



PRESS RELEASE
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TSX - PHX

PHX ENERGY SERVICES CORP. REPORTS FINANCIAL AND OPERATIONAL RESULTS FOR THE THREE AND SIX-MONTH PERIODS ENDING JUNE 30, 2011

Despite a prolonged spring break-up period, PHX Energy Services Corp. ("PHX Energy") generated a record level of activity and revenue for a second quarter in all of its operating regions, being Canada, the US and international locations. For the three-month period ended June 30, 2011, the Corporation reported consolidated revenue of \$45.3 million as compared to \$36.6 million in the 2010-quarter; a 24 percent increase. EBITDA, also a second quarter record for the Corporation, increased by 12 percent to \$5.2 million in the 2011 three-month period as compared to \$4.6 million in 2010.

International operations, led by growth in Albania and Peru, represented 11 percent of consolidated revenue in the second quarter of 2011 (2010 – 7 percent). This is expected to increase in the current year with Russian operations experiencing the first full year of activity and Colombian operations commencing in the third quarter.

It is anticipated that activity levels will continue to increase, and as a result, the Corporation has increased its capital expenditure budget by \$18.5 million to \$66.3 million, to finance an additional 20 positive pulse measurement while drilling ("MWD") systems and related equipment. These expenditures are expected to be financed by cash flow from operations, and the issuance of long-term debt or equity, if required. The Corporation's objective will be to retain a strong balance sheet and working capital position moving forward. After these MWD system additions, PHX Energy will have a fleet of 220 guidance systems.

The Corporation continued its policy of paying dividends to its shareholders, and in the 2011-quarter \$0.12 per share was paid out or \$3.1 million.

PHX Energy ended the second quarter with long-term debt of \$38.5 million and working capital of \$19.1 million.

Effective January 1, 2011, PHX Energy began reporting its financial results in accordance with international financial reporting standards ("IFRS"). Prior year comparative amounts have been changed to reflect results as if the Corporation had always prepared its financial results using IFRS.

Financial Highlights

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

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Operating Results	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Revenue	45,336	36,585	24	108,484	79,799	36
Net earnings	424	2,339	(82)	4,307	5,112	(16)
Earnings per share – diluted	0.01	0.09	(89)	0.15	0.19	(21)
EBITDA ⁽¹⁾	5,182	4,634	12	14,452	9,827	47
EBITDA per share – diluted ⁽¹⁾	0.18	0.17	6	0.51	0.37	38
Cash Flow						
Cash flows from operating activities	7,437	5,072	47	7,653	9,058	(16)
Funds from operations ⁽¹⁾	4,277	3,554	20	13,797	9,337	48
Funds from operation per share – diluted ⁽¹⁾	0.15	0.13	15	0.49	0.35	40
Dividends paid	3,099	3,028	2	6,211	6,024	3
Dividends per share ⁽²⁾	0.12	0.12	-	0.24	0.24	-
Capital Expenditures	11,242	12,262	(8)	21,408	17,882	20
Financial Position <i>(unaudited)</i>				June 30, '11	Dec. 31, '10	
Working capital				19,108	34,240	(44)
Long-term debt				30,800	36,000	(14)
Shareholders' equity				101,933	101,814	-
Common shares outstanding				27,886,023	27,539,373	1

⁽¹⁾ Refer to non-GAAP measures section.

⁽²⁾ Dividends made by the corporation on a per share basis in the period.

Non-GAAP Measures

PHX Energy uses certain performance measures throughout this document that are not recognizable under International Financial Reporting Standards ("GAAP"). These performance measures include earnings before interest, taxes, depreciation and amortization ("EBITDA"), EBITDA per share, funds from operations and funds from operations per share. Management believes that these measures provide supplemental financial information that is useful in the evaluation of the Corporation's operations. 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

Certain statements and information contained in this document and other continuous disclosure documents of the Corporation referenced herein, including statements related to the Corporation's capital expenditures, projected growth, view and outlook toward future oil and natural gas commodity prices and activity levels, cash dividends, customer pricing, future market opportunities, possible expansion of international operations and other statements and information that contain the words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions relating to matters that are not historical facts constitute "forward-looking information" within the meaning of applicable Canadian securities legislation.

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:

- It is anticipated that activity levels will continue to increase, and as a result, the Corporation has increased its capital expenditure budget by \$18.5 million to \$66.3 million, to finance an additional 20 positive pulse measurement while drilling ("MWD") systems and related equipment. These expenditures are expected to be financed by cash flow from operations, and the issuance of long-term debt or equity, if required. The Corporation's objective will be to retain a strong balance sheet and working capital position moving forward. After these MWD system additions, PHX energy will have a fleet of 220 guidance systems.
- The percent of revenue represented by international operations is expected to increase in the current year with Russian operations experiencing the first full year of activity and Colombian operations commencing in the third quarter.
- The Corporation has implemented several cost reduction strategies that are expected to improve its margins and profitability in upcoming quarters.
- It is anticipated that the Corporation has the potential for even further growth in Albania in upcoming periods.

- The Corporation's Peruvian activity is expected to increase in upcoming quarters.
- PHX Energy believes the issues with the RWD tools that were experienced in Russia may be resolved as testing of an improved design is showing positive results, however, more wells will need to be drilled with the tools prior to activity in this region returning to forecasted levels in upcoming quarters.
- The Corporation expects to commence horizontal and directional operations in Colombia in the third quarter of 2011, initially with a four concurrent job capacity.
- At June 30, 2011, the Corporation had on order a remaining 26 positive pulse MWD systems five of which are expected to be delivered during the third quarter, with the remaining systems to be added in the fourth quarter.
- Due to increases in forecasted customer demand, an additional 20 positive pulse MWD systems have been ordered, eight of which will be deployed in the latter part of the fourth quarter and the remaining 12 in the first half of 2012. At the end of 2011, the Corporation expects to have a fleet of 208 MWD systems, which would include seven RWD systems, majority of which will be deployed in the Russian market.
- Management believes future activity levels will be strong and that operators' drilling programs that were delayed as a result of the wet conditions will not be reduced, but rather resumed as planned in future periods.
- The percentage of horizontal drilling applications continues to trend upward, currently greater than 70 percent of wells drilled in North America, and is expected to remain on the rise.
- The increase to the 2011 capital expenditures budget to manufacture additional MWD systems and performance drilling motors is reducing the need for rental equipment as intended and will bode well in the remainder of the year.
- PHX Energy is currently planning for fleet expansion to equip its operations for the first quarters of 2012, based on the continued belief that robust horizontal drilling will be ongoing.
- Initiatives and processes have been implemented as part of the Corporation's internal optimization program and PHX Energy has started to realize the benefits of these. However, this is a long-term goal and takes time and discipline to see the full results.
- Additional experienced marketing and operating personnel were brought on-board in the US Gulf Coast region and growth in operating days and revenue are forecasted to result.
- Another area where PHX Energy has the potential to significantly grow market share is its international operations, and the Corporation believes the high quality services it is providing to these areas will aide in achieving this goal.

- PHX Energy anticipates that future quarters will continue to set new benchmarks as it focuses on expanding in the US and its international markets, and the Corporation is committed to improve profitability by utilizing its capital expenditures program to reduce rentals and by implementing cost reduction strategies.

The above are stated under the headings: "Financial Highlights", "Operating Costs and Expenses" "Revenue", "Cash Requirements for Capital Expenditures", and "Outlook".

In addition to other factors 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: 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 ability to obtain financing on acceptable terms, 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 assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

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

Revenue

<i>(Stated in thousands of dollars)</i>	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Revenue	45,336	36,585	24	108,484	79,799	36

Despite an extended wet break-up period in Canada, PHX Energy continued to realize strong growth in oil well and liquid rich gas drilling in Canada and the US, and in oil well drilling internationally; as a result the Corporation reported record second quarter consolidated revenue. For the three-month period ended June 30, 2011, PHX Energy generated revenue of \$45.3 million as compared to \$36.6 million in the corresponding 2010-period; an increase of 24 percent. US and international revenue as a percentage of total consolidated revenue was 51 and 11 percent, respectively, for the 2011-quarter as compared to 57 and 7 percent in 2010. Consolidated operating days increased by 9 percent to a second quarter record of 4,105 days in 2011 as compared to 3,759 in the 2010-quarter. Consolidated day rates on average for the three-month period ended June 30, 2011

increased by approximately 13 percent to \$11,044 from \$9,732 in light of stronger customer demand and a greater amount of international work which commands a higher day rate.

The trend towards increased horizontal and directional drilling activity has continued. In the 2011-quarter, industry horizontal and directional drilling activity (as measured by drilling days in Canada and rigs running per day in the US) represented approximately 90 percent of the total drilling activity in Canada and 69 percent in the US. This compared to 82 percent and 67 percent respectively in the 2010-period. (Sources: Daily Oil Bulletin and Baker Hughes)

For the six-month period ended June 30, 2011, consolidated revenue increased by 36 percent to \$108.5 million from \$79.8 million for the comparable 2010-period. Consolidated operating days for the six-month period ended June 30, 2011 increased by 22 percent to 10,170 days as compared to 8,317 days in the corresponding 2010-period.

Operating Costs and Expenses

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Direct costs	37,805	30,492	24	87,811	64,938	35
Depreciation & amortization	3,873	2,673	45	7,575	5,172	46
Gross profit as percentage of revenue excluding depreciation & amortization	25	24	-	26	25	-

Direct costs are comprised of field and shop expenses, and under the new IFRS standards, include depreciation and amortization on the Corporation's equipment. For the three-month period ended June 30, 2011, direct costs increased 24 percent to \$37.8 million from \$30.5 million in the 2010-quarter. Excluding depreciation and amortization, gross profit as a percentage of revenue was 25 percent for 2011-quarter as compared to 24 percent in the comparable 2010-period. For the six-month period ended June 30, 2011, direct costs increased 35 percent to \$87.8 million from \$65.0 million in the 2010-period and gross profit as a percentage of revenue for the period (excluding depreciation and amortization) was 26 percent as compared to 25 percent in 2010.

The overall improvement in margins in both three and six-month periods in 2011 is due to higher average day rates achieved from PHX Energy's strong North American activity and from growing international operations. One of the key directives of the Corporation has been to enhance its profitability through the reduction of third party equipment rentals, wherever possible, and this was achieved in the second quarter through the Corporation's past capital expenditure program that allowed for deployment of a greater amount of owned down hole equipment. The Corporation's third party equipment rentals for the three-month period ended June 30, 2011 were only 3 percent of consolidated revenue as compared to 5 percent in the corresponding 2010-period.

The Corporation has implemented several cost reduction strategies that are expected to improve its margins and profitability in upcoming quarters.

Depreciation and amortization for the three-month period ended June 30, 2011 increased by 45 percent to \$3.9 million as compared to \$2.7 million in the 2010-quarter. For the six-month period ended June 30, 2011, depreciation and amortization increased by 46 percent to \$7.6 million from \$5.2 million in 2010. The increase in both periods is the result of the Corporation's large capital expenditure programs in 2010 and 2011.

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Selling, general and administrative ("SG&A") costs	7,028	3,761	87	14,503	9,446	54
Stock-based compensation	689	(732)	194	1,484	327	354
SG&A costs excluding stock-based compensation as a percentage of revenue	14	12	-	12	11	-

Selling, general and administrative ("SG&A") costs for the three-month period ended June 30, 2011 increased by 87 percent to \$7.0 million as compared to \$3.8 million in 2010. Included in SG&A costs under IFRS disclosures are stock-based compensation costs of \$0.7 million in the 2011-quarter as compared to a recovery of \$0.7 million in the 2010 comparable period. Excluding these costs, SG&A costs as a percent of consolidated revenue for the three-month period ended June 30, 2011 were 14 percent compared to 12 percent in 2010.

For the six-month period ended June 30, 2011, SG&A costs increased by 54 percent to \$14.5 million as compared to \$9.4 million in 2010. Excluding stock-based compensation costs of \$1.5 million in the 2011 six-month period and \$0.3 million in the corresponding 2010-period, SG&A costs as a percentage of consolidated revenue were 12 percent and 11 percent, respectively.

The increase in SG&A costs in both 2011-periods is generally due to payroll related costs associated with the increased activity and additional organizational expenses with respect to the expansion of PHX Energy's international operations. Stock-based compensation costs increased in the 2011-periods due in part to an option issue in May 2011. In addition in the 2010 three-month period, a large credit adjustment to the fair value of options previously reported was made as the result of IFRS accounting.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Research and development expense	527	524	1	1,090	971	12

Research and development ("R&D") expenditures charged to net earnings during each of the three-month periods ended June 30, 2011 and 2010 were \$0.5 million. In addition during the same 2011-period, \$0.4 million (2010 - \$0.2 million) were capitalized as development costs on certain projects.

For the six-month period ended June 30, 2011, R&D expenditures of \$1.9 million were incurred of which \$0.8 million were capitalized as deferred development costs. R&D expenditures for the six-month period ended June 30, 2010 were \$1.4 million, of which \$0.4 million were capitalized.

PHX Energy continues to focus on its mandate to provide leading edge technologies to its clients.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Finance expense	510	98	420	941	161	484

Finance expenses relate to interest charges on the Corporation's long-term and short-term bank facilities. For the three-month period ended June 30, 2011, finance charges increased to \$0.5 million from \$0.1 million in the 2010-period. Finance charges increased to \$0.9 million in the six-month period ended June 30, 2011 from \$0.2 million in the corresponding 2010-period. In order to fund PHX Energy's extensive capital expenditure programs in 2010 and 2011 additional long-term debt was incurred.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Other income	1,331	154	n.m.	1,813	547	231

n.m. – not meaningful

For the three-month period ended June 30, 2011, other income of \$1.3 million is represented by gains on disposition of drilling equipment of \$1.3 million (2010 - \$121,000) and a foreign exchange gain of \$32,000 (2010 - \$33,000). Other income for the six-month period ended June 30, 2011 of \$1.8 million is represented by gains on disposition of drilling equipment of \$1.5 million and a foreign exchange gain of \$0.3 million, whereas in the 2010 six-month period it is represented entirely from a gain on disposition of drilling equipment of \$0.5 million. The dispositions of drilling equipment relate primarily to equipment lost in well bores that are uncontrollable in nature. The gain reported is net of any asset retirements that are made before the end of the equipment's useful life and self-insured down hole equipment losses, if any. Gains typically result from insurance programs undertaken whereby proceeds for the lost equipment are at current replacement values, which are higher than the respective equipment's book value. There was a higher occurrence of losses in both the 2011-periods as compared to 2010.

The foreign exchange gain in the 2011-periods were due to the impact of a strengthening Canadian dollar and the re-valuation of Canadian denominated inter-company loans held in foreign subsidiaries.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Other expense	(2)	-	n.m.	15	336	n.m.

n.m. – not meaningful

Other expense for the three-month period ended June 30, 2011 is represented entirely by a small bad debt recovery of \$2,000 (2010 - \$nil). For the six-month period ended June 30, 2011, other expense is represented by a bad debt provision of \$15,000 as compared to a foreign exchange loss of \$336,000 in the 2010 period, that resulted from fluctuations in the US-CDN exchange rates in that period.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Provision for (Recovery of) income taxes	374	(476)	n.m.	1,629	(619)	n.m.

n.m. – not meaningful

The provision for income taxes for the three-month period ended June 30, 2011 was \$0.4 million as compared to a recovery of income taxes of \$0.5 million in the 2010-period. For the six-month period ended June 30, 2011, the provision for income taxes was \$1.6 million as compared to a recovery of income taxes of \$0.6 million in 2010. The expected combined federal and provincial tax rate for 2011 is 26.5 percent. The provisions are higher in both 2011-periods due to prior period tax adjustments and the non-deductibility of stock-based compensation costs. Previously in 2010 as an income trust, the Corporation was entitled to deduct its distributions from its taxable income and that resulted in the recovery in both those periods.

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

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Net earnings	424	2,339	(82)	4,307	5,112	(16)
Earnings per share – diluted	0.01	0.09	(89)	0.15	0.19	(21)
EBITDA	5,182	4,634	12	14,452	9,827	47
EBITDA per share – diluted	0.18	0.17	6	0.51	0.37	38
EBITDA as a percentage of revenue	11	13		13	12	

EBITDA as a percentage of revenue decreased to 11 percent in the three-month period ended June 30, 2011 from 13 percent in the corresponding 2010-period, due to higher overall profitability in the 2010-quarter.

Segmented Information:

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

Canada

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Revenue	17,069	13,075	31	55,014	37,815	45
Reportable segment profit (loss) before tax	(337)	(536)	(37)	7,021	2,740	156

Despite a prolonged break-up period in 2011 due to wet weather, Canadian revenue and activity reached record levels for a second quarter. For the three-month period ended June 30, 2011, revenue in Canada increased by 31 percent to \$17.1 million as compared to \$13.1 million in the corresponding 2010-period. PHX Energy's drilling days in the second quarter increased by 8 percent to 1,410 days as compared to 1,305 in the 2010-period. In light of the increased activity and due to the presence of a higher proportion of horizontal gamma jobs, average day rates increased in the 2011-quarter from the 2010-quarter.

In the Canadian industry, horizontal and directional drilling activity, as measured by drilling days, for the three-month period ended June 30, 2011 decreased by 11 percent to 17,907 days as compared to 20,185 days in the 2010-period. (Source: Daily Oil Bulletin) PHX Energy's horizontal oil well drilling activity in Canada for the three-month period ended June 30, 2011 represented approximately 83 percent of its overall Canadian activity, compared to 78 percent in 2010. The Corporation's activity was hampered in June by wet weather in southeastern Saskatchewan as well as northern Alberta. PHX Energy's most active areas in the 2011-quarter were in the Cardium, Pekisko, Viking and the Montney in northwestern Alberta.

PHX Energy's Canadian revenue increased by 45 percent to \$55.0 million for the six-month period ended June 30, 2011 from \$37.8 million in the comparable 2010-period. The number of horizontal and directional operating days realized in the Canadian industry during the six-month period ended June 30, 2011 increased by 32 percent to 57,888 days as compared to 43,745 days in 2010. (Source: Daily Oil Bulletin) In comparison, the Corporation's Canadian drilling days increased by 26 percent to 4,939 days in the six-month period ended June 30, 2011 from 3,915 days in 2010. Oil well drilling activity represented approximately 76 percent of PHX Energy's Canadian activity for the six-month period ended June 30, 2011 as compared to 68 percent in 2010.

Reportable segment loss before tax for the three-month period ended June 30, 2011 decreased to \$0.3 million from \$0.5 million in the 2010-quarter. Due to spring break-up, these loss results are usually expected. For the six-month period ended June 30, 2011, reportable segment profit before tax increased by 156 percent to \$7.0 million from \$2.7 million in 2010. The large increase is due to higher activity and margin levels in the six-month 2011-period.

United States

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Revenue	23,205	21,002	10	43,003	37,434	15
Reportable segment profit before tax	1,888	1,999	(6)	942	2,485	(62)

Phoenix USA reported revenue of \$23.2 million for the three-month period ended June 30, 2011 as compared to \$21.0 million in the 2010-quarter; an increase of 10 percent. Prolonged wet weather delayed rig movement in the northeastern US, which adversely affected the US Division's activity levels in the second quarter of 2011, however overall US revenue and activity were still second quarter records. For the three-month period ended June 30, 2011, Phoenix USA's operating days increased by 1 percent to 2,291 days as compared to 2,273 days in the corresponding 2010-period. Due to the increased demand for services, average day rates increased by approximately 10 percent in the 2011 three-month period as compared to the corresponding 2010-quarter.

US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, increased by 25 percent to 1,266 rigs in the second quarter of 2011 from 1,010 rigs in 2010. (Source: Baker Hughes) Phoenix USA is currently realizing stronger levels of activity due to its presence in the Bakken oil play, increased operations in the northeast including the Marcellus shale, and the restructuring of the marketing department in the Gulf Coast region. Due to the impact of wet weather in the US Bakken, oil well drilling activity declined slightly in the 2011-quarter as compared to 2010. Approximately 27 percent of Phoenix USA's overall activity, as measured by operating days, in the three-month period ended June 30, 2011 was oil well drilling as compared to 28 percent in the 2010-period.

US revenue for the six-month period ended June 30, 2011 increased by 15 percent to \$43.0 million from \$37.4 million in the comparable 2010-period. US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, increased by 30 percent for the six-month period ended June 30, 2011 to 1,236 rigs as compared to 950 rigs in the comparable 2010-period. For the six-month period ended June 30, 2011, horizontal and directional drilling activity in the US represented approximately 70 percent as compared to 67 percent in the 2010-period. (Source: Baker Hughes) The Corporation's US operating days increased by approximately 8 percent to 4,402 days in the six-month period ended June 30, 2011 from 4,078 days in 2010.

Reportable segment profit before tax for the three-month period ended June 30, 2011 decreased by 6 percent to \$1.9 million from \$2.0 million in the 2010-period. For the six-month period ended June 30, 2011, reportable segment profit before tax decreased by 62 percent to \$0.9 million from \$2.5 million in 2010. The decline in the six-month period was due to reduced margins that were caused by lower than expected activity levels, higher labour costs and third party equipment levels in the first quarter of 2011. Currently, the Corporation has seen an increase in activity levels in all US regions from first and second quarter.

International

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Revenue	5,062	2,508	102	10,467	4,550	130
Reportable segment profit before tax	883	752	17	2,235	2,027	10

Revenue generated from PHX Energy's international operations for the three-month period ended June 30, 2011 increased by 102 percent to a second quarter record of \$5.1 million from \$2.5 million in the 2010-quarter. International operating days were also a second quarter record, increasing from 181 in 2010 to 404 in 2011; an increase of 123 percent. The Corporation generated 11 percent of its consolidated revenue from international operations in the 2011 three-month period, (2010 – 7 percent) and PHX Energy expects this segment to continually grow. For the six-month period ended June 30, 2011, revenue increased by 130 percent to \$10.5 million as compared to \$4.6 million in 2010. Operating days for the same period increased from 324 in 2010 to 829 in 2011; a 156 percent increase.

With a fourth rig added in the latter part of the second quarter, the Corporation's Albanian activity continues to rise. Since the commencement of operations in Albania, PHX Energy has successfully drilled in excess of 110 wells. The Corporation's on location presence in Albania continues to expand with 40 staff and the continued operation of its full service motor and MWD repair facility in Fier. It is anticipated that the Corporation has the potential for even further growth in Albania in upcoming periods.

Peruvian operating days increased substantially in the three-month period ended June 30, 2011, although Phoenix TSP's activity was not as strong as in the first quarter of 2011. Currently, the Corporation has a job capacity of four full service jobs. The Corporation's activity is expected to increase in upcoming quarters.

Phoenix TSR currently has a concurrent job capacity of five in Russia. In the first quarter and second quarters of 2011, revenues were not as high as expected due to some operational equipment issues that occurred with the new RWD tool. PHX Energy believes these issues may be resolved as testing of an improved design is showing positive results, however, more wells will need to be drilled with the tools prior to activity in this region returning to forecasted levels in upcoming quarters.

There have been slight delays in getting equipment into Colombia. The Corporation expects to commence horizontal and directional operations in this region in the third quarter of 2011, initially with a four concurrent job capacity.

For the three-month period ended June 30, 2011, reportable segment profit before tax increased by 17 percent to \$0.9 million from \$0.8 million in the corresponding 2010-period. Reportable segment profit for the six-month period ended June 30, 2011 was \$2.2 million as compared to \$2.0 million in 2010; a 10 percent increase. Despite the large pick-up in activity led by Albania, the increase in international profit was lower than expected as a result of the start-up of Colombia and the lower than expected activity levels in Russia.

Investing Activities

Net cash used in investing activities for the three-month period ended June 30, 2011 was \$8.1 million as compared to \$8.4 million in 2010. The Corporation added \$11.2 million in capital equipment as compared to \$12.3 million in the 2010-quarter. These 2011 expenditures included:

- \$5.2 million in down hole performance drilling motors;
- \$3.7 million in MWD systems and spare components;
- \$1.2 million in non-magnetic drill collars;
- \$0.3 million in machinery and equipment for global service centres; and
- \$0.8 million in other assets, including deferred development costs of \$0.4 million.

The capital expenditure program undertaken in the 2011-quarter was financed from a combination of cash flow from operations, long-term debt and working capital.

The Corporation realized proceeds from the involuntary disposal of drilling equipment in well bores of \$2.0 million in the three-month period ended June 30, 2011 as compared to \$1.0 million in 2010.

During the second quarter of 2011, PHX Energy's job capacity increased by 15 concurrent jobs to 174, through the addition of positive pulse MWD systems. As at June 30, 2011, the Corporation's MWD fleet consisted of 108 positive pulse MWD systems, 59 current loop telemetry ("CLT") electromagnetic ("EM") MWD systems, and seven RWD systems. Of these, 91 MWD systems were deployed in Canada, 67 in the US, eight in Russia and four in both Peru and Albania.

At June 30, 2011, the Corporation had on order a remaining 26 positive pulse MWD systems five of which are expected to be delivered during the third quarter, with the remaining systems to be added in the fourth quarter. Due to increases in forecasted customer demand, an additional 20 positive pulse MWD systems have been ordered, eight of which will be deployed in the latter part of the fourth quarter and the remaining 12 in the first half of 2012. At the end of 2011, the Corporation expects to have a fleet of 208 MWD systems, which would include seven RWD systems, majority of which will be deployed in the Russian market.

Financing Activities

The Corporation reported cash flows from financing activities of \$2.4 million for the three-month period ended June 30, 2011 as compared to \$1.5 million in 2010. In the 2011-quarter:

- the Corporation paid dividends of \$3.1 million to shareholders, or \$0.12 per share;
- through its option program the Corporation received cash proceeds of \$0.5 million from exercised options to acquire 34,261 common shares of the Corporation; and
- the Corporation received proceeds from its bank overdraft revolving facility and extendible revolving facility of an aggregate of \$5.0 million.

Capital Resources

As at June 30, 2011, the Corporation had access to a bank overdraft revolving facility of up to \$10.0 million and PHX Energy also had access to a \$60.0 million, 364-day extendible revolving facility with its bank. This extendible facility is renewable at the option of the lender. Should this facility not be extended, outstanding amounts will be transferred to a two-year term facility repayable at 1/10 of the amount outstanding for seven quarters with the remaining balance paid on the eighth quarter.

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 2011 capital budget has been revised to \$66.3 million subject to further 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 2011, 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

PHX Energy is pleased to report a number of second quarter milestones, including record revenue and operating days for any quarter in this period; in spite of a longer than expected break-up period related to adverse weather conditions that persisted in a number of our operating areas. Management believes future activity levels will be strong and that operators' drilling programs that were delayed as a result of the wet conditions will not be reduced, but rather resumed as planned in future periods.

The percentage of horizontal drilling applications continues to trend upward, currently greater than 70 percent of wells drilled in North America, and is expected to remain on the rise. This trend, coupled with PHX Energy's superior service performance, is creating greater demand for the Corporation's services and, as a result, has stretched previous and current operating capacity. The increase to the 2011 capital expenditures budget to manufacture additional MWD systems and performance drilling motors is reducing rentals as intended and will bode well in the remainder of the year. Additionally, PHX Energy is currently planning for fleet expansion to equip its operations for the first quarters of 2012, based on the continued belief that robust horizontal drilling will be ongoing.

The Corporation is focusing on gaining market share in lucrative regions within its operations. One such region is the US Gulf Coast, where not only is there one of the highest concentrations of drilling rigs in the world but also the bulk of these rigs are utilizing horizontal drilling techniques. Additional experienced marketing and operating personnel were brought on-board in this region and growth in operating days and revenue are forecasted to result. With the US still being the largest drilling market in the world, every percent of market share PHX Energy can gain creates a large upside for the Corporation. Another area where PHX Energy has the potential to significantly grow market share is its international operations, and the Corporation believes the high quality services it is providing to these areas will aide in achieving this goal.

PHX Energy's remains committed to improving margins and providing sector leading profitability. Initiatives and processes have been implemented as part of the Corporation's internal optimization program and PHX Energy has started to experience the benefits of these. However, this is a long-term goal and takes time and discipline to see the full results. Nevertheless, we are satisfied with the initial results of the efforts that have been completed and are ongoing.

PHX Energy anticipates that future quarters will continue to set new benchmarks as it focuses on expanding in the US and its international markets, and the Corporation is committed to improve profitability by utilizing its capital expenditures program to reduce rentals and by implementing cost reduction strategies.



John Hooks
Chairman of the Board,
President and Chief Executive Officer
August 3, 2011

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:

<i>(Stated in thousands of dollars)</i>	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2011	2010	2011	2010
Net earnings	424	2,339	4,307	5,112
Add (deduct):				
Depreciation and amortization	3,873	2,673	7,575	5,172
Provision of (Recovery of) income taxes	375	(476)	1,629	(618)
Finance expense	510	98	941	161
EBITDA as reported	5,182	4,634	14,452	9,827

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:

<i>(Stated in thousands of dollars)</i>	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2011	2010	2011	2010
Cash flows from operating activities	7,437	5,072	7,653	9,058
Add (deduct):				
Changes in non-cash working capital	(3,989)	(1,673)	4,474	(168)
Interest paid	722	62	1,100	97
Income taxes paid	107	93	570	350
Funds from operations	4,277	3,554	13,797	9,337

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

About PHX Energy Services Corp.

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

PHX Energy's Canadian operations were 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. 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; and Casper, Wyoming. In addition, sales offices are located in Denver, Colorado; Fort Worth, Texas; Midland, Texas; Buckhannon, West Virginia; Pittsburgh, Pennsylvania; and Oklahoma City, Oklahoma. PHX Energy has sales offices and service facilities in Peru and Russia, and a service facility in Albania. The Corporation has also recently established a sales and service facility in Bogota, Colombia.

On December 31, 2010, Phoenix Technology Income Fund (the "Fund") completed its conversion from an income trust to a dividend paying corporation pursuant to a Plan of Arrangement (the "Arrangement") under section 193 of the Business Corporations Act (Alberta) involving; PHX Energy, the Fund, Phoenix Commercial Trust, Phoenix Technology Services Inc., Phoenix Technology Management Ltd., 1108287 Alberta Ltd., Phoenix Technology Services LP., Phoenix Technology Management Services LP and security holders of the Fund. Pursuant to the Arrangement, among other things, all of the issued and outstanding units of the Fund were exchanged for common shares of PHX Energy on a one for one basis, and all of the subsidiaries (whether directly or indirectly owned) and operating businesses of the Fund became subsidiaries and operating businesses of PHX Energy.

The common shares of PHX Energy trade on the Toronto Stock Exchange under the symbol PHX. Prior to the conversion of the Fund to a Corporation at December 31, 2010, distributions were paid to unitholders of the Fund. Previous historical references to "unitholders", "cash distributions", "trust units" and "per unit" have been replaced by "shareholders", "dividends", "common shares" or "shares" and "per share" respectively where relevant.

For further information please contact:
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Condensed Consolidated Statements of Financial Position

(unaudited)

	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,023,971	\$ 8,625,532
Trade and other receivables	43,561,672	50,314,306
Inventories	13,273,250	9,895,473
Prepaid expenses	4,220,469	4,046,408
Current tax assets	363,729	298,064
Total current assets	67,443,091	73,179,783
Non-current assets:		
Property, plant and equipment	102,704,525	91,864,042
Goodwill	8,876,351	8,876,351
Deferred tax assets	1,493,071	2,368,706
Intangible assets	200,347	280,486
Total non-current assets	113,274,294	103,389,585
Total assets	\$ 180,717,385	\$ 176,569,368
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank overdraft	\$ 8,627,154	\$ -
Trade and other payables	30,979,007	37,886,506
Dividends payable	1,029,407	1,053,645
Loans and borrowings	7,700,000	-
Total current liabilities	48,335,568	38,940,151
Non-current liabilities:		
Loans and borrowings	30,800,000	36,000,000
Total non-current liabilities	30,800,000	36,000,000
Equity:		
Share capital	95,297,990	90,876,458
Contributed surplus	5,158,296	5,156,078
Retained earnings	4,303,264	6,515,269
Accumulated other comprehensive income	(2,826,825)	(733,736)
Total equity attributable to equity holders of the Company	101,932,725	101,814,069
Non-controlling interests	(350,908)	(184,852)
Total equity	101,581,817	101,629,217
Total liabilities and equity	\$ 180,717,385	\$ 176,569,368

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2011	2010	2011	2010
Revenue	\$ 45,336,295	\$ 36,584,656	\$ 108,483,741	\$ 79,799,011
Direct costs	37,804,593	30,491,601	87,811,345	64,937,706
Gross profit	7,531,702	6,093,055	20,672,396	14,861,305
Expenses:				
Selling, general and administrative	7,028,155	3,761,423	14,502,900	9,445,593
Research and development expenses	527,493	524,470	1,089,931	971,474
Finance expense	510,281	98,285	941,489	161,436
Other income	(1,330,769)	(154,292)	(1,812,870)	(547,027)
Other expense	(1,974)	-	15,360	336,218
	6,733,186	4,229,886	14,736,810	10,367,694
Earnings before income taxes	798,516	1,863,169	5,935,586	4,493,611
Provision for (Recovery of) income taxes				
Current	310,521	8,543	467,757	405,913
Deferred	63,765	(484,102)	1,160,871	(1,024,431)
	374,286	(475,559)	1,628,628	(618,518)
Net earnings	424,230	2,338,728	4,306,958	5,112,129
Other comprehensive income				
Foreign currency translation	(189,030)	985,906	(2,138,824)	411,465
Total comprehensive income for the period	\$ 235,200	\$ 3,324,634	\$ 2,168,134	\$ 5,523,594
Earnings attributable to:				
Equity holders of the company	\$ 517,562	\$ 2,362,541	\$ 4,427,279	\$ 5,208,403
Non-controlling interests	(93,332)	(23,813)	(120,321)	(96,274)
Net earnings	\$ 424,230	\$ 2,338,728	\$ 4,306,958	\$ 5,112,129
Comprehensive income attributable to:				
Equity holders of the company	\$ 272,276	\$ 3,363,278	\$ 2,334,190	\$ 5,614,759
Non-controlling interests	(37,076)	(38,644)	(166,056)	(91,165)
Total comprehensive income for the period	\$ 235,200	\$ 3,324,634	\$ 2,168,134	\$ 5,523,594
Earnings per share – basic	\$ 0.01	\$ 0.09	\$ 0.15	\$ 0.19
Earnings per share- diluted	\$ 0.01	\$ 0.09	\$ 0.15	\$ 0.19

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2011	2010	2011	2010
Cash flows from operating activities:				
Net earnings	\$ 424,230	\$ 2,338,728	\$ 4,306,958	\$ 5,112,129
Adjustments for:				
Depreciation and amortization	3,872,753	2,672,925	7,575,293	5,171,723
Deferred income tax expense (recovery)	63,765	(484,102)	1,160,871	(1,024,431)
Unrealized foreign exchange loss (gain)	17,251	(209,164)	(141,276)	146,824
Gain on disposition of drilling equipment	(1,298,316)	(121,087)	(1,545,804)	(547,027)
Stock-based compensation	689,009	(731,680)	1,484,495	326,595
Finance expense	510,281	98,285	941,489	161,436
Provision for (Recovery of) bad debts	(1,974)	(10,189)	15,360	(10,189)
Change in non-cash working capital	3,988,435	1,673,869	(4,474,348)	168,032
Cash generated from operating activities	8,265,434	5,227,585	9,323,038	9,505,092
Interest paid	(722,158)	(62,699)	(1,100,035)	(96,726)
Income taxes paid	(106,293)	(92,771)	(570,081)	(350,412)
Net cash from operating activities	7,436,983	5,072,115	7,652,922	9,057,954
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	1,933,544	958,624	3,257,465	2,283,400
Acquisition of drilling and other equipment	(11,241,586)	(12,262,115)	(21,407,654)	(17,882,017)
Change in non-cash working capital	1,169,336	2,892,153	40,051	3,548,825
Net cash used in investing activities	(8,138,706)	(8,411,338)	(18,110,138)	(12,049,792)
Cash flows from financing activities:				
Proceeds from issuance of share capital	518,605	766,870	2,939,255	1,797,409
Dividends paid to Shareholders	(3,099,068)	(3,028,041)	(6,210,754)	(6,024,186)
Proceeds on (Repayment of) loans and borrowings	2,500,000	(4,000,000)	2,500,000	5,000,000
Proceeds on (Repayment of) bank overdraft facility	2,486,307	7,807,459	8,627,154	3,566,401
Net cash from financing activities	2,405,844	1,546,288	7,855,655	4,339,624
Net increase (decrease) in cash and cash equivalents	1,704,121	(1,792,935)	(2,601,561)	1,347,786
Cash and cash equivalents, beginning of period	4,319,850	5,629,691	8,625,532	2,488,970
Cash and cash equivalents, end of period	\$ 6,023,971	\$ 3,836,756	\$ 6,023,971	3,836,756