



PRESS RELEASE
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TSX - PHX

PHX Energy Announces its Fourth Quarter Results, Minimal 2016 Capital Expenditures Budget, and Elimination of Dividend

In 2015, PHX Energy like other providers in the oil and natural gas service sector suffered a significant decline in the demand for its services due to very weak commodity prices that negatively affected the industry's capital spending and drilling activity. In the fourth quarter of 2015 consolidated revenue decreased by 63 percent to \$56.1 million compared to \$152.9 million in the comparable 2014-quarter. Consolidated operating days decreased by 59 percent to 4,763 days in the 2015-quarter from 11,492 days in the 2014-quarter. For the year ended December 31, 2015, the Corporation generated consolidated revenue of \$286.8 million, 45 percent lower than the \$521.5 million generated in the 2014-period as consolidated operating days decreased by 42 percent to 22,784 days in the 2015-year as compared to 39,222 days in 2014-year.

Despite the challenge of decreased revenues, PHX Energy strived throughout the year to protect its financial position and operate with positive margins. Aligning the Corporation's cost structure with activity levels was a key strategy and numerous cost-reducing initiatives were implemented to achieve this. As a result of the Corporation's successful execution of these measures during the year, adjusted EBITDA as a percentage of revenue improved to 19 percent in the fourth quarter of 2015 from 6 percent in the first quarter of 2015. In the fourth quarter of 2015, adjusted EBITDA decreased 63 percent to \$10.9 million from \$29.0 million in the 2014-quarter. For the year ended December 31, 2015, PHX Energy realized an adjusted EBITDA of \$27.9 million (10 percent of revenue), which is 66 percent lower than the \$82.2 million (16 percent of revenue) reported in the comparable 2014-period. Adjusted EBITDA is defined as EBITDA adjusted for losses on disposition of drilling equipment, impairment losses on goodwill and intangible assets, provisions for the settlement of litigations, severance costs, and provisions for inventory obsolescence (see Non-GAAP measures section after the Outlook section).

For the year ended December 31, 2015, PHX Energy reported a net loss of \$42.5 million compared to net earnings of \$37.0 million in the 2014-year. The net loss incurred during the 2015-year included the following charges (pre-tax): a provision of \$6.5 million relating to the settlement of litigations in the US, a \$13.8 million impairment loss on the goodwill and intangible assets related to the Corporation's Stream Services ("Stream") cash-generating unit ("CGU"), a \$4.9 million loss on the disposition of equipment primarily due to decommissioned assets, \$6.5 million in severance costs, and \$8.8 million of additional depreciation and amortization expenses that resulted from a change in the Corporation's estimate of the residual values of its drilling equipment.

As at December 31, 2015, PHX Energy had long-term debt of \$60.0 million and working capital of \$61.0 million.

Dividends

Given the market uncertainty surrounding the 2016-year, the Board has approved the elimination of the Corporation's quarterly dividend effective immediately to preserve cash and protect the health of its balance sheet, and to ensure the Corporation has maximum financial flexibility during this continuing period of commodity price weakness. While no dividends

are currently anticipated to be declared or paid in 2016, the Board will continue to reassess the Corporation's dividend policy from time to time in light of industry conditions.

During the 2015-year, the Corporation paid dividends of \$12.8 million or \$0.383 per share.

Provisions

In September, 2015, the Corporation's wholly-owned subsidiary, Phoenix Technology Services USA Inc. ("Phoenix USA") and the parties to the collective and class actions in the US entered into a settlement agreement wherein the parties have agreed for the full and final release and dismissal of all claims and allegations made in the collective and class actions, by the establishment of a US\$5.0 million (equivalent to CDN\$6.5 million) settlement fund. As a result, \$6.5 million was recognized as a provision for the settlement of litigations in the year ended December 31, 2015. Final settlement payments were made in January, 2016.

Goodwill and Intangible Asset Impairment

As at September 30, 2015, an impairment test was performed on PHX Energy's Stream CGU and as a result, the Corporation recognized an impairment loss of \$13.8 million. Of the impairment loss, \$7.3 was allocated to goodwill and \$6.5 million was allocated to intangible assets, which are comprised of \$5.8 million relating to an old version of the electronic drilling recorder ("EDR") technology and \$0.7 million relating to a customer relationship. As at December 31, 2015, the Corporation performed impairments tests on all CGUs and no additional impairment was identified.

Severance

During the 2015-year, a significant reduction in the Corporation's workforce was unfortunately necessary to effectively manage PHX Energy's cost structure given the drastic decline in activity levels. As a result, included in direct costs and SG&A for the three-month period and year ended December 31, 2015 are severance payments of \$1.0 million and \$6.5 million, respectively

Change in Estimate

In September, 2015, the Corporation reviewed the residual values of its drilling equipment and now expects it to be nil instead of its previous estimate of zero to 20 percent of acquisition cost. The effect of this change was an increase of \$8.8 million in the depreciation expense for the 2015-year, \$4.0 million of which was incurred in the fourth quarter.

Capital Spending

For the year ended December 31, 2015, \$18.0 million in capital expenditures were incurred, which is 74 percent lower than the \$68.3 million incurred in the comparable 2014-period. At the end of December 2015, \$0.8 million of equipment was on order and is expected to be received within the first half of 2016. It is expected that only \$3.6 million in capital expenditures will be spent in the 2016-year.

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,		
	2015	2014	% Change	2015	2014	% Change
Operating Results	<i>(unaudited)</i>	<i>(unaudited)</i>				
Revenue	56,138	152,881	(63)	286,780	521,467	(45)
Net earnings (loss)	(3,782)	16,220	(123)	(42,489)	36,995	(215)
Earnings (Loss) per share – diluted	(0.09)	0.46	(120)	(1.10)	0.63	(275)
Adjusted EBITDA ⁽¹⁾	10,871	29,040	(63)	27,929	82,237	(66)
Adjusted EBITDA ⁽¹⁾ per share – diluted	0.26	0.82	(68)	0.73	2.34	(69)
Adjusted EBITDA ⁽¹⁾ as a percentage of revenue	19%	19%		10%	16%	
Cash Flow						
Cash flows from operating activities	18,353	23,686	(23)	61,303	41,350	48
Funds from operations ⁽¹⁾	9,529	28,543	(67)	13,846	82,263	(83)
Funds from operations per share – diluted ⁽¹⁾	0.23	0.81	(72)	0.36	2.34	(85)
Dividends paid	137	7,383	(98)	12,818	29,191	(56)
Dividends per share ⁽²⁾	0.033	0.21	(84)	0.383	0.84	(54)
Capital expenditures	873	12,521	(93)	18,029	68,282	(74)
Financial Position, December 31,						
Working capital				61,041	80,974	(25)
Long-term debt				60,000	104,281	(42)
Shareholders' equity				200,938	199,961	-
Common shares outstanding				41,567,023	35,237,839	18

⁽¹⁾ Refer to non-GAAP measures section following the Outlook 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 adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”), adjusted EBITDA per share, funds from operations, funds from operations per share, and debt to covenant 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 following the Outlook section for applicable definitions and reconciliations.

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 elimination of the Corporation's dividend, delivery of capital expenditure items, the projected capital expenditures budget and how this budget will be funded, projected pricing environment in Russia, and the impact of the devalued ruble on the Russian division's future financial results.

The above are stated under the headings: "Overall Performance", "Segmented Information" and "Capital Resources". 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; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the adequacy of cash flow; debt and ability to obtain financing on acceptable terms to fund its planned expenditures, 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,		
	2015	2014	% Change	2015	2014	% Change
Revenue	56,138	152,881	(63)	286,780	521,467	(45)

For the three-month period ended December 31, 2015, consolidated revenue decreased by 63 percent to \$56.1 million compared to \$152.9 million in the comparable 2014-quarter. Consolidated operating days decreased by 59 percent to 4,763 days in 2015 from 11,492 days in the 2014-quarter. Average consolidated day rates for the three-month period ended December 31, 2015, excluding the motor rental division in the US and the Stream division, decreased to \$11,508 which is 9 percent lower compared to the day rates of \$12,712 realized in the fourth quarter of 2014. Excluding the impact of US foreign exchange, average consolidated day rates for the three-month period ended December 31, 2015 decreased by 18 percent to \$10,466.

Overall rig counts in North America were approximately 60 percent lower in the 2015-quarter versus the fourth quarter of 2014. To the benefit of the Corporation the vast majority of rigs running during the quarter were drilling directional or horizontal wells; 98 percent of the Canadian industry's operating days (2014 – 96 percent) and 86 percent of the US rigs running per day (2014 - 82 percent) related to horizontal and directional drilling. (Source: Daily Oil Bulletin and Baker Hughes)

For the year ended December 31, 2015, PHX Energy's consolidated revenue decreased by 45 percent to \$286.8 million from the 2014 revenue of \$521.5 million. US and international revenue, as a percentage of total consolidated revenue, was 62 and 8 percent, respectively, for the 2015-year as compared to 54 and 10 percent in 2014. There were 22,784 consolidated operating days in the 2015-year, 42 percent lower compared to the record 39,222 days generated in 2014. Average consolidated day rates for the year ended December 31, 2015, excluding the motor rental division in the US and the Stream division, decreased by 4 percent to \$12,184 from \$12,720 in 2014. Excluding the impact of US foreign exchange, average consolidated day rates for the year ended December 31, 2015 decreased by 12 percent to \$11,219.

Operating Costs and Expenses

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,			Years ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Direct costs	53,434	119,666	(55)	275,632	414,570	(34)
Gross profit as a percentage of revenue	5%	22%		4%	20%	
Depreciation & amortization (included in direct costs)	14,454	8,990	61	48,283	32,128	50
Gross profit as percentage of revenue excluding depreciation & amortization	31%	28%		21%	27%	

Direct costs are comprised of field and shop expenses, and include depreciation and amortization on the Corporation's equipment. For the three-month period ended December 31, 2015, gross profit as a percentage of revenue decreased to 5 percent of revenue from 22 percent in the comparative 2014-period. On an annual basis in 2015 gross profit as a percentage of revenue decreased to 4 percent from 20 percent in 2014. The decrease in gross profit as a percentage of revenue in both 2015-periods was primarily due to significantly higher depreciation and amortization expenses and lower activity levels and day rates. Depreciation and amortization for the three-month period ended December 31, 2015 increased by 61 percent to \$14.5 million as compared to \$9.0 million in the 2014-quarter. For the year ended December 31, 2015, depreciation and amortization increased by 50 percent to \$48.3 million from \$32.1 million in 2014. The increase in both 2015-periods is mainly the result of the Corporation's capital asset expansion programs undertaken since 2010, which were in line with growing activity levels during those years. In addition in September, 2015, the Corporation reviewed the residual values of its drilling equipment and now expects it to be nil instead of its previous estimate of zero to 20 percent of acquisition cost. The effect of this change was an increase of \$4.0 million and \$8.8 million in the depreciation expense for the 2015-quarter and 2015-year, respectively.

Despite weaker activity and decreased day rates, PHX Energy saw improvement in its profitability as gross profit as a percentage of revenue, excluding depreciation and amortization, increased to 31 percent for the three-month period ended December 31, 2015 as compared to 28 percent in the 2014-quarter. This achievement was made possible through Management's diligent focus on finding cost efficiencies in all major aspects of the Corporation's operations, particularly related to personnel and equipment repair costs. Many difficult decisions, including reductions to staff levels and employee compensation, were made throughout the year. These were necessary to place the Corporation in a stable financial position and to ensure it would persevere in this harsh economic environment. In the fourth quarter of 2015, \$0.9 million of severance payments were incurred and included in direct costs.

For the year ended December 31, 2015, gross profit as a percentage of revenue, excluding depreciation and amortization, decreased to 21 percent as compared to 27 percent in 2014. This decrease was primarily due to lower activity levels and reduced day rates realized in all of the Corporation's operating segments during the year. In addition, \$4.8 million of severance payments were incurred and included in direct costs in 2015.

For the fourth quarter and 2015-year, the Corporation's third party equipment rentals were 5 percent and 4 percent of consolidated revenue, respectively, as compared to 4 percent of revenue in both the corresponding 2014-periods.

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,			Years ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Selling, general and administrative ("SG&A") costs	7,664	13,881	(45)	37,283	56,982	(35)
Share-based payments (included in SG&A costs)	58	151	(62)	877	772	14
SG&A costs excluding share-based payments as a percentage of revenue	14%	9%		13%	11%	

SG&A costs for the three-month period ended December 31, 2015 decreased by 45 percent to \$7.7 million as compared to the \$13.9 million incurred in the 2014-period. Included in SG&A costs for the 2015 and 2014-quarters are equity-settled share-based payments of \$58,000 and \$151,000, respectively. Excluding these costs, SG&A costs as a percentage of consolidated revenue were 14 percent in the 2015 three-month period compared to 9 percent in the 2014-quarter. Included in SG&A costs for the three-month period ended December 31, 2015 were severance costs of \$127,000.

For the year ended December 31, 2015, SG&A costs decreased by 35 percent to \$37.3 million as compared to \$57.0 million in 2014. Excluding equity-settled share-based payments of \$0.9 million in the 2015-year and \$0.8 million in the 2014-year, SG&A costs as a percentage of consolidated revenue were 13 percent and 11 percent in the 2015 and 2014-years, respectively. Included in SG&A costs for the year ended December 31, 2015 was severance costs of \$1.7 million.

The decrease in SG&A costs, in dollar terms, in both 2015-periods was mainly due to reduced personnel related costs and tightened policies on travel, entertainment, and marketing related costs as part of the Corporation's strategy to align cost structure with lower activity in all regions.

Equity-settled 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 ended December 31, 2015, equity-settled share-based payments decreased by 62 percent compared to the 2014-quarter, mainly due to the graded vesting method of recognizing compensation expense related to options. For the year-ended December 31, 2015, equity-settled share-based payments increased by 14 percent compared to the 2014-year, generally as a result of recognizing compensation expenses related to options that were granted in 2014 and 2015.

Cash-settled share-based retention awards, which are included in SG&A costs, are measured at fair value. In the 2015-quarter, the related compensation expense recognized by PHX Energy is a recovery of \$0.1 million as compared to a recovery of \$1.4 million in the 2014-quarter. For the year ended December 31, 2015, the compensation expense related to cash-settled share-based retention awards is a recovery of \$0.3 million as compared to an expense of \$1.3 million in 2014. The recovery of compensation expense in both 2015-periods was mainly due to the re-valuation of the retention awards based on the decrease in PHX Energy's stock price from \$7.48 as at December 31, 2014 and \$2.85 as at September 30, 2015 to \$2.36 as at December 31, 2015.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Provision for settlement of litigations	-	-	-	6,533	-	n.m.

n.m. - not meaningful

In September, 2015, Phoenix USA and the parties to the collective and class actions in the US entered into a settlement agreement wherein the parties have agreed for the full and final release and dismissal of all claims and allegations made in the collective and class actions, by the establishment of a US\$5.0 million (equivalent to CDN\$6.5 million) settlement fund. As a result, \$6.5 million was recognized as provision for the settlement of litigations in the year ended December 31, 2015.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Research and development expense	499	(418)	(219)	2,288	1,995	15

During the three-month period ended December 31, 2015, PHX Energy recognized research and development ("R&D") expenses amounting to \$0.5 million compared to a recovery of \$0.4 million in the 2014-period. The recovery in the 2014-quarter was mainly comprised of \$1.0 million of R&D expenses offset by scientific research and experimental development ("SR&ED") tax credits of \$1.4 million received during the 2014-quarter. During both the 2015 and 2014-quarters, none of the R&D expenditures were capitalized as development costs.

For the years ended December 31, 2015 and 2014, R&D expenditures incurred were \$2.3 million and \$2.0 million, respectively, none of which were capitalized as development costs.

Excluding the recovery from SR&ED tax credits in the three-month period and year ended December 31, 2014, R&D expenses decreased from \$1.0 million and \$3.4 million, respectively, in the 2014-periods to \$0.5 million and \$2.3 million in the 2015-periods. The decrease in R&D expenditures in both 2015-periods is primarily due to the reduction of personnel related costs in the R&D department as part of Management's cost-cutting initiatives.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Finance expense	642	1,308	(51)	3,472	4,232	(18)

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, 2015, finance charges decreased by 51 percent to \$0.6 million from \$1.3 million in the 2014-period, and for the year ended December 31, 2015, decreased by 18 percent to \$3.5 million from \$4.2 million in 2014. The decrease in both 2015-periods was mainly due to a generally lower amount of borrowings outstanding during the three and twelve-month periods ended December 31, 2015 that resulted from significant repayments made during the year.

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2015	2014	2015	2014
Net loss (gain) on disposition of drilling equipment	1,197	(859)	4,870	(4,729)
Foreign exchange loss (gain)	(466)	402	(1,273)	(64)
Provision for bad debts	180	158	218	1,170
Other expense (income)	911	(299)	3,815	(3,623)

For the three-month period and year ended December 31, 2015, other expenses is primarily comprised of losses on the disposition of drilling equipment of \$1.2 million (2014 - gain of \$0.9 million) and \$4.9 million (2014 - gain of \$4.7 million), respectively. Losses typically result from any asset retirements that were made before the end of the equipment's useful life and self-insured down hole equipment losses. 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 the 2015-periods, the loss on disposition of drilling equipment resulted primarily from decommissioning a number of performance drilling motors for the purpose of utilizing the spare parts to service the remainder of the performance drilling motor fleet.

Offsetting other expenses for the three and twelve-month periods ended December 31, 2015 is foreign exchange gains of \$0.5 million (2014 - loss of \$0.4 million) and \$1.3 million (2014 - \$0.1 million), respectively, which resulted primarily from the revaluation of Canadian-denominated intercompany payables in the US. The US dollar strengthened against the Canadian dollar during the 2015-periods.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Impairment losses on goodwill and intangible assets	-	15,000	(100)	13,824	15,000	(8)

The Corporation determined that the continuation of the industry downturn and the delay in the expected recovery of the oil prices were indicators of impairment as they would impact future activity levels. As such, at September 30, 2015, an impairment test was performed on PHX Energy's Stream CGU and as a result, the Corporation recognized an impairment loss of \$13.8 million. Of the impairment loss, \$7.3 was allocated to goodwill and \$6.5 million was allocated to intangible assets, which are comprised of \$5.8 million relating to an old version of the EDR technology and \$0.7 million relating to a customer relationship. As at December 31, 2015, the Corporation performed impairments tests on all CGUs and no additional impairment was identified. In the comparative year ended December 31, 2014, the impairment loss of \$15.0 million related to Stream's goodwill.

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,		Years ended December 31,	
	2015	2014	2015	2014
Provision for (Recovery of) income taxes	(3,229)	2,523	(13,577)	10,315
Effective tax rates	46%	67%	24%	32%

The recovery of income taxes for the three-month period ended December 31, 2015 was \$3.2 million as compared to a provision for income taxes of \$2.5 million in the 2014-period. For the year ended December 31, 2015, the recovery of income taxes was \$13.6 million as compared to a provision for income taxes of \$10.3 million in 2014. The Government of Alberta increased the corporate income tax rate from 10 percent to 12 percent, resulting in a blended corporate tax rate of 11 percent for the year ended December 31, 2015. This was substantively enacted in June, 2015. As a result, the expected combined Canadian federal and provincial tax rate for 2015 was increased to 26 percent. The effective tax rate in the three-month period ended December 31, 2015 was higher than the expected rate primarily due to the impact of higher tax rates in foreign jurisdictions, particularly in the US. For the year ended December 31, 2015, the effective tax rate is lower than the expected rate mainly as a result of the non-deductibility of the impairment loss on goodwill for tax purposes.

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

	Three-month periods ended December 31,			Years ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Net earnings (loss)	(3,782)	16,220	(123)	(42,489)	36,995	(215)
Earnings (Loss) per share – diluted	(0.09)	0.46	(120)	(1.10)	1.05	(275)
Adjusted EBITDA	10,871	29,040	(63)	27,929	82,237	(66)
Adjusted EBITDA per share – diluted	0.26	0.82	(68)	0.73	2.34	(69)
Adjusted EBITDA as a percentage of revenue	19%	19%		10%	16%	

The Corporation's level of net earnings for the three-month period and year ended December 31, 2015 have significantly decreased primarily as a result of weak drilling activity and lower average day rates realized in all of the Corporation's operating segments. Adjusted EBITDA as a percentage of revenue for the three-month period and year ended December 31, 2015 was 19 percent and 10 percent, respectively (2014 - 19 percent and 16 percent).

Segmented Information

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

Canada

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Revenue	16,244	59,333	(73)	85,563	190,692	(55)
Reportable segment profit (loss) before tax	(1,337)	1,671	n.m.	(30,698)	16,208	n.m.

n.m. - not meaningful

For the three-month period ended December 31, 2015, PHX Energy's Canadian revenue decreased by 73 percent to \$16.2 million from \$59.3 million in the 2014-quarter. During the 2015-quarter, the Corporation saw a drastic decline in activity as operating days decreased by 64 percent to 1,923 days from 5,291 days in the 2014-quarter. In comparison, total industry horizontal and directional drilling activity, as measured by drilling days, decreased by 52 percent in the 2015-quarter to 15,283 days, compared to the 2014-quarter's 31,556 days. (Source: Daily Oil Bulletin) As weak commodity prices persisted, significant pricing pressures continued and average day rates, excluding Stream revenue of \$0.3 million, decreased by 23 percent to \$8,296 in the 2015-quarter compared to \$10,830 in the 2014-quarter.

In the fourth quarter of 2015, PHX Energy's Canadian division was active in the Montney, Wilrich, Bakken, Shaunavon, and Viking areas.

For the year ended December 31, 2015, PHX Energy's Canadian revenue decreased to \$85.6 million, 55 percent lower than the \$190.7 million generated in the 2014-year. The decrease in revenue was in line with the decline in the Corporation's operating days to 8,766 days, that is 48 percent lower compared to 16,952 days generated in the 2014-year. In comparison, Canadian industry activity, as measured by drilling days, decreased by 46 percent to 64,906 days in the 2015-year as compared to 119,263 days in 2014. (Source: Daily Oil Bulletin) Average day rates, excluding Stream revenue of \$2.0 million, decreased by 12 percent to \$9,530 in the 2015-year compared to \$10,815 in 2014.

Reportable segment profit before tax for the three-month period ended December 31, 2015 decreased to a loss of \$1.3 million from a profit of \$1.7 million (3 percent of revenue) in the 2014-period. Included in the Canadian segment's profit in the comparative 2014-quarter was an impairment loss of \$15.0 million on goodwill related to the Stream division. Excluding the impact of the impairment loss on goodwill, reportable segment profit before tax was \$16.7 million (28 percent of revenue) in the 2014-period.

For the year ended December 31, 2015, reportable segment profit before tax decreased to a loss of \$30.7 million from a profit of \$16.2 million (8 percent of revenue) in 2014. Included in the Canadian segment's loss in the 2015 twelve-month period was an impairment loss of \$13.8 million on goodwill and intangible assets related to the Stream division (2014 – impairment loss of \$15.0 million on goodwill related to Stream).

The significant decline in the Canadian segment's profitability in both 2015-periods was primarily due to decreased revenues as a result of lower activity and day rates. In addition, the segment's margins were also negatively affected by higher depreciation and amortization expenses that resulted from the high level of capital expenditures in previous years and the impact of a change in the estimate of residual values of the Corporation's drilling equipment, which resulted in an additional \$4.0 million and \$8.8 million of depreciation expense in the three-month period and year ended December 31, 2015, respectively. Furthermore, included in the segment's loss in the 2015-quarter and year are operating losses from the Stream division of \$1.8 million in the 2015-quarter (2014 - \$1.6 million) and \$8.1 million in the 2015-year (2014 - \$6.1 million), respectively, excluding the impact of the impairment loss on goodwill and intangible assets.

United States

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Revenue	34,587	80,124	(57)	177,085	279,418	(37)
Reportable segment profit before tax	(3,598)	302	n.m.	(11,352)	17,232	n.m.

n.m. - not meaningful

For the three-month period ended December 31, 2015, the US segment's revenue decreased by 57 percent to \$34.6 million from \$80.1 million of revenue generated in the 2014-period. In line with lower revenues, PHX Energy's US operating days also decreased by 57 percent to 2,147 days from 5,046 days in the 2014-quarter. In comparison, industry activity has declined 58 percent with the number of horizontal and directional rigs running per day falling to 650 in the fourth quarter of 2015 from 1,560 rigs in the comparative 2014-quarter. (Source: Baker Hughes) Mainly due to the continued strength of the US dollar, average day rates, excluding the motor rental division in Midland, Texas and the Rocky Mountain region, increased by 5 percent in the 2015-quarter to \$15,627 from \$14,934 in the 2014-quarter. Excluding the impact of foreign exchange, the average day rate realized in the US actually decreased by 11 percent to \$13,315 in the 2015-quarter.

Despite lower oil commodity prices toward the end of the 2015-year, oil well drilling, as measured by wells drilled and excluding the motor rental division, in the three-month period ended December 31, 2015 represented 76 percent of PHX Energy's US activity. Phoenix USA remained active in the Permian, Eagle Ford, Bakken, Mississippian/Woodford, Marcellus, Niobrara and Utica basins during the 2015-quarter.

For the year ended December 31, 2015, US revenue decreased by 37 percent to \$177.1 million from \$279.4 million reported in the 2014-year. The Corporation's US operating days in the 2015 twelve-month period decreased by 39 percent to 11,189 days compared to 18,287 days in 2014. In comparison, US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, fell by 43 percent to 839 rigs in 2015 compared to 1,483 rigs in 2014. (Source: Baker Hughes) Excluding the motor rental division in Midland, Texas, and the Rocky Mountain region and the effects of foreign exchange, Phoenix USA's average day rates declined by 8 percent to \$13,223 in 2015 from \$14,449 in 2014.

Reportable segment profit before tax for the three-month period ended December 31, 2015 decreased to a loss of \$3.6 million from a profit of \$0.3 million in the comparative 2014-period. For the year ended December 31, 2015, reportable segment profit before tax decreased to a loss of \$11.4 million from a profit of \$17.2 million (6 percent of revenue) in 2014. The significant decline in profitability realized in the 2015-periods were primarily the result of substantially lower drilling activity and day rates experienced in the US during the year.

International

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Revenue	5,307	13,423	(60)	24,132	51,357	(53)
Reportable segment profit before tax	327	4,695	(93)	3,881	12,571	(69)

The international segment delivered positive earnings for both the three-month period and year ended December 31, 2015, despite the weak value of the Russian ruble, significant downward pressures on pricing and the considerable reductions in drilling activity associated with low commodity prices.

For the three-month period ended December 31, 2015, international revenue was \$5.3 million, which represents a 60 percent decrease from the \$13.4 million of international revenue generated in the same quarter of the previous year. There were 694 International operating days recorded in the 2015-quarter, which is 40 percent lower than the 1,155 days in the comparative 2014-period.

For the year ended December 31, 2015, international revenue decreased by 53 percent to \$24.1 million compared to \$51.4 million in 2014. From an activity standpoint, the 2015 twelve-month period saw a reduction in operating days of 29 percent, with 2,829 days generated versus 3,984 days in 2014.

As measured by operating days, Phoenix Albania's activity in the fourth quarter of 2015 decreased by 75 percent compared to activity levels in the comparative 2014-quarter and was the lowest measured activity since the first quarter of 2010. In line with trends seen elsewhere, the Corporation's Albanian operations suffered from sustained reductions in activity and pressure on prices throughout the year. In 2015, Phoenix Albania's activity dropped from 8 active rigs in the first quarter to no active rigs by the end of the year. The division has reduced its overhead to align with activity and has made efforts to preserve its presence in the country with minimal fixed costs anticipated during this dormant period. The operation is idle, however, Phoenix Albania retains its ability to recommence operations with little notification required.

Of all the Corporation's regions, PHX Energy's Russian operations were the least affected by weak commodity prices in terms of activity. In the fourth quarter of 2015, Phoenix Russia's operating days decreased by only 7 percent compared to activity levels in the comparative 2014-quarter. However, the division witnessed additional pricing pressures in the fourth quarter of 2015 and it is anticipated that this will continue through 2016. The devalued ruble also continues to have a significant impact on financial results and this is expected to remain in the upcoming quarters.

Reportable segment profit from international operations for the three-month period ended December 31, 2015 was \$0.3 million (6 percent of revenue), which is 93 percent lower than the \$4.7 million (35 percent of revenue) generated in the corresponding 2014-period. Reportable segment profit for the twelve-month period ended December 31, 2015 was \$3.9 million (16 percent of revenue) as compared to \$12.6 million (24 percent of revenue) in the 2014-period; a 69 percent decrease. The decrease in the international operations' profitability in both 2015-periods was mainly due to significantly lower activity levels in Albania and the devaluation of the Russian ruble.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2015 was \$27.0 million as compared to \$62.9 million in 2014. During the 2015-year, PHX Energy added \$13.3 million net in capital equipment (2014 - \$50.7 million). These capital equipment amounts are net of proceeds from the involuntary disposal of drilling equipment in well bores of \$4.8 million (2014 - \$17.6 million). The 2015 capital expenditures included:

- \$7.5 million in MWD systems and spare components;
- \$4.3 million in down hole performance drilling motors;
- \$3.8 million in machinery and equipment;
- \$0.8 million in gyro surveying equipment; and
- \$1.6 million in other assets, including leasehold improvements and non-magnetic drill collars.

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

During the year, the Corporation spent \$8.1 million in intangible assets as follows:

- \$5.5 million related to a license agreement;
- \$1.3 million in technology development;
- \$1.1 million in systems and software; and
- \$0.2 million in development costs.

The change in non-cash working capital balances of \$5.6 million (use of cash) for the year ended December 31, 2015, relates to the net change in the Corporation's trade payables that are associated with the acquisition of capital assets. This compares to \$2.5 million (use of cash) for the year ended December 31, 2014.

Financing Activities

The Corporation reported cash used in financing activities of \$28.3 million in 2015 as compared to \$18.9 million (source of cash) in 2014. In the 2015-year:

- the Corporation made aggregate repayments of \$49.8 million on its operating facility and syndicated facility;
- through a bought deal financing and a concurrent private placement, the Corporation issued 6,191,700 common shares for net proceeds of \$33.6 million;
- the Corporation paid dividends of \$12.8 million to shareholders, or \$0.383 per share; and
- through its Dividend Re-investment Program (“DRIP”), the Corporation received cash proceeds of \$0.8 million from reinvested dividends to acquire 137,484 common shares of the Corporation.

Capital Resources

As of December 31, 2015, the Corporation had \$60.0 million drawn on its syndicated facility and nil drawn on both its Canadian and US operating facility.

On October 16, 2015, the Corporation amended its credit agreement with its syndicate of lenders. The key amendments reflected the following revisions to PHX Energy’s financial and negative covenants under its credit facilities (defined terms have the meanings ascribed thereto in the credit agreement, and amending agreement thereto, copies of which can be found under PHX Energy’s profile on SEDAR at www.sedar.com):

- The ratio of debt to covenant EBITDA shall not exceed 5.0x for the quarters ending December 31, 2015, March 31, 2016, June 30, 2016 and September 30, 2016, shall not exceed 4.0x for the quarter ending December 31, 2016 and shall not exceed 3.0x for the quarter ending March 31, 2017, all calculated on a four quarter rolling basis;
- For the purposes of the calculation of the covenant EBITDA during the period from the quarter ended March 31, 2015 to the quarter ending March 31, 2016, PHX Energy shall be permitted to add back actual severance costs paid up to a maximum of CDN\$5.0 million and settlement amounts to be paid (and provisions made in respect thereof) by the Corporation in respect of the US litigations to a maximum aggregate of CDN\$6.5 million;
- The Corporation’s negative covenant, which limits its distributions, including annual dividends based on the amount of its yearly distributable cash flow, shall not apply to the financial year ending December 31, 2015. In addition, during the covenant relief period through to December 31, 2016, there will be no increases permitted in the rate of dividends payable by the Corporation.

- The maximum principal amounts available to the Corporation under each of the Syndicated Credit Facility and the US Operating Facility were reduced from CDN\$160 million to CDN\$90 million and US\$25 million to US\$2.5 million, respectively.

In accordance with the amendments, effective September 30, 2015, EBITDA under the credit agreement (referred above and below as “covenant EBITDA”), was calculated as net earnings for a rolling four quarter period, adjusted for finance expense, provision for income taxes, depreciation and amortization, equity-settled share-based payments, unrealized foreign exchange losses, impairment losses on goodwill and intangible assets, loss on disposition of drilling equipment, severance costs, provision for inventory obsolescence and provision for the settlement of litigations, subject to the restrictions provided in the amended credit agreement.

As at December 31, 2015, the Corporation was in compliance with all its financial covenants as follows:

Ratio	Covenant	As at December 31, 2015
Debt to covenant EBITDA	< or = 5.00:1.00	2.32
Interest coverage ratio	> or = 3.00:1.00	7.45

The credit facilities are secured by substantially all of the Corporation's assets.

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 2016 capital budget has been set at \$3.6 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 and commodity price uncertainty and financial market volatility persists in 2016, 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

The 2015-year was one of the most challenging periods for the oil and gas industry and PHX Energy. With the dramatic drop in commodity prices, rig counts in the Corporation's market shrunk significantly and this in turn negatively impacted PHX Energy's operating results.

In 2015, the Corporation's strategy had to shift from the aggressive growth objectives of the prior five years to prudent balance sheet management and cost reductions. PHX Energy believes its ability to quickly shift focus and implement the required initiatives was critical to exiting the year in a financially stable position. As a result of this aggressive approach, profit margins improved in the second half of the year as compared to the first and debt levels were lowered. In addition throughout the downturn, PHX Energy maintained and even grew market share, which can be attributed to an unwavering focus on delivering the highest quality of service.

Despite the volatile industry environment in 2015, PHX Energy was able to continue its strategies to differentiate its service offerings. The minimal capital expenditures were strictly focused on new technology development. PHX Energy believes that the technologies it is deploying will produce a significant upside when the industry rebounds, with the potential of increased revenue, improved margins and even greater market share.

In 2016, it is anticipated that the industry will continue to see lower commodity prices and further reductions in activity. Forecasts for Canadian drilling activity in 2016 predict total wells drilled to drop by approximately 25 percent as compared to 2015 and the industry is preparing for an early onset to spring break-up. In 2015, the US market declined slower than the Canadian market, however, the most active basins, including the Permian, Marcellus and Bakken, are now seeing a greater impact on their rig counts.

In Albania, the Corporation began the 2016-year with a period of inactivity due to the fall in commodity prices, however, PHX Energy has aligned its cost structure accordingly and can resume operations quickly if demand returns to this market. Russian activity levels remained fairly stable for the Corporation despite the global energy environment and it is anticipated that this will continue in 2016.

Given the industry outlook, operational performance and service quality have never been more important in maintaining market share, and the ability to operate at a lower cost is vital for generating positive cash flow and EBITDA. PHX Energy believes the actions taken in 2015 will aid the Corporation in the upcoming year and it will remain diligently focused on retaining client relationships and operating at a lower cost. The Corporation's mandate today is to be positioned to leverage its strengths to grow efficiently when the industry conditions finally do improve, while maintaining a healthy financial position.

Michael Buker
President
February 24, 2016

Non-GAAP Measures

1) Adjusted EBITDA

Adjusted EBITDA, defined as earnings before finance expense, income taxes, depreciation and amortization, gain or loss on disposition of drilling equipment, impairment losses on goodwill and intangible assets, provisions for inventory obsolescence, provisions for the settlement of litigations, and severance costs, 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 results of the Corporation's principal business activities before considering other non-recurring charges, how it was financed and how it was taxed in various countries. Investors should be cautioned, however, that adjusted EBITDA should not be construed as an alternative measure to 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 periods ended December 31,	
	2015	2014	2015	2014
Net earnings (loss)	(3,782)	1,220	(42,489)	21,995
Add:				
Depreciation and amortization	14,454	8,990	48,283	32,128
Provision for (Recovery of) income taxes	(3,229)	2,523	(13,577)	10,315
Finance expense	642	1,308	3,472	4,233
Loss (Gain) on disposition of drilling equipment	1,197	(859)	4,870	(4,729)
Impairment losses on goodwill and intangible assets	-	15,000	13,824	15,000
Provision for settlement of litigations	-	-	6,533	-
Severance costs	1,049	858	6,473	3,295
Provision for inventory obsolescence	540	-	540	-
Adjusted EBITDA as reported	10,871	29,040	27,929	82,237

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.

2) Funds from Operations

Funds from operations is defined as cash flows generated from operating activities before changes in non-cash working capital, interest paid, and income taxes paid. This 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 and interest and taxes paid. Investors should be cautioned, however, that this financial measure should not be construed as an alternative measure to cash flows from operating activities determined in accordance with GAAP. PHX Energy's method of calculating funds from operations may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

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

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2015	2014	2015	2014
Net cash flows from operating activities	18,353	23,686	61,303	41,350
Add (deduct):				
Changes in non-cash working capital	(8,065)	(7,513)	(50,815)	24,364
Interest paid	781	1,387	3,120	4,167
Income taxes paid	(1,540)	10,983	238	12,382
Funds from operations	9,529	28,543	13,846	82,263

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) Debt to covenant EBITDA Ratio

Debt is represented by loans and borrowings. Covenant EBITDA, for purposes of the calculation of this covenant ratio, is represented by net earnings for a rolling four quarter period, adjusted for finance expense, provision for income taxes, depreciation and amortization, equity-settled share-based payments, unrealized foreign exchange losses, impairment losses on goodwill and intangible assets, loss on disposition of drilling equipment, severance costs, provision for inventory obsolescence and provision for the settlement of litigations, subject to the restrictions provided in the amended credit agreement.

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, and Russia. PHX Energy also provides electronic drilling recorder (“EDR”) technology and services.

PHX Energy’s Canadian directional drilling operations are conducted through Phoenix Technology Services LP. The Corporation maintains its corporate head office, research and development, Canadian sales, service and operational 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; Denver, Colorado; Fort Worth, Texas; Midland, Texas; Bellaire, Ohio; Pittsburgh, Pennsylvania; and Oklahoma City, Oklahoma. Internationally, PHX Energy has sales offices and service facilities in Albania and Russia, and administrative offices in Nicosia, Cyprus and Luxembourg City, Luxembourg.

PHX Energy markets its EDR technology and services in Canada through its division, Stream Services, which has an office and operations center in Calgary, Alberta. EDR technology is marketed worldwide outside Canada through its wholly-owned subsidiary Stream Services International Inc.

As at December 31, 2015, PHX Energy had 656 full-time employees and the Corporation utilized over 250 additional field consultants in 2015.

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

For further information please contact:

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PHX Energy Services Corp.

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Consolidated Statements of Financial Position

	December 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,007,808	\$ 3,018,445
Trade and other receivables	44,694,812	122,272,125
Inventories	30,261,260	32,423,158
Prepaid expenses	2,869,018	4,505,300
Current tax assets	4,996,279	-
Total current assets	91,829,177	162,219,028
Non-current assets:		
Drilling and other equipment	166,113,852	190,891,854
Goodwill	8,876,351	16,229,756
Intangible assets	25,025,202	25,581,960
Deferred tax assets	1,581,847	-
Total non-current assets	201,597,252	232,703,570
Total assets	\$ 293,426,429	\$ 394,922,598
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Operating facility	\$ -	\$ 5,503,176
Trade and other payables	30,373,003	72,203,463
Dividends payable	415,670	2,466,649
Current tax liabilities	-	832,352
Current portion of finance leases	-	238,911
Total current liabilities	30,788,673	81,244,551
Non-current liabilities:		
Loans and borrowings	60,000,000	104,280,800
Deferred tax liabilities	-	7,602,868
Deferred income	1,700,003	1,833,335
Total non-current liabilities	61,700,003	113,717,003
Equity:		
Share capital	213,604,045	178,650,340
Contributed surplus	5,390,124	4,513,265
Retained earnings	(36,393,629)	16,861,918
Accumulated other comprehensive income	18,337,213	(64,479)
Total equity	200,937,753	199,961,044
Total liabilities and equity	\$ 293,426,429	\$ 394,922,598

Consolidated Statements of Comprehensive Income (Loss)

	Three-month periods ended December 31,		Years ended December 31,	
	2015 <i>(unaudited)</i>	2014 <i>(unaudited)</i>	2015	2014
Revenue	\$ 56,138,403	\$ 152,880,588	\$ 286,780,151	\$ 521,466,624
Direct costs	53,433,795	119,666,344	275,631,998	414,570,044
Gross profit	2,704,608	33,214,244	11,148,153	106,896,580
Expenses:				
Selling, general and administrative expenses	7,663,549	13,880,981	37,282,867	56,981,813
Provision for settlement of litigations	-	-	6,533,426	-
Research and development expenses	498,380	(417,954)	2,287,739	1,994,744
Finance expense	641,842	1,307,557	3,471,589	4,232,462
Other expense (income)	911,126	(299,426)	3,814,985	(3,622,560)
Impairment loss on goodwill and intangible assets	-	15,000,000	13,823,514	15,000,000
	9,714,897	29,471,158	67,214,120	74,586,459
Earnings (Loss) before income taxes	(7,010,289)	3,743,086	(56,065,967)	32,310,121
Provision for (Recovery of) income taxes				
Current	(1,819,060)	2,115,377	(3,381,800)	13,164,824
Deferred	(1,409,661)	407,612	(10,195,322)	(2,849,600)
	(3,228,721)	2,522,989	(13,577,122)	10,315,224
Net earnings (loss)	(3,781,568)	1,220,097	(42,488,845)	21,994,897
Other comprehensive income (loss)				
Foreign currency translation	2,939,393	(2,351,228)	18,401,692	(2,443,498)
Total comprehensive income (loss) for the period	\$ (842,175)	\$ (1,131,131)	\$ (24,087,153)	\$ 19,551,399
Earnings (Loss) per share – basic	\$ (0.09)	\$ 0.03	\$ (1.10)	\$ 0.63
Earnings (Loss) per share – diluted	\$ (0.09)	\$ 0.03	\$ (1.10)	\$ 0.63

Consolidated Statements of Cash Flows

	Three-month periods ended December 31,		Years ended December 31,	
	2015	2014	2015	2014
	(unaudited)	(unaudited)		
Cash flows from operating activities:				
Net earnings (loss)	\$ (3,781,568)	\$ 1,220,097	\$ (42,488,845)	\$ 21,994,897
Adjustments for:				
Depreciation and amortization	14,453,915	8,989,529	48,283,328	32,127,926
Provision for (Recovery of) income taxes	(3,228,721)	2,522,989	(13,577,122)	10,315,224
Unrealized foreign exchange (gain) loss	(497,923)	86,737	(2,038,079)	1,513,243
Loss (Gain) on disposition of drilling equipment	1,196,940	(859,261)	4,869,928	(4,729,399)
Equity-settled share-based payments	58,345	150,714	876,859	771,800
Finance expense	641,842	1,307,557	3,471,589	4,232,462
Provision for bad debts	179,251	157,626	217,658	1,170,332
Provision for inventory obsolescence	540,466	-	540,466	-
Impairment loss on goodwill and intangible assets	-	15,000,000	13,823,514	15,000,000
Amortization of deferred income	(33,333)	(33,333)	(133,332)	(133,332)
Change in non-cash working capital	8,064,609	7,513,135	50,814,700	(24,363,823)
Cash generated from operating activities	17,593,823	36,055,790	64,660,664	57,899,330
Interest paid	(780,363)	(1,387,623)	(3,119,874)	(4,167,669)
Income taxes received (paid)	1,540,046	(10,982,658)	(237,643)	(12,381,716)
Net cash from operating activities	18,353,506	23,685,509	61,303,147	41,349,945
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	1,436,669	6,813,423	4,759,662	17,562,375
Acquisition of drilling and other equipment	(873,270)	(12,520,840)	(18,028,835)	(68,282,231)
Acquisition of intangible assets	(269,343)	(1,172,562)	(8,131,382)	(9,703,989)
Change in non-cash working capital	(2,136,796)	(10,891,336)	(5,595,856)	(2,514,455)
Net cash used in investing activities	(1,842,740)	(17,771,315)	(26,996,411)	(62,938,300)
Cash flows from financing activities:				
Proceeds from issuance of share capital	68,369	1,126,691	34,379,712	10,578,496
Dividends paid to shareholders	(137,166)	(7,382,944)	(12,817,698)	(29,190,931)
Proceeds from (Repayment of) loans and borrowings	(10,000,000)	(4,761,100)	(44,280,800)	32,238,900
Payments under finance leases	(2,553)	(43,165)	(95,411)	(186,721)
Proceeds from (Repayment of) operating facility	(302,930)	(1,279,911)	(5,503,176)	5,503,176
Net cash from (used in) financing activities	(10,374,280)	(12,340,429)	(28,317,373)	18,942,920
Net increase (decrease) in cash and cash equivalents	6,136,486	(6,426,235)	5,989,363	(2,645,435)
Cash and cash equivalents, beginning of period	2,871,322	9,444,680	3,018,445	5,663,880
Cash and cash equivalents, end of period	\$ 9,007,808	\$ 3,018,445	\$ 9,007,808	\$ 3,018,445