at the forefront of the international operations' growth and Albania demonstrated solid results throughout the year. PHX Energy expects this growth momentum to continue in future years.

In line with the Corporation's strategic objective of providing leading edge technologies to its clients, PHX Energy is in the process of exploring new technologies and as a result has entered into third party license and technology development agreements. The activities are a collaboration between PHX Energy's research and development ("R&D") department and the third parties. During 2013, the Corporation made payments totaling $4.3 million under these agreements.

For the year ended December 31, 2013, $41.8 million in capital expenditures were incurred. During 2013, PHX Energy's down hole performance drilling motor fleet grew and job capacity increased to 214 concurrent jobs from 210 in 2012. Greater job capacity resulted from the addition of resistivity while drilling ("RWD") systems. As at December 31, 2013, the Corporation's measurement while drilling ("MWD") fleet consisted of 132 P-360 positive pulse MWD systems, 65 E-360 electromagnetic ("EM") MWD systems, and 17 RWD systems. Of these, 96 MWD systems were deployed in Canada, 88 in the US, 15 in Russia, 6 in Albania, 5 in Colombia, and 4 in Peru.

The Corporation's capital expenditures were financed from a combination of cash flow from operations, borrowings under the Corporation's credit facilities, and from an equity financing. On August 7, 2013, the terms of the Corporation's syndicated loan agreement with its bank were amended to extend the maturity date of the syndicated facility and US operating facility from September 6, 2015 to September 5, 2016. The aggregate carrying amount of the syndicated facility and US operating facility of $70.2 million as at December 31, 2013 was classified as a non-current liability.

The 2014 capital expenditure budget has been approved by the Board of Directors and is projected to be $34.7 million. Included in the budget are MWD guidance systems and components, performance drilling motors and tubulars required for anticipated growth.

In light of the record financial results and positive company outlook, on October 30, 2013, the Board of Directors approved raising the monthly dividend by $0.01 to $0.07 per share. The dividend increase became effective for the Corporation's November 2013 dividend. For the year ended December 31, 2013, the Corporation paid dividends of $0.73 per share to its shareholders (2012 - $0.66 per share), or $21.4 million (2012 - $18.6 million). PHX Energy ended 2013 with a cash dividend payout ratio of 40 percent (cash dividends paid divided by funds from operations).

On November 28, 2013, PHX Energy successfully completed the acquisition of RMS through a plan of arrangement. Upon completion of the arrangement, RMS became a wholly-owned subsidiary of PHX Energy and ceased trading on the TSX Venture Exchange. RMS was subsequently amalgamated with PHX Energy on January 1, 2014. RMS owns web-based remote electronic drilling recorder ("EDR") technology which allows oil and natural gas companies to retrieve scientific measurement data in the field and communicate this data in real-time back to a central web-based data warehouse. PHX Energy markets these services in Canada through RMS as well as through its wholly-owned subsidiary RMII worldwide outside Canada; mainly Albania, and Mexico.

Financial Highlights

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

	Three-month periods ended December 31,			Years ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Operating Results	*(unaudited)*	*(unaudited)*				
Revenue	115,543	79,473	45	380,663	301,720	26
Net earnings	22,259	4,537	391	36,567	17,707	107
Earnings per share – diluted	0.68	0.16	325	1.23	0.63	95
EBITDA (1)	32,369	13,575	138	72,639	48,837	49
EBITDA per share – diluted (1)	0.99	0.48	106	2.45	1.73	42
Adjusted EBITDA (1)	17,611	13,575	30	56,930	48,837	17
Adjusted EBITDA per share – diluted (1)	0.54	0.48	13	1.92	1.73	11
Cash Flow						
Cash flows from operating activities	17,367	13,748	26	35,378	33,070	7
Funds from operations (1)	15,161	13,890	9	53,160	50,621	5
Funds from operations per share – diluted (1)	0.46	0.49	(6)	1.79	1.79	-
Dividends paid	6,058	5,080	19	21,433	18,595	15
Dividends per share (2)	0.19	0.18	6	0.73	0.66	11
Capital expenditures	13,272	5,334	149	41,818	51,452	(19)
Financial Position, December 31,						
Working capital				66,580	45,480	46
Long-term debt				70,208	80,000	(12)
Shareholders' equity				198,477	115,095	72
Common shares outstanding				34,218,974	28,241,371	21

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

Non-GAAP Measures

PHX Energy uses certain performance measures throughout this document that are not recognizable under Canadian generally accepted accounting principles ("GAAP"). These performance measures include earnings before interest, taxes, depreciation and amortization ("EBITDA"), EBITDA per share, adjusted EBITDA, adjusted EBITDA per share, funds from operations, funds from operations per share and senior debt to EBITDA ratio. Management believes that these measures provide supplemental financial information that is useful in the evaluation of the Corporation's operations and are commonly used by other oil and natural gas service companies. Investors should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with GAAP as an indicator of PHX Energy's performance. The Corporation's method of calculating these measures may differ from that of other organizations, and accordingly, these may not be comparable. Please refer to the non-GAAP measures section.

Cautionary Statement Regarding Forward-Looking Information and Statements

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

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

In particular, forward-looking information and statements contained in this document include, without limitation the expected growth momentum in PHX Energy's US and international operations; projected capital expenditure budget and how this budget will be funded; the expected combined Canadian federal and provincial tax rate; the impact that remote drilling and Prism Optimization initiatives will have on Canadian margins in 2014; the ability to diversify the Corporation's client base in Russia; and expectations to market RMS' EDR technology.

The above are stated under the headings: "Overall Performance", "Operating Costs and Expenses", "Segmented Information", "Cash Requirements for Capital Expenditures" and "Acquisition of Subsidiaries". Furthermore all statements in the Outlook section of this document contains forward-looking statements.

In addition to other material factors, expectations and assumptions which may be identified in this document and other continuous disclosure documents of the Corporation referenced herein, assumptions have been made in respect of such forward-looking statements and information regarding, among other things: the Corporation will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; anticipated financial performance, business prospects, impact of competition, strategies, the general stability of the economic and political environment in which the Corporation operates; exchange and interest rates; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the adequacy of cash flow; debt and ability to obtain financing on acceptable terms to fund its planned expenditures, which are subject to change based on commodity prices; market conditions and future oil and natural gas prices; and potential timing delays. Although Management considers these material factors, expectations and assumptions to be reasonable based on information currently available to it, no assurance can be given that they will prove to be correct.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect the Corporation's operations and financial results are included in reports on file with the Canadian Securities Regulatory Authorities and may be accessed through the SEDAR website (www.sedar.com) or at the Corporation's website. The forward-looking statements and information contained in this MD&A are expressly qualified by this cautionary statement. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Revenue

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Revenue	115,543	79,473	45	380,663	301,720	26

With the strength of ongoing marketing initiatives, superior operational performance, and the provision of leading edge technology solutions, PHX Energy generated all-time records in quarterly consolidated revenue and operating days for the three-month period ended December 31, 2013. Consolidated revenue for the fourth-quarter of 2013 was $115.5 million, compared to $79.5 million in the comparable 2012-quarter, an increase of 45 percent. Consolidated operating days increased by 37 percent to 9,188 days in 2013 from 6,690 days in the 2012-quarter. For the three-month period ended December 31, 2013, all three regions, Canada, US and international, achieved record levels of activity and revenue for any quarter.

Average consolidated day rates for the three-month period ended December 31, 2013, excluding the motor rental division in Midland, Texas and the recently acquired EDR business, were $12,285 which is 5 percent higher compared to the day rates of $11,671 realized in the fourth quarter of 2012.

Horizontal and directional drilling continues to represent a large majority of total wells in Canada and the US. In the 2013-quarter, horizontal and directional drilling activity represented 93 percent of total Canadian industry drilling days (2012 – 93 percent). In the US, horizontal and directional activity represented approximately 77 percent of the rigs running per day in the fourth quarter of 2013 compared to 72 percent in the 2012-quarter. (Sources: Daily Oil Bulletin and Baker Hughes)

For the year ended December 31, 2013, PHX Energy generated record consolidated revenue of $380.7 million, a 26 percent increase compared to 2012 revenue of $301.7 million. As a result of the Corporation’s strategic focus to grow its operations outside of Canada, US and international revenue, as a percentage of total consolidated revenue, grew to 48 and 13 percent, respectively, for the 2013-year as compared to 46 and 12 percent in 2012. Consolidated operating days increased by 23 percent to a record 30,711 days compared to 24,930 in 2012. Average consolidated day rates for the year ended December 31, 2013, excluding the motor rental division in Midland, Texas and the EDR business, increased slightly by 2 percent to $12,124 from $11,903 in 2012.

Operating Costs and Expenses

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,			Years ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Direct costs	93,293	62,990	48	307,680	238,168	29
Depreciation & amortization (included in direct costs)	6,362	5,800	10	24,403	21,336	14
Gross profit as percentage of revenue excluding depreciation & amortization	25%	28%		26%	28%	

Direct costs are comprised of field and shop expenses, and include depreciation and amortization on the Corporation's equipment. Excluding depreciation and amortization, gross profit as a percentage of revenue was 25 percent for the three-month period ended December 31, 2013 as compared to 28 percent in the 2012-quarter. For the year ended December 31, 2013, gross profit as a percentage of revenue (excluding depreciation and amortization) was 26 percent as compared to 28 percent in 2012.

The decrease in PHX Energy's margins in the three-month period and year ended December 31, 2013 is primarily due to the following factors:

- higher performance drilling motor and MWD system repair costs in Canada and US,
- higher third party equipment rentals,
- increased field personnel costs in Canada, and
- weaker than expected industry activity levels in Peru and Colombia.

Management continues to implement several strategies and initiatives aimed at reducing costs and improving profitability. For the fourth quarter of 2013, the Corporation's third party equipment rentals were $3.7 million or 3 percent of consolidated revenue, as compared to $1.9 million, or 2 percent of revenue, in the corresponding 2012-quarter. For the year ended December 31, 2013, third party equipment rentals were $13.0 million, or 3 percent of consolidated revenue, versus $8.8 million, or 3 percent of revenue, in 2012.

Depreciation and amortization for the three-month period ended December 31, 2013 increased by 10 percent to $6.4 million as compared to $5.8 million in the 2012-quarter. For the year ended December 31, 2013, depreciation and amortization increased by 14 percent to $24.4 million from $21.3 million in 2012. The increase in both periods is the result of the Corporation's high level of capital expenditure program in 2013.

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,			Years ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Selling, general and administrative ("SG&A") costs	13,491	8,456	60	43,632	34,467	27
Share-based payments (included in SG&A costs)	301	410	(27)	1,061	2,265	(53)
SG&A costs excluding share-based payments as a percentage of revenue	11%	10%		11%	11%	

SG&A costs for the three-month period ended December 31, 2013 increased by 60 percent to $13.5 million from the $8.5 million incurred in the 2012-period. Included in SG&A costs are share-based payments of $0.3 million in the 2013-quarter as compared to $0.4 million in the 2012-quarter. Excluding these costs, SG&A costs represented 11 percent of consolidated revenue in the 2013 three-month period compared to 10 percent in the 2012-period.

For the year ended December 31, 2013, SG&A costs increased by 27 percent to $43.6 million as compared to $34.5 million in 2012. Excluding share-based payments of $1.1 million in the 2013-year and $2.3 million in the 2012-year, SG&A costs as a percentage of consolidated revenue were 11 percent in both periods.

The increase in SG&A costs, in dollar terms, in both 2013-periods was mainly due to higher payroll and marketing related costs associated with overall increased activity in all of PHX Energy's operating segments. In addition, costs were incurred in relation to the acquisition of RMS and the closure of the Peruvian subsidiary.

Share-based payments relate to the amortization of the fair values of issued options of the Corporation using the Black-Scholes model. In the three-month period and year ended December 31, 2013, share-based payments decreased by 27 percent and 53 percent, respectively, as the Corporation shifted to rewarding employees with retention awards rather than options. Share-based cash settled retention awards are measured at fair value and in the 2013-quarter and year ended December 31, 2013, PHX Energy recognized $1.2 million and $2.9 million, respectively, in compensation expense relating to retention awards (2012 - $0.2 million and $0.9 million, respectively).

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Research and development expense	565	321	76	2,004	1,985	1

R&D expenditures charged to net earnings during the three-month periods ended December 31, 2013 and 2012 were $0.6 million and $0.3 million, respectively. During the 2013-quarter, no R&D expenditures were capitalized as development costs (2012 - $39,000).

For the year ended December 31, 2013, R&D expenditures of $2.0 million were incurred, none of which were capitalized as development costs. R&D expenditures for the year ended December 31, 2012 were $2.1 million, of which $151,000 were capitalized.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Finance expense	1,131	1,091	4	4,789	3,233	48

Finance expenses relate to interest charges on the Corporation's long-term and short-term bank facilities. For the three-month period ended December 31, 2013, finance charges were $1.1 million, which is comparable to finance charges incurred in the 2012-period. In the 2013-year, finance charges increased by 48 percent to $4.8 million from $3.2 million in 2012. In order to fund PHX Energy's capital expenditure programs in 2012 and 2013 and the construction of the new operations centre in 2013 that was sold in September, additional bank borrowings were made in the 2013-year.

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
Gains from pre-existing ownership interest in RMS and RMII	14,758	-	14,758	-
Net gain on disposition of drilling equipment	3,488	575	7,419	2,727
Gain on sale of land and operations centre	-	-	2,196	-
Write-down of technological assets	-	-	(1,245)	-
Foreign exchange gains (losses)	297	(89)	(232)	(1,267)
Provision for bad debt	(88)	(108)	(60)	(15)
Losses from the change in fair value of investment in equity securities	-	-	-	(490)
Other income	18,455	378	22,836	955

For the three-month period and year ended December 31, 2013, PHX Energy recognized a total gain of $14.8 million from the re-measurement to fair value of the Corporation's pre-existing 39.85 percent interest in RMS and its 50 percent interest in RMII. This gain is comprised of a gain of $11.3 million related to the re-measurement of RMS ($15.0 million less the $3.7 million carrying amount of equity-accounted investee at the acquisition date) and a gain of $3.4 million related to the re-measurement of RMII ($7.0 million less the $3.6 million carrying amount of equity-accounted investee at the acquisition date). In addition, included in other income is a gain of $2.2 million that resulted from the sale of land and an operations centre on September 17, 2013.

For the three-month period and year ended December 31, 2013, PHX Energy realized gains on disposition of drilling equipment of $3.5 million (2012 - $0.6 million) and $7.4 million (2012 - $2.7 million), respectively. The dispositions of drilling equipment relate primarily to equipment lost in well bores that are uncontrollable in nature. The gain reported is net of any asset retirements that are made before the end of the equipment's useful life and self-insured down hole equipment losses, if any. Gains typically result from insurance programs undertaken whereby proceeds for the lost equipment are at current replacement values, which are higher than the respective equipment's book value. In 2013, the Corporation also recognized a $1.2 million write-down of certain assets, whereby the technology is no longer being utilized. For the three-month period and year ended December 31, 2013, the gains on disposition of drilling equipment are higher compared to the 2012-periods mainly due to higher occurrences of down hole equipment losses in 2013-year.

For the three-month period ended December 31, 2013, the Corporation recognized foreign exchange gains of $0.3 million (2012 - foreign exchange losses of $0.1 million) and a bad debt provision of $0.1 million (2012 – $0.1 million). For the year ended December 31, 2013, other expenses offsetting other income include foreign exchange losses of $0.2 million (2012 - $1.3 million) and bad debt provisions of $59,000 (2012 - $15,000).

Foreign exchange gains in the 2013-quarter and foreign exchange losses in the 2013-year resulted mainly from fluctuations in the RUR-Canadian and US-Canadian exchange rates that caused revaluation gains and losses on Canadian-denominated payables and receivables in Russia and the US, respectively. In the 2012-periods, foreign exchange losses resulted mainly from the devaluation of Albanian lek against the Canadian currency.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Share of losses of equity-accounted investees	642	310	107	1,947	553	252

Prior to the acquisition of RMS and RMII on November 28, 2013, the Corporation recognized losses of $0.6 million and $1.9 million in the three-month period and year ended December 31, 2013, respectively, as its share in the losses of the previously equity-accounted investees, RMS and RMII. In the 2012-quarter and year, the Corporation's share in the losses of RMS and RMII were $0.3 million and $0.6 million, respectively.

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
Provision for income taxes	2,618	2,147	6,880	6,561
Effective tax rates	11%	32%	16%	27%

The provision for income taxes for the three-month period ended December 31, 2013 was $2.6 million as compared to $2.1 million in the 2012-period. For the year ended December 31, 2013, the provision for income taxes was $6.9 million as compared to $6.6 million in 2012. The expected combined Canadian federal and provincial tax rate for 2013 is 25 percent. The effective tax rates in the three-month period and year ended December 31, 2013 of 11 percent and 16 percent, respectively, are lower than the expected rate primarily due to non-taxable accounting gains from the re-measurement to fair value of pre-existing ownership interests in RMS and RMII and the effect of lower tax rates in foreign jurisdictions.

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

	Three-month periods ended December 31,			Years ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Net earnings	22,259	4,537	391	36,567	17,707	107
Earnings per share – diluted	0.68	0.16	325	1.23	0.63	95
EBITDA	32,369	13,575	138	72,639	48,837	49
EBITDA per share – diluted	0.99	0.48	106	2.45	1.73	42
EBITDA as a percentage of revenue	28%	17%		19%	16%	

The Corporation's level of net earnings and EBITDA in the three-month period and year ended December 31, 2013 increased mainly due to stronger activity levels realized across all operating segments, a $14.8 million gain from the re-measurement to fair value of pre-existing ownership interests in RMS and RMII, and a $2.2 million gain on the sale of land and an operations centre. EBITDA as a percentage of revenue for the three-month period ended December 31, 2013 was 28 percent (2012 – 17 percent) and for the 2013-year was 19 percent (2012 – 16 percent). Also included in the 2013-year's earnings was $1.2 million that related to the write-off of certain tools as the technology is no longer being utilized, $1.9 million of the Corporation's share in the losses of previously equity-accounted investees, RMS and RMII, and $0.7 million of losses from RMS and RMII for the 33-day period from the date of acquisition, November 28, 2013, to December 31, 2013.

The level of net earnings and EBITDA for the three-month period ended December 31, 2013, excluding the gains from the re-measurement to fair value of pre-existing ownership interests in RMS and RMII and for the year ended December 31, 2013, excluding the gains from the re-measurement to fair value of pre-existing ownership interests in RMS and RMII, the gain on sale of land and operations centre, and the write-off of tools are as follows:

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

	Three-month periods ended December 31,			Years ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Net earnings	7,501	4,537	65	20,858	17,707	18
Earnings per share – diluted	0.23	0.16	44	0.70	0.63	11
Adjusted EBITDA	17,611	13,575	30	56,930	48,837	17
Adjusted EBITDA per share – diluted	0.54	0.48	13	1.92	1.73	11
Adjusted EBITDA as a percentage of revenue	15%	17%		15%	16%	

The increase in adjusted EBITDA and net earnings for the 2013 three and twelve-month periods are generally due to activity growth realized in all of the Corporation's operating regions.

Segmented Information:

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

Canada

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Revenue	47,521	32,344	47	146,896	126,712	16
Reportable segment profit before tax	2,624	6,833	(62)	20,175	27,953	(28)

PHX Energy's Canadian revenue increased by 47 percent to a quarterly record of $47.5 million (2012 - $32.3 million) and operating days increased by 47 percent to a record 4,166 days (2012 - 2,829 days). In comparison, total industry horizontal and directional drilling activity, as measured by drilling days, was 4 percent higher in the 2013-quarter, 30,493 days, compared to the 2012-quarter's 29,264 days. (Source: Daily Oil Bulletin) Average day rates changed slightly at $11,407 in the 2013-quarter compared to $11,433 in the 2012-quarter.

With more horizontal wells being drilled, industry activity in terms of days is greater as horizontal wells are typically longer; however, the average rig count was relatively flat with an average of 370 rigs running per day in the 2013-quarter as compared to 363 rigs in the comparable 2012-period. There was continued pressure on Canadian day rates in the 2013-quarter due to the stagnant rig count and the resultant competition in the market.

In the 2013-quarter, PHX Energy built up a diverse customer base and realized a strong presence in the Montney. In addition, Canadian operations in the quarter were active in the Viking, Cardium, Shaunavon, Bakken, and Frobisher areas. The Corporation is experiencing a trend toward greater activity in liquids rich natural gas, where approximately 41 percent of fourth quarter operating days were gas wells.

For the year ended December 31, 2013, the Corporation's Canadian revenue was $146.9 million, which is 16 percent higher than the $126.7 million generated in the 2012-year. The number of horizontal and directional operating days realized in the Canadian industry during the 2013-year decreased by 7 percent to 109,824 days as compared to 118,066 days in 2012. (Source: Daily Oil Bulletin) In comparison, the Corporation's Canadian drilling days increased by 22 percent to 12,901 days in the 2013-year from 10,567 days in 2012.

Reportable segment profit before tax for the three-month period ended December 31, 2013 decreased to $2.6 million from $6.8 million in the 2012-quarter. For the year ended December 31, 2013, reportable segment profit before tax decreased by 28 percent to $20.2 million from $28.0 million in 2012. The decrease in the Canadian segment profit for both 2013-periods was due mainly to the following factors:

- higher performance drilling motor and MWD system repair costs,
- higher third party equipment rentals,
- greater selling, general and administrative expenses as a result of increased level of activity and higher number of personnel, and
- increased field personnel costs.

Also included in PHX Energy's Canadian earnings for the 2013-quarter are losses of $0.7 million from RMS and RMII.

Given the challenges in the Canadian market, PHX Energy is committed to implementing and growing initiatives that aim to provide its customers exceptional service and create drilling efficiencies. In late 2013, the Corporation aimed to increase the utilization of its remote drilling services, which focus on reducing operators' costs by centralizing logging services. Additionally, PHX Energy is growing its Prism Drilling Optimization operations, whereby real-time solutions for improved drilling practices are provided by a team of technical experts. It is expected that both these initiatives will provide a positive impact on Canadian margins in 2014.

United States

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Revenue	53,094	37,824	40	182,695	137,712	33
Reportable segment profit before tax	4,692	2,068	127	5,967	4,478	33

PHX Energy's US operations had record quarterly activity and revenues in two of its three operating regions. For the three-month period ended December 31, 2013, US revenue of $53.1 million was generated compared to $37.8 million in the 2012-period; a 40 percent increase. The Corporation's US operating days in the fourth quarter increased by 22 percent to 3,851 days from 3,152 days in the 2012-quarter. Average day rates in the US, excluding the motor rental division in Midland, Texas, increased by 15 percent to CDN$13,242 in the 2013-quarter compared to CDN$11,557 in the corresponding 2012-period. This increase is attributable to the increased utilization of the Corporation's value added technologies, such as its RWD technology, aided by a stronger US dollar in the 2013-period.

In the fourth quarter of 2013, US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, increased by 3 percent to 1,348 rigs from 1,303 rigs in 2012. (Source: Baker Hughes). Phoenix USA's success in exceeding industry activity levels are a direct result of the efforts to strengthen its marketing and operations teams over the past few periods which has resulted in a more diversified client base. The most active basins for the Corporation in the quarter were the Permian, Marcellus, Bakken, Eagle Ford and Mississippian/Woodford.

Horizontal oil well drilling represented approximately 68 percent of Phoenix USA's overall activity, as measured by drilling days, in the fourth quarter of 2013 as compared to 49 percent in the 2012-quarter.

For the year ended December 31, 2013, Phoenix USA generated a record level of revenue, $182.7 million which was 33 percent higher than the $137.7 million reported in the 2012-year. Excluding the motor rental division in Midland, Texas, Phoenix USA achieved a 9 percent increase in its average day rates, which were CDN$12,509 in 2013 as compared to CDN$11,508 in 2012. The Corporation's US operating days also increased by 21 percent to 13,985 days in the 2013-year compared to 11,534 days in 2012-year. In comparison, US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, decreased by 3 percent to 1,326 rigs in 2013 compared to 1,367 rigs in 2012. (Source: Baker Hughes)

Reportable segment profit before tax for the three-month period ended December 31, 2013 increased to $4.7 million from $2.1 million in the 2012-period; a 127 percent increase. For the year ended December 31, 2013, reportable segment profit before tax increased by 33 percent to $6.0 million from $4.5 million in 2012. The increase in profitability and improved margins in both periods was primarily due to higher activity and improved day rates.

International

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Revenue	14,928	9,305	60	51,072	37,296	37
Reportable segment profit before tax	4,441	898	395	13,987	6,786	106

Lead by strong activity in Russia and solid Albanian operations, the Corporation achieved a record level of quarterly activity and revenue in the fourth-quarter of 2013. For the three-month period ended December 31, 2013, international revenue increased by 60 percent to $14.9 million from $9.3 million in the 2012-period. International operating days increased by 65 percent from 710 days in the 2012-quarter to 1,170 days in the 2013-quarter. The Corporation generated 13 percent of its consolidated revenue from international operations in the fourth quarter of 2013 compared to 12 percent in 2012.

For the year ended December 31, 2013, revenue increased by 37 percent to $51.1 million as compared to $37.3 million in 2012. Growth in Russian activity mainly contributed to a 35 percent increase in operating days, from 2,830 days in 2012 to 3,825 days in 2013. These were both yearly records for the Corporation's international segment.

Albanian activity in the fourth quarter of 2013 was relatively consistent with that in the 2012-quarter, as Phoenix Albania continued to operate on 5 consecutive rigs for most of the 2013-year. RMII's EDR systems also continued to run on all 5 rigs. Operating days in the 2013-quarter increased 13 percent as compared to the 2012-quarter and revenue increased at a greater rate due to the premium charged for the value added services deployed. In 2013, Phoenix Albania drilled 145 wells. The Corporation continues to employee local Albanian staff, which has created efficiencies and at the same time, goodwill by supporting the local economy. Phoenix Albania remains the largest portion of PHX Energy's international revenue and the Corporation presently has a 6 job capacity in Albania.

Phoenix Russia experienced exceptional growth in the fourth quarter of 2013 and for the 2013-year as compared to comparable 2012-periods, increasing revenue by 186 and 110 percent, respectively. In Russia there are currently 100 employees, of which 98 are Russian nationals. The Corporation has positioned itself as a Russian company with western technology and processes and this has allowed for the successful penetration into the western Siberian market. As a result of activity in 2013-year, Phoenix Russia has solidified its presence as a credible horizontal and directional drilling service provider in this strategic market, and the Corporation will continue to diversify its client base which is critical for ongoing success in 2014. The Corporation presently has a 15 job capacity in Russia.

In Colombia, the Corporation realized strong growth in the 2013-quarter as compared to the comparable 2012-period. However, the overall activity realized in the 2013-year was below expectations generally due to relatively weak market conditions in the country. PHX Energy is currently examining strategies and structures with the aim of becoming more profitable in the 2014-year. The Corporation's operations in Colombia currently have a 4 job capacity.

Given the poor market conditions that persisted in Peru during 2013 and the limited future growth opportunities forecasted, PHX Energy made the decision to cease operations and withdraw from this market in the fourth quarter. The Corporation is in the process of re-allocating the assets that were in this region to more strategic areas for greater utilization in the future.

For the three-month period ended December 31, 2013, reportable segment profit before tax was $4.4 million compared to $0.9 million in the corresponding 2012-period; a 395 percent increase. Reportable segment profit before tax for the year ended December 31, 2013 was $14.0 million as compared to $6.8 million in 2012; a 106 percent increase. Strong activity levels in Albania and Russia were the main factors in the international segment's improved profitability.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2013 was $21.5 million as compared to $64.7 million in 2012. During the 2013-year, PHX Energy added $28.4 million net in capital equipment (2012 - $42.4 million). These capital equipment amounts are net of proceeds from the involuntary disposal of drilling equipment in well bores of $13.4 million (2012 - $9.0 million). The 2013 capital expenditures included:

- $15.8 million in MWD systems and spare components;
- $14.4 million in down hole performance drilling motors;
- $3.1 million in non-magnetic drill collars and jars;
- $2.4 million in software, network, and computers;
- $2.2 million in machinery and equipment for global service centres;
- $2.1 million in leasehold improvements and furniture and fixtures; and
- $1.8 million in other assets, including costs of $1.0 million relating to a motor facility in the Rocky Mountain region, vehicles of $0.5 million and EDR systems of $0.4 million.

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

During the year, the Corporation received proceeds of $23.1 million from the sale of land and an operations centre. Payments relating to the land and operations centre amounted to $18.9 million. The change in non-cash working capital balances of $10.8 million (source of cash) for the year ended December 31, 2013 pertains to $9.4 million of costs that relate to the land and an operations centre and $1.4 million of net change in the Corporation's trade payables that are associated with the acquisition of capital assets. This compares to $16.2 million (use of cash) for the year ended December 31, 2012.

The Corporation made payments totalling $4.3 million under third party license and technology development agreements that the Corporation entered into in the second quarter of 2013. PHX Energy also made additional investments of $3.0 million and $1.2 million in RMS and RMII, respectively, earlier in the year, and acquired $0.3 million of cash upon the acquisition of RMII.

Financing Activities

The Corporation reported cash flows used in financing activities of $12.5 million in 2013 as compared to $27.6 million (source of cash) in 2012. In the 2013-year:

- through a short form prospectus equity financing and a concurrent private placement, the Corporation realized net proceeds of $34.3 million through the issuance of 3,490,000 common shares;

- the Corporation made an aggregate re-payments of $31.7 million on its operating facility and syndicated facility;

- the Corporation paid dividends of $21.4 million to shareholders, or $0.73 per share; and

- through its option and DRIP programs the Corporation received cash proceeds of $6.3 million to acquire 714,903 common shares of the Corporation.

Equity Financing

On October 18, 2013, PHX Energy closed a bought deal financing pursuant to a short form prospectus offering for aggregate gross proceeds of $31.1 million. An aggregate of 2,990,000 common shares of the Corporation were issued at a price of $10.40 per common share. Concurrent with the closing of the public offering, certain directors, officers and employees of PHX Energy and their associates, purchased a total of 500,000 common shares at a price of $10.40 per share on a private placement basis. The gross proceeds from the public offering and concurrent private placement totaled to approximately $36.3 million. The net proceeds of the offerings were used to temporarily reduce indebtedness, which were then made available to be re-drawn and applied to fund the Corporation's ongoing capital expenditure program and for general corporate purposes.

Acquisition of Subsidiaries

On May 29, 2013, the Corporation completed the purchase of 20,000,000 common shares of RMS at a price of $0.15 per common share, or $3.0 million, through a private placement, thereby increasing PHX Energy's ownership interest in RMS to 39.8 percent at that time from 19.5 percent at the end of 2012. On July 10, 2013, the Corporation subscribed for RMII's preferred shares for $1.0 million.

On September 25, 2013, PHX Energy and RMS entered into an Arrangement Agreement whereby the Corporation agreed to acquire all of the issued and outstanding shares of RMS pursuant to a plan of arrangement under the Business Corporations Act (Alberta) (the “Arrangement”). Under the terms of the Arrangement, all shareholders of RMS received 0.037209 of a common share of PHX Energy for each RMS share held. Upon the completion of the Arrangement on November 28, 2013, RMS became a wholly-owned subsidiary of the Corporation. RMS was also PHX Energy’s only partner to the joint venture entity, RMII. As a result of the acquisition of RMS, RMII also became a wholly-owned subsidiary of the Corporation. RMS and PHX Energy were subsequently amalgamated on January 1, 2014.

The acquisition of RMS and RMII will allow PHX Energy to access the information and data management segment of the oilfield services industry, which compliments the Corporation’s current services. RMS has completed upgrades to its technology to create a more competitive product. PHX Energy expects that it can successfully market this technology through its existing client relationships and will be able to expand market share by leveraging its existing infrastructure in different geographical areas.

Capital Resources

As at December 31, 2013, the Corporation has access to a $10.0 million operating facility. The facility bears interest based primarily on the Corporation’s senior debt to EBITDA ratio, as defined in the agreement. At the Corporation’s option, interest is at the bank’s prime rate plus a margin that ranges from a minimum of 0.75 percent to a maximum of 2 percent, or the bank’s bankers’ acceptance rate plus a margin that ranges from a minimum of 1.75 percent to a maximum of 3 percent. As of December 31, 2013, the Corporation had nil drawn on this facility.

As at December 31, 2013, the Corporation also has access to a $95.0 million syndicated facility and a US$25.0 million operating facility in the US. The facilities bear interest at the same rates disclosed above. On August 7, 2013, the terms of the Corporation’s syndicated loan agreement with its bank were amended to extend the maturity date of the syndicated facility and US operating facility from September 6, 2015 to September 5, 2016. The aggregate carrying amounts of the syndicated facility and the US operating facility of $50.0 million and $20.2 million, respectively, as at December 31, 2013, were classified as non-current in the statement of financial position.

All credit facilities are secured by a general security agreement over all assets of the Corporation located in Canada and the US. As at December 31, 2013, the Corporation was in compliance with all of its bank debt covenants.

Ratio	Covenant	As at December 31, 2013
Senior debt to EBITDA	< or = 3.00:1.00	1.03:1.00
Working capital ratio	> or = 1.25:1.00	1.96:1.00
Interest coverage ratio	> or = 3.00:1.00	14.23:1.00

Cash Requirements for Capital Expenditures

Historically, the Corporation has financed its capital expenditures and acquisitions through cash flows from operating activities, debt and equity. The 2014 capital budget has been set at $34.7 million subject to quarterly review of the Board of Directors. These planned expenditures are expected to be financed from a combination of one or more of the following, cash flow from operations, the Corporation's unused credit facilities or equity, if necessary. However, if a sustained period of market uncertainty and financial market volatility persists in 2014, the Corporation's activity levels, cash flows and access to credit may be negatively impacted, and the expenditure level would be reduced accordingly. Conversely, if future growth opportunities present themselves, the Corporation would look at expanding this planned capital expenditure amount.

Outlook

Throughout 2013 PHX Energy forecasted that operations would exceed activity levels in 2012, and announced increased operating days in each quarter of the year. In the fourth quarter this performance continued and the Corporation is pleased to announce it ended the year with all-time record revenue and activity.

To operate at this record level, qualified personnel and reliable equipment must be delivered to each well site. This meant hiring and training new employees, maximizing equipment utilization, reducing equipment turnaround time and renting components when demand exceeded capacity. These activities, along with other factors, created downward pressure on operating margins. Although activity was robust and capital expenditures related to equipment expansion is ongoing, additions to the MWD fleet were and will continue to be limited as PHX Energy is developing a new platform which it believes will propel future growth when commercial.

In Canada, a robust winter drilling season created positive results for PHX Energy. In certain basins, particularly those focused on horizontal applications, drilling continued through the typically slower holiday season. The Corporation therefore sustained a steadier pace through December.

PHX Energy has operated in the US for over a decade and this is presently the largest horizontal drilling market in the world. The Corporation set a strategic direction to capture a greater share of this market and in the fourth quarter of 2013, US operations achieved new financial and operating benchmarks. Given the opportunity created by the US industry's sheer size, it remains a targeted area of growth for PHX Energy.

International records were set during the fourth quarter as a result of Russian growth adding to the consistent performance in Albania. PHX Energy believes it can continue this positive momentum in Russia as it is a large market with a healthy demand for horizontal and directional drilling services. Additionally, the rig count outside of North America is large, and an increasing number of areas are adopting horizontal drilling techniques. As such, PHX Energy remains posed to evaluate future opportunities that may materialize.

PHX Energy's outlook for 2014 is positive as it forecasts operations will continue to generate operating day growth quarter-over-quarter, exceeding the already robust 2013 levels. However, the Corporation cautions that the rate of growth achieved in the past quarters will be most difficult to maintain and operating at peak levels can potentially erode operating margins. The 2014 strategy is heavily focused on managing costs and capturing additional revenue streams to strengthen operating margins and although the tactics to do so will take time to implement, the Corporation believes an impact will be seen before the end of the year.

John Hooks,
Chairman of the Board
President and Chief Executive Officer
February 26, 2014

Non-GAAP Measures

1) EBITDA

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

The following is a reconciliation of net earnings to EBITDA:

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
Net earnings	22,259	4,537	36,567	17,707
Add:				
Depreciation and amortization	6,362	5,800	24,403	21,336
Provision for income taxes	2,617	2,147	6,880	6,561
Finance expense	1,131	1,091	4,789	3,233
EBITDA as reported	32,369	13,575	72,639	48,837

EBITDA per share - diluted is calculated using the treasury stock method whereby deemed proceeds on the exercise of the share options are used to reacquire common shares at an average share price. The calculation of EBITDA per share on a dilutive basis does not include anti-dilutive options.

2) Funds from Operations

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

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

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
Cash flows from operating activities	17,367	13,748	35,378	33,070
Add (deduct):				
Changes in non-cash working capital	(3,972)	(1,285)	12,254	13,054
Interest paid	1,469	866	4,201	2,863
Income taxes paid	297	561	1,327	1,634
Funds from operations	15,161	13,890	53,160	50,621

Funds from operations per share - diluted is calculated using the treasury stock method whereby deemed proceeds on the exercise of the share options are used to reacquire common shares at an average share price. The calculation of funds from operations per share on a dilutive basis does not include anti-dilutive options.

3) Senior Debt to EBITDA Ratio

Senior debt is represented by loans and borrowings. EBITDA, for purposes of the calculation of this covenant ratio, is represented by EBITDA as defined in Non-GAAP Measures above and adding share-based payments less interest and income taxes paid.

4) Adjusted EBITDA

Adjusted EBITDA, defined as earnings before interest, taxes, depreciation and amortization, gains from the re-measurement to fair value of pre-existing ownership interests in RMS and RMII, gains on sale of land and operations centre, and write-off of tools, is not a financial measure that is recognized under GAAP. However, Management believes that adjusted EBITDA provides supplemental information to net earnings that is useful in evaluating the Corporation's operations before considering how it was financed or taxed in various countries and excluding extraordinary items. Investors should be cautioned, however, that adjusted EBITDA should not be construed as an alternative measure to net earnings determined in accordance with GAAP. PHX Energy's method of calculating adjusted EBITDA may differ from that of other organizations and, accordingly, its adjusted EBITDA may not be comparable to that of other companies.

The following is a reconciliation of net earnings to adjusted EBITDA:

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
Net earnings	22,259	4,537	36,567	17,707
Add:				
Depreciation and amortization	6,362	5,800	24,403	21,336
Provision for income taxes	2,617	2,147	6,880	6,561
Finance expense	1,131	1,091	4,789	3,233
EBITDA as reported	32,369	13,575	72,639	48,837
Add (deduct):				
Gains from pre-existing ownership interest in RMS and RMII	(14,758)	-	(14,758)	-
Gain on sale of land and operations centre	-	-	(2,196)	-
Write-down of technological assets	-	-	1,245	-
Adjusted EBITDA as reported	17,611	13,575	56,930	48,837

Adjusted EBITDA per share - diluted is calculated using the treasury stock method whereby deemed proceeds on the exercise of the share options are used to reacquire common shares at an average share price. The calculation of adjusted EBITDA per share on a dilutive basis does not include anti-dilutive options.

About PHX Energy Services Corp.

The Corporation, through its directional drilling subsidiary entities, provides horizontal and directional drilling technology and services to oil and natural gas producing companies in Canada, the US, Albania, Russia, and Colombia. PHX Energy develops and manufactures its E-360 EM and P-360 positive pulse MWD technologies that are made available for internal operational use. In addition, PHX Energy, with the acquisition of RMS Systems Inc., provides EDR technology and services through newly establish subsidiaries.

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

As at December 31, 2013, PHX Energy had 1,011 full-time employees and the Corporation utilized over 200 additional field consultants in 2013.

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

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

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Consolidated Statements of Financial Position

		December 31, 2013		December 31, 2012
ASSETS				
Current assets:				
Cash and cash equivalents	$	5,663,880	$	4,329,969
Trade and other receivables		97,660,559		67,189,884
Inventories		30,024,019		21,833,051
Prepaid expenses		2,913,514		3,476,559
Assets held for sale		-		9,436,462
Total current assets		136,261,972		106,265,925
Non-current assets:				
Drilling and other equipment		165,771,615		144,370,109
Goodwill		31,229,756		8,876,351
Intangible assets		17,113,924		-
Equity-accounted investees		-		5,010,292
Total non-current assets		214,115,295		158,256,752
Total assets	$	350,377,267	$	264,522,677
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Operating facility	$	-	$	5,897,711
Trade and other payables		64,815,732		38,165,118
Dividends payable		2,239,910		1,626,287
Current tax liabilities		2,410,198		97,020
Current portion of finance leases		215,697		-
Loans and borrowings		-		15,000,000
Total current liabilities		69,681,537		60,786,136
Non-current liabilities:				
Loans and borrowings		70,208,400		80,000,000
Deferred tax liabilities		9,833,710		8,641,858
Deferred income		1,966,667		-
Finance leases		209,935		-
Total non-current liabilities		82,218,712		88,641,858
Equity:				
Share capital		165,451,599		99,101,118
Contributed surplus		6,361,710		7,860,658
Retained earnings		24,284,690		9,764,748
Accumulated other comprehensive income		2,379,019		(1,631,841)
Total equity		198,477,018		115,094,683
Total liabilities and equity	$	350,377,267	$	264,522,677

Consolidated Statements of Comprehensive Income

	Three-month periods ended December 31, 2013	Three-month periods ended December 31, 2012	Years ended December 31, 2013	Years ended December 31, 2012
	(unaudited)	*(unaudited)*		
Revenue	$ 115,542,950	$ 79,473,206	$ 380,663,302	$ 301,719,813
Direct costs	93,293,464	62,989,673	307,680,358	238,167,915
Gross profit	22,249,486	16,483,533	72,982,944	63,551,898
Expenses:				
Selling, general and administrative expenses	13,490,502	8,456,052	43,632,454	34,466,938
Research and development expenses	564,883	320,810	2,004,384	1,985,404
Finance expense	1,130,527	1,090,636	4,789,168	3,232,978
Other income	(18,455,352)	(378,248)	(22,836,329)	(954,849)
	(3,269,440)	9,489,250	27,589,677	38,730,471
Share of loss of equity-accounted investees (net of tax)	642,468	310,327	1,946,892	552,931
Earnings before income taxes	24,876,458	6,683,956	43,446,375	24,268,496
Provision for income taxes:				
Current	(292,463)	209,368	3,572,010	1,579,789
Deferred	2,909,985	1,937,809	3,307,688	4,981,679
	2,617,522	2,147,177	6,879,698	6,561,468
Net earnings	22,258,936	4,536,779	36,566,677	17,707,028
Other comprehensive income:				
Foreign currency translation	2,288,659	1,587,768	4,010,860	(873,637)
Total comprehensive income for the period	$ 24,547,595	$ 6,124,547	$ 40,577,537	$ 16,833,391
Earnings per share – basic	$ 0.69	$ 0.16	$ 1.24	$ 0.63
Earnings per share – diluted	$ 0.68	$ 0.16	$ 1.23	$ 0.63

Consolidated Statements of Cash Flows

	Three-month periods ended December 31, 2013	Three-month periods ended December 31, 2012	Years ended December 31, 2013	Years ended December 31, 2012
	(unaudited)	*(unaudited)*		
Cash flows from operating activities:				
Net earnings	$ 22,258,936	$ 4,536,779	$ 36,566,677	$ 17,707,028
Adjustments for:				
Depreciation and amortization	6,361,933	5,799,949	24,403,158	21,335,874
Provision for income taxes	2,617,522	2,147,177	6,879,698	6,561,468
Unrealized foreign exchange loss	7,099	62,396	581,933	1,188,443
Gain on disposition of drilling equipment	(3,488,320)	(575,431)	(7,419,366)	(2,727,295)
Write down of technological assets	-	-	1,244,946	-
Gain on sale of land and operations centre	-	-	(2,195,886)	-
Share-based payments	300,641	409,895	1,061,177	2,264,706
Finance expense	1,130,527	1,090,636	4,789,168	3,232,978
Provision for bad debts	87,830	108,197	59,374	15,059
Share of loss of equity-accounted investees	642,468	310,327	1,946,892	552,931
Gains from pre-existing ownership interest in acquired subsidiaries	(14,757,588)	-	(14,757,588)	-
Change in fair value of investment in equity securities	-	-	-	490,245
Change in non-cash working capital	3,971,513	1,284,738	(12,254,284)	(13,053,739)
Cash generated from operating activities	19,132,561	15,174,663	40,905,899	37,567,698
Interest paid	(1,468,922)	(866,164)	(4,200,775)	(2,863,421)
Income taxes paid	(296,660)	(560,668)	(1,327,187)	(1,633,970)
Net cash from operating activities	17,366,979	13,747,831	35,377,937	33,070,307
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	5,103,689	2,045,771	13,435,619	9,039,942
Acquisition of drilling and other equipment	(13,271,734)	(5,334,438)	(41,818,387)	(51,452,063)
Acquisition of intangible assets	(584,968)	-	(4,344,168)	-
Acquisition of subsidiary, cash acquired	334,150	-	334,150	-
Investment in pre-existing equity-accounted investees	-	(1,960,000)	(4,200,000)	(6,053,468)
Proceeds from sale of land and operations centre	-	-	23,100,000	-
Payments relating to the land and operations centre	-	-	(18,904,114)	-
Change in non-cash working capital	4,730,047	(4,946,603)	10,849,065	(16,239,576)
Net cash used in investing activities	(3,688,816)	(10,195,270)	(21,547,835)	(64,705,165)
Cash flows from financing activities:				
Proceeds from issuance of share capital	35,675,852	276,006	40,622,300	1,286,060
Dividends paid to shareholders	(6,058,376)	(5,079,636)	(21,432,880)	(18,595,288)
Proceeds on (Repayment of) loans and borrowings	(35,841,000)	2,000,000	(25,787,900)	39,000,000
Proceeds on (Repayment of) operating facility	(6,076,407)	(298,747)	(5,897,711)	5,897,711
Net cash from financing activities	(12,299,931)	(3,102,377)	(12,496,191)	27,588,483
Net increase (decrease) in cash and cash equivalents	1,378,232	450,184	1,333,911	(4,046,375)
Cash and cash equivalents, beginning of year	4,285,648	3,879,785	4,329,969	8,376,344
Cash and cash equivalents, end of year	$ 5,663,880	$ 4,329,969	$ 5,663,880	$ 4,329,969